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PART 15/29

COMMISSION STAFF WORKING DOCUMENT

Mind the Gap Report
Challenges and opportunities for tax compliance and tax expenditure in the EU

Ireland

Country fiche: Ireland

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength:

- **Ireland reports a high level of tax compliance, as evidenced by having one of the lowest levels of tax arrears in the EU.** This is supported by efficient IT systems and a centralised recovery process led by the Irish Tax and Customs Administration (The Revenue Commissioners). Key recovery tools include Phased Payment Arrangements (PPAs), third-party payment redirection, court judgements, and the use of government-appointed Sheriffs, with a strong emphasis on early taxpayer engagement to resolve payment difficulties. A daily interest charge on late payments reinforces timely compliance.

- **Ireland's VAT compliance gap was estimated at 7.6% of VAT Total Tax Liability (VTTL) in 2023, below the EU average.** This is facilitated by the increased use of e-invoicing and payments and the automated import system. The Revenue Commissioner's VAT Real-Time Risk system and Risk Evaluation, Analysis and Profiling System (REAP) also allow for the swift identification of VAT compliance risks and targeted compliance interventions.

- **Ireland is transparent and published comprehensive documentation about Tax Expenditures and their cost.** Detailed tax expenditure reports are produced on an annual basis, with strict evaluation guidelines also in place. Measures falling within the legal definition of Tax Expenditure accounted for about EUR 8 billion in 2024 (2% of GNI, or 8% of tax revenues). Ireland is also transparent with the reporting of tax relief measures that are not defined as Tax Expenditures as per legislation. These reliefs represent significant foregone revenues.

Areas for Improvement

- **Ireland does not measure or publish tax gaps for corporate income tax (CIT) or personal income tax (PIT).** It is understood that Ireland does not intend to produce any estimates, mainly due to concerns regarding existing methodologies, the accuracy of the tax gap estimates that would be produced in an Irish context, and their potential usefulness at an operational level. Although internal analysis of potential tax losses is performed, the estimation of CIT and PIT compliance gaps would help as a diagnostics tool to see where tax collection problems arise per tax type and to understand the underlying drivers of such collection issues and potential fiscal vulnerabilities.

- **There is scope to improve the online VAT registration process for non-established traders in Ireland**. Although online registration is available for domestic and intra-EU traders, non-established traders must submit a paper registration, which increases their administrative burden.

1. Snapshot of Tax System: Tax Revenues and their Sources

The Irish tax base is concentrated and has a high level of reliance on corporate taxes from foreign-owned enterprises. Measured in terms of GDP, Ireland has a comparatively low ratio of tax revenues (21.9% of GDP in 2023, very far from the EU average of 39.0%). However, this ratio is distorted by the effect of foreign-owned multinational activity on Ireland's nominal GDP ([1]). Ireland obtains 32.1% of its tax revenues from capital taxes, the highest share in the EU-27 (21.9% on average). This is largely explained by the weight of corporate tax revenue, which is highly concentrated on relatively few foreign-owned (mainly US-owned) multinationals. Almost 90% of Ireland's corporate tax revenues come from foreign-owned firms, and more than half of turnover of Irish business is generated by US-owned enterprises ([2]). Labour taxes, on the other hand, represent 41.9% of total tax revenue, below the EU average (51.2%). Likewise, the share of consumption taxes is 26.0%, slightly below the EU average of 26.9%.

Among the different tax types, CIT revenue is at an all-time high. In 2023, revenues from corporate income taxes reached 4.7% of GDP (compared to 3.2% in the EU-27) and 25.6% of total tax revenue (compared to 8.2% in the EU-27) ([3]). These values were historic high and preliminary estimates for 2024 point to a further increase of 64% in cash terms, which has been influenced in part by EUR 11 billion collected from Apple ([4]). By contrast, Ireland's statutory corporate tax rate is among the lowest in the EU, at 12.5%, although CIT rates for non-trading income (25%) and capital gains (33%) are higher. The average effective tax rate on corporate income is below the EU average (12.7% vs an EU average of 18.9% in 2023). The imbalances in the tax mix led to a Council recommendation to Ireland to reduce the risks related to the high degree of concentration in tax revenue, including by broadening the tax base and reviewing the scope and impact of tax expenditures ([5]). The International Monetary Fund (IMF) came to similar conclusions, urging Ireland to broaden its tax base in order to reduce exposure to global economic shocks and policy shifts which constitute 'significant downside risk to [Ireland's] growth outlook' ([6]), as did the OECD ([7]).

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[1] In the same vein, the foreign economy generates more than 70% of the country's Gross Value Added. (Central Statistics Office).

[2] https://www.cso.ie/en/releasesandpublications/ep/p-biiim/businessinireland2022-insightsonmultinationals/keyfindings/

[3] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2025 (reference year 2023). The 2026 edition (reference year 2024) will be published in the first quarter of 2026. Preliminary data point to a downward revision of tax revenue data for 2023 (to 21.3% of GDP), followed by an increase of total tax revenues to 21.7% of GDP in 2024: https://doi.org/10.2908/GOV_10A_TAXAG.

[4] National authorities report corporate tax revenue of EUR 39 billion in 2024, another all-time high, and another sharp increase from 2023 of EUR 15.2 billion. The latter mainly stems from the 10 September 2024 European Court of Justice ruling concerning Apple and its unlawfully granted State aid. The Revenue Commissioners collected EUR 11 billion from Apple in 2024. https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2025.pdf

[5] Council of the European Union (2025): Council Recommendation on the economic, social, employment, structural and budgetary policies of Ireland.

[6] 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Ireland. https://www.elibrary.imf.org/view/journals/002/2025/128/002.2025.issue-128-en.xml?cid=567588-com-dsp-crossref

[7] OECD (2025), *OECD Economic Surveys: Ireland 2025*, OECD Publishing, Paris, https://doi.org/10.1787/9a368560-en.

The Irish tax-benefit system's ability to reduce income inequality, as measured by the Gini coefficient, is the highest of all Member States. The difference in the Gini coefficient before and after taxes and cash social transfers was 15.3 percentage points in 2023, twice as large as the EU average (7.7 percentage points) ([8]). Progressivity in labour taxation plays an important role in this regard, as the difference in the tax wedge ([9]) between high-income (167% of average wage) and low-income earners (67% of average wage) is, at 17.4 percentage points, the largest in the EU (average of 7.8 percentage points). Ireland has in 2023 a Gini coefficient of equivalised disposable income of 26.2%, 3.1 percentage points below the EU average ([10]). 17.1 % of the population is at-risk-of-poverty or social exclusion, also significantly below the EU average (21.0%) ([11]).

2. Monitoring of Compliance Gaps

2.1. Overview

Ireland does not calculate or publish information about tax gaps. There is currently no intention of bringing forward any estimates as outlined in a written reply to a Parliamentary question, as there are "concerns regarding the existing methodologies", rendering estimates "inherently uncertain" ([12]). However, the Irish Tax and Customs Administration (The Revenue Commissioners, onwards) conducts analysis of potential tax losses related to specific activities or sectors of the economy where compliance issues have been identified. This targeted approach is believed to address compliance and tax loss issues more effectively. For instance, The Revenue Commissioners has carried out analysis regarding the tobacco trade and deposit interest retention tax receipts ([13]). Furthermore, The Revenue Commissioners supports advancements in tax gap methodologies, and is also participating in tax gap-related projects led by the OECD and the EU.

The Revenue Commissioners is intensifying its effort to improve tax compliance across all tax categories. According to its "2024 Annual Report" ([14]), The Revenue Commissioners has taken a number of measures that also contributed to this development: reinforced awareness-raising, increased digitally supported self-service options, and reinforced confronting of the non-compliant taxpayers. With respect to the latter, The Revenue Commissioners has carried out more than 272 000 compliance interventions in 2024, yielding almost EUR 591 million. Moreover, The Revenue Commissioners has published tax settlements and court-imposed penalties worth EUR 32 million. Some EUR 560 million were thus paid in unpublished settlements ([15]). The Revenue's Code of Practice

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[8] European Commission, DG EMPL calculations based on EU-SILC survey data.

[9] The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Data are based on European Commission, DG ECFIN: Tax and Benefits Database.

[10] European Commission, Eurostat [ilc_di12]

[11] European Commission, Eurostat [ilc_peps01n]

[12] https://www.oireachtas.ie/en/debates/question/2025-02-12/section/121/#pq-answers-126

[13] Ibid

[14] 2024 Annual Report

[15] https://www.breakingnews.ie/ireland/almost-e560m-was-paid-in-unpublished-tax-settlements-to-revenue-last-year-1753645.html

(16) sets out a system of responses that differs with respect to taxpayers' level of compliance from offering the possibility to correct errors up to severe sanctions. It highlights the benefits of voluntary compliance and seeks to promote better compliance via "enhance[ing] real-time engagement with taxpayers" (p. 5).

2.2. Monitoring VAT Compliance Gap

In 2023, the VAT compliance gap (17) amounted to 8% of the VAT Total Tax Liability (VTTL) (18), lower than the EU average of 9.5% (19). As in most EU Member States, the VAT compliance gap in Ireland has increased over the past two years, broadly mirroring the EU-wide trend. It has increased sharply since 2022 (+6 percentage points) and increased by nearly 3 percentage points since 2019. In nominal terms, Ireland's VAT compliance gap was estimated at EUR 2 billion in 2023.

Several factors are likely to have contributed to the observed increase in the VAT compliance gap. Ireland saw an increase in the share of services in its economy (+7 percentage points), with a growth in nominal household final consumption of recreational services, restaurants, and accommodation of 11% in 2023. The demand for tourism, measured by nights spent in tourist accommodations, also increased by 16%. A higher share of services is associated with a higher risk of non-compliance, as services are typically harder to tax effectively compared to traditional goods. Together with the significant increase in bankruptcy declarations, which grew by 40% in 2023, these developments are likely to have influenced the upward trend of the VAT compliance gap.

Over the years, a number of measures have been taken, which contributed to improve or facilitate compliance in Ireland. These include:

- Increasing use of e-invoicing and digital payment use reduce opportunities for VAT non-collection as they create an audit trail.
- A new Automated Import System (AIS) extending the administrative import control capacity has contributed to a massive year-on-yar increase in the number of customs declarations (factor 14) to almost 30 million in 2021 (20), boosting import VAT collection.
- EU-wide, the abolishment of low-value (EUR 22) import VAT exemption and the new VAT Import One Stop Shop reporting (IOSS) system for transactions from outside the EU have contributed to more cross-border import e-commerce transactions as they introduced simplified reporting procedures, thus reduced the opportunity for undervaluation or non-collection of VAT also in

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[16] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf

[17] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.

[18] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.

[19] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., *VAT gap in Europe – Report 2025*, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[20] https://www.revenue.ie/en/corporate/press-office/annual-report/2021/ar-2021.pdf

Ireland (21). For example, the number of One-Stop Shop traders has increased to over 4 000 in 2021, up by 3 800 from 2020, following the introduction of IOSS (22). There are currently 6 500 traders registered for the One-Stop-Shop system as of November 2025.

As in most Member States, fraud remains a problem. Especially in the context of the IOSS there are a number of problems related to fraud:

- A survey amongst Member States (23), found that The Revenue Commissioners finds it relatively easy for a seller in a third country to simply acquire the IOSS number of a platform online and use it to declare its exports to the EU under IOSS. These exports may include restricted and counterfeit items. The Revenue Commissioners considers that that this abuse is becoming common, yet extremely difficult to detect. In another survey amongst five Member States, Ireland is the only country where VAT numbers are checked for consistency (24).
- Another potential source of fraud is the so-called CP42 procedure where goods imported into an EU Member State without accounting for VAT until it arrives at its country of destination. Where cross-border fraud exceeds EUR 10 million, the EPPO (European Public Prosecutor's Office) should investigate. Ireland is not participating in EPPO. However, it has amended its Criminal Justice Act to facilitate mutual legal assistance in criminal matters being investigated by EPPO (25).

In 2023, VAT losses due to Missing Trader Intra-Community (MTIC) fraud (26) were estimated at around EUR 500 million in Ireland. While experiencing some fluctuations over time, the VAT losses due to MTIC fraud have increased by around EUR 100 million between 2010 and 2023 (27).

2.3. Personal and Corporate Income Tax Compliance Gaps, and Measures of the Shadow Economy

There are currently no detailed CIT or PIT compliance gap estimates computed in Ireland. Revenue's Code of Practice (28) prioritise positive engagement with taxpayers which makes risk-driven interventions less frequent. For example, in the context of transfer-pricing, The Revenue Commissioners has pursued 65 such interventions since 2015 (29). Since then, EUR 788 million has been collected (including EUR 243 million in interest and penalties). The Revenue Commissioners also restricted trading losses worth EUR 952 million during these years which would yield another EUR 135 million in corporate taxes.

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[21] Ibidem

[22] https://www.revenue.ie/en/corporate/documents/research/vat-payments-returns-2021.pdf

[23] Survey on VAT Collection according to Art. 12 of Regulation No. 1553/89.

[24] https://www.eca.europa.eu/ECAPublications/SR-2025-08/SR-2025-08_EN.pdf

[25] Ibid.

[26] Missing Trader Intra-Community (MTIC) fraud is a form of VAT fraud that exploits VAT-free cross-border trade within the EU. Fraudsters purchase goods VAT-free from another Member State, sell them domestically, charge VAT to their customers, and disappear before paying this VAT to the tax authorities.

[27] European Commission, CASE, Poniatowski, G., Śmietanka, A., and Skowronek, A., *VAT compliance gap due to Missing Trader IntraCommunity (MTIC) Fraud – Final Report Phase II*, Publications Office of the European Union, Luxembourg, 2024, https://data.europa.eu/doi/10.2778/6433841.

[28] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf

[29] https://www.revenue.ie/en/corporate/press-office/annual-report/2024/ar-2024.pdf

The size of the shadow economy in Ireland is below the EU average. In 2022, the shadow economy in Ireland represented 10.1% of its GDP, according to estimates by Schneider, F. and Asllani, A. for the European Parliament (30). This ratio is 7.5 percentage points below the EU-27 unweighted average. The rate has been on the decline since the last decade. (12.7% of GDP in 2012). Strong law enforcement and generally high trust in public institutions contribute to this finding (see section 4.2). According to the aforementioned report, the remaining drivers of Ireland's shadow economy are indirect taxes and self-employment.

2.4. Other Compliance Gaps

Since 2009, The Revenue Commissioners in collaboration with National Tobacco Control Office has conducted an annual survey on tobacco consumption. Since 2013, this has been complemented to include an additional survey called roll-your-own (RYO) tobacco, during which respondents are also requested to hand in their cigarette packages for classification.

The consumer survey in 2024 survey revealed that 37% of cigarette packs did not have Irish duty paid on them, an increase from 33% in 2023. The findings indicate that the proportion of illegal cigarette packs rose to 26%, up from 19% in 2023. Additionally, the survey showed that a further 11% of the packs were legal but had non-Irish duty paid. Consequently, 63% of cigarette packs were Irish duty paid. The estimated revenue loss to the Exchequer on 45.2 million illegal cigarette packs is approximately EUR 590 million for 2024. However, the complementary RYO 2024 survey discovered that 49% of packs handed in were not subject to Irish duty, representing a significant increase from 32% in 2023. It indicated that the proportion of illegal RYO packs rose to 36% from 20% in 2023, with an additional 13% being legal non-Irish duty paid (31).

3. Monitoring of Policy Gaps

3.1. Tax Expenditures

Tax expenditures are regularly monitored in Ireland with official figures amounting to 3% of Gross National Income (GNI) (32). The Department of Finance publishes an annual Tax Expenditures in Ireland report (33) in which revenues forgone as a result of policy measures are estimated. For 2024, foregone revenues from tax expenditures amounted to EUR 8 billion, equivalent to 2% of GNI, or 8% of total tax revenue. There were 124 measures in total. The ten most costly measures alone amounted to EUR 5.7 billion. The single largest measures cost about EUR 1407 billion (Research and Development Tax Credit), EUR 1154 billion (pension contribution) and EUR 954 million (employers social contribution relief on employee benefits in kind).

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[30] European Parliament (2022), *Taxation of the informal economy in the EU*. https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf

[31] https://www.revenue.ie/en/corporate/documents/research/tobacco-surveys-2024.pdf

[32] All references to GNI in this country fiche must be understood as modified GNI (GNI*), an alternative national income measure developed by Ireland because its standard GDP and GNI figures are heavily distorted by multinational companies.

[33] 2025 Tax Expenditures Report: https://assets.gov.ie/static/documents/6ba5cf9a/Tax_Expenditures_in_Ireland_2025_Report_2025_Report.pdf

Ireland has strict Evaluation Guidelines which are regularly updated (34). There are evaluations prior to the introduction of new measures (ex-ante) as well as evaluation of existing tax expenditure (ex post). The latest (2025) update inserted criteria for the benchmark (the baseline tax system against which tax expenditures are measured and evaluated), including the presence of market failure (justifying the expenditure) and the length of the expenditure. Not all measures are evaluated. Expenditures with an approaching sunset clause (date of expiry) are given priority. An estimated 87% of all measures do not have a sunset clause. Future reports are issued in a standardised Tax Expenditure Passport for each measure to ensure greater transparency. It includes detailed information about the objectives, the targeted beneficiaries, the cost, duration and evaluation plans.

Coverage of tax expenditure evaluations is improving. The 2025 report counts more than 60 reviews since the guidelines were introduced. But there are gaps, especially when it comes to assessing tax expenditure from the equality perspective: the Department of Finance acknowledges the existence of gaps in disaggregated tax data that could be used for that purpose (35). According to the 2024 annual Tax Expenditures Report (36), for 25 of the 117 relief measures in 2024 categorised as Tax Expenditures, there were no data on the cost, especially the cost incurred to small businesses as those are hard to estimate. The 2022 report of the Commission on Taxation and Welfare (37) recommends for the use of tax expenditures to be optimised, while ensuring better data and dedicating more resources for evaluation.

However, the definition of tax expenditure does not cover a number of important tax relief measures. A definition for Tax Expenditure exists in Irish legislation: "a transfer of public resources that is achieved by (a) reducing tax obligations with respect to a benchmark tax rather than by direct expenditure, or (b) provisions of tax legislation that reduce or postpone revenue for a comparatively narrow population of taxpayers relative to the tax base" (38). This definition excludes "structural reliefs", for example some measures of income tax reliefs are excluded from the definition of tax expenditure. These are deemed to be an integral part of the tax system and therefore part of the "benchmark tax" itself.

Foregone revenues of tax reliefs not included in the definition of tax expenditures are important in quantitative terms. Most recently, The Revenue Commissioners published data on the cost of tax expenditures (39), adding also the costs of "other credits, allowances and reliefs" not included in the tax expenditure definition in Ireland. These measures result in more foregone revenues than those calculated for tax expenditures. There is a total of 108 "other" measures included on the tables published by The Revenue Commissioners. Table 1, below, shows the cost of the three largest measures since 2016.

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[34] https://www.gov.ie/en/irish-government-economic-and-evaluation-service-igees/igees-publication/budget-2025-tax-expenditures-evaluation-updated-guidelines/

[35] Ibidem

[36] https://assets.gov.ie/static/documents/tax-expenditures-in-ireland-2024-report.pdf

[37] Report of the Commission on Taxation and Welfare (2022), https://www.gov.ie/en/commission-on-taxation-and-welfare/publications/report-of-the-commission-on-taxation-and-welfare/

[38] S.I. No. 508/2013

[39] https://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/cost/index.aspx

The European Commission's Joint Research Centre uses the EUROMOD tax-benefit microsimulation model to evaluate the impact of fiscal adjustments. A recent simulation analysis of the removal of tax credits and, based on Irish data, found that the complete removal of tax credits could increase government revenues from personal income taxes and social insurance contributions by up to 19.8%. However, it could also increase the at-risk-of-poverty rate by up to 4.1 percentage points. The simulations underscore the need for a carefully calibrated approach to adjustments in taxes and benefits (40).

Table 1: Tax relief measures not included in the "tax expenditures" definition (million EUR)

	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Capital Allowances Used (Total)	**7,831**	**8,166**	**9,466**	**10,430**	**9,960**	**12,790**	**13,184**	**10,542**	
(in percent of GNI)*	*5*	*4*	*5*	*5*	*5*	*6*	*5*	*4*	
(in percent of total tax revenue)	*12*	*12*	*13*	*13*	*13*	*14*	*12*	*9*	
Stamp relief on "Intragroup Transactions"	**9,195**	**16,815**	**12,560**	**16,185**	**35,275**	**23,062**	**4,463**	**5,574**	**13,449**
(in percent of GNI)*	*5*	*9*	*7*	*8*	*18*	*10*	*2*	*2*	*4*
(in percent of total tax revenue)	*14*	*24*	*17*	*20*	*46*	*25*	*4*	*5*	
Stamp relief on "Certain Company Reconstructions and Amalgama	**198**	**425**	**273**	**1,708**	**496**	**374**	**486**	**12,268**	**427**
(in percent of GNI)*	*0*	*0*	*0*	*1*	*0*	*0*	*0*	*4*	*0*
(in percent of total tax revenue)	*0*	*1*	*0*	*2*	*1*	*0*	*0*	*11*	

Source: The Revenue Commissioners, Central Statistics Office; *2024 not complete; potential overlaps between categories (41) (42).

Tax expenditures might result in low effective tax rates for some multinational companies. In a top-down approach, one can analyse Country by Country Reporting (CbCR) data (43) of large US-parented multinational enterprises (MNE) whose profit in Ireland is effectively taxed at rates between 0 and 15 percent. Profits of those entities are effectively taxed, on average, at a rate of 8.7% as these MNE sub-groups combine a profit volume of EUR 115 billion and accrue taxes of EUR 10 billion in Ireland (2021). On average, these firms are therefore taxed at a rate 3.8 percentage points lower than the statutory CIT rate of 12.5%, an amount equivalent to some EUR 4.4 billion (or 1.9% of GNI, 28% of

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[40] Commission Staff Working Document 2025 Country Report – Ireland, Accompanying the document Recommendation for a COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Ireland, COM(2025) 207 final, p 13.

[41] Explanation: Section 79 of the Stamp Duties Consolidation Act (SDCA) 1999 provides for stamp duty relief on certain property transfers between associated companies (referred to above as stamp duty relief on "Intragroup Transactions") and section 80 of the SDCA 1999 provides for stamp duty relief on certain property transfers in connection with the reconstruction of a company, amalgamation of companies or merger of companies (referred to above as stamp relief on "Certain Company Reconstructions and Amalgamations"). The ultimate goal is to "recognise the need for corporate entities to be able to reorganise, restructure and amalgamate their businesses as part of their further development without incurring technical Stamp Duty charges" (The Revenue Commissioners). Support for "Company Reconstructions and Amalgamations" has the same objective.

[42] Their costs culminated in 2023 as many companies were in difficulties after the pandemic as insolvencies soared. The situation induced many smaller businesses to use reconstruction and amalgamation tools to avoid bankruptcy (PwC). For example, the Small Companies Administrative Rescue Process (SCARP) scheme was introduced in 2021 to help viable, yet not insolvent small companies (The Revenue Commissioners).

[43] CbCR are filed by owners of large MNE (passing the 750-m-threshold) to their respective tax authorities. Each report informs about core financial variables that describe the MNE's activities in jurisdictions where it has entities. These entities are re-grouped to one 'sub-group' per jurisdiction. For these sub-groups, the MME reports, inter alia, profit before tax and taxes accrued for a given year. From these reports, the OECD has produced statistics for each pair of countries: country of the MNE's owner and country of its sub-group. For Ireland, by far the most relevant country of the owner is the US, for which CbCR statistics happen to provide the most comprehensive overview.

total CIT revenue) An important caveat is that available figures predate the adoption of the Global Minimum Tax Directive ([44]), which established an effective tax rate of minimum 15% for MNEs with consolidated financial revenues of more than EUR 750 million a year. As indicated in section 1, the overall average effective tax rate on corporate income in Ireland is 12.7%..

In conclusion, the following points appear particularly pertinent in light of the 2025 Country Specific Recommendation on reviewing the scope and impact of tax expenditures ([45]):

- Most importantly: the legal definition of Tax Expenditures does not cover significant tax reliefs.
- The Committee on Budgetary Oversight has repeatedly urged common definitions and broader use of sunset clauses ([46]). A broader definition of tax expenditures would allow review and assessment process to also extend to those tax reliefs which are currently not considered tax expenditures.
- Within the given definition, according to the Department of Finance, foregone revenue from tax expenditures in 2023 amounts to some EUR 8 billion ([47]). To put this number in perspective: only the Departments for Education (EUR 11 billion), Health (EUR 22 billion) and social protection (EUR 15 billion) had higher spending. A finding that underscores the importance of scrutiny.
- 87% of all measures do not have a sunset clause (expiry date). As evaluation capacity is limited, there is a risk that many measures are not subject to an evaluation. An Oireachtas report states that 23% of all tax expenditures have never been reviewed ([48]).

3.2. VAT Policy Gap

The VAT policy gap ([49]) in Ireland was estimated at 55% of the notional ideal revenue ([50]) in 2023, amounting to EUR 27 billion, and higher than the EU average of 51% ([51]). It has seen a slight decrease compared to 2022 (-0.5 percentage points), and an increase of 3 percentage points compared to 2019.

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[44] Council Directive (EU) 2022/2523 of 14 December 2022, http://data.europa.eu/eli/dir/2022/2523/oj

[45] Council of the European Union (2025): Council Recommendation on the economic, social, employment, structural and budgetary policies of Ireland.

[46] House of Oireachtas

[47] https://assets.gov.ie/static/documents/tax-expenditures-in-ireland-2024-report.pdf.

[48] https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/committee_on_budgetary_oversight/reports/2022/2022-09-22_report-on-tax-expenditures-research-and-development_en.pdf.

[49] The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[50] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[51] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., *VAT gap in Europe – Report 2025*, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

The VAT exemption gap ([52]) in Ireland was estimated at around 37% (EUR 18 billion) of the notional ideal revenue in 2023, slightly lower than the EU average of 38%. This represents a minor increase compared to 2022 (+0.5 percentage points) and a larger increase of nearly 2.5 percentage points when looking at a longer time horizon since 2019.

The national policy-driven VAT exemption gap ([53]) of EUR 3.5 billion was estimated at 7% of the notional ideal revenue in 2023, lower than the EU average of 11%. It has increased by 2 percentage points since 2022 and by around 1.5 percentage points since 2019.

The VAT rate gap ([54]) amounted to EUR 9 billion in Ireland in 2023, or 18% of the notional ideal revenue. This is significantly higher than the EU average of 12%. It has decreased by around 1 percentage point compared to 2022 but increased slightly compared to 2019 (less than +0.5 percentage points). The introduction of a reduced VAT rate on electricity and gas for domestic and industrial heating and lighting from 13.5% to 9% in May 2022 is reflected in the increased portion of the VAT rate gap attributable to utilities that year, remaining high in following years. Furthermore, the temporary 9% VAT rate for restaurant, accommodation, and entertainment services ended in September 2023, returning to 13.5%, which is reflected in the significant decrease in the portion of the VAT rate attributable to accommodation and restaurant services between 2022 and 2023.

4. Effectiveness of Tax Collection and Recovery Systems

4.1. VAT Collection

One Stop Shop schemes facilitate VAT collection. Regular VAT tax receipts amounted to EUR 30 billion (+5% from 2023) in 2024, about 20% of overall receipts ([55]). Moreover, Ireland's One-Stop Shop VAT collection (OSS) collected a further EUR 11 billion from cross-border transactions (+42% from 2023). OSS simplifies Value-Added Tax (VAT) obligations for businesses cross-border to final consumers in the EU, where different schemes are applied for cross-border sales into the EU (Union Scheme OSS) and outside the EU (Import OSS – IOSS). For both schemes there are online portals where suppliers can register ([56]) via the Revenue Online Service (ROS).

Ireland's VAT registration system has recently been modernised to provide caseworkers with improvements in their ability to manage The Revenue Commissioners customer base and provide a

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[52] The VAT exemption gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of VAT exemptions on selected products.

[53] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations.

[54] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[55] https://www.revenue.ie/en/corporate/press-office/annual-report/2024/ar-2024.pdf

[56] https://www.revenue.ie/en/vat/vat-ecommerce/union-scheme/index.aspx

more reliable register of all tax registrations, including VAT ([57]). From 2024, the EU Cross-Border Payment Reporting Programme was implemented by Ireland (CESOP) through which Payment Service Providers submit data on behalf of their clients to tax administrations in EU Member States where they provide services. The large stock is then uploaded to the EU Commission and can be used to verify VAT declarations by business who operate cross-border within the EU ([58]).

As in other Member States, VAT collection in Ireland focuses on digital accessibility. A 2023 public consultation too stock of the progress made in the area of VAT invoicing and reporting. It concluded that a large proportion of businesses have digital know-how to some degree. The majority use accounting software, more than two thirds send invoices in whatever digital format. However, almost 9 in 10 respondents say there were not engaged in, or have limited exposure to, e-invoicing ([59]). Ireland is now preparing for smooth implementation of the European Commission's VAT in the Digital Age (ViDA) package which will be rolled out EU-wide until 2035. It will introduce harmonized e-invoicing and real-time reporting throughout the EU ([60]). The Revenue Commissioners have recently published a pathway to inform stakeholders of the implementation of domestic e-invoicing and digital reporting requirements ([61]).

There is scope to improve the online VAT registration process for non-established traders in Ireland. Ireland has a modern system of Online VAT registration in place for both Domestic Only and Intra-EU VAT registration via ROS. However, for non-established traders the situation is different. They cannot register online but have to fill a "TR2" Tax Registration form in paper format ([62]). This may increase compliance costs as "paper processes are often required for non-residents and can be highly cumbersome compared to digitalised process flows and may lead to extensive delays and costs" ([63]). A working group is currently looking at ways to see if online registration can be offered in future ([64]).

4.2. Tax Recovery

Ireland has low stock of tax arrears due to strong compliance measures and efficient IT-supported recovery schemes are in place. Recovery of VAT, corporate and personal income taxes, capital gains tax, capital acquisitions tax, customs duty, stamp duty and excise duty fall within the competence of The Revenue Commissioners. Several IT systems to manage arrears are in place. Ireland is among the Member States with the lowest stock of arrears as a share of total revenue (3.1% in 2023).

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[57] Commission's Ninth Report on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89, EUR-Lex - 52022DC0137 - EN - EUR-Lex. / Answers to the survey sent to the Member States in June 2025 in view of the Tenth Report on the same subject matter.

[58] https://www.revenue.ie/en/corporate/press-office/annual-report/index.aspx

[59] Ibidem

[60] The directive stipulates digital requirements, introduces a single VAT registration in the EU (One-Stop Shop), extends VAT collection from digital platforms and allows for mandatory eInvoicing in the Member States under certain conditions (European Commission).

[61] VAT Modernisation: Implementation of eInvoicing in Ireland – Revenue Commissioners https://www.revenue.ie/en/vat/documents/implementation-einvoicing.pdf.

[62] https://www.revenue.ie/en/vat/vat-registration/how-do-you-register-for-vat/index.aspx

[63] OECD, Tax Administration 3.0 and the Digital Identification of Taxpayers – Initial Findings (2022).

[64] Source: Survey on VAT collection according to Art. 12 of Regulation No. 1553/89.

However, Ireland is also one of the Member States with a low stock of arrears deemed collectible, as percentage of all arrears in 2023 (40.3%) (^{65}).

There is a well-governed, centralised system of recovery interventions. The Revenue Commissioners leads recovery under the Taxes Consolidation Act 1997 and VAT Consolidation Act 2010, supported by detailed operational manuals and a centralised Debt Management System (DMS). The Revenue Commissioners Code/Manuals set out clear procedures for interventions from soft collections to enforced recovery (^{66}). Key recovery tools are:

- Phased Payment Arrangements (PPAs). Widely used to resolve temporary cash-flow issues; 12 400 PPAs agreed in 2024, worth EUR 1.1 billion (^{67}). To assist customers, The Revenue Commissioners has made available an online phased-payment facility through the Revenue Online Service (ROS). This facility affords businesses considerable flexibility to self-manage their tax payment schedule in line with their operating needs or temporary cash-flow challenges, including reduced down payments, longer repayment periods and the option to take a payment break.
- Government-appointed Sheriffs execute The Revenue Commissioners warrants where assets are identifiable and rapid action is expected to be effective (^{68}).
- The Revenue Commissioners pursues court judgment when appropriate, e.g., in case of liquidation, bankruptcy, winding-up (^{69}).
- Legislation is in place which permits the Revenue Commissioners to require third parties (e.g., banks, employers, customers) to divert sums due to the taxpayer directly to them in defined circumstances (^{70}).

Engagement has priority over enforcement. Before stronger enforcement tools come into play, The Revenue Commissioners seeks early engagement with taxpayers to settle affairs (esp. PPAs) in case of payment difficulties. Where no cooperation is within reach, enforcement facilitation with inclusion of the taxpayer is given preference to enforcement (^{71}). A late-payment interest charge (0.0274% per day) applies to VAT, reinforcing prompt settlement and compensating the Exchequer for delay (^{72}).

Cooperation with other EU countries could be improved. According to a survey from The Revenue Commissioners (^{73}), the efficiency of mutual recovery assistance between EU Member States is low. Amounts recovered from Ireland through that scheme only accounts for around 4-5% of the total

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[65] Source: ADB, CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, Indicators: "Closing stock of arrears at year end as percentage of total revenue collected." and "Closing stock of collectable arrears as percentage of closing stock of arrears", http://isoradata.org

[66] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf

[67] https://www.revenue.ie/en/corporate/press-office/annual-report/2024/ar-2024.pdf

[68] https://www.revenue.ie/en/tax-professionals/tdm/collection/enforcement/sheriff-enforcement.pdf

[69] https://www.revenue.ie/en/tax-professionals/tdm/collection/enforcement/solicitor-enforcement-20231218095459.pdf

[70] https://www.revenue.ie/en/tax-professionals/tdm/collection/enforcement/attachment-20250102151612.pdf

[71] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf

[72] https://www.revenue.ie/en/vat/interest-and-penalties/when-is-interest-applied-by-revenue/index.aspx

[73] Survey for the preparation of the report on the use of recovery assistance (Art. 27(3) of Directive 2010/24/EU). See p. 21.

amounts for which recovery was requested by other Member States. According to Irish authorities, this is mainly caused by late acknowledgement/outdated information passed on by requesting jurisdictions and restrictions on the collection/enforcement due to legislative provisions (or the lack thereof) in requesting jurisdictions.

However, Ireland has internal controls in place within the Central Liaison Office (CLO)-recovery to ensure timely execution of assistance requests. As a requested Member State, it largely respects the deadlines set by the Regulation, with only minor exceptions. Ireland also has legislation enabling cooperation between recovery authorities and insolvency administrators, including the exchange of information on assets. This cooperation also covers information obtained from other Member States under the Directive on Administrative Cooperation (DAC) ([74]) or other EU legislation.

Contestations of tax claims are handled by the independent Tax Appeals Commission (TAC). The TAC is tasked with providing a modern and efficient appeals process in relation to the hearing and adjudication of tax disputes. Taxpayers may appeal within 30 days of notification of an assessment/decision. The TAC rules on the validity of appeals, hears cases and makes determinations. Nevertheless, since no data was provided on the average time needed to reach a decision at administrative level or for a final decision on contestations, it is not possible to assess the timeliness of these procedures and their impact on recovery.

More resources were allocated for the fight against the shadow economy. Irish people have relatively great trust in public institutions ([75]). Together with Ireland's action on law enforcement, this contributes to the small size of the shadow economy. In 2024 The Revenue Commissioners increased the resources and expanded its Shadow Economy team to undertake a range of outdoor checks and site visits to identify and confront businesses in specified sectors linked to cash businesses and unregistered traders. The Revenue Commissioners' workplan for 2025 outlines a comprehensive strategy to enhance shadow economy enforcement through four key areas: improving coordination and collaboration both internally across divisions and externally with partner agencies; implementing robust metrics and quality assurance systems to ensure consistent data recording and meaningful performance analysis; developing and standardizing guidelines and best practices for caseworkers; and strengthening operational effectiveness by agreeing on national priorities, establishing standard processes, and ensuring consistent onboarding of new recruits ([76]).

4.1. Use of Directive on Administrative Cooperation (DAC) ([77]) Instruments and Data ([78])

Ireland makes a thorough and efficient use of DAC1 ([79]) and DAC2 ([80]) data for assessing taxation on individuals. DAC1 (categories of income) ([81]) and DAC2 (financial accounts) data is

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[74] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended

[75] OECD (2025), Government at a glance.

[76] Source: Survey on VAT collection according to Art. 12 of Regulation No. 1553/89.

[77] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended

[78] Source: Yearly Assessment 2025, EU AIAC Statistics 2024 – Subject to confidentiality clause on DAC art. 23a

currently used for voluntary compliance, domestic risk assessment analysis ([82]), tax assessments and compliance interventions under Revenue's Compliance Intervention Framework. Data is mainly used in the field of personal income tax and capital gains tax and inheritance tax and may also be used in relation to VAT: the data is embedded in risk assessment processes and may be used to target specific tax risks such as undeclared or under-declared foreign income. DAC2 data has also been used by a dedicated team - the Offshore Assets Group (OAG) - leading to several settlements which resulted in additional revenues raised.

DAC data matching rates concerning individuals ([83]), are under the average for DAC1, but above for DAC2. The average matching rate, measuring success in identifying taxpayers with DAC data, is 76% for DAC1 ([84]) and 91% for DAC2, the EU-average being 84% and 87% respectively. Ireland is also updating its IT tools and infrastructures to improve the accuracy of the matching and its measurement, which should lead to further progress towards optimising the use of DAC data.

Ireland uses DAC3 ([85]) (rulings) and DAC4 ([86]) (country-by-country report) data systematically for risk-analysis purposes in the field of corporate income taxation. The percentage of reports identified successfully in 2024 is 82% for DAC3 and 98% for DAC4, leading to systematic processing of information. In accordance with the goals of DAC3, notifications of an existing advanced pricing agreement or a ruling are included in the domestic risk assessment methodology as part of the set of indicators that may lead to further investigations on the taxpayers concerned. Similarly, DAC4 reports are systematically processed to feed the national database for risk analysis. The reports including DAC3 and DAC4 data are used for assessing risks on transfer pricing, base erosion and profit shifting matters, economic and statistical analysis, and audits limited to specific categories of transactions (e.g. transfer pricing). The use of DAC4 reports is specifically tracked in transfer pricing audits, which is a good practice.

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[79] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC

[80] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

[81] Income from employment, Director's fees, Pensions, Immovable properties

[82] Risk assessment: tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify indicators that suggest specific taxpayers or arrangements may pose an increased risk to their jurisdiction and require further actions in terms of compliance. In general, EU tax authorities use automated methods based on domestic data and information received from other jurisdictions. Yet, a manual element may remain, as (i) tax authorities vary in terms of whether tax risk assessment is conducted centrally by a specialist risk assessment team incorporating input from the compliance function, or locally by the compliance team (or tax inspector); (ii) some data types remain challenging to be automatically processed, e.g. literal summaries.

[83] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024

[84] Average rate for data related to Income from employment, Director's fees, Pensions, Immovable properties

[85] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

[86] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

The use of DAC6 ([87]) data follows the same approach as DAC3 and DAC4 data: DAC6 data is mainly used for risk assessment, including assessing high-level risk of tax-harmfulness of arrangements reported. Due to the nature of DAC6 data (participant can be an intermediary, a relevant taxpayer, or an affected party) Ireland cannot automatically match the data and relies on manual matching instead. In 2024, manual matching yielded a success rate of 82%, which is above the EU-average. To ensure the highest possible rate the services are exploring alternative methods with IT and business analytics units. The Revenue Commissioners undertake analysis of the completeness and accuracy of DAC6 returns filed by intermediaries and taxpayers. In addition, The Revenue Commissioners utilise digital data analysis tools and caseworker guidance to facilitate compliance activity.

Ireland makes a limited use of the advanced instruments provided for in DAC to facilitate cooperation on specific cross-border issues, such as simultaneous audits. The synergies between participating Member States derived from these coordinated activities usually lead to an increase of the tax assessed and therefore contribute to reducing the tax gap. In 2024, Ireland was involved in 4 cases initiated by other Member States and did not initiate any case over the past three years.

In conclusion, Ireland uses the data obtained from the automatic exchange of information in coherence with the objectives of the DAC, with a very coherent approach in terms of risk analysis and efficient mechanisms focused on the highest stakes. The ongoing update of the IT tools and infrastructures should lead to further progress towards optimising the use of DAC data.

5. Digitalisation and Compliance

The Revenue Commissioners has established a modern system of digital tools designed to facilitate compliance. Taxpayer portals for all tax categories are in place. The Revenue Online Service (ROS), including the *myAccount* portal ([88]), is a single access point for all Revenue's secure online service available for different tax types. *MyEnquiries* is an electronic communication portal ([89]) for interactions with The Revenue Commissioners**.** According to a recent Eurobarometer survey, 47% of citizens in Ireland found it "very easy" or "fairly easy" to complete their tax return, placing them 17th among EU Member States ([90]).

5.1. Digital Transformation, Skills, and Culture

The Revenue Commissioners has a Digital Transformation Strategy designed to pave the way towards "Tax Administration 3.0". The strategy emphasises partnerships with major actors such as banks and software providers. It paves the way to improved data management, and offers a roadmap to real-time reporting ([91]). The Revenue Commissioners has also identified the future skills required by

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[87] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements

[88] https://www.revenue.ie/en/online-services/services/myaccount/help-guides/index.aspx

[89] https://www.revenue.ie/en/online-services/services/myaccount/myenquiries.aspx

[90] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713

[91] https://www.revenue.ie/en/corporate/documents/research/digital-transformation-strategy.pdf

the administration for a successful digital transformation for parts of the administration but has not developed a strategy to build a digital culture within the tax administration ([92]) The Audit Committee and Governance Framework require oversight of digital programmes and highlight training, staff rotation and internal audit coverage as priorities ([93]).

The Revenue Commissioners emphasises the importance of efficient data management in its Digital Transformation Strategy. This includes the provision of data description (metadata) and secure sharing of data. The Revenue Commissioners is an active partner in whole-of-government data-sharing initiatives. Ireland's broader "once-only" implementation across government is an evolving programme where The Revenue Commissioners is a key participant. Real-time feeds (e.g., from banks, social services) are being developed but are not yet fully in place ([94]).

5.2. Front end Digitalisation

5.2.1. Pre-filling

Pre-filling is the standard for PIT only – as is the case for many other Member States ([95]). The Revenue Commissioners provides pre-populated returns via the myAccount/ROS platforms: third-party data (taxes on earnings, pensions, certain rental income, tax deducted at source) are pre-filled in the online form to reduce taxpayer burden. Revenue's Tax and Duty Manual and public guidance explain the pre-population sources and the steps to review and amend pre-filled entries ([96]). Pre-population reduces errors and filing time, supports voluntary compliance, and allows The Revenue Commissioners to target higher-risk, non-prepopulated items in risk models.

5.2.2. E-filing

Quotas of CIT, PIT and VAT returns in Ireland either stand at 100% or marginally below. The *myAccount* portal of the ROS enables near-universal e-filing for businesses and many individuals. The Revenue Commissioners reports millions of electronic returns processed annually (ROS/Online filings dominate business filing). The Revenue Commissioners' 2024 Annual Report documents continued high volumes of electronic filing and real-time payroll reporting ("Pay As You Earn Modernisation" - PMOD). High e-filing adoption enables automated checks, pre-validation and real-time risk scoring that support lower-cost, high-coverage compliance.

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[92] OECD Inventory of Tax Technology Initiatives 2024. https://data-explorer.oecd.org/ Notes: (1) Data is self-reported by tax administrations and therefore not 100 % objective or comparable.

[93] https://www.revenue.ie/en/corporate/documents/research/digital-transformation-strategy.pdf

[94] Ibidem

[95] OECD Inventory of Tax Technology Initiatives 2024**.** https://data-explorer.oecd.org/ Notes: (1) Data is self-reported by tax administrations and therefore not 100 % objective or comparable.

[96] https://www.revenue.ie/en/self-assessment-and-self-employment/filing-your-tax-return/key-steps-in-filing-your-tax-return.aspx

The percentage of CIT returns that were filed electronically was 99.9% in 2018, rising to 100% by 2023. That makes Ireland one of only nine Member States with full e-filing rates for companies. This is compared to the EU average of 94.5% in 2018 and 97.1% in 2023 ([97]).

With regards to PIT, 95.2% of returns were submitted electronically in 2018, rising to 97.4% in 2023. This is well above the EU average for both years (72.9% in 2018 and 87.1% in 2023) and highlights the significant efforts and investment of The Revenue Commissioners into ROS, which provides instant access to various services connected with electronic filing of PIT returns ([98]).

Similar to CIT, 100% of VAT returns were filed electronically in 2023, a 0.3 percentage points increase from the 2018 figure ([99]). In 2023, Ireland was 0.8 percentage points above the EU average of 99.2%, although VAT is the tax type with the highest rates of e-filing across the EU.

5.2.3 Provision of other online Services

In Ireland, the Revenue Commissioners provide many additional online tools and services to taxpayers to reduce compliance costs. These include facilities to request payment arrangements, tax calculators, and secure communication messaging and call services. Taxpayers can also upload files onto the Revenue Commissioners' system, access a personalised taxpayer portal and view taxpayer information collected by third parties ([100]). All these facilities can foster tax-compliant behaviour, as well as allowing administration resources to be allocated more effectively indicating that the tax administration in Ireland is using some digital services to their advantage.

More specifically, The Revenue Commissioners offers portals for Non-Resident Landlords, R&D claim submission, and eBriefs for technical updates ([101])**.** The Revenue Commissioners continue to offer offline alternatives and customer support for vulnerable or digitally excluded taxpayers, though digital-first delivery is clearly the default ([102]). The Revenue Commissioners also provides tax and duty manuals which explain the rules, guidelines, procedures and practices that cover the whole range of The Revenue Commissioners activities, and notes for guidance with relevant examples to help taxpayers understanding of specific sections of legislation in the Taxes Consolidation Act 1997, the Stamp Duties Consolidation Act 1999 and the VAT Consolidation Act 2010. Despite the availability of these services, according to a recent Eurobarometer survey, only 36% of citizens in Ireland believe that support for filing tax returns provided by the tax administration is either fully adequate or mostly adequate, placing them 24th among EU Member States ([103]).

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[97] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

[98] Ibid.

[99] Ibid.

[100] 7. Taxpayer service - ISORA – tabs "Online services 1" and "Online services 2"

[101] https://www.revenue.ie/en/tax-professionals/ebrief/index.aspx?year=2024

[102] https://www.revenue.ie/en/corporate/press-office/annual-report/2024/ar-2024.pdf

[103] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713

5.3. Back-end Digitalisation

5.3.1 Use of Artificial Intelligence by the Tax Administration

The Revenue Commissioners are committed to embedding Artificial Intelligence (AI) into their working methods ([104]). Revenue's Statement of Strategy 2025–2028 explicitly commits to "refin[ing] our risk assessment methodologies using advanced analytics and AI" and to strengthening partnerships and skills for digital delivery.. The Revenue Commissioners also stresses upskilling (data scientists, analytics, programme delivery) and embedding a digital-first culture in its Annual Reports.

The commitment to embed AI reflects Ireland's long-standing use of advanced IT analytics in its tax administration. The Revenue Commissioners explicitly uses advanced analytics and for risk-scoring, problem detection and case selection. The Revenue Commissioners electronic Risk Evaluation, Analysis and Profiling System (REAP) is a rule-based risk detection and analysis system that performs a scoring of risks across multiple taxes including VAT ([105]). That is, it analyses vast amounts of data (including of third parties) on tax and duties. As the system is rule-based, it can't be considered as an AI system, although the scoring helps The Revenue Commissioners to prioritise these risks and to draw its attention to cases accordingly. A similar approach is also applied in the context of customs (Customs Risk Intervention Selection Programme – CRISP). That is, advanced IT analytics is used to select taxpayers for compliance interventions, based on transparent, auditable rules, with human oversight maintained throughout ([106]).

IT analysis aids the evaluation of transactions in real time. Rules-based algorithms are also used to ensure that transactions entering the systems, through any channel, are risk assessed at the time transactions are made. These systems make it possible to detect fraudulent transactions and false refund claims in real time ([107]) in the areas of VAT, PAYE (PIT) and customs. For data collection, the use of IT analytics includes the collection of data from websites and matching it with the data available to The Revenue Commissioners ([108]).

5.4. Compliance Risk Management

5.4.1 Compliance Risk Management Strategy

Ireland has a formal compliance risk management strategy in place, **allowing for identification, assessment and prioritisation of key compliance risks ([109]).** All possible areas are covered by this strategy including return filing, payment processing, collection enforcement, verification/compliance interventions and taxpayer service. Ireland also makes the risks public on a regular basis, and one

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[104] https://www.revenue.ie/en/corporate/documents/governance/sos-2025-2028.pdf

[105] All applications for Intra-EU and outside-EU VAT are risk-assessed.

[106] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf and https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-audit-2014.pdf.

[107] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf.

[108] https://taxadmin.ai/country/ireland-ai-country-report/

[109] ISORA Database – tab "CRM Strategy"

could assume that this is to deter non-compliant taxpayer behaviour. Ireland also belongs to the minority of Member States publicising the risks they encounter and informing the public about the results in addressing these risks.

Revenue's Code of Practice set out a risk-based approach to compliance management. It identifies risks, within the segmented case base of taxpayers, prioritises timely compliance interventions on identified risk, and prioritises facilitation enforcement. The Corporate Governance Framework and Code of Practice give the institutional mandate for Compliance Risk Management ([110]). This is supported by the use of Revenue's Case Management (RCM) system to record all contact and communication with the taxpayer on a timely basis including: meetings, correspondence, rationale for key decisions made, use of powers and management of any related appeals ([111]).

5.4.2 Audit Types

The Revenue Commissioners uses a comprehensive Compliance Intervention Framework. The Framework provides a consistent, graduated response to taxpayer behaviour, ranging from extensive opportunities to voluntary correct mistakes up to the pursuit of criminal sanctions for cases of serious fraud or evasion. In particular:

- Level 1 Compliance Interventions are aimed at supporting taxpayers by reminding them of their obligations and providing them with the opportunity to correct errors without the expense or stress of a more in-depth inquiry. Level 1 Compliance Interventions include reminder to file notifications, requests to self-review and profile interviews. Level 1s are broad based and are only used where Revenue has not already engaged in any detailed examination or review of the matters under consideration. ([112]).
- Level 2 Compliance Interventions comprise targeted, risk-based reviews/ checks on data provided by taxpayers in their returns. These risk-based interventions will range from an examination of a single issue within a return to a comprehensive audit. A Level 2 Risk Review is a focused examination of a risk or a small number of risks on a return. A Level 2 Audit is an examination of all risk indicators in a case (across all taxes and periods) or may focus on a single issue/single tax within the case.
- Level 3 Compliance Interventions are used to tackle high risk practices and cases displaying risks of suspected fraud and tax evasion. Criminal investigations are initiated to combat fraud or tax evasion ([113]).

5.4.3 Staff Dedicated to Audit, Investigation and Other Verification Functions

In Ireland, the percentage of full-time equivalents (FTEs) assigned to audit, investigation and other verification functions was 28.1% in 2023, below the EU average of 32.2%. This represents a

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[110] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf

[111] https://www.revenue.ie/en/tax-professionals/tdm-wm/compliance/audit-and-other-compliance-interventions/quality-audits-and-risk-managment-intervention/quality-intervention-standard.pdf

[112] https://www.revenue.ie/en/tax-professionals/documents/code-of-practice-revenue-compliance-interventions.pdf

[113] Ibid.

marked decrease from 36.5% in 2018 ([114]). Although this figure is not a concrete indicator of the strategy of the tax administration, the decrease in Ireland from 2018 to 2023 indicates that Ireland has placed a higher focus on the importance of real-time non-audit types of compliance interventions in this period. Furthermore, the targeted approach to case-based management utilised by the Revenue Commissioners means that the operational compliance areas apply sectoral knowledge when profiling risk in the tax system. This approach coupled with the use of IT analytics for risk assessment and real time transaction assessments leads to a more targeted use of the audit function.

5.4.4 Additional Revenue from Audits as a Share of Total Revenue

Additional revenue from audits is relatively low. In Ireland, the additional revenues raised from audits was equal to 0.78% of total net revenue in 2018 and 0.65% of total net revenue in 2023 which is below the EU average for both years (respectively 2.77% and 1.6%), and the slight decrease from 2018 to 2023 follows a similar trend to the EU average ([115]). Given the decreased focus placed on audits outlined in section 5.4.3, one would *prima facie* expect lower results on additional revenues raised through audits, but this is not the case. It must be noted that, despite dedicating less staff to audit functions, The Revenue Commissioners still collects a similar percentage of audit revenue. Given the longstanding use of IT analytics in the tax administration, it is likely that this indicator is below the EU average in both years because of compliant taxpayer behaviour, rather than poorly targeted compliance interventions.

In 2024, The Revenue Commissioners reported EUR 591 million recovered from audit and compliance interventions in 2024 (from 272 000 interventions). These are less than 0.4% of gross receipts, down from 0.6% in 2023 ([116]). Such a low percentage does not imply compliance interventions are unimportant; rather, it typically indicates high compliance.

5.5. Tax Complexity

Ireland ranks 5th out of the 27 Member States in the Tax Complexity Index ('TCI') ([117]) where a higher rank corresponds to lower tax complexity. The TCI is based on the Global MNC Tax Complexity Project, a joint research project of Deborah Schanz (LMU Munich) and Caren Sureth-Sloane (Paderborn University). The TCI 2024 places Ireland 5th among the Member States with regards to Tax Framework Complexity, and 6th with regards to Tax Code Complexity. This suggests that overall, both tax processes carried out by the tax authorities and the structure of the tax regulations are rather efficient. According to the authors, Ireland scores particularly high in areas such as the regulation of additional taxes or the handling of audits.

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[114] Own elaboration based on ISORA Database

[115] Ibid.

[116] https://www.revenue.ie/en/corporate/press-office/press-releases/2025/pr-043025-annual-report.aspx

[117] See: https://www.taxcomplexity.org/ The aim of the Global MNC Tax Complexity Project is to identify the determinants of tax complexity, to develop and maintain an index measuring the level of tax complexity across countries [Tax Complexity Index, TCI] and to examine the effects of tax complexity. The Tax Complexity Index measures the complexity of a country's corporate income tax system as faced by multinational corporations. The closer a country is to the first position of the ranking, the lower level of complexity it exhibits, and vice versa.