

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 28 Samhain 2019

Thursday, 28 November 2019

The Committee met at 9 a.m.

MEMBERS PRESENT:

Deputy Bobby Aylward,	Deputy Alan Kelly,
Deputy Peter Burke,	Deputy Marc MacSharry,
Deputy Shane Cassells,	Deputy Imelda Munster,
Deputy Catherine Connolly,	Deputy Catherine Murphy,
Deputy David Cullinane,	Deputy Kate O'Connell.
Deputy Pat Deering,	

DEPUTY SEAN FLEMING IN THE CHAIR.

Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

Business of Committee

Chairman: We are joined by the Comptroller and Auditor General, Mr. Seamus McCarthy, as a permanent witness to the committee. He is joined by Ms Mairead Leyden, senior auditor. No apologies have been received in respect of today's meeting.

Before we get into the normal business of the meeting, I want to say that members of the committee received an email at 8.27 a.m. providing the Committee of Public Accounts with an eight page report from Mr. Peter Finnegan, Clerk of the Dáil and the Secretary General, on the purchase of the Komori printing press and related matters. I just received it in the last few moments and I propose that we go into private session for 20 minutes so members of the committee can read the report. We will then resume in public session to deal with our normal business.

Deputy David Cullinane: Just so it is very clear, if we go into private session, it must be solely to read the report. Any discussion on the report must be in public session, from my perspective.

Chairman: Absolutely.

Deputy Marc MacSharry: Hear, hear.

Chairman: That is 100% agreed. The sole purpose of going into private session is to spend a few minutes reading the report which we have just received.

Deputy Catherine Connolly: We will be spending the rest of the day with the Revenue Commissioners. Are those witnesses waiting?

Chairman: They will be here at approximately 10 a.m.

Deputy Catherine Connolly: That is fine. Would it be more sensible to-----

Chairman: We will see how we get on. I hope to have the witnesses before us by 10.30 a.m. That is my intention.

The committee went into private session at 9.15 a.m. and resumed in public session at 9.40 a.m.

Business of Committee

Chairman: We are continuing with our business, as normal. There is correspondence from Mr. Peter Finnegan, Clerk of the Dáil and Secretary General of the Houses of the Oireachtas Service, on the report on the purchase of the printing facilities. We will deal with it in due course as part of correspondence.

The first item on the agenda is the minutes of the meeting on 21 November 2019. Are they agreed? Agreed. Nothing arises from the minutes that will not come up in the normal course of today's meeting.

The next item is correspondence. There are three categories, the first being category A, comprising No. 2572A and No. 2580A, from the Revenue Commissioners. They are briefing documents and opening statements for today's meeting. We will note and publish them. Is that agreed? Agreed.

The next items are correspondence from Accounting Officers and their Ministers and follow-up to meetings of the Committee of Public Accounts and other items for publishing. The first item is No. 2563B, from Ms Anne Graham, chief executive, National Transport Authority, NTA. It follows on from a query from the committee on 22 October. Her letter is dated 19 November 2019. We raised a number of issues. We asked for a note of clarification on what is meant by "value for money" in regard to future projects or investments, including clarification of how it is measured and calculated, in addition to the inputs and outputs and whether carbon emissions are taken into account when calculating it. There is a detailed response to that question covering a few pages. Examples are given of the typical costs and benefits of a project. They are well established. We will publish them today.

We also sought a note on fines for breaches of carbon targets, to include whether this is a factor in the medium and long-term planning of the NTA. It is stated the carbon targets are a matter for the Department of Communications, Climate Action and Environment. It would not be for the NTA to deal with them.

Third, we sought a note on reports carried out or commissioned by the NTA in relation to an environmental value-for-money calculation. Ms Graham states no environmental value-for-money calculation has been specifically carried out but it is stated there are three headings under which the NTA examines all matters: social value, economic value and environmental value. One combined report is produced covering the three areas, not three separate reports.

We asked for an outline of the models used in calculating future demand for transport. The response provides various graphs showing how the NTA forecasts future transport demand.

We asked for a note on the assumptions of behaviour used when modelling projected demand, with particular reference to the regional cities of Cork, Limerick, Galway and Waterford. There was a short response to that but the matter is dealt with substantially under note 4.

Last, we asked for a note clarifying whether the NTA employs an environmental economist. The response states the NTA does not directly employ an environmental economist. However, through the consultancy framework agreements that the NTA has made, it has access to economists specialising in the assessment of environmental issues. We will note and publish that.

No. 2565B, from the clerk to the Joint Committee on Health, dated 20 November 2019, acknowledges receipt of our document sent to that committee in respect of public-private partnerships in the health centres. The committee noted the correspondence that we received from the HSE regarding the operation of public-private partnerships for health centres. We will note and publish that.

No. 2566B is from the private secretary to the Secretary General of the Department of Justice and Equality and is dated 22 November 2019. It provides details requested by the committee regarding the numbers of applications for asylum and international protection for the period from 2005 to 21 November 2019. This information was included in our periodic report. I acknowledge and thank all the members and the staff who participated and thank them for attending at the launch of the report last Tuesday. The information provided was one of the final

pieces of information. We were very pleased to be able to include it in the report.

Deputy Catherine Connolly: I agree with the Chairman. I welcomed the letter and did so at the launch of the report. I welcome the clarification on the period 2005 to 2019. I urge members to read the documentation to have accurate information when there is talk of a surge in the numbers. There has not been a surge, as the graph illustrates. There is not much difference between numbers in the period from 2005 until 2019. There have been four years with a number higher than that in 2018. It is important to keep this in perspective in view of the narrative that goes out from certain quarters.

The total number, 87,838, in the period is very small by comparison with that for other countries. When put in perspective, the number should be managed easily in a proper way, given value for money and given our remit. We should not have problems in dealing with that number of people.

Deputy Catherine Murphy: I have an ancillary point. This is happening at a time when there is very serious pressure on other countries, particularly given what has been happening in the Mediterranean over the past few years. We have got to see this backdrop also.

Chairman: Absolutely. We referred to that clearly in our report. Figures from several years before 2015 were much higher than on previous occasions. The Comptroller and Auditor General produced several reports on the costs of accommodation and acquiring hotels. Some hotels did not come into use. A previous Committee of Public Accounts discussed accommodation that was not utilised when required. There is a long history. This is not a recent phenomenon. That is the essential point being made. We will note and publish the correspondence.

No. 2567B is from Mr. Pádraig Dalton, director general of the Central Statistics Office, CSO, and provides a link to CSO releases regarding environmental air emissions accounts. The detail is available. We raised the issue and Mr. Dalton has given us the link to the various CSO releases. We will note and publish that.

No. 2569B, from Ms Rachel Downes, CEO of Caranua, dated 22 November 2019, is responding to information requested by the committee regarding eligibility criteria. At our meeting on 14 November, it was agreed to request an information note from Caranua to ascertain whether there are other options open to an individual who has not already received an award or settlement from the redress board or a court. Caranua does not appear to have answered the question and I propose to request that it address this specific point. It refers to the legislation, stating the person had to have received the award or a settlement. We shall ask Caranua to clarify the exact point. It seems to answer it but I would like absolute clarification on the specifics we referred to.

Deputy David Cullinane: On a related matter, since we had the meeting I received correspondence from a number of survivors who had work done in their homes. The works were carried out by a company, which I will not name, and they were raised in the context of the discussion we had with Caranua. Obviously, works varied from house to house but questions were certainly raised in regard to the cost of the works. I refer to the cost to Caranua and the money that was paid to whatever company was doing the work, in addition to the costs of the materials and the equipment that would have been provided to the homes. I have a query about the financial controls that were in place. Was there tendering for the company? If company A is given the job of doing certain works in a home and provides an invoice, what auditing and controls are in place to ensure the costs are appropriate? From what I have seen, I have con-

cerns. I forwarded a receipt in regard to one of the emails I received to the Comptroller and Auditor General's office.

Mr. Seamus McCarthy: I believe we discussed it. I am not sure I received the receipt from the Deputy.

Deputy David Cullinane: I will check that. If it was not sent, I will forward it. I believe it was sent. I would like us to consider this matter again, initially through correspondence with Caranua. What companies were engaged by Caranua? What financial controls had it in place? I will consider the information received. I am being careful of what I say as there are companies involved and I am not alleging any wrongdoing by anybody. I just want to see what financial control is in place.

Chairman: My essential understanding of the arrangement with Caranua is that the individual had the contractual arrangement with the contractor. Caranua was not engaged directly in most cases because it wanted to maintain the person's privacy and dignity rather than going to a contractor and stating Caranua would pay.

Deputy David Cullinane: Did the survivors or householders have an option with regard to the contractor or did they have to go with a particular company?

Chairman: I ask the Deputy to liaise with the secretariat and we can send a letter to clarify the particular point. We will happily send on that letter to Caranua for clarification. We will note and published the letter received today.

Correspondence No. 2570 was received from Ms Carol Hanney, chief executive of City of Dublin Education and Training Board, CDETb, dated 22 November. It provides a further comprehensive note regarding the processes and procedures in SUSI for grant application cases involving difficult family situations. We will note and publish it.

For absolute clarification, we received a previous note and we were not happy with some particular aspects of how sensitive cases are dealt with. This letter clarifies for the information of the committee that CDETb "is the statutorily appointed national grant awarding authority designated by the Minister for Education and Skills to administer student grants. SUSI is an administrative unit of CDETb". Some people think SUSI is part of the Department or an independent body but in fact the City of Dublin Education and Training Board is the designated statutory authority to deal with grants and SUSI is a division within that organisation.

With regard to the point I raised regarding the correspondence note we received, and Deputy Connolly also made the same point, we asked for information on how SUSI deals with sensitive issues. We explained that in cases of family break up some students have immense difficulties getting information from both parents; that it is often not possible for them to get the information; that grant applications are not being approved in these situations; and, that people are losing out because of sensitive family situations. The note mentioned the issue of barring orders. We were very alarmed to hear SUSI might be looking for details of barring orders because that would affect third parties. They come from the family law courts and are not meant to be in public. It would probably be a breach of a court order to provide the information.

I will now read from the letter from the chief executive of CDETb:

In particular arising from your letter of 7 November, I wish to clarify that barring orders and decisions of the Family Law Courts are neither specifically requested nor required by

SUSI in any case. However, and based on experience in practice of the documents that can and have been provided to SUSI to date where it has been necessary to evidence relevant family circumstances in order to determine grant eligibility, barring orders are currently included in the indicative list of documents that is provided for the information and guidance of students in such cases.

The letter states barring orders are not specifically requested but they are included in an indicative list the applicant can provide. This is important. The Committee of Public Accounts has achieved something. The next sentence states:

Having regard to the views and concerns expressed by the Committee, the reference to barring orders will be removed from the indicative list of documents for the future.

We have been on the case and SUSI took on board what we said. I wanted to make this point as people often ask whether we achieve anything here and this is something. It is a small but important point. We will note and publish this information.

Deputy Catherine Connolly: I welcome this. I do not know how it ever included barring orders on an indicative list. Certainly if it has learned that much it is to be welcome. I welcome that barring orders have been removed. In the letter Ms Hanney states, "I wish to clarify that barring orders and decisions of the Family Law Courts are neither specifically requested nor required by SUSI". The letter then makes the point about barring orders being removed from the list. I presume it is the same for judicial separations but I do not know. It is a bit disingenuous. Perhaps SUSI does not intentionally mean to be disingenuous. It has taken out barring orders but has it taken out judicial separation orders and divorce? I do not know.

Chairman: We will ask for clarification with regard to any matter from the family law courts.

Deputy Catherine Connolly: I understand SUSI has to make a decision based on facts. The letter assures us that SUSI deals with the matters sensitively and that it complies with the legislation.

Chairman: We will go back for clarification. I am trying to come at it from SUSI's point of view. It might be helpful for an applicant to prove his or her case but the mere listing by a State body of information on barring orders and family law courts is not correct to start with.

Deputy Catherine Connolly: The decree does not belong to the child who is now a student.

Chairman: Yes, it is the subject of the barring order.

Deputy Catherine Connolly: Leaving the barring order out of it----

Chairman: Family law.

Deputy Catherine Connolly: It belongs to the two parties. I am not sure how a child who is now a student could be asked to get information on anything like a barring order. The basic application form requires income information from both parents, who are not the applicant. The essence of the entire process is finding out information in respect of the income of the parents but it went a step too far in asking for details on family law proceedings. It will have to find another way, such as solicitors' letters. It has to verify.

Deputy Catherine Connolly: There has to be a means of verification-----

Chairman: But nothing in connection with-----

Deputy Catherine Connolly: -----but not producing copies of documents that children should not have in the first place.

Chairman: Correct.

Deputy Catherine Connolly: Those children being adult students now.

Chairman: Once they are under 21 their parents are means tested for the purposes of the grant. We will ask for this particular point to be clarified again to be absolutely sure. Is that agreed? Agreed.

Deputy Catherine Murphy: In the absence of this information how would SUSI make a determination? We do not want to end up excluding people who should be funded for college places. We might ask about the challenges in doing this where an exception is made.

Chairman: This is the essence of where we came in at the beginning. Sometimes students just give up because they think they will not be able to get a grant. We will ask SUSI what other mechanism is in place. Perhaps a declaration can be signed by the parents and witnessed by a peace commissioner or commissioner of oaths. I do not know. There needs to be another mechanism to facilitate SUSI verifying it and facilitating the students.

Deputy Catherine Connolly: We are not sure what issue would lead to SUSI resorting to asking for a copy of a barring order. What was the issue?

Chairman: I am explaining the issue. I have met it several times in my constituency. SUSI looks for information on the income of both parents-----

Deputy Catherine Connolly: I know that but-----

Chairman: The student will say that his or her father does not live in the family home any more and that his income should not come into account. SUSI will then ask for this to be proved. Then there is an indicative list of documentation stating a barring order would be acceptable.

Deputy Catherine Connolly: I meant that where the problem is identified what are the other ways-----

Chairman: That applicants have.

Deputy Catherine Connolly: Yes.

Chairman: We will ask SUSI what alternatives it has. I know how the problem has arisen.

Deputy Catherine Connolly: I understand that.

Chairman: We will clarify that with SUSI.

Correspondence No. 2571 B is from Mr. Maurice Buckley, chairman of the Office of Public Works, providing a further update requested by the committee on discussions between the OPW and the landlord of Miesian Plaza. There was a meeting in October and the OPW is following up some matters. I propose we request a further update of matters not yet concluded. We will

note and publish this.

Correspondence No. 2575 B and No. 2578 B are from Mr. Peter Finnegan, Secretary General of Houses of the Oireachtas Service. We will hold these until we come to dealing with No. 2581, which is the letter we received this morning. We will note and publish them.

Correspondence No. 2579B is from Mr. Colum Walsh, deputy commissioner at the Data Protection Commission, providing the commission's view on the Department of Finance and other public bodies providing details of fees paid to barristers. This is a very comprehensive and useful response to the matter raised and it appears that the Data Protection Commission shares the committee's view that the need to provide transparency overrides privacy concerns about fees paid to individual barristers. I want to refer to this letter because it is a very important issue. I acknowledge this arises from issues raised by the Vice Chairman, Deputy Alan Kelly, who raised this matter through parliamentary questions and brought it to the committee, resulting in the committee making a recommendation in our interim report last week. For the benefit of the public, and especially for the Department of Finance and the Minister for Finance whose view we received in the last letter on this, Mr. Walsh's letter states the practice of disclosing the names of barristers along with fees paid to them by Government Departments and public bodies is long standing. Such disclosures have arisen, for example, under the Freedom of Information Act and parliamentary questions. The voluntary disclosure of certain payments is part of the public service reform plan. The commission is stating that it is not clear what precipitated the apparent recent change in practice on the part of certain Government bodies and that it is not required under GDPR rules specifically. The letter goes on to mention that there is a legitimate interest to be transparent and accountable financially as a public body funded by the Exchequer. It said that when the commission is processing information, it must be conscious of the processing of the data subject, namely, the individual concerned, where such processing would represent a disproportionate interference with the subject's rights. The letter goes on to talk about how the commission believes the balance is in favour of public disclosure and accountability. The letter then states that the commission noted that during the course of its deliberations, the Committee of Public Accounts suggested that a recommendation be made to the Department of Public Expenditure and Reform that tenderers for publicly-funded contracts should be told that their fees and costs will be disclosed as part of the process and that the commission supports that recommendation. It is very clear that people should be informed of it at the very beginning of the process. That should deal with the issue. The letters says the commission supports our view on the matter. The matter is not yet closed. I think we will send this letter to the Department of Finance and ask it to study it and respond accordingly. Deputies MacSharry and Cullinane have indicated they wish to speak.

Deputy David Cullinane: It should be under-----

Chairman: To which item is the Deputy referring? We are dealing with the Office of the Data Protection Commissioner.

Deputy Marc MacSharry: I agree with the Chairman. I thank the Vice Chairman, whose parliamentary questions did us a service in terms of raising this issue. The letter from the deputy commissioner is unequivocal on this matter. I and indeed others made a proposal some weeks ago, which is in our report, that all public contracts include this. It is a point made regularly by Deputy Connolly. The belief that the public must be protected from the truth is wrong. It subverts democracy. If I am tendering for a State contract, I am sure that I would be happy to win a contract and get paid and that I would not be worried about the argument about something being commercially sensitive, which is often used in here. The more that prices and fees

are out in the public domain, the more pressure and momentum can be built to achieve value for money for us and perhaps bring prices down. I described the Department's explanation as to why these fees would not be released as political opportunism at best. The unequivocal response from the deputy commissioner bears that out absolutely. I thank the deputy commissioner for his response and Deputy Kelly for bringing it to our attention. I very much hope that the Department moves swiftly to implement the committee's recommendation that all future public tenders inform tenderers that this information will go into the public domain and that the public is entitled to no less.

Chairman: Can we agree to send that letter to the Departments of Finance and Public Expenditure and Reform and ask them to consider it and respond to us?

Deputy David Cullinane: It was the small item from last week. It was correspondence from the Secretary General of the Department of Employment Affairs and Social Protection regarding his last visit here. I posed a number of questions to him regarding JobPath and its overall cost, which I think has been over €70 million. I asked specific questions about referrals. I asked whether it was possible for somebody to be referred a third time and he said "No". I think he said it was almost impossible for somebody to be referred a third time. My colleague put down a parliamentary question only to find out that not only were people referred a third time, some people had been referred a fourth time. There is a cost involved every time somebody is referred. Can we go back and get a breakdown from the Department of Employment Affairs and Social Protection as to how many people have been referred once, how many have been referred a second, third and fourth time, the total cost and why? We are spending significant amounts of money on this and if it is the case that somebody is being placed for a third or fourth time, something is not working. I would like that clarified. Although the Accounting Officer may not have known, he was certainly very clear. I think he said that it was almost impossible for somebody to be referred a third time. In some cases, it was for a fourth time.

Chairman: We will write to the Accounting Officer directly on that basis and seek full information and clarification on that point. I am proposing to hold over category C - correspondence from private individuals to next week's meeting.

I will return to No. 2581 B from Mr. Peter Finnegan, Secretary General, Houses of the Oireachtas Service, which incorporates No. 2575 B and 2578 B. No. 2581 B is the report received this morning from Mr. Peter Finnegan, Clerk of the Dáil and Secretary General, Houses of the Oireachtas Service entitled, "Report on the purchase of the Komori printing press and related matters for the Committee of Public Accounts". This report was only received this morning so I will ask the secretariat to make arrangements so that within the hour of us concluding this matter, the report will be published on the committee website. Because members do not have access to it, I ask them to bear with me for a few moments so that people watching understand what is in the report before we start our discussion. They will understand our discussion better if we put the contents of the report on the record.

It is an eight-page report. Do not worry; I will not read it all. It outlines the print facility and the background. The print facility has operated since 2007 and is used extensively by Members and to a small extent by the Houses of the Oireachtas Service for some of its work. The average number of documents printed per year is 2,357. This is an average of ten per Member or thereabouts. The report states that the annual expenditure in recent years for the print facility for ongoing services has averaged between €550,000 and €600,000, plus staffing costs for 2018 of approximately €610,000. The report states the facility can only be used by Members with regard to their parliamentary duties. It cannot be used for any other matters and it has standards

in place to ensure Members do not print anything unconnected with their parliamentary duties. The report also states the porters will deliver the finished print jobs to a Member's car or Members may pick them up directly from the print facility. I also wish to add that major print jobs such as newsletters are collected by arrangement with a Member, who will pay for a van to collect them directly from the print facility. Not everything will fit in the boot of a single car. Most of the large items are collected by couriers and transported to wherever a Member has requested. There is a print users' council comprising four Members - two Deputies and two Senators - and four members of staff. One print manager and eight print staff are employed and the print facility is located in the basement of Kildare House across the road from the Kildare Street entrance to Leinster House.

The project to upgrade the printing equipment began in 2017. It was approved by the management board and the Houses of the Oireachtas Commission. The report states that the original equipment, which was 12 years old, was fully depreciated and expensive to maintain. Provision was made in the 2018 Estimates of €1.5 million to cover the expected costs, which included decommissioning of the existing equipment. It was expected that the new printing press would cost approximately €850,000, excluding VAT. It was expected that there would be savings due to not having to service the existing machines, the machines having trade-in value, spare parts costing less and a movement to a greener production facility rather than the old machine, which was over 12 years of age. The report also stated that it would facilitate the printing of a new range of printed products for Members and staff, i.e., A5 booklets, which could not be printed on the original printer. I ask members to bear with me. I want them to understand the system.

The dates involving the procurement process were: 15 August 2017, when market soundings meetings took place on the Leinster House campus; 5 March 2018, when the request for tender was published on eTenders and in the *Official Journal of the European Union*, OJEU; 21 March 2018, when there was a site visit for interested parties; 29 March 2018, which was the deadline for receipt of clarifications of information; 5 April 2018, which was the closing date for receipt of tenders; 12 April 2018, which was the date for the evaluation of tenders received; 19 April 2018, which was the date of the post-closing clarification meeting; 27 April 2018, which was the date of consideration by the Oireachtas contracts committee; 27 April 2018, when contracts were awarded; 31 May 2018, when contracts were signed; and 18 June 2018, when the contract award notice was published on eTenders and in the OJEU. It is stated that when they took the market soundings in 2017, three suppliers attended in Leinster House and subsequently, it was decided that to facilitate open access by SMEs that the tender would be split into five separate lots. I will spell out the different lots. The big one was lot 2, the Komori printer, which was the main item. On that, it is stated that as part of the visit, the company which visited asked about clearance and the response provided was that there was a false ceiling and there was another 35 cm, approximately 12 or 13 inches, of room.

On lot 2, the main printer, the head room from the Press, it was stated, was limited. They subsequently sent a number of documents, email dated 25 April, including a one-page drawing which showed the existing ceiling height of 2.5 m and the recommended ceiling height of 3.16 m. "However, at the time of writing this Report", Mr. Peter Finnegan states, "I have yet to establish how ... this information was processed within the Houses of the Oireachtas Service.". Therefore, the Komori company highlighted this issue and Mr. Finnegan is not yet clear how that was processed within the system at this stage.

The contract was signed on 31 May 2018. A drawing of the machine and a sketch of the proposed location was provided at that stage. On 30 May 2018, they contacted the Office of

Public Works.

Mr. Finnegan goes on to state:

In an email dated the 15th August 2018, the OPW Architect stated that having carried out a review of the specifications an issue regarding the head room had been identified.

The initial consideration of the brief by architects and engineers concluded that the proposed location in Print Room 1 would not be advisable.

Then it was agreed to locate the printer, which they had intended to go into print room 1, in print room 2. The OPW had structural engineers involved and a survey was concluded in January 2019. The letter states, "Following the survey, it was confirmed that print room 2 was feasible for the loading required" but the OPW also took the opportunity to carry out additional works on the fabric of the building to include replacement of obsolete air conditioning.

The final plans for the layout of the room were signed off in June 2019 and a key aspect was to ensure that the existing printing facilities would continue in operation during the installation works. A work programme was agreed with the contractors and suppliers, the main works commenced in August 2019 and the print machine was delivered on 28 September 2019.

The printing equipment is now installed and commissioned. Training has yet to take place as the Houses of the Oireachtas Service and SIPTU are in discussion to address concerns raised by the print facility staff.

On the money aspect of this, as we mentioned already, the job was broken into five separate lots. The five separate lots came to a total of €1.369 million, including VAT. It was broken down as follows: The plate making device was €105,000 plus VAT; lot 2, the main printer, was €848,000 plus VAT less trade-in valued at €40,000 for the old equipment; the folding machines were €100,000, excluding VAT; the guillotines were €63,500; and the pile turner was €37,000. That adds up to €1.369 million, including VAT. Then the works carried out were €229,000 plus the construction rate of VAT, that is €260,000, giving a cost of €1.625 million to date on that work. The OPW carry out additional work on the ventilation at a cost, including VAT, of approximately €220,000 to date.

The Secretary General stated that this matter was referred to in the Appropriation Accounts 2018. He mentions that there was a prepayment of costs totalling €1.793 million, which is greater than the figure I mentioned but includes laptops which were purchased that have not yet been brought into commission. With the Comptroller and Auditor General, as part of the audit, it was agreed that these could not be included in fixed assets because they were not in operation. They had been paid for, they were sitting here but were not in operation and the Comptroller and Auditor General stated they cannot come into fixed assets. This prepayment of €1.793 million was mentioned in the accounts.

In the conclusions - I am at the last page now - Mr. Finnegan stated that there is a large number of documents printed every year and, of course, any national parliament should have its own printing facility. I do not think people disagree with that.

Mr. Finnegan goes on to state:

However, the requirements of the building and other regulations in relation to 'head height' were neither understood nor examined during the critical early stages of the project.

A project of this scale and complexity requires specialist expertise (particularly architectural and engineering) on the project team at all stages and this must be a consideration in all future projects.

Mr. Finnegan is clear in what he is saying there. He states:

Given the printing requirements in the Houses of the Oireachtas as expressed in the Request for Tender Document, it is my opinion that significant structural adaptations would have been necessary in any event.

That is the conclusion of Mr. Finnegan's report.

I will take comments. Deputy Cullinane is first up and will be followed by Deputies MacSharry, Munster, Catherine Murphy and Connolly. That is the sequence. We will try to have a brief discussion. It goes without saying we have some of the information here today and we have not heard from the OPW, which carried out all the work, or its contractors and tenders. We have some of the information today but we want to hear from the OPW separately as well.

We will try to keep the debate brief. I am sorry for taking so much time to read the report but people have not seen this published, bar somebody leaking a copy of it this morning. I want people to understand the context of this discussion.

Deputy David Cullinane: We only got this report this morning and we are still reading through it. It is a seven-page report. We would not have this report had it not been for a freedom of information, FOI, request by a journalist of *The Irish Times*. That is the first, and obvious, point to make.

Mr. Finnegan was before this committee for the first time on 11 July of this year. I asked him specific questions in relation to one of the broad headings in the Appropriation Account which was office equipment and ICT expenditure. There was an overspend of approximately €9.5 million and Mr. Finnegan's response at the time was that there was a three-year cycle, money had to be spent at the end of that three-year cycle and, as the Chairman referenced, there was a contract that was brought forward to replace laptops which nobody had a difficulty with. Mr. Finnegan mentioned the printer unit and the €1.3 million cost. What he did not mention was all of the other issues contained in this seven-page report, including the reference to the lack of understanding and not proper examination in the critical early stages of the project in relation to requirements.

The report essentially states that the initial contract - I suppose, the initial intention - was to locate this printer in printer room 1 and then that was not possible because of sizes, maybe because of mistakes in measurements or whatever happened. We still do not know. It is not clear from this report. It is clear mistakes were made but it is not clear in this report who exactly made the mistakes. When Mr. Finnegan refers to a lack of expertise, exactly what is he talking about?

In his report, when Mr. Finnegan is giving the costs, it is VAT inclusive when it comes to the machine itself and VAT exclusive when it comes to the adaption works that had to be done. What is the total cost?

Chairman: I have given that. The VAT exclusive works of the OPW were approximately-----

Deputy David Cullinane: What is the overall cost here? We have a report which does not give us, in simple terms, the cost, including VAT, both for the fit-out, the adaptations and the cost of the printer. What is the total cost?

Chairman: For clarification, the cost of the printing equipment was €1.369 million.

Deputy David Cullinane: I have that.

Chairman: The proposed account for the works to be carried out was €229,000 plus VAT at 13.5 % because it is construction, which brings that up to €260,000. That brings the cost, excluding the works on the ventilation system, to €1.629 million.

Deputy David Cullinane: My point is none of that was offered up to us when the Accounting Officer was here. Mr. Finnegan states that there was no attempt on his part or the part of anyone else in the Houses of the Oireachtas to withhold any information. None of us is accusing him of withholding information, but he was here and he was made aware of and knew about the difficulties in locating the printer in the room for which it was intended; as he states himself, there were difficulties in “the critical early stages of the project.” This is a printer that cost significantly more than it should have because, it seems, mistakes were made. We know from the freedom of information, FOI, request that a memo was sent to the Clerk at the Dáil in December 2018 outlining all of these difficulties and challenges. I am also aware that the Comptroller and Auditor General would have been aware as well of some of the issues, problems or challenges with the fit-out. The Comptroller and Auditor General knew about the challenges. Mr. Finnegan knew. We had a discussion about the accounts. I specifically asked about that broad heading and the printer was mentioned, but we were not made aware of it.

When Mr. Finnegan states that there was no lack of candour or no withholding of information, there certainly was not a volunteering of information. While it is the case that we may have come to know about it when we looked at the accounts for next year or the year after the fit-out costs were mentioned, we expect Accounting Officers to give us all the information. It is not credible for Mr. Finnegan to say that that was the case when he appeared before us. He is a civil servant of long standing and someone I have a high regard for, but when Accounting Officers are here, they need to account fully for all of the issues. When specific questions were asked on this overspend, and the questions we were asking were quite clear in relation to the overspend, at the very least we should have been made aware of the challenges that were in play here as to the additional costs, and we were not. Now we are, and have a seven-page report. We still do not have the full costs. There may be more costs. I have spoken to some of the staff as well so there are no HR issues with the staff. Let us be very clear about that. There are no HR issues with the operation of this printer. There are training issues. It is a printer that is twice the size of any printer the staff have ever used before. They need to use a forklift in a very tight space to load up the paper. It has to be done in the turn machine, that turns the paper. It has to be brought in in a forklift, loaded up, printed on one side, and then the forklift brought back out again to a different room and brought back in again. There was no consultation with the staff - none whatsoever. Training has not taken place yet.

This was a mess from start to finish that has cost us more money. Yet despite all of that, we were not informed when the Accounting Officer was here. For me that is not good enough. Mr. Finnegan has to appear before us again to account properly for all of this. Yes, we have his report, but it is our job to hold him to account fairly and give him the opportunity to respond. He has given his opinion. I am giving my opinion. Other members of the committee will have their opinion. My opinion is very clear: this was a mess, Mr. Finnegan was not as forthcoming

as he should have been, and as a member of the Committee of Public Accounts, I am not happy with that.

Chairman: I will take Deputy MacSharry's comments now.

Deputy Marc MacSharry: There are a number of issues and I will try to add to what has been said, as opposed to going over old ground. At the end of the report it is stated, "A project of this scale and complexity requires specialist expertise". I find that comment insulting, and it takes members of the public for fools, not least the members of this committee. I agree with Deputy Cullinane on the lack of candour. These are the kind of things that should be brought to our attention. If it is a small note in the accounts, it can be easily missed given the volume of stuff we are dealing with. The Houses of the Oireachtas Commission has a good reputation for doing its business well, particularly when costs had to be cut during the time of austerity and the crash.

A couple of questions arise. First, and I think the public is entitled to know this, was the Houses of the Oireachtas Commission apprised of this and what role did it play in taking the decision in the first instance as to why new printers were required, the cost etc.? It may well have been, but I believe the public is anxious to know why we are spending €1 million or thereabouts on a new printer in the first place. Second, what is the Oireachtas contracts committee, who is on it, and would this committee like to talk to us? I never heard of it and I am interested to know who is on it and what role it played. Third, there is the print users council. As a former member of the Houses of the Oireachtas Commission and of that council itself, I want to know if it had any role. My understanding from the short period I was on it is that its role is oversight in terms of the eligibility of content requested for printing, in order that it is not overly political. Was this council involved in this process? Those are three groups that I am interested in hearing from: the Houses of the Oireachtas Commission, which includes Members of the Oireachtas, the print users council, and the contracts committee.

I find the phrase "A project of this scale and complexity" insulting because what we have done here is to have applied the children's hospital approach to public procurement. Let us buy it and stuff it in. Another sentence reads, "I have yet to establish how or if this information was processed within the Houses of the Oireachtas Service". That is Mr. Finnegan's reference to the lack of understanding of the headroom. In the tender document it said that it must be able to fit in the room. The report tells us that there were site visits and further liaisons. That is a basic requirement. If it does not fit in the room, how does an applicant win the tender? If an applicant did win the tender and it did not fit in the room, how did the applicant get paid? There is a reference to there being a lack of understanding. Sixty-six more centimetres were needed, they would get 31 once the false ceiling was removed, but they were still 30 plus centimetres short. The printer did not fit. That was another problem. They brought in the OPW then, and for all its wonderful expertise, it had no structural engineers. They had to bring in external consultants. This has been a total pig's ear.

As always happens at this committee when matters like this emerge, and there are a few at least every year that capture the media's attention in a major way, and I have said this many times here before, there are no tangible sanctions when we have blatant incompetence. It can be dressed up as being very complex, but there was correspondence today from the chairman of the Office of Public Works about the disaster that is Miesian Plaza. I am still laughing about the day when I asked at this committee if there was a disciplinary process on foot of it, and I was told it was not a disciplinary matter. When I asked who was to blame, the OPW witness said he probably shared some of the blame because he signed off on it.

Would such people last the rest of the day in the private sector? They certainly would not be there after a month. In this instance, people are entitled to look for a head. We cannot have a level of autopilot that leads to waste and a loss of money that is down to pure incompetence. There is nothing complex about this at all. It is basic cop-on. No university degree, masters or PhD qualification is required, just simple cop-on. The seven-page report may as well be thrown into the nearest shredder as far as I am concerned. It is an utter disgrace and it is going on in every aspect of Departments and State agencies. We blame it on systemic failure in a very complex process, where very specialised people are required to advise us on this. Either we are populated as a State by a bunch of incompetents, ourselves politically included, or people start accounting for their actions and their responsibilities. That is how the world operates in the private sector, and it needs to begin in here.

I know enough about how this happened. There are people in responsible roles in command. Let someone tell us now who is responsible and what disciplinary action is going to be required. In another room in the Houses of the Oireachtas at the moment, there is a hearing of committee to consider tangible action for wrongdoing, and rightly so. It is about time our public services and individuals who are paid high salaries, ourselves as politicians included, had to answer and face tangible sanction for blatant incompetence.

Deputy Imelda Munster: I was flicking through the report that we received at 8.27 this morning, at the 11th hour, to say the least. On page 7 in the report, in the last paragraph, Mr. Finnegan states that: “I was advised that the estimated cost was €230,000”, but he does not say when he was advised of that. Did he know about this when he was before the committee on 11 July? In the next sentence, Mr. Finnegan states: “As you will be aware no discussion arose on the cost of the works in the course of my appearance.” Is he saying that because questions were not asked about refurbishment works which we had not been informed of, he was under no obligation to answer on that, even though he knew the committee was not aware of it? The information came out only through the freedom of information request. Alternatively, is he saying he did not have to answer on that because the refurbishment costs were not strictly in the 2018 budget? Mr. Finnegan would know full well that the focus of this committee is on the systems, practices and procedures that underpin public expenditure. He would not need us to tell him that. It appears he omitted to give that information knowing that it related to an overrun. This amounts to a breakdown in the process that has caused an overspend of upwards of €500,000. There are some serious questions to ask.

I read the Official Report of the meeting on 11 July and in response to a question by my colleague, Deputy Cullinane, about an increase of €9.7 million, Mr. Finnegan said: “To answer the Deputy’s last question first, the increase of €9.7 million resulted from a strategic decision that we did because there was funding available in the final year of our three-year budgetary cycle.” The next sentence seems very casual on reading back: “The service basically recommended to the commission that we bring forward ICT expenditure.” The casual way he says let us blow this on ICT expenditure hints that this was a rushed job and that would most definitely explain the complete and utter hames that has been made of it. There are lots of questions and Mr. Finnegan should be invited to appear before the committee.

Deputy Catherine Murphy: I wish to declare that I am also a member of the Houses of the Oireachtas Commission and I expect that there will be another discussion at its meeting next week on this because some of the information would not have been fully appreciated or declared.

The purchase of this printer from my understanding is to replace two old Heidelberg print-

ers. They were 12 years old and cost in the region of €150,000 annually in repairs and maintenance. Printers have a lifespan. We also have to question the extent of the printing. There does not seem to be a forum that deals with that and that is a very obvious gap at a point where we communicate very differently now, using social media and other platforms. Even if we are not dealing with its detail we should be identifying the thinking about the requirements for the future as a point of oversight. It appears to be an extraordinary amount of printing and it is only when we see it captured in the report that its full import is obvious. My understanding is that some of this expenditure extended over two years and that is part of the reason we did not see it. We need to have it categorically stated that it is likely to be in two sets of accounts.

Chairman: I think it might span three years. The cheque was written in 2018, the works were done in 2019 and, as we speak at the end of 2019, the machine is not yet in operation. It may well be 2020 before it is in operation.

Deputy Catherine Murphy: We are also told there is a management board which worked on the business case. We need to know the job titles of those involved. I do not imagine the Clerk of the Dáil would be micromanaging this. We need to see where the problems arose in the decision making. We are seeing some of that in the procurement process in respect of the head of communications. One of the dates that jumped out at me reading this report is that the contract was signed on 31 May 2018. The day before that, 30 May 2018, the facilities unit in the Houses of the Oireachtas service contacted the OPW. At the same time it was known that there was a headroom issue. Why was the headroom issue not brought to the OPW's attention from the time that the procurement process opened? That is the critical timeline. I understand that there may have been a fire safety issue and we need to know if that is the case, and if that was ancillary work done at the same time. We do not want Kildare House to go on fire. Has there been any outsourcing in the interim when one machine had to be moved out to fit another one in? Is it costing more? That is an obvious question we should ask.

I do not know how we quite capture the issue on the extent of the printing but I absolutely want that captured. I do not think the Clerk of the Dáil is the person who will deal with that. That is a political issue. We need to find a way to decide what the requirements are, even though this machine has been purchased. It may be possible to print some of the material that is necessary in the Houses and goes out for printing. There is another contract with Cahills for the day to day material. It may be possible to achieve some cost savings if the machine has sufficient capacity.

Deputy Catherine Connolly: I do not agree with Deputy MacSharry's comments on the private sector. If it was subjected to the same scrutiny, it would be very interesting. Unfortunately, it is not. In addition, the public purse has repeatedly picked up the mistakes of the private sector at great cost and with great implications for housing and health and many other things.

Deputy Marc MacSharry: I agree with the Deputy. I want to make one little clarification.

Deputy Catherine Connolly: Maybe Deputy MacSharry can come back in afterwards. I would like to keep my train of thought. I cannot let comments like that go about the private sector, nor the demonisation of the-----

Deputy Marc MacSharry: An employer would not keep staff who make that kind of mistake.

Deputy Catherine Connolly: I have seen big companies hide lots of stuff in previous lives. I have had the privilege of being in different roles and have seen many mistakes hidden, quiet pay-offs made and all sorts of other things.

Deputy Marc MacSharry: Agreed.

Deputy Catherine Connolly: The Deputy should let me preface my comments before I take a critical position on this matter.

Deputy Marc MacSharry: I was not saying that.

Chairman: Let the Deputy continue.

Deputy Catherine Connolly: We need a vibrant and effective public service. I will stand behind the public service. I will not stand behind its mistakes but I will not have it demonised in the guise of praising the private sector.

Deputy Marc MacSharry: That is a total misrepresentation of what I am saying.

Deputy Catherine Connolly: I will be the first to apologise if there is a misrepresentation but what I heard being said was that in the world of the private sector this would not have happened.

Deputy Marc MacSharry: Employers would not tolerate such incompetence.

Chairman: Deputy MacSharry has made his point. He should let Deputy Connolly continue.

Deputy Catherine Connolly: I am not standing behind any mistakes in the public sector. I am putting the matter in context and saying we should not demonise one sector and sanctify another whose mistakes to date I and all other taxpayers are paying for. Doing so is much more difficult for some than it is for me.

I welcome this eight page report, which was put together very quickly. Unfortunately, it is only the first step. For me, the key part of the report is the fact that the person writing it says he does not know all the details. Previous speakers also referred to this. The report notes that Kormori highlighted the problem. The author of the report states: "However, at the time of writing this Report I have yet to establish how or if this information was processed within the Houses of the Oireachtas Service." Perhaps he needs more time to look at that. The issue was raised but not dealt with. That is the process we need to look at. Week after week, we hear about processes that are theoretically in place but that in practice are not actually working.

A business case for this purchase went before the Houses of the Oireachtas Commission, which presumably approved it. We are always talking about the lack of business cases at this committee, but in this instance, one was made. Two pages of this report give us the background, which is very welcome in a democracy where Deputies and Senators are benefiting from a printer in the interest of democracy. Those two pages are necessary but I would have preferred two pages on what happened with the process failure. Perhaps there was not enough time to look into that but I would like to go back and get a report on the processes.

My colleague, Deputy Catherine Murphy, raised outsourcing, which is mentioned in the report and must be clarified. It is stated that a contract is in place, and that the facility will outsource jobs and so on. It is not clear to me whether the service has already availed of external

printing, given the problems with this machine. Is that just for the future? It is not clear to me whether there are additional costs involved.

I welcome the list but it is extremely basic. More than one site visit took place, as Deputy MacSharry noted. I agree with him on that. Issues were raised by Komori, the Office of Public Works and the architects. They raised issues, yet nothing was done and no review of the matter was undertaken.

On the storage price-----

Chairman: It is not mentioned.

Deputy Catherine Connolly: It may have been mentioned in a press release or some other document I read, but I do not see it on this page of the report. One thing I have learned from this case is that this committee is only as good as the questions we ask and our attendance rate. However, one would expect candour from a body that comes before us to give us information. That should not be dependent on our questions. Given the price and the importance of the printing, it should have been explained to us that problems had arisen, what those problems were and that the printer was in storage. That would have fostered trust and accountability. Mistakes are made on occasion, but it is how we deal with them that gives me the greatest cause for grief week after week in this committee.

Deputy Marc MacSharry: As Deputy Connolly knows, I am a great fan of hers and agree with her most of the time. However, I do not want my contribution to be misrepresented to suggest that I was sanctifying the private sector while rubbishing the public sector. I started by praising the Oireachtas Commission, as a former member of it. I was one of the people who prevented it from establishing a CEO of the Oireachtas, in order to ensure we had a Clerk of the calibre of Mr. Peter Finnegan. That said, my point was that in the private sector an employer cannot afford to tolerate this sort of incompetence, or the company would go out of business. That is the point I am making.

Chairman: The private sector is not within the purview of the Committee of Public Accounts.

Deputy Catherine Connolly: I am not going to reduce it to this. Comments were made which I accepted, and I then made my own comments. It is not a tit for tat.

Deputy Bobby Aylward: The Deputies should go outside and sort this out.

Deputy Marc MacSharry: We have it sorted. I have clarified my comments.

Deputy Catherine Connolly: The issue is that a mistake was made. We need to address, with the appropriate people and as quickly as possible, why that mistake was not noticed, what processes were in place and how they failed.

Chairman: We are finished with this debate.

Deputy Peter Burke: The second last paragraph on page 4 of the report clearly states that all the information on responses to the tender is not known at this stage. Establishing that information is key. We need due process to take its course to ensure fair procedure. Where does the OPW stand on this? Members of this committee are aware that it has a chequered past in terms of managing property. It lost €50 million through the rental of the Miesian Plaza.

Chairman: It was €20 million.

Deputy Peter Burke: Apologies, it was €20 million. The amount of money needed to make the room ready for the printer would build a significant four-bedroom house in Mullingar. It is a huge sum of money. There is great public interest in this issue because of the figures involved. We need to get to the bottom of it, and procedure must also take its course.

Deputy Bobby Aylward: I also want to voice my concern about this matter. It is a comedy of errors. This is taxpayers' money. No one seems to worry, be held accountable or take the rap when taxpayers' money is being spent. An eight page report is written and then it is forgotten about. I do not think it should be forgotten about. Lessons should be learned here. This was a simple thing but it all went wrong. Two old printers were decommissioned because they were decrepit and we decided to buy a new, modern printer, which is a simple thing. One does not need a master's degree to go into a room, get the dimensions of the new printer and figure out how to get it in the front door and place it. It is a simple thing, yet it went all wrong. It has cost hundreds of thousands of euro of extra money. Someone must be accountable for this because someone is responsible for it. The public is right and as my colleague, Deputy Connolly noted, despite the crises in housing and health, money can be wasted like this and no one seems to care or be responsible for it. It is our job to ensure proper accountability when public money is being spent. This needs to be accounted for and someone needs to stand up and take the rap for it.

Deputy Shane Cassells: Many contributions have been made and there are many views on what has happened here. We should come to an understanding of where we want to take this because it is a much broader issue. Deputy Connolly made a point about the processes, on which we need to agree.

Pictures of Mr. Peter Finnegan have been splashed across all the newspapers in the last few days, as he is the Accounting Officer, but a much deeper analysis is required beyond such a simplification of the issue. Point 2 of the analysis and conclusions stands out for me, where Mr. Finnegan says: "the requirements of the building and other regulations in relation to 'head height' were neither understood nor examined during the critical early stages of the project." The key question is to whom that lack of understanding refers. The OPW came in waving a red flag on 15 August. It is right and proper to raise a debacle such as Miesian Plaza and the money lost in that case because there was no acceptance of guilt from the OPW when we discussed the matter at this committee. The simple focus of the OPW in that project was that its job was to deliver X, which it did, and it did not anticipate the HR problems that would result in it being in cold storage for a long time. As Deputy Burke said, that cost us €20 million. That seems to be the accepted practice. We have to ask where the buck stops with such projects. We cannot let processes go on in those circumstances, because here it is repeating itself again today.

According to the timeline in the report, a valuation of tenders was received on 12 April 2018, which the Oireachtas contracts committee considered on 27 April. However, it was flagged in an email on 25 April that there were problems pertaining to the height issue. The committee should formally ask, by email, whether that issue was on the table at the meeting. I do not accept that the issue was flagged on 25 April but the report states: "However, at the time of writing this Report I have yet to establish how or if this information was processed within the Houses of the Oireachtas Service." An email must go to someone. We can simply establish to whom it was sent. We could find out this morning to whom the email was sent and the action that was taken. It may have been forwarded to someone else. If so, the electronic system would have recorded that. These are simple questions which would not involve a detailed process of investigation. We should establish whether the email was considered at the meeting on 25 April.

I wish to know what expertise is on the contracts committee in light of the report stating that the requirements of the building had not been anticipated. I have walked the floor of the print room many times. When I started out as a student journalist some 25 years ago, I visited the former print facility of *The Irish Times* on D'Olier Street. When the *Meath Chronicle* required a new printing press, it was obvious that the confines of the old print room were unsuitable, so it built a new printing facility. The printing facility in Kildare House is very tight on space. It is extremely limited in terms of height requirement. I wonder what discussions took place with the people who operate the facility. They have the expertise in terms of knowing how to operate a print facility. I have been there several times. The limited space in the room should have been a basic consideration in the evaluation of the contracts.

We should establish whether the email flagging the issue was discussed at the meeting on 25 April, ascertain the expertise of the committee and identify who was engaged to analyse that.

Chairman: I wish to bring the matter to a conclusion. It is clear we need to send a transcript of this session to the Clerk of the Dáil. The points made will be well enumerated in the transcript and will enable him to respond.

We should write directly to the OPW regarding its role, tendering process and advice, as well as clarifying when it became involved. Reference was made to the issue of head height and that it transpired the room had to be changed entirely. I do not know why the head height in the room into which the machine was subsequently put was not identified in the first place. We need to know the reason for changing rooms. I will ask the OPW to supply that information as well as further detail on the cost of its work, the tendering process and the designs and processes it had in place. We need to know whether the figure supplied is final and when the Oireachtas will receive the final bill.

It is worth noting an issue that has arisen in other instances dealt with by the committee. The job was separated into five lots related to the various aspects of the machine. One tender was received in respect of each of the five lots. One would think there would have been more than one expression of interest in a printing contract of this scale at a European level. Three companies visited the premises initially and the contract was then broken down. Three companies successfully tendered to provide various parts but it seems that only one response was received in respect of each of the five lots. Although it went through a competitive process, the market did not produce any price competition. The Oireachtas only got one submission for each lot. We will get clarification on that issue.

I thank Mr. Finnegan for presenting such a comprehensive report within a short time. It does not answer all the questions on the matter. This is stage one, but it is a very good start given that the issue only came to light in recent days. He acknowledges there are some unanswered questions. He has not had time to answer every question in the few days he had to prepare the report. We wish to give him time to do so and to respond to the points that have been raised at this meeting. Similarly, we will write directly to the OPW for its full input regarding tendering, costs and its role and advice on the matter. I will give Mr. Finnegan and the OPW until 10 December to respond because the last meeting of the committee in 2019 will be on 12 December. I am not saying it will be necessary for the parties to appear before the committee, but we need this matter fully closed off before our last meeting of the year, which is on 12 December. We want both organisations to have submitted a report to us by 10 December. When we see the responses to the questions, we can then decide what to do next. We are still gathering facts and information, which is very important.

Deputy Catherine Murphy: The committee should consider how we conduct our business in terms of how easy we make it for people to be fully open with us about mistakes that have been made. This issue may not be the greatest example to use. There is a genuine cultural issue in respect of what happens to people who put their hands up and admit they made a mistake. The committee should give that consideration.

Chairman: Members will appreciate that the introductory remarks to witnesses, which I introduced, ask for candour in all cases. I do not know whether the Chair of any other committee makes such a request. Witnesses are encouraged to volunteer information and give us the full picture. We deal with organisations such as the HSE and the Department of Employment Affairs and Social Protection which turn over billions of euro each year. The committee cannot be expected to know the minutiae of every aspect of their accounts. If there is an issue, we would appreciate it being brought to our attention.

I will hold over the rest of the financial statements and any other items in our work programme until next week because we should begin our engagement with the Revenue as soon as possible.

Sitting suspended at 10.57 a.m. and resumed at 11.09 a.m.

2018 Annual Report of the Comptroller and Auditor General and Appropriation Accounts

Vote 9 - Office of the Revenue Commissioners

Chapter 17 - Tax compliance interventions

Chapter 18 - Tax relief on film production

Mr. Niall Cody (*Chairman, Revenue Commissioners*) called and examined.

Chairman: This morning we are joined from the Revenue Commissioners by Mr Niall Cody, chairperson, Ms Kathleen Redmond, principal officer, Pdraigh Donnelly, assistant principal, and Angela O’Gorman, principal officer. We are also joined this morning from the Department of Finance by Ms Deirdre Donaghy, principal officer, who may have to leave early in the course of the meeting to go to the Seanad, and Ms Anne Marie Walshe, principal officer. We are also joined from the Department of Culture, Heritage and Gaeltacht by Mr Conor Falvey and Ms Mary Nash, who are here with particular reference to the discussion on the tax relief on film production in case anything arises whereby we have to call on their expertise during the course of the meeting. I remind members, witnesses and all those in the Public Gallery that all mobile phones must be switched off or put into airplane mode, as merely putting them on silent mode does not prevent interference with the recording system.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by abso-

lute privilege in respect of their evidence to the committee. If they are directed by it to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given. They are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded that under Standing Order 186, the committee shall refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government, or the merits of the objectives of such policies.

While we expect witnesses to answer questions asked by the committee clearly and with candour, they can, and should, expect to be treated fairly and with respect and consideration at all times in accordance with the witness protocol. I invite the Comptroller and Auditor General to make his opening statement.

Mr. Seamus McCarthy: The 2018 account of the receipt of revenue of the State collected by the Revenue Commissioners was certified by me on 18 April 2019 and received a clear audit opinion. The account records receipts of taxes and duties remitted by Revenue to the Exchequer, and receipts collected by Revenue on behalf of other agencies. In 2018, the net receipts of taxes and duties amounted to a total of €54.6 billion, an increase of €4 billion or 8% when compared to 2017. At the level of tax headings, the most significant change related to corporation tax receipts, which increased by €2.2 billion, or 27% year-on-year. Receipts related to VAT, income tax and corporation tax together accounted for 84% of net tax receipts. Net receipts collected by Revenue on behalf of other agencies increased by 14.6% year-on-year, from €12.3 billion in 2017 to €14.1 billion in 2018. Pay related social insurance contributions continue to account for the majority, nearly 80%, of such receipts.

Members may wish to note that there was a change in the treatment of local property tax receipts in 2018. Up to 2017, such receipts were treated as an Exchequer receipt but since 1 January 2018, local property tax receipts are remitted by Revenue directly to the Local Government Fund. The amount received in 2018 was €488 million, up marginally from the €482 million received in 2017.

Revenue's administration and operational expenses are charged to Vote 9 - Revenue Commissioners, rather than the Revenue account. The appropriation account shows that the total spent by Revenue in 2018 was €425 million. This was up 3.4% from €411 million in 2017. Taking account of appropriations-in-aid of €72 million, net expenditure under the Vote amounted to €353 million. The surrender for the year was €3.7 million. In my report on the appropriation account, I draw attention to instances of non-compliance by Revenue with procurement rules. The nature of this and how it is being addressed is disclosed by the Accounting Officer in the statement on internal financial control.

I will turn now to chapter 17, which is on tax compliance interventions. Chapter 17 outlines Revenue's approach to monitoring and managing taxpayer compliance. The report reviews controls over compliance interventions and the agreement and collection of tax settlements. The examination found that Revenue's compliance work is well-targeted. Just over 460,000 specific interventions were recorded as completed in 2018. These ranged from low-intensity interventions such as customs checks, checks of information available to Revenue and inquiries with taxpayers, to more intensive on-site audits and investigations. These can result in identi-

fication of a yield amount, that is, additional tax, interest and in some cases, penalties due. Out of 456,000 non-audit interventions completed in 2018, one in four resulted in identification of yield, amounting to €316 million. A total of 4,700 audit interventions were also completed in 2018, with almost two thirds of those resulting in a yield. The average yield per case for completed audits was approximately €84,500.

The review also examined 50 settlement cases closed formally by Revenue in 2018, with a combined yield of €92.7 million. For most of the cases reviewed, the examination found that the liability had been calculated by Revenue as required under its procedures, or Revenue had validated calculations by a taxpayer's agent, and interest and penalties had been applied in accordance with legislation. A number of the settlement cases examined have been outlined in the chapter, and illustrate the protracted nature of many compliance and settlement cases.

Case study A involved liabilities of a taxpayer under four aspects of PAYE and PRSI. While Revenue had issued a notice of estimation of amounts due in one of those areas in 2015 in the amount of €205 million, a settlement offer of €29.1 million was accepted in August 2018. The reasons for the change in Revenue's view on the liability are documented in the case file and appear reasonable.

In case study B, Revenue accepted a settlement just days before a Tax Appeals Commissioner hearing was due in April 2017. While Revenue had assessed the tax due at €113 million, it ultimately accepted a settlement offer of €10 million on foot of legal advice to settle, among other reasons, due to the passage of time in the case.

The chapter also looked at the collection of settlements agreed with taxpayers. In general, Revenue does not pursue intervention yield amounts which it deems uneconomic to pursue. There is no set threshold for non-pursuit: each amount is judged on a case-by-case basis. Revenue published information about a total of 554 settlements with taxpayers in quarterly listings in 2017 and 2018, with a combined value totalling €97 million. Of this amount, 59% had been collected by Revenue by the end of May 2019. The rate of outstanding liabilities varied, with the highest percentages of yield outstanding for quarter 2 and quarter 3 of 2017.

The chapter made two recommendations around the area of data recording and performance measurement. The first suggests that Revenue should distinguish in its performance information between interventions prompted by taxpayers and those commenced by Revenue as a result of its own planning or systems. The second recommendation is that Revenue should consider reporting the differences between the amount of tax assessed as due from compliance activity, the tax settlement amount and the tax actually collected, and the reasons for any variances.

I will turn now to chapter 18, which deals with tax relief on film production. Tax relief for investment in films, generally referred to as film relief, was first introduced in Ireland in the 1980s. The administration of film relief involves both the Department of Culture, Heritage and the Gaeltacht and the Revenue Commissioners. The regulations underpinning the scheme were revised in 2015. In order for a film production company to qualify for film relief, the project proposal must be authorised by the Department as a qualifying audiovisual project, based on satisfying certain criteria. A special-purpose production company must be set up for each project. The company may claim corporation tax relief in advance, based on the projected expenditure on a qualifying project, through the mechanism of a payable tax credit. This typically results in a payment to the company and does not depend on the amount of tax previously paid. This is effectively a grant scheme operated through the taxation system. Under the 2015 scheme, 337 projects were granted a total of €273 million of film relief in the period 2015 to

2018, which is an average of approximately €810,000 per project.

The examination reviewed a sample of 35 film relief applications submitted to the Department between 2015 and 2018. Three applications were refused on the basis that they were for categories of film not eligible for certification. All of the remaining 32 projects were approved on the basis that they passed the Department's cultural test. This means that they met at least three of eight broadly-defined cultural criteria as assessed by the Department. While seven of the eight criteria are amenable to quantification or objective testing, one is very broadly stated. It was noted that almost all of the approved projects were deemed to have met this criterion.

The Department also operates an alternative employment test for projects that are proposed for film relief. To qualify under this test, the Minister must be satisfied that the project can act as a stimulus to the making of audiovisual projects in Ireland through the provision of quality employment, training and skills development opportunities. However, there is no definition of what constitutes quality employment. The chapter recommends that the Department establish criteria to establish the employment aspects of proposals for film relief.

Under the 2015 scheme, Revenue was responsible for approving the value of the film relief. A sample of 15 Revenue files processed under the scheme was examined to check that the prescribed pre-production and post-production checks were undertaken on the projects. These included checks on the legal structure of the production companies, the budget for the project and the expenditure outturn. The examination identified no issues of concern from those reviews.

Revised regulations for film relief were implemented with effect from March 2019. This included moving the relief to a self-assessment basis, similar to that used for most other tax reliefs. When the chapter was being finalised, Revenue was still in public consultation with the film sector on draft guidelines on the operation of the credit under the new system. Revenue stated that planning was underway for an appropriate compliance testing regime for film relief. The recommendations in the chapter were addressed to the Department, rather than to Revenue.

Mr. Niall Cody: I understand that today's meeting is to focus on the Revenue Vote, the account of the receipt of Revenue for 2018 and two chapters of the 2018 Report of the Comptroller and Auditor General published in September. Those are chapter 17 - tax compliance interventions, and chapter 18 - tax relief on film production.

I am accompanied today by Ms Kathleen Redmond and Mr. Pdraigh Donnelly, compliance policy, planning division and Ms Angela O'Gorman, Comptroller and Auditor General and committee liaison.

In the context of today's discussions, I draw the committee's attention to section 851A of the Taxes Consolidation Act 1997 and my obligation to uphold taxpayer confidentiality.

Revenue's role is to serve the community by fairly and efficiently collecting taxes and duties and implementing customs controls. Our aim is to protect Exchequer funds by ensuring that there is compliance with the various tax and duty obligations set down in the laws enacted by the Oireachtas. We support voluntary compliance by making it as easy as possible for taxpayers to understand and meet their tax and duty obligations and we prioritise the protection of Exchequer funds and support to compliant taxpayers by identifying, targeting and tackling non-compliance on a risk basis. Revenue responds to non-compliance in all its forms, from non-filing of tax returns to complex tax-avoidance schemes, criminal tax evasion and excise fraud. Our response is risk-based, proportionate and responsive to taxpayer behaviour.

In 2018, Revenue collected total gross Exchequer receipts of €77.27 billion, including €14.1 billion in non-Exchequer receipts collected on behalf of other Government Departments and agencies. The net Exchequer receipts were €54.6 billion which was an increase of €4.04 billion, or 8%, over 2017 figures. The net Exchequer receipts for corporation tax were €11.4 billion, up 26.7%, income tax receipts were €23.5 billion, up 6.6%, and VAT receipts were €19.3 billion, up 7%. To the end of October this year, the net Exchequer receipts were over €44 billion, some €3 billion more than the same period last year.

In chapter 17, the Comptroller and Auditor General reviews tax compliance interventions. Under Ireland's self-assessment tax system, returns filed by taxpayers are the basis for calculating tax liabilities and Revenue promotes voluntary tax compliance by making it as easy as possible to file those returns and pay the right amount of tax at the right time. Our success in this regard is clearly evidenced by the consistently high timely compliance rates being achieved year on year. For example, the timely compliance rates in 2018 were above 90% across all taxes, with the majority of taxpayers paying the right amount on time. These compliance rates were, a month after the timely deadline, 99% and 98% for our largest and medium-sized cases, respectively.

Revenue compliance interventions are designed to protect the Exchequer, to assure ourselves as to the accuracy of self-assessment returns, to influence compliance behaviour and to provide a level playing field for all taxpayers. We have a clear risk focus to our compliance intervention approach. In 2018, we completed over 580,000 risk-based interventions which yielded €572 million. To the end of October 2019, we have completed almost 388,000 interventions yielding almost €409 million. These interventions include almost 2,600 audits and investigations.

The examination of tax compliance interventions in chapter 17 is a follow-on from chapter 27 on tax settlements in the 2012 Comptroller and Auditor General annual report. The chapter, in 2012, contained six recommendations, all of which have been implemented. The findings and the recommendations in that report informed improvements in how we manage, record and report our compliance interventions. Some of the actions taken include ICT developments, such as the introduction of our real-time case working system, revenue case management, RCM, in 2015. The introduction of RCM delivered improvements in the quality and effectiveness of interventions through more targeted case selection and case management.

As part of the Comptroller and Auditor General's 2018 report, 50 cases were reviewed. These included five assurance checks and 45 cases with tax settlements that were achieved through Revenue interventions. The 45 interventions included aspect queries, profile interviews, audits and investigations with a total yield of €97.2 million. The examination covers the timeliness and classification of interventions, calculation of the tax liability, application of interest and penalties, authorisation and approval of settlements and collection. The report sets out four case studies in detail. In three of the case studies, the intervention followed contact from the taxpayer and, in two cases, that contact dates back to before the 2012 Comptroller and Auditor General examination took place. This leads to the first recommendation on recording and analysing the origin of interventions. The second recommendation relates to reporting the differences between tax assessed, tax settled and tax collected and both recommendations are agreed by Revenue.

Revenue's statement of strategy 2020-2022 and our corporate priorities for next year were finalised recently. Our priorities include enhancing our risk-focused approach to compliance activity and we will consider how best to implement the recommendations in this context. We

have prioritised a review of our current compliance intervention models to ensure our continued effectiveness in improving voluntary compliance. We will also explore options for closer integration of collection and debt management with other compliance activity.

Chapter 18 of the Comptroller and Auditor General's report deals with tax relief on film production and examines the administration of the scheme between 2015 and 2018. During this period, 337 projects were approved by Revenue, granting a total €273 million in corporation tax relief. There are no recommendations in the chapter for Revenue.

This relief is administered by the Department of Culture, Heritage and the Gaeltacht on the cultural and employment aspects, and by Revenue in relation to the value of credit available.

The Comptroller and Auditor General's examination coincided with a significant change in Revenue's administration of the relief. Following commencement of section 26 of the Finance Act 2018, on 27 March 2019, applications for relief were moved to full self-assessment, bringing the administration of the scheme in line with the rest of the tax code and operating on the same basis as other tax reliefs. Film relief is now managed through Revenue's suite of risk-based compliance interventions in the same manner as other reliefs and, as already mentioned, the type of intervention deployed is determined by taxpayer behaviour.

Revenue's guidelines on film relief were issued in October 2019 following an intensive consultation process and provide comprehensive information on the operation of the relief. A link to the published guidelines was included in the briefing provided to the committee secretariat.

Our effectiveness in all our activities depends on our people and continued investment in the ICT systems to support our work. Pay and associated costs accounted for €303 million of the total €425.4 million expenditure in 2018. There were approximately 6,250 staff serving at the end of 2018. This figure included 145 temporary staff. The committee might be interested to note that the full-time equivalent figure at 31 October was 6,752, which included 103 temporary clerical officers. ICT was the second largest item of expenditure at €56.8 million.

I note that the committee is currently reviewing non-compliance with public procurement guidelines. In this context, we included a note in the briefing document that we sent to the committee secretariat last Friday setting out details in respect of expenditure of €4.4 million in 2018 that was non-compliant with the guidelines. Some €1.2 million of that related to issues with the unavailability of contracts under the Office of Government Procurement frameworks. Contracts in compliance with the guidelines are now in place for all of those contracts.

Given the inclusion in chapter 17 of some case studies involving interventions that we carried out on taxpayers, I will again 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 will answer questions from the committee.

Chairman: I thank Mr. Cody. The first member to indicate was Deputy Burke, who will have 20 minutes. After him will be Deputy Connolly with 15 minutes. Members have indicated in the following sequence: Deputies Cullinane, Murphy, MacSharry, Cassells and O'Connell. We are also joined by two officials from the Department of Culture, Heritage and the Gaeltacht in respect of film relief. If any member has a question on that particular aspect, we will try to get to it before the break instead of making the officials sit here for the afternoon as well.

Deputy Peter Burke: I thank Mr. Cody and his team for appearing before the committee. I compliment them on the transparent way in which they give us information, which allows us to

do our duty as Members of the Oireachtas. That information is helpful. By and large, Revenue does its job well and effectively.

Christmas is approaching and flat rate expenses are being debated in the media. Depending on who one listens to, this matter could affect anywhere between 80,000 and 600,000 employees, including 75,000 shop assistants and 8,000 journalists. These are not highly paid individuals. It is published and stated policy that, in theory, flat rate expenses could be withdrawn from 1 January 2020. We are effectively moments away from the first or second week in January when people will be getting amended tax credit certificates through the post. What is the state of play currently? I do not want to accuse Mr. Cody of being the Christmas Grinch who stole these expenses.

Mr. Niall Cody: I thank the Deputy. As he knows, we discussed this matter when I was before the committee this time last year. We are carrying out a comprehensive review of the range of flat rate expenses in order to ensure that they are in accordance with legislation and changes in employment practices. This time last year, we had planned to amend flat rate expenses as we carried out our reviews across particular categories. In the context of last year's budget and Finance Bill discussions, though, we recognised that there were concerns. We are proposing a postponement of the implementation of the review for any sector until we have completed the review of all sectors. The subject has been under discussion on Committee Stage of the Finance Bill. The Minister wrote to me two or so weeks ago to ask for a full report of where we were with our review. The review is nearly complete, but there are a number of categories where we still have to complete our communications. Last Friday, I sent a reply to the Minister's request. He has that reply. I am aware that he has been away this week. I am awaiting his reply. Yesterday, a parliamentary question was answered in which the Minister outlined that his officials were studying my reply. I expect that he will-----

Deputy Peter Burke: I am clear about Mr. Cody's independence in the performance of his duties. It is an issue for Revenue to enforce the legislation. Will there be a change on 1 January?

Mr. Niall Cody: We are in correspondence with the Minister, so I must wait to see what his reply will be. I will consider his reply and we will publish the correspondence. We will be clear about what we will be doing before tax credit certificates issue in early December.

Deputy Peter Burke: Has Revenue made a determination on its review? Has the review been completed?

Mr. Niall Cody: No. As I mentioned, there are a small number of categories that we have not finalised our correspondence on yet. Last year, we stated that we would not implement for anyone until we were in a position to do so for everyone.

Deputy Peter Burke: Revenue undertook public consultation with-----

Mr. Niall Cody: We have engaged with-----

Deputy Peter Burke: -----union officials representing those who work in these industries.

Mr. Niall Cody: Absolutely. From representations made in the past while, I can see that a number of unions have published some of that correspondence among their members. I am sure that a number of committee members have submitted parliamentary questions.

Deputy Peter Burke: I sit on the Committee on Finance, Public Expenditure and Reform, and Taoiseach. This matter and public representatives' concerns about it were raised during the debate on the Finance Bill. As a legislator, I am conscious that budget 2020 was an income tax neutral budget. Some of these flat rate expenses date back a significant period, but a massive cost does not attach to them by and large. They give lower paid workers a break and are in most cases wholly and exclusively for the purpose of those workers' employment. We know from advertisements this week that many reliefs go unclaimed. We are trying to increase that. If people are to get small and reasonable amounts, I would not like to see the online process that will be embarked upon next year being made too difficult.

Mr. Niall Cody: Some of the flat rate expenses date back to the 1950s and 1960s. When we commenced our review, it was clear to us that, due to the passage of time, changes in employment law and the introduction of health and safety legislation, some of them were not being incurred anymore and were out of date. I reviewed some of this recently. In 2015, there was a series of parliamentary questions about the differences in flat rate expenses. Some were provided on a gender basis. For example, a male in one category of worker had a higher flat rate expense than the female. One of the Deputy's colleagues asked a parliamentary question and I remember seeing the answer and thinking that what it described looked odd and did not reflect a modern economy. It is also the case that flat rate expenses apply to sectors that are well represented, but a whole range of people have not had that facility to negotiate such expenses.

We have comprehensively reviewed the basis and the submissions. We will have a detailed report, which we will publish, but as regards-----

Deputy Peter Burke: Is there a date for its publication?

Mr. Niall Cody: No. It is not completed yet, but it will be published. The one thing that will be in place is a very simple scheme through which people can claim their entitlements. I presume at some stage today we will talk about the modernisation of the PAYE system and the massive change that will be in place in January, through which there will be a simple online review mechanism to claim any health expense, flat rate expense or other expense.

Deputy Peter Burke: I will revert to the online side in a moment, but I want to be clear about this matter. There are anomalies. Mr. Cody referred to gender-based anomalies. I am fully aware that these must be tidied up, but my basic concern is for ordinary employees. I do not want to see them losing out come 1 January because of a decision that makes it too difficult to embark on a process whereby they can claim expenses. I hope I am making that point well to Mr. Cody.

Mr. Niall Cody: Absolutely. I assure the committee that I expect to get a reply from the Minister, probably early next week.

Deputy Peter Burke: So do I.

Mr. Niall Cody: What the Minister undertook to do on Committee Stage of the Finance Bill was to make the correspondence available. We will publish that. We will publish the reply and it will be clear what will happen at that stage.

Deputy Peter Burke: When Mr. Cody was before the committee on 1 June 2017, I raised concerns in relation to MyEnquiries and how it was operating. At that stage, Mr. Cody stated: "Our statistics do not bear out that the process has slowed down, but there are varying degrees of complexity in requests for correspondence, and it depends on what the issue is." In the next

response, Mr. Cody stated that it was timely that I asked the question because Revenue - the Collector General - was conducting a review or talking about MyEnquiries in terms of Revenue's internal procedures. I will take it back to where I come from.

If one looks at relevant contracts tax, RCT, section 530P governs the fact that if a subcontractor has tax deducted the surplus becomes available for offset against other liabilities. As I mentioned in 2017, once, all it took was a five-minute phone call whereby someone could contact their local district tax office and state that his or her client had a surplus in RCT and that he or she wanted to offset it against another tax head. I will provide an example from earlier this year. Mr. Cody will bear in mind that my initial inquiry was in 2017. An individual practitioner had a query from a client who had €5,000 of RCT and wanted to allocate €1,000 against his PAYE return. The person had a liability with the Revenue for €1,000 and he also has €5,000 on account with the Revenue under RCT. It was a quarterly P30. It could be a VAT3 or anything in any event because P30s are gone now. It was a quarterly P30 or a quarterly VAT3. Be that as it may, it was due on 23 May last. It was due after the period end, on 23 April. There is nothing new there. Essentially, on 12 April, the practitioner logged on to MyEnquiries. He submitted a request to have €1,000 taken from the RCT and allocated against his VAT in order to discharge that liability. This was on 12 April and it was not due until 23 April. On 22 May, the Revenue issued a demand to that client for collection and payment. The client knew that he had €5,000 on account with Revenue. The first thing he did was to contact the practitioner and ask, "Are you doing your job at all, lads?". He was extremely frustrated. The practitioner had to provide him with a paper trail in terms of what had been done on his behalf. Next, the practitioner went back to MyEnquiries - bear in mind, one is talking about 20 or 25 days of a turnaround - to try and sort out the matters relating to the demand. The demand was reissued.

Let us return to the point where the frustrated practitioner called the Collector General. He picked up the phone to the Collector General and the member of staff of the Collector General's office stated that she could see on the screen in front of her that the €5,000 was there and that €1,000 needed to be allocated but that she could do it. That is what the practitioner was told. Bear in mind where we live. In terms of the advances in the IT available to the Revenue Commissioners, I would have thought this is a basic enough matter. The lady in the Collector-General's office stated that she could not put a stop on the demand going out. The practitioner went back to the RCT section, which was dealing with the inquiries. The official stated, "Yes, I understand where you are coming from". The practitioner asked, "Can I put a complaint in in relation to it?". The practitioner asked if the official point him to where he could submit a complaint on the website. It was not possible to get a complaint through in connection with it. Ultimately, the individual said that maybe the practitioner should talk to his local Deputy in connection with the matter. That is the process as people are experiencing it on MyEnquiries. All it used to take was a five-minute phone call whereby a person could contact someone in the local tax office and ask if he or she would not mind doing what I have outlined. This is not a complex issue but we are turning it into a 25 or 50-day process. The accountant in question asked me to imagine what will happen when the next quarterly P30 or VAT3 return is due. The process will start all over again. I would be grateful if Mr. Cody could comment on that.

Mr. Niall Cody: It is difficult to comment on an individual case.

Deputy Peter Burke: This is global. MyEnquiries is a global issue. It is something I get correspondence from practitioners on regularly. It is the same with tax clearance that we had previously. In a case where a company could require tax clearance for doing a job urgently, there was a time where one could ring up the office stated there is an instalment arrangement

here, one will have it in place by X date and the Revenue, based on heads of agreement, would issue the tax clearance. MyEnquiries lengths that process. Specifically, on my P30 and VAT3 query, how do we deal with that delay?

Mr. Niall Cody: in 2018, we dealt with 2.1 million cases through MyEnquiries. Generally, the system works.

Deputy Peter Burke: Would Mr. Cody clarify that? Is he talking about members of the public or practitioners?

Mr. Niall Cody: A significant level of the inquiries through MyEnquiries are from practitioners.

Deputy Peter Burke: Do the practitioner and the public go through the same route?

Mr. Niall Cody: Yes. I remember our previous discussion. What we have done in the meantime is we set up a tax administration liaison committee with the Consultative Committee of Accounting Bodies in Ireland, the Irish Tax Institute and the Law Society about looking at particular problems and aspects. Actually, there was a meeting of the sub-committee this week at which the areas of concern were identified.

What we try and do with our systems is to provide for as much as possible but it takes an IT development for automatic off-set of withholding taxes, such as RCT, against declared liabilities. Recently, we launched a facility for VAT repayments where one could automatically do it oneself because we would like to provide the facility for the practitioner to be able to do it.

Deputy Peter Burke: Of course, it is common sense.

Mr. Niall Cody: But any change like that requires an IT development and takes a period of time. RCT is an interesting-----

Deputy Peter Burke: Can Mr. Cody see how frustrating that can be?

Mr. Niall Cody: Absolutely. It is frustrating for our staff who have to deal with things that do not work perfectly and we are working on making it seamless.

I want to talk a little about tax clearance. Tax clearance is available automatically online without any intervention. We also held a recent experiment around the use of robotics to automatically deal with the tax clearance query because most of it is a step-by-step process. We are constantly trying to innovate to improve the service provision.

The Deputy talked about what we would do before when one could ring up if a company had some temporary difficulty, and which would stop the issue of the tax clearance which would stop them getting the contract which would lead to a spiral of issues. In the introduction of our new debt management system which was launched at the end of last year, there is an online system to enter into an instalment arrangement. Once it fits the criteria, we automatically allow the instalment arrangement which would free-up the tax clearance certificate. These initiatives come from that engagement with the practitioners.

Deputy Peter Burke: Will it take long to address that issue I detailed?

Mr. Niall Cody: When the meeting is finished, I would like the Deputy to give me the details of the case. What I find useful-----

Deputy Peter Burke: Mr. Cody already has it.

Mr. Niall Cody: It sounded familiar to me.

Deputy Peter Burke: It is not an isolated case.

Mr. Niall Cody: Absolutely.

Deputy Peter Burke: I am merely making the point that there are numerous such incidents.

Mr. Niall Cody: To be fair to our people and systems, we respond to examples and we try to fix them. The Deputy can see from our figures that we have ongoing information technology development, maintenance and enhancement. There is a very complex and complicated information technology framework. Changes take planning and implementation. When I was before this committee on one occasion the Chairman was surprised that I knew about one of the parliamentary questions he submitted on a case. I pay much attention to issues of that nature. This is how we learn about real world matters. We also carry out regular surveys of both businesses and agents of their experience of interaction with us. The results of those are very positive. Helping people to comply is a core pillar of how we work.

Deputy Peter Burke: I can guarantee that there is frustration at the agent level on that issue. It is significant. When the next period comes around, they will have to face into this process and they know that their client will potentially get a demand. The client will then complain.

Mr. Niall Cody: The agent representatives bodies are not slow to point out matters to us and we work with them to fix that.

Deputy Peter Burke: I hope it is cleared up. Will Mr. Cody speak about Revenue Online Service, ROS, and what happened coming up to the deadline? It was extended to 6 p.m. on 13 November but there were further technical issues and it was down on the Wednesday morning. The next extension brought the deadline to midnight on 17 November. The Revenue Commissioners were very clear that a surcharge would not apply to any returns filed in that week. What happened? Were the Revenue Commissioners initially slow to extend the deadline? Was extending it to the following day a case of not seeing the bigger picture in trying to respond to the issue?

Mr. Niall Cody: The ROS difficulties on 12 November were one of the first instances of us having those issues. It happened on 12 November, which was the extended deadline for pay and file processes. We were very sorry as we knew the impact it had. It is a big day in the agents' world. Many people were very frustrated that afternoon. We had difficulties on 12 November because of a database server problem that happened at 11.50 a.m. It was identified very quickly and various people worked on solving that problem. Like with every information technology system, people tried what had been done before to fix the problem and the expectation was that it would be fully operational in an hour. Unfortunately, previously tried approaches did not work and the system was effectively operating at partial capacity until approximately 5 p.m. From 9 a.m. to noon on 12 November, 11,000 returns were filed, whereas from noon until 5 p.m., only 2,500 returns were filed. At all times there was a trickle of returns. The system returned to being fully operational at 5 p.m. and from then until midnight, there were 33,000 returns filed.

When we identified the problem and knew we had the solution, we extended the deadline until 6 p.m. or the end of the following working day, which should have been adequate to deal

with the expected 60,000 or so returns. Unfortunately, on the morning of 13 November, it transpired that we had missed one element of the non-application of the surcharge to a small category of cases that came through a particular challenge, with 300 of those cases getting notification of a surcharge. We were monitoring what agents were saying and we said there was a problem on one particular “pipe”. It was purely human error and it had been missed in the extension of the deadline. We fixed that in what would have been a normal process - we would not have seen it as a big fix - but because it happened when the returns were coming in, it slowed the overall process. One can imagine our response. We said we would just extend the deadline until midnight on the Sunday.

I realise this is not in the chapter but I expected us to be discussing the issue. On the Wednesday we got 17,500 returns and by the end of the week we had 536,769 income tax returns filed through ROS, which is an increase of 6.1% on last year’s filing deadline. On the Sunday, there were 4,692 returns filed. I know people pay attention to what I say here and we are really sorry about the disruption we caused people. We had a board meeting on the Thursday to review what happened and although we cannot ever say for definite that we will not have problems in future, we will not have these problems in future.

Deputy Peter Burke: Everybody learns from this. I know all this is not specifically within the chapter but I hope it is relevant to what is a very big Vote. I thank the witnesses for responding in the way they have.

I have two very quick questions. I am coming from the position of small businesses and their use of the PAYE any time application. A small farmer may have one employee and the accounts cost €1,000 if they are done by an agent. With the PAYE process, he or she must input a weekly payment. It could be another small business, such as a shop. No matter who the accountant is, he or she could charge €20 per week for this. That means it costs €1,000 for this individual with one employee, meaning accountancy fees have doubled. If a business only has two employees, could this be done monthly? It would save inputting for very small businesses. I know the Revenue Commissioners are trying to get real-time and live information but how is this affecting the small guy?

I have a more global question on corporation tax and the mood music from the OECD, including proposals on treatment of multinational digital companies and how they are taxed. This is the minimum effective rate of corporation tax on all companies in all jurisdictions. Have the Revenue Commissioners carried out any calculations on how that would affect the corporation tax yield?

Mr. Niall Cody: I am smiling as the Deputy said he had two quick questions but the last question could be the subject of a committee meeting all on its own.

The Deputy spoke about PAYE modernisation and the requirement to provide real-time information. The positive reaction to this has been really interesting. Small businesses have moved to payroll software and this is a really competitive sector. Some of the providers do this for free. I know one that does it if there are fewer than two employees in a company, for example. We have also provided a facility for the really small companies which do not use any payroll software to enter the amounts themselves through the ROS system. The costs that people anticipated this time last year have not really been borne out. I am aware that some agents have got out of that work because of the burden it imposes, while others have decided to get more into it. When we looked at PAYE modernisation one of the aspects that is often neglected in the debate is that there are obligations on employers with regard to payslips under employ-

ment law. All we have done is to capture the submission of that detail. Sometimes I have seen representations being made by various bodies and commentators who seem to ignore the fact that an employee has entitlements and rights. All we are doing is capturing the reporting of that.

This time last year one of my big worries was how PAYE modernisation would have worked, but it has been a phenomenal success. It has provided a basis for improved policy making. We will publish a detailed report next April on what we have learned. I am aware that the Central Statistics Office is quite excited about what it can do with it. I believe it has been a hugely positive development for employees. Reference was made to trying to ensure people get the right credits. The facility people will have in January to review their tax affairs with no need to ring us or contact us will be one of the transformational change programmes.

On the corporation tax-----

Deputy Peter Burke: Will we get an insight into the reports?

Mr. Niall Cody: It will be very easy for a person to claim expenses that he or she is entitled to. It also opens up all sorts of opportunities, in time, for us to review in-year claims, such as health expenses, and how we integrate real-time claims. This may require some legislative change. My Department of Finance colleagues might be saying “He should stop talking about things like that”, but it does open up opportunities.

On corporation tax, proposals are under way at OECD level. Pillar 1 is around the nature of where the taxation applied. Pillar 2 is around a potential minimum effective rate. These proposals are at varying degrees of development. The OECD has just recently completed a consultation on Pillar 1, and a consultation on Pillar 2 is ongoing. At the finance committee we have highlighted potential range with some elements of it, but it is very hard, or nearly impossible, to have estimates on Pillar 2 because nobody knows yet what policy decisions will be taken or the timing of that. When we do know this I am sure the finance committee will be talking to us and we will talk about it again at this committee also.

Deputy Peter Burke: I appreciate Mr. Cody’s response, and I am aware that everything is not contained in the reports. I thank the team and the Chairman’s office for responding back to parliamentary colleagues; it is a very effective and efficient service.

Chairman: I let that session run a little bit longer because Mr. Cody was giving information the public would welcome by hearing the various issues. I let it run on on that basis.

Deputy Catherine Connolly: Cuirim fáilte roimh na finnétithe agus roimh an geothromaíocht inscne, atá ag feabhsú an t-am go léir. Mr. Cody has a voice that lulls silence. I thank him for all of his work, and all of the documentation, which I welcome and which I have read. I welcome the gender equality, but it is not reflected in top management. I see we have three wise men in charge. The management is still predominantly male. I make this comment on every organisation. Revenue’s number is way up in terms of the percentage, which is interesting. I believe that 62% of staff is female, but this figure is not reflected in management. These are my preliminary comments.

Mr. Niall Cody: The Deputy has spoken to me previously about this. Revenue has an interesting story to tell around the progression of that percentage, and I always preface this remark by saying that my predecessor was Ms Josephine Feehily, so we were-----

Deputy Catherine Connolly: Very good, and maybe we will get the story in a written form

through the Chairman so I can ask my questions. I would appreciate the story.

Mr. Niall Cody: We are now at 50/50 at principal officer level. That figure was 23% female in 2013.

Deputy Catherine Connolly: I saw that, but I looked at the annual report for 2018 and certainly at assistant secretary level it is not.

Mr. Niall Cody: It is now at 33%.

Deputy Catherine Connolly: The photo does not do the figures justice. The men jump out. In any event-----

Mr. Niall Cody: Next year's photo will show a lot more colour.

Deputy Catherine Connolly: I also welcome that the day started positively with Revenue asking to help us to get money back, which was very nice. It was a touch of class this morning to wake up and hear that interview. Well done on that, and well done on the audit. Revenue has got a clean audit. There are, however, just a number of issues around procurement. Of course, Revenue is sorting that out, but does this mean that this time next year there will be no issues around procurement at the scale they are?

Mr. Niall Cody: At any particular time-----

Deputy Catherine Connolly: There are various faults-----

Mr. Niall Cody: We are sometimes dependent on frameworks. We are also dependent on the State warehouse, which had to be re-tendered.

Deputy Catherine Connolly: Why was that? Revenue then did the re-tendering process itself and was successful. What was the difference?

Mr. Niall Cody: We are dealing with a very specialised contract in which, with the benefit of hindsight, we probably should have done-----

Deputy Catherine Connolly: In the first place.

Mr. Niall Cody: The State warehouse is where we store seized product, be it cigarettes, drugs or vehicles.

Deputy Catherine Connolly: These are seized products, not documents.

Mr. Niall Cody: No. During our previous attendance at the committee we spoke about tobacco. If we seize 40,000 cigarettes, for example, that seizure is stored in the State warehouse pending court action. We must retain it.

Deputy Catherine Connolly: It is very important that it is stored properly.

Mr. Niall Cody: It is also a highly secure operation.

Deputy Catherine Connolly: Why did Revenue not do this in the first place?

Mr. Niall Cody: With policy on public procurement, the Office of Government Procurement, OGP, was set up for a reason across the Civil Service. At the time, it was probably the first renewal of the warehouse contract. The OGP generally runs the public procurement pro-

cess. In hindsight, Revenue probably should have run it at the start,

Deputy Catherine Connolly: In the chapter that applies to Revenue and the recommendations, there are a number of very helpful case studies in the Comptroller and Auditor General's report. Case study B looks at the "delay in case due to complex issue". I believe it was an inordinate delay, and it is set out on page 283. While there were no specific recommendations in the conclusion relating to that case, issues were highlighted in the chapter on that case. A significant sum of money is involved - €113 million as the assessment and €10 million was the settlement. The case went from 2009 to 2018. In February 2012 "Revenue wrote to the company", and again in April 2012, which was not too long of a delay. The next letters, however, were in October 2012 and June 2014. There is a huge gap there. I am not cribbing over a month or two but the correspondence gap then goes from October 2012 to June 2014. There was also a change of case worker. I read the chapter. What processes has Revenue put in place to ensure this will not happen or how will it be minimised?

Mr. Niall Cody: In my opening remarks I said that this case started back before our Revenue case-management system was developed. The process will be supported by the Revenue case management system far more. That has all the documentation in it. In that period when the delay took place, there was significant engagement with counsel to seek a legal opinion. This was a highly technical issue.

Deputy Catherine Connolly: I saw all of that. I do not mean to be unfair to Mr. Cody but I have read it and looked at it. What processes are now in place to ensure that does not happen or that if it does happen it is reasonable?

Mr. Niall Cody: The recommendations of the 2012 report in chapter 27 dealt with some of these issues. There is a series of six multistage recommendations in chapter 27 of the 2012 report-----

Deputy Catherine Connolly: They have all been implemented.

Mr. Niall Cody: -----and they have all been implemented. One of the big areas is to have a quality assurance process. That process is multilayered under the management of the team. That is why I have my colleagues from the planning division here. We have a centralised review of the quality assurance process.

Deputy Catherine Connolly: Let me relate that to this. With the new system in place, it would not happen that we would jump from October 2012 to June 2014 without somebody checking back.

Mr. Niall Cody: Absolutely.

Deputy Catherine Connolly: That type of gap and approach is not happening now.

Mr. Niall Cody: I would be disappointed if such a gap could manifest itself. I would not be surprised if we had cases in which there were compliance interventions that will be long but that gap would not be there.

Deputy Catherine Connolly: I understand that, given the complexity. I want to see a process that looks at that complexity and does not see gaps. I was tempted to start by asking if there is anything we should know, given the occurrence of printer gate. I am being smart, but are there any issues with storage or anything?

Mr. Niall Cody: If the Deputy wants me to talk about printers, I will.

Deputy Catherine Connolly: Not at the moment.

Deputy David Cullinane: No Christmas cards.

Deputy Catherine Connolly: On that matter, the process is now in place, Revenue has looked at that and Mr. Cody would not expect there would ever be a gap again because there were gaps in the documentation on Revenue's interaction with the agent. Although Revenue had told the Comptroller and Auditor General that conversations were had, there was no documentation.

Mr. Niall Cody: Yes. The 2012 report highlighted a number of these recommendations and we have improved it. One of the positive things from the review by the Office of the Comptroller and Auditor General that I found reassuring is that most of the cases would have been reviewed in the last three to four years and the report was clear about the cases that were reviewed and about the documentation involved in the process. We were reassured by that because the Comptroller and Auditor General has full access to all our material-----

Deputy Catherine Connolly: I will stop Mr. Cody there. I heard what he told me and I accept it. That leads into the recommendations as well because that was a case of self-disclosure. The Office of the Comptroller and Auditor General brought the concern to Revenue's attention in case B.

Mr. Niall Cody: In the expression of doubt process. It is a legal provision.

Deputy Catherine Connolly: It leads into one of the conclusions where the analysis of companies or people bringing concerns, doubts or worries to the attention of Revenue and Revenue doing a risk analysis. There were two recommendations. One recommendation was to break that down. Is Revenue doing that?

Mr. Niall Cody: As I said in my opening statement, we have accepted both recommendations-----

Deputy Catherine Connolly: But where is Revenue with those recommendations?

Mr. Niall Cody: In our case management system, we recognise whether the source of the disclosure-----

Deputy Catherine Connolly: Is the individual or company.

Mr. Niall Cody: When we come to our annual report next year and when we publish our summary documentation on our results, that is where-----

Deputy Catherine Connolly: Is that data not vital to help Revenue determine its risk assessment and where it goes?

Mr. Niall Cody: We have it in our systems.

Deputy Catherine Connolly: But not in Revenue's reporting.

Mr. Niall Cody: When we publish the total numbers of our interventions, we will look at breaking that down.

Deputy Catherine Connolly: To find the source of where it started?

Mr. Niall Cody: Yes, but from the point of view of reviewing our risk analysis systems, we will respond. If there is a voluntary disclosure that suggests this might arise in other cases, we build that into our risk analysis system.

Deputy Catherine Connolly: Revenue is accepting that recommendation and we will see progress next year on that.

Mr. Niall Cody: Yes.

Deputy Catherine Connolly: The second recommendation is interesting as well. It is on the tax, penalties and interest assessed and the liability, the settlement and the money received. Is that happening?

Mr. Niall Cody: Yes. We have all that information and we publish it.

Deputy Catherine Connolly: I understand that but it should be made available.

Mr. Niall Cody: In the current publication list the Deputy will see we show tax that is collected and tax that is not collected. We have no problem with that recommendation whatsoever.

Deputy Catherine Connolly: It recommends specifically to report the difference between the tax assessed and the tax settled for and collected.

Mr. Niall Cody: That is not a problem.

Deputy Catherine Connolly: I have a few more practical questions. Table 13 in the annual report on page 88 is interesting. It is entitled: "Audit and Compliance Intervention Activity". It details that the number of interventions are down but the yield is up. Talk me through that.

Mr. Niall Cody: This goes to the heart of what we are trying to do. Our systems are based on risk so we are constantly evolving our risk analysis system, our risk evaluation analysis and profiling, REAP, system and the various other subsets of REAP. We are trying to identify cases where there are errors, mistakes and evasion so that we target our resources on those cases. It is interesting that our overall numbers are down, as the Deputy rightly says, and the average yield is up, which we find reassuring in that it suggests our targeting is improving. The last time I was here we were talking about the realignment of the organisation and we talked about high wealth individuals. We are trying to realign the organisation to increase the resources dedicated to dealing with larger, more complex and wealthier cases, which take a lot longer to settle and deal with because they are more complicated. Last Friday, there was an article in the *Irish Independent* reporting on a Tax Appeals Commission determination of a case that was essentially ongoing since 2005. The determination by the Tax Appeals Commission was published on its website. It is 95 pages long. We have spoken before about the Tax Appeals Commission and the information covered in the Tax Appeals Commission determinations involve some of the most positive and important developments in tax administration. It would be positive if people could read and try to understand the complexity of some of the stuff we are dealing with. As we go on, the numbers of interventions will probably continue to go down. We would like to get to a stage, although we never will get there, that the yield would start to go down as well because that would suggest voluntary compliance is correct but I am not naïve enough to think we will ever get to that stage.

Deputy Catherine Connolly: It is fair to say the vast majority of people are tax compliant.

Mr. Niall Cody: I say that every time I come here.

Deputy Catherine Connolly: That jumps off the pages. The work of Revenue is in a small area with a high yield, therefore. The vast majority of people pay their taxes and have no difficulty in doing so.

Mr. Niall Cody: I said in my opening statement and we say it every time that we have high rates of timely compliance. There is another part of tax compliance as tax can be complicated and errors are made. Not all our recoveries happen because somebody has set out not to comply.

Deputy Catherine Connolly: On that matter, how much money is due back to people?

Mr. Niall Cody: People are entitled to claim repayments and credits under the law-----

Deputy Catherine Connolly: It is a detailed report. I reviewed it but did not see a figure for what has been given back. There are timelines for dealing with the case or applications but I did not see a figure for the sum. Whoever did the interview earlier mentioned a high figure for one of the years.

Mr. Niall Cody: On the issue this morning, we were talking about an initiative we first did in-----

Deputy Catherine Connolly: What is due back? The figure was mentioned but I have forgotten it.

Mr. Niall Cody: The figure mentioned this morning was about €27 million-----

Deputy Catherine Connolly: For a particular year.

Mr. Niall Cody: For a particular year for a category of taxpayers. We try to make it as easy as possible for people to claim their entitlements-----

Deputy Catherine Connolly: The €27 million was paid back in the year mentioned.

Mr. Niall Cody: Absolutely, but there are repayments and they are outlined in the accounts. We repay something like €10 billion per year in the various taxes, although that sum is off the top of my head and cannot be confirmed until the figures come up for the Revenue accounts.

Chairman: €10 billion.

Mr. Niall Cody: Yes, including VAT refunds, corporation tax and income tax. We try to ensure that people can claim it as quickly as possible. If we know they are entitled to it, we automatically provide it, but we cannot know if someone is entitled to tax back on health expenses because we will not know if he or she has health expenses until he or she claims it.

Deputy Catherine Connolly: On the changes, Revenue took on board our recommendation that the threshold reduce to €20 million. Mr. Cody pointed out in his opening statement that it led to an additional 446 cases under that reduction. What is the status of that?

Mr. Niall Cody: It is implemented. Since I was here last, we carried out a subsequent review of the case base, because we always try to ensure that the right cases are in the right place. Our high-wealth individuals division, HWID, is in place and the case base is subject to review by the people in that division. We increased our resources to deal with that division and it is an ongoing process.

Deputy Catherine Connolly: The figure I mentioned was actually in Mr. Cody's briefing document. He referred to an additional 475 cases as a result of the change. What yield does Mr. Cody expect from that? It might be the wrong question to ask.

Mr. Niall Cody: It is an impossible question to answer because most of the people dealt with by the HWID are tax compliant and pay the correct taxes. Their affairs are much more complicated than the Deputy's or mine. We want to ensure there are appropriate assurance programmes to ensure that timely compliance. It is a managed-----

Deputy Catherine Connolly: The worry for the ordinary person is the perception that the wealthier a person is, the more he or she will get away with it.

Mr. Niall Cody: It is important to state there is no evidence to suggest that any category of taxpayer is more susceptible to non-paying. In the case of people dealt with by our HWID, their compliance and the levels of money they pay are positive.

Deputy Catherine Connolly: My final question concerns Airbnb and the related, rental sector. I have re-examined Revenue's annual report. On page 89 of the report, various sectoral intervention results are outlined. In the rental category, the number of audits or investigations was 326, yielding €12.83 million. Did that cover Airbnb?

Mr. Niall Cody: Airbnb is an interesting area. The interventions covered on page 89 are general rental income. That covers the broad rental sector, and every year we will have audit and risk interventions in the rental sector. In respect of short-term letting and so on, it is not any individual company. Over the past few years, we have written to all the people in receipt of short-term rental income-----

Deputy Catherine Connolly: In 2018.

Mr. Niall Cody: Yes. First, we did a risk assessment of the categories and identified individual cases with income in excess of €30,000 where it did not appear that the amounts had been returned.

Deputy Catherine Connolly: In the rental sector generally in 2018.

Mr. Niall Cody: In the short-term rental sector.

Deputy Catherine Connolly: Revenue wrote to 12,000 people.

Mr. Niall Cody: Yes, but first we looked at it and identified those cases that had rental income in excess of €30,000. We are reviewing them and they are subject to interventions. For the 12,000 other people, we wrote to them and said we understood they were in receipt of rental income, and outlined the rules and how the money could be returned. That project will be evaluated as the returns are filed, and we will report on it.

Deputy Catherine Connolly: Is there a closing date or deadline?

Mr. Niall Cody: It ties in with the filing date on the returns. I was talking to Deputy Burke about filing on ROS two weeks ago.

Deputy David Cullinane: I welcome Mr. Cody and his team, and thank them for their professionalism and the work they do, which is always to a first-class standard, as I have previously noted. I have some questions on corporation tax receipts. I am sure Mr. Cody noted the

report of the Irish Fiscal Advisory Council published earlier. Before I turn to that, I wish to re-examine chapter 17 of the Comptroller and Auditor General’s special report that dealt with tax compliance interventions. It refers to an overview of compliance interventions, an effective compliance regime and how that is essential to the integrity of the tax system, which is based on the principle of “Trust but test”. It outlines self-assessment compliance in some areas and what that regime involves. How important is compliance to the tax system?

Mr. Niall Cody: The tax system is strongly based on a system of voluntary compliance. That is the structure of a self-assessment system, with an obligation on taxpayers to file and pay their returns on time. There is a great onus on us to make it as simple as possible, provide as much information as possible and build in safeguards to ensure that the right tax is paid at the right time. We have two pillars, namely, a service to support compliance and another to deal with non-compliance. We make it as easy as possible to pay and we have a risk-based system to review what is paid. We have a suite of interventions to review and try to ensure that taxpayers pay the right tax at the right time.

Deputy David Cullinane: How seriously does Revenue take non-compliance with tax rules?

Mr. Niall Cody: It is our bread and butter-----

Deputy David Cullinane: It is serious. Revenue has a sharp focus on and keen interest in non-compliance.

Mr. Niall Cody: Yes, and we pay close attention to everything that goes on across the community and to any evidence of non-compliance discussed by the committee. We tackle non-compliance to the best of our ability and hope we achieve that. We take a range of interventions and action.

Deputy David Cullinane: My point is that non-compliance with tax rules is serious and it is a serious part of Revenue’s work.

Mr. Niall Cody: Absolutely.

Deputy David Cullinane: I turn to page 8 of the appropriation accounts for 2018. What is the first subhead on the page?

Mr. Niall Cody: The non-compliance with procurement rules.

Deputy David Cullinane: Why is there non-compliance with procurement? Mr. Cody stated compliance with tax rules is important, but compliance with procurement rules is equally important.

Mr. Niall Cody: Absolutely.

Deputy David Cullinane: What does it mean if the Office of the Revenue Commissioners, in particular, is non-compliant with procurement rules? We are shining a spotlight on it because it is important. It is part of our work to do so. As I understand it from the accounts presented, there are four contracts. I ask Mr. Cody to elaborate on each contract and the reason for the non-compliance, starting with the contract of €2.141 million relating to security. What is the context in that regard?

Mr. Niall Cody: We had a range of contracts on security across various buildings and areas

across the organisation. We wanted to review all our security contracts and pull them together into one contract to cover the organisation as a whole. Unfortunately, the review and the delay in finalising our requirement took longer than we would have liked. This meant there was a delay which led to-----

Deputy David Cullinane: Was that delay as a consequence of a lack of planning on the part of the office? In other words, was the non-compliance based on the rules being too rigid, the framework not being as clear as it needed to be or simply because not enough attention was paid to the timeframe?

Mr. Niall Cody: The review took longer than we anticipated.

Deputy David Cullinane: So it was a mistake.

Mr. Niall Cody: Yes, it was a mistake. I would much prefer that we had not been found to be non-compliant with any provision.

Deputy David Cullinane: The next contract was for €1.037 million relating to warehousing contracts. What was the reason for non-compliance in regard to this contract?

Mr. Niall Cody: We discussed the State warehouse review already with Deputy Connolly. State warehousing is not normal warehousing. The original tender was run through the Office of Government Procurement, OGP. That tender was unsuccessful. We then had to run the tender and review ourselves, which accounts for the delay. It was better that we stopped the process and started it again and got the proper contract in place.

Deputy David Cullinane: The next contract is for €765,000 relating to various services, including mobile telephone and fuel cards. When outlining the reason for the non-compliance in this instance, Mr. Cody might elaborate on the fuel cards and to whom they are given.

Mr. Niall Cody: The fuel cards are issued in respect of official vehicles.

Deputy David Cullinane: Do staff members have fuel cards?

Mr. Niall Cody: No. They are issued in respect of customs enforcement vehicles. No individual has a personal fuel card to cover their-----

Deputy David Cullinane: I am not suggesting any person would have one for personal use. Obviously, it would be for work purposes.

Mr. Niall Cody: Yes.

Deputy David Cullinane: These are fuel cards for employees-----

Mr. Niall Cody: I would rather it be recorded that they are fuel cards for our official vehicles.

Deputy David Cullinane: I have no problem with that. What was the reason for the non-compliance?

Mr. Niall Cody: I have a detailed note on this matter. I do not want to blame the OGP for not having a framework in place if it did for this contract. The framework expired on 31 January 2018. The contract went to tender in November 2017. There was a delay in the OGP framework being put in place. We could not pull down the contract because there was no contract

in place. This accounted for some of the delay. When the OGP framework is put in place, we draw down from it. I am aware of recent commentary on this issue. In some cases, the OGP framework is not in place such that a temporary interim measure has to be put in place to deal with that.

Deputy David Cullinane: That information is helpful. What we are hearing today is that in some cases where there is non-compliance it is because the OGP does not have the frameworks in place in time for Revenue to be able to avail of them. In other instances, mistakes are made or there is a lack of planning on behalf of, say, Revenue, or a particular Department. This is not a huge issue. In the context of Revenue's overall spend, by and large, its compliance with public procurement rules is strong. That said-----

Mr. Niall Cody: We are serious about it.

Deputy David Cullinane: That is my point. Of all of the Departments, the Office of the Revenue Commissioners is the most important in terms of full compliance with procurement rules. If there are issues with the frameworks, that is a separate matter beyond Mr. Cody's control. In matters that are within his control, we would want to see compliance tightened up.

Mr. Niall Cody: I knew the committee was interested in this area so in the briefing material provided last Friday, we set out details on the particulars. I have even more information that we have no difficulty making available to the committee.

Deputy David Cullinane: That would be helpful. We are doing a piece of work in respect of which it would be important.

On the corporation tax receipts, am I correct in my reading of the Revenue receipts for 2018 that corporation tax receipts was €11.442 billion?

Mr. Niall Cody: It is €11.442 billion gross. There is a net figure also. Approximately €1 billion is repaid such that the net figure is-----

Mr. Seamus McCarthy: It is €10.38 billion.

Deputy David Cullinane: That is the net figure.

Mr. Niall Cody: Yes.

Deputy David Cullinane: How many companies pay corporation tax in this State? Does Mr. Cody have information to hand?

Mr. Niall Cody: Last April, in conjunction with our annual report, we published a report on corporation tax, CT, in detail, inclusive of corporation tax 2018 payments and 2017 returns. In 2018, 55,400 companies paid CT.

Deputy David Cullinane: What percentage of the overall net corporation tax receipt were paid by the top ten or top 20 companies?

Mr. Niall Cody: The ten largest payers paid 45% of CT in 2018.

Deputy David Cullinane: Revenue has a role in regard to the collection of taxes. Mistakes were made in the past leading up to the collapse of the economy and during the Celtic tiger era. There were also problems in the banking system that led to fiscal problems, in response to which adjustments had to be made. Another one of the ingredients of the collapse was an over-

dependence on consumption taxes. There were a number of different factors to it. We hope that lessons were learned. The Irish Fiscal Advisory Council has raised the concern that much of the spending now is based on unsustainable corporation tax receipts and that we are essentially exposed in some respects, in that a small number of companies pay almost half of the corporation taxes. Does Revenue have a role in terms of having an eye to the sustainability of tax or is that a matter for others? One of the critiques of the State organisations as a consequence of the crash, be that the Department of Finance, economists or watchdogs, as well as Revenue or the Central Bank of Ireland, was that organisations were asleep at the wheel. I am assuming that Revenue is not asleep at the wheel and that it has an eye to this issue but does it have a remit in this area or is a matter for others? Does Revenue review the overall tax receipts from a sustainability perspective?

Mr. Niall Cody: In the context of tax receipts and forecasts, Revenue supports the Department of Finance. We provide our detailed knowledge of company level developments. In the context of the budget estimates and forecasting, we engage with the large multinationals and large Irish companies on what they anticipate will be the position for the following year. Since 2015, we have been publishing an annual report on corporation tax receipts to provide as much information as possible to facilitate the discussions about which the Deputy is talking. The aggregate data underlying all of our information is available to the Irish Fiscal Advisory Council. It has access to our figures and if----

Deputy David Cullinane: To give some context, Mr. Coffey, head of the Irish Fiscal Advisory Council, was saying that there were warnings that the Government should not be over-reliant on corporation tax and that receipts were as likely to go up as to go down. He said that the top ten contributors were paying 45% to 55% of overall tax receipts and that the money is spent almost as soon as it comes in. He said there is a difficulty in basing spending on unreliable corporation tax receipts. That is the council's analysis. Does Revenue share that analysis? Will Mr. Cody offer an opinion on that analysis?

Mr. Niall Cody: Our role is to collect taxes and duties.

Deputy David Cullinane: That is what I asked at the start. I asked if Revenue had a role in this respect and Mr. Cody said that Revenue does give advice to the Department of Finance.

Mr. Niall Cody: We support the Department in the preparation of the Estimates. I spoke about this last year. What we have tried to do is put as much information as possible into the public domain to enable people, including the fiscal council, the ESRI and this committee, to analyse the data. We do not, however, have a role in determining what corporation tax receipts are likely to be in three or four years' time.

Deputy David Cullinane: I am not trying to get Mr. Cody to say something he does not want to say. That is not my purpose in asking this question. The report the Irish Fiscal Advisory Council has published is very important. It is one of the main news items today because it is something on which people now put more focus because of what happened in the crash. All I am saying is that, if the council is warning that there is a danger in basing spending on tax receipts which may be unsustainable, surely Revenue has to have some view on whether this revenue is sustainable or not. That is what I am asking. We do not want to see something, either foreseen or unforeseen depending on how one looks at it, happening, such as some of these corporations leaving for whatever reason, resulting in reduced corporation tax receipts and adjustments having to be made. We do not want it to be the case that nobody is to blame because nobody had a role. Surely Revenue has to have some opinion as to whether these re-

ceipts are sustainable.

Mr. Niall Cody: I cannot say whether they are sustainable. We have put out specific information about what the top ten pay. We have put this information out for the last four or five years. We have provided the analysis. A really concentrated level of corporation tax is paid by a small number of companies. Some 77% of corporation tax receipts were paid by foreign-owned multinationals. It is concentrated and, as we discussed earlier, there are significant international developments with regard to multinational tax. That will play out over the coming years. There have been significant changes with regard to base erosion and profit shifting. It is a volatile figure. I would certainly be very careful if I was in a position different from my own.

Deputy David Cullinane: My time is nearly up but I have just one more question. I thank Mr. Cody for his response. With regard to corporation tax receipts he is essentially saying that, when Revenue puts out this information, it shows that tax received is concentrated in a small number of companies. That speaks for itself. It speaks volumes. With regard to companies which do not pay corporation tax, how many companies pay zero corporation tax? If he has the figures, could Mr. Cody provide the committee with a breakdown of the total number of companies that are eligible to pay corporation tax and how much they pay, perhaps divided into bands from €1 million upwards? That has already been-----

Mr. Niall Cody: It is all published.

Deputy David Cullinane: It is published. Okay. How many do not pay any tax? In what document are these figures found?

Mr. Niall Cody: It is titled "Corporation Tax 2018 Payments and 2017 Returns". The link to the document was provided to the committee secretariat last Friday along with-----

Chairman: We will note that it has been published.

Deputy David Cullinane: We have the information.

Chairman: We have the link.

Deputy David Cullinane: That is perfect. Does it cover the number of companies that do not pay corporation tax or which have 0% liability?

Mr. Niall Cody: No. Most of the companies who do not pay tax do not have a tax liability because they have not made a profit.

Deputy David Cullinane: Do we know how many such companies there are?

Mr. Niall Cody: If the Deputy will give me a few moments to find the table-----

Deputy David Cullinane: Mr. Cody can come back to us on it because I know other Deputies want to get in.

Chairman: We will move on. Perhaps somebody can get that figure. I want to let Deputy Catherine Murphy in.

Deputy David Cullinane: It is on the website.

Mr. Niall Cody: It is in the documentation. The documentation also includes, very importantly, the detail of how much is paid by these companies in payroll taxes. That is often

overlooked. A significant amount of payroll taxes are paid by those companies because, by and large, their employees are better paid than employees of small indigenous Irish companies.

Chairman: That is a point we covered in our special report on corporation tax.

Mr. Niall Cody: That was as a result of a long discussion with me.

Chairman: The average pay of an employee with a multinational was close to €80,000. It is much lower in Irish businesses.

Mr. Niall Cody: We discussed this last year.

Chairman: Correspondingly, the level of PAYE paid in multinational companies was very high. We will get the link to that document. I thank Mr. Cody. Will he come back with that information? He can give it now if he has it. I will then call on Deputy Catherine Murphy.

Mr. Niall Cody: With regard to the tax returns for 2017, there were 164,000 companies. Some 101,000 of those had no liability for that year. Most of these are small Irish indigenous companies. Some are only starting up. There were 124 companies with corporation tax liabilities of more than €8 million. We use ranges including nil, €1,000 to €20,000, and €5 million to €8 million. It is all on page 23 of the report.

Deputy David Cullinane: I thank Mr. Cody.

Chairman: Out of curiosity, does the book cover the total number of individual taxpayers in the system and the number of them who have zero liability for tax, perhaps also divided into bands? This report deals only with corporation tax but is it covered in other annual reports?

Mr. Niall Cody: When we published our annual report last April, we published six detailed supplementary reports. Earlier I spoke about what we are going to publish with regard to the information we have got from PAYE modernisation. When we publish our annual report, we will publish a detailed analysis of wages, pay, taxes and pensions across the country.

Chairman: We will see that next year.

Mr. Niall Cody: It will be the end of April next year.

Deputy David Cullinane: I have just worked out the percentages in my head and 62% of companies have no liability for corporation tax. Does the report tell us why? Can Mr. Cody furnish the committee with that information?

Mr. Niall Cody: A lot of the data supporting-----

Deputy David Cullinane: The data may be there but I am seeking the rationale and the reason.

Mr. Niall Cody: Absolutely, but the data will show, for example, the number of companies carrying losses forward or which did not have an income. If there is-----

Chairman: We will study that document.

Deputy David Cullinane: We should have read the report. Is that what Mr. Cody is saying?

Chairman: He is too polite to say that.

Mr. Niall Cody: There is probably more in that report than-----

Chairman: There is more than any of us could absorb.

Deputy David Cullinane: I will have a look before the day is out.

Deputy Catherine Murphy: I wish everyone a good afternoon. A bugbear of mine was mentioned. I know that these companies provide employment but it is the employees who pay the-----

Mr. Niall Cody: I am very conscious that it is the employees. That is one of the reasons we were so keen to modernise the PAYE system. Employees are entitled to know that tax has been paid on their behalf. That has often been missed in the debate.

Deputy Catherine Murphy: I may come back to corporation tax in a few minutes but I want to ask a few quick general questions on Revenue's accounts. In 2018 there were three cases of misappropriation of tax by employees of the Revenue Commissioners. How was the discovered? Was it referred to the Garda? Perhaps Mr. Cody will outline the details of that case. What was the outcome? Was any of the money recovered?

Mr. Niall Cody: If the Deputy will bear with me for a moment, I have a note on this matter. Misappropriation was identified in three cases. This is something we take very seriously. It is a rare occurrence because Revenue staff are very serious about what they do. Unfortunately, in any organisation people sometimes do things they should not, for various and sometimes sad reasons. We have audit systems in place all our internal IT systems, including monitoring and review and audit controls. As one can imagine, any organisation-----

Deputy Catherine Murphy: Is that how this was-----

Mr. Niall Cody: That is how it is detected. Three cases led to people leaving Revenue, all of which were referred to the Garda. We are very serious and have zero tolerance for any abuse of public money.

Deputy Catherine Murphy: Was any of the money recovered?

Mr. Niall Cody: Some was recovered and some is being recovered on an ongoing basis.

Deputy Catherine Murphy: Okay.

Mr. Niall Cody: I am very conscious that Revenue staff pay attention to what goes on at this committee, just as the public does. One must consider the level of cases Revenue staff deal with. I cannot speak strongly enough of how positively I view our staff.

Deputy Catherine Murphy: The fact that this is included in these accounts and is in the public domain identifies and acknowledges that Revenue takes this very seriously.

Corporation taxes, CTs, are up by 22%. An official from the Department of Finance was before this committee a few years ago when there was a very large increase in corporation taxes. In that case, it was to do with the onshoring of some of the-----

Mr. Niall Cody: Intellectual property.

Deputy Catherine Murphy: Yes. That official was not sure why the amount had increased by so much. An increase of 22% appears to be very high. Does that consist of additional com-

panies, increased profits, or something else? Can Mr. Cody identify one or more big ticket items which would explain that increase?

Mr. Niall Cody: The original big spike of 26% occurred in 2015. In November 2015 I wrote to the Minister to highlight our analysis of the situation at that stage. We followed that up with the first of our reviews of corporation tax receipts for 2015, which we published in April 2016. We have continued to publish such reports. That is this report Deputy Cullinane and I discussed, which tries to analyse the figures. The challenge is that the corporation tax returns for 2018 are filed in 2019. The payments we receive in 2018 mostly relate to preliminary tax, and until we get the returns we cannot do the detailed analysis. This report profiles CT payments in 2018. The main feature of CT payments in 2018 was that CT receipts from large corporates increased by €1.9 billion.

Deputy Catherine Murphy: That would have been the bulk of it.

Mr. Niall Cody: The big chunk related to companies dealt with by our large corporate division. This is why we have a large corporate division.

Deputy Catherine Murphy: Did those companies have a particular profile?

Mr. Niall Cody: Foreign-owned multinationals paid 77% of the CT.

Deputy Catherine Murphy: Were they within a certain sector, such as ICT or pharmaceuticals?

Mr. Niall Cody: The largest sector in payment terms was manufacturing, which accounted for 31% of the net receipts. Receipts from financial and insurance services, which was the largest sector in 2017, fell during 2018 despite the overall increase in receipts. Over 55,000 companies paid CT in 2018 and the number of net payers increased by 5,000. The total trading profits in 2017 were €159 billion, which was an increase of €238 million on the previous year. Around 25,000 companies used losses in 2017. A certain amount of companies which have used up their losses and did not pay the previous year are paying now. The report is on the screen and the detail is in that report. On 30 April next year we will be publishing the updated report on those figures as well as any other reports we have ready. Over the last four years, we have tried to make as much information available as is possible while having regard to taxpayer confidentiality.

Deputy Catherine Murphy: I will move on to a few other issues. While the representatives from the Department are here, I wish to ask them about the film industry. The alternative employment test is one of the tests that satisfies whether or not there is a qualification. I appreciate that the film industry brings other benefits besides employment, such as showcasing the country and encouraging spending in the country. If that is one of the criteria, how can one apply that test if there is no definition of what constitutes quality employment? Is the Department fully taking on board such a definition is required and, if so, when will it be in place?

Mr. Conor Falvey: The Department welcomes the report by the Comptroller and Auditor General and has accepted its recommendations. Substantial changes have been made to the regulations in 2019 in the context of quality employment. Members are probably aware of discussions taking place in the Oireachtas more generally. We have set a standard around compliance with all employment legislation. We have also significantly upgraded the training regime to a skills development and training regime. For larger projects, that is done in consultation with Screen Skills Ireland, which is the skills development branch of Screen Ireland. There

have been significant changes.

Deputy Catherine Murphy: Presumably the longevity of projects is set out and included in that.

Mr. Conor Falvey: Absolutely. We capture data at the application stage on each role, the number of days and so on. All that information is gathered. The issue was raised by the Comptroller and Auditor General in relation to data generally. In the first quarter of next year the European Audiovisual Observatory will hold a workshop on these matters at a European level, in which we intend to participate. Similar challenges around capturing good data on the audiovisual and film sectors are being faced in other jurisdictions. We want to participate in that process and ensure Irish practices reflect best practice.

Deputy Catherine Murphy: Employment can be very tenuous in this area. We want to ensure we get quality projects which will deliver good employment.

Mr. Conor Falvey: Ensuring a strategic approach has been a significant focus of our efforts over the past 12 months, in partnership with the Department of Finance and the Revenue Commissioners and in the context of the Government's audiovisual action plan. Quality employment and compliance with the employment legislation must be at the heart of everything we do. We also want to ensure our training and skills development regime is of very good, high-end quality.

Deputy Catherine Murphy: What about the timelines?

Mr. Conor Falvey: The requirement for data compliance is in the new regulations. Participation in data-related activity will take place in the first quarter of 2020. We will see what emerges from that.

Deputy Catherine Murphy: We might look at that again next year. I will return to Mr. Cody on ICT, which was the second-largest item. We are probably more acutely aware of what that might contain following our own experience with a printer here. I note that €56.8 million is an awful lot of money. I know Revenue is a very big organisation and it is highly regarded for its efficiency. I can see how ICT would help Revenue in targeting. What is the breakdown of the spend? Is it human resources, is it one-off or ongoing maintenance? What is the profile?

Mr. Niall Cody: Our organisation is dependent on two main planks, our people and our ICT systems. Everything is computerised. We have ongoing expenditure on computer development, maintenance and enhancement year on year. Our ICT division has about 350 or 360 people working on ICT developments and there are external companies which work with us in partnership.

Deputy Catherine Murphy: Does the €56 million include payroll for ICT?

Mr. Niall Cody: No. It does not include payroll for our staff, but it does for our external partners.

Deputy Catherine Murphy: What kind of component was the external side?

Mr. Niall Cody: In 2018, about €35 million was spend on external ICT resources and about €16 million related to licensing and maintenance costs to cover software.

Deputy Catherine Murphy: Was there a change in the licensing regime? Was there an

upgrade?

Mr. Niall Cody: We have a whole layer of different software products. Some require licensing and some do not. All the external ICT resources are run through proper compliance with procurement. There is a multi-vendor strategy which was enacted.

Deputy Catherine Murphy: Was there anything unusual in the €56 million in a big spend during the year?

Mr. Niall Cody: We have this level of expenditure every year. It is ongoing. I spoke about PAYE modernisation. That started work in 2016 and went live in January 2019. The overall investment to develop our PAYE modernisation system was just under €29 million to date.

Deputy Catherine Murphy: On non-audit interventions, Revenue uses its ICT section in addition to its human resources to identify areas that are possibly non-compliant. Were there particular sectors that were targeted in that year? Are they the usual suspects or was there anything different?

Mr. Niall Cody: We report on the basic trade sectors or sectors in which we have our audit settlements. I spoke to Deputy Connolly about the rental piece. We have an ongoing risk profile system where there is a reoccurrence of, say, cash-type businesses, as well as the construction sector. Every year, we may have special projects. For instance, I was here some years ago when we discussed medical consultants.

Deputy Catherine Murphy: Was there anything in this year like that?

Mr. Niall Cody: There was the continuation of the medical consultants. There is a project under way around locum doctors. We are constantly engaged in the construction sector, and that is something every year. A specific project that is very timely and topical is our focus on gaming and amusement machines, which is a kind of multi-intervention as some of it relates to licensing of gaming machines but also audit yield for non-compliance with tax and employee liability.

Deputy Catherine Murphy: The ratio of payout would be known there.

Mr. Niall Cody: There is a real challenge. I know legislation is before the Houses on the whole gaming and gambling sector. Unfortunately, it is an area that, because legislation has not been updated and modernised, people seem to think that Revenue is the sole regulator of the sector but we have a limited role in relation to licensing. We are very conscious that we have that role. I would be very happy if legislation was enacted to modernise the whole area and we could concentrate on the elements of the sector for which we are responsible.

Deputy Shane Cassells: We are on the cusp of the voting block in the Dáil so I will cut to the main topic I wish to discuss and try to finish before the division bells ring. I welcome the Chairman, as always. Earlier, he stated on flat rate allowances that because the Minister had written to Mr. Cody and Mr. Cody responded, and that the Revenue was leaving the matter awaiting a further response. The Minister put on the record of the Dáil that he had written to Revenue during questions to the Minister for Finance two weeks ago. He went further by stating why he had done so. He said he was simply seeking first, the number of employees impacted, second, the cost to Revenue and third, the benefit to each employee group so that he could have “a clearer understanding of the scale of [the] change that may ensue”. He did not have to go to that bother as the *Irish Independent* had published a two-page special this time

last year, breaking down exactly the number of employees by sector, using colourful graphs and the costs involved. This made me wonder why the Minister, who was at pains to say it was done at his arm's length and was purely Revenue's baby, is simultaneously writing to Revenue seeking information that the *Irish Independent* has published in graphic form. From a political perspective, I would suggest the Minister is trying to look as though he is concerned so he wrote to Mr. Cody. I cannot expect Mr. Cody to comment on the inference I have drawn from what I perceive to be a charade, I can ask him to comment on the Taoiseach's position, who was surprisingly blunt in his view when I questioned him in the Dáil on 17 September. I put it to him that there had been a backing away from the issue this time last year because of the intense media coverage. The Taoiseach responded:

This is a matter for the Revenue Commissioners, not the Government. However, I would be very happy if the [Revenue] just left matters as they stand.

That is some statement from the Head of Government saying that he would like the Revenue Commissioners to leave things as they are, while at the same time saying that he has nothing to do with it. Will the Chairman comment?

Mr. Niall Cody: I pay close attention to what the Chairman says at the beginning of the committee's meetings each week because I pay attention to what goes on. Some of my colleagues wonder do I work on Thursday mornings at all. The Chairman talks about the things on which the witnesses are not supposed to comment. I regularly watch, and everybody seems to forget this happens at the start. What I said earlier is that I have replied to the Minister and set out the details. The Deputy spoke about independently provided data. That was data provided in replies to parliamentary questions via the Minister. It does not have the full breakdown because we do not have the full breakdown of each category. What is on the public record for 2017 is that the estimated number of taxpayers who availed of flat rate allowances was just over 606,000. There were gross claims in the region of €160 million, equating to a tax cost of somewhere around €48 million. It is dependent on whether people are taxable or not and whether they are taxable at 20% or 40%. Part of the reason the Minister has written to us is that we have tried to improve the information we will capture from tax returns for 2018. That will not be available until we process those returns next year. We will have more granular detail.

There are a number of items in the review. Some categories will get an increase, admittedly a smaller number than those that will get a reduction. In some cases it would seem to us that sectors are no longer entitled to a flat rate expense. We have identified a number of areas. A number of issues were the subject of discussion on Committee Stage of the Finance Bill, for example, relief on trade union expenses, which was in place until 2010, and relief on professional fees, which was restricted in 2010. Many tax credits were reduced in 2010.

I have written back providing more comprehensive data to the Minister. It is now part of a correspondence and it would be wrong of me to discuss it as it is now the Minister's letter. I expect I will receive a reply early next week and I will then review where we are with it. We will then be very clear.

One thing we said this time last year is that we do not operate in a vacuum. Revenue operates within the community. We live within the community. We are very conscious of how to operate a system based on voluntary compliance and self assessment. Some people are probably entitled to more than the flat rate expense because they have probably spent more. A global figure is always difficult because sometimes it involves averaging. It is very important. Sometimes when I am before this committee I think about the fact that if people do not have the

expenditure and do not spend money we cannot allow a credit. They may be engaged in some type of work where they would have had to incur that expenditure previously. If the Comptroller and Auditor General decided this was an area worth examining I would imagine, as accounting officer, that if credit was being given where it should not I would be dealing with a different issue. What we did undertake publicly was not to implement the change until we finalised the review of everybody. We did this for reasons of fairness. What we will do, as we always do, is reflect on what we receive from the Minister. We will make our decision and we will publish it and make it available.

Deputy Shane Cassells: The point on quantifying is interesting. It was analysed by Dr. Brian Keegan in *The Sunday Business Post* on 3 November under the headline “Taxing times ahead at TDs’ clinics”. I am sure Mr. Cody read it. On the point of quantifying the figure, again on the record, in response to a parliamentary question, the Minister said it is not possible to quantify accurately the anticipated increase in tax revenue arising out of any abolition or reduction.

I will skip to an individual issue pertaining to this because of how it is being addressed. Revenue is looking at a broad range of sectors that are impacted and I have read through the list of items being taken into consideration for flat rate allowances. I am interested in a particular sector, which is the mining sector. Only one mine is impacted by this, which is Tara Mines in my home town of Navan. It is the largest zinc mine in Europe and employs 620 people. It is a primary industry. On the list, the mining industry has the second-highest allowance, second only to the RTÉ orchestras. It has been in operation for more than 40 years.

In his earlier statement, Mr. Cody said these allowances have been in place for a number of years. I have copies of correspondence going back to 1990 on all of the reviews that have taken place. The frustration is that going back over these 30 years the allowance was increased through engagement with Revenue and the mines but now there is genuine fear it could possibly be gone. I was interested to hear Mr. Cody say there could be increases within the review. As was raised earlier, I know the workers are due a wage increase in 2020 but this would be eroded if the allowance goes. The allowance for the mining industry is €1,312. Will Mr. Cody comment on this?

What is the process of the review? Mr. Cody said the report to be published will be comprehensive. Earlier, he touched on the public consultation. I want to ask about this engagement with the unions. Mr. Cody and Mr. Tom Kiely in particular were very kind when I raised this matter last year. I have a letter from the Revenue to SIPTU pertaining to the miners. It is dated 26 January 2018 and sets out the nature of the allowance. Was anything beyond a desktop study done in respect of the review?

Mr. Niall Cody: How a flat rate expense arises in the first place is that a representative body or trade union makes representations and provides detail of the expenses incurred to support the claim. We then review it. The Deputy is right that over a period of time various reviews led to increases in particular sectors. This time last year, we spoke about the mining allowance. The initial stage of the review, as we would expect in tax administration, was based on the higher amounts. This is the normal approach we take to a review of any sector. The representative body provides the documentation to support the claim and we review it, having regard to the legislation and subject to discussions and meetings with the various bodies. Changes would probably have been effected with regard to mining if we had proceeded last year because it was in one of the earlier reviews but no change will commence until it applies to everybody. An issue that the Department and the Minister may wish to consider is that there are particular

sectors in which the nature of the employment may be such that it is a policy determination whether a specific sector should be entitled to a particular credit, having regard to the nature of the activity it is engaged in. I am sure the Minister will reflect on this as a policy matter.

Deputy Shane Cassells: I would like to follow up on the interesting point that Mr. Cody has made. During my interaction with the Minister on Question Time in the Dáil Chamber two weeks ago, I asked about the desktop study for a very specific reason. Obviously, it is a very hot topic. The largest zinc mine in Europe, which employs 620 people, is in my home town. I told the Minister that I had travelled to the bottom of the mine to better inform myself and to be able to appreciate the concerns that are being raised. I was not being facetious in any respect when I invited the Minister to visit the mine. I extended the same invitation to Mr. Cody.

Mr. Niall Cody: I did not feel I might get out of the mine that handy.

Deputy Shane Cassells: I ask Mr. Cody to trust me when I say that if I made it out, he would make it out. It is okay. I issued that invitation to the Minister and to Mr. Cody in the context of my query about whether this was a desktop study or whether those involved had actually been to this location. When a person who is doing a desktop study sees the list of allowances that are being claimed for, he or she might ask whether the conditions being faced by the workers warrant these types of claims. I am 41 years of age. I grew up right beside the mine. Until I went down into the mine, I had no appreciation of what the workers face and how it equates to what they are looking for. It takes an hour to go down to the deepest part of the mine, which is 900 m under the surface. It is the deepest underground spot in Ireland. The guys who are on shift work do not see daylight at this time of year. They go in when it is dark and they come out when it is dark. They have allowable claims for vitamin tablets, etc. They work in extremely hazardous conditions. There are escape pods at every point. If there is a collapse or a fire, the workers sit in the escape pods in the dark for 12 hours until someone comes to rescue them. The air down there is very thin. I knew when I came out of the mine that I had been through a harrowing experience. If there was something wrong with the mine from an employment perspective, there would be a line of politicians outside the gates speaking to the RTÉ cameras. It is quite proper from my point of view for me to pose an invitation to the Minister and to Mr. Cody. I make no apology for it. If the allowances available to the workers in the largest zinc mine in Europe are going to be changed, those involved in making that change should go to see the mine.

Mr. Niall Cody: I am aware of the interaction between the Deputy and the Minister because I looked up the debate in question. We have to look at matters like this from the perspective of what is provided for in legislation. The legislation provides that employees may claim expenses where they are wholly, necessarily and exclusively incurred in the fulfilment of their duties. There is a significant body of case law. The question of hazardous conditions may well form the basis for a policy review of this issue. The case law under the “wholly, necessarily and exclusively” provision is very clear.

Deputy Shane Cassells: Is Mr. Cody intimating that that is where this should go? If so, it worries me. Potentially, there is a change coming. Is Mr. Cody intimating that the Minister should interject on a policy basis to protect the income of the workers? Am I able to draw that inference?

Mr. Niall Cody: No, the Deputy is not able to draw it.

Deputy Shane Cassells: Okay.

Mr. Niall Cody: I did not intend to imply such an inference.

Deputy Shane Cassells: Okay.

Mr. Niall Cody: The issue is that we have to review on the basis of the legislation. I am not indicating what the outcome of any of the reviews will be. We look at expenses that are “wholly, necessarily and exclusively” incurred. We review them on that basis. I imagine that the conditions in the workplace about which the Deputy is speaking are very different from the normal conditions in which the vast majority of people work.

Deputy Shane Cassells: They are not comparable to the conditions in any of the other sectors out there.

Mr. Niall Cody: Absolutely. I recognise that. In no way do I want to downplay the nature of the employment. We have to operate the tax code as provided by the Oireachtas. If we were to imply subjectivity in how we apply the tax code, it would be a very worrying development.

Deputy Shane Cassells: As a Member of the Oireachtas, I was not saying to the chairman of Revenue that it should be done subjectively. I was asking about the study that was being done to assess the tax code. I was looking at the application of the interpretation of the list I have in front of me. The Minister has said that it is a question of interpretation. That is why the invitation was extended. It was done on a genuine basis.

Mr. Niall Cody: I know that.

Deputy Shane Cassells: I invited the Minister and Mr. Cody to see the facility at first hand. Any review of any subject matter should involve looking at it at first hand to experience it.

Mr. Niall Cody: We engage fully with the trade union involved. We implement the law as provided for, having regard to the tax code. That is what we are trying to achieve here. There are rafts of people in employment who have no flat-rate expenses because nobody ever made a representation. As part of the process of PAYE modernisation, from January 2020 our online system will be really effective in cases of people who incur allowable expenditure. If somebody feels that we are wrong in our interpretation of the tax code, it is open to him or her to appeal our determination of non-entitlement.

Chairman: As some votes are about to be called in the Chamber, I propose that we suspend until 2.30 p.m. We are nearly there. The officials from the Department of Culture, Heritage and the Gaeltacht are free to go. If anything comes up, we will send a letter to them. If we need an answer to a query that arises, we can send on a letter.

Sitting suspended at 1.27 p.m. and resumed at 2.37 p.m.

Chairman: We will continue our meeting with the Revenue Commissioners on the appropriation accounts for 2018, chapters 17 and 18 of the Comptroller and Auditor General’s annual report.

Deputy Kate O’Connell: I will try to be as brief as possible. We had the Charities Regulator in here last week and I wish to ask Mr. Cody about its relationship with Revenue, insofar as that is possible. We heard evidence last week that Revenue removed 579 people from the register of charities because they were inactive. Could he explain “inactive”? Is the removal from the register due to there being no activity on the account or is there any inference that there was anything untoward about their activities?

We heard evidence that a number of charities or groups have money in a Davy investment account, but some of the entities within the group no longer have charitable status. The fund is a historic one that pays a twice yearly dividend. I wonder about the tax status. Is there any way of retrospectively changing the status of groups in the fund? The understanding is that money was collected by a charity and the fact is that a dividend is paid. If charitable status no longer applies then perhaps there should be some change. Could Mr. Cody speak to that and inform me of the position?

Mr. Niall Cody: I thank the Deputy. We are aware of the issues that arose as the secretariat sent us the transcript of the meeting. If we had a little bit more time we would have sent the committee a briefing on it. We will be able to send the notes we have but I do not have a note on the last piece about the dividend. In the years 2015 to 2018, 295, 323, 610 and 583 exemptions, respectively, were withdrawn. Many of those charities advised Revenue that they were no longer active or had merged with other bodies. In such cases, we would withdraw their charitable tax exemptions. I believe the Charities Regulator set out how the process worked. The entities that had charitable tax exemption when the Charities Regulator was established were moved across.

Deputy Kate O’Connell: They were “deemed” registered.

Mr. Niall Cody: Yes.

Deputy Kate O’Connell: The term “deemed” is always concerning because I would argue that it does not necessarily mean “definite”.

Mr. Niall Cody: Read through the whole tax code.

Deputy Kate O’Connell: “Deemed” is flexible.

Mr. Niall Cody: I referenced gambling. The appointment of the Charities Regulator was long overdue and important. We have an excellent relationship with the regulator. I would like to check into the issue of the dividend. If an entity was inactive and we cancelled its exemption, and it then got-----

Deputy Kate O’Connell: No. Perhaps I have misled Mr. Cody. These are two separate issues.

Mr. Niall Cody: It could be that, although the charity was no longer active, the dividend was still payable because the charity was an original member. Whether the payment of the dividend is enough to exercise the entity’s activity is the question.

Deputy Kate O’Connell: I get Mr. Cody.

Mr. Niall Cody: The Deputy might leave the matter with me.

Deputy Kate O’Connell: I will. It is a well-performing fund and seems to have a great deal of money, although I cannot remember how much exactly.

Mr. Seamus McCarthy: Approximately €39 million.

Deputy Kate O’Connell: I think it made €10 million. It is being managed very well.

Mr. Niall Cody: Generally, that income would not be taxable because charities are tax exempt.

Deputy Kate O'Connell: Mr. Cody gets where I am coming from.

Mr. Niall Cody: I do.

Deputy Kate O'Connell: There is money but an entity no longer has charitable status. If dividends are being paid, is tax being paid on them and what is Revenue's role in gathering that tax?

Mr. Niall Cody: Generally, dividend withholding tax is payable on the payment of dividends. That is offset against income tax liability or corporation tax liability. It could be the case that the dividend withholding tax is paid but no body is claiming the credit for it.

Deputy Kate O'Connell: That is possible, but it is also possible that a body is claiming the credit.

Mr. Niall Cody: Absolutely. If the body is no longer a charity and, therefore, no longer exempt-----

Deputy Kate O'Connell: That is my argument.

Mr. Niall Cody: -----it should not be entitled to claim it back.

Deputy Kate O'Connell: Mr. Cody might supply a detailed note on that.

Mr. Niall Cody: I will.

Deputy Kate O'Connell: I raised a different issue last week. If a charity's turnover is over €100,000, Revenue requires it to undergo an audit. Am I correct in saying that?

Mr. Niall Cody: Yes.

Deputy Kate O'Connell: Is there any evidence of deliberate attempts being made to keep turnovers under €100,000 in order to avoid audits?

Mr. Niall Cody: Where a charity with an annual income of less than €100,000 applies for tax exemption, its latest financial accounts must be submitted with the application and signed by two trustees. Where a charity with a turnover in excess of €100,000 applies for charitable tax exemption, the financial accounts submitted to Revenue must be audited accounts and signed by an auditor.

Deputy Kate O'Connell: In terms of the former, are there many with turnovers of €97,000, €98,000 or €99,000?

Mr. Niall Cody: No, and they would still be subject to examination by us anyway. Something that we are fairly used to is examining accounts. There are all sorts of rules for companies and obligations to have auditors. Given how audited accounts progression is going for companies, €100,000 is in some ways a low turnover figure.

Deputy Kate O'Connell: I referenced a particular charity last week, that of Gianna Care. It is not actually registered as a charity. A formal complaint has been made to the Charities Regulator. I was caught by something last week. If an organisation is purporting to be a charity and collecting money under that heading but it is not a registered charity, the Charities Regulator does not seem to be able to do anything. What is Revenue's role in that regard? If there is a rogue charity, for want of a better term, I assume that Revenue's role in terms of tax exemption

is the same. It does not just assume that a body is a charity. Would the body be dealt with in the same way as an ordinary company?

Mr. Niall Cody: Yes. One cannot get charitable tax exemption now unless one is registered as a charity. That was the fundamental change with the introduction of the Charities Regulator. Since it regulates the sector, a charity must first register with it and then apply to us for a tax exemption. In the question put by the Deputy, the entity could not avail of the exemption. It would then be down to the nature of the body. For example, is it a company or a person portraying himself or herself in a certain way? The entity would have tax liabilities like anyone else. If someone has an income from criminal activity, he or she is liable to tax. The challenge is knowing who he or she is. It is a risk-based system and we are always interested in information about entities, for example, which the underlying person or company operating it is.

Deputy Kate O’Connell: And who is profiting from it.

Mr. Niall Cody: We would be interested in that person’s own tax liability. We do not have a role-----

Deputy Kate O’Connell: If there is a rogue agency and it is not registered with the Charities Regulator, is Revenue’s role just to ensure that it gathers the appropriate taxes from it, to put it in the nicest way possible? Has Revenue any role in tackling fraud, given that the agency would be purporting to be something that it was not, or would that be someone else’s job?

Mr. Niall Cody: That would be a matter for the Charities Regulator. It may well be a matter for the Garda.

Deputy Kate O’Connell: I am paraphrasing, but the Charities Regulator told me that it was not its job because the agency was not registered.

Mr. Niall Cody: Then it is a matter for the Garda. If a body is engaged in fraudulent activity or-----

Deputy Kate O’Connell: If it is purporting to be something it is not.

Mr. Niall Cody: Deception. It comes down to whether there is a criminal offence. If a body is raising money under false pretences, it is a question for the Garda. We would have an interest to the extent that there were tax offences. I will not refer to any individual case or taxpayer, given that I cannot, but the chances are that, if someone is engaged in defrauding members of the public, the likelihood is that he or she is hardly very tax compliant unless we make him or her.

Deputy Kate O’Connell: Perhaps my next point does not fall in Revenue’s area, but I was concerned last week by some of the reasons for which someone could get charitable status, including the advancement of religion and the advancement of education. Deputy Burke spoke about historical allowances and tax credits. With a view to tidying up the system, has Revenue considered moving the goalposts in terms of what is advancement of religion or education? If there are organisations whose reason for having a tax exemption is the advancement of religion, how much of that is interrogated? Some religions are very wealthy. Surely there is a great deal of revenue that could be gathered.

Mr. Niall Cody: The regulation of the charity sector and the policy decisions about what is regarded as a charity are not matters for ourselves. Those are policy matters. The idea that Revenue, as a tax administration, would get involved in subjective judgments is something that

would be a negative development. That is why we were very pleased as an organisation when the Charities Regulator-----

Deputy Kate O'Connell: Did it for Revenue.

Mr. Niall Cody: -----was established. I have seen parliamentary questions asking what is the promotion of religion. We can all have our individual opinions on this, but as an organisation we do not have an opinion. In the self-interest of the organisation, we believed it was important that-----

Deputy Kate O'Connell: Mr. Cody is saying it is the Charities Regulator's job to decide the parameters under which an organisation gets status.

Mr. Niall Cody: It is legislation-----

Deputy Kate O'Connell: I know that.

Mr. Niall Cody: -----in the first place and then the Charities Regulator regulates the sector. A tax exemption flows from that once they apply for it.

Deputy Kate O'Connell: Am I correct that some childcare facilities have charitable status?

Mr. Niall Cody: Yes, some community-based-----

Deputy Kate O'Connell: It applies to community crèches. I suppose it depends on the area of the country. Must all of the income stream of a community crèche come from the early childhood scheme? Is it all State money that is paid? A child aged between three and five may be on the early childhood care and education, ECCE, scheme for three hours in the morning. If the parents or guardians decide to pay for another five hours, is that amount, which is paid from their pocket, tax exempt?

Mr. Niall Cody: It might be helpful if I read out the note on the area.

Deputy Kate O'Connell: Mr. Cody should read it.

Mr. Niall Cody: The first question I have is: what is the tax treatment of the income of childcare providers with charitable exemption and are these affecting competition in the market?

Deputy Kate O'Connell: That is essentially what I am getting at.

Mr. Niall Cody: A body can be granted tax exemption once it has a charitable purpose and the funds are applied to that charitable purpose. In the childcare sector some crèches are established under community schemes for charitable purposes and in general if they apply, they will be granted tax exemption. These bodies will be in receipt of the early childhood and care scheme for the children being cared for and this does not impact the charitable status in any way. Other crèches are established for non-charitable purposes and are actually trading entities which have been established for profit. These would not be eligible for charitable tax exemption because there is no charitable purpose and funds are not applied to any charitable purpose. These bodies too could be, and most likely are, in receipt of ECCE.

The next question that I think the Deputy was asking last week is: is the tax exemption for charities affecting businesses providing similar services?

Deputy Kate O'Connell: My question is as follows. Let us say I have a crèche and Deputy Aylward has a crèche next door. Deputy Aylward is operating a completely private crèche. Mine is a community crèche and I have tax exemption. In the mornings, I operate ECCE for the three hours but I also take cheques from parents for later in the day. Is the income over and above the State payments exempt from tax?

Mr. Niall Cody: The answer I have here is that childcare providers that have been granted charitable status are not-for-profit bodies and all funds must be applied to the charitable purpose as a condition of the tax exemption. Essentially, if they were getting income in addition to the ECCE and that is used for the crèche-----

Deputy Kate O'Connell: That could be used for salaries.

Mr. Niall Cody: Charities pay salaries.

Deputy Kate O'Connell: I know that. I am just saying-----

Mr. Niall Cody: While the tax exemption applies to the income of charity, it does not apply to the salaries of the-----

Deputy Kate O'Connell: I understand that.

Mr. Niall Cody: The issue is that if a charity gets public funds and also raises subscriptions or sells some product or service, the tax exemption covers the full income once it is used for the charity. That is the scheme.

Deputy Kate O'Connell: Could Deputy Aylward's private crèche apply for advancement of education as a reason to get tax exemption if he operates the Montessori method?

Mr. Niall Cody: He would first have to apply for the charity, so-----

Deputy Kate O'Connell: I do think it is-----

Mr. Niall Cody: Deputy Aylward would be perfectly entitled to apply.

Deputy Bobby Aylward: We might go into business together.

Deputy Kate O'Connell: One never knows. I did not realise this was an issue. It is an issue if-----

Mr. Niall Cody: There are grey areas around the boundaries between the charitable sector and business. An area that this would have arisen in a good number of years ago, and in which I was personally involved, was the whole area of charitable sporting bodies and private members' clubs. Particularly when golf took off, there was a lot of development of private courses. It was a sport and was primarily members only, but then there had to be provisions brought in under VAT legislation to allow income from some elements of the members' club to be taxable because of the competitive process.

Where one has a sector where the funding model is partially State, partially public and partially private, certainly it is a policy area that covers the Department of Children and Youth Affairs, the Minister for Children and Youth Affairs, a whole range of areas-----

Deputy Kate O'Connell: Local government too.

Mr. Niall Cody: -----that I am certainly not qualified to talk about.

Deputy Kate O'Connell: It is important to highlight this issue. If there is charitable status for whatever reason in one childcare facility and another person up the road is operating a legitimate business and it is pretty much accepted that there is not that much margin in childcare - obviously big companies seem to be making a margin, but smaller providers-----

Mr. Niall Cody: Of course, the tax would follow if the margins were-----

Deputy Kate O'Connell: Yes absolutely, the Revenue Commissioners would be coming in too.

Mr. Niall Cody: They would be among some of those companies we talked about earlier with no liability.

Deputy Kate O'Connell: These people are providing a legitimate and needed support service for families. Perhaps a lad down the road has a community crèche but has a body of income coming from the private sector and that exemption covers that income. I know that it obviously needs to be used, but I find one will always find a way to spend money if one needs to. Perhaps this committee will have a look at it. I remember we had Tusla or Pobal in-----

Chairman: Tusla could be back in a couple of weeks.

Deputy Kate O'Connell: Just before Christmas. I will look forward to that.

Mr. Niall Cody: I will watch that discussion as well.

Deputy Kate O'Connell: I thank Mr. Cody.

Deputy Bobby Aylward: I welcome the witnesses, particularly my fellow Kilkenny man. I always welcome a Kilkenny man to Dublin.

I wish to ask about discrepancies in value added tax, VAT. I was approached by an individual whom I will not name. He said there are discrepancies in how VAT is being applied, particularly in co-operatives. He brought his case to Europe about three or four years ago. Mr. Cody might know the case. I think he won his case in the European Court of Justice and was referred back to the Revenue but nothing has happened since.

Regarding the farmer co-operative arrangements, are they an advantage to co-ops when it comes to VAT refund? I am talking about a level playing field or equal treatment. This man seems to think that he was unfairly treated and he lost his business. He was trying to compete against people who had an advantage. I just want a general opinion. I am not talking about an individual case. I want to ask generally about the way VAT is being applied. Are there discrepancies in the system?

Mr. Niall Cody: I understand what the Deputy is talking about is the interaction of what is called the flat rate credit-----

Deputy Bobby Aylward: That is right; flat rate VAT.

Mr. Niall Cody: -----for unregistered farmers and the pricing structure that is used within some of the co-operative frameworks for dealing with particular agricultural activity.

Deputy Bobby Aylward: That is right.

Mr. Niall Cody: There were representations made about whether there is an abuse of the flat rate system. The sector was the poultry sector.

Deputy Bobby Aylward: That is right.

Mr. Niall Cody: We conducted a study of the pricing mechanism. The EU VAT rules provide that one can have a flat rate scheme to compensate unregistered farmers for their VAT inputs. One of the conditions laid down in the VAT directives is that the sector cannot over-compensate.

What we did is we did a study and then the Minister for Finance brought in a provision in the Finance Act - it might be two years ago - to provide a mechanism to exclude a sector or a subsector of the unregistered farmers sector from the flat-rate edition, subject to an analysis by Revenue and the establishment of the fact that there was overcompensation. That provision was brought in and-----

Deputy Bobby Aylward: Did that rectify things if there were discrepancies?

Mr. Niall Cody: There is another bit to go on the tale. Once the legislation was brought in, we did a detailed analysis of the sector to see and establish if there was overcompensation in the sector. We have sent our report to the Minister for Finance. It is now with the Minister and he has to consider. I am not 100% certain of this but I think it would have come up in the context of the Finance Bill, and he acknowledged that he had received the report from us. Again, his office and officials are considering it. There will need to be a specific provision for the sector, namely, unregistered farmers in the poultry industry. The poultry industry is interesting in that day-old chicks are hired out, nearly-----

Deputy Bobby Aylward: That is right.

Mr. Niall Cody: -----the farmer feeds them, and grows them, and then they go back to the company where they are killed and end up packaged as chicken. That is with the Minister to determine whether he will bring forward a provision to remove the flat-rate status from the poultry sector, which will mean the farmers in that sector will have to register for VAT and then they will be in the normal system.

Deputy Bobby Aylward: Were there directives from the European Court of Justice on that case for Revenue to take on? Is it that there were no recommendations or directives from the court? The case did not direct Revenue to do anything in particular.

Mr. Niall Cody: No. A number of the Deputy's colleagues have made representations and met some of our officials about the case. The issue and the concern are, again, practices in the poultry sector and if they are brought into some of the other sectors. Now we have this provision, which will allow us do that study of other sectors. The challenge is for us to know what is going on because this has all to do with the pricing models, the price of food, the feedstuffs and all of the rest of it. It is not really in the tax system. It is in the commercial contract relationships between the parties.

Deputy Bobby Aylward: There could be an advantage to people within that system, we will say, through feedstuffs and all that.

Mr. Niall Cody: There is no doubt that, within the poultry sector, the pricing structure allowed for an overcompensation of the VAT for some people who are in that trade.

Deputy Bobby Aylward: Does Revenue know how many farmers, in general, besides poultry, are registered and not registered for VAT? Is that something Revenue would know offhand?

Mr. Niall Cody: I would know it offhand if I had a little bit of time. There are about 110,000 farmers. Most of them are part-time at this stage. There is a very small number of farmers registered for VAT.

Deputy Bobby Aylward: I was thinking that.

Mr. Niall Cody: It is probably less than 10,000.

Chairman: Mr. Cody can send on the notes.

Mr. Niall Cody: I will. I spent a lot of time in my career in VAT and I used to know these figures off the top of my head. Again, we publish a really interesting report on the farming sector and tax, and we updated it there recently. If the committee likes, we will send on the link to that report.

Deputy Bobby Aylward: Okay. Another reason I am asking this is because of the present situation with beef and the feedlots. We have been talking about poultry up to now, but the feedlots, which are mostly owned by factory owners and processors, have an advantage in that they buy off the farmer and can upset the market by having all these cattle in reserve, which they can use to fix prices if they want to because they have the cattle to do it and can supply their own beef. Would this VAT thing that we are talking about have an implication for that sector, if it is not changed, by giving an advantage to processors, in particular? That is really what I want to get at, that this could be giving beef processors an advantage against an ordinary farmer who is trying to fatten cattle, like I do myself, and trying to supply from hoof to factory. These processors could have an advantage through this VAT thing. That is what I want to ask the witnesses. Are these processors at an advantage there, and should the loophole be closed if they are?

Mr. Niall Cody: There was a recent parliamentary question about the feedlots in the beef sector. So far, we have not seen evidence. The process is different in that a lot of the overcompensation on the poultry was because they were supplying the feestuffs-----

Deputy Bobby Aylward: That is right.

Mr. Niall Cody: -----to the chicken rearer.

Deputy Bobby Aylward: They are all tied in, yes.

Mr. Niall Cody: The feedlot stuff is a different model. We are very open to information on practices in the sector because, ultimately, we find out things that are happening after the event because that is the way the tax system works. Tax returns follow the activity, the period for things to be returned. Often the earliest we will be aware of something could well be when it is two years in place. What we have said in reply to parliamentary questions is that we have no evidence to date. I hope that we are not stupid and that if we know it is happening in a sector, we will be keeping an eye on it.

Deputy Bobby Aylward: That is what I am going to say. Now that Revenue is aware of this, will it scrutinise it more and ensure that no advantage is being taken by processors and factory owners, in particular?

Mr. Niall Cody: We are aware of the practices that took place in one sector and we will be actively looking to see if it is taking place in other sectors. We are also open to information.

Deputy Bobby Aylward: In terms of Revenue reporting to the Minister, and I know that Revenue does not set policy, which is the Minister's problem, what way could the policy be scrutinised? If the Minister had to come up with means and ways to fix the problem, would it be to force farmers to register for VAT?

Mr. Niall Cody: It would be to remove the flat-rate compensation for the sector.

Deputy Bobby Aylward: I am a farmer so I know that would not be a good thing, and I might not look for that.

Mr. Niall Cody: I was going to explain how the flat-rate system works, but then the Deputy probably knows how it works as well as I do. Basically, the flat-rate system works by an addition of a percentage to the price paid by the registered purchaser, which is 5.8%. So, if an unregistered farmer sells his cattle, he gets an additional 5.8% on the price. What that is meant to do is to compensate the farmer for the VAT on the inputs-----

Deputy Bobby Aylward: Yes.

Mr. Niall Cody: -----whether it is on running the farm, running the tractor and keeping the thing going.

Deputy Bobby Aylward: Feed and all of that.

Mr. Niall Cody: Yes, feed and feedstuffs where it is not zero rated. It is calculated based on macroeconomic data across the sector in its entirety. That is why some farmers register. A tillage farmer probably has more inputs. Mostly, the registered farmers are tillage farmers-----

Deputy Bobby Aylward: That is right.

Mr. Niall Cody: -----because they have higher income subject to VAT.

Deputy Bobby Aylward: Fertilisers and all that.

Mr. Niall Cody: Yes.

Deputy Bobby Aylward: Are feedstuffs zero rated for VAT?

Mr. Niall Cody: Most of it is zero rated.

Deputy Bobby Aylward: Yes.

Mr. Niall Cody: Livestock feedstuffs are zero rated for VAT.

Deputy Bobby Aylward: That is great and good to hear. I am glad that Mr. Cody gave me those few answers. Mr. Cody spoke about corporation tax this morning. I refer to the €10 billion that was brought in and then €6 billion from ten companies. Is he worried that this is a temporary tax? A sum of €6 billion is a lot of money. Could it disappear next year? Could the figure reduce to €2 billion next year and zero the year after? Is he worried because this is a lot of money and could upset our tax returns for any given year over the next five or six years? When we are speaking about billions, it is serious stuff. Is Mr. Cody, as chairman of Revenue, worried? Does he expect the income to be temporary or will we continue to receive, say, €6 bil-

lion from the large companies? They are probably foreign direct investment companies based here. Is Mr. Cody of the view we will become, or are, dependent on them in the same way we became dependent on the construction industry before we went bust? I acknowledge he has commented on it but I would like to hear more.

Mr. Niall Cody: As the Minister said, there will always be a concern around any sector dependent on a small number of large payers. There will also be concern around the idea of international tax, given that that debate has been of significance for the past five years, and many developments are taking place internationally. There is no doubt that over the past couple of years, some of the changes in international tax have been to the benefit of Ireland's corporation tax receipts. The Minister stated he will be careful and cautious. There is a great deal of interest in the matter. Certainly, the figures so far this year suggest we will be ahead of target again. As a country, we have to be careful about it.

Deputy Bobby Aylward: Is Mr. Cody afraid that due to the changes in international tax law, not least in Europe, the companies in question will just become tax compliant and prepare for what will come down the line, but that the money could evaporate to €1 billion or €2 billion per year instead of €10 billion?

Mr. Niall Cody: I certainly would be worried that it will reduce to €1 billion or €2 billion. Who knows where it will be in three years? The figures we have published over the past number of years show that the top ten have paid between 37% and 45% of the total corporation tax every year, and that has been fairly consistent for a long time. Many of the companies have deep roots in Ireland and employ many people. Some of the challenges over the next number of years may well have an impact on attracting new companies, and the challenge will always be there.

I have figures on farmers, although the figures are a bit wider than just farmers because they are dependent on NACE codes. The figure for VAT registration by the agri, forestry and fishery sector in 2018 was 12,078. That figure has been fairly consistent, going back to when I was dealing with VAT full time.

Deputy Bobby Aylward: That is approximately 10% of farmers.

Mr. Niall Cody: In addition to the flat rate VAT, unregistered farmers are entitled to claim back VAT on farm buildings. They had 20,000 claims, totalling €59 million in VAT on capital development for slatted sheds and so on. The Deputy has probably claimed a number of them.

Deputy Bobby Aylward: I am due to submit another claim.

Mr. Niall Cody: I cannot deal with that without talking about taxpayer details.

Chairman: Mr. Cody stated the report is with the Minister. Will the change require a statutory instrument?

Mr. Niall Cody: Yes, it will.

Chairman: Mr. Cody stated that two years ago, there was an amendment enabling-----

Mr. Niall Cody: Yes, it was enabling legislation.

Chairman: A statutory instrument will be required. The change to the flat rate VAT for the poultry sector will not come into effect until such time as a statutory instrument is signed. It is

a matter for the Minister. Mr. Cody hinted that if it was to become necessary in another sector, the template is now in place to allow it to be extended.

Mr. Niall Cody: It was a difficult situation for people in the sector. It was a challenge for us to get to the bottom of the model. It was not taxed in its normal way but had to do with commercial pricing and contracts. We now have enabling legislation. VAT has been in place since 1972, while the flat rate system has been an important and sensible way of administering VAT for unregistered farmers.

Chairman: For the benefit of people watching the meeting, will Mr. Cody explain what he meant when he stated that when a farmer sells cattle, he or she will get an additional 5.8%? Who pays the 5.8%?

Mr. Niall Cody: The registered purchaser-----

Chairman: That is a mart or factory.

Mr. Niall Cody: We might leave out marts for a moment. If a farmer is selling to a factory, the factory will pay the 5.8% and claim it back in its VAT return. It is an input credit. The Exchequer pays it.

Chairman: What about sales through a mart?

Mr. Niall Cody: It is essentially paid by the purchaser. The 5.8% is added at the mart.

Chairman: For the benefit of people who are not familiar with marts, when a farmer buys an animal at a mart, he or she knows that the VAT will be 5.8%.

Mr. Niall Cody: Yes, the farmer will get 5.8% from the mart.

Chairman: If one farmer sells a yearling to another, unregistered farmer, what happens?

Mr. Niall Cody: If it goes through a mart, the flat rate system operates. If two unregistered farmers sold to each other-----

Chairman: A total of 90% of farmers are unregistered, as Mr. Cody stated.

Mr. Niall Cody: Yes. The flat rate addition will not apply. The claim in respect of some of the lots is that the final person in the chain receives the full value of the flat rate, and that is the issue we are looking at-----

Chairman: If a farmer sells a weanling at a mart, he gets an additional 5.8%, whereas to another, unregistered farmer, he will not get the additional 5.8%-----

Mr. Niall Cody: The Chairman is challenging my recollection of the flat rate system and marts. If he would like, I will revert with a clear, rather than detailed, note.

Chairman: Please do. I had not intended to broach this area.

Mr. Niall Cody: I had not intended to talk about it either.

Deputy Bobby Aylward: I guarantee Mr. Cody that such a farmer will pay the same amount because the buying farmer will get the same price, irrespective of whether it is at a mart. The same amount will be paid in any event. The VAT would be included in the price if the sale was from farmer to farmer.

Chairman: Mr. Cody might send us a note on the various scenarios.

Last Friday, I was listening to “Liveline” while driving. A caller complained about the cost of calling Revenue. If I type “Revenue phone number” into my iPhone, as Mr. Cody will be aware, the results include the Revenue phone number and a number for help information. When I select the latter result, it states that to contact Revenue, it costs €2.95 per minute from an Eir landline. It states a 1590 number for the revenue collector division and numbers for general inquiries in the Dublin region, the western region, the east, the Border and the midlands. The lady on the radio the other day said she was in new employment and could not get her tax credits. She went straight to Google and found the Revenue phone number, which she called, but after ten minutes the line cut off, as is noted on the website. When she received her phone bill, it stated that two phone calls, of €28 a piece, cost her €56, which was probably more than she earned from her part-time job at the weekend. What will Revenue do about that? I now know that it is not Revenue’s website but people listening to the radio programme may have a different impression. The lady called what she thought was the Revenue phone number. When I google the number, the first result claims to be the Revenue phone number. Revenue has to do something about that because it is bad for its business.

Mr. Niall Cody: As one can imagine, just as we pay attention to what happens in committee meetings, we pay attention to what happens on the radio.

Chairman: Revenue has a great army of people watching what is going on. I would not like to be on the wrong side of Mr. Cody.

Mr. Niall Cody: I generally listen to the 1 o’clock news and the start of “Liveline” or the advertisement for it, to find I am not on it and then I stop listening to it. On the issue around the phonenumber, the challenge is that commercial operations pay for their location on search engines to be the first item that shows. If anybody looked up the Revenue website, he or she would find a lo-call number. We used to have an 1890 number but, because of concerns around the bundles offered by telecoms companies, we reintroduced an 01 number last year as most people can call such numbers for free within their bundles. We issued a press release and publicised this number. When the promo for “Liveline” came on last week, we sent the producers a copy of that press release. I believe some of it was read out on the programme. It is a real concern. One can ring Revenue for nothing but commercial companies, some of whom are not even established in Ireland, have put themselves into this space. When we had our 1890 number, which was a lo-call number - we were probably among the first in the country to use one - the mobile companies did not include calls to lo-call numbers in their bundles. We made representations to ComReg, which carried out a consultation on the issue. I know it has taken a long time for changes to come about in that sector but we moved to an 01 number ourselves.

Chairman: Why does Revenue not use a public service 076 number?

Mr. Niall Cody: It is not like when I was young and one was charged long distance rates. The 01 number is generally free under people’s phone packages. We publicised the number as much as we could but we do not have any role in the process by which commercial companies can become the first result on a search engine. I saw a complaint yesterday from somebody whose son got caught in the same way. It tends to be youngish people in their first job-----

Chairman: Using smartphones.

Mr. Niall Cody: -----using smartphone browsers rather than accessing the website on a

computer. In a way the advantage of the “Liveline” programme is that it gives us an opportunity to have this discussion today and to advertise again. We will be issuing our bulk issue in the coming weeks. For the first time in more than ten years, we are going to issue a letter to everyone who is registered for PAYE because of the fact that there will be no P60s under the new PAYE system. We are going to write to everybody. It will be done electronically for those who have myAccount but we will also be issuing more than 1 million ordinary letters, for the first time in a long time, in order to explain the new provisions and that the easiest way to do things online. It is terrible. It is a matter of entities taking advantage of people. We are not, however, the regulator for the telecommunications sector.

Chairman: For the record, I am referring to a company called TryWeb which is registered in Old Gloucester Street, London. Mr. Cody knows all this. Can Revenue not contact Google? It deals with the entire population of Ireland. This can happen to other Government agencies. Is this a problem internationally? Does it happen in every country?

Mr. Niall Cody: This is international. No company such as this sets up to make its money from Ireland. Our population is not large enough to allow that. This is international. It is a challenge for us. We hope that people will not have to ring us at all. That is our aim.

Chairman: Will there be a phone number on the letter the Revenue is issuing to 1 million people or will they be directed to a website?

Mr. Niall Cody: No, there will be a phone number.

Chairman: Grand. It will be a busy one.

Mr. Niall Cody: I was going to say that if it is not on it now, it will be by the time I get back but I know there is phone number because I was looking at the draft letter.

Chairman: Mr. Cody will understand why I asked. I listened to that and it took a long time before what this was all about eventually came out. In my head, I was giving out about Mr. Cody saying that he will see me next week. I say that flippantly, as Mr. Cody understands.

Mr. Niall Cody: The reality is that we are not often the subject of “Liveline” but every so often we are. It is probably fair to say that a long explanation from Revenue will not be the first thing read out on the programme. It does not tend to make a programme.

Chairman: Mr. Cody should do a short explanation.

Mr. Niall Cody: That would certainly not make a programme.

Chairman: I know. I have covered that point because it is a concern to the hundreds of thousands of people who heard this. Is there an international group of revenue chairmen at EU level? Surely there is some international group that can talk to Google. As Mr. Cody has said, this is probably happening in every country. I am only making a suggestion and putting the thought in Mr. Cody’s mind. That is the first thing people hit when they search for Revenue’s phone number on Google.

Mr. Niall Cody: The reality is that if-----

Chairman: It is a very clever company. It is making a fortune. Does it pay tax here or in England?

Mr. Niall Cody: If it is not established here it will not be paying tax here. This sector is regulated in all countries. There are various different models and 1590 numbers are run by legitimate businesses.

Chairman: I know that.

Mr. Niall Cody: It is similar to the matter we discussed with Deputy O'Connell. People portray themselves in a certain way. For all intents and purposes, one would think one was on to the Revenue number when one is not.

Chairman: The company does not have any access to people's personal tax affairs. They can only have general information.

Mr. Niall Cody: That number just routes to Revenue. The call is put through to our number.

Chairman: This is worse, it is a redial. I thought one rang the number and someone would give one some general advice.

Mr. Niall Cody: No.

Chairman: People ring this number, which comes from England, at €2.90 a minute or €28 for ten minutes and they are connected to Revenue. The company gets the €2.90.

Mr. Niall Cody: We do not even know it is happening.

Chairman: Revenue does not even know the call is coming through this intermediary.

Mr. Niall Cody: No. We have no way of knowing.

Chairman: Surely Revenue's telephone system has some way to recognise these numbers so that the person can be asked if they know that they have called through an intermediary that is charging €2.90.

Deputy Bobby Aylward: Is it not fraud?

Chairman: Revenue will have to implement a system to recognise incoming phone numbers. If it comes from a 1590 number the people should be told the minute they get through. Does Mr. Cody get my point?

Mr. Niall Cody: I will check to see what shows up on our system if a call comes in through that system. I will find out what technology we could employ.

Chairman: The people do get through to a Revenue official at the end of the day.

Mr. Niall Cody: Absolutely.

Chairman: They are being charged €2.80 a minute or €28 for ten minutes, however.

Mr. Niall Cody: If they go through to-----

Deputy Catherine Connolly: I hope the Revenue will fix that.

Mr. Niall Cody: Our friends in Her Majesty's Revenue and Customs are probably getting a few bob out of it.

Deputy Bobby Aylward: Is it not fraud?

Chairman: It is not because it is advertised as a contact number.

Mr. Niall Cody: The terms and conditions, if one gets to the end of them, are very clear.

Chairman: I am looking at them. It says that one should call the landline number directly if one has a complicated query. The company has an out in the small print of the advertisement.

Mr. Niall Cody: It does not tell people how to get out of emergency tax. It is a matter of routing.

Chairman: Revenue is doing all the work and TryWeb is getting all of the money for the phone call.

Mr. Niall Cody: We are used to that.

Chairman: Mr. Cody can understand why I am asking. It was highlighted. There is a real issue in this regard. People do not know about it until they get their phone bill or until they run out of credit halfway through a call.

Mr. Niall Cody: Absolutely. In the case yesterday to which I referred the person was letting us know that their son had got caught. This person was just glad he had not been caught as badly as that other lady.

Chairman: Okay. I have aired that point. It is important because we are all talking about contacting Revenue and there is a scam going on in that regard. The poor person making the phone call is the one who pays for it. Paragraph 6.3, at the bottom of page 18, has a small but interesting point in regard to compensation and legal costs. Under the heading "Claims by members of the public", there have been 25 claims and Revenue's legal costs were €33,000, which is an average of €1,320. The legal costs awarded, presumably from the other side, were €166,000, giving an average of €6,640. The amount of compensation awarded was €86,000 in the 25 cases, an average of €3,440. Therefore, the legal costs averaged €7,960 and the compensation awards were €3,440. This means 30% of the total cost of €285,000 was compensation and 70% was legal costs. We know who is the winner there, simple as that, although somebody must have had some sort of fall or slip. What is the nature of this? It really puts this into focus that, in the entire year, out of the total payments in respect of compensation and legal costs, 70% was legal costs and only 30% compensation, although I am not blaming Revenue's solicitor. It would almost pay Revenue to tell them to go away when they send in a letter, although I say that flippantly, and I know it has to fight the case.

Mr. Niall Cody: I know this is a topic the committee has been interested in. Our claims are handled by the State Claims Agency. We are very fortunate that the claims are small in number and they tend to be small. They often involve somebody having an accident coming into one of our premises, for example, slips and so on. I spoke to Deputy Cullinane earlier about fuel cards. A small number of cases are traffic accidents involving Revenue vehicles. The figures speak for themselves. There are a couple of bigger cases that did not happen to get paid out in the year that are being dealt with.

Chairman: We have made the point and it is one we all have to watch. I want to move to page 78 of the accounts, where I find one set of figures interesting, although we are not talking about billions. It is in regard to non-Exchequer receipts collected on the behalf of other Depart-

ments, agencies or EU member states. I found a few figures of interest. I have three questions. Revenue collected €2.6 million on the health levy, which was abolished in 2011. Seven years on, how is it that money is still being collected? I know the money is due but how is it out there for seven years without being collected? I presume Revenue collected some money on it this year as well.

Mr. Niall Cody: I presume it is the winding up of this. Again, I will get a note on the health levy but I believe it is a legacy issue.

Chairman: I know it is legacy.

Mr. Niall Cody: Where we are collecting PRSI, and we have talked before about debt-----

Chairman: Could this be from estates?

Mr. Niall Cody: It could be arrears of PRSI going back a number of years.

Mr. Seamus McCarthy: I think it is the health levy.

Chairman: I am talking specifically about the health levy.

Mr. Seamus McCarthy: I think it is the health levy, which is collected through companies.

Mr. Niall Cody: It is pay related. There could be arrears of pay being paid.

Chairman: Mr. Cody might send us a note.

Mr. Niall Cody: I will send a note on the breakdown of the €2.6 million.

Chairman: And a note on why, eight years later, the money has not been collected.

Mr. Niall Cody: In our overall debt figures, we are lucky that the figures over eight years old are quite low. However, there is money we collect from companies every year that relates to aged debt. For example, it could come out at the end of a liquidation.

Chairman: Mr. Cody can send us a note. I have several questions in a similar vein. Under note 3, the local property tax, LPT, collection figure of €488 million is broken down. For example, there is €25 million for the household charge, which was €100 and which is from seven years ago, and the LPT arrears for 2012 to 2017. Why, six years later, are we collecting LPT that was not collected in 2012? How was it left outstanding for six years? Mr. Cody is going to give us a breakdown in writing of the €25 million between arrears of local property tax for each of the years, and I do not expect him to have the detail now. I want to know how much of that €25 million was for the household charge. What I do know is that when people come to sell their property, there is a letter asking whether they have paid their household charge, and I believe €7,000 is the figure they have to cough up if they never paid it. Mr. Cody might send us a note. I have heard of people being caught for a figure like €7,000. Mr. Cody might remember there was a big rush and there were major penalties if people did not pay it. Revenue is probably just collecting it on the basis of property being sold where there is a query from the solicitor as to whether the household charge was paid, and it can be up to €7,000. Am I right in that?

Mr. Niall Cody: There are three things covered under the whole area of houses. The non-principal private residence, the second home, aspect was run by the local authorities and never had anything to do with us, and the penalties in regard to the non-principal private residence were-----

Chairman: That is the €7,000.

Mr. Niall Cody: The household charge was the €100, and when property tax was introduced in May 2013, the household charge came across as an LPT charge. We took responsibility for collecting uncollected household charges for the two years that the household charge was in place and, to date, we have collected just over €71 million in household charge arrears. We picked it up sometimes when houses were sold and sometimes when we tidied up the register, given there was no household register. There is a small percentage of houses to be sorted in the register and there were also all sorts of exemptions for unfinished estates. When LPT came in, the unfinished estates were a smaller footprint. People decided they had the household charge exemption because they had not been liable to LPT but they did not have that exemption. Therefore, every year, we collect a small element of arrears. If we are collecting arrears of LPT, what tends to happen is that we are collecting it from the start.

The other piece is that there are a whole range of deferrals, and there are people who have opted for the deferral, and they then decide they are in a better position - perhaps they have a new job - and they pay the arrears of the deferral. When we took on the job of LPT, we anticipated that we would have got €60 million in the household charge to bring it up to date, but we have actually got €71 million. There was a provision, in whatever year it was, in which we said that if the household charge was not paid by the date, it doubled. We took a lot of innovative approaches to ensure people paid their LPT.

Chairman: That is fine. Mr. Cody can send us a note because we have touched on a couple of different issues. It is historic but it is interesting that it is still rolling through. A final question is on tobacco excise receipts of €167 million. Will Mr. Cody explain what that is for? I understand it goes directly to the Department of Health.

Mr. Niall Cody: Although I forget what year it was introduced, this applies to an element of the tobacco excise receipts. It has to do with some of the changes around health funding, whereby a small element of the excise receipts goes directly to the Department of Health.

Chairman: Revenue collects it and forwards it on.

Mr. Niall Cody: Yes, but we collect it within the total excise figure and that is only a very small proportion.

Chairman: It is €167,000.

Mr. Niall Cody: No, it is €167 million.

Chairman: It is the same figure for both years. I ask Mr. Cody to send the committee a note on the origins of that figure. I raise these issues because the general position is that all moneys collected must go to the Exchequer, other than those which go to-----

Mr. Seamus McCarthy: The Revenue fund is provided for by law.

Chairman: I am highlighting these because-----

Mr. Niall Cody: Hypothecation.

Chairman: Yes, hypothecated tax. Some people claim it does not exist. That is an example of an existing hypothecated tax. That is the only point I am making. The chart which has been provided probably shows a hypothecated tax.

Mr. Seamus McCarthy: It is received as an appropriation-in-aid into the Department of Health Vote.

Chairman: I refer to the list of defaulters and so on which is published by Revenue. I will not go through the figures which were presented. Up to 55% is collected after two years. Some of the defaulters cannot afford to pay the debt but the Revenue still goes through the process. The committee has been provided with figures for what has been collected up to two years after the event. Are payment arrangements in place for many defaulters? Mr. Cody did not state whether there are payment arrangements in place in addition to the collections that have been made. He is indicating there are no payment arrangements with defaulters.

Mr. Niall Cody: If one enters into a settlement with the Revenue which is publishable because the tax, interest and penalty thresholds are met and one enters into an instalment arrangement to clear the debt, we do not record that as an uncollected debt. Rather, it is treated as payable. We discussed this two years ago. Prior to the Finance Act 2010, the name of a defaulter could not be published if he or she did not pay. For the name of a defaulter to be published, it was required that there be a settlement with tax, interest and penalties above 15% and that the amount had been paid. That was fine while the economy was going well as we generally got our money. After the economic crash, a number of people met the tax, interest and penalty thresholds but were unable to pay any of the debt. Their names could not be published but those of persons who paid their debts could. The Finance Act 2010 changed that. Thereafter, we published the names of defaulters who could not pay. The process was further changed in 2016 such that we now identify within the list those who did not pay. From 2010 until 2016, the names of defaulters were published and everybody thought all debts were paid.

Chairman: Including the committee. This was discussed some time ago.

Mr. Niall Cody: The committee should not have thought that because-----

Chairman: We passed the legislation.

Mr. Niall Cody: -----the Oireachtas passed the legislation updating the process.

Chairman: The committee has been told off by Mr. Cody.

Mr. Niall Cody: The Finance Act 2016 provided that we would highlight unpaid debts. The Revenue does not categorise the debts of defaulters who have entered a payment agreement as being unpaid. If one engages properly with the Revenue, enters an instalment arrangement and commits to continue to pay one's taxes, we do not publish one's name within the category of unpaid debts. If subsequent-----

Chairman: Where are the names of those who have not paid published? The committee is familiar with the list of defaulters.

Mr. Niall Cody: They are published within the list of defaulters. There is a column noting whether the debt has been paid. Newspapers do not always include that information. We publish the list in *Iris Oifigiúil* and on our website. The list on the website shows whether the debt has been paid.

Chairman: I ask Mr. Cody to send the committee a note on the number of defaulters whose names have been published by the Revenue and for whom a payment arrangement is in place. On the total amount outstanding from defaulters-----

Mr. Niall Cody: The Chair is seeking a note on the defaulters for whom a phased payment arrangement is in place.

Chairman: Yes. That was not mentioned in the notes. We have not previously addressed that topic.

Page 34 of the annual report contains reference to e-audit. I am sure Mr. Cody will tell me this paragraph is included every year, but I have only just noticed it. The report states:

During 2018, we collected almost €69 million in yield from e-audits. This represents almost 28% of yield collected through our audit programmes. In 2018, the average audit yield from e-audits was €65,816, higher than the average audit yield of €49,896 when traditional auditing methods are used.

I ask Mr. Cody to outline the e-audit process. How many e-audits were carried out? Is the number increasing? Obviously, a desktop approach is taken. Would it be possible to do more e-audits? If Revenue officials can collect more money through e-audits while sitting at their desk, so much the better.

Mr. Niall Cody: That paragraph has been in each of our annual reports for the past ten years.

Chairman: I thought that might be the case. I do not get to ask Mr. Cody about each paragraph each year. We would be here until next week if I did so. I ask him to discuss e-audits. I do not remember them being addressed previously at the committee.

Mr. Niall Cody: E-audits involve an interrogation of a feed of electronic records. As the committee is aware, most businesses of scale now keep electronic records. We use IDEA software which comprises a commercial e-audit package which is also used by the Comptroller and Auditor General. An e-audit does not take place solely in our office; it also involves an interview. The opening interview with the taxpayer and his or her agent, if applicable, and the opportunity to make disclosures and so on are a core part of the audit process. If one is a retailer with electronic records of purchases, sales and cash, we will download those records and apply our audit techniques and software to that process. An e-audit is not appropriate in cases such as those involving complex accounts. If the business in question is a multiple, e-audit may encounter difficulty regarding its VAT system and the proper rates being charged on products. The e-audit process allows us to carry out 100% analysis of the data as compared with traditional paper-based auditing which involves taking representative samples and extrapolating from them. We have engaged in e-audit to varying extents for 20 years. It has been introduced through various processes. Its usage is far more routine than was previously the case. Our annual report in a couple of years' time may not contain a paragraph explaining e-audit because we will use e-audit techniques for appropriate cases. It is becoming more the norm. The cases will tend to be bigger. It could have been noted in the paragraph in question that the audit yield was higher because e-audit tends to involve bigger cases.

Chairman: It is not that it is a better system.

Mr. Niall Cody: It is like an annual report from the days when I was carrying out audits including a paragraph on audits using a calculator. We now do not identify e-audits within our statistics. The numbers are a bit more problematic. We will look at it further for the committee.

Chairman: I ask Mr. Cody to do so, although he has explained it fairly well.

On page 35 there is reference to third-party information and data analytics. Mr. Cody mentioned this in passing. The report states:

...in 2018, matched third-party data was used to drive a wide range of ongoing projects including work on medical locums, providers of short-term accommodation, and Irish residents in receipt of income from foreign assets. In addition, we began a review of unmatched data to identify possible evidence of shadow economy activity.

Mr. Cody referred to medical locums. Providers of short-term accommodation include AirBnB hosts.

The next paragraph states that the data gathered in third-party returns is used to “support voluntary compliance, for example, information on agricultural subsidy payments provided by the Department of Agriculture, Food, and the Marine was used to prepopulate 78,000 income-tax returns.” That is interesting. Anyone using ROS knows now is the time one gets the pre-populated tax return. Mr. Cody is telling me Revenue has information from the Department of Agriculture, Food and the Marine and not just from the employers to pre-populate part of the form. It would be great if Revenue could get that information from the Department of Employment Affairs and Social Protection in due course. I know I am probably disturbing a hornet’s nest here but we have all encountered several cases in the past of, for example, somebody in receipt of a social welfare payment who might have taken up employment again or who might have been overpaid in social welfare. It takes a minimum of two years before the Department of Employment Affairs and Social Protection tells Revenue and then the person either gets a tax bill because he or she had not declared a social welfare payment or as the case may be, the person might owe money to the Department because he or she got a job. One would have hoped the lines of communication between Revenue and the Department of Employment Affairs and Social Protection would be closely aligned because it is the biggest Department in the country for payments, such that if somebody on a social welfare payment takes up employment it is immediately matched. It takes years for that to happen in some cases and *vice versa*, if somebody in employment gets a social welfare payment for some other reason, it is taxable. Sometimes it takes two years for that to happen and then people are upset that they are getting this bill afterwards. They wonder why somebody did not tell them at the time. We know people should know themselves but it causes a lot of upset. That is down to what I would call the delay in transferring information between Revenue and the Department of Employment Affairs and Social Protection. It causes a lot of hardship for a lot of people. I would have said the exact same thing to the Accounting Officer from the Department of Employment Affairs and Social Protection here a few weeks ago.

Mr. Niall Cody: Revenue and the Department have extensive exchange of information between us. Within the self-assessed income tax form 12, we pre-populate it. When we see the figures in the new year, the form 12 is pre-populated with some of the data for some of the schemes. With others, the information is dependent on how the feed comes across so in some of the fields for some of the smaller schemes, we give a pop-up information box to say how much people are in receipt of. I do not want to name a scheme because if I do it off the top of my head I will probably name the wrong one. This year’s form 12 for next year will have pre-population of the Department of Employment Affairs and Social Protection information. We pre-populate the form 12 for most of the schemes now. Where we cannot put in the figure but we know people are in receipt of funds, we give them a reminder. When we redesigned our PAYE services and the jobs and pension process, we pulled in as much of the information as possible, including the information on where we have it and where we have matched it. The good thing about the

information we get from the Department is it is matched because the PPS number drives the whole process. Most of what the Chairman would like us to do, we are doing already.

Chairman: It will happen on 1 January. I was not aware of that and the public are probably not aware.

Mr. Niall Cody: It is already being done.

Chairman: It is in the system.

Mr. Niall Cody: Yes.

Chairman: In other words, Revenue is already on top of the work I was suggesting it carries out.

Mr. Niall Cody: It is a bit different when we exchange information. The Department of Employment Affairs and Social Protection's receipt of information from us tends to be more around the issue of whether people are entitled to means testing, etc.

Chairman: Or DIRT payments. The Department often picks up bank accounts through information on DIRT from Revenue.

Mr. Niall Cody: We are trying to improve in the area where people take on jobs and start again. A few months ago in our PAYE services, we also provided a facility for unemployment repayments because one of the ways we get repayments of tax is through unemployment. People have been able to do that online in recent months, whereas before they had to-----

Chairman: It is important to do an information campaign on that so people will know their Department of Employment Affairs and Social Protection information will be linked in to their Revenue information. It is good, it is the right way and it is the up-to-date way to operate. People will think that because I raised it I am the reason for it happening but Revenue was doing it anyway.

Mr. Niall Cody: We are doing it anyway. One of the challenges and complications is that when we issue our tax credit certificates next month, they will show the amount of Department of Employment Affairs and Social Protection income we know people are in receipt of. The long-term schemes or long-term pensions are clear but unemployment payments-----

Chairman: Come and go. Some people will get a shock when they realise some of the social welfare payments might be taxable. They might not have had to pay tax on them before but they will be surprised to see this.

Mr. Niall Cody: One of the things that also happened in the context of PAYE modernisation is there was a range of short-term payments across the public sector, wider than the Department of Employment Affairs and Social Protection, which were legally taxable but not practically taxable. As part of the preparation for PAYE modernisation, the Department of Finance carried out a review and in the Finance Bill, there are a number of specific short-term schemes that were made exempt from tax.

Chairman: Where do the likes of the community employment schemes and Tús workers come in? That is income and there could be other income in such a household.

Mr. Niall Cody: They were all subject to a review and it was determined from a policy

perspective which of them should be exempt.

Chairman: Mr. Cody might send us a note on which ones were exempt.

Mr. Niall Cody: Yes, that will be in the Finance Bill process.

Chairman: I know Mr. Cody is going to tell me I should know because we approved it.

Mr. Niall Cody: I would not dream of saying that to the Chairman.

Chairman: We can only follow so much from this side but it would be useful to give information on it because people will be surprised when they find out about this.

Mr. Niall Cody: The complication around how Department of Employment Affairs and Social Protection payments are taxed is confusing in how it is coded into the process. I would hope it would be clear to people when they see it.

Chairman: What is the VAT rate on food supplements?

Mr. Niall Cody: The Bill is going through the Oireachtas and subject to it passing all Stages and the Bill being signed by the President, it will be 13.5% from 1 January.

Chairman: That is what is in the Finance Bill. Perhaps Ms Walshe from the Department of Finance can help.

Ms Anne Marie Walshe: It is 13.5% and it does not apply to certain supplements such as folic acid.

Chairman: Does the Department have an information note it could send us, pending the passage of the Bill?

Ms Anne Marie Walshe: Yes.

Chairman: In a practical sense, what was the VAT rate in 2018 on food supplements or is this new VAT rate just coming into place from 1 January next year?

Mr. Niall Cody: It has been well-----

Chairman: I know but let us wrap it up now.

Mr. Niall Cody: -----rehearsed and thrashed out through the process. Some of them were attracting a zero rate and it evolved over time. Our view was some food supplements and various other types of products were liable for 23% VAT. There was a consultation process and a tax strategy group and then the Minister brought forward the proposal to put them at 13.5%, apart from those that actually qualify for 0% VAT as they are approved by the Health Products Regulatory Authority, HPRA.

Chairman: Can the Department of Finance send us a note on that? I know we are at the end of the road on that matter, it has been running a while and we are all familiar with it. I have covered all the ground the members did not cover earlier.

I thank everybody from the Revenue Commissioners, the Department of Finance and the Department of Culture, Heritage and the Gaeltacht, who were here earlier, for their attendance and for the information provided. I also thank the Comptroller and Auditor General and his staff. It is agreed the clerk will seek any follow-up information and carry out any agreed action

from the meeting.

Our next public meeting is next Thursday, 5 December. There will be two sessions. The first session in the morning will be with the National Paediatric Hospital Development Board, the Department of Health, the HSE and Children's Health Ireland and the meeting will be on the 2018 financial statements for the National Paediatric Hospital Development Board. In the second session we will meet with the HSE and the Department of Health to deal with its accounts for the public services for 2018 and chapter 15 from the Comptroller and Auditor's report, dealing with primary care centres and specific topics we have already indicated we will deal with on the day, such as an update on measures to reduce incidents of clinical negligence that may lead to claims against the State. We covered that in our periodic report this week. We will also have an update on matters related to the oversight of sections 38 and 39 organisations and the practice of issuing advance funding to such organisations. We will also discuss private ambulance contracts and home support services. That is in addition to everything else.

The witnesses withdrew.

The committee adjourned at 4 p.m. until 9 a.m. on Thursday, 5 December 2019.