Revenue Consultation Paper: VAT Modernisation

Xero's Response

January 2024
Key contacts for this document [redacted]

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1. Executive Summary

1.1. On behalf of small business, accountants and bookkeepers, Xero warmly welcomes the proposed plans aimed at modernising the VAT system in Ireland. We believe that these initiatives are crucial for enhancing the efficiency and effectiveness of the VAT process and fostering compliance in the digital age.

1.2. The consultation paper introduces a compelling vision for a real-time reporting system, emphasising the pivotal role of eInvoicing and digital record-keeping. However, the seamless transition to daily reporting necessitates a robust infrastructure capable of managing diverse transaction volumes while safeguarding data accuracy. It's imperative to establish clear guidelines to prevent double-counting, requiring a seamless flow of information from point-of-sale systems into accounting platforms, reconciling against bank transactions.

1.3. Securing cooperation and compliance from businesses is vital, alongside substantial investments in technology and training. Considering the diverse spectrum of businesses, a phased rollout, beginning with larger enterprises and allowing smaller entities ample adaptation time would be essential in ensuring a successful rollout of mandatory eInvoicing requirements.

1.4. The success of real-time reporting hinges on advanced technology capable of real-time data analysis, swift discrepancy identification, and meticulous consideration of legal and privacy implications. We strongly advocate for mandatory digital record-keeping, which not only minimises errors but also fosters trust and simplifies tax reporting obligations for taxpayers and traders.

1.5. Moreover, digital records offer enhanced accessibility, easing compliance burdens and enabling timely, accurate returns. This transition not only benefits taxpayers but also streamlines Revenue operations, maximising efficiency and resource allocation.

1.6. Xero lends its full support to the notion of mandatory eInvoicing for B2B and B2G transactions. We propose a phased approach complemented by educational initiatives, incentives for early adoption, and leveraging established networks like PEPPOL for seamless integration and adoption.

1.7. To further enhance efficiency, we recommend mandating digital record-keeping and reporting for all VAT-registered businesses, supported by a comprehensive migration timeline. However, it is crucial to ensure that taxpayers retain primary responsibility for VAT filings, fostering accountability and a comprehensive understanding of their financial affairs.

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1.8. We advocate for an API-first strategy and robust security measures, drawing insights from successful frameworks in other jurisdictions. Implementing checks for business verification and considering Multi Factor Authentication (MFA) will bolster security and engender trust in the system.

1.9. Real-time reporting offers an unprecedented opportunity for timely tax payments, potentially through accounting software. This approach minimises compliance burdens, reduces errors, and expedites payments, ultimately leading to a more efficient system.

1.10. We look forward to the opportunity to work closely with IR to modernise the VAT system in Ireland and create a more efficient and streamlined tax ecosystem. Please do not hesitate to reach out to myself (colin.timmis@xero.com) or Gareth Canterbury (gareth.canterbury@xero.com) if you have any questions or if you would like to discuss this further.

1.11. We would be grateful if you could acknowledge the receipt of this submission and ensure that Xero is included in the List of Respondents when any outcome of the consultation paper is published.

Yours sincerely

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2. About Xero

2.1. Xero is a beautiful, intelligent platform built to help small businesses and their advisors grow and thrive. Cloud native. Born in the cloud, Xero connects businesses with the accounting tools, apps and the thousands of data points business owners need in one place, available at any time, on any device

2.2. Xero makes it easier for small businesses to work with their closest ally — their accountant, bookkeeper or advisor. Whether it's doing taxes, getting the books in order, or setting out the business growth strategy, Xero brings the data and information in one place, quickly and easily, so advisors can do what they do best.

2.3. We are committed to delivering on the promise of leading-edge, data-driven technology on behalf of small businesses and their advisors. The Xero platform is augmented by artificial intelligence and machine learning so business owners and advisors can spend less time focusing on finding information and more time using it to grow their business.

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