Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Modernising Ireland's Administration of Value-Added Tax

Report on the initial Public Consultation process

Key Findings

27th June 2024

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Table of Contents

Executive Summary 4
Why is Revenue consulting? 4
Who responded? 4
What did respondents tell us? 5
Conclusion 6
Section 1. Introduction 8
Overview 8
Context for the Consultation. 8
Structure of the Consultation 9
Promoting the engagement 9
Section 2. Who replied to this Consultation 10
Section 3. Summary of Responses 13
Q.1. Businesses' views on the proposal to introduce real-time reporting for B2B and B2G transactions 14
What you told us. 14
Q.1. Stakeholders' views on the proposal to introduce real-time reporting for B2B and B2G transactions 15
Q.2. What businesses said should be considered in planning for a transition to a new VAT Reporting system. 16
What you told us. 16
Q.2. What stakeholders stated should be considered in planning for a transition to a new VAT Reporting system. 17
Q.3. Best practice, recommendations or lessons learnt from businesses currently subject to VAT reporting elsewhere 18
What you told us. 18
Q.3. Stakeholders' recommendations and lessons learnt from their own or their client experiences gained from those currently subject to VAT reporting elsewhere. 19
Q.4. Observations, concerns, or recommendations from businesses on a move to electronic invoicing for B2B & B2G domestic VAT transactions. 20
Business Respondents told us. 20
Q.4. Stakeholders' observations, concerns, and recommendations on a move to electronic invoicing for B2B & B2G domestic VAT transactions. 21
Q.5. Views from businesses that are already engaged in eInvoicing. 22
What you told us about your preparations and challenges. 22
Q 5. Views from stakeholders who have had some experience with eInvoicing. 23
Q.6. Suggestions from businesses on Ireland's move to a B2B and B2G eInvoicing programme. 24
Your suggestions. 24
Q.6. Stakeholders' suggestions for Ireland's B2B and B2G eInvoicing programme. 25

Q.7. The information prompts that businesses would find useful in completing the VAT return?. 26
What you told us. 26
Q.7. What information prompts would stakeholders find useful for businesses in completing the VAT return? 27
Section 4. Conclusions and Next Steps 29
Conclusions 29
Next steps and future consultative processes 29

Executive Summary

Following on from the Minister for Finance's announcement on VAT Modernisation in his Budget speech on 10th October 2023, Revenue undertook a Public Consultation process about using digital technology to modernise VAT administration. Specifically, the Consultation focused on a proposed move to real-time digital reporting for VAT supported by electronic invoicing. This Report provides a summary of that recent initial Consultation, recaps the context for the consultation, provides information about participation, provides a summary of the wide range of responses received, and highlights comments that reveal many of the themes that featured across those responses.

Why is Revenue consulting?

The recent Public Consultation was the first in a series of engagements which Revenue wants to conduct with businesses and other stakeholders over the next few years as we work on developing and implementing a VAT modernisation programme. Ireland's system for VAT administration has worked well over the last 50 years of the tax, but a more effective approach is now possible if we tap into the potential of modern technology and learn from the experience of other countries who have moved ahead of us on this journey.

The aim of our initial Consultation was to gather external stakeholder feedback on digital advances which enable eInvoicing for transactions between businesses, and how we can use this as the basis for introducing real-time, digital VAT reporting. Revenue published a Consultation Paper which introduced the concepts of digital reporting and eInvoicing; it discussed why such innovations – which are increasingly the norm internationally, and which reflect the direction of the EU Commission's VAT in the Digital Age (ViDA) initiative – can benefit the business sector and enable more effective tax administration.

This initial Consultation was designed as an early-stage engagement to provide information about the broad concepts of real-time reporting and eInvoicing, and to seek respondents' initial reactions. Ahead of making any decisions on the detail of a modernisation process, Revenue was especially interested to understand any potential concerns for businesses or stakeholders, in order that these can be considered and addressed as part of a VAT modernisation programme. While the scope of the initial Consultation was confined to business-to-business (B2B) and business-to-government (B2G) transactions, in the times ahead Revenue will conduct modernisation consultations on further matters including, for example, business-to-consumer (B2C) transactions, approaches to VAT payment/repayments, and accounting for VAT.

The Consultation period ran from mid-October 2023 for over three months, closing at the end of January 2024. Section 1 of this Report gives information about the way the Consultation was structured and how it was promoted.

Who responded?

In total, over 1,100 responses were received. More than 1,000 came from businesses who are in the VAT net ('business respondents') and the remainder were from other stakeholders ('stakeholder respondents'), such as tax advisory and accountancy firms, professional representative groups, software providers and business associations.

Among the business respondents, 54% told us that they operate as sole traders or as a partnership, and 46% through a corporate structure. More than half (55%) are service sector businesses, with just 20% supplying only goods, and 25% providing both goods and services. About half of business

respondents trade with suppliers outside of Ireland, and around one-third supply customers both in Ireland and abroad.

A very high proportion of business responses came from enterprises at the smaller end of the scale: over 46% said their annual turnover is below €100,000 and a further 28% were in the range of €100,001 up to €700,000. By contrast, just 6% of responses were from firms whose turnover is more than €12m each year. Almost 45% of those who replied have no employees.

Most of the business respondents told us that they already use digital technology in relation to their business. Over 56% reported that they use accounting software to support their financial processes. As regards VAT invoices, more than 69% told us that they issue some form of an invoice digitally. Only 23% said that they use a paper system only for VAT invoices.

Section 2 of this Report provides more detail regarding the profile of the respondents to the Consultation process. Such information helps us better understand the context in which the respondents operate, and the background to the views they have put forward in their submissions.

What did respondents tell us?

Participants in the Consultation process were invited to reply to seven Consultation Questions. Participants were not obliged to confine their replies to the seven questions, and could provide broader input too, if they wished.

Section 3 of this Report provide a summary of the matters covered in the replies from Business respondents and from other stakeholders (respectively). Those parts of the Report include a range of direct quotes from submissions which aim to give a representative flavour of the comments received.

The overall purpose of the Consultation was to seek initial views from the VAT community as we start our dialogue on VAT Modernisation. Taking a broad look across the responses, they show that, at this early stage in the discussion:

- some 45% of business respondents were willing to give a very clear welcome for the overall direction of the VAT real-time reporting proposals outlined in the Consultation Paper,
- about one third indicated they have concerns about some aspects,
- nearly 14% said they would like to have further information before expressing a view, and
- only 5% suggested that they consider the present system of VAT reporting will be suitable into the future.

On particular aspects of the proposals, the diverse range of businesses and stakeholders who responded offered a wealth of views, insights, and suggestions providing valuable perspectives which will be considered as we move forward in preparing for a successful VAT Modernisation journey.

There was considerable similarity in the range of themes that were raised across the two respondent categories, and related issues were discussed under each of the question headings. In many cases, the substance of a respondent's views or comments in answer to one question was echoed in the answer to several other questions too.

Key themes that were evident across the responses included the following:

- an over-riding need for Revenue to engage with businesses and other stakeholders (including tax practitioners, software providers and business associations) throughout the process of planning, designing, and implementing any changes,
- importance of clarity about timelines, and the availability of sufficient lead-times to enable businesses to deal with the introduction, testing and checking of any new arrangements before they take effect,
- concerns about the capacity of some businesses, especially smaller ones, to adapt to new digital arrangements,
- crucial nature of awareness-raising and the provision of comprehensive technical guidance to support businesses and other affected stakeholders in understanding and preparing well for any changes,
- cost concerns for business, especially SMEs, regarding the introduction and operation of new IT arrangements or systems and ensuring compatibility with their normal business systems,
- importance of ease-of-use in the design of any new systems, as this impacts on the administrative burden for businesses,
- suggestions about the structuring of any changes, including ideas about phasing-in changes over time, and
- the need to learn from other countries who have introduced similar initiatives.

The EU Commission's discussions on the "VAT in the Digital Age" proposal provides for the removal of the EU Commission's requirement for Member States to seek a derogation to adopt B2B eInvoicing. It is expected, this may then likely lead to an increase in the adoption of eInvoicing systems within the EU market. We will engage and work together in terms of technology, and collaboration, with eInvoicing and software providers to ensure businesses can meet their obligations.

Conclusion

The findings of the Public Consultation highlight the invaluable contribution of small businesses in shaping the discussion surrounding the proposed modernisation in transaction reporting to Revenue. Whilst acknowledging small businesses do have apprehensions and uncertainties regarding any proposed changes, small businesses demonstrated a commendable level of engagement and participation in the consultation process.

Revenue appreciates the contributions of all respondents who took the time to share their views, experiences, ideas, and suggestions during the Public Consultation process. Their participation will play an instrumental role in shaping our VAT modernisation programme and will inform ongoing efforts to address shared challenges, seize opportunities, and drive positive change.

We aim to consider all suggestions, concerns and recommendations in developing our modernisation programme, and to engage with businesses and stakeholders about these matters as we progress.

This Consultation Process was the first step in our engagement with the VAT Community on VAT Reporting Modernisation. We plan to adopt the type of continuous repeated consultative approach that was used from the outset of our PAYE Modernisation programme design, which was vital to building business understanding and buy-in.

At its core, the modernisation of VAT reporting is seeking to align VAT compliance requirements with the normal operational and financial systems of businesses. Of course, our approach will be

required to fit appropriately with any amending EU legislation -in particular, the ViDA amending Directive and Regulations.

A well-designed programme of VAT Modernisation is a priority on Revenue's path to support VAT compliance for businesses and enhance the effectiveness of our tax administration.

Revenue does not under-estimate the commitment that will be required from not only us, but from businesses, and stakeholders to support our VAT Reporting modernisation programme and we are positive that this can be achieved through open engagement and collaboration.

Section 1. Introduction

Overview

This document is a report on Revenue's recent Public Consultation about using digital technology to modernise Ireland's administration of Value-Added Tax (VAT).

This Section summarises the context for the Consultation and provides information about how it was structured and promoted. Section 2 of the Report provides a high-level profile of the respondents. The key issues which emerged from their responses are identified in Section 3 (covering both business and stakeholders' responses). Finally, Section 4 concludes the Report with some information about next steps.

Context for the Consultation.

The Public Consultation process was announced by the Minister for Finance in his Budget speech[1] on 10th October 2023.

This initial Consultation was envisaged as the first step in an extended dialogue with the VAT community. It focused on how we can use digital advances to enable electronic invoicing (eInvoicing) for transactions between businesses and introduce real-time VAT reporting for domestic business-to-business (B2B) and business-to-government (B2G) transactions. This consultation phase concentrated on B2B and B2G reporting. It did not consider business-to-consumer (B2C) transactions or other matters, such as the approach to VAT payment/repayments and accounting for VAT; these will feature among the topics covered in future consultations.

The purpose of the Consultation was to stimulate discussion and garner views from across the full breadth of Ireland's VAT community about the benefits, challenges and opportunities presented by VAT administration modernisation.

The Consultation Paper published by Revenue in October[2] explains that Ireland's present process of VAT reporting – which is largely unchanged in the five decades since VAT was introduced – has served its purpose well, but a better approach is now possible for the future. Up-to-date technology offers the potential for a digital modernisation of VAT reporting that could benefit both businesses and the tax system, by creating an approach to VAT administration that reflects the reality of the modern commercial environment and allows VAT compliance to be better integrated into normal business processes.

In December 2022, the EU Commission published its "*VAT in the Digital Age"* (ViDA) proposal[3] which sets out to modernise the EU VAT landscape by streamlining and digitalising cross-border VAT compliance requirements and improving the harmonisation of reporting systems operated by Member States. The EU proposals are underpinned by the proposed mandatory use of eInvoicing to a common standard.

[1] https://www.oireachtas.ie/en/debates/debate/dail/2023-10-10/4/
[2] https://www.revenue.ie/en/corporate/documents/consultations/vat-modernisation.pdf
[3] https://taxation-customs.ec.europa.eu/taxation-1/value-added-tax-vat/vat-digital-age_en

Structure of the Consultation

The Consultation process provided an opportunity for all interested parties to comment on the proposals set out in Revenue's Paper. Information on the Consultation along with a link to the online questionnaire was hosted on the Revenue website.
Businesses, accounting software providers, eInvoicing providers, tax practitioners, accountancy firms, bookkeepers, business and industry representative bodies, and other stakeholders were invited to participate in the consultation process. Most responses were made via the Revenue website's online facility, with a smaller proportion opting to submit their response by email or post to the advertised addresses.
Respondents' views were sought on seven Consultation Questions, with views welcome on any further relevant themes on which a respondent might wish to offer input.

Business respondents were also asked (but not required) to answer some short factual (multiple choice) questions about their business profile – tell us about their turnover size, legal structure, customer and supplier location, use of software, and engagement with eInvoicing – for us to better understand the context of their responses to the main Consultation Questions, and the views, concerns and challenges they identified. As stated in the Consultation Questionnaire, the business respondents' submissions about their business profile are anonymised and their replies are aggregated for the purposes of analysing the submissions.

Promoting the engagement

Following announcement of the Public Consultation process in the Minister for Finance's Budget Speech, a number of channels were used to publicise it and encourage participation, including:

- Press releases were issued on both Revenue.ie and Gov.ie which were picked up by the national media outlets.
- All VAT-registered businesses received a notification of the Consultation to their Revenue Online Services inbox.
- The Department of Enterprise, Trade and Employment promoted the Consultation link on their SME Portal.
- Revenue promoted the Consultation at the Building Better Business Conference in Dublin.
- There was dialogue with Enterprise Ireland and with the small business representative bodies.
- There was communication with tax professional representative bodies, professional firms, and industry fora.

We are also aware that a number of Tax and Accountancy bodies and Professional firms promoted the Consultation and encouraged their membership and clients to engage and respond. Some of these bodies and firms conducted their own survey among their membership/client base and supplied information on the outcome of this as part of their contribution to the Consultation process. This was a helpful additional input.

Section 2. Who replied to this Consultation

There were 1,118 valid responses received from a diverse range of businesses and other stakeholders. Most of the responses were submitted via the online consultative link.

We acknowledge the significant response from businesses, particularly from small and medium businesses, who play a vital role in our economy, and their responses are essential in crafting policies and initiatives that are inclusive, pragmatic, and sustainable. Their perspectives provide valuable insights into the practical implications of reporting and eInvoicing changes and highlight areas of concern or potential challenges that need careful consideration.

The results of this first public consultation process highlighted the limited participation from large corporates. The reasons for this lack of engagement may vary. We do though acknowledge that this cohort did contribute significantly to parallel consultations coordinated by their professional firm or representative body and it is important to acknowledge the importance of their perspectives and contributions to the discussion.

Whilst it was noted that lower numbers of larger corporates took part directly in this consultation process, it presents an opportunity for future dialogue and collaboration. Revenue remains committed to fostering open communication and collaboration with all businesses, to address shared challenges and opportunities.

By creating an inclusive and cooperative environment for dialogue, Revenue hopes to facilitate meaningful exchanges and collaboration to successfully implement an eInvoicing and Digital VAT Reporting system that works for businesses and for Revenue.

Before delving into the findings and analysis of the public consultation responses, Revenue would like to thank all businesses and stakeholders who took the time to participate in this important process. Section 3 looks more deeply into responses from Businesses and from Stakeholders.

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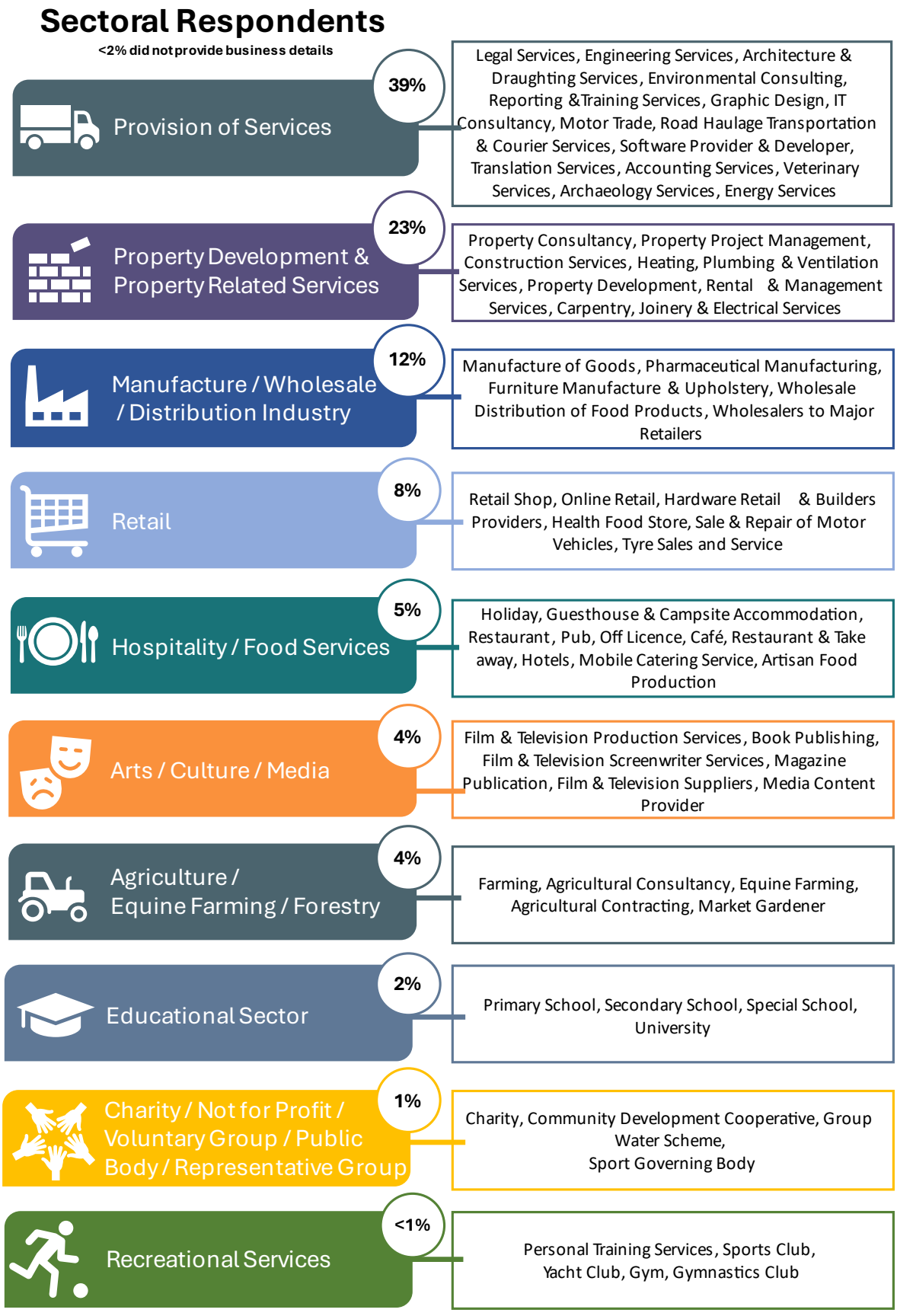
Revenue's VAT Modernisation **Public Consultation** process supported by an online questionnaire ran from 13 October 2023 to 31 January 2024.

European Commission

The EU Commission published its **"VAT in the Digital Age"** (ViDA) proposal on 8 December 2022.

Insights from VAT Modernisation Public Consultation

Over 1,000 valid questionnaire responses were received from a diverse range of businesses and other stakeholders. Hereunder are some insights into the business profile of the business respondents.


Sectoral Respondents
<2% did not provide business details
39%
Provision of Services
Legal Services, Engineering Services, Architecture & Draughting Services, Environmental Consulting, Reporting &Training Services, Graphic Design, IT Consultancy, Motor Trade, Road Haulage Transportation & Courier Services, Software Provider & Developer, Translation Services, Accounting Services, Veterinary Services, Archaeology Services, Energy Services
23%
Property Development & Property Related Services
Property Consultancy, Property Project Management, Construction Services, Heating, Plumbing & Ventilation Services, Property Development, Rental & Management Services, Carpentry, Joinery & Electrical Services
12%
Manufacture / Wholesale / Distribution Industry
Manufacture of Goods, Pharmaceutical Manufacturing, Furniture Manufacture & Upholstery, Wholesale Distribution of Food Products, Wholesalers to Major Retailers
8%
Retail
Retail Shop, Online Retail, Hardware Retail & Builders Providers, Health Food Store, Sale & Repair of Motor Vehicles, Tyre Sales and Service
5%
Hospitality / Food Services
Holiday, Guesthouse & Campsite Accommodation, Restaurant, Pub, Off Licence, Café, Restaurant & Take away, Hotels, Mobile Catering Service, Artisan Food Production
4%
Arts / Culture / Media
Film & Television Production Services, Book Publishing, Film & Television Screenwriter Services, Magazine Publication, Film & Television Suppliers, Media Content Provider
4%
Agriculture / Equine Farming / Forestry
Farming, Agricultural Consultancy, Equine Farming, Agricultural Contracting, Market Gardener
2%
Educational Sector
Primary School, Secondary School, Special School, University
1%
Charity / Not for Profit / Voluntary Group / Public Body / Representative Group
Charity, Community Development Cooperative, Group Water Scheme,
Sport Governing Body
<1%
Recreational Services
Personal Training Services, Sports Club, Yacht Club, Gym, Gymnastics Club

Section 3. Summary of Responses

We welcome and thank all the businesses and stakeholders who participated and acknowledge that both groups will have a positive impact on our successful implementation of our programmes to modernise tax administration.

Throughout the consultation process, similarities between the responses from stakeholders and those from businesses became increasingly apparent. Stakeholder responses largely echoed the language and sentiment of business feedback, emphasising especially the need for on-going support to businesses to ensure that the new reporting process is simple, clear and efficient.

Both groups underlined that modernisation would need to work cost-effectively within existing businesses systems and processes as far as possible. They also stressed that any modernisation should take effect with minimum business disruption in terms of cost and resource time.

Both businesses and stakeholders prioritised ensuring that there should be an appropriate lead-in time with a phased implementation and a suitable transition period, supported by the early publication and certainty on the detailed technical requirements with a strong preference that these specifications should be consistent with ViDA.

They also highlighted the importance of maintaining robust controls and data security measures to safeguard sensitive financial information from cyber threats and data breaches.

In this section we have synopsised some of the businesses' and stakeholders' views, comments and suggestions.

Q.1. Businesses' views on the proposal to introduce real-time reporting for B2B and B2G transactions.

At this very initial engagement, some 45% of Business respondents clearly are supportive of a proposed modernisation. About one third signalled that, they would have concerns on moving to real-time reporting. And a further 14% indicated that they would like more information to be able to comment on a move to a digital reporting system.

In analysing the comments that were offered, a theme that echoed with a significant number of respondents was that businesses perceive that they may not be able to "get things right". This, they view could lead to increased administration time, and result in timing and financial issues if not able to report as required.

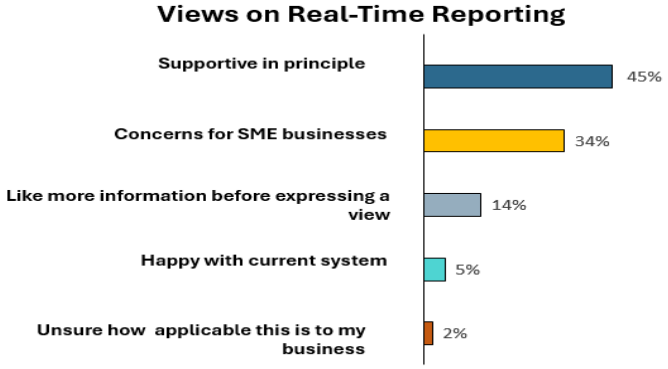
Throughout the public consultation process, businesses consistently raised concerns regarding their IT systems capability, IT literacy, software availability, and access to reliable broadband services- highlighting that businesses sense that these matters may impede their ability to engage in digital solutions, such as eInvoicing and VAT reporting platforms.

Costs associated with the proposed implementation, the importance of ensuring adequate testing times and phased lead-time developed as other compelling themes for SMEs.

A myriad of other themes were also mentioned; they would like us to ensure that there is no impact on business cashflows, no change in frequency of returns and optionality, dependent on business size.

Some stated that they will be happy if real-time reporting reduces administration time for their businesses.

Some businesses expressed support for the proposal, recognising the potential benefits it could bring and the positive impact it could have on their business. These businesses acknowledge the importance of innovation and progress and expressed their willingness to explore new approaches or solutions to address existing challenges or opportunities.



What you told us.

"Worried about the time and expense of introducing the new system".

"I would need to fully understand the system before I can give a concise answer".

"It's a good idea the issue may be the cost to small businesses. we use [named software] so it's largely automated on our end anyway".

"I think it's a good idea - a step in the right direction"
"Not possible without investment in technology".

"Welcome and progressive step, personally I much prefer to pay tax due as and when it arises".

"if it makes everything easier and does not involve expensive software then I am all for it".

"It must be easy for the SME sector and not over burden office teams. Must reduce existing work."

"I understand the need to move to digital VAT reporting but I think it will a big transition and a costly exercise for smaller businesses, particularly those who currently use spreadsheets to record transactions as opposed to accounting software."

"Guess it was inevitable and makes sense in many ways."

Q.1. Stakeholders' views on the proposal to introduce real-time reporting for B2B and B2G transactions.

- ✓ The responses indicated that stakeholders were supportive of Revenue's move to introduce real-time reporting and see it as a positive step for businesses while recognising that it will require ongoing collaboration and discussions between Revenue, businesses, and the other stakeholders.

- ✓ While welcoming digital innovation, some said that the manner in which Revenue executes VAT modernisation will ultimately define its success, with business benefits from increased efficiencies and lower compliance costs in the longer term, being imperative to success.

- ✓ It was also commented, that once real-time reporting and eInvoicing have been established, the next stage should be to allow real-time VAT payments.

- ✓ Several stakeholders' responses emphasised that Ireland's real-time reporting design should be aligned with what is agreed at EU-level in respect of the Digital Reporting Requirement ('DRR') aspect of ViDA , in order to minimise compliance costs for businesses through harmonisation.

- ✓ While backing modernisation, some had concerns that the normal core business activities of traders should not be adversely impacted.

- ✓ Some cautioned against moving too swiftly. They encouraged Revenue to learn from other Tax Administrations and Irish businesses in those countries who have experienced the implementation of DRR or eInvoicing and not repeat the same mistakes.

- ✓ A few suggested that the introduction of real-time reporting not only offers advantages to Revenue and businesses but also potentially to other governmental agencies in the ability to leverage real-time data on business activity to gain valuable insights for data-driven decisions that could foster economic growth.

- ✓ Concerns relating to their clients' level of IT literacy and their current business systems' capability and compatibility with Revenue systems also featured strongly in the stakeholder responses.

- ✓ Stakeholders who consulted their clients about the Consultation Process indicated that while lead-in times, costs and disruption to businesses are the main concerns, it is generally accepted, on a survey of a sample of their clients, that a move to real-time DRR is inevitable in the digital age.

- ✓ In welcoming this modernisation programme as a positive step for businesses and Revenue, several stakeholders advised that it has to be subject to an extensive consultation process.

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

When invited to consider what Revenue should take into account in planning for a new Reporting system, businesses once again offered an abundance of suggestions and recommendations. A number of dominant themes were evident in the responses for nearly all the questions asked in the Consultation.

Business feedback underscored a strong preference for simplicity, ease of use, to be able to work with a level of aggregation, sufficient timelines for reporting, availability of uncomplicated Dashboards, and prompts and reminders to "nudge" compliance.

There is a strong wish from businesses for ease of use and clarity in the reporting process to be supported by training and guidance, emphasising the importance of designing user-friendly systems that minimise complexity and facilitate seamless customer engagement.

Businesses strongly expressed a view that Revenue should engage and prioritise effective and transparent communication to keep businesses informed, involved , and aligned throughout the change process.

Businesses would like to see a variety of communication channels used such as emails, ROS prompts, information meetings, and guidance notes, to ensure that businesses can access information that is relevant for their needs, understood and timely.

In planning a new system, businesses want certainty on processes and timelines that are adequate and reflect their business profile, with staged implementation phases on the back of robust testing of the integration of their software with the Revenue systems.

To help navigate change effectively, businesses are advocating that Revenue need to allow sufficient time for preparation, collaboration, and adjustment as a new modernised VAT reporting system is rolled out.

Some businesses stated that the Cash Basis of Accounting for VAT should be fully retained in this new reporting scheme. Some asked that thought be given to how businesses on the money received basis who account for VAT when payment is received will report their sales invoice transactions if an invoice has not been paid in the same reporting period.

Businesses want to spend less time on tax-related administration tasks and where additional costs are identified and inevitable, they require to see benefits accruing from the move to a new reporting model.

What you told us.

"User friendly system, reliable, fast, easy to use"

"Cost to businesses and availability of compatible software".

"I would like you to consider the burden on smaller businesses that may not have the resources and do not collect large amounts of VAT".

"Should be a good transition period given and allow for training and support from both Revenue and software developers".

"Adequate phase-in period not a one-size-fits-all - some small businesses may need additional time in order to comply".

"The capacity of compliant micro-enterprises/sole-traders, such as me, to cope with additional reporting requirements".

"Maybe that it is turnover based, allowing smaller companies to use current system but companies with a larger turnover, can use new VAT reporting system".

"Will VAT cash accounting be available".

"We are not all computer literate".

"Look after those businesses not set up for such a move".

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

- ✓ It was mentioned that it is critical that businesses are given sufficient implementation lead-time and certainty on the technical requirements and there should be a pilot stage available for businesses and a phased introduction.

- ✓ It was also stated that careful consideration needs to be given to the mandatory timelines for reporting of purchases & sales, particularly in relation to inbound/outbound eInvoicing and the arrangements in respect of Intra-VAT Group transactions.

- ✓ Stakeholders advocated future proofing of any new VAT system, ensuring the technology and its interoperability for both our domestic reporting requirements and for the EU's ViDA requirements are closely aligned and also be adaptable for future technology developments.

- ✓ Stakeholders emphasised the need for certainty with design agreed and made available to businesses well in advance of the implementation of a real-time DRR system. In addition, they sought for timely and adequate testing periods, similar to how Revenue rolled out the implementation of CESOP and PAYE Modernisation.

- ✓ Stakeholders called for consultation between Revenue, businesses, and software providers to enable digital reporting obligations to be integrated into business systems.

- ✓ Some stated that the scope of what needs to be digitally reported in real-time should be carefully considered well in advance. Noting their clients' feedback, stakeholders raised concerns that providing accurate transaction-level data on a real-time basis could present challenges as current IT systems do not easily meet real-time digital reporting requirements. There may also be challenges in dealing with non-standard transactions, manual corrections and businesses who have multiple systems that require detailed reconciliation at month end because those systems may not always "speak to each other".

- ✓ Along with businesses' desire for a comprehensive programme for guidance and support, representative bodies stated that Revenue should also consider small taxation and accountancy practices and what they will need in terms of services and supports that can be made available to assist their clients to comply with any new requirements.

- ✓ Respondents stressed that the benefit of near real-time reporting by businesses within the VAT system should be balanced against the possible additional compliance costs and the potential disruption to the reporting sequence among businesses, for those that do not already have the technology or staff in place to accommodate a change in reporting process. Stakeholders emphasised that careful attention has to be paid to the impact on businesses, particularly on SMEs.

Q.3. Best practice, recommendations or lessons learnt from businesses currently subject to VAT reporting elsewhere.

Given the strong consultation response originating from the small business community, the majority of the respondents stated that they were not subject to a VAT reporting system elsewhere.

Some businesses, mainly medium and large sized did indicate that they were required to report detail on their VAT transactions and submitted recommendations, provided valuable insights and perspectives on this topic.

Others did not explicitly indicate whether they are subject to current reporting activities in other countries but did offer commentary. All this feedback reflects a genuine interest in contributing to the consultation process.

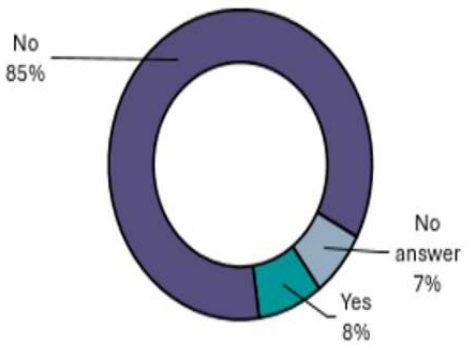
The most significant theme weaving through businesses' responses was that Revenue should incorporate lessons learned from the experiences of those countries with mature VAT reporting systems, and keep in mind emerging best practices in the future decision-making process for the implementation of a digital VAT reporting system.

Businesses were keen to note that business friendly lead times, with the availability of opportunities to conduct testing and piloting of the new system in a controlled environment are important to them.

Also, what significantly resonated with businesses is that Revenue should consider, a phased implementation roll-out.

Furthermore, businesses are keen to have a VAT reporting programme that is cost effective, clear, and easy to understand. In addition, compatibility with or with a minimal upgrade necessary to their existing software is also their wish and where it does not involve increased administration time for businesses, this would also be welcomed.

Carrying out VAT Real-Time Reporting in another Country.



What you told us.

"Sufficient timeframe before go-live."

"It was painful to start with but now simple and not an issue."

"Systems must be user friendly"

"It was a difficult transition to have to learn an electronic platform"

"a lot of accounting software products were not ready when it became mandatory. So, third party software had to be used until the software products caught up…."

"Ensure support is readily available to enable businesses to deal with change"

"Straight forward processes is key"

"Making sure testing is all complete and system ready"

"Understanding all the rules can be difficult…."

"Have to have alternatives of importing the data, using [named software] import templates and system import templates"

"making sure testing is all complete and system ready"

"took a year to integrate successfully"

Q.3. Stakeholders' recommendations and lessons learnt from their own or their client experiences gained from those currently subject to VAT reporting elsewhere.

- ✓ Whilst the bulk of business respondents indicated they had no experience with VAT reporting in another country, as expected a much higher percentage of stakeholders have had familiarity with reporting in another country whether that is gained through their client experiences or as service providers themselves in those countries.

- ✓ Such stakeholders commented on the importance that the technical requirements for the proposed Irish DRR system should be signaled as early as possible so that businesses can prepare well in advance and do not incur unnecessary timing issues, which may have cost implications for them as they set up and implement a new reporting system.

- ✓ A few expressed the view that certainty on timelines is important as delays to the implementation timelines can be frustrating for businesses which may have already prepared for an earlier start date, given that most businesses operate to strict timelines for IT and process changes and short deadlines and/or delays can be challenging to maintaining these timelines.

- ✓ Similarly, stakeholders concurred with businesses in that it is imperative that Revenue provide testing environments and an early and a clear communication strategy that allows business -friendly lead-in times.

- ✓ In addition, echoing businesses concerns, stakeholders recommended that there should be no enforcement of penalties for an initial period following implementation to give businesses time to resolve teething issues.

- ✓ A few stakeholders commented that their clients experienced some concerns with the General Data Protection Regulation legislation in implementing digital reporting in some countries and that this is an area needs to be considered.

- ✓ Some recommended that real-time digital reporting of VAT should be introduced in a phased format based on the size of the business issuing the invoices.

- ✓ With some stakeholders' clients operating across Europe, these advocated for a harmonised EU-wide approach to digital reporting in terms of the form and frequency of reporting, the type of taxpayers and transactions covered, the data set required, and the means used to transmit the information to Revenue. Some recommended that Revenue's proposals for digital reporting be aligned with the data requirements under the common EU standard for eInvoicing (EN 16931).

Q.4. Observations, concerns, or recommendations from businesses on a move to electronic invoicing for B2B & B2G domestic VAT transactions.

Most businesses who responded to this Consultation told us that they have had little knowledge on eInvoicing and some see it as not relevant to their current operations.

Although these respondents did not offer specific observations, concerns, or recommendations related to eInvoicing, their input is nonetheless valuable in providing insight into the range of attitudes and perceptions within the business community.

Their responses highlight the need for targeted information efforts to raise awareness and promote understanding of eInvoicing among businesses who may not be familiar with the concept or its potential benefits.

Some businesses noted the importance of fostering an environment that encourages digital innovation whilst balancing the financial realities faced by SMEs.

Some businesses advocated access to user-friendly, cost-effective solutions that would assist in encouraging broader participation in new digital systems.

Several had concerns relating to their businesses' IT systems capability, their own IT literacy, software availability, and related broadband accessibility for their business transactions. Another concern raised by respondents was that eInvoicing may lead to increased administration, particularly for small and micro businesses.

Similar to any new modernisation process, businesses articulated the importance of good planning, adequate timelines, a transition period, phased implementation, testing and pilot programmes.

Overall, the themes of effective collaboration and preparation were the important requests by businesses which underscores the importance of taking a phased and strategic approach to the rollout of eInvoicing.

Certainly, the significance of timely and adequate support for businesses in the form of guidance and training aids featured also as key business requests.

Business Respondents told us.

- Their concerns about the capability and compatibility of their business's current software package to integrate with eInvoicing systems.
- There is need for open communication, collaboration, training, guidance and support throughout the design, implementation and go live processes, to address the evolving needs, concerns, and feedback from businesses.
- Their need for clear, predictable and adequate timelines that allow businesses to plan and prepare accordingly, minimising uncertainty and disruption to their operations.
- The importance of an eInvoicing system being easy to use and as simple as possible to ease the transition to eInvoicing effectively.
- Their concerns that appropriate solutions are put in place, to address rejections, corrections and systems network failure.

Q.4. Stakeholders' observations, concerns, and recommendations on a move to electronic invoicing for B2B & B2G domestic VAT transactions.

- ✓ The Responses suggest that some businesses may not use a single system to capture all elements of their invoicing and that many businesses currently work with more than one financial system. There is a concern that businesses who currently have an element of manual involvement in their invoice issuance will encounter difficulties transitioning to real-time reporting.

- ✓ Some responses recommended that the requirements and specifications of an eInvoicing system for B2B and B2G transactions should not adversely impact a business's core invoicing function.

- ✓ It was also stated that invoicing changes should also recognise other relevant legislation (and regulation) that deal with payment claims and the supporting documentation for such claims.

- ✓ Some called for the continuation of arrangements for simplified invoices and summary invoices, which are an important business requirement in many industries, and for businesses to be able to continue to agree to self-billing arrangements where appropriate.

- ✓ Feedback from stakeholder responses suggests that there is awareness that there are many situations where specific wording is required for domestic B2B invoices, such as in the case of the margin scheme for VAT, VAT 56B authorisation, Relevant Contracts Tax (RCT) and property transactions. In addition, it was stated that there are many industry practices in the finance and leasing area (e.g., a Hire Purchase agreement VAT invoice, annual leasing VAT invoice) that need to be considered.

- ✓ It was said that the introduction of mandatory eInvoicing should not be designed in a way that would create issues for businesses, the requirements should not be seen as an additional burden and therefore eInvoices should be sent to customers without requiring a pre-approval or validation from Revenue.

- ✓ From a business process perspective and preference, VAT modernisation should not result in duplication of eInvoicing and commercial invoicing, in that the eInvoice should be capable of being read and used as a commercial invoice.

Q.5. Views from businesses that are already engaged in eInvoicing.

EInvoicing is not new to Ireland's VAT regime, but the bulk of the businesses who participated in the Public Consultation have had limited exposure thus far to eInvoicing.

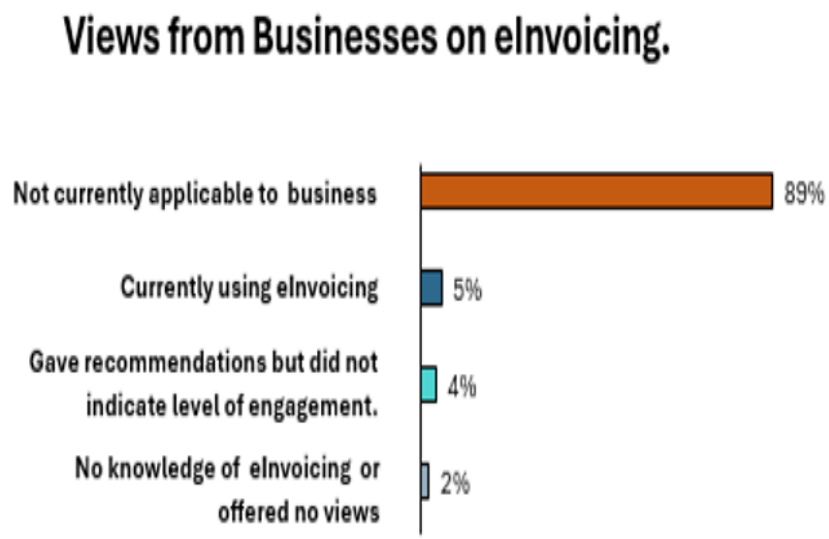
As evident by the responses to Question 4, for the majority of respondents, eInvoicing is not part of their current business model or operations. Accordingly, a significant cohort of businesses indicated they were not engaged in eInvoicing and therefore had no familiarity on this topic and had no recommendations or views and /or were unable to offer suggestions regarding eInvoicing.

This business feedback strongly indicates that when the EU ViDA proposals become enacted, businesses who transact cross border are concerned as to how they will be able to address this knowledge gap as eInvoicing will apply to every business who engages in trade between Member States in the EU.

Nevertheless, a small number advised that given their understanding of eInvoicing, it was part of their business processes.

Once again, businesses emphasised the importance of ensuring adequate lead-times, certainty about system requirements and timelines, the availability of testing portals and, above all, harmonisation across Europe.

Another notable business recommendation from those engaged in eInvoicing is the critical dependence on eInvoice and software providers in assisting and collaborating with businesses, to ensure that their existing systems and software supports their businesses to successfully migrate to eInvoicing.



What you told us about your preparations and challenges.

"Had to upgrade our accounts package as our system was too old".

"Ensuring accounts software was up to date".

The hardest part was finding a software that was easy to use and cheap".

"In preparing for eInvoicing, we focused on integrating compatible software systems and training staff, facing challenges in aligning with diverse standards and ensuring data security."

"One of the main challenges of eInvoicing is the technical complexity and compatibility of different systems and formats."

"…lack of lead in time".

"There is a lot of planning within the company and 3rd party experts on software requirements, compliance… "

"Businesses may need to invest in new software, hardware, or integrations to enable eInvoicing, which can be costly and time-consuming….."

Q 5. Views from stakeholders who have had some experience with eInvoicing.

- ✓ Given that the uptake of businesses currently implementing eInvoicing for B2G or B2B transactions in Ireland is relatively low, the response that "most had no experience with eInvoicing" was the most common response from stakeholders to this question.

- ✓ Having said that, some offered valuable contributions from the experience of their clients in countries that have mandated B2B eInvoicing and the resounding comments about the current lack of harmonisation and the challenge of dealing with diverse systems throughout Europe especially for those businesses operating across a number of countries.

- ✓ Other views expressed were the lack of certainty on technical system requirements early on in the design phase and where businesses only received the systems specifications very late in the day.

- ✓ Another theme that resonated with stakeholders' experience was the lack of clear and timely communication from Tax Administrations when an eInvoicing programme was being implemented.

- ✓ A further theme that featured strongly in response from stakeholders was the onboarding challenges and to address these the necessity that guidance notes are issued in clear simple language and that support desks are sufficiently available for a reasonable period once the programme goes live.

Q.6. Suggestions from businesses on Ireland's move to a B2B and B2G eInvoicing programme.

In considering the potential implications of proposed changes, particularly in the context of adopting B2B eInvoicing systems or processes, businesses state that they will need various forms of guidance, training and support to facilitate their transition effectively and to navigate the challenges associated with change.

A large cohort of responses stated that businesses were unable to offer any suggestion as the Irish eInvoicing landscape, up to now remains uncharted territory for most businesses and therefore they have no awareness or familiarity with eInvoicing.

Businesses have emphasised the importance of active and early engagement with eInvoice software providers to ensure that solutions are adequately tailored to the needs of SMEs.

A notable number of businesses expressed concerns regarding the potential challenges that could arise, particularly for small businesses, in moving to eInvoicing.

These concerns centered around various factors, such as businesses' current IT capability, their readiness and present digital maturity, and the potential impact on smaller enterprises with limited resources and technical capabilities.

Many businesses expressed a desire for streamlined processes that are easy to understand, navigate, and complete, particularly for small businesses who have current limited technical skill and expertise.

Your suggestions.

- The theme of adequate lead-time resonated throughout as businesses emphasised the critical importance of being afforded a reasonable period to prepare for and implement changes.

- Opportunities for businesses to conduct testing and piloting of the new system before full implementation is very important.

- Some business responses highlighted the desirability that any new eInvoicing system, should offer flexibility to accommodate the needs of SMEs, via extended transition times or optional approaches.

- Offer training programmes and support resources to businesses, especially SMEs, to ensure they have the necessary skills and knowledge to transition to eInvoicing seamlessly.

- Transparency and predictability of costs for the initial implementation and annual running of the eInvoicing system.

Q.6. Stakeholders' suggestions for Ireland's B2B and B2G eInvoicing programme.

- ✓ Ireland has the opportunity to learn from the experiences of other jurisdictions, and stakeholders recommended that Revenue should liaise with Tax Administrations with experience of eInvoicing regimes to identify best practice.

- ✓ The Digital Transition Fund (overseen by the Department of Enterprise, Trade and Employment and Enterprise Ireland), was mentioned as a necessary support for businesses, especially for SMEs transitioning to digital technology, to assist in reaching new markets and in improving their productivity and competitiveness.

- ✓ Given the relatively low rate of current adoption of eInvoicing by Irish businesses, stakeholders highlighted that Revenue should allow for a significant lead-in time and education period to prepare businesses for mandatory eInvoicing of B2B and B2G supplies.

- ✓ It was suggested by some that a critical detail for a successful eInvoicing B2B & B2G programme is to steer clear of adopting unnecessary strict definitions or the exclusive adoption of particular standards or technologies, particularly with regards to B2B relationships. Others stated that the technical structure of eInvoices required for domestic transactions should be consistent with those required for cross-border transactions under ViDA.

- ✓ It was also put forward, that it would be helpful for Revenue to organise practical workshops (like when PAYE Modernisation was being introduced) for both tax practitioners and businesses to demonstrate how the process will work and the interaction required with Revenue's software.

- ✓ Among the responses from both businesses and stakeholders, it was expressed that Revenue should commence engagement as early as possible with software and eInvoice providers on the technical specifications for eInvoicing. This would support clarity on the technical requirements so that necessary software updates can be developed and rolled-out in good time and that the cost of moving to eInvoicing is achieved in a cost efficient manner for all businesses.

- ✓ Others remarked that flexibility for different business models and arrangements pertaining to VAT margin scheme, VAT 56B authorisation, Relevant Contracts Tax (RCT), property transactions should all be thought through well in advance in the design processes.

- ✓ Some stated that eInvoicing should operate in harmony with a business's core commercial invoicing process and facilitate business efficiency and that the means of clearing and transmitting the eInvoice should also be carefully considered with the timeline for issuing the eInvoice.

- ✓ Businesses, it was noted will need to be confident that data security requirements for the transmission of eInvoices and digital reporting of data will be robust.

- ✓ It was also commented that for those businesses that also have B2C transactions, it may be worth exploring the merits of including B2C transactions at the same time as the implementation of a real-time DRR for B2B and B2G transactions. Some stakeholders' client feedback signals that those businesses with B2B and/or B2G and B2C transactions, wish to avoid what would in essence result in the requirement to operate two different reporting systems.

Q.7. The information prompts that businesses would find useful in completing the VAT return?

Business feedback underscored a strong preference for simplicity, ease of use, and clarity in the return completion process.

Some businesses advocated for reminders to issue acting as gentle compliance nudges.

Other businesses emphasised the importance of designing business - friendly systems that minimise complexity and facilitate seamless compliance engagement.

Others requested that Revenue consider including detailed explanations on the required fields as well as drop down options and prompt boxes on the VAT3 form.

There was notable satisfaction with the current return reporting format which reflects business sector familiarity with existing processes.

Some acknowledged that the transition to a digital reporting format may present challenges and adjustment periods for businesses who have been accustomed to the traditional reporting methods but they recognise that it also offers opportunities for streamlining processes, reducing administrative burdens, and leveraging technology to enhance business operations.

While some businesses generally expressed satisfaction with the current return reporting format during the public consultation, it is important to note that the consultation process is about exploring the potential benefits of transitioning to an alternative, more real-time digital reporting format.

What you told us.

"A detailed step-by-step guide should be issued with regard to completing a VAT return."

"Simple explanations should be given for each step of the process."

"That any errors occurring during VAT return are prompted immediately and changes can be easily rectified."

"Prompts around intra-EU transactions and imports/exports and postponed accounting would be welcome for smaller businesses."

"The availability of a comment box could provide assistance in the initial stages to allow filers to include any comments on particular line items which may reduce the need for further engagement through MyEnquiries."

"Some prompts to help businesses to understand all the reverse charges provisions for subcontractors would also be welcome."

"I find that simple explanations are very helpful, maybe ones that could appear by hovering over a term that could be tricky when completing a VAT return."

"To know that Suppliers have provided and input all invoices. Real Time balance of VAT Payable would be helpful."

"Sales data and purchase data, when a company invoices with VAT that it is reported immediately in one company as a sale and in the other as a purchase to eliminate errors"

Q.7. What information prompts would stakeholders find useful for businesses in completing the VAT return?

- ✓ Several commented that the availability of a comment box in the online VAT return form could provide assistance in the initial stages to allow filers to include any comments on particular line items which may reduce the need for further engagement with Revenue.

- ✓ Others remarked that some businesses find it difficult to understand the implications of RCT, and to assist businesses in this regard, some prompts to help businesses to understand all the reverse charges provisions for subcontractors would be welcome.

- ✓ Others noted that prompts around intra-EU transactions, exports and postponed accounting would be welcome for smaller businesses.

- ✓ Some observed that, there could be a benefit to VAT 3 returns being fully or partly pre-filled based on the real-time data transmitted to further simplify the VAT reporting process but do recognise, businesses of certain size may nonetheless wish to carry out reconciliations between the pre-filled return and their own records.

- ✓ Given that Ireland's current VAT return is a relatively simple return compared to more complex returns in other countries, some advised that this simplicity should be maintained.

- ✓ In the new modernised reporting era, it was pointed out that there should be clear guidance on how corrections or errors should be dealt with.

- ✓ Several mentioned that reminders for filing would be a welcome initiative and that extra time be permitted for small businesses to file a VAT return.

- ✓ Finally several stakeholders stated that reporting requirements should be linked where possible to reduce the administrative and financial burden for businesses.

Selection of the Business feedback received

"Ensure that an eInvoicing programme is easy to use"

"Happy if it reduces administration time"

"Think about the impact on small businesses/different business sectors"

"Be mindful of business' IT capability and their readiness/current digital maturity"

"Training, guidance and support/good communication essential"

"More clarity when reporting Info on international transactions"

"Provide feedback/check submissions made /ability to adjust errors"

"The introduction of any new system should be conscious of such costs for businesses"

"Link with other taxes reporting"

"Welcome change if like PMOD"

"Plan with milestone dates /critical that certainty of requirements known in advance"

"More detailed return/ability to give explanations"

"Revenue should learn from other countries"

"Ensure harmonisation/ standardisation"

Section 4. Conclusions and Next Steps

Conclusions

This Report has set out a summary of the views that the 1118 respondents put forward in response to Revenue's recent Public Consultation on VAT Reporting Modernisation supported by eInvoicing.

As Revenue conclude this initial consultation phase, we welcome the valuable insights and perspectives shared by both businesses and other stakeholders. Your contributions will continue to shape our deliberations on our proposed modernised VAT reporting programme and we will appropriately consider your feedback into our decision-making process.

We are studying all the recommendations and paying attention to the concerns that both businesses and stakeholders have articulated.

Some businesses expressed support for the proposal, recognising the potential benefits it could bring and the positive impact it could have on their business. These businesses acknowledge the importance of innovation and progress and expressed their willingness to explore new approaches or solutions to address existing challenges or opportunities.

Next steps and future consultative processes

We will consider the issues and concerns across all responses. These contributions will assist us as we progress on our VAT Modernisation journey.

We will continue to engage in targeted discussions on specific aspects of VAT reporting and eInvoicing as we explore deeper into the key issues and consider potential solutions in greater detail.

Further consultations and public engagement will follow, as reform proposals take clearer shape, are tested, refined and put into operation. We have received and welcome the various offers provided by businesses and stakeholders to become involved in working groups and technical advisory groups which will be key components of our design and implementation strategy as we move forward.

Evolving from further consultations, there will be additional opportunities for all businesses and stakeholders to share their insights, recommendations, and best practices. We value your continued engagement and participation in further phases of our consultation process.

In the meantime, we encourage you to continue sharing your thoughts and suggestions with us by using vatmodernisation@revenue.ie as your input will continue to support us in influencing the direction of our work.