Meeting between Irish Tax Institute/Revenue Large Corporates Division (LCD)
1 May 2019

Key points from the meeting

1. Overview on Large Corporates Division (LCD) structure, case base and staff

A presentation on the new organisational structure was provided at the meeting (copy attached).

There have been a number of significant changes to the division since May 2018:

- The high net worth individual cases dealt with by Large Cases Division were transferred to a new dedicated Large Cases - High Wealth Individuals Division (LC-HWID). The two Anti-avoidance branches and the Pensions branch are also now contained within LC-HWID. Large Corporates Division (LCD) is now solely focused on corporate groups.
- 50 additional staff have been assigned to LCD, and are based in Dublin, Cork, Limerick and Galway.
- The Financial Services District has been split in two, with the establishment of a new Financial Services (Financing and Investments Funds) Branch in Galway. This branch's case base includes aircraft leasing, investment funds and fund managers and section 110 companies.
- Resources for transfer pricing audits have increased with the establishment of a second Transfer Pricing Audit Branch.

LCD now consists of ten sectoral corporate districts and six support branches listed below:

Corporate Branches	Support Branches
Property, Construction and General Manufacturing (including (REITs)	Divisional Office
Alcohol, Tobacco and Multiples	Customer Service
Natural Resources, Food and Leisure	Multi-Tax Audit
Financial Services (Banking)	eAudit, Customs and PREM
Financial Services (Insurance)	Transfer Pricing Audit (two branches)
Information, Communications and Technology 1	
Information, Communications and Technology 2	
Motor, Oils and Transport	
Life Sciences (Biotechnology, Pharmaceutical and Medical Devices)	
Financial Services (Financing & Investment Funds)	

The structural changes have had limited impact on LCD interactions with taxpayers and their tax agents.

LCD reviews their case base on an ongoing basis, to identify cases that no longer meet the LCD size criteria and transfers these cases to the appropriate Revenue division. Communication with the taxpayer about a change in the division responsible for their affairs is at the discretion of the LCD Branch Manager.

2. Cooperative Compliance Framework (CCF)

111 groups participate in the CCF**,** which equates to 25% of the eligible groups. The level of take up varies between the Branches. Entry to CCF remains open throughout the year. Potential participants can complete the CCF application form and submit it to the divisional office. The relevant form can be obtained by request to the division.

Revenue is now entering a second cycle of annual meetings with businesses participating in the relaunched CCF. Some companies had raised issues about the level of detail and volume of requests for information and for self-reviews received, as a result of participating in the CCF.

During the first year, Revenue were seeking to gain a better understanding of the business and potential risks. Revenue is now applying the learnings from the first year of operation of the relaunched CCF. This should allow for a more focused approach to requests. Some issues raised at the annual meetings required further correspondence between Revenue and the taxpayer/agent. However, 95% of these issues have been resolved at this stage. The CCF has proved successful for Revenue in that companies are engaging with Revenue in advance of significant transactions.

Practitioners asked whether, in circumstances where a group within CCF acquires another group, the acquiree would automatically be included in the CCF. This would depend on the circumstances, for example, whether the acquired group is subsumed into the group's operations or continues on an independent basis. Revenue would consider such requests on a case-by-case basis and would need to examine the overall group structure to determine the appropriate approach.

International Compliance Assurance Programme (ICAP)
Ireland has agreed to participate in the second pilot of the Forum on Tax Administration International Compliance Assurance Programme (ICAP), which is a multilateral co-operative risk assessment and assurance process for MNE groups. It is not anticipated that Revenue will act as a "lead" participant in the programme. Rather, it is expected that Ireland could be a "covered" jurisdiction where an MNE requests a "lead" tax authority in their parent company jurisdiction to include Ireland as a participating jurisdiction.

Revenue view this as an opportunity to learn how the ICAP operates in practice, and, in particular as an opportunity to participate in multilateral programmes which assess tax risk matters, including transfer pricing related matters across a number of jurisdictions.

3. Tax Opinions

Practitioners raised the process for obtaining a technical opinion and the extent to which these requests are answered by LCD or referred to Revenue Legislation Services (RLS). In some instances, it would appear to practitioners that the LCD officer has a clear view on the answer, yet the matter is referred to RLS. This can lengthen the timeline to obtain a response.

It may be necessary for LCD to seek guidance from RLS, where the matter in question has a national impact, involves a policy matter or a new issue or nuance that has not been considered previously. Outside of these circumstances, LCD should be able to provide the opinion without referring the matter to RLS.

Revenue reminded attendees that they will not provide "letters of comfort". Any request for an opinion must express the doubt in question and should use the required template, which is designed to capture the requisite information. If Revenue requires further clarification on the matter in question, direct engagement by telephone may be useful.

Revenue agreed that the rationale for Revenue's position should be provided in the opinion, where Revenue disagree with the tax agent's interpretation of the technical position. Instances where a rationale is not provided in the response can be brought to the attention of the relevant manager.

Revenue are willing to meet with taxpayers and agents to discuss ruling submissions. Revenue indicated that they generally apply a 30-day turnaround to ruling submissions.

Revenue opinions are subject to review every five years. Work is underway to update Revenue Tax and Duty Manuals to reflect Revenue's position on various technical matters.

Transfer Pricing Audit Branches: There are now two Transfer Pricing Audit Branches in LCD. These have a national role and will assist with correlative relief, identification of risk and progression of cases.

The Competent Authority is not part of LCD. Instead, it falls under the International Tax Division in Revenue Legislation Services.

4. Audit and Compliance Activity – areas of focus for LCD

LCD expects to undertake more comprehensive corporation tax audits and transfer pricing audits, with a sectoral focus. eAudit templates have been developed for corporation tax (and for VAT and Employer PAYE/PRSI), which Revenue make available at the outset, to gather the information required for the audit. Some areas of focus by the LCD Branches include:

- "Real-time" Employer PAYE/PRSI audits.
- Applying the learnings from PAYE modernisation, for example, examining sectoral PREM issues, preferential schemes, BIK, tax on exercise of share options.
- Customs issues with a focus on issues around Brexit and customs audits.
- Section 247, 291A, the KDB, the R&D tax credit, adopting a risk-based approach.
- VAT risk in the end-to-end process for tracking oil and motor retailers.
- Transfer pricing audits, for example, examining issues such as whether the profit recognition is in line with norms set out in the OECD guidelines. Examination of the methodology and risk.
- Distressed debt.
- Use of FATCA and CRS data to assess and identify risks.
- A new tobacco stamp, excise duty compliance, remote retailer and e-commerce.
- A continuing focus on RCT and related issues in the construction industry, for example, employed v self-employed, expenses, BIK etc

LCD uses the full suite of compliance interventions outlined in the Code of Practice for Revenue Audit and other Compliance Interventions. The approach selected depends on the risk involved and the business model. It is expected that there will be an increase in the audits of groups not participating in the CCF.

Refund/offset
Turnaround time for refunds are actively monitored by Revenue. Refunds which exceed €250,000 will require further examination prior to issue. A number of matters can result in a delay in the processing of a refund or an "offset", for example, where iXBRL accounts have not

been submitted, or a VAT RTD is outstanding. Revenue also may seek tax computations in support of a refund claim. The refund will only be generated once all outstanding returns and requests have been dealt with. Should practitioners experience inordinate delays that are indicative of systemic problems, this can be brought to Revenue's attention by way of specific examples.