

The Consultative Committee of Accountancy Bodies-Ireland

Chartered Accountants Ireland
The Association of Chartered Certified Accountants
The Chartered Institute of Management Accountants
The Institute of Certified Public Accountants in Ireland

Minister Michael McGrath TD
Department of Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2,
D02 R583.

8 September 2023

By email: minister@finance.gov.ie

Dear Minister,

We are writing to you to highlight significant concerns the CCAB-I has about the proposed introduction of Enhanced Reporting Requirements (ERR) for all employers from 1 January 2024. These concerns were also raised by my colleagues in their meeting with you on 12 July 2023 to discuss the CCAB-I's Pre-Budget 2024 submission.

Section 897C TCA 1997 was introduced by Finance Act 2022 (subject to a commencement order) and will require the reporting of the following non-taxable benefits and payments made by employers to employees and directors:

- Small benefit exemption;
- Remote working daily allowance; and
- Travel and subsistence.

As you know, the CCAB-I represents professional accountants across the island of Ireland. Therefore, our voice intimately echoes the voice of businesses across the country. We are often the first port-of-call in a storm for businesses and so are acutely aware of the impact, both immediate and longer term, of government decisions on those businesses.

Unfortunately, the sweeping change introduced by Finance Act 2022 completely took both us and our members by surprise. Since then, the CCAB-I has been keen to engage with Revenue on the implementation of ERR. During this year, Revenue has carried out a survey of employers (we understand there were 187,850 registered employers at the time the survey commenced with approximately 3,200 responses received) and has since engaged with software developers. However, from discussions with our members we know that awareness of the ERR is low among employers. As a result, at the request of members of the Tax Administration Liaison Committee (TALC), Revenue formed a sub-group of TALC specifically to discuss ERR in June; two meetings have taken place since.

At these meetings, the CCAB-I, along with other bodies, have raised grave concerns about the requirement that employers must report details of the non-taxable benefits and payments on or before they are made (i.e., in real time). We set out these concerns, along with our proposals, in a [submission](#) to the representatives of that group.

Practical difficulties with reporting in real-time

CCAB-I acknowledges that the provision of information to the tax authorities is a key component of modern and robust tax administration. As accountants, we endeavour to ensure the quality and timeliness of information provided to the tax authorities is of a high quality, is accurate and complete. However, we also believe that the introduction of ERR will result in a significant administrative burden and cost to employers, large and small.

The notion that ERR is to be designed as a ‘real-time’ reporting requirement does not reflect how these benefits are administered in practice. The benefits are non-taxable and therefore intertwining the requirement with payroll is completely inappropriate.

We have made submissions to Revenue in this regard, proposing that an annual reporting interval would still enable compliance with the new reporting requirements while reducing the administrative burden on employers. An annual reporting requirement should, in our view, provide the necessary budgetary data in a timely manner.

There are several reasons why benefits listed in section 897C TCA 1997 must be treated differently than taxable emoluments.

First, the reportable benefits are non-taxable, and therefore non-payroll expenses. As such, businesses tend to maintain separate systems for recording emoluments and non-taxable payments. In larger organisations, this may require integrating multiple different work streams which have not been required to communicate for reporting purposes previously.

Therefore, we recommend that Revenue’s systems are enabled to accept Excel files. Businesses leverage Excel files to manage such expenses and it is incumbent on the tax authority to work with existing technologies rather than reinventing technologies at both significant financial cost to the Exchequer and time cost to businesses and Revenue alike.

Secondly, the remote working allowance and travel and subsistence expenses are not in fact “benefits”. As such, the legislation is in some way a misnomer. Rather, these payments are a cost of doing business and do not form part of the employee’s remuneration. It will be a disproportionate use of employer resources (both from a time and cost perspective) to require employers to implement a payroll-like process for non-taxable reimbursements, where the primary aim of the reporting is data collection, and no tax collection is involved.

Thirdly, unlike payroll, the timing of expense reimbursements can be ad-hoc in many businesses. This reflects the outlay of the employee. As the employee has borne a cost of their employers personally, it is incumbent on the employer to reimburse the employee as soon as possible. As such, if an employer is now required to report any non-taxable reimbursement or payment to which section 897C TCA 1997 applies, it is expected that many employers would make less frequent reimbursements, due to the additional administration involved in reporting reimbursements to Revenue in real-time. As a result, the new reporting requirement could result in employees being

'out-of-pocket' for weeks at a time, as employers adapt processes to give themselves a more manageable reporting frequency with Revenue.

In light of the above, the CCAB-I recommends at a minimum that requirements to report "on or before" is removed. Instead, we propose an annual return frequency on the basis that this would meet Revenue's needs in terms of reporting non-taxable reimbursements while placing less burden on employers to implement the new requirements.

In summary, our key recommendations are:

- Amend the legislation such that employers are required to report annually by removing the requirement to report 'on or before'.
- Facilitate reporting by way of a standardised Excel file.

Effective communication with employers

We note that Revenue has issued a communication to employers that it will run a programme of webinars until mid-November. At the time of writing unfortunately, no dates have been set or further information made available. We believe that there is a great body of work to be done, not just in terms of making employers aware of their requirements under ERR, but also ensuring they have time to implement the necessary systems and changes to meet this new reporting deadline. As a representative body, we will continue to communicate these changes with our members and have asked that they encourage employers to register for Revenue's webinars.

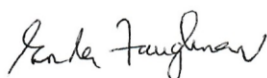
Conclusion

CCAB-I has regrettably concluded that further discussions with Revenue on the requirement that employers submit details of reportable benefits on or before they are made will not be a productive use of time in future meetings of the TALC sub-group. Of course, CCAB-I will continue to work with Revenue on other aspects of the implementation of the ERR and will continue to inform our members about the new reporting requirements and support them in their implementation.

We do ask however that before you sign the order to commence the legislation under section 897C TCA 1997, you consider the points that we have made in this letter highlighting the significant administrative and cost burden real-time reporting will have on employers across the country as well as the potential cash-flow impact on their employees. We therefore ask that you remove the requirement that the reportable benefits must be reported "on or before" they are made.

We would be pleased to discuss this with you further and look forward to hearing from you in due course.

Yours sincerely,



Enda Faughnan
Chair, CCAB-I