



Cathaoirleach
Chairman



Oifig na gCoimisinéirí Ioncaim
Caisleán Bhaile Átha Cliath
Baile Átha Cliath 2
D02 F342
Éire

www.revenue.ie

Office of the Revenue Commissioners
Dublin Castle
Dublin 2
D02 F342
Ireland

5 December 2019

Mr Paschal Donohoe, T.D.,
Minister for Finance and Public Expenditure and Reform,
Department of Finance and Public Expenditure and Reform,
Merrion Street,
Dublin 2.

Dear Minister,

I refer to your letter of 3 December requesting information on the next steps ahead of implementation of the findings of the comprehensive review of the flat rate expenses (FRE) regime that has been undertaken by Revenue.

As has been acknowledged publicly, the regime provides an efficient and transparent mechanism for significant numbers of employees, who incur similar type expenses in the performance of their employment duties, to obtain tax relief in respect of their expenses without having to submit annual claims to Revenue. This efficient process for employees is complemented by the efficiencies for Revenue in a reduced administrative cost of processing large volumes of identical claims for similar groups of employees. Having regard to the overall efficiencies mentioned, Revenue remains fully committed to the operation of the FRE regime as evidenced by the introduction of new FRE categories to the regime during the past 18 months.

However, as indicated in earlier correspondence, our comprehensive review has highlighted several aspects of the FRE regime that warrant consideration from a tax policy and legislative perspective. I note that you are supportive of the suggestion that the Tax Strategy Group (TSG) is an appropriate forum in which the issues in question can be fully considered, including the necessity for and feasibility of legislative change. In the circumstances, Revenue has decided to defer implementation of any planned changes to the FRE regime until 1 January 2021, pending the outcome of the review by the TSG of the issues concerned and subsequent further legislative considerations, if any. To assist the TSG in its consideration of the various matters, Revenue will make available to the group its report on the review of the FRE regime as soon as it is finalised. As previously suggested, in conjunction with this proposed review of aspects of the FRE regime, the TSG might also consider the not unrelated issues of tax relief for trade union subscriptions and the tax treatment of professional registration fees, which arose during the recent Committee Stage debate on the Finance Bill 2019.

Separately, Revenue has improved the Income Tax Return Form for 2018 so that FREs can be separately identified from expenses claims in general and full analysis of available data in our systems during 2020 may enable more granular reporting on FRE categories and the numbers of claimants in each category, which may help inform discussions at the TSG.



Finally, our communication programme around tax credit notifications for 2020 will be commencing from Monday next 9 December 2019. To avoid confusion or lack of clarity for taxpayers about the FRE issue, we would propose going public on the matter by the end of this week and announcing that any changes to the FRE regime are being deferred until 1 January 2021, pending the outcome of the deliberations of the TSG on various matters relating to employment expenses and the subsequent further consideration of legislative changes in that area, if any.

Yours sincerely,

Niall Cody,
Chairman.