Large Corporates Division: Co-Operative Compliance Framework Review 2021

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Contents

Executive Summary 4
1 Background 6
1.1 What is Co-Operative Compliance? 6
1.2 Background to CCF in LCD 6
2 Objective 6
3 Terms of Reference 7
4 Surveys 7
5 Co-Operative Compliance Tax and Duty Manual 7
6 CCF Statistics 7
6.1 Co-Operative Compliance Participation 7
6.1.1 CCF Participation by Group Turnover 7
6.2 Reasons why Eligible Groups do not join. 8
6.3 CCF Tax Payment Analysis 10
6.3.1 Total Tax Payments 2018 to 2021 CCF versus non CCF 10
6.3.2 Total Corporation Tax Payments 2018 to 2021 CCF versus non-CCF 11
6.4 Conclusions regarding Tax Payment Analysis 12
6.5 CCF Compliance Interventions 12
6.5.1 Reduced level of Compliance Interventions CCF vs non-CCF. 12
6.5.2 Appraisals CCF vs Non-CCF 13
6.5.3 Aspect Queries CCF vs non-CCF 13
6.5.4 Audits within the non-CCF case base 14
6.6 Compliance Yield from CCF vs non-CCF Interventions 15
6.6.1 Category Breakdown 15
6.6.2 Penalties arising from CCF vs non-CCF yielding interventions 18
6.7 Comparison of Resources required CCF vs non-CCF 19
6.7.1 Example 1: Mobile Phone Services Provider – non-CCF Group 20
6.7.2 Example 2 : Software Provider – CCF Group 1 20
6.7.3 Example 3: Manufacturer of IT Equipment – CCF Group 2 20
6.7.4 Conclusion 21
7 Recommendations from the 2016 Review 21
8 Administration of CCF 21
8.1 Is Revenue delivering the CCF in line with the Tax & Duty Manual? 21
8.2 Annual Risk Review meeting 23

8.2.1 Transfer Pricing Branch participation in ARR. 23
8.3.1 CT Refunds 24
8.3.2 VAT Refunds 24
8.4 Branch Procedural Documentation 24
8.5 To ensure the effective and consistent administration of CCF across the LCD Branches. 25
8.6 Customs and CCF 26
9 Findings and Conclusions 28
10 Recommendations 29
Appendix A Glossary of terms 31

Executive Summary

The purpose of the review was primarily, to establish whether the Cooperative Compliance Framework (CCF), as relaunched in 2017, is working as planned, to establish that the framework is being administered consistently across Large Corporates Division (LCD), to establish if the framework is delivering on its primary objective of improving voluntary compliance, to identify why some corporate Groups have decided not to enter the framework, and to identify areas for improvement. The review also looked at a number of subsidiary and related issues.

The efficiency and effectiveness (or the costs and benefits) of a cooperative compliance programme can be difficult to assess. A recent book published on cooperative compliance "Cooperative Compliance: A Multi-stakeholder and Sustainable Approach to Taxation"[1] noted that current indicators of costs and benefits of a cooperative compliance programme are primarily based on factors that focus on the effectiveness of the compliance process rather than on an evaluation of the compliance outcomes that are achieved by the programme. The book concluded that the factors that should be used to evaluate the efficiency and effectiveness of a cooperative compliance policy include:

- The frequency and length of tax audits and access to APAs and advanced rulings.
- Cost efficiency measures such as "cost in terms of time taken to risk assess the return".
- Methods to measure effectiveness such as comparisons between tax payments by large business inside cooperative compliance and those outside it, together with customer satisfaction surveys.
- Assessing the quality of the relationship between participants and the tax administration and the level of trust achieved between the parties by way of regular surveys of large taxpayers and of staff working in the large business Division of the tax administration.

This review uses some of these factors and, in addition, some Irish specific factors (such as an analysis and comparison of the nature of the compliance yield as between participants in CCF and non-participants) to help evaluate the efficiency and effectiveness of Revenue's CCF.

In summary, the report concludes:

That the Framework is being operated by both Revenue and the majority of participants in accordance with the principles set out in the 2017 relaunch (and now codified in the TDM[2] published in December 2020). This is evidenced both from the survey results of participants, non-participants and agents (and anecdotally from the Irish Tax Review article on CCF[3]) and from internal LCD experience. It is very clear that the role of the dedicated Case Manager is crucial to the success of the framework and the need to ensure continuity of adequately qualified case workers is crucial to the continued success of CCF. The value and importance of the annual risk review meeting is also crucial to the success of the framework for both Revenue and participants.

The Framework is generally being administered and applied consistently across LCD.

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[1] Published by Kluwer Law International B.V. © 2021 Jeffrey Owens & Jonathan Leigh Pemberton.

[2] http://revenue.ie/en/tax-professionals/tdm/compliance/cooperative-compliance/cooperative-compliance-framework.pdf

[3] Irish Tax Review Issue 3 2021 available at - https://www.taxfind.ie/document/ITR_Issue_3_2021_XML_28092021-C19-226532538?query=co- operative+compliance&filter=+category%3A%22Irish+Tax+Review%22&excludeHmrc=true

The indications are that the Framework is also contributing to improved voluntary compliance among participating Groups.

The following findings either directly support, or help to support, this conclusion:

- ➢ The percentage of tax payments by participants as against payments by non-participants has tended to increase over time. While this, to some extent, may represent the gradual increase in participating Groups the fact is that over the last number of years more non-participating Groups than participating have been allocated to the LCD case base.
- ➢ The source of the compliance yield from CCF Groups derives primarily from self-reviews, self-corrections, Annual Risk Reviews (ARRs), Expressions of Doubt (EoD), and Unprompted Voluntary Disclosures. It is, however, accepted that some of the unprompted disclosures would most likely have originated from contacts initiated by Revenue rather than purely taxpayer initiated disclosures.
- ➢ The composition of the compliance yield from non-CCF participating Groups is primarily from active interventions initiated by Revenue (e.g. Revenue audits and repayment challenges). It is also likely that a proportion of the Unprompted Voluntary Disclosures in non-CCF Groups arise from Revenue initiated contacts.
- ➢ The overall compliance yield from CCF Groups is higher than from non-CCF participants and largely tracks the overall tax payments and mostly derives from voluntary, or semi-voluntary, actions taken by the participants.

It seems, from survey responses, that the perceived cost of participation may be the biggest disincentive to participation in CCF. The survey responses also suggested the demands of the annual risk review meeting may be a disincentive for some participants, particularly those with less complex tax affairs or those with relatively low tax liabilities.

The fact that only one agent firm responded to the survey might indicate somewhat lukewarm support for the framework among certain agents. On the other hand the recent Irish Tax Review article on CCF (authored by tax practitioners from a firm other than the one which responded to the survey) was positive towards the framework and how it is working.

The recommendations from this review include initiatives designed to improve the working of the Framework and to improve participation rates. These include writing to Groups, that were not previously invited to join the framework or that recently moved into the LCD case base, to inform them that they can apply to join the framework. Also envisaged is an outreach programme to agents and tax advisers to raise awareness of CCF. Other recommendations include setting a formal timeline for issuing the agenda for upcoming ARR meetings and formalising the procedure for the removal of Groups from the framework where Revenue is of the view that the Group is not fulfilling its obligations under the framework. There is nothing particularly radical proposed as basically the review has found that the CCF is largely working as planned and successfully.

1 Background

1.1 What is Co-Operative Compliance?

Co-Operative Compliance, also described internationally as "Enhanced Relationship" and "Horizontal Monitoring", is the creation and development of a relationship between the taxpayer and the tax authority based on trust and co-operation from both parties in order to achieve the highest level of voluntary tax compliance and certainty.

The Co-operative Compliance Framework (CCF), as operated by Revenue, forms a mutually supportive relationship between Revenue and Large Taxpayers, with the aim of ensuring that the taxpayer is fully compliant with their tax, customs, and excise obligations. Given the complexities of tax law and regulation, unintentional errors can sometimes arise. CCF aims to minimise these errors.

The CCF approach involves Revenue and the taxpayer agreeing actions to ensure the highest possible level of tax compliance. It is a voluntary programme. The taxpayer can opt out of the programme at any stage. Likewise, Revenue can withdraw from co-operative compliance with any taxpayer that does not honour the requirements of the framework. Formal or legal agreements are not necessary as the system depends on a high degree of mutual trust.

1.2 Background to CCF in LCD

CCF was introduced in Large Cases Division (LCD) in 2005 with a view to managing the tax risks within the LCD case base more efficiently and effectively. It envisaged a new form of relationship between Revenue and large businesses, where both parties work together, to achieve the highest possible level of voluntary compliance across the taxes and duties for which businesses need to account.

No formal review of the CCF in LCD had taken place since its introduction in 2005. Therefore, in 2016 a full review of the process was undertaken in Large Corporates Division (LCD), the successor of Large Cases Division. The purpose of the 2016 Review was to establish how the CCF was operating in LCD and to ascertain whether the CCF should continue and, if so, the form it should take. In 2016 it was clear from meetings and follow-up feedback with each of the Districts in LCD that the CCF was not introduced and not applied in LCD Districts in a consistent manner. The 2016 Review consulted with District and Case Managers on how CCF operated in the Districts in LCD, examined and analysed the feedback from taxpayers and tax agents, and made recommendations for reform of the CCF for consideration by the Revenue Board and the Management Advisory Committee (MAC). The recommendations of that review and the implementation of those recommendations will be considered as part of this review to ensure that they were implemented effectively and consistently and to consider if they are having the desired effect.

2 Objective

As the relaunched CCF has now been operational for almost 4 years and as there are a significant number of the overall Groups in LCD participating in the program, this review will focus on whether the recommendations of the 2016 review have been implemented; whether CCF is being administered in line with the published Tax and Duty Manual (TDM); and, whether it is being administered consistently across the LCD Branches.

It will also look at whether CCF is delivering on the objectives of the program to improve levels of voluntary tax compliance; whether there is real difference in the treatment of CCF and non-CCF Groups; and, whether adequate resourcing is available in the Division to deliver on CCF.

The review also seeks to gain insights from businesses and agents that participate in CCF to see where

improvements can be made and from businesses that do not participate to identify what are the factors that influence their decision not to join.

3 Terms of Reference

The Terms of Reference for this review are set out in full in the Supplementary Paper.

4 Surveys

This review is supported by a number of surveys of a sample of CCF participating Groups; a sample of non-CCF participating Groups; and a sample of tax agents. While the results of these surveys are referred to throughout this report, a Supplementary Paper is available which sets out the survey results and other additional information in more detail.

5 Co-Operative Compliance Tax and Duty Manual

In December 2020, Revenue published a TDM on the operation of the CCF. This was the first TDM for the CCF and put the programme on a formal footing. The TDM covers the various processes in CCF from the application process to the conduct of the Annual Risk Review (ARR) meetings.

6 CCF Statistics

6.1 Co-Operative Compliance Participation

The most up to date figures for participation in CCF, as of February 2022, are provided in the table below. The percentage rate of participation is calculated by excluding those Groups that are mandatorily managed in LCD[4] but which would otherwise not be eligible to be allocated to LCD due to the fact that they do not meet the turnover or tax paid thresholds.

Branch	**Groups in CCF**	**% Participating in CCF**
Alcohol, Tobacco & Multiples	18	34.60%
Financial Services (Banking)	16	61.50%
Financial Services (Financing and Investment Funds)	4	57.10%
Financial Services (Insurance)	14	48.30%
Information, Communication & Technology 1	10	18.20%
Information, Communication & Technology 2	14	25.90%
Life Sciences	13	23.20%
Motor, Oils & Transport	16	30.80%
Natural Resources, Food & Leisure	14	26.40%
Property, Construction and General Manufacturing	4	6.80%
Grand Total	**123**	27.8%

Figure 1.CCF Participation per Branch, February 2022

6.1.1 CCF Participation by Group Turnover

Scale as proxied by the level of turnover, is a significant indicator of participation in the CCF framework. Of the Top 100 Groups in LCD by Turnover for 2020 46% are in CCF. Of the next 100

[4] For example, regulated investment funds, "section 110 companies", small aircraft leasing companies and the smaller banks and insurance underwriters.

Groups by Turnover for 2020 21% are in CCF. Of the remaining Groups the average participation rate is 9.4%.

The overall CCF Participation rate based on the 2020 Turnover figures is shown in the table below. This is for the Groups that were in CCF in 2020 and is the latest period for which full data was available.

2020 Turnover	Number of Groups	Number of Groups in CCF	Percentage of Groups in CCF
0 to 1 billion	670	73	10.9%
1 to 2 billion	47	14	29.8%
2 to 3 billion	23	13	56.5%
Above 3 billion	54	25	46.3%

Figure 2.Groups in CCF by 2020 Turnover – Note total of 125 CCF Groups in 2020.

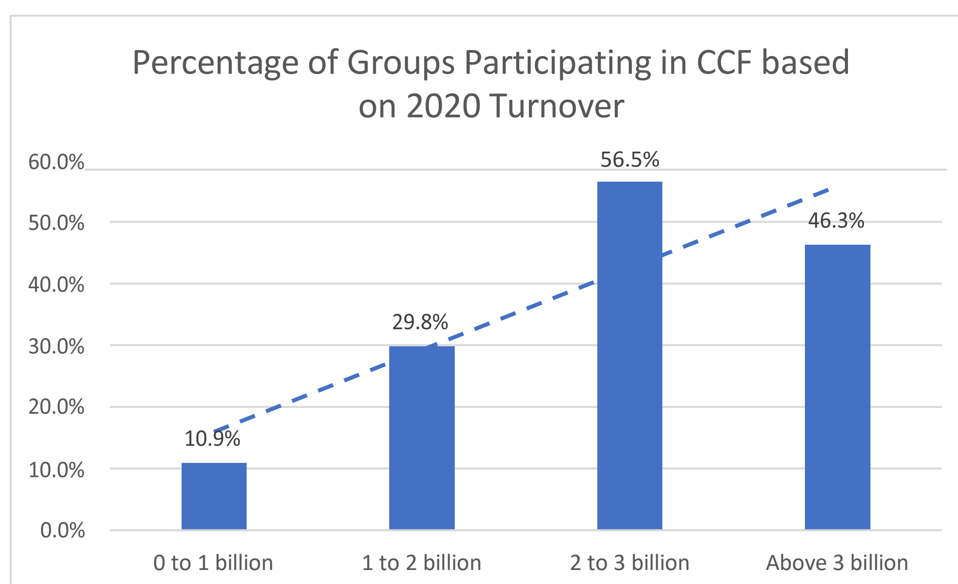

Figure 3.Percentage of Groups in CCF by Turnover

6.2 Reasons why Eligible Groups do not join.

It is apparent from the survey results that awareness of the CCF is not a factor affecting participation. The survey of non-participating Groups showed that there is good awareness of CCF among Groups that do not participate. However, 38% of respondents noted that they had not been invited to participate.

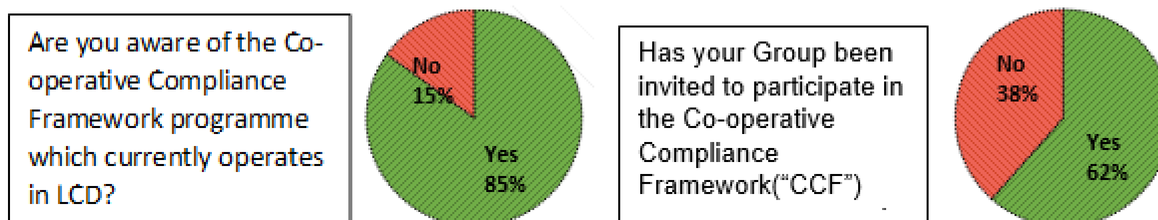

Figure 4.Awareness of CCF

The main reason cited for the non-participation of Groups, where they are otherwise eligible, is the cost of participation in the CCF program. This is likely linked to both scale (level of turnover per

6.1.1) and the availability of inhouse tax expertise. However, it is worth noting that Groups with resource constraints for whatever reason, are less likely to participate in CCF. The survey of non-participating Groups supports the contention that cost of participation is a factor.

The Group considers the likely costs of participating in the CCF programme outweigh any benefits.

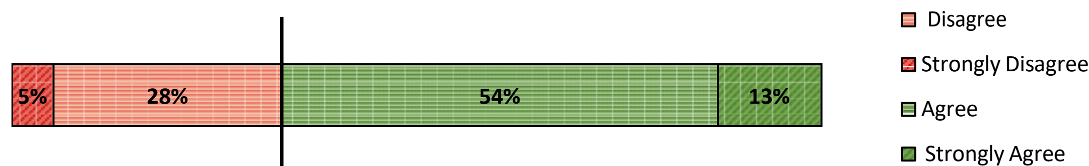

Figure 5.Cost vs Benefit of CCF

A recent article published by the ITI[5] noted that the increased engagement with Revenue and the access to a dedicated Case Manager was one of the main benefits of CCF and that these outweigh any increased cost of participation.

> *That being said, early and frequent engagement with Revenue combined with access to dedicated Case Manager is generally seen as outweighing the increased time and cost of compliance. From Revenue's point of view, enhanced transparency helps to support higher levels of tax compliance and provides it with visibility on what might otherwise be challenging interventions.*

The non CCF Groups appear to mitigate their reluctance to participate in the CCF program, due to the associated costs, by relying on existing Group internal control procedures to mitigate tax risk. This is considered by these Groups to be effective in limiting Revenue compliance interventions. In addition, it would appear that the efficient delivery of Revenue services outside the CCF framework helps buffer the lack of additional benefits available through CCF.

Group Turnover is not the only factor affecting participation in CCF. The Survey of both CCF and non-CCF Groups indicates that the existence of an in-house Tax Team based in Ireland may be a contributing factor.

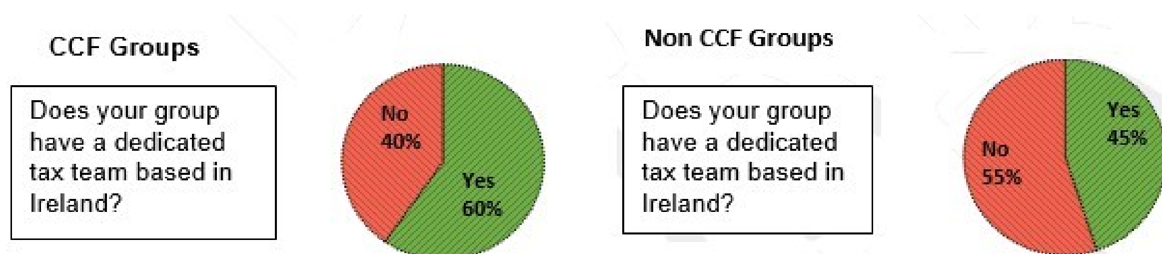

Figure 6.Dedicated Tax Team in Ireland

Another reason, cited by the accountancy firm that responded to the survey, for the non-participation of Groups that are otherwise eligible for CCF, was their view that the CCF relationship would result in the sharing externally of confidential or commercially sensitive information sooner than they would be required to report this information to regulatory bodies, and/or, the general

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[5] https://www.taxfind.ie/document/ITR_Issue_3_2021_XML_28092021-C19-226532538?query=co-operative%2Bcompliance&filter=%2Bcategory:"Irish%2BTax%2BReview"&excludeHmrc=true&redirect=noredirect

public. This has also been noted anecdotally by Case Managers. The example of company acquisitions and/or Group re-organisations has been cited in this regard.

Revenue has always maintained that it does not require a Group to tell it anything that the Group believes would contravene any other regulatory requirement. Revenue is also bound by legislation to ensure that taxpayer information is kept confidential and is shared with other agencies only where specifically provided for by Law.

6.3 CCF Tax Payment Analysis

The tax payment analysis will compare the tax collected from CCF Groups to that from non-CCF Groups. It may be difficult to draw conclusions from this comparison as there are numerous factors that affect the amount of tax paid by large Groups. The tax payment analysis will focus on Corporation Tax (CT) and payroll taxation (PREM).

Although VAT is included in the analysis of total tax payments, VAT will not be analysed separately because of the nature of the way Groups in LCD interact with the VAT system. For example, many LCD Groups will have "VAT56B" Authorisations[6] arising from the fact that they export the majority of their goods or the activities they perform are exempt from VAT, particularly those Groups in the financial services space.

6.3.1 Total Tax Payments 2018 to 2021 CCF versus non CCF

The graph below, which includes interest and penalties, compares CCF Groups with non-CCF Groups. The split between CCF and non-CCF Groups has remained largely consistent over the four years despite additional Groups moving to LCD and additional Groups joining CCF.

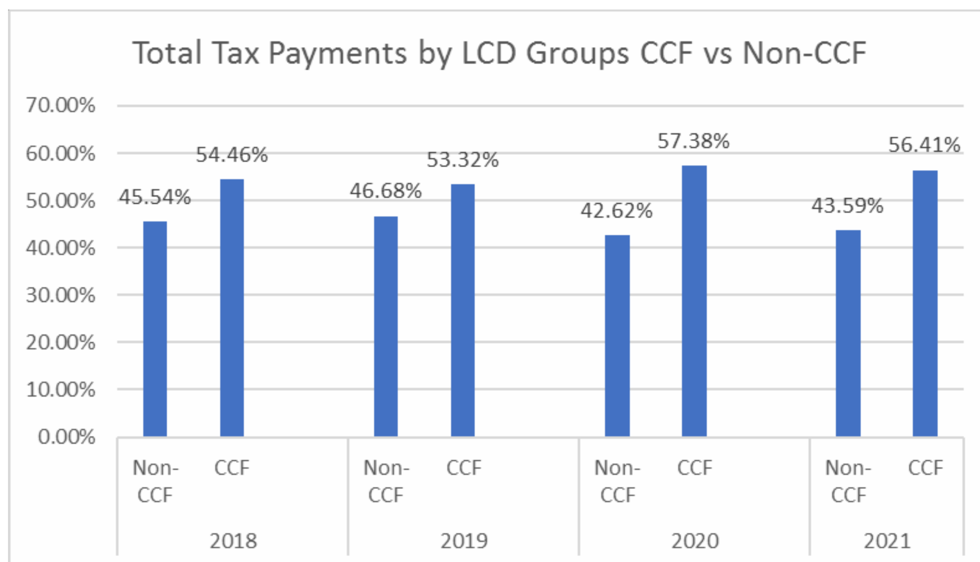

Figure 7. Tax Payments by LCD Group

[6] Section 56 of the Value-Added Tax Consolidation Act 2010 provides for a supplier to zero rate the supply of qualifying goods and services to certain authorised persons. It also provides that those authorised persons can apply the zero rate of tax to the acquisition of goods and services received from other Member states, where obliged to account for VAT on the receipt of those supplies, and on the importation of goods from outside the European Union. In general, the accountable persons who qualify are those primarily engaged in making zero-rated intra-Community supplies of goods, in making zero rated exports of goods outside the European Union and in making supplies of certain contract work, so that the VAT on those supplies, if any, would be payable outside the State. Such persons would not normally be in a VAT payable position in the State in any given VAT period.

6.3.2 Total Corporation Tax Payments 2018 to 2021 CCF versus non-CCF

The Graph below shows that the percentage of the overall total amount of CT paid by Groups participating in CCF has increased from 66.8% in 2018 to 67.9% in 2020. There are a number of factors that may have contributed to this increase including the increased number of participating Groups and the overall increase in CT collections during that period.

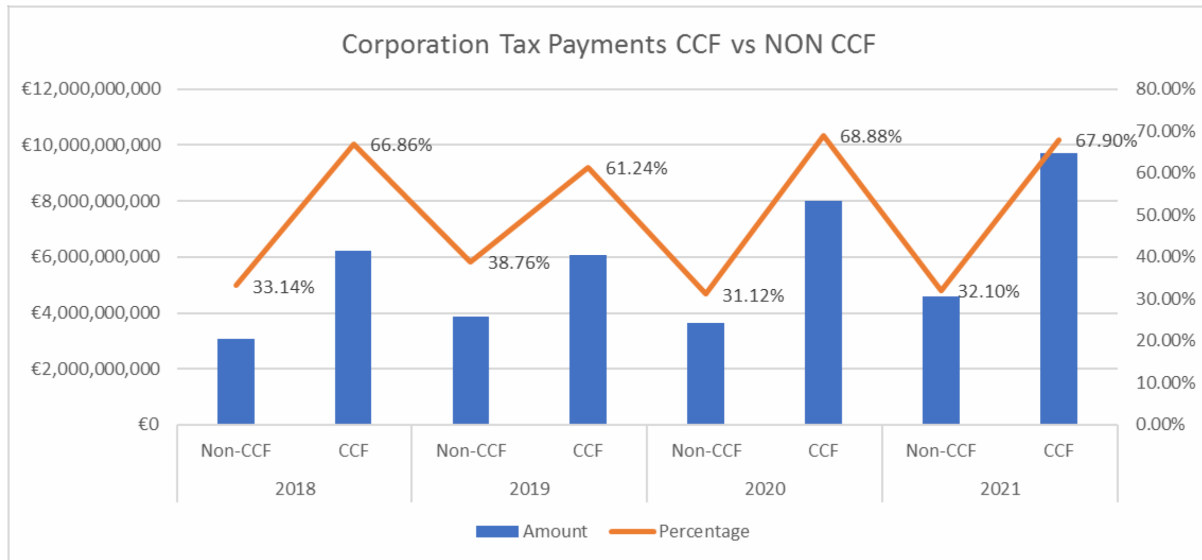

Figure 8.Corporation Payments CCF vs Non CCF

6.3.3 Total PREM[7] Payments 2018 to 2021 CCF versus non CCF – PREM payments only.

The graph below compares the total PREM payments made by LCD Groups in the years 2018 to 2021 with that paid by non-CCF Groups. The split is approximately 50/50 for all years and shows very little deviation although there is a slight increase in the total amount paid year on year.

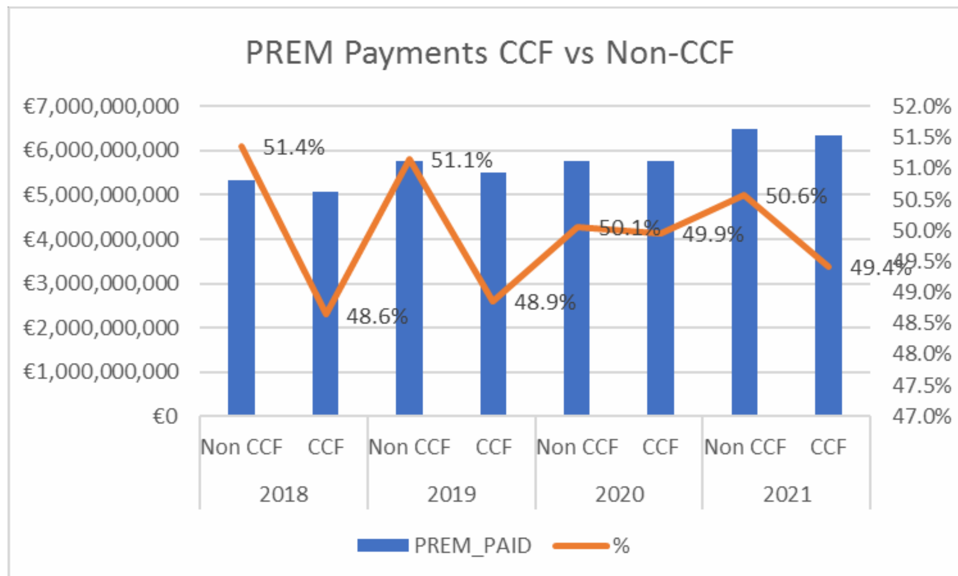

Figure 9.PREM Payments CCF vs non-CCF

[7] PREM stands for Pay Related Employee Master File and is a historic term used to describe payroll taxes, namely, PAYE income tax, PRSI and USC collected from employees by employers and paid to Revenue on their behalf under Schedule E of the TCA 1997.

6.4 Conclusions regarding Tax Payment Analysis

The trend is for overall tax payments, CT payments and PREM payments, to increase more for CCF Groups as an overall proportion of the tax paid by LCD Groups than for non-CCF Groups. This is so, even when allowance is made for the increase in the number of participants in CCF as overall more non-CCF participants have joined LCD over the last two years. While it is not possible to draw definitive conclusions from these figures, it is fair to say that the greater the proportion of the tax base that participate in a robust and well run CCF, the more confident one can be that taxpayers are serious about maintaining voluntary compliance at the highest possible level.

6.5 CCF Compliance Interventions

One of the benefits of participation in CCF is a reduced level of Compliance Interventions and audits only in exceptional circumstances (excluding Transfer Pricing audits). The analysis of interventions was confined to the interventions opened after the 1st January 2018 and closed before the 30th June 2021. This was because most Groups joined CCF in 2017 and it excluded interventions that were still open at the time of the review.

6.5.1 Reduced level of Compliance Interventions CCF vs non-CCF.

The number of Compliance Interventions arising in CCF versus non-CCF Groups for the period from 1 January 2018 to 31 July 2021 (statistics are for closed interventions) is shown in the table below.

INTERVENTION TYPE		Total no. of Interventions	Percentages
Appraisal	CCF	6,732	25.1%
	non-CCF	20,142	74.9%
Aspect Query	CCF	2,276	30.4%
	non-CCF	5,211	69.6%
Profile Interview	CCF	259	60.7%
	non-CCF	168	39.3%
Audit	CCF	0	0.0%
	non-CCF	134	100.0%

Figure 10.Type of Intervention CCF vs Non CCF

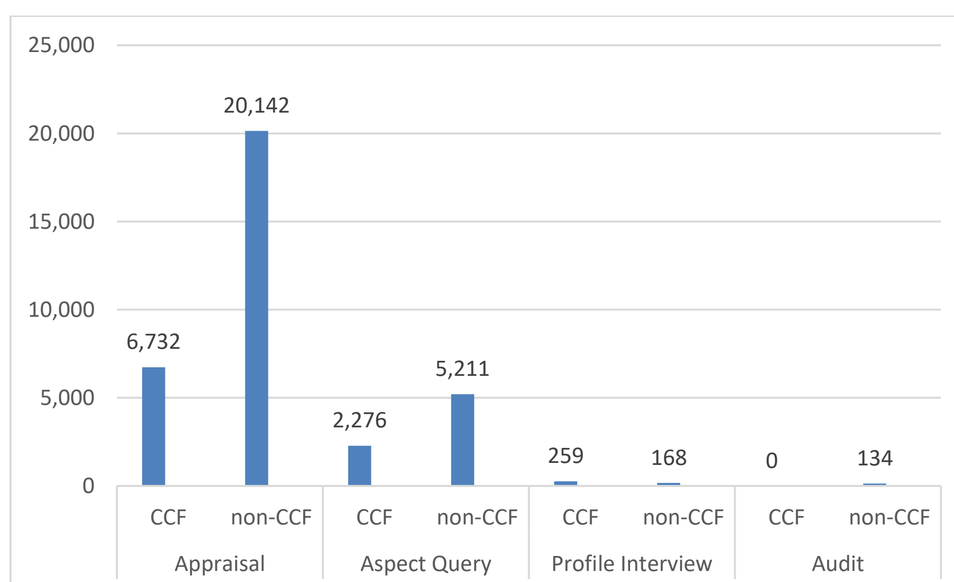

Figure 11.Type of Interventions CCF vs non-CCF

The number of Appraisals and Aspect Queries (AQs) on CCF Groups is far less than that for non-CCF Groups. There is much less of a difference in the Profile Interview figures and this is accounted for by the fact that the ARR meetings are recorded in RCM as Profile Interviews.

Another test was conducted to identify any Groups that had been audited since joining CCF to identify the reason why the audit was opened and whether it met the exceptional test. No audits were found to have been opened on CCF Groups since joining CCF.

6.5.2 Appraisals CCF vs Non-CCF

Appraisals are not considered compliance Interventions and are not dealt with under Revenue Code of Practice for Revenue Audit and other Compliance Interventions (CoP). Appraisals are usually precursors to compliance interventions and are indicative of the level of compliance activity undertaken on Groups. It is clear from the chart below that CCF Groups are appraised less often than non-CCF Groups.

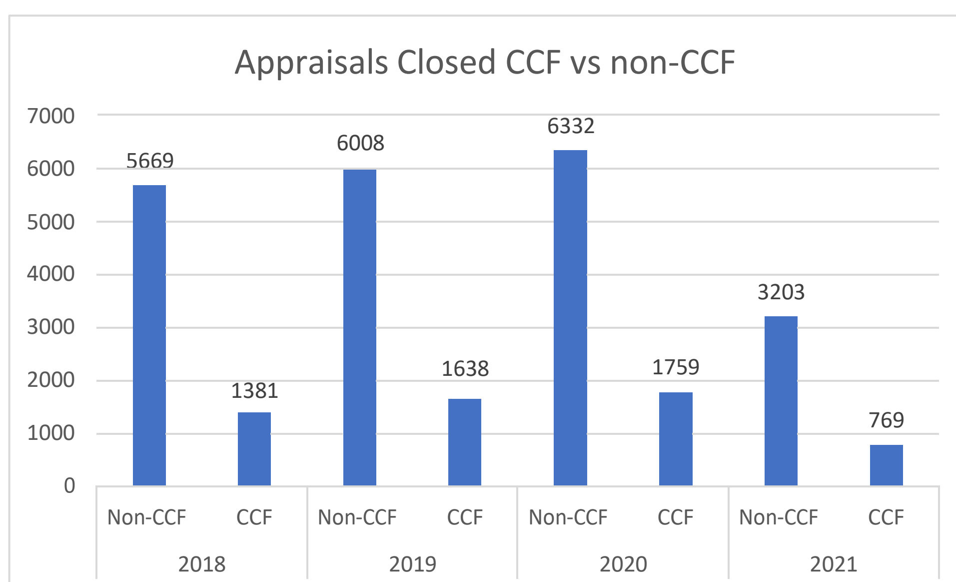

Figure 12.Appraisals Closed CCF vs Non CCF

6.5.3 Aspect Queries CCF vs non-CCF

Aspect Queries (AQs) are the minimum level of interventions conducted under the COP. AQs are, in general, related to specific aspects of a taxpayer's activities and a large number are related to checks carried out on VAT refunds of non-CCF Groups through the Real Time Risk (RTR) intervention program. In CCF Groups, items arising as a result of the ARR meetings are generally dealt with as AQs. It is apparent from the table below that the yield from AQs on CCF Groups is larger than that for non-CCF Groups even though CCF Groups account for a lower percentage of the overall number of AQs conducted in LCD. This is mainly due to the number of Unprompted Voluntary Disclosures received as a result of self-reviews conducted by CCF Groups.

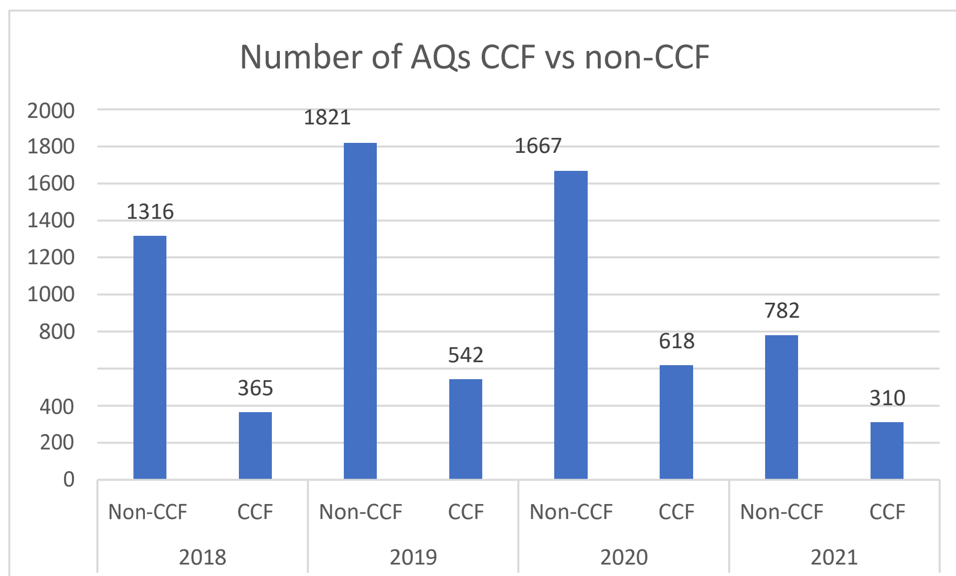

Figure 13.Aspect Queries CCF vs non CCF

YEAR CLOSED		No. of AQs	% of Total AQs	Yield Total	% of Total AQ Yield
2018	non-CCF	1316	78.3%	€15,875,041.76	41.8%
	CCF	365	21.7%	€22,062,149.74	58.2%
2019	non-CCF	1821	77.1%	€19,964,798.14	45.2%
	CCF	542	22.9%	€24,203,938.68	54.8%
2020	non-CCF	1667	73.0%	€18,136,363.69	25.1%
	CCF	618	27.0%	€54,090,300.33	74.9%
2021	non-CCF	782	71.6%	€32,579,502.39	37.5%
	CCF	310	28.4%	€54,391,119.13	62.5%

Figure 14.% of Yield CCF vs non CCF

6.5.4 Audits within the non-CCF case base

As with the earlier tables, the below comparison relates to interventions *opened* by LCD from 1 January 2018 to 30 June 2021. This date was selected as the majority of CCF Groups had joined the CCF by this point.

There were no audits opened on CCF Groups (and, accordingly, there were no Prompted Voluntary Disclosures) in that period. In contrast, during the same period there were 277 audits opened by LCD on non-CCF Groups, of which 134 were closed by 30 June 2021. These audits were carried out across 193 separate non-CCF Groups. 63 (23%) of these audits resulted in the taxpayer making a Prompted Voluntary Disclosure of additional liabilities.

6.6 Compliance Yield from CCF vs non-CCF Interventions

As with the earlier tables this section relates to interventions *opened* by LCD from from 1 January 2018 and closed by 30 June 2021. It has been necessary to confine the interventions to these dates as a number of closed interventions in that period were opened before many Groups had joined CCF.

6.6.1 Category Breakdown

The interventions have been broken down into the following categories:

- **Audit –** As noted no audits were initiated on CCF Groups.
- **Self-Review** – Yield arising from self-reviews carried out as part of the CCF Annual Risk Review meetings.
- **ARR Issue** – Yield arising from risks identified in the course of the CCF Annual Risk Review meetings.
- **EoD/Opinion/Confirmation/Taxpayer query –** Yield arising following an Expression of Doubt, taxpayer confirmation request or arising from a taxpayer query in relation to a technical matter.
- **Self-correction -** Yield arising from a disclosure qualifying under section 3.2 of Revenue's Code of Practice.
- **Unprompted Voluntary Disclosure** – This category captures Unprompted Voluntary Disclosures that arose with no prior Revenue interaction or linked intervention.
- **Arising from Revenue repayment review** – Yield arising from a Revenue review of a repayment or credit request.
- **Arising from other Revenue intervention** – all other non-audit interventions carried out by Revenue not falling into one of the above categories. For CCF Groups this figure includes interventions that were opened before the Group joined CCF where there was inadequate labelling and also certain unusual interventions including EWSS[8] and s985B settlements[9].

6.6.1.1 Compliance yield for all interventions opened after 1 January 2018 and closed before 30 June 2021

CCF Groups	**Total**	**Tax**	**Interest**	**Penalties**
Self-Review	€63.1m	€50.8m	€10.4m	€2.0m
ARR – Issue	€25.8m	€21.7m	€3.6m	€0.6m
EOD/Opinion/Taxpayer query	€11.9m	€10.8m	€1.1m	€0.0m
Self-correction	€13.6m	€13.5m	€0.1m	€0.0m
Unprompted Voluntary Disclosure	€39.0m	€36.1m	€2.3m	€0.6m
Arising from Revenue Repayment review	€4.1m	€3.9m	€0.1m	€0.1m
Arising from other Revenue intervention	€36.4m	€18.1m	€18.2m	€0.1m
	€193.8m	**€154.8m**	**€35.7m**	**€3.4m**

Figure 15.Compliance Yield for CCF Groups

[8] Employment Wage Subsidy Scheme
[9] PAYE settlement agreements for minor and irregular benefits

non-CCF Groups	Total	Tax	Interest	Penalties
Audit	€60.2m	€52.6m	€5.6m	€2.0m
EOD/Opinion/Taxpayer query	€5.4m	€5.4m	€0.0m	€0.0m
Self-Correction	€1.7m	€1.5m	€0.1m	€0.0m
Unprompted Voluntary Disclosure	€44.2m	€38.7m	€3.8m	€1.7m
Arising from Revenue Repayment review	€17.9m	€17.1m	€0.5m	€0.3m
Arising from other Revenue intervention	€24.9m	€22.1m	€2.3m	€0.6m
	€154.2m	**€137.4m**	**€12.3m**	**€4.6m**

Figure 16.Compliance Yield for non-CCF Groups

6.6.1.2 Total yield, CCF vs. non-CCF (opened after 1 January 2018 and closed before 30 June 2021

The split between yield arising in CCF vs. non-CCF Groups is approximately 55.7% vs. 44.3%, this closely aligns with the total tax paid by CCF vs. non-CCF Groups in the 2018 to 2021 period.

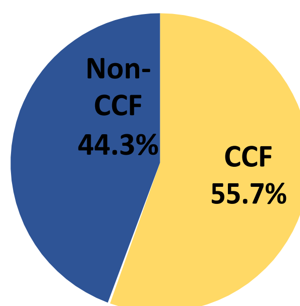

Figure 17.Total Yield CCF vs non-CCF

Compliance yield for all interventions *opened after* 01/01/2018 and *closed before* 30/06/2021

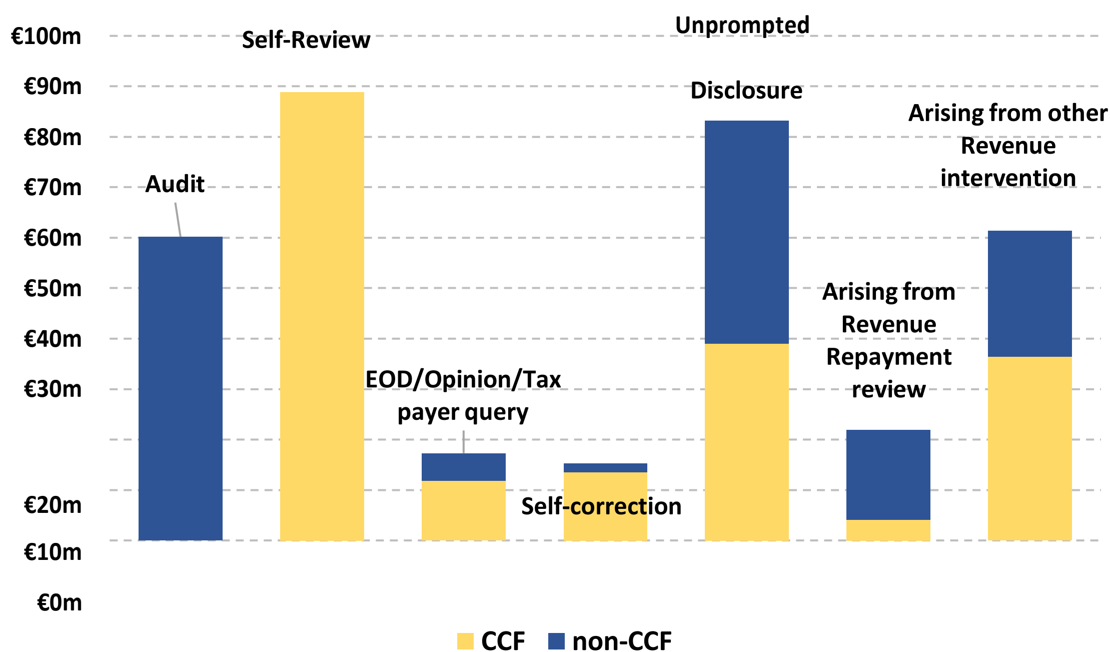

Figure 18.Yield byinterventionType CCF vs non-CCF

6.6.1.3 Audits and the Annual Risk review meeting Profile Interview

The policy of dealing with CCF Groups primarily through the ARR meetings has resulted in a compliance yield of €88.9m, €63.1m from self-reviews and €25.8m from other ARR issues, this represents 46% of all yield arising across CCF Groups. Notably this yield figure is higher than the total compliance yield arising from the 134 audits on non-CCF Groups (which were closed as of 30 June 2021), with a total yield of €60.2m, this represented 39% of all yield arising across the non- CCF Groups.

6.6.1.4 Expression of Doubt, Opinions, Confirmations and Taxpayer queries

There was a higher compliance yield figure within the CCF vs. the non-CCF Groups in this category, €11.9m vs. €5.4m respectively. There were 10 yielding interventions across the CCF Groups in this category and 11 yielding interventions in the non-CCF Groups. The higher total yield figure in the CCF Groups is mainly attributable to one particularly large yielding intervention.

6.6.1.5 Self-corrections

The yield figure from self-correction is substantially higher across the CCF Groups, €13.6m vs. €1.7m for non-CCF Groups. In terms of quantity, the difference between CCF and non-CCF is 18 vs. 16 respectively. This difference is significant when it is considered that there are approximately 4 times as many Groups outside of CCF as there are within CCF. The higher figure for self-corrections within the CCF Groups aligns with observations from LCD CCF Case Managers who have noted the fact that in certain instances CCF Groups have identified areas for self-correction within their returns as part of their preparation for the Annual Risk Review meetings.

6.6.1.6 Unprompted Voluntary Disclosures

The total yield arising from Unprompted Voluntary Disclosures is relatively similar across CCF vs. non-CCF Groups, €39.0m vs. €44.2m, respectively. However, when reviewing from a quantitative perspective there were substantially more disclosures within the non-CCF Groups, with 132 vs. 68. This aligns more closely with the higher proportion of non-CCF Groups within the LCD case base. The lower average yield across the non-CCF disclosures also aligns with the lower average tax payments made by these Groups.

6.6.1.7 Arising from a repayment review

One of the benefits of participation in the CCF programme is that repayments arising from various tax heads are processed without a detailed Revenue intervention. In total there were only 20 yielding interventions arising from repayment reviews across the entire CCF case base. By contrast there were 209 yielding interventions that arose as a result of LCD reviewing a repayment request on a non-CCF Group. This resulted in a total yield of €17.9m across the non-CCF Groups, with a total yield of €4.1m in the CCF case base.

6.6.1.8 Arising from other Revenue intervention

The primary method for LCD to interrogate the returns of the CCF Groups is through the Annual Risk Review meeting process. The returns of non-CCF Groups are interrogated by way of audit, repayment review (generally an AQ), Profile Interview and regular AQ. The total yield figure in this category for the CCF Groups is €36.4m, while the yield for non-CCF Groups is lower at €24.9m. However, the CCF yield was generated by 27 separate interventions with the top 10 responsible for 98% of the yield in this category with an average yield of €3.6m across these 10 interventions.

By contrast, there were 203 yielding interventions across the non-CCF Groups. This is reflective of the higher proportion of AQs that are carried out on the non-CCF Groups as detailed in section 6.5.3 earlier. There were a total of 172 yielding AQs within the 'other' category of yield in the non-CCF Groups.

6.6.2 Penalties arising from CCF vs non-CCF yielding interventions

The following section has been prepared to analyse the different average penalty rates applying to the different category of interventions in the CCF and non-CCF Groups.

	CCF Groups				non-CCF Groups		
	Tax	Penalties	Penalty Rate		Tax	Penalties	Penalty Rate
Audit	N/A				€52.6m	€2.0m	3.8%
Self Review	€50.8m	€2.0m	3.8%		N/A		
ARR - Issue	€21.7m	€0.6m	2.8%		N/A		
EOD/Opinion/Taxpayer query/Self Correction	€23.4m	€0.0m	0.0%		€6.9m	€0.0m	0.2%
Unprompted Voluntary Disclosure	€36.1m	€0.6m	1.6%		€38.7m	€1.7m	4.4%
Arising from repayment review or other Revenue intervention	€22.0m	€0.2m	1.0%		€39.2m	€0.9m	2.2%
Totals	**€154.8m**	**€3.4m**	**2.2%**		**€137.4m**	**€4.6m**	**3.3%**

Figure 19.Penalties forinterventionTypes – CCF vs non-CCF

6.6.2.1 Audit

The average audit penalty of 3.8% appears to be low relative to the minimum penalty for a Prompted Voluntary Disclosure of 10%. There are several factors impacting the average penalty. Only 2 of the top 10 yielding audits which make up greater than 75% of the total audit tax liability yield had a penalty greater than 10%. Of the remaining 8, 3 audits totaling €25.5m in tax yield were categorised as either a 'Technical Adjustment' or as an 'Innocent error', settlements falling within these categories carry a nil penalty as per the COP. The remaining 5 audits totalling €12.7m in tax yield, had an average penalty of 5.28%. In each of these 5 audits there were portions of the total settlement which fell within the audit period and carried a penalty of at least 10%. In these audits the remainder of the settlement amounts fell outside of the audit periods and therefore qualified as either a self-correction without penalty or an Unprompted Voluntary Disclosure carrying with it the lower penalty rates.

These factors also impacted several audits outside of the biggest 10 noted above, ultimately resulting in an average penalty of 3.8% for all LCD audits in the selected period.

6.6.2.2 Self-review and Annual Risk Review meeting

All yield falling within the self-review category arose on foot of the Profile Interview letter outlining the scope of the ARR meeting. As a result of this the benefit of self-correction was not available to the taxpayers. However, it was still open to such Groups to make an Unprompted Voluntary Disclosure. This option (i.e. to make an Unprompted Voluntary Disclosure) will remain unchanged under the revised

Compliance Intervention Framework (CIF), as the CCF self-review will be classified as a Level 1 intervention type.

The average penalty applying to CCF self-review yields was 3.8%. This is a not unreasonable figure considering all yields within this category are unprompted and have been made with the full cooperation of the taxpayer.

As with the self-review average penalty, the average penalty in the ARR meeting issue category of 2.8% is a reasonable figure considering the unprompted and cooperative nature of the settlements.

6.6.2.3 Expression of Doubt/Taxpayer Confirmation or Opinion request/Taxpayer query/self-correction

There was a total tax liability yield of €31.2m in LCD between these categories in the control period. The average penalty across these interventions was effectively nil. This is an expected outcome. The Expression of Doubt procedure and self-correction disclosures protect taxpayers from incurring penalties. It is also reasonable that there would be little to no penalty arising from a yield where a taxpayer has made a confirmation/opinion request to Revenue. As the TDM for LCD Opinions outlines: a confirmation will only be granted *"where the circumstances are complex, or unusual, or information is not readily available, or there is genuine uncertainty in relation to the interpretation or application of the relevant tax/duty rules"*. The taxpayer in seeking such assurances from Revenue is likely to have taken 'due care' and the matter meeting the requirement for a Revenue confirmation request is likely to be sufficiently complex to meet the requirements of section 3.4 of the COP.

6.6.2.4 Unprompted Disclosures

The 4.4% average penalty within the non-CCF Groups is what would be expected considering the range of penalties applying to Unprompted Voluntary Disclosures. The average penalty within the CCF Groups of 1.6% has been affected by two significant disclosures totaling €21.9m which met the criteria for a Technical Adjustment and therefore did not carry a penalty. The average penalty across the remaining Unprompted Voluntary Disclosures was 4.2%.

6.6.2.5 Arising from Repayment reviews or other Revenue interventions

Within this category there was an average penalty of 1% within the CCF Groups and 2.2% within the non-CCF Groups. The yields within this category generally arose from Profile Interviews and AQs which do not prohibit a taxpayer from making an Unprompted Voluntary Disclosure, in the course of the intervention. Despite this, the 1% figure for the CCF interventions appears low. 8 of the top 10 yielding interventions within the CCF Groups, totaling €16.2m did not carry a penalty. This was due to 4 interventions meeting the requirement of Technical Adjustment, 3 meeting the requirement of 'Innocent Error' and 1 being the refusal of an out of time repayment request under section 865 TCA 1997, which did not carry a penalty. Within the non-CCF Groups, 5 of the top 10, totaling yield of €10.3m also met the test for either a Technical Adjustment or an Innocent Error which impacted on the average penalty of 2.2% for non-CCF Groups.

Under the revised CIF all future interventions initiated by Revenue within this category will be 'Level 2' interventions and, therefore, once initiated the taxpayer will lose the ability to make an Unprompted Voluntary Disclosure.

6.7 Comparison of Resources required CCF vs non-CCF

Set out overleaf, are a number of examples of compliance interventions and self-reviews involving CCF Groups and non-CCF Groups and the timelines needed to bring them to a conclusion.

6.7.1 Example 1: Mobile Phone Services Provider – non-CCF Group

Five CT audits were opened on Group companies in respect of corporation tax for the following periods:

- 12-month period ended 28 February 2014 (FY14)
- 12-month period ended 28 February 2015 (FY15)

The audit letters issued for all entities in August 2017. The primary risks, which were the focus of the audit, were both trading losses and a disposal which the company determined had a nil value for purposes of corporation tax on chargeable gains.

One audit closed in April 2020 (i.e. 32 months later) with no amended assessments made by Revenue. CT assessments were made in July 2018 in respect of the other four audits which were subsequently appealed by the taxpayer to the Tax Appeals Commission (TAC).

On receiving a hearing date for the appeal, the taxpayer entered into negotiations with Revenue. A settlement offer was received from the taxpayer on 25th of September 2020. The case was approved for settlement in the sum of €111,000 in November 2020 and ultimately closed in December 2020 (40 months after the audit letters issued).

6.7.2 Example 2 : Software Provider – CCF Group 1

As part of LCD's preparations for the CCF ARR meeting, LCD issued a CCF meeting agenda in February 2019 which was followed up after the meeting with a query as follows:

> *"In general, how are the costs of the IP trades isolated and allocated against the individual IP income streams; Using a specific R&D expense allocated against a particular IP income stream as an example, provide a breakdown of how this cost was calculated."*

In March 2019 the taxpayer filed a self-correction with additional liability of €5,025,075 for the period it had been asked to review. LCD subsequently validated the disclosure with the Self Correction ultimately being classified as an Unprompted Voluntary Disclosure. Technical Adjustment was accepted as appropriate and no penalty arose.

In this instance, the taxpayer made the disclosure and payment within one month of the issue being identified by Revenue for the ARR meeting.

6.7.3 Example 3: Manufacturer of IT Equipment – CCF Group 2

The Group's CCF ARR meeting agenda contained the following query:

> "*Please provide the background details and confirm the accounting and tax treatment of the two disposals included in the …. corporation tax computation for proceeds of €84,663,252 and €31,922,730,596. Please also confirm the tax treatment of the other income of €15,847,076 relating to the sale of assets and the nature of the assets disposed.*"

A disclosure from the taxpayer was received in response and outlined that the company incurred a foreign exchange (FX) loss of €6,204,043 in relation to a part disposal of one of the company's investments. The impact of the disclosure was to disallow the capital loss as a non-deductible expense in the period and separately account for it as a capital loss to be carried forward. This resulted in an underpayment of CT for an amount of €775,293 together with Interest of €51,616 (total yield of €826,909).

From start to finish this intervention was completed within a period of six months.

6.7.4 Conclusion

In the case of the non-CCF example, the full CT audits of 5-Group companies took over 3-years to bring to completion, including appeals to the TAC. The resultant settlement was only €111,500 and significant resources were needed to bring the case to a conclusion. In contrast, the two CCF examples took much less time to complete (in one case 2 months and in the other 6 months). In addition, the compliance yield was significantly higher for both CCF Groups than in the case of the non-CCF Group and the resources applied to bring the cases to conclusion were significantly less than in the audit case.

7 Recommendations from the 2016 Review

The review examined the recommendations from the 2016 review to ensure that they had been implemented. All recommendations as per that review have been implemented. The recommendations from the 2016 review, which were implemented in the relaunch of CCF in 2017, are available in the supplementary material to this report.

8 Administration of CCF

8.1 Is Revenue delivering the CCF in line with the Tax & Duty Manual?

The CCF TDM was published in December 2020. The TDM contains general information on the procedures and operation of the CCF in LCD. Although the TDM was published in December 2020, it was almost totally based on recommendations made from the 2016 review. A key focus of the new TDM was to provide guidance to Branch Managers and Case Managers to ensure the co-operative compliance framework is applied consistently and fairly by all LCD Branches, particularly, as respects the following matters:

- Labelling of CCF interventions;
- Dealing with CCF Groups which no longer meet the CCF entry requirements;
- CCF Group acquiring a non-CCF Group; and
- Non-CCF Group acquiring a CCF Group.

Consistency in labelling CCF interventions is of key importance in order to track and measure the effectiveness of the CCF.

Where a Group no longer meets the criteria or does not fulfil its commitments and obligations under CCF (see section 3.1 of the TDM), the Branch Manager issues a formal letter (see Appendix 4 of the TDM) advising the Group that its continued participation in CCF is withdrawn and the basis for this decision.

All entities in a Group must be included in the CCF application in order for the Group to gain entry to CCF. Therefore, if a Group wishes to remain in CCF after acquiring non-CCF entities, it must apply the CCF rules to the entities it has acquired and make a new CCF application for the entire newly expanded Group.

The TDM also provides guidance on how to deal with the situation where a non-CCF Group acquires an existing CCF Group. If there are no issues with the acquiring Group, then on the acquisition of the CCF Group, the newly expanded Group will be immediately asked if it intends bringing the entire Group into CCF. If the answer is yes – the whole Group will immediately be treated as if it is in CCF

and given a 12-month transition period to make a new CCF application. If the answer is no - the whole Group will immediately be removed from CCF.

The review found that all the procedures governing the operation of CCF were being followed in all LCD Branches. There were some instances where the Branch Procedural Manual were not in line with the TDM but the operation of the framework was. One of the recommendations of this review is that all LCD Branches update their Procedural Manuals to align with the TDM.

Every Group in the CCF program has a dedicated, named, Case Manager known to and freely available to the Group. This does not mean that the Case Manager is dedicated entirely to that Group but should be interpreted as that there is a named Case Manager who has responsibility for that Group.

Every effort is made to ensure that the Case Manager remains constant for a Group in CCF. However, due to staff retirements, promotions and transfers there is inevitably some churn among the Case Managers for Groups in CCF. An analysis of the average number of Case Manager changes that a Group experienced in the 4 years between 2017 and 2021 indicates that on average there was 0.78 changes across all Groups with the greatest number of changes being three.

Change in Case Manager	No. of Groups
No Change	51
1 Change	51
2 Changes	19
3 Changes	3

Of the 126 Groups in CCF, 39 have had the same Case Manager since joining CCF. The fact that there has been no change in Case Manager may be a risk in terms of over familiarity with the Group. There will also be a benefit in a fresh set of eyes considering the tax risks for a particular Group. Therefore, it is suggested that no Group should have the same Case Manager for a period of greater than 5 years.

In 2017, as part of the CCF relaunch, Groups in LCD were invited to apply for entry into the programme. When an application was received, the application was examined in detail to establish if the qualification criteria, as outlined in Section 9 of the Supplementary Paper**,** has been met. Only Groups that met the qualifying criteria were accepted into CCF. In total, 98 Groups were accepted into CCF in 2017, rising to 126 Groups in 2021 before falling to the 123 Groups currently in CCF. The eligibility of the Group for continued participation in CCF is reviewed annually as part of the ARR meetings.

To date, there have been 4 Groups removed from the relaunched CCF programme. In preparation of appraisals in advance of the annual CCF meeting, it was identified that 2 Groups no longer met the LCD criteria and were subsequently moved to Medium Enterprise Division (MED) as part of Revenue’s re-alignment strategy.

On entering Liquidation or Examinership, 2 further Groups have been removed from CCF.

In early August 2021, following consultation with the relevant Group, Revenue was advised that a Group was voluntarily exiting the CCF programme.

8.2 Annual Risk Review meeting

The TDM states that Groups in CCF will have a CCF ARR meeting every year. The ARR meeting is an essential component of the CCF programme. The CCF TDM states that,

> *An Annual Risk Review Meeting must be held between the Group and the Revenue Case Manager in order to confirm that the Group is meeting its obligations and commitments under the CCF and to develop relationships. The meeting must be an annual meeting with a minimum of one Group representative in attendance.*

The table below provides the details of the number of ARR meetings held in each year and the overall percentage of Groups where an ARR was held

Year	Number in CCF	Number of ARR held	Percentage completed
2017	98	26	26%*
2018	115	92	80%
2019	119	85	71%
2020	125	87	70%**
2021	119	92	77.%

No. of ARR Meetings Held

*2017 was the first year in CCF for the majority of Groups and as such ARR meetings were not held until the following year.

**The Covid-19 restrictions in 2020 meant that it was not possible to conduct ARR meetings for all Groups. This was as a result of many of the Groups being unable to facilitate an ARR rather than any inability on the Revenue side to conduct the meeting.

See Section 7.1 and 7.2 of the Supplementary Paper for details of Groups that did not have an ARR in every year since joining CCF.

Where any Group does not have an ARR in a particular year or years, the Case Manager ensures that a review of those year(s) is conducted in advance of the next ARR and that any risks identified for those years are covered at the next ARR meeting in a “catch up” exercise.

8.2.1 Transfer Pricing Branch participation in ARR.

TP Audit Branches have provided various levels of support to Sectoral Branches on 12 CCF annual review cases, including attendance at 4 meetings to date (one other attendance is scheduled).

TP Audit Branches have also conducted compliance interventions on 8 CCF Groups with a compliance yield of approximately €90m. However, several of these interventions either pre-dated CCF or did not arise from CCF. In this regard, it’s probably fairer to say that only two TP compliance interventions arose from CCF. One of those cases arose from the TP Audit Branch’s attendance at an ARR meeting, with a yield of €2.3m, and the other from a referral to the TP Audit Branch by one of the sectoral Branch’s.

8.3 A streamlined process for approval of Corporation Tax and VAT refund claims

The average time taken to process a CT refund for CCF Groups is 52 Business Days. The average time to process a refund for non-CCF Groups is 99 Business Days. 54% of CCF Groups were processed within 20 working days, compared with 22% of non-CCF Groups.

8.3.1 CT Refunds

Refunds for CCF Groups are not specifically prioritised. However, the fact that there are fewer checks carried out means that the timeframe for processing a refund for a CCF Group should be shorter than for a non-CCF Group.

The checks carried out for all Groups are as follows:

- CT1s[10] have been filed for the last 4 years.
- iXBRLs[11] have been filed for the last 4 years (this was not required for periods ending after March 2019).
- VAT RTDs[12] have been filed.
- Claims for Accelerated Loss Relief have been correctly completed.
- Form 46Gs[13] have been filed for the last 4 years (not required for periods ending after March 2019). For CCF Groups the refund can still issue without the 46Gs if the Case Manager requests it.

Additional checks for non-CCF Groups:

- If a credit is claimed for DIRT, back up documentation is required.
- If a credit is claimed for PSWT, PSWT certs are required.
- If a Research and Development credit is claimed, computations for the amount are required (this process is currently under review and may be removed for the process).
- If Group relief is claimed, return compliance checks are carried out on all the companies in the Group.

8.3.2 VAT Refunds

LCD Customer Service Branch only deal with VAT refunds for CCF Groups. The team checks for any outstanding 46Gs and iXBRLs and informs the Case Manager if these are outstanding. The VAT refund is still processed.

8.4 Branch Procedural Documentation

In considering a review of the application of the CCF as it currently stands, particularly in light of the published TDM, the CCF Review Group considered the procedures adopted across all LCD Branches when working CCF Group interventions.

[10] Corportaion Tax Returns.
[11] iXBRL returns are electronically tagged financial accounts.
[12] VAT Return of Trading Details.
[13] this form requires taxpayers to make an annual return of Payments for Services rendered in connection with the trade, profession, business etc., whether paid on the filer's own behalf or on behalf of someone else.

For the majority of Branches the use of the TDM procedures, in particular the checklists to be applied in preparing for, during and after the ARR meeting, and structures in place for repayments of CCF Group refunds of VAT and CT are followed.

There were however some points of note from this review:

- One Branch in its procedural document builds on the specifics of the TDM and provide a **sectoral narrative** to the participants of the CCF process within the Branch. This narrative, while extremely beneficial to those working in the area/ new members of that particular team, does not lead to any material difference in the procedures adopted when working CCF Groups but the benefits of such a document is noted.

- It was further noted that in some Branches, which may not be possible in the Branches dealing with multiple sectors, Case Managers are allocated CCF Groups or non-CCF Groups solely. Where possible this approach to **case allocation** further enables the consistent approach to the treatment of CCF v Non CCF Groups within the Branches.

8.5 To ensure the effective and consistent administration of CCF across the LCD Branches.

Based on the review of the Branch procedural manuals and the sample of ARR meetings held the CCF is being administered consistently across the Branches and in line with the TDM.

Although the review found that there was consistent administration of CCF across the LCD Branches there are distinct differences to how individual Branches approach the administration of CCF, for example, some Branches have dedicated certain teams (Case Managers) to CCF Groups whereas others have Case Managers that manage both CCF and non-CCF Groups. There are some exceptions to this general rule for example in Life Sciences Branch there is a third team that deals with the six of the largest non-CCF Groups as well as two CCF Groups.

Branch	Branch approach to CCF Administration
LCD - 80 PCGM	Case Managers cover both CCF and non-CCF Groups
LCD - 81 ATM	Case Managers are split between CCF and non-CCF
LCD - 82 NFL	Case Managers are split between CCF and non-CCF
LCD - 83 Banking	Case Managers cover both CCF and non-CCF Groups
LCD - 86 ICT1	Case Managers cover both CCF and non-CCF Groups
LCD - 97 ICT2	Case Managers cover both CCF and non-CCF Groups
LCD - 84 Insurance	Case Managers cover both CCF and non-CCF Groups
LCD - 88 MOT	Case Managers cover both CCF and non-CCF Groups
LCD - 90 LS	Case Managers are split between CCF and non-CCF
LCD - 93,94,95 FIF	Case Managers cover both CCF and non-CCF Groups

LCD Branch approaches with Case Managers

8.6 Customs and CCF

LCD's Customs unit has provided various levels of support to sectoral Branches on Customs queries and CCF ARR meetings when requested. The unit advised on 4 requests for information in advance of CCF ARR meetings and participated in 4 ARR meetings.

The issues discussed include Brexit queries, types of authorisation available and application process (how to apply for these), queries relating to the operation of existing authorisation or how to amend existing authorisations. In one case, new criteria and procedures were introduced to deal with Mutual Assistance requests in conjunction with the trader, LCD Case Manager and Revenue IPFMD, MA Unit. The ARR meetings are a good opportunity for the Case Manager to adopt a whole case management approach (including Customs) to the Group.

Customs related issues are also dealt with in specific meetings with traders, including and in particular, CCF Groups that have queries on their authorisations or those that are in the process of applying for a customs authorisation or urgent Brexit related issues (e.g. shipments held up at Dublin Port). These subject specific queries are time sensitive and require a contemporaneous response.

LCD's Customs unit conducts compliance interventions on CCF Groups, these are Post Clearance Checks (AQ level), required under EU Regulations.

The benefits of Customs Involvement in CCF ARR meetings, include:

- Customs are provided with a better overview of an entire Group – not just the import supply chain.
- It allows for a greater understanding of the uniqueness of the Group structure and allows for tailored bespoke advice regarding customs formalities suited to the particular activities in which the Group is engaged.
- Customs can provide knowledge to traders concerning system changes to facilitate best practice and making doing business with Revenue easier.
- Deepens and cements a closer working relationship.

LCD's Customs Unit provides an important element of support in terms of the benefits provided to CCF participants by Revenue, these include:

- The provision of a direct line of contact to LCD's Customs Unit through the Case Manager relationship. This can allow for the expedition of issues and queries for CCF Groups as they arise.
- The provision of assistance to CCF Groups in undertaking self-reviews of customs import declarations to ensure the accuracy and thoroughness of the self-review process.
- The provision of a channel of communications to resolve major difficulties as they arise – facilitate contacts and dealing with multiple Revenue Divisions and other Government Departments to keep the supply chain moving and to work closely with CCF Groups facing major difficulties to the movement and clearance of goods because of issues such as Brexit. (This could involve LCD's Customs Unit providing out of hours assistance to CCF Groups to negate the impact of supply chain snarl ups and to free up the movement of goods urgently needed for processing/manufacturing purposes).
- The provision to CCF Groups of advice on improving their customs procedures and the customs risks they need to address.

8.7 To identify areas of improvement in the delivery and administration of the framework.

Some responses to the survey of non-CCF participating Groups claimed that the CCF program primarily attracts those Groups who have sufficient resources to support their participation. In other words, cost of participation was seen as a significant “barrier to entry”.

This is a difficult issue to address as it requires a reduction in the cost of CCF participation which is generally outside the direct control of Revenue. However, there are two suggested actions, put forward by respondents to the non-CCF survey, that may assist if Revenue wishes to increase LCD CCF participation:

- Allow some flexibility on the “All Group rule”. In other words, allow some Group companies to remain outside CCF, provided that those included capture the significant Group risks. This might provide scope to reduce the administrative burden associated with the CCF program.

This suggestion is not supported as it undermines the integrity of the CCF concept, particularly the emphasis on a participant having in place a Tax Control Framework (TCF) for the entire Group. The idea that the TCF would apply to only some Group companies and not others does not seem practical and is likely to lead to confusion and loss of coherence. In addition, it could mean one Group company being subject to audit and another engaging with Revenue via the CCF on the same or similar issue.

- Allow the frequency of Risk Review meetings to be a negotiable element of the scheme for certain LCD Groups, on a case by case basis, where their tax affairs are less complex and/or where the tax liabilities are on the low side, to allow less frequent Risk Review meetings.

This suggestion has certain merit as respects Groups whose tax affairs are less complex and/or where the tax liabilities are on the low side.

The non-CCF Survey identified that the CCF program primarily attracts those Groups who have sufficient resources to support their participation. It would seem that for certain Groups, operating for example, in industries such as hospitality and leisure, competing demands for limited resources have been exacerbated by the COVID pandemic of 2020 and 2021. The result is CCF participation is dominated by the top MNEs, excluding a significant population of LCD Groups, who might otherwise be very willing to enter CCF. To compensate, the non-CCF Groups rely on existing internal control procedures to mitigate tax risk, which is considered by these Groups to be effective in limiting Revenue compliance interventions. In addition, the efficient delivery of Revenue services outside the CCF framework helps buffer the lack of additional benefits available through CCF.

In terms of improving the benefits for participating in CCF, Groups participating in the survey made suggestions for improving CCF in a number of areas. The main suggestions included the following: (1) introducing a risk rating system under which Revenue would raise less queries with those CCF Groups with the lowest risk ratings; (2) Revenue to have more frequent meetings or workshops to discuss complex issues with CCF participants; (3) Revenue to speed up review of tax returns and tax computations for greater certainty; (4) lower penalties to apply to CCF participants; (5) Revenue participants at ARR meeting to include more specialists in areas such as such as payroll taxation,

R&D tax credits and Transfer Pricing; and (6) direct access (i.e. without involving the Case Manager) to Revenue subject specialists on complex issues.

The details of these suggestions and other suggestions and responses to the survey and Revenue comments on the suggestions made can be found at Section 11 of the Supplementary Paper.

8.7.1 Suggested Improvements arising from Agents Survey.

Overall, the feedback from the agents who replied both in writing and verbally was very positive and complementary of the CCF programme. The main area of improvement to the current CCF programme focused on the ability of the Case Manager to resolve issues/answer queries autonomously and/or immediately.

In a meeting held with an agent in follow up to their formal reply it was outlined that a CCF Case Manager is often not in position to answer the question immediately due to the complex and technical nature of the query/issue(s) raised and that other consultations with other Divisions, usually involving Revenue Legislation Services, was required.

In the agent survey reply, the agent suggested that additional services/offering should be provided/included as part of the CCF relationship. They suggested that CCF Groups should have priority access to other Revenue Branches, e.g. Revenue Legislation Services in respect of RTS1A[14] applications and/or opinions/confirmations, so that their queries/issues could be dealt with more quickly, especially as these requests are frequently time sensitive. This, they suggested, would give the CCF Groups the certainty they require in a timely manner, as certainty/clarity of a CCF Groups tax position was a top priority for CCF Groups.

This suggestion regarding priority access to Revenue Branches is related/a natural extension of their observations regarding Case Managers dealing with complex/technical queries.

9 Findings and Conclusions

The main reasons cited by LCD Groups for non-participation in CCF are, the time involved, the costs involved, and a perceived lack of need i.e. non-participating businesses are currently satisfied with the level of service they receive when outside the framework.

The response from participating Groups is that they are in general satisfied with the programme and believe it worthwhile to participate in particular with regard to the access to a dedicated Case Manager, reduced possibility of compliance interventions and greater certainty in their tax affairs.

The LCD Branches are ensuring that CCF Groups continue to meet their obligations under the Framework and to date 4 Groups have left CCF, 2 that moved from LCD to MED and 2 that ceased business.

The review includes an analysis of tax payments, comparing total tax take for CCF and non-CCF Groups. Although it is difficult to draw clear correlations between participation in CCF and the amount of tax paid it is clear that the largest tax payers in the state are participating in CCF with 7 of the top ten Corporation Tax (CT) payers in 2019 currently in CCF. There has also been a year on year rise since 2017 in the percentage of CT paid by CCF Groups (see Section 6.3.2).

One of the objectives of CCF is to improve voluntary tax compliance. To test whether this objective is being achieved the review undertook an analysis of compliance interventions on CCF and non-CCF Groups. It is clear from this analysis that the CCF Groups are actively engaging in self-reviews and

[14] The form RTS1A is used when submitting a technical query to Revenue.

have a higher level of self-corrections than non-CCF Groups. One of the key aspects of the CCF is the Annual Risk Review (ARR) meeting. The ARR meetings have resulted in a compliance yield of €88.9m accounting for 46% of all compliance yield arising across CCF Groups. Notably this yield figure is higher than the total yield arising from the 134 audits on non-CCF Groups (which were closed as of 30 July 2021), with a total yield of €60.2m.

The operation of the CCF in LCD is a substantial resource commitment. Case managers must be suitably qualified and have knowledge of the sector in which their Groups operate. The conduct of the ARR meetings requires substantial preparation and is akin to conducting a comprehensive audit. There is a limit to the number of Groups that a Case Manager can effectively manage at any one time. In general Case Managers are at the Assistant Principal grade. The review identified that a minority of CCF Groups had not had an ARR in two or more consecutive years and, in general, this was due to a vacancy in the Branch where a Case Manager had been promoted, had transferred or had retired.

One of the benefits of participation in CCF is the streamlined process for approval of CT and VAT refund claims for Groups in CCF. Although there is a difference in the level of checking and back up documentation that is requested from non-CCF Groups this does not result in a delay. The non-CCF respondents to the survey indicated that they were happy with the level of service that they currently receive.

The results of the survey indicate that there are high levels of satisfaction regarding the framework from those that currently participate. The review also shows that the framework is administered consistently and effectively across LCD Branches and that it is delivering on the objective of improving voluntary tax compliance. However, the review did highlight a number of areas for possible improvements and the recommendations listed below are in response to those.

10 Recommendations

1. Groups that move from Medium Enterprise Division (MED) or other Divisions to LCD should be made aware of the CCF programme and that they are eligible to join if they meet the criteria. On joining LCD, LCD Branches should immediately write to new Groups to make them aware that they are eligible to apply to join the programme. A similar letter should issue to all LCD Groups not previously invited to join CCF. See analysis at paragraph 6.2.
2. The role of the Case Manager and his or her relationship with the Group is crucial to the success of the programme. Succession planning is therefore vital and where Case Managers are retiring or moving on promotion it should be policy that such vacancies will be filled as a priority.
3. Case Managers should be rotated where the Group has had the same Case Manager for a period of 5 years or more. See section 8.1.
4. LCD should implement a formal timeline for issuing the ARR meeting agenda in advance of the ARR meeting in order to allow time for taxpayers/agents to adequately prepare for the meeting.
5. How LCD classified interventions in CCF Groups in the Revenue Case Management system (RCM) and, in particular, follow up issues arising from ARR meetings should be further standardised to ensure consistency and allow for easy reporting.

6. In order to encourage Groups to conduct self-reviews technical queries/issues identified during the ARR as part of self-reviews should be fast tracked with LCD Branches for resolution.
7. In order to raise awareness of CCF among tax agents, LCD should conduct an outreach programme among relevant tax agents/advisers.
8. On a case by case basis, and at Revenue's discretion where a Group's tax affairs and/or a Group's tax payments are on the relatively low side ARR meetings should be held on a less frequent basis e.g. every 18 months or two years. Where this arises participants should be made aware of the frequency of ARR meetings.
9. A formal procedure for removing Groups from CCF where Revenue is of the view that the Group is not fulfilling its obligations under the framework should be introduced by LCD and published in a TDM.

Appendix A Glossary of terms

Term	Acronym	Description
Annual Risk Review	ARR	The Annual Risk Review Meeting is a risk-based focused meeting that occurs annually between the Case Manager and the CCF Group.
Appraisal	-	An appraisal is a risk based examination of a taxpayer to inform the selection of Revenue compliance interventions.
Aspect Query	AQ	An Aspect Query is regarded as a short, targeted intervention for the purpose of checking a particular risk.
Code of Practice for Revenue Audit and Other Compliance Interventions	COP	The purpose of the Code of Practice is to set out a clear, fair and equitable set of guidelines to be followed by Revenue, taxpayers and tax practitioners, in the carrying out of all Revenue Compliance Interventions, having regard to best practice and legislation.
Compliance Intervention	IV	Under the provisions of the tax and duty codes, Revenue is entitled to make enquiries or investigations and take such actions as it considers necessary to satisfy itself as to the accuracy or otherwise of any statement or other particular contained in any return, list, statement or other particulars. Such inquiries, investigations or actions taken by Revenue are referred to as Revenue Compliance Interventions.
Confirmation/Opinion		Taxpayers and their agents may sometimes need to contact LCD to seek an opinion/confirmation from Revenue that the taxpayer's/agent's analysis of the tax/duty consequences of a proposed course of action or in respect of a specific transaction is acceptable to Revenue. Opinions/confirmations will be provided, where appropriate, whether or not a taxpayer is participating in the Cooperative Compliance Framework.
Co-Operative Compliance Framework	CCF	Follow link for further detail.
Corporation Tax	CT	Companies resident in Ireland must pay CT on their worldwide profits. These profits include both income and capital gains. Non-resident companies that trade through a branch or agency in Ireland must also pay CT. CT also applies to the chargeable gains of companies calculated in accordance to Capital Gains Tax (CGT) rules.
Expressions of Doubt	EoD	A taxpayer who has a genuine doubt as to the taxation treatment of a certain matter may submit an expression of doubt when they file their return. In order to make a valid expression of doubt a taxpayer must comply with a number of conditions as set out in the relevant legislation for each tax head.
Group		A corporate Group or Group of companies is a collection of parent and subsidiary corporations that function as a single economic entity through a common source of control.
Innocent Error		A tax default of a person that was not deliberate and was not attributable in any way to the failure by the taxpayer to take reasonable care to comply with his or her tax obligations.
Large Corporates Division	LCD	Follow link for further detail

Level 1 Intervention		Level 1 compliance interventions are aimed at supporting taxpayers by reminding them of their obligations and providing them with the opportunity to correct errors without the expense and stress of a more in-depth inquiry. A Level 1 intervention is broad based and only occurs where Revenue has not already engaged in any detailed examination or review of the matters under consideration.
Level 2 Intervention		Level 2 interventions within the Compliance Intervention Framework comprise of risk-based reviews/checks on data provided by taxpayers in their tax returns. These risk-based reviews/checks will range from examination of a single issue within a return to comprehensive tax audits.
Medium Enterprises Division	MED	MED deals with the following types of case: • Businesses with Irish turnover, on a Group or individual basis, >= €8.8 million in any of the last three years (2017, 2018 & 2019) • Construction businesses with a single contract amount >= €8.8 million • Certain accountancy and legal cases and partners • Certain public bodies • Proprietary directors of MED companies • Non-resident online businesses (including Distance-Sellers and EU VAT MOSS cases) • High-wealth individuals not dealt with in HWID • Online betting companies • Companies in the same corporate Group as another company meeting MED criteria
New Compliance Intervention Framework	CIF	The new Compliance Intervention Framework is intended to provide a consistent graduated response to taxpayer behaviour, ranging from extensive opportunities to voluntarily correct mistakes up to the pursuit of criminal sanctions for cases of serious fraud or evasion. The different 'intervention levels' within the framework are set out in the revised CoP which comes into effect on 1 May 2022.
Pay-Related Employee Master File	PREM	PREM stands for Pay Related Employee Master File and is a historic term used within Revenue to describe Income Tax, PRSI and USC collected from employees by employers and paid to Revenue on their behalf under Schedule E of the TCA 1997.
Profile Interview	PI	Once a case is profiled, the level of risk within the case may indicate that the Revenue intervention to be made should be broader than an Aspect Query. In these cases, a Profile Interview may be scheduled at which the risks identified will be addressed.
Prompted Voluntary Disclosure		A 'prompted qualifying disclosure' is a disclosure made after a 'Notification of a Revenue Audit' has issued from Revenue but before an examination of the books and records or other documentation has begun.
Revenue Audit	-	A 'Revenue Audit' is an examination of, • a tax return • a declaration of liability or a repayment claim • a statement of liability to Stamp Duty • the compliance of a person with tax and duty legislation.
Revenue Case Management System	RCM	Internal Case Management system used by Revenue.
Self Correction		Revenue wishes to facilitate taxpayers who discover errors after submission of the relevant tax returns and who wish to regularise the position. To encourage taxpayers to regularly

		review their compliance position, Revenue will allow taxpayers 'self-correct without penalty' any return, subject to certain conditions as detailed in the CoP.
Self-Review		In the context of the CCF a Self-Review is an examination of a tax risk identified during the ARR that is performed by the Group the results of which are provided to the Revenue Case Manager and which may or may not result in additional tax being due.
Tax and Duty Manual	TDM	Tax and Duty Manuals (TDMs) contain the rules, guidelines, procedures, practices and precedents covering the whole range of Revenue activities, which Revenue staff use in making decisions.
Tax Appeals Commission	TAC	The main role of the TAC is to adjudicate, hear and determine appeals against decisions and determinations of the Revenue Commissioners concerning taxes and duties.
Technical Adjustment		Paragraph 3.4 of the CoP provides that, where a technical adjustment to a tax or duty liability arises, a taxpayer will not be liable to a penalty. In summary, paragraph 3.4 provides that Revenue must be satisfied that the taxpayer has taken due care, the treatment concerned was based on a mistaken interpretation of the law or practice and did not involve deliberate behaviour.
Unprompted Voluntary Disclosure		An 'unprompted qualifying disclosure' is a disclosure that is made before a 'Notification of a Revenue Audit' is issued (that is, before the date on which the letter of notification was issued) or before the commencement of a 'Revenue Investigation'.
Value-Added Tax	VAT	Value-Added Tax (VAT) is a tax, which is payable on sales of goods or services within the territory of the Member States of the EU. The tax, in all cases, is ultimately payable by the final consumer of the good or service. Each party in the chain of supply (manufacturer, wholesaler and retailer) acts as a VAT collector. They collect VAT from their customer and include that VAT in their VAT return to Revenue. When returning the VAT collected, they can reclaim as appropriate, VAT which has been charged to them by their suppliers.