Response ID ANON-U45Z-ZZTT-M

Submitted to Your Vision, Our Future
Submitted on 2022-01-17 12:36:32

About You

1 What is your name?

Name:
Peter Reilly

2 What is your email address?

Email:
peter.reilly@pwc.com

3 I am responding as:

A representative of an organisation

4 If you are responding on behalf of an organisation, please enter your organisation name here:

Organisation:
PwC Ireland. PwC Ireland is the largest professional services firm in Ireland, we offer a broad range of services across audit, tax and advisory. From a taxation perspective, PwC Ireland advises a broad base of taxpayers, ranging from individuals, indigenous entrepreneurs, Irish listed entities to foreign-owned multinationals. We have drawn on this knowledge and expertise in responding to this consultation. We have intentionally left some questions unanswered where the subject of the question is an area that PwC Ireland does not advise on.

Chapter 1 - General Questions

1 What elements of the taxation and welfare systems do you feel are working well?

Please elaborate below::

Good stakeholder engagement prior to any tax changes e.g. the two stage consultation on interest limitation rules that concluded in August 2021. We particularly welcome a consultation on Ireland moving to a territorial regime given the parity that this might create between Ireland and other European countries' tax systems.

The release of and updates to the corporate tax roadmap, which indicates the broad direction of tax policy travel which offers certainty to taxpayers and businesses. These policy-led communications from the Department of Finance are matched by Revenue's willingness to engage with stakeholders through TALC meetings, taxpayer education, etc.

Systems have generally been upgraded to a more digital process of filing a tax return and/or related information, for example, LPT, ROS, Revenue's myAccount.
ROS is a well designed and easy to maneuver system. Ongoing technical developments are underway to address remaining issues identified by users.

High rates of compliance with a self-assessment tax system indicates that the system of collecting taxes works well in Ireland.

2 What elements of the taxation and welfare systems do you feel are not working well?

Please elaborate below::

The corporate tax code is becoming increasingly difficult for taxpayers to navigate (e.g. interest limitation rules). We recommend that a simplification of the corporate tax code is undertaken without delay.

The EII scheme: The scheme is far too complex for both investors and companies that want to use it to raise capital. Revenue statistics show that the number of companies taking part in the scheme fell from 296 in 2014 to 37 in 2018 (https://www.revenue.ie/en/corporate/documents/statistics/tax-expenditures/eii-stats.pdf). We recommend that the scheme be simplified to encourage wider uptake by companies and investors.

Imposing an effective rate of 33% on gains arising from the bona fide disposal of business assets. We recommend that the disposal of such assets (other than certain specified assets) be reduced to 12.5%.

Currently, we have three tax rates that can apply to corporate entities - 12.5%, 25% and 33%. We have a very high rate of tax of 33% for capital gains compared to our European peers. We also have a high 25% tax rate for non-trading income and profits of certain property development sales (which we have previously called on the Department to reconsider in its entirety). We recommend considering whether all three of these rates, versus having a single statutory tax rate for corporate income and gains, makes sense from a competitiveness perspective. We believe that this is all the more relevant given the recent changes to transfer pricing and interest limitation rules and the changes that are coming as a result of the work being undertaken on

global minimum taxation at the OECD.

Income tax costs are a burden and a disincentive for businesses and employers that wish to expand their footprint by hiring/promoting more employees. Ireland's marginal tax rate is 48% (i.e. exclusive of PRSI but including USC) on all incomes over €70,044, a rate that is significantly higher than the equivalents in the UK and US. This is a drawback when trying to attract and retain highly skilled personnel to Ireland.

Furthermore, the tax costs for the self-employed is higher again for any income over €100,000 with a marginal tax rate of 51% (i.e. exclusive of PRSI but including USC). High marginal tax rates such as this one on the self-employed can discourage entrepreneurship.

The lack of incentive to invest in further education by individuals: the Irish taxation system provides tax relief at a rate of 20% for qualifying expenditure between 3,000 and 7,000 per annum, allowing a maximum claim of €800 (4,000 * 20%). We recommend allowing relief on a euro for euro basis and removing the disregard of the 3,000.

3 Good quality public services, welfare provision and infrastructure are financed mainly from taxation and PRSI. What are the features that you think our taxation and welfare systems should have in order to meet these needs?

Please specify::

No comment.

4 In your view, what main reforms are necessary so that the Irish taxation and welfare systems can embrace the opportunities and meet the challenges that Ireland may face over the next 10-15 years?

Please outline your views::

We have suggested a number of reforms throughout our responses. Below is a sample of the issues we would view as being opportunities and challenges to address.

Pension system sustainability
Retirement savings is a policy area that has too often remained mid-way up the policy agenda. That being said we have seen a number of positive publications in the recent 18 months, namely the Interdepartmental Pensions Reform & Taxation Group ("IDPRTG") report, regulations transposing the EU's IORP II Directive and the State Pension Commission's report. We have reached a critical juncture in pension provision in Ireland where we now need to execute on measures across State, occupational and personal pensions. If we continue to postpone implementation, we will reach a retirement cliff edge with insufficient private sector coverage, inadequate private sector savings, gender, generational and private or public sector retirement gaps leading ultimately to an over reliance on an increasingly unaffordable State Pension.
The recent Finance Act has implemented some of the many recommendations from the IDPRTG report but more can be done. Decisions on the State Pension need to be made to ensure it remains sustainable as our population ages and the roll out of auto-enrolment, reinforced by a strong underlying governance system, can encourage greater participation of retirement savers and reduce the reliance on the State Pension for future retirees.
The end of 2023 has been earmarked as the launch of auto-enrolment on a phased basis and this now needs to happen - too much time has passed in a start-or-stop fashion and we could face a "lost generation" of people with little, if any, private retirement savings. The structural elements of the auto-enrolment regime do need to be considered carefully and how they might interact with the existing occupational and personal pensions landscape. As it stands there is potential for tax complications and anomalies in the system which could create confusion for savers and operational challenges for employers. It must also consider how best to capture those who have no private pensions, for example the self-employed, low earners, homemakers, younger and older age demographics.
Appreciating the unprecedented backdrop we face and the financial challenges faced by many, the fact still remains that the earlier we help people start to save for retirement (however small that might be) the better chance we have of closing the retirement savings gap.

International Tax Reform
As the OECD Pillar 1 and 2 proposals are enacted, the Irish corporate tax system will need to be nimble and agile so as to continue to play a role in attracting Foreign Direct Investment. We would recommend that focus be placed on a number of items in order to remain a competitive location in which to invest, namely:
Simplification of the corporate tax code.
Alignment of broad industrial goals for Ireland with medium to long term tax plans: Investment in key sectors will be critical in ensuring that the return (future tax receipts) from the investment (current tax expenditures) is as high as possible. Certain sectors may offer better opportunities - see our answer to Question 6.1 for further information.
Provide more tax incentives for individuals to invest in their education to ensure Ireland continues to have a highly educated workforce.
Provide more resources for Revenue and the Irish Competent Authority to provide guidance and oversee the implementation of the new rules, engage in APAs and MAPs, and dispute prevention activities.

Other points on how to counteract any negative consequences of international tax reform are dealt with in more detail in Chapter 6.

Chapter 2 - Fiscal Sustainability

1 What reforms to the taxation and welfare systems should be considered to ensure the system is sustainable and resilient and that there are sufficient resources available to meet the costs of public services in the medium and longer term?

Please specify taxation reforms you consider important::

As we will outline in further detail in Chapter Three, the income tax base in Ireland is quite narrow and overly reliant on income tax collected from 25% of income earners (those earning more than €50,000). This group makes up 83% of the total Income Tax and USC receipts. We recommend that this base be broadened, considering that income tax makes up over 40% of 2020 Net Exchequer Receipts (https://www.revenue.ie/en/corporate/press-office/annual-report/2020/ar-2020.pdf), to ensure that Ireland is more resilient to any economic fluctuations or idiosyncratic shocks.

Corporation tax accounted for 21% of Net Exchequer Tax Receipts in 2020. According to the figures contained in Revenue's "Corporation Tax – 2020 Payments and 2019 Returns'' publication, 51% of net receipts are from the top 10 taxpayers. We therefore similarly recommend a broadening of the corporation tax base to boost economic resilience to any fluctuations. In order to this, we have set out a number of recommendations that would support the overall growth of the FDI and indigenous Irish business communities in multiple sectors throughout our responses.

Please specify welfare reforms you consider important::

No comment

2 Rate each issue below in terms of strategic importance to the taxation and welfare system over the next 10-15 years (1 being least important and 5 being most important):

importance options - Achieving good public health outcomes for our people:

importance options - Addressing the climate crisis:

importance options - Adequate social transfers and benefits:

importance options - Growing employment:

importance options - Sustainability of public finances:

importance options - Sustained economic growth:

3 Given approaching demographic pressures and future uncertainties, future funding of public services is a critical issue. In order to meet these challenges, what is the appropriate balance between the taxation of a) earned income, b) consumption e.g. VAT and c) wealth e.g. capital acquisitions tax?

Please outline your views::

The OECD Tax and Economic Growth study from 2010 established a hierarchy of taxation, in which taxes are ranked in terms of their impacts on economic growth. The empirical work suggests that recurrent taxes on immovable property are "the least distortive tax instrument in terms of reducing long-run GDP per capita, followed by consumption taxes and other property taxes as well as environmentally-related taxes, personal income taxes and corporate income taxes".
This would therefore indicate that the appropriate balance is the taxation of wealth as the base, followed by consumption, followed by earned income. However one noteworthy point in an Irish context is the source of Irish wealth. Based on the latest Central Bank of Ireland data (https://www.centralbank.ie/statistics/data-and-analysis/financial-accounts), household net worth in Q2 2021 rose to 935 billion euro, comprising housing assets (54%) and other financial assets (46%) before adjusting for liabilities. As such, taxing wealth in Ireland should be understood to be primarily taxing property and secondarily taxing other financial assets. Given the present difficulties with the housing sector, the taxation of housing may put further pressure on an already pressurised sector, and could therefore be viewed as a suboptimal policy choice.
We would also like to draw your attention to the comments made in the EU Commission's publication "Business Taxation for the 21st Century" when considering the future tax mix. The Commission acknowledges that we may have reached peak income taxes in the EU. Member States rely heavily on income taxes as they account for more than 50% of the overall tax revenue in the EU-27. In light of ageing demographic trends and digitalisation, income taxes may no longer represent a fair approach from an international perspective, be the sustainable source of revenue they once were, and may be a drawback for the EU's overall economic competitiveness and employment levels when compared to other advanced economies.

Chapter 3 - Promoting Employment

1 What reforms to the taxation and welfare system should be considered to ensure that taxation and welfare work in tandem to support economic activity and promote employment while also supporting those most vulnerable in an equitable way?

Please outline what reforms should be considered::

The Tax Strategy Group reporting on Income Tax (September 2021) estimates that the top 25% of income earners (i.e. those earning more than €50,000) will pay 83% of the total Income Tax and USC. Equally, 75% of income earners (i.e. those earning less than €50,000) will pay 17% of the total Income Tax and USC. Furthermore, the Revenue Commissioners indicate that for 2021, 29% and 36% of income earners are exempt from USC & Income Tax respectively. The above indicates that the overall tax base is narrow given that the band of taxpayers who support the largest contribution to Income Tax and USC is small.

This should be viewed in the context of the Gini coefficient(a measure of statistical dispersion intended to represent the wealth or income inequality within a country), which tracks the contribution of both the tax and welfare systems to changes in income inequality. This was considered in the Department of Finance Tax Policy Changes accompanying Budget 2020 where it was noted that "Ireland's welfare system makes a greater contribution than the tax system in reducing income inequality". The focus therefore moves to the structure of the taxation system and how this funds Welfare. Equally, Ireland as an open economy with a substantial level of employment attributable to the multinational sector (According to Indecon's Report on

SARP (2019) 229,057 jobs were supported by the IDA in Ireland in 2018), must be conscious of Ireland's international ranking in terms of tax competitiveness. Ireland must remain capable of attracting and retaining large projects in order to support ongoing employment growth. Ireland's marginal tax rate (including USC) is 48%, and is payable on all income exceeding €70,044. By comparison, the marginal rate of tax in the US is 37% (income exceeding US$523,601) and 45% in the UK (on income exceeding STG£150,000). This was borne out by the 2018 IMD World Competitiveness Report, which confirmed that Ireland's effective tax rate for individuals was significantly higher than the rate in the location of our largest source of inward investment, the US and the UK. The effect of the above highlight two matters:

That individuals move quickly into the higher tax bands at an earlier stage; and
Ireland's personal tax rate internationally is recognised as being high, which will hinder the attractiveness of Ireland as a location to invest in.

The Government has the tools to effect change within the tax system, given that the USC can be targeted quite specifically to certain groups of individuals and that the USC applies without relief. The options open to government include:

Reduce the marginal tax rate. This would have the effect of reducing pressure on middle income earners and be advantageous from an international perspective;
Consideration should be given as to whether there is a basis for extending the USC to all taxpayers, such that all income earners make a contribution to the national exchequer. This could be balanced somewhat by a lowering of the standard rate tax band; and
Consideration should be given to support Ireland as an attractive location for inward investment. For example the Special Assignee Relief Programme, which operates at minimal cost to the exchequer is due to expire at the end of 2022. The relief should be improved and extended in order to ensure that Ireland continues to have a competitive offering when compared with competing European jurisdictions.

2 Does Ireland's taxation and welfare system strike the right balance between maintaining the incentive to increase earnings and alleviating some of the risks of low income (poverty and deprivation)?

No

Please explain your view::

As indicated in the previous question, the Department of Finance Tax Policy Changes accompanying Budget 2020, Ireland's welfare system makes a greater contribution than the tax system in reducing income inequality. When this is viewed in conjunction with the level of exempt income earners, it would appear that the welfare system represents a significant support to a large proportion of income earners. Certain tax and structural issues could act as a disincentive to individuals increasing earnings (for example undertaking additional overtime).
Firstly, the point at which individuals enter into the marginal rate tax bands is quite low. For example, in 2021, a single/married person begins to pay tax at 40% once their gross income exceeds €35,400/€44,400 respectively. This could be ameliorated by introducing a third 'intermediate' tax band or reducing the marginal rate of tax at a minimum to those in the UK.
Secondly, the cost of childcare can also act as a barrier to rejoining the workforce. Historically, tax relief was available to employers who provided creche services to staff and which proved successful. Further regard should be given as to what measures would be appropriate to manage childcare costs.

3 Are income supports equitable in terms of how they treat people of working age?

Not Answered

How is this balanced with the requirement to meet differing needs?:

4 What changes to the social insurance system should be considered to ensure sustainability into the medium to longer term? (Please note the recommendations of the Pensions Commission and NESC Report 151 on the future of the Irish social welfare system)

Please specify changes to be considered?:

Ultimately this issue is a question of funding and sustainability and which was addressed by the Tax Strategy Group (TSG21/07). The report gave some useful insights, including:

26% of Class A contributors (624,000 employees) were not required to pay any social insurance but had access to the full range of social insurance benefits;
The entry point to paying PRSI is substantially higher than that for Income Tax and USC; and
Ireland's entry point to pay social security is lower compared to many EU jurisdictions, such as Spain, Germany, Italy and the UK.

Whilst there is likely to be a need to increase contribution rates, it should be borne in mind that merely passing any increase to the employer acts as a cost of doing business in Ireland and impacts Ireland's overall international competitiveness. Whilst options are available regarding increasing individual contribution rates (such as the level at which individuals become entitled to benefits, aligning the contribution exemption limit to that of the USC, re-considering the contribution rate of self employed social security by perhaps providing an 'opt in' additional rate to access increased social insurance benefits, taxing child benefit for those above certain income levels.), we express no opinion as to what may be the best approach in this regard.

Chapter 4 - Climate

1 As Ireland moves to a low carbon economy, what should be the role of the taxation and welfare system in:

a) taking advantage of opportunities? :

Offshore Renewable Energy & Tax Reliefs
Ireland has set a target of delivering up to 80% of Ireland's electricity from a combination of onshore and offshore renewable sources by 2030. At the moment, Ireland is lacking in offshore renewable energy. It is important that there are incentives to develop the offshore wind industry, such as introducing a reduction on CGT for early stage renewable products.

There is a target of achieving 5 GW of installed offshore wind generation by 2030. In order to achieve this target, significant investment in the development of offshore projects will be required.

Consideration should be given to the investment and divestment landscape for the renewable energy sector including, but not limited to, relief for investment or divestment, R&D tax credits and capital allowances.

In order to maximise cash flow for the renewable sector, the following actions could be considered:
Timing of VAT returns or reclaims of VAT on inputs for companies in the development or construction stage;
The easing of RCT administration for new entrants; and
The extension of the time period relating to pre-trading expenditure and ability to monetise losses.

Incentivising Investment Finance in Sustainable Projects
Developing the renewable energy resources required to meet Ireland's emissions targets will require significant capital investment. In this regard, the role of private sector finance will be crucial. Ireland has a long-established policy of encouraging private sector investment in infrastructure projects and this is reflected in the fact that the main investment in renewable energy in Ireland comes from the private sector. Tax has a crucial role to play as an incentive to drive investment in the renewable energy space but it is equally important to ensure that tax does not create any barriers to investing in Irish sustainable infrastructure projects. The current operation of Ireland's corporation tax exemption for capital gains on disposals of substantial shareholdings (as legislated for under S.626B) is a significant barrier for entities looking to raise finance to undertake sustainable infrastructure projects. Currently, in order to benefit from this exemption the activities of the investee company must consist "wholly or mainly of the carrying on of a trade or trades" or the business of the investor company and its subsidiaries and the investee company and its subsidiaries when taken as a whole "consists wholly or mainly of the carrying on of a trade or trades". Renewable energy assets may not meet this trading requirement, particularly at the early stage of development of infrastructure projects. This can result in a substantial CGT impact on the seller where such holdings are divested. From a climate perspective, it is critical that tax does not operate as a barrier to the ability of these early stage development projects to attract the initial financing they require and that such projects can be divested as necessary to renewable developers, with the necessary expertise and capital to bring the project to operational status. As such, Ireland should consider a relaxation of the requirement for the investee company to be considered 'trading' where the economic activity undertaken by the company involves the development of sustainable infrastructure assets.This would also bring Ireland into line with other competitor European jurisdictions such as the Netherlands and Luxembourg.

Transport
The government has set an ambitious target to have 1 million electric vehicles on Irish roads by 2030. In order to achieve this, scrappage schemes and incentives could be introduced to encourage both business and the wider public to swap petrol/diesel cars for electric vehicles and to encourage the further uptake of electric bikes and use of public transport.

A congestion charge could be considered to reduce the amount of vehicles in urban areas and to encourage the use of public transport, walking and cycling, improving air quality. This would also have the benefit of encouraging the population to be more active, positively impacting obesity levels and having other positive health outcomes (such as mental health).

Carbon tax will continue to increase to reach €100 a tonne by 2030. It is important to ensure that funds raised from carbon taxes are ringfenced and reinvested in protecting the vulnerable from fuel poverty and retrofitting older homes and that there is transparency in relation to the use of these funds.

Housing
Incentives that further encourage the retrofitting of second hand homes should be encouraged. In this regard, the introduction of incentives to encourage homeowners to invest in improving the energy efficiency of their homes such as relief for retrofit costs, or CGT relief and reduced stamp duty for properties where the homeowner or landlord has improved the property's BER rating should be explored.

R&D Tax Credit
An extension of the scope of the R&D tax credit to include innovation in the area of sustainability, or clarification through existing guidance on the inclusion of sustainability R&D, would be welcomed. Significant investment is required to help 'seed' innovation in the areas of offshore wind, hydrogen and other emerging technologies. Such innovation should qualify for relief via the R&D credit and/or intangible capital allowances

Plastic
The introduction of levies to discourage the use of single use items could be considered. The EU has now introduced legislation to tackle the issue of non recyclable plastics and will be penalising member states (€800 per metric tonne) based on their consumption of such plastics. This would be more effective if it was passed on to producers of that waste to change their production habits, as otherwise it is coming from general taxation and society (producers and consumers) are not incentivised to reduce and move away from producing and consuming plastic products.

b) mitigating the risks? :

There are a number of ways to mitigate the risks associated with climate change. These include

payments for those adversely impacted by climate change - e.g. economic protection for businesses and employees who are affected by flooding and the other impacts of climate change - similar scheme to PUP in COVID emergency.
Tax breaks for reskilling / upskilling in future proofed careers to support a move to a low carbon economy
Ensuring that monies collected from carbon taxes, congestion charges etc. are set aside to increase public transport, walking and cycling facilities and to

retrofit homes.

c) in meeting Ireland's emissions targets?:

Consideration of levies to encourage changes in consumer behaviour like those achieved by the plastic bag levy.
Carbon tax increases (already being implemented)
Transport - There should be a continued focus on supporting the transition to electric vehicles (and hybrid vehicles in the interim). Tax measures incentivising the use of public transport positively contribute to our decarbonisation journey. Schemes to encourage increased levels of walking and cycling should also be prioritised.

2 Are there existing taxation and welfare measures that are counter-productive to Ireland's climate change commitments?

Yes

If yes, please specify::

The current BIK regime incentivises higher motor vehicle mileage.
The lower excise duty on diesel fuel
Fuel allowances being spent on fossil fuels

To what extent are these justified in the Irish context and are any reforms necessary?:

Fuel allowances are justified as they are an important tool to tackle fuel poverty as household income in Ireland is being squeezed from increasing electricity and gas prices, until cheaper renewable fuels come on stream.

3 What changes should be made to the taxation system to ensure longer term fiscal sustainability given the expected impact of the continued decarbonisation of the Irish economy, in particular the impact of reducing tax revenues from energy, carbon and motor taxes?

Please detail the changes::

See comments in earlier responses.

Chapter 5 - Housing

1 Taking into account previous taxation related interventions in the housing market, what role do you think the taxation and welfare systems have to play in contributing to the long-term supply of housing?

Please outline your views::

The tax system has long been used as a device for implementing government policy, be it by way of credits, deductions or other tax incentives such as the Help-to-Buy ("HTB") incentive. The use of fiscal incentives has the ability to stimulate the economy in areas that the Government feels need attention. In recent years, housing has become an area of particular importance given the lack of supply and affordability within the market. Without policy interventions to improve viability and affordability, housing supply could continue to remain short of requirements.

Affordability is key in the housing market. The overwhelming evidence from both sale and rental markets in Ireland, but particularly in Dublin, is that availability is the key determinant of subsequent price changes i.e. supply matters. Since the financial crisis, supply (of all forms) has been inadequate – and recent improvements still fall short of underlying demand (estimated at 47,000 per year). In recent years, affordability has deteriorated, with rent and sale prices rising faster than incomes. Construction costs in Ireland are very high, compared both to average local incomes and to costs in other jurisdictions.

Ultimately, as Ireland converges over coming decades with its peers elsewhere in Europe, in age structure, household size and urbanisation, the vast bulk of additional housing need will be in urban areas and for smaller households of 1-2 persons. This housing is more expensive per person, creating a greater need for collective investment action, relative to a system where one-off family housing played a key role.

At the same time, the move towards energy self-sufficiency to address the climate challenge affects the potential to reduce build costs. Nearly Zero Energy Building (NZEB) standards impose up-front costs for significant future benefits. This creates a capital market policy puzzle: if the amount of debt an individual household can take on is capped, how will investment take place in assets with high social returns, such as NZEB?

While supply drives affordability, supply is determined itself by viability and not affordability. An example clearly illustrates the current difficulty:

For apartments in Dublin, construction costs are €191,000 per unit excluding site costs and land. Costs rise to over €315,000 when legal, planning and finance costs are included. The addition of land costs, VAT and levies sees the final cost rise to over €411,000 (source:The Real Costs of New Apartment Delivery (2021) by SCSI.

Without public subsidy, these costs are borne by the ultimate occupants in the sale or rental price. In other words, high construction costs present a challenge between viability and affordability. The higher costs are, the less affordable new homes will be. The higher costs are, the higher the break-even rent denoting viability. Very high construction costs require urgent addressing by policymakers – but, even with political will, it is unlikely to be fixed within 3-5 years. 'Soft costs' of construction – including taxes – may be easier to change quickly than 'hard costs', such as labour and materials. This is where taxation policy has a key role to play in contributing to the long term supply of housing.

Consideration could be given to topics such as the following:
Certainty / stability of tax regime to reduce risk coupon on capital invested in Ireland and to increase the attractiveness of Ireland as an investment location - stability of tax regime is key in order to continue to attract necessary institutional capital to the Irish real estate market to effectively tackle current supply constraints, deliver on the ambition set out in Ireland 2040, maintain our global competitiveness and restore a properly functioning and sustainable property market.
Where home-ownership is a policy priority, two policy options to be seriously considered are Shared Equity Housing and Shared Ownership Housing
The impact of VAT costs on affordability should be considered - Currently the rate of VAT on "new" homes is 13.5%. VAT is fully recoverable on commercial development but is not recoverable on many forms of residential development.

2 Should the taxation system have a role in supporting or promoting any specific form of housing tenure (e.g. home ownership, rental), or should it remain neutral?

No, taxation should be neutral

Please elaborate further::

To achieve greater affordability and supply in the market, policies that support both home ownership and rental are necessary. The policy focus should be on supply and affordability, with neutrality of policy when it comes to promoting any specific form of housing tenure.
Ireland's housing context over coming decades will be defined by the climate challenge, demographic change, and the drive towards greener, denser living.
Private rental and social rental will be central modes of tenure in meeting Ireland's substantial housing needs over coming decades. Those housing needs will also be increasingly differentiated over the life-cycle, from purpose-built student and co-living accommodation for younger households to independent and assisted living complexes for older households.

3 What in your view is the role that taxation should play in housing affordability?

Please outline your views::

Please see our response to question 1 above

4 Following the introduction and recent amendments to the Local Property Tax (LPT) and the commitment in Housing for All to introduce a new taxation measure to activate vacant land for residential purposes, do you consider there is a role for a Site Value Tax in Ireland?

Not Answered

Please elaborate further::

A Site Value Tax (SVT) or Land Value Tax (LVT) doesn't currently exist in Ireland but has been considered on a number of occasions by the Irish Government. Its merits have been well documented, for example:
It encourages land use and therefore is more efficient and equitable than Local Property Tax, as the latter distorts economic decisions by increasing when further improvements are made to a residential property;
It discourages urban sprawl and land speculation assuming land is valued for tax purposes at its highest and best use;
It could ensure a less pro-cyclical property tax and provide a predictable, stable and recurring income flow to the Irish Government;
It would discourage speculation in land zoned for residential development and instead incentivise developers to use zoned land rather than hold it.
The Commission on Taxation [2009] having reviewed the feasibility of a SVT in Ireland accepted its "strong economic rationale." However, it concluded a SVT would be difficult to implement in Ireland given the lack of central database containing the necessary information, the perception of unfairness on the part of taxpayers due to the disregarding of improvements, the difficulty of the valuation process itself and the problems associated with valuation of sites with multiple uses and owners. The interdepartmental Group on the Design of a Local Property Tax again reviewed the proposal for a SVT in 2012, however, again concluded that at the time the arguments for it outweighed the challenges in implementation. The OECD argued for a SVT in its 2018 Economic Survey of Ireland and research by Lyons (2012) commissioned by the Smart Taxes network suggested operational issues need not be an overriding obstacle to its introduction.

A land value tax is currently implemented in Denmark, Estonia, Lithuania, Russia, Singapore and Taiwan. It has also been applied in certain regions of Australia, Mexico and the United States (e.g. Pennsylvania).

We are in favour of further research being undertaken into the value that could be realised, namely by examining
the operation of site value taxes in the aforementioned real estate markets;
potential operational structures for the Irish market;
potential Exchequer yield versus local property tax; and
the administration requirements to successfully introduce a SVT.

This should enable an informed decision to be taken as to the merits and economic decision making which could result from its introduction in Ireland, along with the steps required to introduce a SVT into Ireland's tax framework.

Chapter 6 - Supporting Economic Activity

1 How can Ireland maintain a clear, competitive, sustainable, and stable taxation policy with regard to its attractiveness to Foreign Direct Investment (FDI) in light of the rapidly changing global environment?

Please outline your views::

Seek out growth areas that will deliver high-quality jobs for Ireland: There are a number of industries and sector-specific areas that carry the potential for high-quality employment and associated investment across the country, including:
the green and renewables sectors;
technology and ICT services;
financial services including the banking, insurance and funds industries;
biomedical devices and pharmaceutical solutions;
professional services;
high-value manufacturing and exporting

These jobs often result in associated indirect investment in supporting industries such as hospitality and retail, and importantly they support regional employment outside of Dublin. A recent study suggests that every one IDA-supported job (which will be generated as a result of FDI) outside of Dublin county will support three other jobs in non-IDA supported sectors in that county.

High-paying jobs result in higher levels of income tax and associated payroll taxes for the exchequer. Some industries contribute a disproportionate amount of payroll taxes to the public purse. As an example, employees of the ICT sector paid 10% of aggregated PAYE receipts in 2020. This shows that targeting growth in key industries can result in a disproportionate benefit to the exchequer. Accordingly, we believe that it is areas such as ICT and the other growth areas identified above that should be prioritised in setting our industrial policy because they
deliver the best return on investment.

Tax policies to support the growth of these opportunity areas will need to be considered on a per-industry basis and some industries will need more incentives to grow than others. The green and renewables sector is an area where investment by the Department in the form of incentives, tax reliefs and concessions will be needed in greater amounts. We have already shared with you our pre-Budget submission document which details the areas that we feel investment is needed to grow the green economy as well as achieving our climate-change and ESG objectives.

Immigration and payroll supports that could incentivise high-quality employment: The current Irish immigration and employment permit system is relatively progressive in terms of global comparisons and Ireland is rated highly among the world's top locations in terms of attracting and retaining key talent. PwC Ireland for example has over 60 nationalities represented in its Irish offices. The current employment permit system is predominantly driven in line with changing labour market needs with the primary focus on sourcing skills needs from within the Irish and wider EEA labour market in the first instance. Where necessary key
skills cannot be sourced from within the local market, the employment permits system offers a pathway to the Irish labour market for non-EEA nationals who possess those in-demand skills. The operation of a bi-annual public consultation in line with the government review of eligible occupations for employment permit purposes is welcome and one that should continue to ensure that key industry stakeholder input is considered in terms of ensuring that the system remains aligned to ever-changing labour market needs and that key skills shortages are identified and readily adopted into employment permit policy on a real time basis.

While the Irish immigration system is relatively progressive, immigration policies in every jurisdiction, including Ireland, are becoming more complex and difficult to navigate for a variety of reasons. The future of how we work is changing and with that comes a transition in immigration trends and policies. Irish employers are increasingly adopting alternative work patterns for their employees including cross-border commuter arrangements and ad-hoc work placements. In some circumstances, immigration policy and legislation has not caught up with current global workforce trends and this can act as a deterrent to Irish employers in attracting and retaining key talent who may not wish to relocate to Ireland on a full time basis. Consideration should be given to a review of existing Irish immigration and employment permit policy in conjunction with key stakeholder consultation to ensure that Ireland has an immigration and employment permit policy that is not just fit for purpose based on current market trends,
but that is also flexible and adaptable in terms of future workforce models in order to ensure key skills gaps are quickly and readily addressed.

The location of decision-making executives has been critical to creating substance and growth, influencing where corporate group activity is located and leading to further activity in a country. It is imperative that our tax policies are effective in attracting the highest calibre talent to maintain Ireland's position in the corporate tax environment. It is vital that the Irish tax regime is not only competitive from a corporate tax perspective but must also be attractive for decision making executives and mobile employees charged with key functions in multinational organisations.These companies contribute significant amounts to the exchequer in terms of both corporation tax receipts and PAYE taxes. SARP continues to be critical to Ireland on a number of levels - attracting high level inward investment, supporting existing investments and jobs and aiding the promotion of Ireland as competitive in the international landscape. The policy objective of the Special Assignee Relief Programme (SARP) regime was to attract internationally mobile employees to Ireland and enhance Foreign Direct Investment (FDI). Reviews of the regime to date would indicate that SARP has been effective in achieving these objectives. As we are competing with some very competitive offerings in other jurisdictions seeking to attract the same talent, we believe that SARP should be extended beyond
2022, and that the SARP scope, thresholds and duration of relief need to be regularly reviewed in the international context to ensure that Ireland remains a competitive location. Whilst beneficial in its existing form, the current regime is restrictive and should be simplified in terms of application and administration.Another existing relief, Foreign Earning Deduction (FED) similarly should be extended and reimagined to ensure that it supports the promotion of high-quality employment in Ireland, particularly in identified growth areas. However, industrial policy should not be solely focused on increasing employment from large MNC employers. We
also need to ensure that Irish entrepreneurs and family businesses are supported given the huge numbers they employ, often outside of the big cities and towns that are well-serviced by larger employers.

Improving Ireland's competitiveness
We believe that the changes to Irish legislation that may be driven by BEPS 2.0 presents an opportune moment for Ireland to update its tax regime to improve competitiveness and to bring Ireland's regime in line with EU and OECD norms. Seamus Coffey's review of the Corporation Tax Code (September 2017) recommends simplifying the taxation of foreign income as Ireland is currently an outlier. In line with Seamus Coffey's recommendations, we would suggest
the following be considered:
Ireland has committed to running a public consultation on the introduction of a participation exemption for dividends and/or branch profits and we

would welcome the publication of such a consultation in the coming months. It will be important to gather the views of all stakeholders in this regard to ensure that any changes are appropriate for Ireland in a post BEPS/ATAD environment and help to maintain the overall competitiveness of Ireland's tax regime versus competitor locations.
Ireland could also consider a reduction or abolition of stamp duty on shares not deriving their value from Irish real estate. This would bring Ireland into line with the majority of other EU jurisdictions.
Ireland could also consider a relaxation of the conditions for accessing the participation exemption on capital gains (Section 626B) such as the requirement for the investee company to be considered 'trading'. This would bring Ireland in line with other competitor European jurisdictions such as the Netherlands and Luxembourg.
Ireland should consider undertaking a review of all tax expenditures and incentives to ensure that our system is best placed to attract the next wave of investment in a post BEPS world. This could be used to produce a gap analysis to compare Ireladn's strengths and weaknesses compared to our competitor nations.

Some further areas for consideration include:

Simplify the tax code where possible
We believe that there are aspects of the Taxes Consolidation Act that are no longer in keeping with today's modern economy. As an example, does it continue to make sense to maintain three rates of tax and is it really necessary for the trading/non-trading distinction to continue. Another example which we know is front-of-mind is the layering of new interest limitation rules on top of our existing rules covering deductions for interest payments. In addition, given the intention of these proposals is to remove profits shifting to so-called haven locations, consideration should be given to whether existing anti-avoidance rules in Ireland's tax regime can be removed / simplified to reduce the administrative burden on taxpayers. We regularly hear from clients that rather than new incentives to be added to the tax code, business is crying out for simplification of the tax rules they contend with on a daily basis. We ask that a "Roadmap of Simplification" be
made a priority in the short term (and not simply as something that will be "gotten around to" once the turmoil of the international tax landscape settles down). Business decisions as to tomorrow's investment are being made today. Businesses need to see that there is a plan in place to deal with the complexities inherent in our tax code.

Re-invest a portion of corporate tax receipts into the businesses that drive the economy or into measures that will ensure Ireland's continued attractiveness
At this point in time, it is not clear whether corporation tax receipts will be maintained at current levels. Indeed, there has been much speculation and debate about what potentially "windfall amounts" of corporate taxes might be used for. We continually hear from businesses that some element of corporate tax receipts, be they windfalls or otherwise, should be reinvested in the companies that ultimately drive the economy and create employment. An element of corporate tax receipts should be directed to a fund which allows for financial incentives for the business
community. An example might be making resources from the fund available to help businesses upgrade their premises to make them more energy-efficient. Funds could also be used to finance incentives that will attract young and growing businesses, which in time may pay that investment back in dividends via payroll tax.

Consider what the tax mix of the future will look like
Corporate tax now makes up one fifth of all tax receipts . However, this proportion is expected to decrease in the medium term, due in part to the impact of the OECD proposals but also as a result of a reduction in relative terms over the coming years. Consideration is needed as to what the overall tax mix will look like in 5-10 years and how corporate taxes will support the overall tax take, along with personal, consumption and indirect taxes. It is more important than ever to be able to accurately forecast and model what Ireland's expected corporation tax receipts will be in the short-medium term and be able to tell the difference between what is a "windfall" receipt and what is sustainable. In line with our earlier comments, we ask that updated economic impact assessments are undertaken and the supporting information be made public.

2 How can the taxation environment support indigenous enterprise, particularly small and medium sized enterprises (SMEs) to be productive, to innovate and be competitive internationally?

Please specify::

Employment Maintenance & Business Restoration (and employee supports): How private businesses are restoring their workforce, attracting and retaining talent, reskilling and preparing their workforce for the digital future are the key challenges facing many private business owners as they look to 2022. Various tax measures are required to support the objectives of private business and ensure attraction and retention of employees. These could come in the form of improving the KEEP scheme, additional tax credits for employees as well as the ability for businesses to monetise corporation tax losses earlier. A 130% accelerated super capital allowance deduction in year 1 to write off expenditure on IT equipment for employees to facilitate continued remote and blended working from home where possible.
Supporting growth and investment in Scaling companies: Any measures aimed at stimulating growth and investment in SMEs need to be targeted, and emphasise tackling youth unemployment. This could come in the form of amending and enhancing the Employment Investment Incentive Scheme (EIIS) for example. An increase in the VAT thresholds from €37,500 to €50,000 and from €75,000 to €100,000 would also be welcome. Furthermore, a Start-Up Relief for Entrepreneurs (SURE) campaign especially targeting the recently unemployed who are thinking about setting up their own business would be encouraged.
Building a sustainable future: Ireland cannot opt out of the transition to carbon neutrality. The SME sector will need to bear its share of the load, but this must be supported by a suite of well-designed "green" tax measures. There is a need to re-examine the relief for investment in renewable energy generation (s486B TCA 97) which ceased in 2014.The CGT participation exemption should also be extended to early stage renewable energy projects. Changes to several capital allowances on grid connections/plant and machinery would also help to drive this area.

3 With regard to starting, scaling or growing a business in Ireland:

a) what features of the current taxation system work well?:

While the pandemic continues to have a major impact, the overall macro economy has proven more resilient to repeat waves than expected - in no small measure due to the unprecedented and welcome Covid-related spending and support that the Government introduced. Currently, there are a number of robust tax reliefs and incentives available for Irish companies starting out or scaling their business as discussed below.

Corporation Tax Relief
Another change implemented in the recent Finance Bill saw changes to the corporation tax relief available for certain start-up companies. The corporation tax relief was extended for a period of five years until 31 December 2026. The relief was also amended such that companies may avail of the relief within their first five years of trading, an increase from the old three-year window. This will give start-up companies a much needed extra bit of breathing space in the first few years of trading.

The Employment Wage Subsidy Scheme (EWSS)
The EWSS is to continue for the rest of this year, as well as the first 4 months of 2022. However, from December 2021 to end February 2022 the scheme will be revised to a two-rate subsidy per employee per week (€151.50 and €203). The decision to extend this scheme will support the objectives of starting and scaling companies by helping them to attract and retain employees.

b) what features do not work well and how can these be improved?:

Many start-up and scaling businesses have had to adapt and transform in ways that were
therefore considered too difficult or unimaginable within such a short period of time due to the pandemic. To build on this, now more than ever, we need to support businesses through a new stage of recovery and renewal, and stand up to the challenge of building a more sustainable future. Discussed below are some aspects of the current taxation system that could be altered in order to facilitate this recovery and renewal of start-up and scaling businesses.

Employee Investment Incentive Scheme (EIIS)

The EIIS scheme provides an important support for SMEs, particularly in their early days. However, the scheme is in urgent need of a makeover in order to make it more effective as a means of providing funding and ultimately assist with the creation and/or maintenance of employment.

Revenue's most recently published statistics reflect very disappointing levels of take up. A number of factors can explain the reason for this but what appears most obvious is that excess complexity is one of the key causes. To put this into greater context over the past 10 years there has been three consultations, one stakeholder event and one independent report (Indecon) and numerous legislative changes / tweaks. Currently the legislation contains 47 sections and Revenue's Guidance notes runs to 101 pages. Finance Act 2018 introduced "self-certification" with effect from 1 January 2019 as a simplification measure as previously Revenue was responsible for issuing the tax certificates. However, this placed a huge compliance burden on the company since the company in effect needs to underwrite the value of the tax break if it is ultimately found to be non-qualifying. While at first sight this might appear equitable, the real problem is that it is totally unreasonable to consider that companies have the inhouse technical resources to safely navigate through the EIIS legislation as it contains so many nuanced technical conditions and "potholes". Many companies have therefore considered it "far too risky" to go down the EIIS route or simply cannot afford (particularly evident in start-ups / scale-ups) the professional costs in getting the appropriate advice. Over more recent times we have also noted that commercial barriers have emerged for investors who wish to participate in follow-on fundraising having already secured EIIS relief in an earlier funding round(s).

We welcome the changes in Finance Bill 2021 which will allow investments made via a `qualifying investment funds' to qualify. We hope this change will lead to greater participation in the market and result in a "win-win" for companies seeking finance and for investors looking for diversification that they can most easily get when investing under the umbrella of a fund. We still consider that more needs to be done.

The following are our recommendations

Expand the definition of "eligible shares" so as to capture alternative forms of quasi-equity that are now commonplace in the market (e.g. convertible loan notes).

Enhance the EII by allowing USC tax relief on qualifying EII investments, or alternatively, by allowing CGT loss relief if the investment fails. From an investor perspective allowing CGT losses seems to have the psychological edge but either would be very welcome.

Relax legacy BES rules such as the barriers on when an EII company is allowed to be under the control of another company. In addition, rectify some unintended consequences caused by more recent tax measures which invariably subject "gains" achieved on the sale of a EIIS shareholding to income tax rather than CGT.

Care should be taken to ensure as many companies as possible can avail of the relief. We would not like to see any changes that could "squeeze out" the more artisan type businesses that can get up and running and create employment on the strength of modest amounts of capital provided by "friends and family".

Ensure that Ireland's interpretation of EU State aid rules (GBER) is not putting the country at a disadvantage to other EU members. This is particularly important for Ireland since Brexit gives the UK a free rein to overhaul its equivalent legislation to something far more attractive.

A Start-Up Relief for Entrepreneurs (SURE) awareness campaign especially targeting the recently unemployed who are thinking about setting up their own business. The SURE incentive broadly benefits founders in circumstances where they leave PAYE employment to set up their own company. It provides them with very valuable tax relief for the amount invested in new shares against income earned in the year of the investment or any of the previous 6 years.

VAT Measures
As mentioned above, an increase in the VAT thresholds from €37,500 to €50,000 and from €75,000 to €100,000 would allow start-up businesses that extra breathing space as they maneuver into market and increase headcount.

'Super Deduction' for Capital Allowances
Currently, most plant and machinery purchases including processing equipment, production machinery, computer systems and commercial vehicles allow for a tax deduction over the space of 8 years. In order to assist start-up and scale-up businesses to modernise and digitise their business a 'Super Deduction' capital allowance should be introduced to allow for a 130% deduction in the first year for relevant purchases.

Share Based Remuneration
It is important that the tax system facilitates the provision of share based remuneration to employees. The arrangements currently in place can act as a deterrent to the provision of share based remuneration. A number of changes could be considered to improve the position.

Key Employee Engagement Programme (KEEP)
On share based remuneration we would like to see changes to the Key Employee Engagement
Programme ("KEEP") and also to the general rules for taxing share based rewards (particularly share options). In relation to KEEP we would like to see enabling measures relating to the valuation of the shares (a "safe harbour", to help make a determination of market value at the date of grant easier and more certain) and the taxation of disposals (buybacks should be taxed under CGT). In addition there are a number of technical anomalies in the legislation that need to be addressed. Takeup is still extremely disappointing which points to a need for change.

Share Options
For many private businesses thinking of rewarding staff with simple 'share options' to incentivise and retain is met with different and complex rules which apply between the tax treatment for 'short options' (only exercisable within 7 years from the date of grant) and 'long options' (capable of being exercised beyond 7 years). While neither give rise to an incidence of taxation at the date of grant, if priced at fair market value (FMV), an income tax liability can arise on 'long options' if valued below FMV at the date of grant.

Ireland is out of kilter by international standards in imposing this arbitrary 7 year rule which, in practice, is having a very detrimental effect on Irish scaling companies that, due to Covid-19 or other reasons, have often experienced delays in the execution of business plans in preparation for a liquidity event. The technical problem stems from the fact that any attempts to extend or renew options that are about to expire/lapse can crystallise an immediate 'dry tax' cost on the employer/employee (note it is a PAYE charge).

The alternative of allowing options to expire/lapse causes obvious HR issues and ultimately disappoints and demotivates the affected employees, who invariably operate at a senior level and are key to the success of the business. For this reason, we recommend that the distinction between short options and long options be extended from 7 to 10 years (in line with KEEP) or, preferably, be removed altogether.

Business Succession
The tax implications of passing on a business to the next generation can often create a tax liability at a time where there is no liquidity to discharge that tax cost.

Targeted and timely measures to facilitate the orderly transition of ownership of businesses are of significant importance, no matter what stage a business is at. The upfront tax costs associated with passing a business to the next generation can make it an unattractive prospect and could ultimately be the difference between their success and failure. In order to assist business owners to facilitate the transition without the prospect of incurring significant and unviable capital taxes the following changes should be considered.
Remove anomalies from how CGT Retirement Relief is calculated to ensure that it operates on a consistent basis with Capital Acquisitions Tax ("CAT") Business Relief.
Remove the arbitrary €3m cap on the value which can qualify for Retirement Relief on the transfer of shares for those aged 66 years of age and older for a period of two years with a further review to take place at that time.

Increase the lifetime limit for Entrepreneur Relief to €5m. The current limit of €1m is out of kilter with the marketplace and, in many cases, does not provide sufficient incentive for entrepreneurs to dispose of their businesses and reinvest in new businesses.

Chapter 7 - Tax Expenditures

1 How do you think the process of reviewing taxation measures and taxation expenditures is currently functioning?

Please outline your views::

We understand that the current review process was put in place in 2014 and satisfies an obligation for EU Member States to publish information on the impact of tax expenditures in the context of the Budgetary Frameworks Directive.
We view this process as being a useful tool in evaluating tax expenditures so as to ensure they are still relevant to policy objectives and are not causing unintended economic consequences. One concern we have is the potential lack of certainty that this casts on any new taxation expenditures i.e. that it could be introduced and withdrawn within a couple of years. This lack of certainty for any new taxation expenditure is not good for investor confidence.

How well defined do you think the benchmark taxation system is in Ireland?:

2 How do you think the process of taxation expenditure review could be improved?

Please specify::

3 Please give examples of taxation expenditures that you believe run counter to public policy/are badly designed?

Please specify::

1. The existing BIK legislation for motor vehicle mileage.
2. The Help to Buy scheme is limited to newly built properties.
3. Vacant site levy charged to state or semi-state bodies.

Please explain your rationale? :

1. BIK legislation: incentivises higher motor vehicle mileage.
2. Help to Buy scheme: Currently the Help to Buy scheme is limited to newly built properties and as such runs counter to circular economy policies. Expanding the scheme could encourage first time buyers to buy from pre-existing housing stock instead of only incentivising new builds. As a circular economy encourages reusing, repairing, refurbishing and recycling existing materials and products as long as possible, the existing Help to Buy scheme could be altered to encourage repair and renovation of older properties.
3. Vacant site levy charged to state or semi-state bodies: This is effectively a re-allocation of monies from one part of the public purse to another and does not achieve a policy purpose.

4 Please provide examples of taxation expenditures that you believe work well, either in Ireland or internationally?

Please specify::

Outlined the OECD proposals stuff earlier
Gap analysis to determine what regimes in other jurisdictions and here are best in place.

Chapter 8 - Public Health

1 How well do the taxation and welfare systems support good public health outcomes, addressing health challenges including but not limited to those caused by or related to tobacco and alcohol use, obesity, poverty and/or environmental issues?

Please outline your views::

Air pollution contributes to more than 300,000 deaths a year in Europe according to the European Environment Agency. Certain tax reliefs in Ireland should be removed to combat air pollution such as the reduced excise duty applicable to diesel fuel and the BIK regime which encourages higher mileage.

As noted in the transport section, the introduction of congestion charges and schemes to discourage the public from the use of motor vehicles and instead to use public transport, electric bikes, and walking would improve air quality. This would also have the benefit of encouraging the population to be more active, reducing obesity levels and having other positive health outcomes (for mental and physical health).

2 What changes would you like to see to better promote the goal of good public health?

Please specify::

Chapter 9 - Administration

1 How can modernisation of the taxation and/or welfare administrations evolve to best meet customer needs in a satisfactory manner while respecting data rights and ensuring secure and reliable tax collection?

Please outline your views::

The Revenue Commissioners have undertaken significant modernisation, especially through the use of online assets, such as:
eRCT;
ePSWT;
PAYE Modernisation / Real Time Reporting;
Online filing of tax returns;
Increase in Revenue e-Audits;
Move to e-VAT return filing.

The use of such technology will have freed up significant resources within Revenue, whilst placing the burden of compliance on the taxpayer.
These have overall been positive developments on the part of the Revenue Commissioners. These contribute to ease of administration / potential time / cost savings for taxpayers. However, these developments have either introduced or highlighted time limits and related obligations that, if not met, can give rise to outcomes / sanctions that are excessive in the context of the default involved - modernisation needs to come with a balance to ensure fairness and equity in addition to efficient and secure tax collection.

What do you see as the implications of modernisation for taxpayers either positive or negative?:

There are a number of statutory/administrative practices, with underlying time limits which can in particular circumstances prove difficult for employers to comply with, such as:

Section 825C TCA 1997 and Part 34-00-10 revenue guidance - The refusal of SARP relief on the result of failure to submit a Form SARP 1A within the 90 days of the employee's arrival in the state.
Section 985B TCA 1997 - Advance notification of intention to file a "Small & Irregular Benefits " return is required before the end of the year in question. If notice is not filed, even where the return is made on time and in full compliance with the rules (tax gross up etc), returns are not accepted. The consequence is then a potential self correction under the audit code of practice and / or potential multiple payroll corrections.
S787P TCA 1997 outlined the process for claiming a Personal Fund threshold where an individual's benefits exceed the standard fund threshold. When the limit was changed from €2.3m to €2m a new online system was introduced to claim the Personal Fund threshold (previously the claim was made by completing a paper submission). The online system which replaced the paper system was operational until 2nd July 2015. Previously S787P included a provision for a late claim but this was abolished once the online system was introduced which was time bound. For individuals who did not realise they had to make a claim and their pension funds was €2.3m (or more) then lose the potential to claim a PFT and additional tax is payable on crystallization i.e €300,000 @40% exit tax. Equally for individuals who did not claim a PFT when the Limit was reduced (on 6/12/2010) from €5.418m (as indexed) to €2.3m it would appear they cannot now claim a PFT. The loss here would be potentially much more substantial
* Part 05-05-30 Revenue guidance - Claim of DTA relief for RSU's must be verified within three months of year end (31 March).
* Part 42-04-65 Revenue guidance - If application for dispensation from the operation of PAYE is not sought within 30 days or arrival, PAYE/PRSI must be operated on emoluments paid to assignee
Many of these time limits serve no statistical purpose, add to the compliance burden of the employer and in genuine cases where compliance was not possible, lead to significant consequences for the employer. These could be ameliorated through capitalising on Revenue's existing expertise through simplified online annual/year end reporting (for example, SARP cases, notification of Short Term Business Visitors and dispensation cases etc.), with some flexibility on the part of Revenue in genuine cases (for example, imposition of a penalty but not denying the statutory provision).

2 What improvements in service quality and delivery could be achieved by integrating (elements of) the taxation and welfare administrations?

Please specify::

This already exists through the notification of illness and maternity benefit to employers via updated RPN's issued by the Revenue Commissioners for payroll purposes. Equally, for specific projects such TWSS/EWSS, the engagement between Welfare and Revenue was impressive. One area that could benefit from such collaboration would be the issuing of PPS numbers to new entrants to the workforce, particularly in the case of postal applications. The current system is inefficient and slow and can have significant consequences for the individual. A simplified online system where PPS numbers could be issued far more promptly and this be fed into Revenue's systems that would ensure efficiency within both Welfare and Revenue's systems as well as benefiting the taxpayer.

Are there any risks arising from such integration? :

As regards the issuing of PPS numbers, one concern which may arise is the potential for fraud and would need to be managed appropriately.

Chapter 10 - Submit Your Ideas

1 Taking into account the Terms of Reference, submit any other thoughts, ideas or feedback on taxation and welfare in Ireland:

Please outline your views::

PwC has prepared a number of submissions in the past which overlap with many of the themes in this document:

PwC's decarbonisation submission: https://www.pwc.ie/publications/2021/pre-budget%20submission-budget-2022.pdf

PwC's submission on supporting private business and SMEs:
https://www.pwc.ie/publications/2021/2022-private-business-pre-budget-submission-insight.pdf

PwC's submission on the OECD's International Tax Proposals:
https://www.pwc.ie/publications/2021/pwc-response-department-finance-consultation-oecd-international-tax-proposals.pdf