

Patrick Fannin

From: Doyle, Karen <kdoyle01@revenue.ie>
Sent: 27 May 2019 13:40
To: Public Accounts Committee
Subject: Recommendation A.17 of the Committee's Fifth Periodic Report
Attachments: 100260-19 Letter to PAC re HWI.pdf

Importance: High

Categories: Red Category

FAO Éilis Fallon,

Dear Éilis,

Please find attached letter from the Chairman, Niall Cody relating to Recommendation A.17 of the Committee's Fifth Periodic Report for the attention of the Committee. A hard copy is in the post today.

Regards,

Karen.

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Cathaoirleach
Chairman

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**Ms. Éilis Fallon,
Committee Secretariat,
Committee of Public Accounts,
Leinster House,
Dublin 2.**

27 May 2019.

Dear Ms. Fallon,

I refer to Recommendation A.17 of the Committee's Fifth Periodic Report.

Following the establishment of a new Large Cases - High Wealth Individuals Division (LC-HWID), as part of our structural realignment in 2018, Revenue committed to expand the case base for High Wealth Individuals (HWIs) managed in our HWI/Anti-avoidance units.

In this context, the threshold applied by Revenue to classify HWIs was referred to by the Comptroller and Auditor General in the course of his examination of the Management of High Wealth Individuals' tax liabilities, contained in the Report of the Accounts of the Public Services 2017. The expansion of the HWI case base was also discussed during my attendance at the Committee on 15 November 2018 and the early implementation of a lower threshold was included as Recommendation A.17 in the Committee's Fifth Periodic Report.

Revenue has now completed a review of the case base for LC-HWID and the recommendations arising, which include a recommendation on the lowering of the threshold to wealth greater than €20m for HWIs, were agreed by the Revenue Board on 16 May 2019. The implementation of this recommendation will result in an additional 475 cases being managed by LC-HWID. As part of an on-going process, further related cases will be identified and work will continue on the development of methodologies for the identification and expansion of the HWI case base, both within LC-HWID and Medium Enterprises Division (MED).

Revenue's structural realignment has resulted in an increase in the number of specialist and experienced staff dealing with HWI cases. The increased case base will initially be managed by these additional staff in LC-HWID. We will continue to adopt a proactive approach to aligning our resources with risk and the allocation of resources will be kept under review.

A copy of the LC-HWID Case Base Review is attached for the information of the Committee.

Yours sincerely,


Niall Cody,
Chairman.



Case Base Review

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Executive Summary

The Large Cases - High Wealth Individuals Division (LC-HWID) was established as part of the realignment of Revenue during 2018.

This is a report on a review of the case base of LC-HWID and includes recommendations for revised criteria to be applied to determine what cases will come within the remit of the Division – implementation of which will expand the size of the Division's case base.

At present, the following cases come within the management of the HWI Branches in the Division:

- individuals with net assets of over €50m (including non-residents with substantial economic interests in Ireland). These are primary cases.
- certain family members, partnerships, investment companies and trusts closely linked to HWIs. These are secondary cases.

There are currently 200 HWIs (primary cases) and 278 associated parties (secondary cases) in the HWI case base.

The core recommendation is to confirm the proposed increase in the case base of LC-HWID to include taxpayers with net assets \geq €20m. This is in line with the comments provided to the C&AG on Chapter 18 of his 2018 Report on the Management of High Wealth Individuals' (HWIs) tax liabilities and the subsequent discussions with the Public Accounts Committee at its meeting on 15 November 2018.

LC-HWID has been working with Planning Division, the Accountancy, Legal & HWI Branch of Medium Enterprises Division and ICT&L to agree useful sources of data, analyse that data and recommend criteria to determine the expanded case base.

We have identified 3 sources as follows:

- Revenue Source Data
- Third Party Data
- External source data

The challenge in identifying HWIs is added to where assets are held through corporate structures.

This report recommends the following:

- 12 summarised criteria to be used to indicate net assets \geq €20m. Based on those criteria, we recommend a further 475 primary cases be included in the case base of LC-HWID.
- Related cases should also be identified and included in the case base.
- Medium Enterprise Division should consider the methods used in this report to review its own HWI case base.

- The data is to be shared with other Divisions as appropriate to assist them in getting to know their case base, post realignment.

If cases match any one of the criteria proposed (which each indicate net assets \geq €20m) they will come within the remit of the Division. The report also outlines further work to be done to identify those cases with a focus on identifying taxpayers who:

- hold their assets through corporate structures and
- hold a combination of assets, which cumulatively indicate net assets \geq €20m.

1. Introduction

In its 2009 Report “Engaging with High Net Worth Individuals on Tax Compliance”, the OECD observed that “High Net Worth Individuals pose significant challenges to tax administrations due to the complexity of their affairs, their revenue contribution, the opportunity for aggressive tax planning, and the impact of their compliance behaviour on the integrity of the tax system.”

High Wealth Individuals (HWIs) have been managed by dedicated districts within Large Cases Division (LCD) since 2003. As part of the ongoing structural realignment of Revenue, a Large Cases - High Wealth Individuals Division was established in 2018 which consists of two High Wealth Individuals Branches, two Anti-Avoidance Branches, a Pensions Branch and a Divisional Office.

Given the considerable risks attributed to HWI taxpayers, and Revenue’s core statement that taxpayer behaviour determines Revenue’s response, the resources available to manage the HWI case base have been increased.

At present, the following cases come within the management of the HWI Branches:

- individuals with net assets of over €50m (including non-residents with substantial economic interests in Ireland). These are primary cases
- certain family members, partnerships, investment companies and trusts closely linked to HWIs. These are secondary cases

The family members and associated entities are brought into the HWI Branch on a case by case basis.

HWI Branches do not deal with large trading companies or groups associated with the HWIs.

There are currently 200 HWIs (primary cases) and 278 associated parties (secondary cases) in the HWI case base.

2. Review of Criteria for identifying HWIs

The intention to review Revenue’s criteria and thresholds for identifying HWIs, with the aim of increasing the HWI case base, was stated at the outset on establishing the new Division.

This commitment was referenced within Chapter 18 of the C&AG 2017 Report on ***Management of High Wealth Individuals Tax Liabilities***.

The C&AG recommended: “the threshold used by Revenue to define HWIs is high by international standards. Revenue should review this threshold to ensure it remains appropriate”.

The Accounting Officer agreed: “Revenue agrees with the recommendation and will be expanding the number of HWIs managed in its HWI Units”

This was further confirmed by the Chairman when he met with the Public Accounts Committee on 15 November 2018 and stated: “we are considering how many cases there are of HWIs worth €20m”.

The main purpose of this report is to identify the criteria that will be used to identify taxpayers with net assets \geq €20m.

As the criteria for classification of HWIs is wealth, identifying HWIs can be challenging. Income tax is assessed on income rather than wealth. Individuals are required to disclose their income but are not required to disclose details of their wealth. Under the self-assessment system, taxpayers are obliged to file an annual return with Revenue setting out the details of the income earned, and capital gains made. Taxpayers are not required to provide Revenue with details of their assets and related liabilities unless requested to complete a Statement of Affairs.

Profiling HWI taxpayers and assessing their wealth can also prove challenging due to:

- the complexity, size and diversity of their assets
- the complex business arrangements entered into by HWIs
- the variety of investment vehicles used by HWIs
- the high mobility of HWIs and the cross-border nature of their businesses and investment portfolios
- the limited availability of publicly available data and HWIs’ strong desire for privacy

Indicators of wealth are as follows:

1. Large disposals and acquisitions
2. Significant asset ownership
3. Significant expenditure on non-capital items/lifestyle

We have used a number of sources to assist in identifying taxpayers with substantial net assets and to recommend criteria on which to include taxpayers in the HWI case base including:

3.1 Revenue source data

3.2 Third Party data

3.3 External source data

3. Information Sources Used to Identify HWIs

We identified 11 sources of Revenue source data, 8 sources of third-party data and 2 Rich lists published by Irish media during 2018 as useful sources of indicators of wealth.

3.1 Revenue Source Data

The data described below has been sought and the majority was available in the timeframe set. This has been analysed to assist in the identification of taxpayers with substantial net assets. Thresholds were set depending on the type of data sought. The thresholds set were lower than €20m as the intention is to share the additional data with other Divisions to assist them in reviewing their criteria for identifying their case base and risk within that case base and to facilitate the identification of taxpayers with a combination of assets who have combined net assets \geq €20m.

3.1.1 Disposals \geq €5m

Capital gains declared by taxpayers on their Income Tax return where the total consideration \geq €5m, for 2010 - 2017.

The threshold of €5m was chosen in order to identify large disposals (the same threshold was chosen for 3.1.2 – 3.1.6 below).

The period of 8 years was considered to be a reasonable period over which to gather the data. The 2017 Income Tax return is the most recent Income Tax return filed. The same period was also used in 3.1.2 – 3.1.6 below.

3.1.2 Acquisitions \geq €5m

Chargeable assets acquired declared by taxpayers on their Income Tax return for consideration \geq €5m for 2010 – 2017.

3.1.3 Gift/Inheritance \geq €5m

Gifts and inheritances where the taxable amount declared on an IT 38 \geq €5m for 2010 - 2017.

3.1.4 Inland Revenue Affidavit

Estates for which an Inland Revenue Affidavit was filed for 2010-2017 where the net assets (Irish plus foreign) \geq €5m.

3.1.5 Stamp Duty

Details of transactions where the consideration or the open market value on an ST 21 \geq €5m for 2010 - 2017.

3.1.6 Trusts

Information declared on Form 1's in respect of assets valued \geq €5m transferred into trusts for 2010 - 2017.

3.1.7 Local Property Tax

Details of taxpayers where the combined market value of properties subject to LPT \geq €5m per the 2017 return.

The data was sought for only one year because the LPT threshold has remained the same since it commenced in 2013. It was sought for the most recent year for which an Income Tax return was obliged to be filed so that combined assets could be reviewed.

3.1.8.a: Ownership of Irish close companies

Details of shareholders and their percentage shareholding in close companies where the shareholders' funds declared are \geq €10m for CT1's filed during 2016/2017.

The threshold of €10m was chosen in order to identify high value companies. A higher threshold than the €5m used above was chosen because most companies have more than 1 shareholder and we are seeking to identify individuals with net assets \geq €20m.

The period it was sought for was the most recent CT1 filed for periods ended 31 December 2017.

3.1.8.b: Ownership of cases in LCD

Details of proprietary shareholdings in entities within LCD's case base.

Entities in the LCD's case base have a turnover \geq €190m. The case base is not determined by net assets criteria. A list of shareholders will be obtained and then reviewed for taxpayers with net assets \geq €20m.

The list will be based on the current LCD case base.

3.1.9 Income

Details of gross income \geq €2m as per Income Tax returns for 2015-2017.

The focus is to identify net assets. Significant income is an indicator of wealth however wealthy individuals do not necessarily receive regular high income. A threshold of €2m was chosen in order to identify individuals with significant income. The threshold is lower than €5m and was chosen mainly to assist with the identification of cases within the Medium Enterprises Division.

The period of the most recent 3 years of Income Tax returns filed was considered to be the best indicator of current significant net assets.

3.1.10 Foreign bank deposits

Details of deposits made on opening foreign bank accounts \geq €20m as per Income Tax returns for 2014-2017.

For further reports the threshold will be lowered and the period expanded to identify additional cases and in particular cases who have a combination of net assets \geq €20m.

3.2 Third Party Data

The following 8 sources of third-party data have been analysed to assist in the identification of individuals with significant wealth:

Table 1 – Third Party Wealth Indicators

Wealth indicator description
Account balance in years 2014 - 2017 \geq €20m, estimated from deposit interest earned.
Investment undertakings held in years 2014 - 2017 \geq €20m.
Sum of life assurance payments received in years 2014 - 2017 \geq €20m.
DAC1 assets (property owned + life insurance) in years 2014 - 2017 \geq €20m.
DAC1 incomes (income + director's fees + rents + pensions) in years 2014 - 2017 \geq €5m.
DAC2 / CRS balances in years 2016 - 2017 \geq €20m.
DAC2 / CRS payments in years 2016 - 2017 \geq €20m.
FATCA payments in years 2014 - 2017 \geq 20m.

The third-party data used for this analysis was supplied by domestic and foreign financial institutions, domestic investment undertakings, and foreign tax administrations. It should be noted that this source of information is not completely reliable. Issues such as the following arise:

- records may be matched incorrectly
- the information on residency may be out of date
- assets held in a representative capacity may appear to be held in a personal capacity

The thresholds of €20m for assets and €5m for income were chosen as it was considered they would indicate individuals with net assets \geq €20m.

The period used was based on the data available.

3.3 External Source Data

The media prepare annual rich lists and write various reports on taxpayers which indicate substantial wealth. We have reviewed the two 2018 Rich Lists. The 2018 Rich List was the most recent list available at the time work on this report commenced.

4. Findings

4.1 Revenue Source Data

The findings from the Revenue data are set out below.

4.1.1 Disposals

Table 2 – Disposals (proceeds 2010-2017)

Disposal (Proceeds 2010 - 2017)							
				HWI Cases		Non HWI Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
5	10	513	3,420	27	182	486	3,238
10	20	265	3,699	29	433	236	3,266
20	30	75	1,801	16	411	59	1,390
30	50	47	1,866	9	328	38	1,538
50	100	53	3,758	22	1,630	31	2,128
100	250	24	3,529	12	1,906	12	1,623
		977	18,073	115	4,890	862	13,183

Finding 4.1.1.a: There were **140 taxpayers**, not already in LC-HWID, who disposed of assets where the combined consideration of disposals for proceeds over €5m exceeded €20m over the 8-year period 2010-2017.

Finding 4.1.1.b: Most of those taxpayers had more than one disposal for consideration over €5m in the 8 tax returns for that period.

Recommendation 1: Include taxpayers with cumulative disposal proceeds \geq €20m over the last 8 years.

4.1.2 Acquisitions

Table 3 – Acquisitions (Value 2010-2017)

Acquisitions (Value 2010 - 2017)							
				HWI Cases		Non HWI Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
0	5	5	15	3	11	2	4
5	10	97	645	15	97	82	548
10	20	63	858	17	245	46	613
20	30	29	708	9	228	20	480
30	50	19	749	8	320	11	429
50	250	16	1,034	9	523	7	511
		229	4,009	61	1,424	168	2,585

Finding 4.1.2: There were **38 taxpayers**, not in LC-HWID, who acquired assets where the consideration exceeded €20m.

Recommendation 2: Include taxpayers with acquisitions ≥ €20m over the last 8 years.

4.1.3 Gift/Inheritance

It has not been possible to obtain the exact data requested to indicate large gifts/inheritances. However, the following has been provided:

- Details of 39 individuals who paid CAT ≥ €1.65m since 2010.
- Details of 12 individuals who made or received gifts/inheritances ≥ €20m since 2010.

Table 4 – CAT Paid ≥ €1.65million (2010-2017)

CAT Paid ≥ €1.65 million (2010-2017)							
		Total Tax payable		HWI Cases		Non HWI Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
2	3	22	44	7	14	15	30
3	6	6	21	2	6	4	15
6	12	11	93	5	38	6	55
		39	158	14	58	25	100

Finding 4.1.3.a: There were **6 taxpayers**, not in LC-HWID who paid CAT ≥ €6m since 2010 as analysed above.

Finding 4.1.3.b: There were **12 taxpayers** not in LC-HWID who received gifts or inheritances ≥ €20m and **1 taxpayer** who made a gift/inheritance ≥ €20m since 2010.

Recommendation 3: Include taxpayers who made or received gifts/inheritances ≥ €20m over the last 8 years.

4.1.4 Inland Revenue Affidavit

Table 5 – Inland Revenue Affidavit (2010-2017)

Inland Revenue Affidavit (2010-2017)							
				HWI Cases		Non HWI Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
5	10	175	1,205	1	6	174	1,199
10	20	63	856	2	22	61	834
20	30	13	317	0	0	13	317
30	50	6	207	0	0	6	207
50	100	6	363	2	110	4	253
		263	2,948	5	138	258	2,810

Finding 4.1.4: There were **23 taxpayers**, not in LC-HWID, who died and left assets where the net value \geq €20m. There were **2 beneficiaries** identified who inherited assets \geq €20m.

Recommendation 4: Include the estate of taxpayer's worth \geq €20m. Identify the deceased taxpayers and include them and their estate in the case base. Case managers to review beneficiaries who received gifts/inheritances \geq €20m for inclusion as HWIs and others who received high value gifts/inheritances.

4.1.5 Stamp duty

The data set detailed 8,700 transactions over the 8 years where the market value or consideration \geq €5m. Transactions include gifts and sales and exempt transactions such as company reorganisations. The table below shows all transactions at a value of \geq €20m analysed between companies in LCD and not in LCD. Most transactions are done by companies and not by individual taxpayers.

Table 6 – eStamping Corporate (proceeds 2010-2017)

eStamping LCD Corporate (Value 2010 - 2017)							
				LCD Cases		Non LCD Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
20	30	437	10,627	84	2,048	353	8,579
30	40	275	9,430	57	2,017	218	7,413
40	50	209	9,298	52	2,346	157	6,952
50	100	484	33,947	117	8,362	367	25,585
100	250	302	49,572	105	17,728	197	31,844
250	1Bn	235	116,441	109	52,187	126	64,254
1Bn	5Bn	184	383,647	92	168,053	92	215,594
	> 5Bn	57	2,069,073	29	1,425,271	28	643,802
		2,183	2,682,035	645	1,678,012	1,538	1,004,023

Table 7 analyses transactions where an **individual taxpayer** sold/transferred assets at a value of ≥ €20m. Further detailed analysis can be done to identify the individuals where they were not the direct seller/transferor.

Table 7 – Stamp Duty Value ≥ €20m (2010-2017)

Stamp Duty Value ≥ €20M (2010-2017)								
		Total Consideration		HWI Cases		Non HWI Cases		
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value	
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M	€M
20	30	88	2,118	20	485	68	1,633	
30	40	51	1,749	9	324	42	1,425	
40	50	21	930	6	267	15	663	
50	60	10	556	0	0	10	556	
60	70	6	387	3	195	3	192	
70	80	5	374	2	148	3	226	
80	100	14	1,247	5	431	9	816	
100	367	12	2,408	6	1,131	6	1,277	
		207	9,769	51	2,981	156	6,788	

Finding 4.1.5: There were 156 transactions by taxpayers not in LC-HWID who transferred assets worth ≥ €20m, however there were a number of taxpayers with more than one transaction. There were **131 unique individual taxpayers**, not in LC-HWID who were **transferors** and **8 taxpayers** who were **transferees**.

Recommendation 5: Include the transferor and transferee of assets worth ≥ €20m based on Stamp Duty transactions declared since 1.1.2010. Further work to be done to identify the individuals who own assets held through corporate structures.

4.1.6 Trusts

Information for assets transferred into trusts as declared on Form 1, for 2013-2017 was received. (information for 2010 – 2012 was not readily available).

It contained **2 trusts** set up during that period with transfers of €32m and €26m from the estate of 2 deceased taxpayers who were already in the LC-HWID case base. The trusts were not in LC-HWID.

There were no other assets of substantial value declared on Form 1 as transferred into trusts during that five-year period.

Finding 4.1.6.a: There were **2 taxpayers** in LC-HWID, who transferred assets worth ≥ €20m into a trust.

Finding 4.1.6.b: The trusts are entities that are not individuals and therefore are not primary cases however they do belong in LC-HWID because they are connected with the existing case base.

Recommendation 6: Include trusts where assets worth \geq €20m have been transferred into a trust since 1.1.2010. Include the settlor/their estate if not already in LC-HWID.

4.1.7 LPT

Table 8 – LPT (2017)

LPT (2017)							
				HWI Cases		Non HWI Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
5	10	140	931	24	155	116	776
10	20	25	299	8	92	17	207
20	30	3	71	3	71	0	0
30	50	2	74	0	0	2	74
50	250	0	0	0	0	0	0
		170	1,375	35	318	135	1,057

Finding 4.1.7: There were **2 taxpayers**, not in LC-HWID, who declared residential properties worth \geq €20m for LPT purposes in 2017.

Recommendation 7: Include taxpayers who hold properties worth \geq €20m for LPT purposes for 2017.

4.1.8 Corporate Ownership

We agreed 2 main approaches would be used to identify individuals who hold shareholdings in companies worth \geq €20m. The first is by using the information in the CT1 filed by companies. The second is to review the case base of LCD and identify the beneficial owners of Irish resident companies.

4.1.8.1 Ownership of Close Companies

The data set contained 648 companies with shareholders' funds \geq €20m, as per the CT1 filed during 2016/2017. The number of companies declaring large net shareholder funds are analysed in table 9 between those in LCD and those not in LCD.

Table 9 – Company Net Shareholders Funds per CT1 (2016/2017)

Company Net Shareholders Funds per CT1 (2016/2017)							
				LCD Cases		Non LCD Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
20	30	219	5,235	54	1,303	165	3,932
30	50	165	6,351	50	1,917	115	4,434
50	100	142	9,714	49	3,413	93	6,301
100	250	76	11,737	33	5,165	43	6,572
	>250	46	140,979	29	101,407	17	39,572
		648	174,016	215	113,205	433	60,811

Table 10 analyses where an **individual taxpayer** is listed as a shareholder with a shareholding \geq €20m. Further analysis will be done to identify the ultimate individual shareholder of companies held through a corporate structure.

Table 10 – Shareholders Funds Per CT1 (2016/2017)

Shareholders Funds Per CT1 (2016/2017)								
				HWI Cases		Non HWI Cases		
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value	
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M	
20	30	63	1,544	14	351	49	1,193	
30	50	55	2,106	17	621	38	1,485	
50	100	26	1,760	8	551	18	1,209	
100	250	4	740	3	462	1	278	
	>250	1	431	1	431	0	0	
		149	6,581	43	2,416	106	4,165	

Finding 4.1.8.1: There were **93 taxpayers**, not in LC-HWID, who held shares in close companies and the shareholding was worth \geq €20m per CT1 filed during 2016/2017. (A number of shareholders appeared more than once).

Recommendation 8: Include shareholders where their percentage shareholding in companies is \geq €20m based on the company's shareholders' funds.

4.1.8.2 Ownership of Other Large Corporates

Recommendation 8.1: Include proprietary directors/shareholders of corporates within the LCD case base. Further analysis will be done to identify ultimate shareholders.

4.1.9 Gross income

Table 11 – Gross Income (2015-2017)

Gross Income (2015 - 2017)							
				HWI Cases		Non HWI Cases	
Lower Limit	Upper Limit	Taxpayer	Value	Taxpayer	Value	Taxpayer	Value
€M	€M	Numbers	€M	Numbers	€M	Numbers	€M
2	5	221	626	26	79	195	547
5	15	72	606	16	146	56	460
15	20	12	203	4	68	8	135
20	30	10	251	5	126	5	125
30	50	3	122	1	35	2	87
50	250	7	738	4	500	3	238
	> 250	2	598	2	598	0	0
		327	3,144	58	1,552	269	1,592

Finding 4.1.9: There were **10 taxpayers**, not in LC-HWID, who had gross income \geq €20m in 1 year during 2015-2017 (5 taxpayers) or had combined income \geq €20m over those 3 years (5 taxpayers).

Recommendation 9: Include taxpayers where their gross income per their Form 11 during 2015-2017 \geq €20m.

4.1.10 Foreign Deposits

Form 11 seeks details of the amount of money deposited on opening foreign bank accounts. We sought details of sums deposited \geq €20m per Form 11 from 2014 – 2017.

Finding 4.1.10: There were **4 taxpayers** who were already in LC-HWID and **1 taxpayer** not in LC-HWID.

Recommendation 10: Include taxpayers where their foreign deposits per their Form 11 during 2014-2017 \geq €20m.

4.2 Third Party Data

The following is the result from the 8 third party data sources.

Table 12 – Third Party Data Criteria

Summary of Criteria	Total Cases	HWI Cases	Non HWI Cases
Deposits estimated \geq €20m based on interest	37	14	23
Investment Undertakings over 4 years \geq €20m	7	3	4
Life assurance payments over 4 years \geq €20m	0	0	0
DAC 1 assets over 4 years \geq €20m	0	0	0
DAC 1 incomes over 4 years \geq €5m	4	1	3
DAC 2 balances over 2 years \geq €20m	82	27	55
DAC 2 payments over 2 years \geq €20m	45	18	27
FATCA payments over 4 years \geq €20m	0	0	0
Total (exclude duplicates)	139	44	95

As the data is not fully reliable a level of appraising has been done to see if the information is correct. The third party may be using out of date information where the taxpayer informed them they were Irish resident at the time when asked.

Recommendation 11: Include taxpayers where their net assets appear \geq €20m based on the 8 third party data rules outlined above – this includes non-residents.

4.3 External Source Data

Table 13 – 2018 Rich List

2018 Rich List				
	Total Cases	Sunday Independent List	Sunday Times List	On Both Lists
Family/Business groupings on Rich Lists		249	300	
HWID cases on Rich Lists	225	199	200	174
Non HWI - Net assets > €20m	68	43	56	31
Non HWI - Not registered, appear non resident	99	50	81	32
Non HWI - Non Resident, net Irish assets \leq €20m	60	35	50	25
Non HWI - Resident, net assets \leq €20m	24	17	19	12
	476	344	406	274

The Rich List names individuals and family/business groups. Each of the taxpayers named (even if part of a family/business group) have been profiled and so the numbers profiled exceed the 249/300 per the list.

Finding 4.3.1: There were **68 taxpayers** on the Rich Lists not in LC-HWID, who are registered for tax in Ireland and from a brief profile appear to have net assets \geq €20m.

Of the 68 taxpayers identified, 35 of them were also identified using the criteria above, from Revenue source data or third-party data. The main criteria under which they were identified was shareholders funds.

We have reviewed the reasons why the remaining 33 taxpayers were identified from the Rich lists, and not identified using the criteria above, to see if there are additional sources of identification we need to add.

The additional 33 cases were not identified in the findings above for the following reasons:

- beneficial owners of companies held through a corporate structure (12 cases)
- resident taxpayers appear to be large shareholders in high value non-resident companies (9 cases). Non-resident companies have not been reviewed as part of this report
- a combination of shareholdings or disposals over €20m (7 cases)
- disposal of large shareholdings in Irish companies in 2018, the value of the shareholdings appeared lower than €20m based on net assets per recent CT1 filed (4 cases)
- disposal of high value shares prior to 2010 and therefore not included in the disposal or stamp duty criteria above (1 case)

In conclusion in addition to seeking to identify taxpayers with a combination of assets \geq €20m and beneficial ownership through corporate structures, further consideration should be given to identifying resident taxpayers who hold shareholdings in high value non-resident companies.

Recommendation 12: LC-HWID to carry out an annual review of the Rich Lists. Include taxpayers where their net assets appear \geq €20m based on an annual appraisal of the additions to the list.

Recommendation 13: Consideration to be given to identifying ownership of non-resident companies.

Table 14 is a summary of the criteria used to indicate significant wealth and the number of cases identified who are in LC-HWID and not in the LC-HWID case base:

Table 14 – Summary of Criteria

Summary of Criteria	Total Cases	HWI Cases	Non HWI Cases
Disposals	199	59	140
Acquisitions	64	26	38
Gift/inheritance/IRA	62	17	45
Stamp duty/LPT	177	36	141
Trusts	2	0	2
Shareholdings	127	34	93
Gross income	22	12	10
Foreign bank deposits	5	4	1
Self reported source (exclude duplicates)	487	106	381
Deposits estimated \geq €20m	37	14	23
Investment Undertakings held \geq €20m	7	3	4
Life Assurance payments \geq €20m	0	0	0
DAC 1 assets \geq €20m	0	0	0
DAC 1 Income \geq €5m	4	1	3
DAC 2 balance \geq €20m	82	27	55
DAC2 Payments \geq €20m	45	18	27
FATCA payment \geq €20m	0	0	0
Third party source (exclude duplicates)	139	44	95
2018 Sunday Independent Rich List	242	199	43
2018 Sunday Times Rich List	256	200	56
Rich List source (exclude duplicates)	293	225	68
Total (exclude duplicates)	733	258	475

Further work will be done to identify cases who hold a combination of assets which cumulatively indicate net assets \geq €20m.

Below is the number of criteria matched by cases. The most criteria met was 2 HWI cases who met 9 of the criteria. 331 non HWI cases only matched one criteria.

Table 15 – Combination of Criteria Met

Combination of Criteria Met	Total	HWI cases	Non-HWI cases
1	391	60	331
2	220	117	103
3	51	26	25
4	37	26	11
5	17	12	5
6	10	10	0
7	4	4	0
8	1	1	0
9	2	2	0
Total	733	258	475

The current location of the non HWI cases is as follows:

Table 16 – Current Location

Current Division	Number of Cases
Personal	212
MED	162
Business	101
Total	475

5. Recommendations -Summary

5.1 Increase LC-HWID case base

Increase in the LC-HWID case base using the following criteria:

1. Taxpayers with cumulative disposal proceeds \geq €20m from 2010 onwards.
2. Taxpayers with acquisitions \geq €20m since 2010.
3. Taxpayers who made or received gifts/inheritances \geq €20m over the last 8 years and deceased taxpayers and their estate where the estate is worth \geq €20m.
4. Transferors and transferees of assets worth \geq €20m based on Stamp Duty transactions since 1.1.2010.
5. The settlor of assets on trusts worth \geq €20m and the related trust.
6. Taxpayers who held properties worth \geq €20m for LPT purposes for 2017.
7. Taxpayers whose percentage corporate shareholding \geq €20m based on shareholders' funds per CT1 filed 2016/2017. Include proprietary directors/shareholders of LCD entities. Consider methods of identifying ownership of non-resident companies.
8. Taxpayers whose gross income per their Form 11 for 2014-2017 \geq €20m.
9. Taxpayers who reported deposits to foreign banks of \geq €20m (for 2014-2017).
10. Taxpayers where third-party data indicates net assets \geq €20m.
11. Taxpayers on Irish Rich Lists where their net assets appear \geq €20m based on an annual appraisal of the lists.
12. Taxpayers who hold a combination of assets which cumulatively appear \geq €20m.

5.2 Related Recommendations

- Continue the work on identifying cases below the individual criteria limits where cumulative wealth exceeds €20m.
- Share data with other Divisions as appropriate as it will assist them in getting to know their case base and assist with the case base review post realignment for all operational Divisions and with risk identification.
- Consideration to be given to the methodology used by Medium Enterprise Division to review its HWI case base in particular.
- Adult children/relatives of HWI's are to be included if they are actively involved in running the family business. They will be secondary cases.

- Children/relatives/related entities who have been transferred substantial wealth should be secondary cases. If they have net assets > €20m and are individuals, they will be HWIs (primary cases).
- Consideration to be given to the ability to collect relevant data from wealthy individuals such as the inclusion of a tick box on the Form 11 for taxpayers with assets worth ≥ €20m.
- Cases who are bankrupt or personally insolvent or whose loans have been transferred to NAMA will be retained/transferred into the case base if they match any of the criteria, despite their specific current financial circumstances.

5.3 Frequency of future case base reviews

This report has recommended criteria to identify cases with net assets ≥ €20m. These cases are to be brought into LC-HWID straight away. Work will be done to identify their related cases.

The case base will continue to increase over time on the following basis:

- Further reports will be prepared to identify additional cases and those cases, and their related entities will be brought into the LC HWID case base.
- The Rich Lists will be reviewed annually and additional primary and related cases identified are to be brought into the case base.
- Flexibility remains to include children/related cases of existing primary HWI's as they are identified and as agreed with other Divisions.
- Flexibility remains to add additional primary cases who match the criteria as they are identified on a piecemeal basis, beyond those identified in reports, as information arises.