Revenue Audits

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Director in Grant Thornton’s VAT department, with over 23 years of extensive experience in providing Indirect Tax compliance and advisory services.

Worked with three other Big Four firms and two major multinational companies, including a renowned UK global pharmaceutical company and a leading US global manufacturing company.

For the past decade, actively involved in delivering the Irish Tax Institute's Indirect Tax education programme.

Agenda

- Revenue compliance interventions and the audit process
- Making disclosures: prompted vs unprompted
- Penalties, settlements and appeals
- CCF
- Revenue Focus Areas
- Improvements and compliance

Learning outcomes

- Learn how Revenue audits work in practice
- Understand what typically triggers an audit
- Know the difference between disclosures and self-corrections
- Be aware of common tax issues to look out for
- Understand best practice for managing interactions with revenue during an audit
- Understand how penalties are calculated (and reduced)

Revenue Audits

- The self-assessment system relies on voluntary compliance
- Tax returns filed by individuals and companies are generally accepted by Revenue at face value and processed accordingly
- Revenue recognise that the majority of taxpayers aim to fully comply with their tax obligations and pay the right amount of tax at the right time
- They also recognise that even the most compliant taxpayers can make errors when completing their tax returns and ultimately end up with underpayments of tax
- To ensure the accuracy of the information supplied in these returns, Revenue have extensive powers to carry out audit interventions
- Revenue have a four-year window from the end of the tax year or period in which a return is filed to initiate a Revenue audit
- For example, if a company with a 31 December accounting date files its 2024 corporation tax return during 2025, Revenue have until 31 December 2029 to initiate an audit intervention
- For VAT purposes, VAT returns from the period January/February 2022 can be investigated up to March 2026
- This audit window may be extended where Revenue believe the return has been completed in a fraudulent or negligent manner

Code of Practice for Revenue Compliance Interventions

Code of Practice for Revenue Compliance Interventions

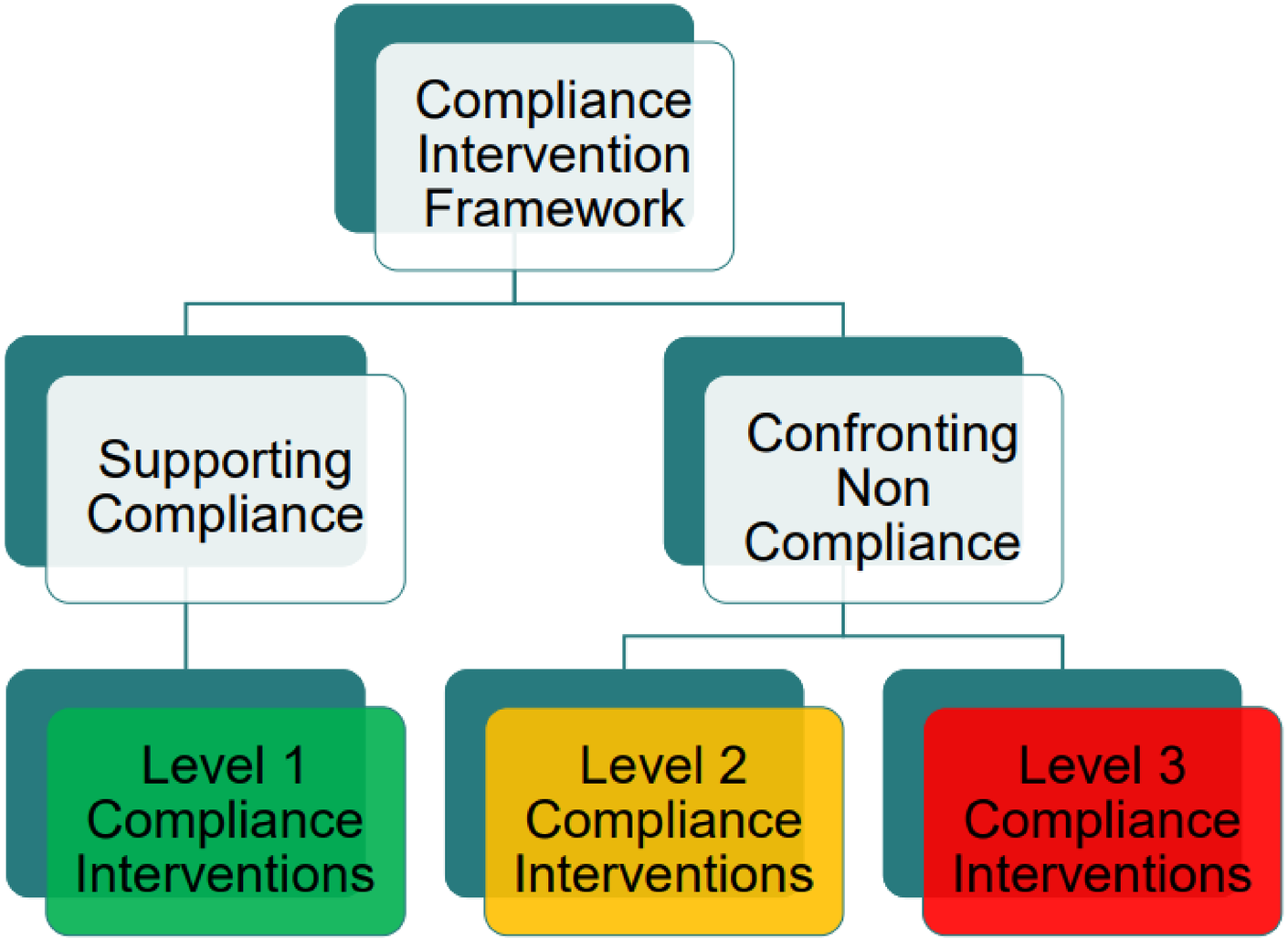
- Replaced the previous 2019 Code and applies to all compliance interventions notified on or after 1 May 2022
- The Code emphasises full cooperation as a key factor in mitigating penalties
- Three-tier system – graduated response to taxpayer behaviour, with extensive opportunities to voluntarily correct mistakes
- Risk Reviews are now formalised and treated as Level 2 interventions, meaning any disclosure made in response is considered prompted, not unprompted
- Aspect Queries have been removed from the framework
- Self-correction permitted
- No penalty for self-correction (where the IT/CT return for the year not yet filed)
- 28-day notice for Revenue audit
- Publication threshold increased to €50,000

Publication

- A taxpayer’s settlement from a Revenue audit will not be published in the List of Tax Defaulters (published quarterly) if they make a qualifying disclosure before the audit or inquiry begins
- However, if a qualifying disclosure is not made, the threshold for publication is €50,000 or more in total
- This includes:
  - Tax underpaid
  - Interest
  - Penalties
- If the combined amount of these exceeds €50,000, and no qualifying disclosure was made, the taxpayer’s name and details may be published in the List of Tax Defaulters.

Compliance Intervention Framework

Overview



Level 1 Compliance Interventions

- Opportunity to self-correct errors or make an Unprompted Qualifying Disclosure
- Broadly this level assists a taxpayer in bringing their affairs into order voluntarily
- Penalties are lowest at this level
- Types of Level 1 compliance interventions:
  - Reminder Notification of Outstanding Tax Returns
  - Request to **Self-review** information already provided in a tax return
  - **Profile interviews** – Revenue may wish to meet with a taxpayer online or in person to obtain a better understanding of the nature of the business and its tax treatment
  - Co-operative Compliance Framework (CCF)
- Where a taxpayer does not respond to a Level 1 intervention, Revenue may escalate to a Level 2 or Level 3 intervention

Level 2 Compliance Interventions

- No option to make a self-correction or an Unprompted Qualifying Disclosure
- A taxpayer will receive a 28-day notice of a Level 2 Compliance intervention, within which a prompted qualifying disclosure can be made (with the possibility of requesting an additional 60 days)
- Generally focuses on a year or period(s) where a risk has been identified
- A Prompted Qualifying Disclosure may allow a taxpayer to mitigate penalties and/or avoid publication or prosecution
- Level 2 interventions comprise of either a risk review or a Revenue Audit, both focusing on confronting Non-Compliance risks
  - taxpayers are selected based on REAP (Revenue's Electronic Risk and Analysis system), or
  - Real-Time Risk Analytics (VAT & PAYE)
- An audit will be initiated (as opposed to a Level 2 Risk Review) where there is a greater level of perceived risk

Level 2 Compliance Interventions Risk Review

- Majority are desk-based and carried out by way of correspondence
- Focused on specific risks on a return or from a risk identified from Revenue’s REAP
- Where the taxpayer does not respond to the Risk Review notification within 28 days, the inquiry is deemed to have commenced and the opportunity to make a qualifying disclosure is closed
- Where a taxpayer does not make a Prompted Qualifying Disclosure, and the Risk Review has commenced, additional information may come to light which requires widening of the scope of the intervention (beyond the tax/duty type and period specified in the original Risk Review letter
- In such cases, the Risk Review may be escalated to Audit and the scope increased to include other tax heads

Level 3 Compliance Interventions

Revenue Investigations

- No option to make either a Prompted or Unprompted Qualifying Disclosure
- However, can seek to mitigate penalties by cooperating fully with a Level 3 Intervention
- Note that levels of intervention are not considered as a sequence of actions - Revenue may initiate an intervention at any level
- Level 3 Intervention letter will outline the specific period and matter initially being investigated and the actions required from the taxpayer
- Focus is generally on suspected tax evasion/fraud
- Investigation may commence with an unannounced visit to the business premises
- The specified period outlined in the investigation notification will not preclude Revenue from extending the years or periods under examination if further information emerges

Revenue Audit Activities

- During an audit, Revenue will:
  - Seek to understand the business and identify record-keepers
  - Review books and records for completeness and the correct tax treatment
  - Verify that all relevant returns are filed and accurate
  - Conduct necessary inquiries
  - Notify the taxpayer of any errors or irregularities (including favourable ones)
  - Determine any liabilities, request settlement, and advise on compliance actions

Compliance Interventions

- Examples of where earlier years/periods are likely to be opened
  - Where there is significant unexplained accumulation of assets
  - Where there are strong indicators that a scheme to evade tax or duty has been in operation
  - Where there are strong indicators that a tax or duty avoidance scheme exists that requires further examination
  - Where substantial loss of revenue has arisen in the year or period subject of the intervention, and where it is likely that a similar position existed in previous years

A compliance intervention may be initiated for any period in which a return has been completed in a fraudulent or negligent manner. Likewise, the failure to file a return may give rise to a compliance intervention in respect of any tax period

Penalties

Example of Penalty issues

- Undisclosed sales, receipts, income or gains
- Undisclosed remuneration or RCT payment
- Understated assets including the valuation of stock and debtors
- Overstated liabilities, including creditors
- Non-compliance with the IT, PAYE or RCT regulations
- Improper claims for expenses or deductions either by way of debit in the P&L account or otherwise
- Failure to disclose all of the facts and circumstances relating to a Stamp Duty liability
- Substantially understated chargeable value of property or properties for LPT
- Failure to disclose all of the facts and circumstances related to a CAT liability

60 Day Letter

- When a taxpayer receives a Level 2 Compliance Intervention Notification (such as a Revenue audit or risk review), they are given 28 days to make a Prompted Qualifying Disclosure.
- Alternatively, they can request an extension of up to 60 days to carry out a self-review to identify any errors that may require disclosure
- To avail of the 60-day preparation period, the taxpayer must submit a Notice of Intention to make a disclosure.
- This notice must be submitted **within 21 days** of receiving the Level 2 Intervention Notification.
- This letter should:
  - Clearly state the taxpayer's intention to make a Prompted Qualifying Disclosure
  - Reference the date of the Revenue notification
  - Be signed and submitted to the relevant Revenue case officer

60 Day Letter

- Such a request can be made even where a Revenue intervention has not yet been issued
- This ensures the taxpayer is not issued with an intervention in that 60 day period and therefore protects the opportunity to make an Unprompted Qualifying Disclosure
- It is recommended that a full review of the relevant tax head(s)within the statute of limitations is carried out (4 years) to ensure a full and true disclosure is made
- The level of intervention issued (or if an intervention has been issued at all) determines if an unprompted or prompted disclosure will be permitted

60 Day Letter

Sample wording

RE: [Insert Company name]- IE [INSERT TAX NUMBER]

Dear Sir/Madam,

We are contacting you to notify you of the intention to make a qualifying disclosure under the terms of the Code of Practice for Revenue Compliance Interventions (‘Code of Practice’).

We are requesting a period of 60 days to review all records with a view to establishing the extent of a qualifying disclosure and determine liabilities, should there be any.

The disclosure will relate to [INSERT TAX HEAD].

Should you have any queries in relation to this, please do not hesitate to contact us.

We look forward to receiving your acknowledgement of this correspondence.

Yours sincerely,

(Signed by an authorised person within the company)

Coffee Break

Qualifying Disclosures

- A disclosure of **complete information** in relation to, and **full particulars** of **all matters** occasioning a liability to tax that is made in writing, is signed by or on behalf of the taxpayer and is accompanied by:

  - A declaration, to the best of that person's knowledge, information and belief that all matters contained in the disclosure are correct and complete; and

  - A payment of the tax and interest on late payment of that tax

- Should be submitted to Revenue on company headed paper before the commencement of any review and payment must be made (or payment plan proposed)

- Recommend including the penalty with initial disclosure (if it can be quantified) but no requirement to include - can be agreed with Revenue once they have reviewed

- A disclosure without payment of liability (e.g. tax, duty and interest) will not be considered a qualifying disclosure for the purposes of publication, prosecution or penalty amount

- Where a taxpayer regularises a default by way of a qualifying disclosure, details of the taxpayer and default will not be included in the quarterly publication of tax defaulters

Qualifying Disclosures

Five-Year Rule

- Even if a taxpayer has made a previous qualifying disclosure, Revenue may treat a new one as the first if:
  - It relates to a different tax head
  - It falls under “careless behaviour without significant consequences”
  - It’s been more than five years since your last qualifying disclosure under the same tax head
- Revenue may reject a disclosure if:
  - It’s incomplete, not in writing or lacks payment
  - It’s made after Revenue has begun a compliance intervention into any matter contained in that disclosure
  - It involves deliberate default and taxpayer doesn’t cooperate fully

Qualifying Disclosures

Sample wording

"*We confirm that to the best of our knowledge, information and belief, all matters contained in the disclosure are correct and complete. [insert company name] remains committed to ensuring full compliance with [insert tax head] regulations and has implemented internal procedures to prevent recurrence of these issues".*

Unprompted Qualifying Disclosure

- An unprompted qualifying disclosure is a taxpayer's written admission of a tax default made before:
  - Revenue issues a notification of a Level 2 or Level 3 compliance intervention (e.g. audit or investigation), or
  - Revenue begins an investigation

It is considered "voluntary" because it is made without prompting from Revenue

- Once a Level 2 or Level 3 notice is issued, the opportunity for an unprompted disclosure is lost — only a prompted disclosure is then possible.
- If accepted, the taxpayer:
  - Receives a lower penalty (as low as 3% for careless errors).
  - Avoids publication on the Tax Defaulters List.
  - Are not investigated for prosecution.
  - May be eligible for instalment arrangements for payment.

Prompted Qualifying Disclosure

- A prompted qualifying disclosure is a written admission of a tax default made after Revenue has issued a notice of a Level 2 or Level 3 compliance intervention (e.g. audit or risk review), but before the audit or review actually begins
- The disclosure must be made after the date of the audit notification letter
- It must be submitted before the audit or review commences (i.e. before the first meeting or inspection)
- If more time is needed, you can request a 60-day extension by notifying Revenue within 21 days of the audit notice
- If accepted, the taxpayer:
  - Receives a reduced penalty (e.g. 10% for careless behaviour)
  - Avoids publication on the Tax Defaulters List
  - Is not investigated for prosecution

No Loss of Revenue Disclosure

NLOR

- A No Loss of Revenue (NLOR) disclosure applies when a taxpayer identifies a tax default (e.g. an error or omission) but can demonstrate that no tax was ultimately underpaid — meaning Revenue suffered no financial loss

- A taxpayer can make a qualifying disclosure under the “no loss of revenue” category:

  - Before a Revenue audit or investigation begins (unprompted disclosure).

  - After receiving a Level 2 intervention notice (prompted disclosure), within the allowed timeframe.

- To be accepted, the disclosure must include:

  - Full written explanation of the facts and circumstances

  - Calculation of any tax, interest, and penalties (even if €0 tax is due)

  - Declaration that the information is correct and complete

  - A penalty applies where “no loss of revenue” is accepted for careless behaviour disclosed in a qualifying disclosure; no penalty applies for innocent error or technical adjustment

  - Evidence supporting the claim that no loss of revenue occurred

No Loss of Revenue

Penalty

- A liability to a penalty applies in all situations where “no loss of Revenue” is accepted which has been disclosed in a “qualifying disclosure”

	Unprompted Qualifying Disclosure	Prompted Qualifying Disclosure	No Qualifying Disclosure
First Qualifying Disclosure in this category	Lesser of 3% or €5,000	Lesser of 6% or €15,000	
Second Qualifying Disclosure in this category	Lesser of 3% or €20,000	Lesser of 6% or €30,000	
Third Qualifying Disclosure in this category	Lesser of 3% or €40,000	Lesser of 6% or €60,000	
No Qualifying Disclosure			Lesser of 9% or €100,000

NLOR

Examples

- VAT incorrectly charged at 13.5% instead of 23%, but customer is registered for VAT purposes and is engaged in 100% taxable activities and so entitled to a full input VAT deduction.
- PAYE incorrectly calculated but overpaid.
- Timing errors where tax was paid in the wrong period but not underpaid overall.
- Taxpayers cannot claim “no loss of revenue” if:
  - Tax was underpaid or not remitted e.g. VAT was not charged and customer not engaged in 100% taxable activities
  - Taxpayer relied on aggressive tax planning
  - Taxpayer failed to cooperate fully with Revenue.
- NLOR is typically only considered for VAT.

Cooperation

Full Cooperation	Lack of Cooperation
✓ Having all books, records and linking papers, however held, available for Revenue at the commencement of the intervention	× Refusing reasonable access to the business premises
✓ Having appropriate personnel available at the time of the intervention	× Failing to provide reasonable access to the business records, including linking papers
✓ Responding promptly to all requests for information and explanations	× Failing to provide information known to the taxpayer which would be used in determining whether an underpayment arises
✓ Responding promptly to all correspondence	× Delays by the taxpayer in the course of an intervention where there was no reasonable excuse for those delays
✓ Prompt payment of the intervention settlement liability*	

Qualifying Disclosures - Penalties

Disclosures	Category of Behaviour	Penalty % Full cooperation not given by taxpayer	Penalty % Prompted Qualifying Disclosure and full cooperation	Penalty % Unprompted Qualifying Disclosure and full cooperation
All qualifying disclosures in this category	Careless behaviour without significant consequences	20%	10%	3%
First qualifying disclosure in these categories	Careless behaviour with significant consequences	40%	20%	5%
	Deliberate behaviour	100%	50%	10%
Second qualifying disclosure in these categories	Careless behaviour with significant consequences	40%	30%	20%
	Deliberate behaviour	100%	75%	55%
Third or subsequent qualifying disclosure in these categories	Careless behaviour with significant consequences	40%	40% (no reduction)	40% (no reduction)
	Deliberate behaviour	100%	100% (no reduction)	100% (no reduction

Self-correction

Time limits

- A Taxpayer can apply for self-correction and therefore not incur penalties where:
  - Taxpayer notifies Revenue (within time-limits) of adjustments being made **in advance**
  - Computation of tax and statutory interest must be included
  - Payment must be made
- Example: CT 31 December Year end: for FY24, self-correction available until 23 September 2026
- **VAT**
  - ➢ Bi-monthly, quarterly or half-yearly remitters of VAT, who are self-correcting a net underpayment of less than €6,000 may include the amount of tax as an adjustment on the next corresponding VAT return following the one in which the error was made
  - ➢ In such cases, there is no requirement to notify Revenue and interest is not charged

Self-correction

Time limits

Return	Time limit for self-correction
Form 11/Form 11S	12 months of filing due date
CT	12 months of filing due date
VAT*	Before the due date for filing the IT/CT return for the chargeable period within which the relevant VAT period ends
PAYE, USC and PRSI returns	Before the due date for filing the IT/CT return for the chargeable period within which the relevant VAT period ends Where no IT/CT filing obligation exists, self-correction must take place by 31 October of the year following the year in which the monthly PAYE return was due to be filed
CAT	12 months of the filing due date
Stamp Duty (excluding levies)	12 months of “specified return date”
Excise duties	12 months of return/warrant filing due date
LPT	12 months of return filing due date
CGT	12 months of return filing due date

Case Study - ABC Ltd

Question

It is 24 September 2025, and ABC limited has carried out a review of its VAT returns for the last 4 years and has discovered the following:

1. A box of invoices received from suppliers in 2024 with a VAT charge of 23% have been paid but were not included in the periodic VAT returns for recovery

2. A sales invoice issued in July 2025 with a VAT charge of €5,000 was inadvertently not included in the July-August 2025 VAT return submitted yesterday

3. No VAT was charged on invoices to one customer for 4 years. The customer is engaged in 100% taxable activities and would have been entitled to deduct an input VAT charged to it.

Does ABC Ltd need to disclose any of the above to Revenue and if so, advise what type of disclosure and whether any interest and penalties should be calculated.

Break Out Rooms

Case Study - ABC Ltd

Solution

- Input VAT not previously received can be included for recovery in a future periodic VAT return (within the 4 year statute of limitations)

- As the VAT value of output VAT not included in the last VAT return is less than €6,000, ABC Ltd can include the output VAT in the next VAT return (September-October 2025) without notifying Revenue or calculating any interest

- ABC should disclose to Revenue that output VAT was not charged to one customer over a 4 year period. The disclosure is an Unprompted Qualifying Disclosure and ABC Ltd could claim No Loss of Revenue as the customer is engaged in 100% taxable activities. No interest to be calculated, and instead a fixed penalty the lessor of 3% of the under-declared VAT or €5,000 should be offered to Revenue.

Expressions of Doubt

EOD

- A formal mechanism that allows taxpayers to notify Revenue when they have a genuine uncertainty about the correct application of tax law in relation to a specific matter in their return
- The main purpose is to protect the taxpayer from interest and penalties if Revenue later determines that the treatment was incorrect—provided the EOD is accepted as genuine and the additional tax is paid within 30 days of the amended assessment
- An EOD may be considered during a Level 1 or Level 2 intervention
- It can influence whether a taxpayer is seen as having made a full and true disclosure
- It may affect the calculation of penalties and interest

Expressions of Doubt

- To be valid, an EOD must include:
  - Full details of the facts and circumstances
  - The nature and basis of the doubt
  - The relevant law giving rise to the doubt
  - The amount of tax in doubt
  - Supporting documentation
  - Confirmation that relevant Revenue guidance was consulted

Expressions of Doubt

- Revenue may reject an EOD if:
  - The matter is deemed sufficiently free from doubt
  - The taxpayer is seen as attempting to evade or avoid tax
  - The taxpayer fails to provide all required information
  - General guidelines already exist for the situation
  - If rejected, the taxpayer can appeal to the Tax Appeals Commission (“TAC”)

Complaint and Review Procedures

- **Revenue's Review Procedures** provide taxpayers with a mechanism for making a complaint and seeking a review of Revenue's handling of a case
- This procedure applies only to complaints with regard to Revenue's handling of the case
- Disputes with regard to a liability to tax should be addressed through to the Tax Appeals Commission (TAC)

Appeals Procedures

- Taxpayers may appeal Revenue’s revised assessment or estimate to the Tax Appeals Commission (TAC).
- Statutory interest and tax-geared penalties only apply once the disputed tax is determined.
- To lodge an appeal:
  - Uncontested liabilities must be paid
  - A Phased Payment Arrangement (PPA) covering tax, interest, and fees is considered payment

Summary

	Support Compliance (Level 1)	Challenge non-compliance (Level 2)	Tackle High Risk Cases/Practices (Level 3)
Type of activity:	Taxpayer self-reviews Taxpayer amendments	Revenue Risk Review Revenue Audit	Revenue Investigation
Disclosure Availability:	Yes unprompted qualifying disclosure	Yes prompted qualifying disclosure	No
Typical range of penalties on underpayments of tax*:	3%-10%	10%-50%	20%-100%
Risk of Publication:	Low; if Revenue accept unprompted qualifying disclosure publication will not arise	Low; if Revenue accept prompted qualifying disclosure publication will not arise	High

Co-Operative Compliance Framework

CCF

- The CCF is a structured programme operated by Revenue for large corporate taxpayers – those contributing approx. 65% of the 2025 net corporation tax receipts.
- It promotes a mutually supportive relationship between Revenue and businesses, aiming to achieve the highest level of voluntary tax compliance through transparency, trust, and collaboration.
- It is a voluntary programme where the taxpayer can opt out of the programme at any stage (likewise, Revenue can decide to withdraw any taxpayer that does not honour the agreed plan
- Submission of a formal application - when accepted into the programme, a letter of confirmation is issued by Revenue
- Once a taxpayer has been accepted into the CCF programme, the taxpayer will be provided with the contact details of its dedicated Revenue Case Manager (usually assigned for a 5 year period)- the Group can contact this Case Manager directly for all queries
- Acceptance is followed by an Annual Risk Review Meeting – generally a specific tax head for self-review is agreed at this meeting
- Tax advisors/agents have an important role to play in CCF e.g. assisting with regular self-reviews or in preparing for annual risk review meeting

CCF

Eligibility

- Open to groups within Revenue’s Large Corporates Division (LCD) and High Wealth & Financial Services Division (HW&FSD)
- Groups with a history of aggressive tax planning or significant unresolved compliance issues may be excluded

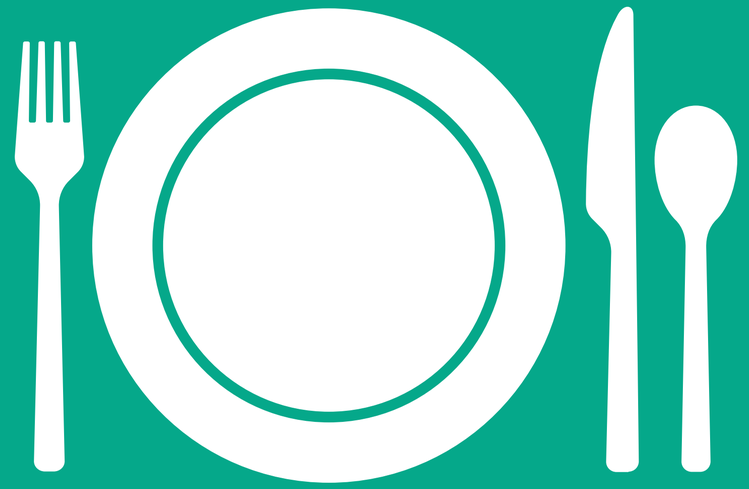
Benefits

- Enhanced certainty in tax treatment
- Faster resolution of tax queries and disputes
- Access to real-time engagement with Revenue
- Reduced likelihood of audits due to proactive risk management
- Improved reputation with stakeholders and regulators

Tax Control Framework (TCF)

- A central requirement of CCF participation is the implementation of a Tax Control Framework, which includes:
  - Documented tax processes and controls
  - Governance structures
  - Evidence of control testing and monitoring
- Revenue may request:
  - Process maps
  - Risk registers
  - Details of control owners and escalation procedures

Lunch



Revenue Focus Areas

- **Transfer Pricing**:
  - Revenue has 2 dedicated transfer pricing audit teams
  - Between 2015 and 2024, transfer pricing audits generated €788m
  - In 2024, Revenue exchanged Country-by-County (CbC) data with 72 other jurisdictions
- **National Share Schemes project**: €17.5m yield from 449 interventions, mostly related to individuals in receipt of share-based remuneration
- **Contractors**: Increased focus on the determination of employment status assessments post-Karshan Supreme Court judgment.
- **Social Media/Influencers**: €3.3m yield from 145 Level 2 interventions in 2025 – extends to businesses that engage with influencers

Revenue Focus Areas

2024 Revenue Annual Report

Risk Based	Other Project	Shadow Economy
Construction	Share schemes	Construction sites
Retail	Rental income	Fishing industry
Wholesale	Employee v Contractor (TDM issued following Supreme Court decision in Revenue v Karshan (Midlands) Ltd	Tourism and hospitality
Social media (Influencers)	Real time – PAYE – staff expenses and benefits	Hair and beauty
Digital services	Cross border VAT fraud	Take away food and beverages
Fast food	Transfer pricing	Transport
Hospitality		Courier and delivery services

Social Media Influencers

Taxation of Income from Social Media and Promotional Activities

- Due to an individual's profile or celebrity status, they may receive payments to promote goods or services, or may receive items in return for the promotion of goods or services
- Income derived from social media or promotional activities is chargeable to tax even in circumstances where the activity is conducted on a casual basis only and is not the individual's or company's main business or main source of income.
- Influencers earning income exceeding €5,000 annually outside PAYE e.g. sponsorships, affiliate commissions, are considered self-employed and must file a Form 11 annually

PAYE: If an influencer hires a personal assistance (PA) or other staff

- They must register as an employer with Revenue and are Responsible for deducting and remitting payroll taxes i.e. PAYE, PRSI and USC

CAT

- Gifts received without obligation to promote may be subject to CAT, subject to the small gift exemption of €3,000 per donor per annum

Case Study - Social Media Influencers

Income Tax Questions

- **Kevin** is an adventure travel enthusiast. He has been a full-time travel blogger for the past two years. He posts regular content on various social media channels and has built up a large number of followers. Kevin receives income from sponsored blog posts and affiliate marketing, and he has recently launched his own adventure travel e-book. Does Kevin have any income tax obligations in relation to his blogging?

- **George** works full-time as an electrician. He is also an avid gardener, with a particular interest in potted roses. Every year he enters competitions in local agricultural shows and summer fêtes to display his roses and he has recently won a number of prizes

- A garden centre situated in George's locality has recently undergone substantial refurbishments and is keen to publicise its re-opening. The garden centre becomes aware of George's profile and sends him some roses plants with the request that he mention the garden centre on social media. George posts photos of the roses in his social media accounts, tagging the garden centre. The garden centre sends George a gift voucher for €2,000

Case Study - Social Media Influencers

Income Tax Answers

- **Kevin's** social media activity is carried out on an ongoing, frequent basis with the intention of making a profit. His activity has the characteristics of a trade. He is obliged to return the income from his various income streams as Case I income.

- **George's** gardening is a recreational pursuit which he does for personal enjoyment. He would not be considered to be carrying on a trade. He is obliged to declare the €2,000 he receives from the garden centre as Case IV income.

- Assuming George in a PAYE employed electrician, where his income from social media activities does not exceed €5,000 per annum, he could request for the income to be coded to into his tax credits and standard rate cut-off and would not need to register as a self-assessed taxpayer with Revenue.

Social Media Influencers

VAT

- Revenue have stated that income derived from social media or promotional activities is chargeable to tax “even in circumstances where the activity is conducted on a casual basis only and is not the individual’s or company’s main business or main source of income”

- Influencers must register for VAT purposes if turnover exceeds

  - €42,500 for services

  - €85,000 for goods

- VAT applies to total consideration (cash or barter) - barter transactions e.g. hotel stays, car use etc. are taxable at open market value

- **Common income streams**

  - Advertising (VATable at standard rate of 23%)

  - Includes posts, brand mentions, logo placements etc.

  - Affiliate marketing (commission earned is taxable at 23%)

Case Study - Social Media Influencers

Question

- **Grace** is an influencer who has received a 2 day “pamper package”, for 2 people, at a 5 Star Hotel
- The package is advertised on the hotel website as costing €1,000
- The package comprises 2 nights bed & breakfast, dinner for 2 on one of the nights and 3 spa treatments for each person
- The arrangement is that the influencer provides certain promotional services (such as a number/type of positive posts) in return for the hotel stay
- The “pamper package” is in lieu of monetary payment for the services provided

Are there any tax implications for either the social media influencer or the Hotel?

Case Study - Social Media Influencers

Answer

- Grace is obliged to return the value of the stay as taxable income
- If Grace’s annual income (including barter transactions) exceeds the VAT registration threshold for services of €42,500, Grace is obliged to register for VAT purposes and remit VAT at the standard rate (currently 23%) to Revenue in her periodic VAT return
- As the value of the gifted stay exceeds the VAT gift exemption threshold of €20, the hotel should remit to Revenue any VAT that was previously deducted as input VAT

Shadow Economy

- Shadow economy activity includes:
  - not declaring, or under-declaring, a source of taxable income
  - employers paying employees in cash under an 'off the books' arrangement to evade tax and PRSI liabilities
  - working or running a business whilst at the same time falsely claiming jobseekers benefit from the Department of Social Protection (DSP)
  - non-operation of the Value-Added Tax (VAT) system
  - tobacco smuggling, including the sale of illegal tobacco products
  - oil laundering, including the sale of washed diesel

  Most of the shadow economy activity takes place where the payment of goods and services is by way of cash

Disrupting Shadow Economy Activity

Drugs Worth €191.1m Seized

5,507kg of cannabis

1,029kg of cocaine and heroin

32,563kg of other drugs

Tobacco and Alcohol Worth €67.3m Seized

46.9m cigarettes

23,673kg of tobacco

594,887 litres of alcohol

Cash Seizures and Forfeitures

80 seizures, to the value of €2,984,765

30 cash forfeiture orders, to the value of €755,485

67,276 Suspicious Transaction Reports received

Prosecutions and Convictions

191 convictions and fines amounting to €336,198 imposed for tax and duty related offences

Product	Number of Seizures	Quantity	Value €m
Cigarettes	5,493	46.9m	42.6
Tobacco	1,549	23,673 kg	21.0
Alcohol (Beer, Spirits and Wine)	2,729	594,887 litres	3.7
Illicit Mineral Oil	11	62,737 litres	-
Vehicles	1,058	1,058	15.6

Revenue Audit Intervention Activity

Interventions closed by 31 December 2025

Category	2022 Number	2022 Yield €'m	2023 Number	2023 Yield €'m	2024 Number	2024 Yield €'m	2025 Number	2025 Yield €'m
Level 1								
Profile Interviews	406	€0.15m	492	€0.90m	672	€2.5m	459	€2.9
Other (excluding profile interviews)	21,193	€34.88m	44,730	€127.5m	51,075	€167m	62,176	€212.7m
Appraisals	29,009	0	39,425	0	44,943	0	52,932	0
Total Level 1	**50,608**	**€35.03m**	**84,647**	**€128.4m**	**96,690**	**€169.5m**	62,635	€215.6m
Level 2								
Audits	12	€0.5m	98	€4.5m	233	€24.7m	403	€102.9m
Risk Reviews	155	€2.98m	2,442	€27.8m	4,334	€77.1m	5,038	€132.6m
Total Level 2	**167**	**€3.48m**	**2,540**	**€32.3m**	**4,567**	**€101.8m**	**5,441**	**€235.5m**
Level 3								
Investigations			8	1.9	6	0.50	**17**	**3.2**

Revenue Focus Areas

Tax Avoidance

- Areas of focus include transactions between connected companies and the transfer of assets abroad, cash extractions from companies by transferring assets at overvalue, transactions between individuals and companies to avoid income tax on payments

- Revenue continue to target offshore evasion and avoidance, and reference information received by them through Mutual Assistance agreements, Tax Information Exchange Agreements and Foreign Account Tax Compliance Act (FATCA)

Tax avoidance cases	2022	2023	2024	2025
Tax Yield in €'m	€16m	€17m	€46m	€41.7m
Total number settled	104	85	256	189

Emerging Trends

- Large Corporates: Single tax head audits (e.g., corporation tax reliefs).
- Medium Enterprises: Multi-tax head audits (e.g., VAT, PAYE, CT).
- Emphasis on data testing and granular documentation.

Extensive data analytic checks

- Increase in multiple tax head audits
- Multiple examples of escalation from L1 to L2
- Focus on understanding procedures and controls
- Reconciliation of VAT 3s, ARTDs, CT1s and Financial Statements
- No Loss of Revenue - must be proven and disclosed

Audit Triggers

VAT

- Refund position/larger refund than usual or a swing from a payable to a refund
- Late or non-filing of returns
- Discrepancies between VAT returns and other returns e.g. CT
- Third-party information (e.g., from suppliers or customers)
- Sector-specific compliance projects
- Failure to respond to previous interventions

Emerging VAT Trends

Accounts Receivable / output VAT

- Appropriate VAT rate
- End-to-end supply chain – where does the cross-border transaction take place
- Sequential invoice numbering
- Rebates and discounts
- Insufficient or no documentation to substantiate VAT treatment:
  - Recipient’s VAT status
  - Canteens and VAT treatment
  - Non-routine transactions e.g., one-off sale of equipment

Emerging VAT Trends

Accounts Payable / input VAT

- VAT recovery on professional fees – link to CT on Revenue v Capital
- Immovable property – leases/acquisitions/sales
- Non-deductible expenditure – food/drink/entertainment
- Sample invoice checks (supplier VAT reg #, VAT amount denoted in Euro, etc.)
- Non-operation of reverse charge VAT
- Continued impact of Brexit on supply chain/import VAT
- Adjustment for unpaid suppliers – 6 month rule
- Motor vehicles

Case Study - VAT

Example

- PharmaCo Limited is a fully VATable manufacturing business established in Ireland. It has a staff kitchen and also regularly procures sandwiches for lunchtime meetings. VAT is reclaimed on the sandwiches as meetings take place in-house.

- PharmaCo also has a staff canteen operated by a third-party agent. VAT is remitted appropriately on sales of food and drink. However, at Christmas each year free lunches are given away to staff for a week and in summer there is a summer party.

- Are there any VAT implications for PharmaCo based on the above?

Case Study - VAT

Answer

- Incorrect to recover the VAT on sandwiches as VAT on food and drink is specifically disallowed under s.60 VATCA 2010
- Albeit the food at Christmas and the summer party are for staff purposes, these create VAT issues
- The free food given away at Christmas is a “self-supply” such that VAT on the “cost” of the food should be remitted to Revenue
- In terms of the summer party, any costs associated should be disallowed as entertainment in nature

Employment Taxes

- Revenue has recently intensified scrutiny in these areas:
  - **Enhanced Reporting Requirements (ERR)** for employee benefits and expenses.
  - **Contractor arrangements**—especially where the line between employment and self-employment is blurred
  - **Staff entertainment**—Revenue may challenge the reasonableness or frequency of events.
  - **Travel and subsistence**—especially where the "normal place of work" is unclear or misclassified.
- "As part of our business compliance programme, which includes payroll related reviews and intervention, we examine the payment of staff expenses, and the provision of benefits and salary payments to employees as a matter of course. We also examine all other areas of potential tax risks related to staff remuneration, including the classification of workers for tax purposes. These matters will remain a focus for our compliance activity in 2025"

Enhanced Employer Reporting

- The introduction of Enhanced Reporting Requirements (ERR) on 1 January 2024 has resulted in increased scrutiny on the taxability of employee benefits and expenses

Number or Value Number of submissions	1,366,914
Number of employers submitting	55,387
Number of payments	12,070,071
Value of payments	€1.6bn ➢Of which relates to remote working daily allowance; €10m ➢Qualifying incentives under the small benefit exemption; €217m ➢Non-taxable travel and subsistence €1.3bn

Staff Entertainment

- Revenue are adopting an aggressive approach on staff entertainment and are seeking to apply payroll taxes to such expenses where they do not fall within one of the following categories:

  1. With effect from 1 October 2025, Revenue is willing to accept that meals brought onto, and consumed, on the employer's premises will not be treated as a taxable BIK, provided they are available to all staff. This arrangement applies regardless of the presence of a designated staff canteen

  2. Provision of staff events or seasonal parties which are reasonable and open to all employees

- Revenue's concession on staff entertainment expenses provides that where an employer provides seasonal social events, such as Christmas parties, sports days or other inclusive events, no taxable BIK should arise where expenses are seen to be reasonable and the event is open to all employees

- Revenue may not regard staff entertainment expenses as being "seasonal" after 3 to 4 events in a year

Small Benefit Exemption

- From 1 January 2025, you can give employees up to five small benefits, tax-free, each year. These benefits must not be in cash or cash equivalent and the combined value of the five benefits cannot exceed €1,500. If more than five benefits are given in a year, only the first five benefits may qualify for the tax exemption. Unused allowance amounts cannot be carried over.

- A single benefit of up to €1,500 may be provided to an employee tax-free. If a single benefit exceeds €1,500 in value, the full value of that benefit is subject to tax. Details of the date paid and the value of benefits must be reported to Revenue as part of ERR.

Travel & Subsistence

- A renewed focus on the correct application of payroll tax exemptions for travel & subsistence payments to employees has been driven by the new ERR reporting requirements.

- Reimbursement of travel and subsistence expenses may be made without the deduction of tax where:

  - The employee is temporarily away from their normal place of work in the performance of their duties; and

  - The expenses are necessarily incurred.

- The question as to the location of the employee's 'normal place of work' may not always be clear. The employer's base may not always correspond with the employee's normal place of work.

- Details of the date paid and the value of benefits must be reported to Revenue as part of ERR.

- Revenue do not generally accept that 'home' is the normal place of work, other than where there is an 'objective' requirement for an employee to work at home.

Contractors

The Revenue Commissioners v. Karshan (Midlands) Ltd. t/a Domino's Pizza

- Following the Supreme Court's judgement on 20 October 2023 in The Revenue Commissioners v. Karshan (Midlands) Ltd. t/a Domino's Pizza, Revenue issued a press release stating that they encourage all businesses that engage contractors, sub contractors or workers on a self-employed basis to review the nature of these arrangements in light of this judgment.

- The factual matrix of the contractor engagement may be one which is deemed to be akin to an employment arrangement for tax purposes and thus the engaging entity may be required to operate payroll withholding taxes.

- Employers who engage contractors should therefore urgently review their tax status by reference to the five tests that were used by the Court in coming to their ultimate decision.

Employment – Decision-Making Framework

The employment status decision-making framework consists of five sequential questions:

1.Work/Wage Bargain - Does the contract involve an exchange of work for wages or other remuneration?

2.Personal Service - Is the worker required to provide their own services, rather than those of a third party?

3. Control - Does the putative employer exercise sufficient control over the worker for the arrangement to be capable of being an employment contract?

Filtering stage: If any of the first three questions are answered negatively, there can be no contract of employment.

4. All the Circumstances of the Employment - Where the first three criteria are met, do the terms of the contract, considered in light of the factual matrix and working arrangements, point to the individual working for themselves or for the employer?

5. Legislative Context - Is there anything in the relevant legislative regime that requires the decision-maker to adjust or supplement the analysis?

Case Study - Employment Taxes

- You are the HR Director of a mid-sized company undergoing a Level 2 Compliance Intervention. Revenue has requested documentation and justification for:

➢ The classification of several contractors.

➢ The frequency and nature of staff entertainment events.

➢ Travel expense claims for employees who work remotely or across multiple sites.

- One contractor has been working exclusively for your company for over a year, using company equipment and attending team meetings. Staff entertainment includes monthly team lunches and an annual off-site retreat. Travel claims include mileage and subsistence for employees visiting different branches, though their contracts list "Head Office" as their primary workplace.

Question:

What are the key risks in this scenario, and what actions must be taken in response to the Level 2 intervention? Should a disclosure be made?

Case Study - Employment Taxes

Answer - Key Risks

- **Contractor Classification:**
  - The contractor may be deemed an employee due to exclusivity, integration, and use of company resources.
  - Misclassification could result in underpaid PAYE, PRSI, and USC.
- **Staff Entertainment:**
  - Monthly lunches and retreats may be considered taxable benefits if not provided on an employers premises and not available to all employees.
  - Revenue may challenge the frequency and business necessity.
- **Travel and Subsistence:**
  - If "Head Office" is listed as the normal place of work, travel to other branches may qualify for tax-free reimbursement.
  - Misclassification of work locations can lead to disallowed expense claims.

Case Study - Employment Taxes

Answer - Actions required for Level 2 Intervention

- Conduct a full internal review of PAYE with special attention to contractor arrangements, entertainment policies, and travel expense claims in order to identify any tax defaults or misclassifications.
- Since a Level 2 intervention has been issued, an Unprompted Qualifying Disclosure is no longer possible. However, a Prompted Qualifying Disclosure can still be made within 28 days, with an extension to 60 days, where the taxpayer requests an extension from Revenue within 21 days of receiving the Level 2 intervention.
- This disclosure must include:
  - Full details of the default
  - Payment of any outstanding liabilities (along with calculated interest and penalties)
- Provide Revenue with:
  - Contracts and working arrangements for contractors
  - Records of staff entertainment events (dates, attendees, purpose)
  - Justification for subsistence claims

RCT

You are a principal contractor if you:

- are connected to a company involved in construction, meat processing, or forestry,
- are a local authority, public utility society or housing association,
- are a Government Minister,
- are a board or body established under statute,
- are a board or body established under royal charter and funded mainly by the Oireachtas,
- carry on any gas, water or electricity work,
- carry on any hydraulic power, dock, canal or railway work, or
- carry out the installation, alteration or repair of telecommunications systems.

RCT

Focus Areas

- **Schools** - Principal contractors are defined in the legislation (S530A TCA 1997). The definition includes “any board or body established by or under statute … and funded wholly or mainly out of funds provided by the Oireachtas”. As such, school Boards of Management are principal contractors for the purposes of RCT

- **Connected Parties** - Under Irish tax legislation, RCT applies where a Principal Contractor engages a subcontractor under a Relevant Contract to carry out Relevant operations in Ireland.

This includes:

- a business which includes the erection of buildings or the development of land; or

- a connected company which carries on any of the above activities.

RCT

Connected Parties

- Company A was hired to build an office. The owner of Company A also owns Company B which provides sub-contracting electrical work
- Although Company B is a separate legal entity, because both companies are owned and controlled by the same owner they are connected parties
- As such Company B is considered a principal contractor for RCT and required to register and operate RCT on any payments made to its own sub-contractors

RCT

Build to let

- There is a limited exclusion from the definition of Principal Contractor under Revenue guidance, known as the Build-to-Let exclusion. This applies where:
- The development is undertaken solely for the purpose of letting (not sale);
- The lease is for a period of less than 35 years;
- Neither the company nor any connected party carries on a business involving the development of land or buildings for sale.

Case Study - RCT

Example - Build to let

- Company AD Ltd was established to acquire and develop two sites in Dublin
- Company AD Ltd entered into a development agreement with Company BC Ltd
- Company AD Ltd also entered into a 25 year lease agreement with a third party

Are there any RCT obligations for company AD?

Case Study - RCT

Answer - Build to let

It would appear that Company AD Ltd would be regarded as a Principal Contractor and, in the absence of any exemption, would be required to register for RCT and operate the withholding tax on payments to subcontractors

RCT

Penalties

- There are significant penalties for non-operation of RCT by a principal contractor
- The penalties for RCT are incredibly onerous and “No Loss Of Revenue” is not available for RCT
- They range from 3% to 35% of the gross payment amount. The penalties are set out in s530(F)(2) TCA 1997 and are based on the tax compliance status of the sub-contractor, as follows:
  - A 3% penalty applies where the sub-contractor is registered with Revenue, is fully tax compliant and has received zero rate authorisation
  - A 10% penalty applies where the sub-contractor is registered with Revenue and is substantially tax compliant and therefore liable to the standard RCT deduction rate of 20%
  - A 20% penalty applies where the sub-contractor is registered with Revenue but is not considered tax compliant and is therefore liable to the RCT deduction rate of 35%
  - A 35% penalty applies where the sub-contractor is not known to Revenue

What to do if a Revenue intervention is issued

- Only answer what is being asked
- Determine years(s) and tax-heads; the audit is only for the periods in the letter
- Watch out where CT is not a December year end (generally PREM & VAT are done on a return basis)
- Watch for 4 year rule – if Revenue are extending beyond the 4 years, do they have grounds for this?
- Review return(s) for errors/omissions – is the return complete and correct? Is there a full & true disclosure of all material facts? Is there fraud or neglect?
- Revenue can extend the review to either additional periods and tax-heads if they are not satisfied with the responses provided – imperative to engage and co-operate with Revenue.
- Note the benefits of taking a proactive approach by submitting an Unprompted Qualifying Disclosure

Key take-aways

- Staying proactive in tax compliance is essential for taxpayers to navigate the evolving landscape of Revenue Interventions effectively
- The increased usage of technology and data analytics means that Revenue Interventions (particularly Level 2 Interventions) in 2025 and beyond are likely to be based on a particular risk feature relating to a taxpayer’s returns
- While businesses will not have access to all the information that could indicate a potential tax risk to Revenue, it is crucial for them to establish robust tax control frameworks to proactively identify and address possible risks
- Businesses should conduct regular reviews of their tax control framework to proactively manage tax risks and consult with their professional advisers as appropriate
- By identifying and dealing with tax risks, businesses can potentially mitigate the likelihood of facing costly and time-consuming interventions from Revenue

Thank you

Any Questions?