



21 May 2009

Mr Norman Gillanders
Assistant Secretary
OPED
Revenue Commissioners
Bishop Square
Redmond's Hill
Dublin 2

Dear Norman

Re: Deposit Interest Reporting Disclosure Initiative Revenue spreadsheets

It has been brought to our attention by members that an error has arisen in one of Revenue's on-line spreadsheets used in the above disclosure initiative.

The error in question relates to the calculation of statutory interest on VAT underpayments. It would appear that the error resulted in a daily rate of interest of 0.0273% applying to VAT underpaid for the period from 1 April 2005. This is clearly the interest rate for underpayments of non-fiduciary taxes and the correct statutory interest rate on VAT underpayments was 0.0322% per day. We understand that Revenue are now issuing letters to those taxpayers and practitioners who used the spreadsheet, requesting payment of the underpaid interest before Revenue will consider any disclosure made.

We have a number of comments on this matter.

1. Lack of certainty for taxpayers

Where a taxpayer makes a disclosure and settlement payment in good faith, from their perspective their obligations have been met and the case is "closed". They would assume that unless Revenue disagree with their calculation of the tax due no further payment is necessary.

Following the publication of the Revenue Annual Report for 2007 Chairman Feehily commented on Revenue's policy of not repaying penalties paid by deceased persons. Revenue's basis for this policy was that such settlements had been made on an "offer and acceptance" basis, i.e the cases were essentially closed. While the situation outlined here is not identical there are similarities in principle. The taxpayer made a settlement on the assumption that this would be the end of the matter.

2. Lack of certainty and clarity in information provided

Calculation tools are very useful to both taxpayers and practitioners in quantifying liabilities due. It would be assumed by taxpayers that calculation tools provided by Revenue will give the correct result. The daily interest rate to apply to VAT was not indicated in the spreadsheet and not clearly stated in the accompanying notes so there would be no obvious way to identify the embedded error.

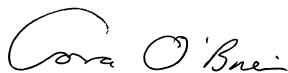
The Frequently Asked Questions (FAQ) section on the disclosure initiative details the interest rates applying to underpayments of non-fiduciary taxes. No reference is made to a different rate of interest applying to fiduciary taxes and this may not be obvious to taxpayers.

3. Practical difficulties for taxpayers and practitioners

Revenue's approach to look for payment of the interest underpaid arising from this error presents certain practical difficulties. Practitioners who used Revenue's spreadsheet in their computation of clients' liabilities are now dealing with the difficulties this poses for clients.

We would appreciate your comments on the situation that has arisen. The confusion highlighted above could arise again in the latest trust reporting disclosure initiative. As well as ensuring that the correct rates are used in any calculator, it would be helpful if the two different interest regimes are clearly highlighted in any guidance notes.

Yours truly,



Cora O'Brien
Director