



Cathaoirleach
Chairman

Your Ref: S1222 PAC33

Our Ref: 100614-22

09 March 2023

Mr. Sam Keenan,
Committee Secretariat,
Committee of Public Accounts,
Leinster House,
Dublin 2.
PAC@oireachtas.ie

Dear Mr. Keenan,

I refer to the correspondence, on behalf of the Committee, dated 23 February 2023 in relation to the meeting of the Committee of Public Accounts on 08 December 2022.

The information requested in the correspondence is now enclosed as follows:

Appendix 1: A note on tax revenues from the construction sector, including:

- The tax take from building materials, and any available breakdown in that regard, and
- A breakdown of the tax take per new-build property.

Appendix 2: The figure for the range within the 10 companies with the most debt warehoused.

Appendix 3: The revenue received through the one-stop shop on e-commerce and e-services.

Appendix 4: The number of referrals made by Revenue to the corporate enforcement agency, and An Garda Síochána, and the number of referrals made by both entities to Revenue.

Appendix 5: The domicile levy take for 2021, and for 2022.

Appendix 6. A note on the treatment of high-wealth individuals who pay the domicile levy, including the number of individuals concerned.

If you have any queries, please do not hesitate to contact Angela O’Gorman at (01) 8589181 or angelaogorman@revenue.ie.

Yours sincerely,

Niall Cody,
Chairman.

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Appendix 1

Tax Receipts from the Construction Sector

A note on tax revenues from the construction sector, including:

- *The tax take from building materials, and any available breakdown in that regard, and*
- *A breakdown of the tax take per new-build property.*

The rate of VAT on the supply of a new house 13.5%. That is also the VAT rate on construction services.

Data on the payment of taxes by the construction sector across tax heads is available on the Revenue website at the following link: <https://revenue.ie/en/corporate/information-about-revenue/statistics/receipts/receipts-sector.aspx>.

As indicated at the meeting in December, there are data limitations with respect to estimating tax revenues generated by the construction sector, including specific areas referenced by Committee members like building materials and new-build properties.

VAT is normally charged by the person supplying the goods or services. However, under Relevant Contracts Tax (RCT), the VAT on construction services is subject to the reverse charge rule. This means that the principal contractors are liable to account for and pay the VAT due on the services provided to them by the sub-contractors. The principal contractor calculates the VAT on the amount charged by the sub-contractor for the supply of services and pays the VAT directly to the Revenue. It primarily applies to subcontractors involved in the construction industry. However, due to the format in which VAT returns are provided, and the fact that principal contractors are not necessarily engaged in construction activity themselves, it is not possible to separate out how much of this reverse charged VAT is attributable to the construction work carried out by the subcontractor. For example, following construction of a new building, a school may pay VAT under the RCT model, but the tax liability for the building's construction will be recorded as arising in the Education sector rather than the Construction sector, as it is the school who paid the VAT. In this example, the subcontractor is also entitled to a VAT refund on their inputs.

It is also worth noting, in relation to VAT revenues, that traders are not required to identify the VAT yield generated from the supply of specific goods and services on their VAT returns. Therefore, VAT charged on specific construction inputs, such as building materials, are aggregated along with VAT from other activities or sales by the trader.

Data from other third-party sources is required to enable an estimate of tax revenues generated by construction activity. These third-party sources would include the Central Statistics Office and the Department of Housing, Local Government and Heritage, and should be regarded as tentative in nature.

Appendix 2

Debt Warehousing

The figure for the range within the 10 companies with the most debt warehoused.

The total amount of debt warehoused for the ten businesses with the highest amounts was €210,272,977 at the end of January 2023. Due to the taxpayer confidentiality as provided for under section 851A of the Taxes Consolidated Act it is not possible to give any further breakdown of this figure. The total amount debt warehoused at the end of January 2023 was just over €2.3 billion.

Appendix 3

VAT on e-commerce

The revenue received through the one-stop shop on e-commerce and e-services.

VAT Mini One Stop Shop (MOSS), One Stop Shop (OSS) and Import One Stop Shop Receipts 2015 – 2023

| Years | Scheme | Amount (€) Retained (Union Scheme 2015 – 2018 only) | Amount (€) received as Member State of Consumption | Total Receipts (€) |
|----------------|-------------------------|--|---|----------------------|
| 2015 - 2021 | Union (MOSS) | 805,494,434 | 292,775,987 | 1,098,270,421 |
| 2015 - 2021 | Non-Union (MOSS) | - | 54,055,009 | 54,055,009 |
| 2021 - 2023 | Import One-Stop Shop | - | 240,679,007 | 240,679,007 |
| 2021 - 2023 | Union (OSS) | - | 222,396,603 | 222,396,603 |
| 2021 - 2023 | Non-Union (OSS) | - | 22,658,036 | 22,658,036 |
| Total | All schemes | 805,494,434 | 832,564,642 | 1,638,059,076 |

Figures based on data as of 02 March 2023

Union = taxable persons that have an establishment within the European Union (EU) but are making supplies to Member States in which they are not established.

Non-Union = taxable persons that have no establishment within the EU.

On 1 January 2015, new EU VAT rules came into effect changing the place where VAT is chargeable in respect of all supplies of telecommunications, broadcasting and electronic (TBE) services to consumers. VAT on these services became chargeable based on where the consumer is located instead of where the supplier is located.

This ensured that VAT is payable in the Member State where the services are consumed and it removed the incentive for businesses in these sectors to locate in low VAT rate Member States. As a result of the change, EU and non-EU businesses supplying these services were required to register and account for VAT in every Member State in which they supply these services to consumers.

As an alternative, they could avail of an optional special scheme known as the Mini One Stop Shop (MOSS) which allowed a business engaged to register in a single Member State, to file a single quarterly return and pay its VAT liability for all Member States through a web portal in the Member State of registration. Transitional rules for the period 2015-2018 provided that the Member State of registration retained a percentage of the VAT collected on behalf of other Member States, with the retention percentage being 30% in 2015 and 2016, and 15% for 2017 and 2018.

The amount retained by Ireland was €805 million in respect of the four-year period 2015-2018. The Scheme was extended in July 2021 and the scope of MOSS was extended to a full One Stop Shop (OSS) for goods and services supplied via eCommerce. A new Import One Stop Shop (IOSS) was also introduced for the declaration of VAT due on distance sales of goods imported from outside the EU.

Appendix 4

Engagement with An Garda Síochána and Corporate Enforcement Authority (CEA)

The number of referrals made by Revenue to the corporate enforcement agency, and An Garda Síochána, and the number of referrals made by both entities to Revenue.

An Garda Síochána (AGS)

| | 2021 | 2022 | Total |
|-------------------------------|------|------|-------|
| Referrals from AGS to Revenue | 0 | 6 | 6 |
| Referrals from Revenue to AGS | 4 | 1 | 5 |

CEA

| | 2021 | 2022 | Total |
|---|------|------|-------|
| Requests for information from CEA ¹ | 77 | 46 | 123 |
| Referrals from Revenue to the CEA ² | 6 | 3 | 9 |
| Dissolved companies with Revenue debt referrals to CEA ³ | 23 | 57 | 80 |

¹ Includes requests for information from the CEA for possible disqualification under section 842(h) of the Companies Act 2014 and requests for information pertaining to ongoing CEA investigations.

² Cases where Revenue identify a possible offense under the Companies Act 2014 or issues with a liquidator in the winding up of a company.

³ Revenue sends a list to the CEA of cases with revenue debt over a certain level, where the company has been dissolved and a liquidator was not appointed.

Appendix 5

Domicile Levy

The domicile levy take for 2021, and for 2022.

Domicile levy (DL) payments received in any year are allocated to the tax year to which they relate. The DL returns and the related payments up to 31 December 2022, in respect of the last 3 tax years are set out in the table below. The number of returns and the related payments in respect of a particular tax year can increase as returns are received in subsequent years.

| Tax Year | No. of DL Returns for the Tax Year | DL Liability (€) related to the DL Returns |
|-----------------|---|---|
| 2019 | 17 | 2,407,088 |
| 2020 | 16 | 2,572,673 |
| 2021 | 12 | 1,655,209 |

Appendix 6**Treatment of High Wealth Individuals**

A note on the treatment of high-wealth individuals who pay the domicile levy, including the number of individuals concerned.

Large Cases-High Wealth Individuals Division of Revenue is responsible for the management of the tax affairs of 'High Wealth Individuals' (HWIs) and relevant related persons. Revenue defines HWIs as individuals with net assets of circa €20m. There are currently approximately 1,500 HWIs managed by the Division and circa 2,200 related entities. Of these 3,700, approximately 300 have indicated on a recent tax return that they are non-resident.

The Division profiles the individuals on an ongoing basis and engages with the individual and their advisers when a tax risk is identified. Separately, specific tax or transaction-based projects are undertaken, and relevant individuals and related persons examined from a tax risk perspective.

The number of HWIs and related persons (c.3,700) that made a domicile levy return of liability up to 31 December 2022, are included in the table at Appendix 5 and all, apart from 3 cases, are within the Revenue definition of HWI and related persons (i.e. net assets of €20 million).