Overview

[redacted] welcomes the opportunity to comment on Ireland's modernisation of its system for administering Value-Added Tax ("VAT"). We support digital reforms to domestic and cross-border VAT reporting systems and consider this an important step towards aligning reporting and compliance obligations with normal business practices, and providing accurate, efficient and scalable processes for businesses and Ireland Revenue long term.

We appreciate the opportunity to participate in this process and Ireland's commitment to engage with the business community throughout the open consultation process and beyond, to ensure that any proposed solutions work as intended, add clarity and certainty, and do not discriminate between different business models and types of company.

We believe that a good VAT real-time reporting system in the European Union ("EU") should be harmonized and reasonable so all businesses, large and small, will be able to comply. The following features are important for a successful real time reporting regime:

1. Automated data exchange: Seamless and automatic exchange of VAT data between tax authorities and businesses.
2. Real-time transaction tracking: Immediate reporting of VAT-related transactions, allowing for prompt monitoring and fraud detection.
3. Standardized data format: A uniform data format ensures compatibility and efficiency in data exchange and processing.
4. Digital Invoicing: Electronic invoicing and receipt of invoices, allowing for automated data extraction and reduced errors.
5. Validation and authentication: Robust validation and authentication processes to ensure accuracy and legitimacy of reported data.
6. Integration with existing systems: Seamless integration with accounting and enterprise resource planning (ERP) systems for smooth data flow.
7. User-friendly interface: Intuitive design for easy use and understanding by businesses and tax authorities.

8. Data analytics capabilities: Advanced analytics to detect trends, anomalies, and potential fraud.
9. Secure and reliable infrastructure: Robust security measures and reliable infrastructure to safeguard sensitive financial data.
10. Scalability and flexibility: Ability to adapt to changing VAT regulations and evolving business needs.

We strongly support the goals of enhanced tax compliance, reduced fraud, and improvement with the overall efficiency of VAT administration, and believe the comments herein will help with reaching these goals.

Specific Discussion Points

- **Lead Time and Future Proofing:** Sufficient lead time is necessary for businesses of all sizes to implement such a regime. However, this must be balanced with the existing unilateral real time reporting regimes that businesses are entrenched with continuing to use, with the obligation to convert to a harmonized regime. We believe 4 years is a reasonable time frame. Also emerging technology related to artificial intelligence ("AI") and blockchain which could impact systems, processes and identification tools should be incorporated into the design and implementation of the regime. It is imperative to consider the technology in this area and ensure any system envisioned can adapt to advancements and maintain longevity for businesses making investments into the procedures and processes infrastructure within their organizations.
- **Verification and pre-clearance:** The EU reporting regime should not require pre-clearance procedures as this is the opposite of real time reporting. Also, any verification should be minimal and limited to the format at the most. Otherwise this will create challenges for both businesses and tax authorities dealing with verification issues. The key is to provide limited yet useful data to achieve the goals of a harmonized EU-wide real time reporting regime.
- **Data Protection:** Systems and portals created for purposes of modernizing the VAT system should follow EU guidelines on data protection, and incorporate the highest standards for maintaining business security and protecting confidential business information. Businesses must be able to comply with compliance and reporting obligations in a secure manner and the

protection of their confidential business details should be a priority for any system implemented. This includes minimizing the information collected and ensuring only information absolutely necessary to achieve the goals intended under the proposed regime is required.

- **Tax Technical:** We recommend continued engagement with various business stakeholders on the technical aspects of a new system given the potential differences between industries and types of companies. For example, the term "real time" and "events" can have several interpretations and applications based on the specific processes of the business. Also the practicality of reporting "real time" and what constitutes an "event" for reporting and compliance purposes can vary depending on the type of transaction within the business (e.g., intercompany invoices that are generally posted at the end of the month). Another example, Ireland Revenue has suggested capital allowances will not be permitted under the new system, however such a position may result in significant costs to businesses and should be further vetted with industry stakeholders. Finally the payment and remittance of VAT costs can impact financial reporting and accounting procedures, thus any changes to timing should be clearly understood and reviewed by businesses and their internal stakeholders.
- **Framework Harmonization:** Any new VAT compliance and reporting system should be harmonized with other OECD or EU wide compliance and reporting requirements being discussed and proposed, for example under the EU initiative VAT in the Digital Age ("ViDA"). This will ensure that businesses can leverage and scale the infrastructure being designed and implemented for other regimes.
- **IT Resources:** Based on our experience with implementing new systems and processes, we suggest Ireland Revenue and industry technology professionals meet to discuss the proposed systems and processes during the design and implementation phases of any new digital regime. There are likely to be many technical issues to review and analyze which would greatly benefit from direct discussions with engineering technical specialists responsible for building the infrastructure for both companies and the government. In addition, having additional government resources available for businesses to help troubleshoot technical issues that may not be known or foreseeable would reduce the potential for noncompliance, facilitate easier implementation by companies

and ensure the regime is being implemented as envisioned by the government.

Ireland Revenue Consultation Questions

Please see below answers to the Consultation Questions specified by Ireland Revenue with respect to this Public Consultation request.

- **Section A - General Consultation Questions**

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

  Please see the comments outlined in the discussion section of this document.

- **Section B - Business Context**

  9. Your name and contact details (E-Mail and/or phone number)

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