

Minutes

Indirect TALC Meeting

11.00 Wednesday 23 November 2022

Basement Conference Room, Stamping Building, Dublin Castle

Item 1 – Minutes of previous meetings

As the minutes of the meeting of 5 October 2022 were circulated shortly before the meeting members were given a few more days to review them.

It was noted that minutes of past meetings up to June 2022 are now all online.

Item 2 – Briefing on the Finance Bill

Revenue provided a briefing on Finance Bill 2022 (section numbers reflect the changes made at Dail Report Stage).

- Section 53: Extension of the temporary VAT rate of 9% for supplies of electricity and gas. This reduced rate was due to expire on 31 October 2022 and revert to 13.5%. The 9% rate has been extended to 28 February 2023.
- Section 54: Clarification in respect of the application of VAT to the issue of new stocks, new shares, new debentures or new securities and the entitlement to VAT deductibility.
- Section 55: Introduction of a new requirement for VAT registered traders that commence cross-border trade within the EU. Traders that operate under a domestic VAT registration number will need to inform Revenue where they commence intra-Community trade to allow their registration status to be updated.
- Section 56: Reduction in the farmers' flat-rate addition from 5.5% to 5% with effect from 1 January 2023. The reduction maintains full compensation for farmers under the scheme.
- Section 57: Introduction of powers to allow Revenue to exchange information held by financial institutions with other Member States when requested to do so under Council Regulation 904/2010. This measure ensures that Revenue can fulfil its legal obligations under the Regulation.
- Section 58: Amendment to paragraph 2(3) of Schedule 1 to clarify that the exemption for medical care services only applies when the service is supplied by a medical or healthcare professional who is registered or enrolled in a statutory register in the State.
- Section 59: Clarification in respect of the operation of the VAT exemption for cost sharing groups to make it clear that group members do not have to be fully VAT exempt/non-taxable persons to claim VAT exemption for these services.
- Section 60: Extension of the VAT exemption for fund management to EU based funds. The current exemption is limited to the management of Irish based funds only. The amendment provides that the management of non-Irish EU based funds is also exempt.

The Bill is unlikely to be enacted until late December, so Revenue will allow a 1st January 2023 start date which would mean that no adjustment is needed for 2022.

- Section 61: Removal of the VAT exemption, with effect from 1 March 2023, in respect of the management of section 110 TCA 1997 companies that hold qualifying assets in the form of plant and machinery.

- Section 62: Removal of the VAT exemption for agency services related to fund management. This exemption is not permitted under the EU VAT Directive. It must be deleted to align our domestic legislation with the VAT Directive.
- Section 63: Deletion of the words ‘preparations and extracts derived from milk’ from paragraph 8(1) of Schedule 2. This clarifies the application of the zero-rate of VAT to milk. It ensures that drinks like smoothies and milkshakes are standard rated and not confused with food products derived from milk which are zero-rated.
- Section 64: The application of the zero-rate of VAT from 1 January 2023 to the supply of the following products:
 - Menstrual cups, menstrual pants, and menstrual sponges
 - Automated external defibrillators,
 - Non-oral hormone replacement therapy,
 - Non-oral nicotine replacement therapy and,
 - Newspapers, including e-newspapers.

Item 3 – EU Update

Revenue provided an update on EU matters.

- **VAT in the Digital Age Package**

As discussed at the last meeting, the Commission had originally intended to publish the legislative proposal for the package by mid-November but this has been delayed. It is now expected to be approved by the College of Commissioners on 7 December and published soon after. Detailed work in Council will likely commence early in the New Year, and details will be available once the schedule for Council meetings has been confirmed.

The package will include three strands: a proposal for a Single EU VAT Registration through an extension of the One Stop Shop and an extended Reverse Charge Mechanism; Direct Reporting Requirement/e-invoicing requirements for intra-EU trade; and a ‘deemed supplier’ model for platforms operating in the short-term accommodation and transport sectors. The interaction between this proposal and the SME package to be introduced in 2025 and the current review of the Travel Agents’ Margin Scheme will need to be considered.

- **Travel and Tourism Package**

The Commission are currently carrying out a review of the special scheme for travel agents (TAMS), the VAT treatment of passenger transport, and the operation of the VAT exemption for the supply of goods to non-EU travellers. The purpose of the review is to develop a legislative proposal to ensure a more uniform application of VAT rules to travel and tourism services. They also hope to adapt the rules to acknowledge the digitalisation of the market and to promote the green agenda. They commissioned an economic study to provide data and an evidence-based analysis to feed into the Impact Assessment underpinning a possible proposal. This was discussed at a meeting of the Group on the Future of VAT on 14 October. An overview of the issues and options was presented and Member States were asked to share their initial views. There was a general consensus that these were politically and economically sensitive issues and that, although they are relatively minor areas of VAT legislation, they have major impact that will need to be carefully considered.

Practitioners were asked to consider the proposals in detail because they may have significant consequences for business and they were invited to contact Revenue if there are particular issues that they wish to bring to attention.

Item 4 – Subgroups

All nominations have been received for the VAT Groups subgroup, and its first meeting is scheduled for 17 January.

Not all nominations are yet received for the co-ownerships subgroup, which will commence later next year.

Item 5 – VAT Registration Procedures

Practitioners raised requirements for VAT registration. Issues were raised about companies which had registered for Corporation Tax and subsequently applied for VAT registration and were asked to provide information for a second time. Practitioners asked for the filing of Corporation Tax returns to be accepted as proof of trading.

Revenue noted that there was minimal information required for a domestic VAT registration and that they should be completed within 24 hours. Intra-EU registration require more information because of the danger of VAT fraud. Revenue requested that practitioners could come back with more detail on query, in particular whether the registrations were domestic or intra-EU.

An example was cited of a company which was told that the address of a commercial shared office firm that it uses was not a valid office address when applying for a domestic registration. Revenue asked for information on this to be provided.

Item 6 – VAT 56A Accountant's Certificate

Practitioners raised the issue of the accountant's certification for VAT56 authorisation requests noting that accountants were not in a position to certify such a request. Revenue asked whether the agreed wording had changed or if a different wording was now being used in applications. Practitioners will revert on this.

Item 7 – Scheduling of Future Meetings

Scheduling of Indirect TALC meetings will be aligned with Main TALC and the 2023 meeting dates will be finalised once the dates of Main TALC are available. The first Indirect TALC meeting is likely to be in late January or early February.

Practitioners suggested that a meeting be held around the time of the publication of the Finance Bill (similar to Direct TALC). It was agreed to facilitate this, while aligning with Main TALC's schedule.

Item 8 – Administrative Matters

- A draft note briefly reviewing Indirect TALC's business in 2022 was circulated prior to the meeting. After some additions from this meeting, the finalised note will be sent to Main TALC as required under its Guidelines.
- A work programme for 2023 will be prepared for discussion at the next meeting, and then approval by Main TALC.
- The discussion to finalise the sub-committee's consideration of the procedures document (presented at the October meeting) was deferred until the next meeting..

Item 9 – AOB

- **Indirect TALC chair for 2023**

CCAB-I will nominate the chair for Indirect TALC for 2023 meetings.

- **VAT on Property**

An issue was raised regarding a possible anomaly in the 2-year rule in a situation where a let property is sold to an accountable person within the first 24 months, having been acquired under transfer of business rules. Details will be submitted by Practitioners.

| Action Points | Agenda Item | Responsible | Timescale |
|--|-------------|---------------|--|
| Revert to Secretary with any comments on the minutes of the October meeting. | 1 | All members | By end November |
| Draw Revenue's attention to any concerning business implications likely to arise from the EU's VAT proposal package on Travel and Tourism. | 3 | Practitioners | No limit |
| Make remaining nomination for co-ownerships sub-group. | 4 | Practitioners | By next meeting |
| Provide further information on whether the VAT registration query re proof of trading relates to domestic or EU registrations. | 5 | CCAB-I | By mid-December |
| Provide further information about the VAT registration query on using the address of a commercial shared-office firm. | 5 | ITI | By mid-December |
| Clarify whether the query relates to use of the previously-agreed wording, or is about requesting a change to the wording. | 6 | CCAB-I | By mid-December |
| Circulate schedule for 2023 meetings. | 7 | Secretary | January |
| Finalise the short note reviewing the business of the Indirect TALC in 2022 and submit it to Main TALC. | 8 | Secretary | Before Main TALC meeting on 6 December |
| A draft programme of work for 2023 to be prepared. | 8 | Chair | For agenda at next meeting |
| Prepare note to complete the procedures review discussed at the 5 October meeting. | 8 | Chair | For agenda at next meeting |
| Provide a short note regarding the VAT on property situation raised under AOB. | 9 | Law Society | By end December |
| Nominate Chair for 2023. | 9 | CCAB-I | As soon as possible |

Attendees

Irish Tax Institute

Oonagh Carney
Éamonn McCallion
Lorraine Sheegar

Consultative Committee of Accountancy Bodies - Ireland

Gráinne McDermott (attended virtually)

Law Society

Donal Kennedy

Revenue

Dermot Donegan
Deirdre Hanlon* (Chairperson)
Ciarán Ruane (Secretary)
Ita Foster

*Designated Public Official, *Regulation of Lobbying Act 2015*