

Minutes

Indirect TALC Meeting

10.30am, Wednesday 29th June 2022

On-line Meeting (hosted by Revenue on Microsoft Teams platform)

Item 1 – Minutes of previous meetings

- The Chair noted that the minutes for the last meeting had been circulated quite recently along with updated minutes for the December meeting, and proposed that as such, we would send a request to Members for a written confirmation of acceptance within the next week or so. The Chair asked if there were any preliminary observations from Members, but nothing was raised.

Item 2 – Revenue EU Commission Update

- VAT in the Digital Age Initiative - Emmet Campbell, currently on secondment from Revenue with the EU Commission attended to give a presentation to the group on VAT in the Digital Age initiative, with specific reference to the ongoing evaluation of the E-Commerce package and the application of the new E-Commerce rules.

Item 3 – AOB

- Update on Indirect TALC sub-groups – The chair provided an update on the status of the sub-groups and requested that any of the representative bodies which were yet to nominate would put their nominations forward in the coming days. Given the time of the year, the intention is that the sub-groups will start officially sometime around September.
- VAT recovery in Ireland for overseas branch costs – The chair stated that this query would likely be better addressed within the framework of the upcoming sub-groups and proposed that it should be discussed in that sphere. Members agreed with this approach.
- Scandia - The chair stated that this query would also be better placed within the framework of the upcoming sub-groups and proposed that it is discussed in that forum. Members agreed with this approach.
- EU review of VAT and Financial Services Update –A summary report of the outcome from the public consultation was published in August last year and indicated a general and clear support for VAT exemptions, updated definitions, better legislation around VAT groups, Cost Sharing mechanisms and Options to Tax. The Commission have confirmed that preparation will continue with a legislative proposal by 2023. The latest information we have it that this will be in the 2nd half of 2023. The Commission have confirmed that this has been delayed, largely due to the complex nature of the topic/industry.
- VAT reduced rates directive – The Rates Directive changes apply from April this year. It was originally intended to apply from 1 January 2025 to harmonise and eventually eliminate reduced and super-reduced rates. However, everything changed with the COVID-19 pandemic as well as the need to assist the green agenda, support digital transformation and address future exceptional circumstances like pandemics, humanitarian crises, or natural disasters. The main provisions are as follows:

- Article 98 has been amended to provide that Member States may apply a maximum of two reduced rates no less than 5% to the categories listed in the new Annex III. The application of reduced rates under Article 98 is capped at 24 categories within Annex III.
- Article 98(2) now also provides that in addition to the two reduced rates, Member States can also apply a reduced rate lower than the 5% minimum and an exemption with deductibility or zero-rate to certain categories in Annex III, namely supplies covered by categories (1) to (6) and (10c). These cover food, water, medicine, medical equipment, transport, books, and solar panels.
- In addition to this, Member States applying historical derogations at 1 January 2021, can also continue to apply a reduced rate lower than the 5% minimum or zero-rate to those supplies under the new Article 105a, but only where they are covered by the new expanded Annex III.
- Member States can only apply a reduced rate lower than the 5% minimum or zero-rate to a total of 7 categories of Annex III, this limitation applies to any option exercised in respect of categories (1) - (6) and (10c) as well as any historical derogations to be retained. Where a Member State has historical derogations in excess of 7 categories, those derogations must be phased out by 1 January 2032. Equally, any derogation that does not fall within the new Annex III will also be subject to this sunset clause.
- To ensure equal treatment, Member States can opt to adopt derogations that are currently applied by other Member States. If this option is exercised, it will be subject to the conditions applying to the derogation in that Member State and will also be subject to the limitations outlined above.
- Article 105a also provides that Member State currently applying a reduced rate not less than 12% on the basis of an historical derogation may continue to apply this indefinitely. It also provides that reduced rates and exemptions in respect of fossil fuels and other goods impacting emissions such as peat and firewood, should be phased out by 1 January 2030. Reduced rates and exemptions in respect of chemical pesticides and fertilisers should cease to apply by 1 January 2032.

Any decision on a VAT rate change is a matter for the Minister and will be considered as part of the TSG discussions in advance of the Budget.

- VAT Treatment of Staff Secondments – Members clarified that the query was in relation to the updated TDM and a concession which Revenue operates in relation to same. The issue relates to the application of this concession where the company has discharged correctly, and on a timely basis, all PAYE, PRSI and USC liabilities arising. The clarification that Members were requesting concerns circumstances where a certificate of coverage exists, which exempts employees on secondment in Ireland from paying PRSI. In such circumstances where an individual is on secondment in Ireland, and PAYE and USC have been paid, but PRSI is not payable, is it acceptable from Revenue's perspective for the concession to continue to apply?

Revenue stated that the concession applies to circumstances where compliance exists. There have however, been cases where individuals were flying into Ireland on secondment and no payment for PAYE, USC, PRSI or VAT was being made. The TDM was changed to ensure that VAT was being applied, when no PAYE, USC or PRSI were paid. Revenue are happy that if a certificate of coverage exists, we do not have an issue with what members were suggesting.

- **Other**

The Chair referenced the administrative matters which were discussed at the last meeting and suggested to Members that at this stage in the pandemic, we would provisionally consider holding the next meeting on the 5th October in person, should Members be open to same. We will also aim to discuss the administrative management of the group more generally at that meeting with the goal of improving our operation going forward. Members agreed that it seemed like a good idea at this stage. Members also requested that Revenue survey the nominees for the sub-groups to determine if those nominated were happy to meet in person, preferably before the next TALC meeting in October, which Revenue agreed to provisionally.

The Chair also referred to the request at the last meeting for observations from Members regarding the administrative operation of the Indirect TALC. No proposals had as yet been received, but the Chair re-iterated this request and stated that Revenue would produce a short paper for consideration to allow us to discuss at the next meeting with the view of streamlining the groups operation.

Action Points	Responsible	Timescale
Revenue to circulate a link to Members on the Summary Report of the Public Consultation, published by the Commission, with respect to the EU Review on VAT and Financial Services.	Revenue	As soon as possible
Revenue to circulate a link to Members on the Instrument adopted in April with respect to the VAT Reduced Rates Directive	Revenue	As soon as possible
Revenue to canvass Members for written confirmation of the acceptance of the December minutes	Revenue	As soon as possible
Revenue to canvass nominated representatives of the upcoming sub-groups for scheduling and in person attendance for the first meeting	Revenue Members	Before next meeting

Attendees

Irish Tax Institute

Oonagh Carney
Kevin Devenney
David Duffy
Lorraine Sheegar

Consultative Committee of Accountancy Bodies - Ireland

Mairead Hennessy
Gearoid O'Sullivan

Law Society

Donal Kennedy
David Lawless
Patricia McCarvill

Revenue

Emmet Campbell
Dermot Donegan
Deirdre Hanlon* (Chairperson)
Colin O' Farrell (Secretary)
Ciaran Ruane
Olivia Scanlon

*Designated Public Official, *Regulation of Lobbying Act 2015*