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Ms. Margaret Falsey,
Committee Secretariat,
Committee of Public Accounts,
Leinster House,
Dublin 2.

12 January 2018

Dear Ms. Falsey,

I refer to your letter of 12 December 2017.

I enclose information as follows which was requested by the Committee during the meeting of 30 November 2017:

Appendix 1	A note on the number of criminal convictions for tax and duty evasion;
Appendix 2	A breakdown of the number of companies claiming the Research & Development (R&D) Tax Credit together with the amount claimed;
Appendix 3	A note on the timeline for the calculation by Revenue and agreement of the tax liability arising from the European Commission's decision concerning alleged State aid;
Appendix 5	A note in relation to countries covered by a Double Taxation Agreement where subsidiaries of Irish-resident companies paid Corporation Tax or its equivalent;
Appendices 6 & 7	A note on the top 100 multinational companies and employment data per county.

In relation to the question raised as to the impact, if any, of the recovery of alleged State aid on GDP (Appendix 4), I understand that the Committee has written to the Department of Finance in that regard; I also understand that the Department will be providing information to the Committee in relation to the timeline for the recoupment of tax pursuant to the State aid decision.

Yours sincerely,

Niall Cody
Chairman

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Appendix 1

Criminal convictions for tax evasion

2015

Serious Tax convictions: There were 17 convictions, with custodial sentences imposed in 17 cases, 7 of these sentences were fully suspended and 7 were partially suspended. In one case community service was imposed. In addition, court fines of €1,250 were imposed.

Ten cases related to VAT offences. In 7 of those 10 cases, various enforcement proceedings are being used to collect tax amounts ranging from c. €68,000 to c. €1.35m; in 2 cases the company has been liquidated and there are no funds remaining to pay the tax debt while in the remaining case the taxpayer has no known funds and the tax was written down.

One case relates to Income Tax and property is being sold to satisfy the tax debt.

In six cases the convictions relate to a combination of VAT, Income Tax and employers' PAYE and PRSI; In 3 of those cases, various enforcement proceedings are being used to collect tax amounts ranging from c. €111,000 to c. €780,000. In one case the tax has been fully repaid, in a further case the debt is being pursued from the liquidator of the company while in the remaining case the taxpayer is believed to have left the State and collection is currently suspended.

Serious Duty convictions: There were 11 convictions, with custodial sentences imposed in 10 cases, 9 of which were fully suspended and 1 was partially suspended. In one case, community service was imposed. In addition, fines of €3,500 were imposed. The other sanctions imposed in all cases were the prosecutions and seizure of product.

Prison terms: Actual prison terms were imposed in 10 cases (8 taxes, 2 duty), ranging from 10 months to 3.5 years.

2016

Serious Tax convictions: There were 10 convictions, with custodial sentences imposed in 8 cases, 7 of which were fully suspended and 1 was partially suspended. In 3 cases community service was also imposed. In addition, court fines of €27,000 were imposed.

Four cases related to VAT offences. In 3 of those 4 cases, the tax was paid in full while in the remaining case various enforcement proceedings are being used to collect the tax amount of c. €24,000.

Four cases concern Income Tax offences relating to tax amounts ranging from c. €37,000 to c. €885,000. In one case, various enforcement proceedings are being used to collect the tax amount, in another case collection is suspended pending completion of the taxpayer's prison term while in the two remaining cases the tax is being paid by way of instalments.

In the remaining two cases the convictions concern a combination of VAT, Relevant Contracts Tax and employers' PAYE and PRSI relating to tax amounts of c. €169,000 and c. €519,000; in the former case, an attachment order has been obtained by Revenue while in the latter case there are no funds remaining following liquidation.

Serious Duty convictions: There were 8 convictions, with custodial sentences imposed in all 8 cases, 5 of which were fully suspended and 3 were partially suspended. Court fines totalling €12,500 were also imposed. Other sanctions imposed in all but one of the cases were the prosecutions and seizure of product; cash was also forfeited to the State under the Proceeds of Crime Act in one other case.

Prison terms: Actual prison terms were imposed in 4 cases (1 tax, 3 duty), ranging from 3 months to 1 year.

2017 (to 30 September 2017)

Serious Tax convictions: There were 6 convictions, with custodial sentences imposed in all six cases, two of which were partially suspended and one fully suspended.

Two cases concern VAT offences; in one case, various enforcement proceedings are being used to collect the tax amount of c. €50,000; in the other case, collection of the tax of c. €227,000 is suspended pending completion of the taxpayer's prison term.

One case related to Income Tax offences concerning a tax amount of c. €1.36m and various enforcement proceedings are being used to collect the tax amount.

In the remaining three cases the convictions relate to a combination of VAT, Income Tax and employers' PAYE and PRSI in amounts ranging from c. €88,000 to c. €2.3m; in one case, some of the tax has been recovered following liquidation, in another case collection is suspended pending completion of the taxpayer's prison term while in the remaining case the taxpayer has been declared insolvent and the tax has been written down.

Serious Duty convictions: There were 13 convictions, with custodial sentences imposed in 13 cases, one of which was partially suspended and eight fully suspended. The other sanctions imposed in all cases were the prosecutions and seizure of product while in one case a Court-imposed fine has been paid.

Prison terms: Actual prison terms were imposed in ten cases (5 tax, 5 duty), ranging from seven months to 2.5 years.

Appendix 2

Research & Development Tax Credit Scheme

A breakdown showing the numbers of companies (whose affairs are dealt with in our Large Cases Division (LCD)) and non-LCD companies who claimed under the scheme

LCD versus non-LCD

Description	2011		
	Claimants	Cost of Credit €m	% Breakdown
Non-LCD	1,259	110	42%
LCD	150	151	58%
Total	1,409	261	100%

Description	2012		
	Claimants	Cost of Credit €m	% Breakdown
Non-LCD	1,382	130	46%
LCD	161	152	54%
Total	1,543	282	100%

Description	2013		
	Claimants	Cost of Credit €m	% Breakdown
Non-LCD	1,406	138	33%
LCD	170	283	67%
Total	1,576	421	100%

Description	2014		
	Claimants	Cost of Credit €m	% Breakdown
Non-LCD	1,400	126	23%
LCD	170	427	77%
Total	1,570	553	100%

Description	2015		
	Claimants	Cost of Credit €m	% Breakdown
Non-LCD	1,359	127	18%
LCD	173	581	82%
Total	1,532	708	100%

Appendix 3

A note on the timeline for the calculation and agreement of the tax liability arising from the European Commission's decision concerning alleged State aid

On 30 August 2016 the EU Commission announced its decision which set out the Commission's view that Ireland had granted an illegal State aid to Apple. Essentially, the decision stated that all profit from sales activities of the two Apple companies involved should have been allocated to the Irish branches. The decision did not in any form prescribe the amounts involved. It did however provide a framework[1] within which Ireland was to calculate the amount of alleged State aid. This approach follows ECJ jurisprudence in the area of State aid, which provides that it is for the Member State to calculate the amount of such aid. There have been many references to an amount of alleged aid of €13bn. This amount was referenced by EU Commissioner Vesteger at her press conference when the decision was announced. However, the Commission did not include an amount of State aid in the actual decision.

The Department of Finance has overall responsibility for dealing with recovery of the alleged State aid. Revenue has acted as advisor to the Department for the purposes of calculating the amount of alleged aid. This exercise involves thirteen separate complex calculations for each company (twenty-six in total). Revenue has had to seek extensive information from the company, which would not have been previously provided to Revenue for the purposes of assessing the Irish branches' tax liabilities.

In March 2017, a timetable for the recovery-calculation exercise was discussed in a meeting with the EU Commission and subsequently sent in writing to the Commission. This timetable projected that the calculation exercise was scheduled to be completed by the end of March 2018.

While intensive work is continuing on the calculations, which involve significant interactions with the company and the EU Commission, it is unlikely that all of the remaining calculations will be completed by the end of March 2018. However, at this stage, calculations covering

[1] This framework allowed for some reduction of the amounts to be attributed to the Irish Branches for certain investment income and amounts taxed in other jurisdictions and provided that "normal" Irish Corporation Tax rules should then apply

more than 90% of the total anticipated recovery amount have already been completed and the amounts from these completed calculations will be lodged to the escrow account following the setting up of that account.

Appendix 4

A note on the impact of the €13bn on GDP

Material will be provided by the Department of Finance

Appendix 5

A note in relation to countries covered by a Double Taxation Agreement where subsidiaries of Irish-resident companies paid Corporation Tax or its equivalent

From the transcript of proceedings, it is a little unclear as to the precise nature of the note requested. From some of the detail contained in the transcript, it would appear that it relates to the flip-side of the cost to Ireland of double tax taxation relief claimed by companies in Ireland in respect of tax suffered in other countries. This would entail an analysis of corporation tax paid in Ireland by foreign companies, in respect of which relief is claimed in other countries.

The main source of income of a non-resident company that is within charge to Irish corporation tax is profits of a trade carried on through a branch in Ireland. Certain other sources of income of non-resident companies may, subject to certain exemptions set out in law, be within the charge to income tax in Ireland, for example, rental income, interest income or dividends from Irish companies.

While we do have information from corporation tax returns on the number of non-resident companies who file returns in Ireland and the amount of corporation tax paid, we do not have available information in relation to any claims for double taxation relief made by these companies in their country of tax residence.

From the transcript, the Committee also seemed interested in in obtaining a breakdown of total double tax relief of €948 million by reference to the countries in which the tax was paid and in respect of which relief was claimed. We are unable to provide that analysis because our statistical information is based on data captured on corporation tax returns and the returns do not require a company to itemise total double tax credits claimed by reference to each country in which foreign tax has been paid.

Appendix 6

A note on the top 100 Multinational companies which differentiates between foreign multinationals and indigenous Irish multinationals

and

Appendix 7

A chart detailing the Foreign owned companies by employment by county.

In relation to the information requested at points 6 and 7 of your letter, Revenue would propose, subject to the Committee's agreement, to consider and provide what information we can on these topics for inclusion in our forthcoming analysis of 2016 Corporation Tax returns and 2017 payments that we expect to publish next April. In relation to point 7 in particular, the Committee may wish to note that Figure 4 in our April 2017 paper (https://www.revenue.ie/en/corporate/documents/research/corporation-tax-returns-2016.pdf) on corporation tax shows employment by county of foreign owned multinationals. We will consider how to update and enhance this information in the April 2018 paper.