

Ref: 100563-20

9 November 2020

Mr Paschal Donohoe, T.D.,
Minister for Finance,
Department of Finance,
Merrion Street,
Dublin 2.

Minister@finance.gov.ie

Dear Minister,

I refer to your letter dated 29 October requesting information on the next steps ahead of implementation of the findings of the comprehensive review of the flat rate expenses (FRE) regime that was undertaken by Revenue in 2018 and 2019. As you know, the implementation of those findings was subsequently deferred, pending the outcome of a policy review by the Tax Strategy Group (TSG) relating to the tax deductibility of expenses in employment.

At the outset, I would like to reiterate that Revenue remains fully committed to the operation of the FRE regime. As has been acknowledged publicly, the regime provides an efficient and transparent mechanism for significant numbers of employees, who incur similar type expenses in the performance of their employment duties, to obtain tax relief in respect of their expenses without having to submit annual claims to Revenue. The regime also provides efficiencies for Revenue by reducing the administrative cost of processing large volumes of identical claims for similar groups of employees. Our ongoing commitment to the regime is also evidenced by the introduction of new FRE categories to the regime.

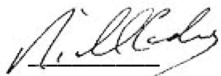
Our comprehensive review of the FRE regime did indicate that the basis for some of the existing FRE allowances was no longer valid and that such allowances needed to be revoked, either fully or partly. However, the review also highlighted several aspects of the FRE regime that warranted consideration from a tax policy and legislative perspective. It was in that context that it was agreed that the TSG was an appropriate forum in which the issues in questions could be fully considered, including the necessity and feasibility of legislative change. While the TSG did not reach specific conclusions in its paper on the subject, the Group suggested a number of policy options that could be considered for implementation.

Given the time pressures associated with Government formation talks and ongoing work pressures on the development and implementation of the Emergency Measures to deal with the Covid-19 Pandemic, it is our understanding that it has not yet been possible for you and your Department to fully consider those policy options and make the necessary decisions on the general question of the tax deductibility of expenses in employment. Moreover, given the impact of the pandemic on workers in general, for example, wage reductions or loss of employment for significant numbers of

employees, Revenue would fully accept that the timing of the implementation of any negative changes around FRE regime does have to be considered carefully.

It is important to note that the implementation of the findings of the Revenue review of the FRE regime has already been deferred for some time now. However, given the circumstances outlined above, Revenue would have no objection to a further deferral of the implementation of the findings of the FRE regime to 1 January 2022, pending decisions by you and your Department on the policy options put forward by the TSG on various matters relating to employment expenses and the enactment of legislative changes in that area, if any. Revenue officials remain available to assist the Department in that context.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Niall Cody', written over a horizontal line.

Niall Cody,
Chairman.