

TALC AUDIT Sub-Committee Meeting Minutes

Tuesday 11th June 2019 – 10.00am
Revenue Commissioners, Planning Division, Bishop's Square, Dublin 2.

Attendees:

Practitioners:

Julie Burke (Chair)	Irish Tax Institute
Jim Kelly	Irish Tax Institute
Liam Grimes	Irish Tax Institute
Mary Healy	Irish Tax Institute
Aidan Lucey	Irish Tax Institute
Sandra Brennan	Irish Tax Institute
Gerry Higgins	CCABI
Ruth Higgins	Law Society

Revenue:

Brian Boyle
Kathleen Redmond
Stephen Flynn
Padraigh Donnelly
Fay Kearney
Miriam Scahill (Secretary)
Bernadette Davis

Apologies:

Tom Martyn	Law Society
Paul Dillon	CCABI
Norah Collender	CCABI
Brid Heffernan	CCABI

TALC AUDIT Sub-Committee Meeting Minutes

Item 1 – Review of Minutes of Meeting held 9th April 2019

The minutes of the meeting held on 9th April 2019 were accepted by the group.

Item 2 – Matters Arising from previous meeting of 9th April 2019

Action Point	Responsible	Status as of 11 th June 2019
Amend meeting minutes	Secretary	Complete
ITI to supply Revenue with examples of where a clawback on the R&D credit may give rise penalty/publication.	ITI	Complete – this issue is discussed in more detail later in the meeting.
Final draft of the amended Code to be shared with the group.	Revenue	All amendments that have been made have been shared with the Committee.
Revenue to clarify how amendments outside the tax year can be handled within PMOD.	Revenue	Ongoing
Revised wording regarding PMOD in the Code to be circulated by Revenue	Revenue	Wording for time limits for self-correction in respect of PMOD has been shared with Committee.
Revenue to circulate standard letter that issued regarding VAT registrations where no VAT return has been made in 2 years	Revenue	This letter was circulated to the members on 19 th June 2019.

TALC AUDIT Sub-Committee Meeting Minutes

VAT de-registration and PAYE de-registration projects

Revenue confirmed that it has run a number of projects to clean the taxpayer register by removing redundant registrations. This will reduce the issue of unnecessary compliance correspondence where registrations are clearly not being used.

In relation to VAT, 3,127 registrations were recently cancelled. These cancelled VAT registrations were identified using the following criteria:

- No VAT collection or liability activity since 01/01/2017
- No collection or liability activity on any other tax head since 01/01/2017

Intention to cancel letters were issued to the identified VAT registered taxpayers prior to de-registration. Revenue invited these taxpayers to indicate whether there was a valid reason to retain the registration.

A similar project was run in relation to PAYE registered employers. Revenue identified over 15,000 registered employers on the following criteria:

- Registrations where no payroll details were submitted for 2017, 2018 and 2019
- Registrations with no employees

Revenue contacted 3,009 of these employers to confirm that their PAYE Registration had been cancelled.

15% Test of Significance: R&D Credits and Transfer Pricing % test of significance where an adjustment is made to the R&D credits

ITI submitted an example where the CT liability of a company is zero and a relatively minor downward adjustment made to the allowable R&D credit resulted in a 15% penalty and exposure to the risk of publication.

In the following discussion, Revenue referenced paragraph 5.6.1 (b) of the Code of Practice which states:

“In the case of a reduction in a repayment made, if any, compared with the repayment claimed, if the reduction exceeds 15% of the amount of the repayment claimed by the taxpayer, a penalty in the category of *careless behaviour with significant consequences* will apply if the incorrect claim arose from a lack of due care by the taxpayer.”

The interpretation that the differential between the R&D credit allowable and the R&D credit claimed will be the basis on which the 15% significance test will apply in situations where a technical adjustment cannot be relied on.

TALC AUDIT Sub-Committee Meeting Minutes

It was indicated that similar issues may arise in the transfer pricing area.

Revenue outlined that the 15% significance test is a legislative test and as such, flexibility in such circumstances will not be possible

Revenue confirmed that there has not been any change of policy in relation to penalties in the area of R&D. There was never a practice of generally accepting R&D adjustments as being purely “technical” in nature.

Item 3 – Work Plan 2019

Code of Practice for Revenue Audit and other Compliance Interventions

A submission made by the ITI in April 2019 regarding Revenue audit procedures was discussed by the Committee. The overall objectives and the specific proposals put forward were considered.

The ITI outlined that the overall objectives of the proposals are:

- Reduced duration of audits
- Increased visibility on the status of the audit for all parties
- Clear identification of the reasons for delays arising in the course of an audit.

The ITI recognises that the audit process does not lend itself to being constrained by defined timelines and milestones.

Revenue noted a shared interest in moving audits forward in a timely manner. However, Revenue cannot agree to explicit deadlines for each element of an audit as these can be impacted by various factors such as the size and complexity of the entity, the level of co-operation by the taxpayer, the quality of the books and records and the extent to which issues of concern are identified. The ITI accepted this point but stated that a general framework within which all parties to the audit work would be useful.

Revenue noted that the provisions of paragraph 5.8 of the Code which empower a taxpayer or agent to pursue unnecessary delays in the conduct of an audit with the auditor’s manager are not being used and asked practitioners for any information on their experience of exercising this option.

While agreeing the desirability of move audits forward as expeditiously as possible, Revenue expressed significant reservations about trying to set timelines for each element of an audit as these are dependent on many factors including the scale of the undertaking, the quality of the records, the level of co-operation and the nature of issues arising. Revenue agreed to talk to the relevant internal networks about the issues raised to see what opportunities exist to achieve improvements in the timeliness of compliance case working.

TALC AUDIT Sub-Committee Meeting Minutes

National/Regional Projects

Medical Locums Project

Revenue updated the committee that 238 Audits and 233 Aspect Queries are opened to date under this project.

Non- Filers Programme

Revenue informed the group that approx. 13,600 CT letters are planned to issue in early July. Revenue will circulate this letter to the practitioners.

PMOD

Revenue updated the group that a service for compliance campaign has commenced in relation to data quality issues and that over the coming weeks Revenue officials will visit the premises of employers. These visits will seek to explore apparent inconsistencies in the data submitted by employers (e.g. where gross pay < pay for income tax). These are not compliance interventions.

Revenue outlined that an e-Brief on PMOD data issues was issued in early May 2019 and Revenue will update this e-Brief on an ongoing basis.

eAudit

The ITI queried if it was policy for Revenue to commence audits on the same day as the e-Audit planning meeting which usually takes place earlier than the scheduled audit. Revenue confirmed that this is not the case.

Updates on Compliance Matters to be provided, when appropriate

There are no updates at this time.

TALC AUDIT Sub-Committee Meeting Minutes

Action Points from this meeting	Responsible
Revenue to talk to the relevant internal networks about the issues raised in the ITI document to achieve improvements in case working.	Revenue
Revenue to circulate the CT Non-filer letter that issued in July 2019	Revenue
ITI to share correspondence regarding audit scheduling that may indicate an inconsistent approach.	ITI

The next meeting of the TALC Audit Sub-Committee is scheduled to take place on **Tuesday 24th September at 10.00am.**

Submitted for approval by Secretary –17th September 2019

Approved by TALC Audit Sub Committee – 24th September 2019