

100770-21

12 January 2022

Mr. Paschal Donohoe, T.D.,
Minister for Finance,
Department of Finance,
Merrion Street,
Dublin 2.
Alex.Costello@finance.gov.ie

Dear Minister,

I refer to your letter of 17 December requesting information on the next steps as regards the review of the flat rate expenses (FRE) regime that was undertaken by Revenue in 2018 and 2019. As you know, the implementation of those findings has been deferred a number of times, pending the outcome of a policy review by the Tax Strategy Group (TSG) relating to the tax deductibility of expenses in employment.

Most recently, prior to Budget 2022, in its tax policy paper TSG 21-02 Income Tax, the TSG noted that the review may result in a change to the current list of flat rate expenses, by either increasing, reducing, maintaining or withdrawing the various expenses that cover 53 employments and 134 categories of expense. The paper presented options for you and your Department to further consider in the event that the review results in changes that increase the burden of taxation on workers in a way that is not considered desirable, particularly against the backdrop of the continuing social and economic disruption arising from the pandemic.

As you point out, the paper noted that the position adopted last year, remains relevant and valid in the context of any discussion on the policy issues associated with the tax treatment of employment expenses including flat rate expenses. Bearing in mind that the pandemic continues to significantly disrupt the labour market, the question of the appropriate timing of the introduction of any policy changes to the FRE regime remains a matter for consideration at this time.

With this in mind and given the prevailing circumstances outlined above, Revenue will defer the implementation of the findings of the review of the FRE regime to 1 January 2023, pending decisions by you and your Department on the policy options put forward by the TSG on various matters relating to employment expenses and the enactment of legislative changes in that area, if appropriate.

Yours sincerely,



Niall Cody,
Chairman.