Opening Statement of Niall Cody, Revenue Chairman,

to the Committee of Public Accounts on

25 January 2024

Thank you, Chairman, for the opportunity to make my opening statement.

I understand that today's meeting is to focus on the 2022 Account of the Receipt of Revenue of the State, the 2022 Appropriation Account, chapters in the C&AG's 2022 Report on Local Property Tax, the Debt Warehousing Scheme and Corporation Tax Losses, as well as matters relating to the classification of employment.

I am accompanied today by Joe Howley, Revenue's Collector General, Anne Dullea, Principal Officer, Personal Taxes Policy and Legislation and Leeann Kennedy, Principal Officer, C&AG and Committee liaison.

Account of the receipt of Revenue of the State 2022

In 2022, Revenue collected total gross receipts of almost €118 billion, including €22 billion in non-Exchequer receipts collected on behalf of other Government Departments and Agencies. The net Exchequer receipts of €82.4 billion were up by 22% or €14.9 billion on 2021.

Preliminary results for 2023, show that Revenue collected total gross Exchequer receipts of €127 billion, including €26 billion on non-Exchequer receipts collected on behalf of other Government Departments and Agencies.

Preliminary net Exchequer receipts collected were €87.2 billion, some €4.8 billion or almost 6% more than in 2022.

Revenue's Appropriation Account 2021

Revenue's gross expenditure in 2022 was €492 million compared with €489 million in 2021, an increase of €3 million. The increase in 2022 over 2021 primarily relates to ICT expenditure and pay.

Revenue had 6,851 staff serving at the end of 2022, with €351 million of Revenue's €492 million expenditure related to pay. The other main item of expenditure was on ICT, which accounted for some €72 million in 2022.

Assessment and Collection of Local Property Tax

In Chapter 20 of the Report on the Accounts of the Public Services 2022, the Comptroller reviewed Revenue controls for the assessment and collection of LPT.

A new structure for LPT came into effect from 2022 whereby owners were required to revalue their properties based on the market value at 1 November 2021. The revised valuation determined the amount of LPT to be paid for each year from 2022 to 2025. The changes to the LPT regime also mean that newly liable properties come within the charge to LPT on an annual basis.

Notwithstanding that LPT is a self-assessed tax, Revenue assists property owners, in so far as it can, in accurately valuing their properties. Revenue's administration of the tax, covering both service and compliance management, has shown that the majority of property owners make reasonable and honest efforts to value their properties. This aligns with the findings of our detailed analysis and comparison of self-assessed property valuation bands across the 31 local authority areas with CSO data.

Revenue carries out a range of work to both ensure and improve the accuracy and completeness of the LPT register. This work includes regular reviews of specific property types on the register as well as comparison of data on the LPT Register with property data available on other national databases.

The payment compliance rates for LPT for 2022 and 2023 are 97% and 95% respectively.

Revenue's Tax Debt Warehousing Scheme

In Chapter 21, the Comptroller reviewed Revenue's management of the Tax Debt Warehousing Scheme.

The Debt Warehousing Scheme was introduced in May 2020 to provide vital liquidity support to businesses impacted by the COVID-19 pandemic. The scheme allowed for the "parking" of certain tax liabilities relating to periods during which trading was restricted by public health measures.

Under the terms of the scheme, most businesses were due to enter into an arrangement with Revenue to address their debt with effect from 31 December 2022. However, in October 2022, recognising the challenging economic situation facing businesses, Revenue announced a significant extension to the scheme whereby the timeline for making arrangements to address warehouse debt was deferred to 1 May 2024.

Debt that remains in the warehouse is subject to an interest rate of 3% per annum, on condition that current tax returns are filed, and corresponding liabilities paid, on time. This is a significant reduction from the standard interest rates of 8% and 10% per annum that normally apply to late payments of tax.

The balance in the warehouse peaked in January 2022 at €3.2 billion. At the end of 2023, approximately 58,000 taxpayers were availing of the scheme with €1.756 billion currently warehoused. Almost 40,000 or 70% of those availing of the scheme have warehoused debt of €1,000 or less. Another 4,000 have debt of between €1,000 and €5,000.

Cases availing of Debt Warehouse by Balance Range

Balance Range	Balance (€m)	Customers
<€10	0	15,724
<€100	0	5,286
>=€100	1	5,434
>=€500	3	3,463
>=€1,000	25	9,873
>=€5,000	32	4,399
>=€10,000	57	3,971
>=€20,000	137	4,314
>=€50,000	157	2,228
>=€100,000	529	2,538
>=€500,000	246	355
>=€1,000,000	570	226
Total	**1,756**	**57,811**

Revenue's approach to the payment of warehoused debt from 1 May 2024 will be flexible and tailored to each business based on its capacity to pay. Revenue will work with businesses so that they can continue to meet current liabilities as they arise, secure the viability of their business into the future and minimise their interest costs.

Corporation Tax Losses

In Chapter 22 the Comptroller reviewed Revenue's verification of corporation tax loss balances, including claims for the temporary acceleration of tax loss relief introduced to support businesses impacted by the Covid-19 pandemic.

Corporation Tax losses are a standard feature of tax regimes worldwide. Data shows that the losses used per year, as opposed to carried forward, are broadly consistent ranging from just under €10 billion to just over €14 billion in the most recent five-year period.

Losses carried forward into 2021 increased by €10.6 billion to just over €222 billion. Approximately 28,000 companies used losses in 2021 totalling €12.2 billion, at a cost to the Exchequer of €1.5 billion. Losses carried forward can only be used where the company incurring losses becomes profitable.

Revenue undertakes specific risk reviews and compliance projects on corporation tax losses carried forward, some of which are sectoral based. Overall, this compliance work has shown that the vast majority of corporate taxpayers only claim losses to which they are entitled. In addition, compliance interventions in respect of accelerated loss relief claims did not identify any additional tax yield.

The classification of employment for contribution purposes and financial implications of the misclassification of workers.

The Committee has also expressed an interest in the classification of employment for which I have provided briefing.

Revenue's role is to determine employment status for income tax purposes. Responsibility for PRSI classification rests with the Department of Social Protection while consideration of matters relating to workers' rights fall within the remit of the Work Relations Commission, operating under the aegis of the Department of Enterprise Trade and Employment.

On 20 October 2023, the Supreme Court delivered an important judgement on the key factors to be considered when classifying an individual's employment status for income tax purposes. The judgement brings welcome clarity and provides a decision-making framework to assist businesses correctly classify workers between those who are employed or self-employed.

Revenue will shortly issue detailed guidance to explain the implications of the judgement for tax purposes and is working closely with colleagues in the Department of Social Protection and the Workplace Relations Commission to update the joint Code of Practice on Determining Employment Status.

It is important to note that there is no difference in the tax rates which apply to employees or those who are self-employed. In practical terms, the main difference for tax purposes between employees and those who are self-employed is the different rules for allowable expenses. I have provided more detailed information on this separately.

Conclusion

To conclude, I would like to take this opportunity to thank all Revenue staff for their professionalism, dedication and commitment, without which, our achievements would not be possible.

I draw the Committee's attention to section 851A of the Taxes Consolidation Act 1997 and my obligation to uphold taxpayer confidentiality. Subject to this constraint, I am happy to answer the Committee's questions.

Thank you.