Evaluation of Budget 2024

Compliance Measures

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

A revenue-raising Compliance Measure was included in Budget 2024.

The target yield was €120 million.

Yield of €73.5 million was achieved.

Direct additional yield totalling €73.5 million

Share Options Compliance Interventions
€17.5m

CAT Debt Management
€10.8m

Targeted PAYE Compliance Interventions
€12m

EWSS Assurance Project
€30.6m

Online Platform Project
€2.6m

Report authors:
Helen Gilmartin
Mairead McLoughlin
Anne Walsh

Email: statistics@revenue.ie

Publications relating to the evaluation of Budget compliance measures can be found here:
https://revenue.ie/en/corporate/information-about-revenue/research/reviews/index.aspx

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1 Introduction

Budget 2024 included a revenue-raising Compliance Measure totalling €120m among the tax policy changes. Budget Day documentation (10 October 2023) outlined that:
Revenue will conduct a range of targeted compliance management activities in 2024. It is expected that additional Exchequer receipts will arise from increased taxpayer compliance in the areas of

- *eCommerce*
- *Payroll and expenses reporting*
- *Cash/Shadow economy*

A consideration at the time of these projections was that additional VAT/Customs on eCommerce would accrue through the sanctioning of additional resources by DPENDR. It was planned that 60 additional staff would be deployed on eCommerce compliance, however as this resource allocation was not sanctioned for 2024, this project was temporarily postponed.

With the introduction of Enhanced Reporting Requirements for Employers in January 2024 it was anticipated that additional exchequer receipts would be generated from compliance management activities in the area of payroll and expense reporting. However, in order to provide additional support and assistance to employers to adhere to this new regime, a service for compliance approach only was adopted for 2024.

Notwithstanding these required deviations in our strategic plans, Revenue refocused compliance activities across new and existing programmes and significant additional yield for the Exchequer was achieved.

This report describes the targeted projects conducted by Revenue and evaluates the realisation of additional yield. A summary of the results is contained in Table 1.

Table 1: Summary of Budget 2024 Compliance Measures

Measure	Estimated Yield
Share Schemes and Share Based Remuneration	€17.5m
Targeted PAYE Compliance Interventions	€12m
Employment Wage Subsidy Scheme Assurance Project	€30.6m
CAT Debt Management	€10.8m
Online Platforms Project	€2.6m
Total	**€73.50**

Source: Revenue analysis.

This report follows a similar approach to analysis undertaken in respect of compliance measures in previous Budgets.[1] The outcomes of prior years' evaluations are summarised in Table 2.

Table 2: Summary of Evaluations of Budget Compliance Measures

Budget Year	Measure	Target Yield (Full Year)	Estimated Yield
2016	Addressing non-compliance in the oil market	€10m	€35m
	Addressing non-compliance in the construction sector	€20m	€56m
	Deploy enhanced debt analysis tool to reduce tax arrears	€20m	€56m
	Increase resources to confront non-compliance	€25m	€26m
2017	Section 110 and Funds changes	€50m	€63m
	Tackling Offshore tax evasion	€30m	€88m
	Increase resources to confront non-compliance	€50m	€62m
2018	Employer PAYE compliance project	€50m	€77m
	eCommerce/Online business compliance project	€30m	€26m
	Tax avoidance and base erosion capacity	€20m	€20m
2019	Employer PAYE Compliance Implementation	€50m	€65m
2020	Dividend Withholding Tax (DWT) Compliance	€80m	€72m
2023	**Range of Targeted Compliance Projects :**	**€80m**	**€81m**
	Share Schemes and Share Based Remuneration	-	*€18m*
	Preliminary End of Year Reconciliation Project for PAYE Taxpayers	-	*€11m*
	Targeted PAYE Compliance Interventions	-	*€6m*
	Employment Wage Subsidy Scheme Assurance Project	-	*€32m*
	CAT Debt Management	-	*€14m*

Source: Revenue analysis.

[1] Evaluations of older Budget compliance measures are published at https://www.revenue.ie/en/corporate/information-about-revenue/research/reviews/index.aspx.

2 Payroll and Expense Reporting

2.1.1 Enhanced Reporting Requirements (ERR) Overview

Section 9 of the Finance Act 2022 inserted a new section 897C into Chapter 3 Part 38 of the TCA 1997 to provide for employers to submit notifications to Revenue in respect of three specific measures, collectively referred to as "reportable benefits". These reportable benefits are made without the deduction of tax. The reporting aligns to the existing mechanisms used for payroll purposes but is submitted separately from Payroll returns.

All employers are required by virtue of the new Section 897C TCA 1997, to report payments of "reportable benefits" to Revenue on or before the date on which they make such payments. There is no requirement to submit "Nil" notifications where there are no payments to report.

2.1.2 Purpose of ERR

The Enhanced Reporting Requirements project fits with Revenue's Strategic Programmes in the following ways, to:

- Further enhance Revenue's compliance framework and governance obligations.
- Provide increased visibility and assurance to employees.
- Divert resources and contacts away from compliant employers.
- Provide meaningful and effective high-level data for considerations on policy matters by the Department of Finance.

The enhancement of real-time payroll reporting, since the introduction of PAYE Modernisation on 1 January 2019 and Enhanced Reporting Requirements on 1 January 2024, has resulted in tighter controls being implemented by employers, to ensure that taxable payments and untaxed expenses and benefits are treated correctly and reported upon in real-time.

2.1.3 Reportable Benefits

The benefits to be reported are:

(a) a small benefit exemption.

(b) a remote working daily allowance.

(c) a travel and subsistence payment.

There were three channels made available for employers to make ERR submissions,

1. Manually through ROS input screens.
2. Using a direct API (Application Programme Interface).
3. Using a file upload facility.

2.1.4 Additional benefits of ERR

The introduction of the ERR instigated a renewed focus by employers and agents on the provision of untaxed payments to employees. This was demonstrated by the type of queries arising at the webinars conducted in 2023 and 2024 and by subsequent queries received from employers. These queries related to such items as:

- The provision of small benefits to employees and the application of s112B.
- The provision of staff canteens and free meals to staff.
- Staff entertainment expenses.

2.1.5 ERR Compliance

When the requirements came into effect on 1 January 2024, Revenue adopted a phased approach to ERR compliance, beginning with an informational campaign to ensure employers were aware of the requirements and their obligations. In the initial period, almost 40 information sessions were hosted with over 25,000 employers and agents attending, to provide them with help and support in fulfilling their obligations under the new reporting requirements. Ongoing collaboration with stakeholders was a high priority throughout this period, and the co-operation and contribution of employers and agents during the change management process was paramount to its implementation.

Effectively, Revenue operated in a service for compliance mode to assist employers to get it right. It was originally intended that this grace period would run for the first 6 months of 2024 and that thereafter ERR compliance would be considered as a normal part of compliance activities. Fixed penalties would be applicable for failure to make a submission. However, the grace period was extended to cover the whole of 2024 and subsequently compliance activity was postponed until 2025. In summary additional exchequer yield from the introduction of ERR will be analysed over the course of 2025.

2.2 Share Schemes and Share Based Remuneration (SBR)

Share Schemes and Share Based Remuneration (SBR) have increasingly become a key element of remuneration packages provided by certain employers. For Revenue, it is important that both employers providing SBR and employees or directors in receipt of SBR fully understand their obligations to file and pay the relevant taxes in full and on time.

A significant number of amendments to various sections of the TCA 1997 was provided for in the Finance Act (No.2) 2023, establishing that the taxation of a gain realised on the exercise, assignment or release of a right to acquire shares or other assets is moved from self-assessment

to the Pay As You Earn (PAYE) system. This treatment applies to gains realised on or after 1 January 2024. As a result, the employer is responsible for accounting for the Income Tax, Universal Social Charge, and employee's PRSI to the Revenue Commissioners as part of their payroll process.
However, gains realised on the exercise, assignment, or release of a right (share options) to acquire shares or other assets on or before 31 December 2023 remain taxable under self-assessment.

2.2.1 Share Based Remuneration: Compliance Activity

The National Share Options Compliance Project, initiated by Revenue in 2022, continued through 2024 with significant results. The project team undertook many initiatives to develop and enhance awareness for taxpayers.

Alongside efforts to encourage and support taxpayers to meet their filing obligations the project team also carried out appropriate interventions where risks were identified.

The yield from these interventions in 2024 was €17.5 million.

2.3 Targeted PAYE Compliance Interventions

In 2023, the platform on which the PAYE Real Time Risk (RTR) system is built, was redeveloped allowing for a more responsive system when new trends or risks emerge. This new platform replaced an existing PAYE RTR application which was originally introduced in 2013. The new PAYE RTR application provides the functionality to view risk rules created in real time, to turn rules on and off, create and amend rules as well as test rules in a simulator.
6,734 interventions, prompted by the redeveloped PAYE RTR system, were closed in 2024.

These gave rise to a yield of €12 million.

2.4 Employment Wage Subsidy Scheme (EWSS) Compliance

EWSS closed on 30 April 2022 for most employers, with certain employers impacted by public health regulations permitted to claim up to 31 May 2022. On its conclusion, Revenue instigated a final targeted assurance project to pursue the recoupment of any overpayments and provide overall assurance in respect of wage subsidy monies paid over the entirety of the scheme.

As a result of activity under this targeted assurance project in 2024 yield of approximately €30.6 million was achieved.

3 Cash and Shadow Economy

3.1 Collaborative Approach

In 2024 there was a significant increase in the level of work carried out by our shadow economy teams. A forum for collaboration has been established with senior management in Revenue, the Department of Social Protection(DSP) Special Investigation Unit, and the Work Place Commission (WRC) to ensure that our approaches in tackling shadow economy risk are aligned.

Another key element in our approach to addressing shadow economy risk includes multi-agency visits, which are joint operations conducted by Revenue, DSP , WRC and An Garda Síochána. These visits are pre-planned outdoor operations, which identify and target significant risks within the remit of one or more of the agencies, and involve visiting taxpayers at their business premises, interviewing individuals on-site and collecting intelligence, with each agency supporting the work of the others.

3.2 Online Platforms

Enhancing our understanding of risk related to business activities conducted through online platforms remains a key priority for Revenue, and we continue to use taxpayer returns, third party information, intelligence, and other sources available to us, to review compliance within this sector and identify non-compliance indicators.

The use of social media and other online platforms to conduct business activities has become more prevalent in recent years and is, therefore, an emerging area of focus within our annual compliance programme.

3.2.1 Tax Obligations

The tax obligations of those conducting business activities via online platforms are no different from the tax obligations of those operating in any other sector of the economy. As such: self-employed individuals should register as self-assessed taxpayers for income tax purposes and declare their income by filing annual income tax returns and paying the liability due online, through ROS. Where an individual chooses to set up a company to carry on the relevant business activities, the company will be chargeable to corporation tax on the income arising and should report that income in its corporation tax return for the relevant accounting period. Revenue provides clear guidance and information on these matters, to support voluntary compliance within the digital economy.

3.2.2 Compliance Activity on Online Platforms

Enhancing our understanding of risk related to business activities conducted through online platforms remains a key priority for Revenue, and we will continue to use taxpayer returns, third party information, intelligence, and other sources available to us, to review compliance within this sector and identify non-compliance indicators.

A total of 52 interventions in this sector were closed during 2024, with a yield of over €2.6 million.

3.3 Capital Acquisition Tax (CAT) Debt Management

Revenue commenced a CAT Debt Management Project in 2023 which was extended in 2024

CAT is a tax on gifts and inheritances. A person may receive gifts and inheritances up to a set value over their lifetime before having to pay CAT. Once due, it is charged at the current rate of 33% (valid from 6 December 2012). The person who donates the gift or inheritance is called the disponer. The person who receives the gift or inheritance is called the beneficiary. Gifts become inheritances if the disponer dies within two years of giving the gift.

In 2024, Revenue issued a bulk issue notice to 474 taxpayers with a collective balance outstanding of €14.5m. These taxpayers had filed a return for the period 01 September 2022 to 31 August 2023 without payment. The bulk issue realised a high initial response rate, with 37% of taxpayers engaging within three weeks of the letters issuing and €4.4m paid or the subject of a payment arrangement. To the end of 2024, 88% of the contacted taxpayers had engaged.

As a result of Revenue's CAT Debt Management Project, €10.8 million was collected over the course of 2024.

4 Conclusion

This analysis assesses the impact of the Budget 2024 compliance measure and attempts to identify the additional tax that may be attributable to the implementation of targeted compliance and debt management projects during the year.

Revenue actions generated direct additional yield estimated at €73.5 million in 2024:

- €17.5 million from Share Scheme Compliance Interventions.
- €12 million from targeted PAYE Compliance Risk Interventions.
- €30.6 million from EWSS Assurance Project.
- €2.6 million from Online Platforms Project.
- €10.8 million from CAT Debt Management.

In conclusion, the target of €120 million for the Budget 2024 compliance measure has not been met. The eCommerce compliance project was postponed as the additional resources needed to effect this were not sanctioned for 2024. It was envisaged that additional exchequer yield would be generated from Payroll and Expense compliance activity following the introduction of Enhanced Reporting Requirements for Employers in Jan 2024. However, in order to provide additional support and assistance to employers to adhere to this new regime, a service for compliance approach only was adopted for 2024 and compliance activity postponed until 2025.