

Tax update

Issue 3 - July/August 2016

This issue:

- changes to EU VAT rules on vouchers;
- iXBRL filing extension;
- Special Assignee Relief Programme (SARP) in the wake of Brexit; and
- Country-by-Country (CbC) reporting.

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Changes to EU VAT rules on vouchers

In June 2016, the Council of the EU published a directive dealing with the VAT treatment of vouchers. The purpose of the directive is to harmonise the treatment of vouchers throughout the EU. The changes will affect retailers, certain telecom providers and businesses which buy and sell vouchers.

The current treatment of vouchers under Irish legislation

Currently the issue of a voucher to a consumer is not subject to VAT in Ireland. VAT arises when the voucher is redeemed to acquire goods and services. VAT does arise where vouchers are issued to a business which acquires them for the purpose of resale and on the subsequent onward sale of the vouchers.

Summary of new rules

Transaction	VAT implications post 1 January 2019
Issue of single purpose voucher	VAT is chargeable at the point of issue
Issue of multi-purpose voucher	VAT is not chargeable on the issue and sale of vouchers. Instead VAT arises on redemption

Planning ahead

In light of the above changes, it is opportune for businesses to consider how the new rules will affect them. Changes may be required in order to implement the new rules, particularly among retailers,

online businesses and software companies. Businesses should also consider the wider commercial implications of the changes.

iXBRL filing extension

The current concessional 21 day extension will be increased to three months in respect of all iXBRL returns received by Revenue which relate to accounting periods ending on or after 1 December 2015. The three month filing extension for iXBRL returns will apply from the due date of the Form CT1. Where the iXBRL return is filed later than three months after the due date a late filing surcharge of 10% will apply. There will be no 5% surcharge rate because the time period for application of that rate will have already passed. Revenue have indicated that an eBrief will be issued in due course in respect of the above matter.

Special Assignee Relief Programme (SARP) in the wake of Brexit

SARP provides for income tax relief on a portion of income earned by an employee who is assigned by his or her relevant employer to work in the State. The relief extends to an associated company of that relevant employer who is also based in the State. The relief is currently granted at 30% on income over €75,000 subject to certain conditions. Such a scheme aims to improve Ireland's attractiveness as a location for relocating executives and may become increasingly important in the wake of Brexit.



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It is expected that a pre-budget submission will be made on this issue with a view to ensuring Ireland is seen as an attractive jurisdiction for executives who may need to relocate.

It is important for employers to note that there are certain administrative requirements to claim SARP e.g. Revenue must be notified within 30 days of the employee's arrival in the State to perform their duties. In addition, Revenue have recently updated their tax and duty manual, to include worked examples on the correct completion of tax returns and employer returns in relation to SARP claims.

Country-by-Country (CbC) reporting - Big brother is watching

There has been a lot of activity domestically and internationally over recent weeks on the OECD's Country-by-Country (CbC) reporting initiative. This reporting requirement was introduced in response to the adverse international reaction to aggressive tax planning by multinationals. It applies to Irish headquartered groups with effect from 1 January 2016 where group revenue exceeds €750m. They are required to disclose details annually to Revenue, for example, of group-wide and domestic turnover, profits and tax liabilities.

On 23 June 2016, Revenue published their FAQ on the CbC requirements, and these provide clarification on various administrative aspects of these rules and reporting formats.

On 29 June 2016 the OECD issued guidance to assist member countries in adopting and implementing the CbC rules. Particular emphasis was placed on transitional filing options and surrogate filing procedures for multinational groups who operate across multiple jurisdictions and have different CbC implementation dates.

Simultaneously, the US Internal Revenue Service (IRS) published guidelines on 29 June 2016 finalising their CbC regulations, confirming they apply to MNCs with revenue above US \$850 million. Such rules will apply to US MNCs for tax years beginning after 30 June 2016, but clarification on early adoptions options is to follow.

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