Response Number 1083

Q.1 What are your views on the proposal to introduce real-time reporting for B2B and B2G transactions?

Irish Funds welcome the opportunity to contribute at this early stage to the proposals for the modernisation of VAT administration in Ireland. Irish Funds believes that this represents a potentially fundamental shift for taxpayers / businesses in how data is collected by and provided to Revenue.
We believe it is beneficial at this point to share our considerations as a Representative Body which represents an industry which has a relatively unique profile, particularly from a VAT perspective, to ensure that any modernisation proposals acknowledge and accommodate the variations between businesses in how sales and purchases and relevant VAT invoices are received and issued.
The proposal for potential real-time reporting for B2B and B2G transactions could potentially have a significant impact on the funds industry due to the typical operational model for funds with respect to VAT compliance.
Regulated funds are independent entities from a VAT perspective and often have no direct human or technical infrastructure themselves. Therefore, in Ireland (as in other competing jurisdictions), funds are reliant upon service providers ("SPs") for their management, administration, and compliance obligations. In that context, rather than a fund itself preparing its periodic VAT returns, the process is by necessity outsourced to SPs which in turn are reliant upon other parties (for example the manager of the fund) to provide them with records and details of supplies made and, more often, received by the funds during each taxable period. Further, the party preparing the VAT return for a fund may be a different SP than the SP which is acting as a fund's administrator. As such each fund will likely not have a specific system of its own updated on a daily basis with respect to transactions which are relevant for VAT purposes. Currently, the fund administration industry operates based on periodic retrospective VAT reporting. Therefore, the shift to real-time reporting would be a significant change for the fund administration industry.
In that context, Irish Funds anticipates that any requirement to report the receipt or supply of services to or by a fund in 'real-time' rather than at the end of a taxable period will represent a large logistical challenge as well as likely increase the compliance expenses of regulated funds (which would be a cost ultimately borne by investors in such funds). Challenges which we anticipate arising include the fact that SPs would typically service a large number of funds (and potentially other types of entities). In practice, SPs will review and calculate the VAT returns for the funds they administer subsequent to the end of a taxable period and prior to submission of the VAT return for such period. This allows for a period to gather relevant records for each fund from relevant parties and ensure accuracy. To operationalise the gathering of such information on a daily basis, for example, would require a wholesale change in processes which would likely remain more expensive to operate in practice. Further such changes would not necessarily in our view give rise to an increase in the accuracy of VAT reporting or administration on behalf of funds or combat any perceived difficulties or shortcomings in the current reporting regime.
Finally, we note that Irish Funds would have similar concerns in relation to VAT real-time reporting obligations in the domestic context as detailed above, in respect of the equivalent VAT reporting rules which are proposed to apply for intra-EU transactions, pursuant to the EU's VAT in the Digital Age ("ViDA") programme.

Q.2 What matters should be considered in planning for a transition to a new VAT Reporting system?

Building upon the comments provided as regards the proposal for real-time reporting in question 1, a practical and business-friendly approach to any transition will be of paramount importance, from the funds industry perspective.
As funds rely on SPs for many of their operational activities, including VAT obligations, the ability of the SPs to adapt to any amended requirements will be paramount. Further we would suggest that consideration should be given in any new VAT Reporting system to the additional costs it may give rise to from a compliance perspective (particularly given the compliance profile as explained earlier) which could make

Ireland less attractive from a funds perspective when compared to peer jurisdictions.
In terms of any transitional period, we would anticipate that flexibility during such transition (and immediately following implementation) will be key. The transitional period should be a matter of years with clear criteria and guidance available from the outset to allow for the development and implementation of appropriate systems.
Further, we would encourage, where necessary, that any real-time reporting rules in particular incorporate provision to allow for the business / financial reality of how funds and their SPs operate (balancing the perceived benefit of such real time reporting as against the potentially disproportionate cost of compliance with such). For example, longer periods should be considered for any reporting obligations as regards the issue or receipt of Einvoices to reflect the coordination which will be required as between SPs which would likely not be feasible where the timeline is a matter of days.
Whilst Irish Funds appreciates at a high level the potential benefits of the real time collection of VAT invoice data, we would highlight that in circumstances such as those of a regulated fund such benefits are still available where the collection of data is carried out on a less regular basis without giving rise to the anticipated potential increase in costs.

Q.3 If your business is currently subject to a VAT reporting programme in another EU or non-EU country, can you please share best practice, recommendations or lessons learnt?

Irish Funds would reiterate that any proposed reform of the current VAT reporting regime in Ireland as it applies to the funds industry and regulated funds in particular should be cognisant of the regimes which apply, or will apply, in those jurisdictions which also host a large funds industry to ensure that Ireland is not unnecessarily increasing the costs associated with Ireland as a funds jurisdiction without an associated benefit arising from the increased obligations. We would note the potentially negative impact which an overly onerous Irish reporting regime may have for the large and growing funds industry in Ireland, where other competing jurisdictions do not impose the same reporting requirements on their own funds industry.
We would also recommend that the definitive requirements for the VAT reporting regime are provided to all relevant parties as early as possible. This will allow all SPs involved in the VAT reporting process to build their relevant workflows and requirements, to ensure they comply with the VAT reporting requirements. Where requirements change during the implementation phase, this will give rise to additional challenges and costs for the SPs which has been encountered in other jurisdictions.

Q.4 Have you any observations, concerns or recommendations on a move to mandatory electronic invoicing for B2B & B2G domestic VAT transactions?

In general, we would welcome the introduction of mandatory electronic invoicing on the assumption this will be implemented based on clear guidelines in line with any proposals for electronic invoicing adopted at an EU level.
We also recommend that flexibility in the rules will be necessary to take account of different types of businesses and how they operate from an invoice and VAT accounting perspective.
We would welcome an initial phasing–in period of the rules, to enable funds and their SPs to prepare for mandatory electronic invoicing and ensure that systems/software used can be integrated where necessary, to facilitate the issuing and receipt of compliant electronic invoices.
We would also highlight that there will likely be significant cost and potential time required for the integration of any new software packages which will be required to pass the relevant cyber security and data protection requirements.

Q.5 Revenue is particularly interested in hearing views from businesses that are already engaged in eInvoicing Public Bodies within Ireland or engaged in B2B eInvoicing throughout Europe and beyond. How did you prepare and what challenges prevailed in your preparations for eInvoicing?

As noted in our response at Question 3 in respect of VAT reporting, we would suggest the same

recommendation here in respect of eInvoicing, that the definitive requirements for the eInvoicing regime are provided to all relevant parties as early as possible. This will allow all SPs involved in eInvoicing to build their relevant workflows and requirements, to ensure they comply with the requirements. Where requirements change during the implementation phase, this will give rise to additional challenges and costs for the SPs.

Q.6 What suggestions would you offer in Ireland's arrangements for a mandatory B2B and B2G eInvoicing programme?

Please see our response to Question 4 above.

Q.7 Revenue are cognisant that small businesses may have different perspectives and requirements to large businesses, so what information prompts would you find useful for businesses in completing the VAT return?

N/A