Appendix 1

Briefing paper for the meeting of the Committee of Public Accounts

on 19 November 2020

1. Account of the Receipt of Revenue of the State

In 2019, Revenue collected total gross Exchequer receipts of €84.2 billion, including €15.8 billion in non-Exchequer receipts collected on behalf of other Government Departments and Agencies. The net Exchequer receipts were €58.3 billion which was an increase of €3.7 billion or 6.7% over 2018 figures. The net Exchequer receipts for Corporation Tax were €10.9 billion (up 4.8%), Income Tax €22.9 billion (up 7.7%) and VAT €15.2 billion (up 6.8%).

Up to the end of October this year, the net Exchequer receipts were over €42.9 billion, some €1.6 billion or 4% less than the same period last year.

The following table shows the breakdown of net receipts for 2019 and 2018:

Category	**2019 €m**	**2018 €m**
Income Tax, Income Levy & USC	22,938	21,298
Value-Added Tax	15,167	14,208
Corporation Tax	10,887	10,387
Excise	5,865	5,433
Stamp Duties	1,515	1,463
Capital Gains Tax	1,076	996
Capital Acquisitions Tax	522	523
Customs	341	327
Total	**58,312**	**54,633**

2. Appropriation Account 2019

Vote 9 provides for the salaries and expenses of the Office of the Revenue Commissioners, including certain other services administered by that Office.

Revenue's estimate 2019 was originally €446 million; €378.5 million net of appropriations in aid. A supplementary estimate of €4.1 million was provided in November 2019 to fund Revenue's portion of Brexit infrastructure costs for 2019. This supplementary estimate increased the gross estimate to €450.2million (€382.7 million net of appropriations in aid).

Gross expenditure in 2019 was €449m compared with €425m in 2018, an increase of €24m or 5.6%. The increase in 2019 over 2018 primarily relates to increased staffing levels and ICT expenditure, primarily related to Brexit.

Revenue had 6,708 staff serving at the end of 2019 and €319.1 million of Revenue's €449m expenditure related to salaries. The other main item of expenditure was on ICT, which accounted for €57.45m in 2019.

Revenue provides printing and IT hosting services to other departments without charge. The value of these services in 2019 was €4.182million to other voted bodies and €1.153 million to non-voted bodies.

With regard to procurement, Revenue ensures that there is an appropriate focus on best practice in purchasing and that procedures are in place to ensure compliance with the relevant guidelines. In 2019, the Office complied with national guidelines and EU regulations with the exception of the following:

- €26,380 for the essential delivery of sensitive legal documents. This service will be tendered for to address future requirements.
- €34,452 in relation to transportation and assembly of furniture to facilitate office fit outs during 2019. There was a high demand for new accommodation during 2019 to facilitate new staff recruited for Brexit. Revenue are currently preparing a tender to address future requirements.
- €43,803 relating to the use of stenography services. The service provider is on an Office of Government Procurement (OGP) framework but a tendering exercise was not carried out. This issue will be addressed for future requirements.
- €480,336 in respect of mobile telephony. Following a mini competition, a mobile telephony contract was awarded in March 2020.

- €168,913 relating to long standing contracts for telephonist services. Revenue ceased all such contracts with effect from 30 September 2019. The amount shown is in respect of expenditure up to that date.

It is Revenue policy to avail of all centrally available frameworks as soon as is practicable and engage with the OGP where we have more specific requirements. Controls are in place to ensure compliance with this strategy.

3. Bogus Self Employment

"Bogus self-employment" (sometimes referred to as "disguised employment") is the description commonly given to a scenario where an individual engaged to do a job is wrongly classified as being self-employed by an employer who seeks to avoid employment related obligations. From a tax perspective, this relates to tax, USC and PRSI collected through the PAYE system. The implication for the individuals is that they do not have the benefit of certain employment related entitlements such as rates of pay, holiday pay or sick pay. In addition, as the rate of PRSI paid as a self-employed person differs from that payable by an employee, this affects an individual's entitlements to certain social welfare benefits.

Revenue works closely with other Government Departments and agencies to ensure a joined-up approach is taken in tackling bogus self-employment. The determination as to whether a person is employed or self-employed is primarily made by the Department of Employment Affairs and Social Protection (DEASP), and policy in this area is a matter for that Department and the Department of Finance.

"The use of intermediary-type structures and self-employment arrangements: Implications for Social Insurance and Tax Revenues" was published in January 2018. This Report was prepared by a working group comprising DEASP and the Department of Finance, with technical support from Revenue. The report identified significant changes to the traditional employer/employee relationship. Intermediary-type structures are now common as a means of providing labour across a variety of industries, including the airline, pharma and IT industries. These structures can take the form of a Personal Service Company (PSC) of which the worker is a director and/or employee or a Managed Service Company (MSC) of which the worker is one of a number of directors and/or employees. The nature of the labour market is that instead of the traditional breakdown between self-employment or employment, in many instances, the 'self-employment' is done through corporate structures such as PSCs and MSCs. In the airline sector, the emphasis was on the provision of

services through corporate structures particularly MSCs. There are no legal provisions in place which would allow Revenue to look through these legal corporate structures.

It is Revenue's responsibility to protect income to the Exchequer from all taxes. Revenue's compliance framework identifies risk, including any tax risk associated with the use of different employment relationships and structures to provide labour. Revenue is very conscious of the fact that such arrangements create different outcomes in terms of employers' and employees' PRSI. They may also give rise to tax risks, in the potential to defer payment of part of, or all remuneration, with a consequent deferral of payment of the associated tax/USC; or payment of unwarranted tax-free expenses; or different pension planning or tax planning opportunities.

Revenue conducts a full range of interventions to combat all types of tax evasion. Revenue interventions include a focus on the practice of disguised employment and challenging the inappropriate classification of workers as self-employed contractors. In 2019, officers from Revenue's Joint Investigation Units ("JIU") along with other Revenue staff conducted 829 Revenue standalone construction site visits, interviewing 3,476 contractors, sub-contractors and employees on site to make them aware of their compliance and other statutory obligations. Additionally, they carried out a further 844 construction site visits in conjunction with either DEASP or WRC, to include 39 visits with both and interviewed a further 3,176 individuals. As a result of these activities in 2019, 297 individuals were registered as new employees for PAYE and an additional 97 sub-contractors were reclassified as employees. As a result of the impact of restricted working arrangements associated with Covid-19 on Revenue staff and people engaged in the construction sector, the number of construction site visits conducted by Revenue has decreased during 2020.

4. Brexit Preparations

Revenue Trade Engagement and Communications Campaign

Revenue's most recent phase of trade engagement, encompassed all businesses (approximately 90,000) that traded in goods with the UK in 2019, identified by Revenue through their analysis of the VAT Information Exchange System (VIES) returns.

Revenue followed up the letters with direct telephone contact with the businesses that were identified as having more than €50,000 activity with the UK. This was approx. 14,000 businesses.

Revenue hosted Brexit information webinars on October 5 / 6 with over 2,000 businesses participating. The sessions provided guidance on the new customs requirements as well as sessions from Department of Business, Enterprise and Innovation and Department of Agriculture, Food and the Marine. There were also customs technical sessions providing businesses with useful information to prepare for the new trading environment from January 2021.

As a result of this engagement there was a noticeable increase in registrations for EORI numbers with over 2,600 businesses registering between September and October 2020 bringing the total to more than 6,700 registered in 2020 and an overall total of 71,000.

In the immediate future Revenue's communication strategy is focused on ensuring the key players at our points of import and export are aware of the changes that will occur on 'Day One'. Revenue will issue information to haulage companies, ferry operators and truck drivers in relation to the changes in our ports.

The Revenue website continues to be updated with specific information that outlines in clear terms the obligations on businesses throughout the supply chain and offers them guidance on steps to take to meet the post Brexit requirements. Our Brexit specific email portal continues to be available on a 24/7 basis.

Staffing

In September 2018, the Government granted approval for the phased recruitment of an additional 600 Revenue staff to meet the challenges posed by Brexit. In the period from 2017 to 2019, Revenue assigned over 580 staff to customs related roles, deployed across a range of functions, with the majority assigned to import and export trade facilitation activities and policy and operational roles. Staff at the main ports, airports and mail centres are working on a 24/7 basis.

During 2020, Revenue reviewed the Brexit staffing requirements, taking into account our learning and experience over the last 2 years, our familiarity with the infrastructure that is in place at the various sites in the ports and airports and knowing the UK position on a number of items such as duty free, and we estimated that an additional 310 staff would be required. Sanction was granted by DPER for these staff in Q3 this year. Recruitment and training are ongoing at present with a view to having the full complement of additional staff in place by end January 2021.

Staff in Ports and Airports Sept 2018 vs October 2020

Location	Number of staff assigned at 01/09/2018	Number of staff assigned at 31/10/2020	Variation	Variation%
Dublin Airport	118	173	+55	+47%
Shannon Airport	20	26	+6	+30%
Cork Port/Airport	21	51	30	+143%
Dublin Port	130	225	+95	+73%
Rosslare Port	26	55	+29	+112%
Totals	315	482	+215	+68%

IT Infrastructure

Capacity of the Customs IT systems has been significantly increased in order to deal with the expected growth in the number of transactions post-Brexit. Revenue estimates that declarations could increase to 20 million per annum (an extra 18.3 million or a 12-fold increase). A new national import system, the Automated Import System (AIS) will replace the current system for imports in November 2020. This change is necessary in order to ensure compliance with the Union Customs Code; to provide the most efficient process possible for trade; and to provide additional functionality that is not possible with the existing system. The AIS is part of a planned suite of IT changes that have been in preparation by Revenue in relation to the full framework of customs IT systems and that is happening across the EU Member States. Preparations for the introduction of the system have been ongoing throughout much of 2019 and 2020 and Revenue has engaged extensively with software providers and customs agents to ensure these critical sectors are aware of the upcoming changes. The existing AEP system will continue to be used for exports until 2023.

Infrastructure at Ports and Airports

Since 2018, detailed work has been underway across Government to invest in the infrastructure and systems required for additional customs and regulatory (including SPS) checks and controls on goods going to or coming from the UK at Dublin Port and Rosslare

Europort, as well as at Dublin Airport. This is one of the most visible aspects of the Government's preparations for Brexit. Our approach to this work is driven by the twin objectives of ensuring trade can flow through our ports and airports to the greatest extent possible while maintaining food safety and public health and Ireland's obligations to the Single Market.

In addition to substantial investment in infrastructure, the Government has also provided additional resources to the agencies to carry out the checks and controls.

5. PAYE Modernisation

Revenue's PAYE Modernisation delivered the most significant reform of the Pay As You Earn (PAYE) System since it was first introduced in 1960. Since 1 January 2019, employers and pension providers are reporting details of employees' and pension recipients' pay and statutory deductions to Revenue every time they are paid. These changes have brought about significant efficiencies and improvements in accuracy and transparency for some 180,000 employers and pension providers, 2.6 million employees and pension recipients, and for Revenue. During 2019, employers and pension providers made 6.1 million payroll submissions, reporting gross pay and pensions of €98.2 billion.

Income tax, USC and PRSI deductions reported through the system totalled €31.6 billion for the year, which represented a €178m surplus on the 2019 target. Revenue actions following the implementation of PAYE Modernisation (from 1 January 2019) have directly delivered additional Income Tax collection of an estimated €52 million from employers in 2019.

Employer satisfaction with PAYE Modernisation is reflected in the results of a survey of employers we carried out during 2019. For example, 78% of employers agreed that payroll now takes less time, while 80 per cent agreed that payroll runs more smoothly because of the new system. Further details are available on page 26.

The reform of the PAYE system, and in particular the receipt of real time payroll information, has enabled us to provide extended online services to employees through myAccount, including:

- During the year, the facility for employees to view the pay and tax details reported by their employer in real time. This provides transparency to employees that the deductions made by their employers have been reported to Revenue and for their social insurance contributions onwards to the Department of Employment Affairs and Social Protection.

- When required, a summary of periodic pay and statutory deductions can be requested. This is a secure document that an employee can provide to any person or body, such as a financial institution, a solicitor or local authority, as proof of income or tax paid for the purposes of applying for a loan, mortgage, grants etc.
- At the end of year, an Employment Detail Summary which contains the employee's pay and statutory deductions for the year as reported by their employer or pension provider. The details are always available to the employee and can be saved as a document to view or print if required. The document can be used as proof of income where required by third parties.
- At the end of year, a preliminary end of year calculation that shows every employee if they have paid the correct amount of tax and USC for the year. It is based on the information held on Revenue's records. Employees can claim additional credits, such as Health expenses, or declare additional incomes, and a Statement of Liability will be issued along with any refund of tax or USC if applicable.

At the end of April 2020, we had received over 583,000 returns from PAYE taxpayers, representing an increase of 50% when compared to the same period last year. We had also issued refunds to 545,000 taxpayers to the value of €302 million. Over 270,000 employees have created an Employment Details Summary and 284,000 employees have viewed their pay and tax in year.

We extended our ICT infrastructure to support the creation of over 3.2 million preliminary end of year calculations for 15 January 2020. This enhanced infrastructure ensures any updates to an employee record will result in a real time updated calculation which is visible to the employee via myAccount.

From its announcement in October 2016 to its go-live in December 2018, PAYE Modernisation took over 2 years to deliver and was the biggest cross-Divisional project ever undertaken by Revenue. At its height, around 100 Revenue staff and external contractors were working fulltime on the project.

6. Covid-19 response

Revenue has implemented a range of measures to support businesses that are suffering cashflow or trading difficulties at this time of unprecedented challenge. PAYE modernisation has provided the platform to allow up to deliver the supports directly to businesses.

The measures include the suspension of all debt collection and enforcement activity, the suspension of interest on late payment charges for Small and Medium Enterprises generally and for other businesses on a case by case basis, and the prioritisation of refunds and repayments processing to assist cashflow challenges. Revenue has also maintained tax clearance status for previously viable businesses that are now experiencing tax payment difficulties.

Temporary Wage Subsidy Scheme (TWSS)

Revenue operated the TWSS from 26 March 2020 to 31 August 2020. It enabled employees, whose employers were affected by the pandemic, to receive significant supports directly from their employer. The TWSS was available to employers who kept their employees on the payroll throughout the COVID-19 pandemic. This meant employers could retain links with employees for when business picked up after the crisis. An overview of the TWSS is available at:
https://www.revenue.ie/en/corporate/documents/research/statistical-overview-of-covid-19-twss.pdf

Total Paid: €2.9 billion

Employment Wage Subsidy Scheme (EWSS)

EWSS is an economy-wide enterprise support that focuses primarily on business eligibility. The scheme provides a flat-rate subsidy to qualifying employers based on the numbers of eligible employees on the employer's payroll and gross pay to employees.
The EWSS replaced the Temporary Wage Subsidy Scheme from 1 September 2020. It is expected to continue until 31 March 2021. The latest statistics are available at:
https://www.revenue.ie/en/corporate/documents/statistics/registrations/covid-19-support-schemes-statistics-12-november-2020.pdf

Paid to 11 November: €730 million

Covid Restrictions Support Scheme (CRSS)

CRSS is a targeted support for businesses significantly impacted by restrictions introduced by the Government under public health regulations to combat the effects of the Covid-19 pandemic. Guidelines on the operation of the scheme, including the eligibility criteria, are available on the Revenue website (https://www.revenue.ie/en/corporate/press-office/budget-information/2021/crss-guidelines.pdf) . Eligible businesses can register for the scheme on the Revenue Online Service (ROS).

Debt Warehousing

VAT and PAYE (Employer) debts associated with the COVID-19 crisis are being "warehoused" following the enactment of legislative amendments at the end of July.

Under the scheme, VAT and PAYE (Employer) tax debts deferred while a business was unable to trade or was subject to restricted trading due to the COVID-19 related health restrictions, as well as debts for an additional two months after the business resumes trading, are being warehoused for 12 months, during which time collection will not be pursued and no interest will be charged. At the end of the 'warehoused' 12-month period, a reduced interest rate of 3% will apply on the repayment of such warehoused tax debt until it is fully paid. This compares to a rate of 10% per annum currently charged on overdue VAT and PAYE (Employer) tax debts. Details are available at the following: https://www.revenue.ie/en/corporate/documents/statistics/registrations/warehouse-debt-statistics-040620.pdf

Currently €2.2bn has been warehoused (€1,240m VAT, €961m Employers PAYE)

Stay and Spend

The Stay and Spend Tax Credit is a new tax credit available for the years 2020 and 2021. It may be used against an Income Tax or Universal Social Charge liability in a year of assessment. Stay and Spend credit can be claimed for qualifying expenditure incurred between **1 October 2020** and **30 April 2021**. This includes expenditure on either holiday accommodation or 'eat in' food and drink.

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Appendix 2

Revenue Publications

- Revenue Annual Report 2019
  https://www.revenue.ie/en/corporate/press-office/annual-report/2019/ar-2019.pdf
- Statement of Strategy 2020 to 2022
  https://www.revenue.ie/en/corporate/documents/governance/sos-2020-2022.pdf
- Statistics and Insights from Real-Time Payroll Reporting (PAYE Modernisation)
  https://www.revenue.ie/en/corporate/documents/research/pmod-statistics-paper.pdf
- PAYE Trends and Analysis (October 2020)
  https://www.revenue.ie/en/corporate/documents/research/paye-trends-and-analysis-october-2020.pdf
- TWSS Preliminary Statistical Report (November 2020)
  https://www.revenue.ie/ga/corporate/documents/statistics/registrations/covid-19-support-schemes-statistics-5-november-2020.pdf
- Debt Warehousing (May 2020)
  https://www.revenue.ie/en/corporate/documents/statistics/registrations/warehouse-debt-statistics-040620.pdf
- Corporation Tax 2019 Payments and 2018 Returns
  https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2020.pdf
- Evaluation of Budget Compliance Measures
  https://www.revenue.ie/en/corporate/documents/research/budget-2019-compliance-measures-evaluation.pdf
- VAT Payments and Returns 2019
  https://www.revenue.ie/en/corporate/documents/research/vat-report-2020.pdf
- Results of the 2019 Survey of Employers
  https://www.revenue.ie/en/corporate/documents/research/employer-survey-2019.pdf
- An Evaluation of Budget 2019 Compliance Measures
  https://www.revenue.ie/en/corporate/documents/research/budget-2019-compliance-measures-evaluation.pdf
- Results of the 2019 National Random Marked Mineral Oil Sampling
  https://www.revenue.ie/en/corporate/documents/research/oil-sampling-programme-2019.pdf
- Tobacco Products Research Survey 2019 Results
  https://www.revenue.ie/en/corporate/documents/research/tobacco-surveys-2019.pdf