VAT Modernisation Branch,
Indirect Taxes Policy & Legislation Division,
Revenue Commissioners,
Dublin Castle,
Dublin 2.
D02 HW86

31st January 2024

RE: Submission in respect of the consultation Process regarding proposed VAT eInvoicing

Dear Sir / Madam,

I would like to provide some comments in respect of the proposed VAT eInvoicing regime as set out in the public consultation document dated 13 October 2023 and the associated consultation questions. I am an accountant in practice but prefer to remain anonymous. My apologies for the delay in making this submission as I have been quite busy over the past few weeks. I hope that you will give due consideration to my comments nevertheless.

A. I think the proposal to introduce real-time reporting for B2B and B2G transactions is unnecessary.
B. The EU VAT proposals seem to be targeted at making things simpler for "internationally trading businesses" but going beyond that to target all businesses seems to be a further attack on small businesses and a further removal of personal freedoms which should be allowed to prevail to the greatest possible extent.
C. The Public Consultation document dated 13/10/2023 makes mention of many apparent benefits but I cannot see any benefits for smaller businesses but any benefits there might be would seem to be for the Revenue at the expense of the people and businesses of Ireland.
D. It mentions that it should reduce compliance costs but in the general run of things this seems implausible. Given that Revenue interventions and Revenue audits are the rare exception there would seem to be no way in which, aside from those matters, it could possibly reduce compliance costs. It would most likely require small businesses to purchase or rent digital accounting software and hardware and most probably engage the assistance of an accountant on a much increased basis than they currently do. For businesses that currently do use a typical accounting software package these packages automatically generate all the figures that they require for completion of their VAT 3 and ARTD and it only requires a few minutes work at most to insert these into the online VAT forms and so eInvoicing could only add significant extra time to the process and severely interfere with the normal operating of many businesses.
E. Many micro-entities might currently use duplicate books for their sales invoices and then supply the books to their accountant at the time their VAT returns need to be prepared. Many small business operators might be simple tradesmen or salesmen and neither highly educated or technically proficient. EInvoicing would therefore be impossible for them to manage personally and would require the assistance of an accountant/bookkeeper plus the necessary equipment – all of which would increase the costs on their business. Compared to the real-time exercises that are now required for RCT and wages sales invoicing is typically a

much more frequent exercise than say an occasional RCT job or perhaps a monthly wage payroll run for one or two employees. Some smallish seasonal business could generate roughly 300 sales invoices in a two month period and if an external accountant had to be involved it would put an intolerable additional workload on him at a time when he/she might already be struggling with other deadlines. It would also introduce extra delays and costs into the business operations of the small client. The comments in your consultation document of it causing "minimal disruption to business life" would seem either disingenuous or rather ignorant of how many small businesses conduct their business.

F. The consultation document mentions how the new proposal would be "convenient" or "make it easier for businesses to comply with their VAT obligations." I fail to see how.

G. Your consultation document mentions that it "seeks to increase the adoption of digital technologies by all businesses, especially SME's." I would have to wonder why? It also risks that in the event of power failure or internet failure business would almost grind to a halt. As I do not know enough about the possible impact on bigger businesses I cannot say much about them but I see no good reason for imposing such a regime on small enterprises many of whom operate almost exclusively in this country alone.

H. In the event of real-time eInvoicing small business instead of preparing one VAT return every two, four or six months will have almost daily return obligations and with each of these there will no doubt be the threat of fines and penalties should errors or omissions occur. Presently small businesses have the opportunity to self-correct subsequent VAT returns should errors be detected and many such problems only come to light when the accountant is preparing annual accounts for those businesses. If a strict line is to be taken on errors or omissions in the proposed new regime it would seem that it would be even harsher than what currently exists. In that case it could easily deter people from engaging in business for fear of the possible penalties and interest that they could be exposed to. Looking around the streets of many small towns and at the number of vacant business premises from businesses that have had to close should want any right-thinking government or its Revenue agency to try not to introduce measures that would no doubt add to the number of small business closures.

I. Cash Receipts Basis. Presently many small business avail of the cash basis of accounting for VAT. If such a basis were to be available under any new eInvoicing arrangement then it would seem to make the eInvoicing system quite unnecessary for those businesses. However if that Cash Receipts Basis option were to be removed under the proposed eInvoicing arrangement then that would represent a significant additional cash burden on those businesses and be seriously damaging for many of them.

J. Claiming input credits for purchases. Given that many businesses might pay for some business expenses over-the-counter and then reclaim the relevant VAT in their VAT returns I wonder how are those retail businesses meant to distinguish between business and non-business customers at the till or check-out? If such an on the spot distinction would be almost practically impossible to operate then how would the business customer then claim back that VAT incurred from Revenue? If Revenue were then to expect businesses to reclaim such VAT in a manner similar to the very cumbersome and time-consuming system that now operates for unregistered farmers that again would impose a huge administrative burden on those businesses along with the extra expense if they have to engage the services of an accountant/bookkeeper.

In conclusion I see this as another step towards totalitarianism on the part of the State and the EU. The history of such oppressive systems shows how they only speed towards the impoverishment of their citizens and the countries where they operate.

Governments and their agencies, such as the Revenue Commissioners, should seek the common good but by making business more difficult for small businesses and for an entrepreneurial spirit to thrive among its citizens it fails in that regard. Many people do not have a suitable alternative to going self-employed and they should be aided not hindered if they choose to pursue that course. I believe that the government should not support the EU in this matter and should certainly not seek to be a 'front runner' in its implementation if such a system is forced upon it. In that event, there should be some practical exemption for small businesses, especially those now operating under the cash receipts basis and the VAT registration thresholds should be significantly increased to enable micro businesses to fall out of the VAT regime.

Yours faithfully,