

Pre-Budget 2025 Submission

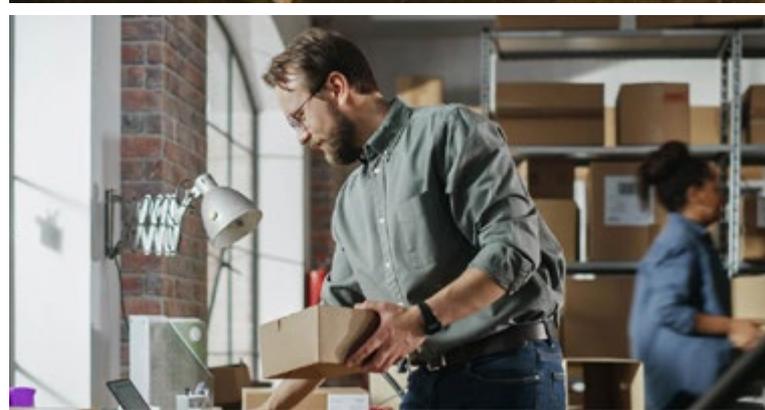


Table of Contents

About the Irish Tax Institute 3

Introduction 4

Supporting growth and innovation in the SME sector 5

Enhancing Ireland’s competitiveness 12

Ease of doing business 16

Conclusion 17

About the Irish Tax Institute

The Irish Tax Institute is the representative and educational body for Ireland's Chartered Tax Advisers (CTA) and is the country's only professional body exclusively dedicated to tax.

The Chartered Tax Adviser (CTA) qualification is the gold standard in tax and the international mark of excellence in tax advice. We benchmark our education programme against the very best in the world. The continued development of our syllabus, delivery model and assessment methods ensure that our CTAs have the skills and knowledge they need to meet the ever-changing needs of their workplaces.

Our membership of over 6,000 is part of the international CTA network which has more than 33,000 members. It includes the Chartered Institute of Taxation UK, the Tax Institute of Australia, the Taxation Institute of Hong Kong, and the South African Institute of Taxation. The Institute is also a member of the CFE Tax Advisers Europe (CFE), the European umbrella body for tax professionals.

Our members provide tax services and business expertise to thousands of Irish owned and multinational businesses as well as to individuals in Ireland and internationally. Many also hold senior roles in professional service firms, global companies, Government, Revenue, state bodies and in the European Commission.

The Institute is, first and foremost, an educational body but since its foundation in 1967, it has played an active role in the development of tax administration and tax policy in Ireland. We are deeply committed to playing our part in building an efficient and innovative tax system that serves a successful economy and a fair society. We are also committed to the future of the tax profession, our members, and our role in serving the best interests of Ireland's taxpayers in a new international world order.

Irish Tax Institute - Leading through tax education



Introduction



The Irish economy is in remarkably good shape but as the Minister for Finance, Michael McGrath TD pointed out at the National Economic Dialogue (NED), underneath the healthy headline numbers, risks abound.

Chief among them is the Exchequer's dependence on a small number of multinational companies. In 2023, the top ten companies paid 52% of the net corporation tax receipts. While foreign-owned multinationals accounted for 35% of employment and 53% of employment taxes.¹

Another risk mentioned by the Minister at the NED is the increasingly competitive battle for inward investment as the larger economies in Europe enter the fray, enabled by the greater flexibility in EU State aid rules for all Member States.

As Minister McGrath pointed out, Ireland, whose economy has benefitted enormously from globalisation, must heed the threat posed by the deeper pockets of new competitors in an increasingly protectionist global trading environment.

To help mitigate these risks, the Irish Tax Institute believes the Government should focus on three broad areas in Budget 2025:

- Supporting growth and innovation in the SME sector
- Enhancing Ireland's competitiveness
- Ease of doing business

¹ Corporation Tax - 2023 Payments and 2022 Returns - Revenue, April 2024

Supporting growth and innovation in the SME sector



Ensure that existing tax reliefs achieve their policy objective

Effective tax measures for SMEs have a significant role to play in building an innovative and productive indigenous sector which, by common consent, is essential for the diversification of Ireland's economic base.

The Institute has played an active role in the work of the Tax Administration Liaison Committee (TALC) Sub-committee, set up at the request of the Minister for Finance to explore how the administration of the SME tax measures could be simplified and modernised. We await publication of the Sub-committee's report.

However, it is our strong view that further legislative change is required to address the restrictive conditions that are excluding many small and micro enterprises from availing of the existing business tax reliefs. In that context, we welcome the Minister's statement at the NED that he is "*keeping all enterprise related tax provisions under review*" and that he expects to bring forward further measures relating to the SME tax reliefs in Budget 2025.

In this Submission, we outline a selection of key legislative changes which we believe would encourage more investment in SMEs and make the current suite of measures more accessible to smaller companies. A more detailed list of our reform recommendations is set out in our Pre-Finance Bill 2024 Submission which we sent to the Department in late May.²

² Irish Tax Institute Pre-Finance Bill 2024 Submission, May 2024

Objective of the tax relief	Issue for businesses which restricts take-up of the tax relief	Amendment necessary to maximise tax relief
<p>Employment and Investment Incentive (EII)</p> <p>To provide an essential source of funding for early stage and small businesses that have limited financing options.</p>	<p>The exclusion of holding company structures is a serious impediment for start-up businesses. Typically, founder holding companies are established for genuine commercial reasons before raising EII finance is even a consideration.</p>	<p>Permit holding company structures.</p>
	<p>A business risks a full clawback of the relief if there is any administrative error or delay in the certification and reporting process involved in the EII. This is a penal and disproportionate sanction that effectively rules out EII for many small businesses unskilled in claiming this complicated relief.</p>	<p>A monetary fixed penalty would be a more proportionate sanction for an administrative error or the late filing of a return.</p>
	<p>The connected party rule means employees or non-executive directors of companies are ineligible for EII relief where they have received shares or share options to encourage them to join the company. This means smaller companies are not in a position to offer incentives to retain strong board membership and talented employees.</p>	<p>Provide a carve-out from the connected party rule linked with a control test, so that shares and share options granted to non-executive directors or other key employees will not automatically result in ineligibility as a qualifying investor.</p>
	<p>Exit strategies for investors are integral to any commercial investment decision. The only exit route open to an investor under EII is by way of share redemption in limited circumstances or a trade sale.</p>	<p>Allow additional exit strategies for investors in small businesses under the EII.</p>
	<p>The disallowance of capital losses on EII investments reduces its attractiveness for potential investors.</p>	<p>Allow the offset of capital losses, net of tax relief already received, incurred on EII investments.</p>
	<p>The objective of the EII is the creation or maintenance of employment. But companies claiming relief are required to increase both the numbers employed and their total remuneration three years after investment has been secured. This is a stretching demand at an early stage of business development.</p>	<p>Amend the employment conditions to allow a company to qualify if it satisfies either one of the tests: an increase in the numbers employed or an increase in total remuneration.</p>

Objective of the tax relief	Issue for businesses which restricts take-up of the tax relief	Amendment necessary to maximise tax relief
<p>R&D Tax Credit</p> <p>To encourage companies to undertake high-value-added R&D activity in Ireland, thereby driving productivity growth and fostering competitiveness.</p>	<p>Last year's amendment to allow the first €50,000 of an R&D Tax Credit claim to be paid in full in the first year of the claim represented good progress. But further condensing of the payment schedule would make it significantly more attractive to SMEs.</p>	<p>Condense the 3-year payment schedule into one year for SMEs to provide valuable assistance to smaller companies.</p>
	<p>The definition of R&D for the purpose of the R&D Tax Credit differs from the definition for R&D grants given by IDA Ireland and Enterprise Ireland which include innovation.</p>	<p>Align the definition of and criteria for R&D across all Government supports in this area.</p>
	<p>The level of qualifying expenditure incurred by a company when R&D is sub-contracted or outsourced to a third-party, university, or Institute of Higher Education is capped at 15% of in-house R&D expenditure or €100,000 (whichever is greater). This cap can severely hamper the ability to outsource activities such as clinical trials or AI development.</p>	<p>Lift the cap in line with Government policy to foster collaboration between academia and private business.</p>
	<p>Revenue does not seek to challenge the 'science test' in cases where an R&D Tax Credit claim is made by a small or micro company in receipt of grant aid from Enterprise Ireland, the IDA or the EU. However, this concession is restricted to claims below €50,000 for any accounting year. We understand from discussions at the TALC Sub-committee that Revenue is not in a position to increase this limit on an administrative basis.</p>	<p>Put Revenue's streamlined R&D validation process for small and micro companies on a statutory footing and increase the limit (i.e. €50,000) to apply per project rather than per claim or to €100,000.</p>
	<p>Revenue only allows the rent of specialised premises such as a laboratory or clean room to qualify as allowable expenditure. In an era where R&D can be carried out on a laptop at a desk, this makes no sense. Renting premises is a substantial expense on the P&L of most small and micro businesses. Its disallowance significantly diminishes the attractiveness of the R&D Tax Credit for such companies.</p>	<p>Allow rent to qualify as R&D expenditure.</p>

Objective of the tax relief	Issue for businesses which restricts take-up of the tax relief	Amendment necessary to maximise tax relief
<p>Key Employee Engagement Programme (KEEP)</p> <p>To enable SMEs to attract and retain skilled workers through the provision of share-based awards.</p>	<p>Obtaining certainty over the valuation of KEEP shares is a key concern for companies considering availing of the scheme. If share options are not granted for market value, they do not qualify as KEEP options, resulting in no tax relief applying on exercise. This penal sanction makes KEEP unviable for SMEs.</p>	<p>Where options are granted at an undervalue within say, a certain percentage of the Revenue determined value (for example, 75%), a more proportionate sanction would be for a charge to income tax to arise on the exercise of the options on the difference between the market value at the date of grant and the option price.</p>
	<p>The restrictive definition of a ‘qualifying holding company’ under the rules of KEEP precludes many businesses from availing of this measure. This restriction fails to recognise the commercial reality of how businesses typically evolve in the modern economy.</p>	<p>Amend the definition of a qualifying holding company for KEEP purposes to permit the group as a whole to be considered, similar to the approach taken for the CGT holding company exemption.</p>
	<p>The amount of share options that can be awarded under the KEEP is linked to the employee’s annual emoluments. In the current tight labour market where multinationals are paying the highest salaries in the economy, this restriction means KEEP is not an option for start-up businesses seeking to maintain and attract talented workers and directors.</p>	<p>Remove the annual emoluments cap from the qualifying share option limit.</p>
	<p>The KEEP legislation does not provide for the continuing availability of the relief in the event of the SME (for example, holding company and its subsidiaries) undergoing a corporate reorganisation during the period in which the KEEP share option rights are outstanding.</p>	<p>Allow for the continuation of the relief in the event of an SME undergoing a corporate restructuring.</p> <p>Provide for a roll-over type relief of KEEP share options where share rights are exchanged or surrendered for new rights to ensure the tax arises at the point of exercise of the new right with the history of the original share right taken over.</p>

Objective of the tax relief	Issue for businesses which restricts take-up of the tax relief	Amendment necessary to maximise tax relief
<p>CGT Revised Entrepreneur Relief</p> <p>To incentivise and support entrepreneurs in developing and building productive businesses in Ireland.</p> <p>The relief reduces the high CGT burden on the sale of a business in Ireland to a limited extent.</p>	<p>The definition of a holding company for the purpose of the relief is unduly restrictive and excludes common structures that are put in place for commercial reasons.</p>	<p>Broaden the definition of a holding company.</p>
	<p>Entrepreneur Relief is not available where a dormant company is present in the group. This is a very significant limitation because a subsidiary company can commonly become dormant over time. For example, this might happen where the company has ceased to trade or where the trade has been transferred to another group company and the company cannot be wound up or liquidated due to company law legislation for the protection of creditors.</p>	<p>Remove the restriction on relief where a group holds a dormant company.</p>
	<p>A purchaser may prefer to acquire a trading company only rather than an entire group. However, where this happens, Entrepreneur Relief is not available on the liquidation of a holding company following the sale of the trading subsidiary.</p>	<p>Allow the relief to apply where the holding company is immediately liquidated following the sale of a trading subsidiary.</p>
	<p>One of the conditions of Entrepreneur Relief is that all subsidiaries must be minimum 51% subsidiaries for the relief to apply. If a group is party to a joint venture and holds less than 51% of the joint venture company, relief can be denied in full.</p>	<p>Remove restrictions to the relief in situations where a group has a shareholding in a joint venture company of less than 51%.</p>
	<p>A founder of a company that raised finance through the EII scheme may be denied Entrepreneur Relief on disposal of their shares in certain circumstances.</p>	<p>Confirm that shares which qualified for EII relief should be ignored for the purposes of meeting the 5% shareholding test for Entrepreneur Relief. Clarify whether it is the number of shares or the nominal value of shares that is relevant when determining the 5% test.</p>

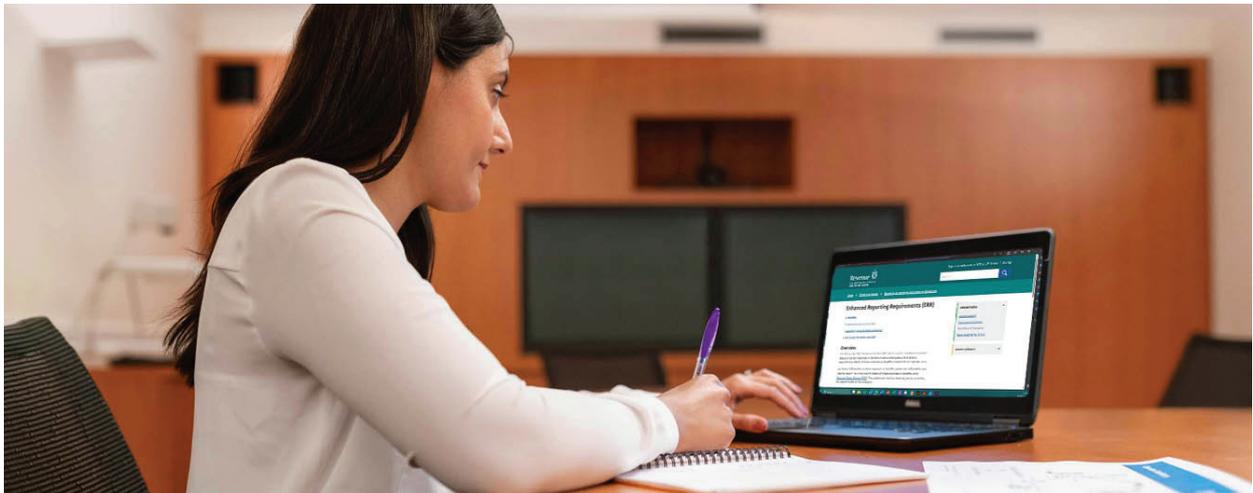
Other business tax related provisions

Capital Gains Tax Rate

The Institute has been pointing out for the last decade that Ireland's headline rate of CGT, at 33%, is one of the highest in Europe. The rate has remained unchanged since it was increased during the financial crisis. A high CGT rate can result in delays in selling investments that have large unrealised gains. In contrast, a reduced CGT rate can encourage entrepreneurship because the capital gain payoff from a successful start-up is improved.

In our view, Ireland's high CGT rate is restricting external investment in Irish business. It is also creating reluctant business owners who may hold onto their firms beyond the point where they have capacity to grow them to the scale required to expand into export markets. This dampening effect on productivity and growth in the SME sector is, in our view, evidenced by the low level of CGT receipts in recent years, which fell further in 2023 compared with the previous two years. We know from previous experience that reducing the CGT rate can stimulate activity and increase the yield to the Exchequer.

It is our firm view that a reduced CGT rate of 25% applying to active business assets would encourage innovation and productivity and attract more investment in indigenous business.



Make the new Enhanced Reporting Requirements (ERR) workable for SMEs

ERR requires employers to report details of certain non-taxable expenses and benefits, specifically: the Small Benefit Exemption (SBE); the remote daily working allowance; and travel and subsistence payments.

The Institute fully acknowledges the value of collecting this data to inform tax policy and improve compliance. But, as we warned in our letter to the Minister for Finance last August, the real-time nature of ERR places a very significant administrative burden on businesses, particularly, smaller businesses.

We recommend the following two amendments which we believe will ease this burden and remove what we assume are unintended consequences of the rules as drafted.

Increase the number of permissible benefits for the SBE while retaining the monetary limit

Under the SBE, an employer may provide up to two small tax-exempt benefits to an employee in a year up to a maximum value of €1,000. The new ERR rules require an employer to report the details on or before such a benefit is given to an employee. If that benefit satisfies the conditions of the SBE, the exemption

automatically applies. An employer does not have the option to tax the first and/or second benefit of the year to allow an employee to avail of the exemption later in the year when further benefits may be granted. This can give rise to unexpected outcomes.

Example

An employer gives all of their employees a voucher for €200 in March and another €300 voucher at Christmas to reward them for their hard work. The employer sends a €50 bouquet of flowers to one employee, Jane, on her marriage in July.

As Jane has received a voucher for €200 in March and flowers in July, this means that the €300 voucher received at Christmas does not qualify for the SBE as she has already received two benefits. The SBE does not apply to the €300 voucher even though the cumulative value of the benefits which Jane received from her employer during the year has not exceeded the €1,000 limit.

As a consequence of the employer sending the flowers to Jane in July, the €300 voucher which she receives at Christmas is subject to income tax, USC and PRSI. It is not possible for the employer to opt to tax the flowers so that the €300 voucher qualifies for the SBE.

In our view, the SBE should be amended so that the €1,000 limit applies to the cumulative value of employee incentives across the year of assessment. This would give employers the flexibility to reward and incentivise staff as they see fit. Where the €1,000 limit is exceeded, the portion of any benefit received in excess of the limit should be subject to a benefit-in-kind (BIK) charge.

Review the fixed penalties which apply for failure to comply with ERR in real-time

A fixed penalty of €4,000 applies where an employer inadvertently omits to report, in real-time, a benefit or expense reimbursed to their employee. The €4,000 penalty applies notwithstanding there may be no risk of an underpayment of tax. Furthermore, given the real-time nature of ERR, the penalty can apply even where an omission is discovered by an employer and is subsequently reported to Revenue at the earliest opportunity.

In our view, such a penal sanction is wholly disproportionate and places an inordinate burden on smaller businesses that have limited resources. We urge that the level of this penalty be reviewed and replaced with a more appropriate sanction.

Flowers to mark births, marriages and death; Easter eggs; cakes to celebrate work team successes: all of these have become commonplace as employers seek to create supportive cultures in their businesses. The supply of these items provides a welcome boost to many small local businesses around the country.

However, the restrictions on how the SBE operates as well as the disproportionate fixed penalties upon any breaches of the new ERR rules are likely to make employers reluctant to show their appreciation to employees in this manner. This will not be good news for the local florist, baker or chocolatier.

Enhancing Ireland's competitiveness



Simplify the Irish corporation tax code

In a post-Pillar Two world, Ireland must find other ways to improve the competitiveness of the Irish tax system. An obvious route that the Institute has been recommending over the last six years is simplification.

Since the launch of the BEPS process in 2013, international tax has become enormously complex. Compliance is onerous and costly, and tax certainty for business has been greatly eroded. Revenue authorities around the world are also struggling under the weight of the unprecedented rate of change in global tax rules. The OECD, itself, is now recommending simplification to Member States.

In that context, the Institute welcomes the Minister's decision to introduce a participation exemption for foreign dividends in the forthcoming Finance Bill. In our response³ to the Strawman Proposal, set out in the Department's Feedback Statement on the exemption, we highlighted a number of issues which we believe need to be addressed including the limited geographic scope and the effective date for the participation exemption. Further details are in our Pre-Finance Bill 2024 Submission.

Adopt a branch exemption in tandem with the participation exemption for foreign dividends

There can be significant differences in the timing and measure of taxable income for Irish companies between the head office and branches because Ireland does not allow a branch exemption. These differences cause tax uncertainty and complexity. The Institute has expressed its disappointment at the slow rate of progress in the consideration of this matter by the Department. Despite promises, there has been no stakeholder consultation so far this year and time is of the essence.

It remains our view that a foreign branch exemption must be introduced in Finance Bill 2024 in tandem with the participation exemption for foreign dividends. This would significantly reduce the administrative burden for Irish companies with foreign branches. Many EU Member States and competitor jurisdictions allow a foreign branch exemption.

³ Irish Tax Institute Response to the Feedback Statement on a Participation Exemption for Foreign Dividends, May 2024

Reform Ireland's interest deductibility provisions

We welcome the ongoing review by the Department of Finance of the interest deductibility rules but we are concerned that there is no clarity on the timeline for its completion nor on the prospects for its reform.

Ireland has one of the most complicated interest deductibility regimes within the EU. The ATAD Interest Limitation Rule (i.e. 30% of EBITDA ratio rule), introduced in Finance Act 2021, was simply layered on top of existing, already comprehensive interest deductibility provisions. Compliance with this tangled web of rules has become difficult and costly for businesses that operate here. In our view, it represents a reputational risk.

Government should, as a matter of urgency, set out a clear statement of intent to overhaul the legislative provisions to ensure a broad base for deduction of interest against both trading and non-trading income is permitted, using the protection of the ATAD Interest Limitation Rule against base erosion risks. This would bring Ireland's interest deductibility rules in line with the measures contained in the corporate tax systems of its European counterparts.

In a post-Pillar Two world, simplification of the corporate tax code has the power to be Ireland's new unique selling point for inward investors. But the immediate priority must be to reform the elements of the corporation tax system that are harming the country's competitiveness.

We accept that simplification is a big project that would require significant resources for Revenue. But the case for this investment is compelling. Clear and simple corporation tax rules that are easy to operate and comply with would significantly enhance Ireland's reputation as a pro-business location. The Government has the power and the means to deliver simplification. The system must provide the will to do so.

Make Ireland's personal tax system more attractive

Reduce the marginal tax rate

We welcome the Minister for Finance's recognition of the personal tax system and the cost of employment as critical factors in business investment decisions. Feedback from our members suggests that a marginal rate of tax (including social insurance contributions) set at 50% would help to attract highly skilled and mobile labour to Ireland.

We endorse the view of the Commission on Taxation and Welfare that the tax treatment for all income earners should be aligned and therefore, the additional 3% USC surcharge which applies to self-employed income over €100,000 should be removed, as it does not comply with the principle of horizontal equity.



Taxation of share-based remuneration

In the modern economy, share-based remuneration has become an increasingly effective way of rewarding key employees at all stages of development of a business. It can also significantly reduce fixed labour costs and free up business cashflow.

Our proposals regarding the KEEP are outlined above and in greater detail in our Pre-Finance Bill 2024 Submission. Separately, in our response⁴ to the Department of Finance's public consultation on Ireland's Taxation of Share-based Remuneration, we set out detailed recommendations for amendments to the legislation governing both approved and unapproved share schemes in Ireland and enhancements to the administration of such share schemes.

Key amongst these recommendations is the need for measures to address the difficulties faced by employees in funding the upfront tax cost arising on the exercise of a share option or receipt of a share award. In many cases, a restriction will apply which prevents the employee from selling the shares for a defined period. Deferring the tax arising until such time as the employee is permitted to dispose of the shares, similar to the position in other EU Member States, would mean that the employee is in a position to fund the tax arising.⁵

Some employers may opt to mitigate the cash-cost to an employee of share ownership, by providing a loan to purchase the shares or exercise a share option and discharge the tax due. However, loans of this nature are treated as a BIK with the employee taxed on a benefit equal to 13.5% of the amount of the loan annually until it is paid off. Applying a penal 13.5% preferential rate of interest is not in line with the approach adopted in other jurisdictions which apply more commercial rates of interest.

In our view, the take-up of share ownership by employees could be further supported by removing this BIK charge. But if policymakers consider its removal is not appropriate, then, at a minimum, the preferential rate of interest should be reduced to reflect a more commercial rate.

Tax measures to promote the green agenda and sustainability

Many jurisdictions are using tax incentives to support businesses in reducing their carbon emissions and to encourage investment in green/energy efficient projects. Moreover, most large multinational groups are now bound by ambitious environmental and social and governance (ESG) frameworks. As a result, robust climate action policies, including supports for green initiatives, have become key considerations for investors when choosing locations for their business.

In our view, Ireland's current offering in this area does not compare favourably with competitor jurisdictions. We firmly believe that tax measures which support businesses in reducing their carbon emissions should be on the table as the country seeks to attract and retain inward investment. Such measures would also aid Ireland in achieving its climate change targets.

Ireland's natural advantages in the production of wind energy could be maximised by incentivising business to build green energy infrastructure to exploit this renewable energy source which in turn would assist Ireland in becoming energy self-sufficient and potentially an exporter of green energy.

Two key measures which we believe would improve Ireland's offering as a location for sustainable investment are enhancing the existing accelerated capital allowances regime for energy efficient equipment and introducing targeted measures for green or energy related R&D.

⁴ Irish Tax Institute Response to the Consultation on Ireland's Taxation of Share-based Remuneration, January 2024

⁵ A number of EU Member States allow a deferral of tax until the point of sale, including Germany and the Netherlands. In Poland, the payment of tax can be deferred to the sale of shares in certain circumstances if the company is headquartered in Poland, the EU/EEA or in a double tax treaty country. In Portugal, in addition to a deferral of tax until sale, only 50% of the gain is taxable for start-ups and SMEs.



Enhance the accelerated capital allowances regime for energy efficient equipment

The cost incurred by a business in investing in energy efficient equipment (EEE) can be relieved for tax purposes through accelerated capital allowances under section 285A TCA 1997. Accelerated capital allowances provide a tax deduction equal to 100% of the costs incurred on qualifying EEE in the year the expenditure was incurred. In our view, the accelerated capital allowances scheme is administratively difficult and is limited in scope.

We would recommend the following legislative enhancements to the accelerated capital allowances scheme:

- Widening the scope of the relief beyond EEE to whole buildings that receive a recognised accreditation for overall energy performance.
- Removing the condition that the equipment must not be leased, let or hired, as this precludes landlords and lessors from availing of the relief.
- Introducing a tax credit for companies which can be monetised where the company is loss-making for the element of the loss generated by the accelerated capital allowances claim.
- Introducing an enhanced rate of relief above the current 100% first-year allowance.

The process for adding new products to the list of eligible EEE, which is maintained by the Sustainable Energy Authority of Ireland (SEAI), needs to be simplified to reduce the delay experienced when new products are added to the list. This could be achieved by determining the eligibility of a product by reference to certain specified performance criteria. For example, the SEAI criteria could be used to determine qualification rather than different individual product codes that are registered with the SEAI.

Introduce targeted measures for green or energy related R&D

Other EU countries such as Italy, Portugal and Spain have introduced targeted measures for green or energy related innovation in their R&D tax incentive regimes. To maintain and improve Ireland's competitiveness, consideration should be given to enhancing the R&D Tax Credit to encourage research, development and innovation which would facilitate emissions reductions and the development of new low carbon and carbon neutral products.

Ease of doing business



Ireland's reputation as a pro-enterprise economy has been critical to its success in attracting FDI. Maintaining and building on that reputation must remain a key objective of all arms of public administration.

A clear and simple business tax code is key to ease of doing business. We have set out above our recommendations for the enhancement of enterprise reliefs and for the simplification of the corporation tax code to make it more competitive. In this section, we outline key administration issues that are currently or have the potential to cause difficulty for business.

IT developments to simplify and support tax compliance

The Institute has identified several IT developments⁶ which are needed to simplify and support compliance by self-employed taxpayers and small businesses with their tax obligations. These include:

- Greater sharing of data which Revenue receives from various sources such as from third party and property-related returns, through the pre-population of tax returns as well as access through ROS. This would aid the accurate completion of tax returns and reduce the time and cost involved.
- A facility for tax agents to view outstanding tax liabilities for their clients on ROS, so that missed tax payments can be addressed promptly.
- Ongoing improvements to MyEnquiries (Revenue's platform for communicating with tax agents and taxpayers) to reduce the number of queries that are not addressed within Revenue's Customer Service Standard (i.e. 20 working days).

Revenue has endeavoured to progress the IT developments identified at TALC. However, it is clear from discussions with Revenue that IT developments required to comply with changes in the international tax framework over recent years - as well as annual Finance Bill measures - are consuming their resources, leaving very limited capacity to improve the online experience of businesses and their agents.

⁶ Irish Tax Institute and CCAB-I Joint List of IT Priority Developments submitted to Main TALC, 8 March 2023.

In our view, it is imperative that adequate resources are provided to Revenue which are ring-fenced for IT developments that will make it easier for the self-employed and small businesses to comply with their tax obligations. Work in this area should proceed before any plans to extend new electronic obligations, such as the ERR, are progressed.

Resourcing the Competent Authority to deal with tax disputes on a timely basis

As Pillar Two is implemented across jurisdictions, the tax functions of large multinational groups are striving to unpick the complexity of the new rules and to ensure the correct processes are in place to comply with them.

However, there remains much uncertainty about how the rules will operate internationally. Any divergence in their interpretation between countries will inevitably lead to disputes and Revenue audits. In that context, it is essential that the resources of the Irish Competent Authority are increased to deal with such disputes in a timely manner.

Conclusion



The Government moved quickly to offer unprecedented support to businesses over the last four and half years, starting in early 2020 with the outbreak of the pandemic and through the ensuing period of geopolitical upheaval sparked by the Russian invasion of Ukraine.

It is now clear that the world has entered an era of sustained instability in which rolling crises may become the norm. In these circumstances, Government must take a more systemic approach.

The Institute believes that the tax system can be a powerful lever in sharpening Ireland's competitiveness, and incentivising enterprises to build resilience and take the necessary risks to grow and provide continued quality employment in the current difficult global trading environment.

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