Tithe an Oireachtais
Houses of the Oireachtas

An Coiste um Chuntais Phoiblí

Scrúdú ar an

gCuntas Leithreasa 2019 i gcomhair Vóta 9 – Oifig na gCoimisinéirí Ioncaim

Meitheamh 2021

Committee of Public Accounts

Examination of the

2019 Appropriation Account for Vote 9 – Office of the Revenue Commissioners

June 2021

33/CPA/007

Contents

OFFICE OF THE REVENUE COMMISSIONERS 2

INTRODUCTION 2

ISSUES IDENTIFIED AND RECOMMENDATIONS MADE BY THE COMMITTEE OF PUBLIC ACCOUNTS 3

APPENDIX 1 COMMITTEE MEMBERSHIP 9

APPENDIX 2 COMMITTEE ORDERS OF REFERENCE 10

APPENDIX 3 WITNESSES 13

APPENDIX 4 REFERENCES 14

Office of the Revenue Commissioners

Meeting Date: 19 November 2020

Link to transcript

Principal Purposes of the Meeting:

- **Appropriation Account 2019 Vote 9 – Office of the Revenue Commissioners**, and
- **Central Fund Related Accounts – Revenue Account 2019**

Introduction

The Committee met with the Office of the Revenue Commissioners (Revenue) on 19 November 2020 to examine matters relating to the 2019 Appropriation Account for Vote 9 – Office of the Revenue Commissioners.

In 2019 Vote 9 recorded gross expenditure of €449 million. Appropriations-in-aid[1] were €71 million and net expenditure under the Vote was €379 million. The amount surrendered to the Exchequer at the end of the year was €4.2 million.

The largest component of expenditure is pay. This accounted for 71% of the Vote's overall spend in 2019. The Comptroller and Auditor General issued a clear audit opinion for the Revenue Commissioners' 2019 accounts.

The Committee also examined the *Account of the Receipt of Revenue of the State collected by the Revenue Commissioners for the year ended 31 December 2019* (Revenue Account 2019). The account presents the collection and allocation of taxes, duties and other levies or charges by Revenue and the transfer of the proceeds to the Exchequer or to other accounts or agencies, as provided for by law. The account, which is prepared on a cash basis, includes amounts received in respect of interest and penalties imposed by Revenue.

[1] Under Section 2 of the Public Accounts and Charges Act, 1891, certain receipts arising in the normal course of a Department's or Office's ordinary Vote business may be retained by that Department or Office to meet expenditure instead of being paid directly into the Exchequer. These receipts are known as appropriations-in-aid.

Net tax receipts for 2019 were €58.31 billion, which comprised Income Tax of €25.59 billion, Value Added Tax of €20.93 billion, and Corporation Tax of €12.34 billion. The main tax collected and refunded to other Government Departments was PRSI, which totalled €12.39 billion.

Issues identified and recommendations made by the Committee of Public Accounts

Based on its examination of Appropriation Account 2019 for Vote 9 – Office of the Revenue Commissioners, the Committee highlights the following areas and makes the following corresponding recommendations to Revenue: -

Issue 1 – Note on excise duty in the Account of the Receipt of Revenue of the State collected by the Revenue Commissioners

Revenue's annual publication entitled *Account of the Receipt of Revenue of the State collected by the Revenue Commissioners* currently lists Excise Duty as a single item in 'Note 1. Exchequer Receipts collected'. However, a range of duties are collected under the term Excise Duty, and the Committee queried several of these duties, such as Mineral Oil Tax and Betting Duty.

In the absence of a breakdown of the individual duties collected in this category the Committee is not in a position to assess and evaluate taxes in this category, and to identify fluctuations from year to year.

Recommendation 1:

The Committee recommends that Revenue includes a detailed note that presents a breakdown of the individual taxes included within the Excise Duty category in *Account of the Receipt of Revenue of the State collected by the Revenue Commissioners*, commencing from the year ended 31 December 2021.

Issue 2 – Temporary Wage Subsidy Scheme (TWSS)

Revenue operated the Temporary Wage Subsidy Scheme (TWSS) from 26 March 2020 to 31 August 2020. The scheme provided more than €2.8 billion in supports to 66,500 employers representing 664,000 employees. The scheme enabled employees, whose employers were affected by the COVID-19 pandemic, to receive significant supports directly from their employer. The TWSS was available to employers who kept employees on the payroll throughout the pandemic.

The TWSS operated in two phases: the transitional phase (26 March to 3 May 2020) and the operational phase (4 May to 31 August 2020). Revenue acknowledged that some mistakes were made during the transitional phase of the TWSS. The Committee notes that employers were paid the maximum entitlement of €410 per each qualifying employee for six weeks, which resulted in a significant additional cost to the Exchequer and reconciliation balances[2] which had to be recouped. This is reflected in a Revenue press release published in March 2021, which states that approximately 90% of reconciliation balances undertaken by Revenue directly relate to this phase of the scheme.

The Employment Wage Subsidy Scheme (EWSS) replaced the TWSS from September 2020 and businesses can avail of the COVID-19 Restrictions Support Scheme (CRSS) through Revenue.

The Committee acknowledges the urgency with which Revenue had to roll out these schemes and commends its work in setting up the TWSS and subsequent support schemes throughout the pandemic. However, the Committee is concerned that the maximum weekly subsidy of €410 was paid out to each qualifying employer during the transitional phase of the scheme.

[2] A reconciliation balance denotes the difference between the total subsidy paid to an employer, the TWSS in this case, and the amount properly payable to their employees.

Recommendation 2:

The Committee recommends that for any future schemes that are rolled out as a matter of urgency, Revenue uses the lessons learned from the TWSS to reduce the potential for overpayments, and the timeframe for resolving same.

Issue 3 – 'Bogus self-employment'

The Committee examined Revenue's response to tackling 'bogus self-employment'[3]. The Committee was briefed on actions taken by Revenue to combat such activity, including conducting site visits across employment sectors to ensure workers are correctly registered as an employee or self-employed. The *Code of Practice for Determining Employment or Self-Employment Status of Individuals* was published by the Employment Status Group, setting out criteria to provide clarity on whether a worker is an employee or self-employed.

The Committee heard that in the construction sector, 1,673 construction site visits were conducted by Revenue in 2019, with approximately 6,650 individuals interviewed. Just under 400 individuals (6% of those interviewed) were reclassified as employees or registered as new PAYE applicants. The Minister for Finance advised the Dáil in November 2019 that compliance interventions carried out in the construction sector generated a yield of approximately €166 million in the years 2016, 2017 and 2018 combined. Revenue informed the Committee that site visits across all employment sectors totalled 4,091 for 2019.

Official statistics in relation to the financial impact of 'bogus self-employment' in Ireland are not available as the practice is inherently difficulty to quantify, and consequently, estimates as to the impact on the Exchequer vary. As noted in

[3] 'Bogus self-employment' refers to the practice in which a worker is falsely classified as self-employed.

the Comptroller and Auditor General's *Report on the Accounts of the Public Services 2017*, "Despite apparent changes in employment relationships, there has been no significant increase in the proportion of earners in PRSI class S over the past ten years". Accordingly, Revenue are not in a position to provide an estimate on how much the practice could be costing the Exchequer in uncollected taxes.

The Committee welcomes confirmation from Revenue that site visits across employment sectors increased from 2018 to 2019 and acknowledges that site visits were disrupted in 2020 as a result of the COVID-19 pandemic. However, the Committee is concerned that the potential tax lost to the Exchequer due to 'bogus self-employment' may be significant.

The Committee is of the view, considering the scale of the problem, that the Code of Practice published by the Employment Status Group does not provide sufficient protection for workers, who may be falsely classified as self-employed.

Recommendation 3:

The Committee recommends that Revenue:

- increases site visits across all employment sectors to ensure a minimum of 4,000 visits per annum from 2022 with year-on-year increases thereafter,
- publishes statistics on site visits conducted, individuals interviewed, and the number of individuals reclassified as employees or newly registered for PAYE on an annual basis, and
- works to bring forward legislation to replace the existing Code of Practice to provide stronger and more comprehensive definitions of employment and self-employment.

Issue 4 – 'Bogus self-employment' in the courier sector

Following the Committee's engagement with Revenue, it received correspondence regarding a voluntary PAYE system agreed by Revenue and courier firms in March 1997. The submissions included correspondence from Revenue which outlines the conditions of the voluntary PAYE system available to couriers, and asserts that couriers that fulfil a number of criteria should "in the interests of uniformity" be treated "as self-employed for tax purposes".

Correspondence from Revenue in February 2021 supports this view, stating "in the interest of uniformity Revenue decided, without prejudice, to treat those couriers as self-employed for tax purposes". Revenue confirmed this arose from a Social Welfare Appeals Officer's decision by which "couriers were regarded as self-employed for PRSI purposes". Revenue also confirmed a voluntary PAYE system was operated for couriers that met a number of conditions on "self-employed courier income net of expenses (expenses agreed at 40% of income for motorcycle and 10% for cycle couriers)".

However, the Committee is concerned that the decision to treat couriers as self-employed has resulted in a loss to the Exchequer in uncollected taxes and a loss to the workers affected by this agreement in benefits that self-employed individuals cannot claim.

Recommendation 4:

The Committee recommends that Revenue commission an independent investigation on the financial and sectoral implications of Revenue's agreement with the courier sector in 1997. This investigation should include an examination into:

- the magnitude of revenue lost to the State as a result of this practice,
- the number of workers impacted by the agreement in the sector, and
- the financial cost to those workers.

Issue 5 – Revenue response to an EU Commission inspection report in 2019

A number of issues were identified in a report regarding the control strategy for customs values and repayments claims following an EU Commission inspection undertaken in 2019. Revenue informed the Committee that an evidence-based reply challenging the validity of most of the findings was issued and that, at the time of the meeting, a response was awaited. The Committee does not have sight of the report or the response.

Recommendation 5:

The Committee recommends that Revenue:

- provide the Committee with a copy of the EU Commission inspection report and Revenue's reply,
- provide the Committee with a timeline for the matter to be resolved and the costs involved, and
- undertakes a risk assessment of the impact on the Exchequer should Revenue's challenge be unsuccessful.

Appendix 1 Committee Membership

The following TDs were members of the Public Accounts Committee when the report was agreed:

Colm Burke	Fine Gael
Jennifer Carroll MacNeill	Fine Gael
Matt Carthy	Sinn Féin
Cormac Devlin	Fianna Fáil
Alan Dillon	Fine Gael
Neasa Hourigan	Green Party
Marc MacSharry	Fianna Fáil
Paul McAuliffe	Fianna Fáil
Imelda Munster	Sinn Féin
Catherine Murphy	Social Democrats
Verona Murphy	Independent
Seán Sherlock	Labour
Brian Stanley (Cathaoirleach)	Sinn Féin (Cathaoirleach)

Appendix 2 Committee Orders of Reference

Dáil Standing Order 218 – Committee of Public Accounts

1) There shall stand established, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee of Public Accounts, to examine and report to the Dáil upon—

   a) the accounts showing the appropriation of the sums granted by the Dáil each year to meet the public expenditure and such other accounts as they see fit (not being accounts of persons included in the Second Schedule of the Comptroller and Auditor General (Amendment) Act 1993) which are audited by the Comptroller and Auditor General and presented to the Dáil on an annual basis, together with any reports by the Comptroller and Auditor General thereon;

   b) the Comptroller and Auditor General's reports on his or her examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and

   c) other reports carried out by the Comptroller and Auditor General under the Act.

2) In considering particular accounts pursuant to paragraph (1)(a), the Committee shall examine whether, having regard to changes in—

   a) the volume or quality of services or other outputs delivered, and

   b) associated expenditure, over time, it can be demonstrated that value for money has or has not been achieved.

3) The Committee shall bring conclusions and recommendations reported to the Dáil pursuant to paragraph (1)(a) in relation to particular accounts to the attention of the relevant Committee established pursuant to Standing Order 95.

4) The Committee may suggest alterations and improvements in the form of the Estimates submitted to the Dáil and shall bring any such suggestions as reported to the Dáil to the attention of the Committee on Budgetary Oversight.

5) The Committee may proceed with its examination of an account or a report of the Comptroller and Auditor General at any time after that account or report is presented to Dáil Éireann.

6) The Committee shall have the power to send for persons, papers and records.

7) Paragraphs (4) to (9) inclusive of Standing Order 96 shall not apply to the Committee.

8) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith whereupon the Committee shall be empowered to print and publish such report together with such related documents as it thinks fit.

9) The Committee shall present an annual progress report to Dáil Éireann on its activities and plans.

10) Notwithstanding the provisions of paragraph (1) of this Standing Order, the Committee shall have the power to examine and report upon a specific matter of general public interest relating to the appropriation of public moneys, which is not comprehended by appropriation accounts or reports of the Comptroller and Auditor General within the meaning of paragraph (1), subject to—

    a) a positive determination having been made by the Committee on Remit Oversight under Standing Order 93A pursuant to a request by the Committee of Public Accounts under Standing Order 93B for an extension to its orders of reference for the purpose of examining the matter; and

    b) the approval of the Dáil by way of an appropriate motion under Standing Order 93B to instruct the Committee in conducting its examination of the matter.

11) The Committee shall refrain from—

    a) enquiring into in public session, or publishing, confidential information regarding the activities and plans of a Government Department or office, or of a body which is subject to audit, examination or inspection by the Comptroller and Auditor General, if so requested either by a member of the Government, or the body concerned; or

b) enquiring into the merits of a policy or policies of the Government or a member of the Government or the merits of the objectives of such policies.

12) The Committee may, without prejudice to the independence of the Comptroller and Auditor General in determining the work to be carried out by his or her Office or the manner in which it is carried out, in private communication, make such suggestions to the Comptroller and Auditor General regarding that work as it sees fit.

13) The Committee shall consist of thirteen members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum. The Committee and any sub-Committee which it may appoint shall be constituted so as to be impartially representative of the Dáil.

Appendix 3 Witnesses

The Comptroller and Auditor General Mr. Seamus McCarthy is a permanent witness to the Committee and attends all of its engagements.

The following table contains the names of witnesses who provided information to the Committee during its meeting on 19 November 2020:

Department of Public Expenditure and Reform	
Mr. Niall Cody	Chairman
Mr. Brian Boyle	Accountant General
Ms Angela O'Gorman	Principal Officer

Appendix 4 References

Information from the following sources informed the Committee's recommendations: -

References
Transcript 19.11.2020
Vote 9 – Office of the Revenue Commissioners Appropriation Account 2019
Account of the Receipt of Revenue of the State collected by the Revenue Commissioners for the year ended 31 December 2019
Revenue update on TWSS reconciliation process
Report on the Accounts of the Public Services 2017 – Chapter 20
R0326PAC33
Written PQs 95, 96, 97 – 27 November 2019
The use of intermediary-type structures and self-employment arrangements: Implications for Social Insurance and Tax Revenues

Houses of the Oireachtas
Leinster House
Kildare Street
Dublin 2
D02 XR20

www.oireachtas.ie
Tel: +353 (0)1 6183000 or 076 1001700
Twitter: @OireachtasNews

Connect with us

Download our App

Download on the App Store

GET IT ON Google Play