

# State closes chicken VAT scam loophole

## Dodgy multimillion-euro scheme axed two years after MoS investigation

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INVESTIGATIONS EDITOR



A FARMING whistleblower who exposed a multimillion-euro VAT harvesting scam was finally vindicated this week as the Government moved to shut down the abuse after more than a decade of procrastination.

On Wednesday, Finance Minister Paschal Donohoe announced that chicken growers will now have to register for VAT.

Until this week, they were able to avail of a separate 'flat rate' system designed to minimise red tape for farmers.

But as first revealed by an award-winning MoS investigation in 2023, a confidential Revenue review concluded many chicken farmers were scamming the flat rate system to claim 1,000% more VAT than they were entitled to.

Such overcompensation is against EU rules and files obtained by this newspaper showed Revenue had warned Government years ago that it could amount to an illegal form of State aid. According to a Revenue estimate, this abuse was costing taxpayers an estimated €7m annually – or €35,000 per chicken farmer.

As a result tens of millions in recent years has been diverted from taxpayer funds to benefit 'I was never going to be involved in fraud'

large chicken farmers and associated processors since Alo Mohan first blew the whistle to the authorities in 2013.

But instead of acting to stop the abuse in 2013, the authorities circled their wagons and allowed it to continue until this week.

Responding to the Government's move to shut down the scam, Mr Mohan told the MoS: 'My actions were always justified, because I was never going to be involved in fraud.'

As Mr Donohoe was announcing the closure of the flat rate scheme for chicken farmers, Mr Mohan was in the High Court, where he is suing Revenue for misfeasance in public office.

Mr Mohan first raised his concerns in 2013 after his accountants, Frank Lynch & Co, advised him that to engage in the scam would amount to VAT fraud.

A second opinion, from former Revenue Commissioner and tax adviser Eugene Dolan, also advised that the practices would amount to, 'a clear misuse/abuse of the VAT input credit regime and indeed of the VAT system in general'.

Despite these concerns, Revenue officials were unable – or refused – to clarify for him if the schemes were illegal.

Refusing to partake in the abuse on moral grounds, Mr Mohan ultimately lost his business and has suffered a campaign of harassment and intimidation ever since.

Since Mr Mohan launched his High Court case in May 2020, Revenue has employed a full legal team – at the expense of taxpayers – to fight the matter and has repeatedly sought to quash the proceedings.

This is despite an internal 2019 Revenue review that confirmed massive abuses of the scheme. The review, obtained by the MoS under the Freedom of Information Act, even warned the Government the tax abuse could escalate and spread to the beef sector, with far more costly consequences for taxpayers.

Initially, Mr Donohoe did not hesitate when he first received Revenue's review in November 2019. He noted: 'Level of overcompensation? justifies action. Please prepare order for exclusion.' This referred to a 2017 law passed by the Government specifically to allow the Minister for Finance to exclude any sector found to be abusing the flat rate VAT system. But amid lobbying from the sector, the move was never implemented until this week.

However, back in 2019, the news that the Department of Finance appeared ready to act was welcomed by Revenue. 'Good news,' Dermot Donegan, Revenue's Head of VAT Policy and Legislation, told colleagues at the time.

He added: 'The minister is fully agreeable to signing the exclusion order for chicken farmers but he'd like a meeting with Agriculture to be held before this happens. If it is a case that Agriculture can't do anything, he will sign the order.'

However, it took another five-and-a-half years for the Government to act.

Announcing the closure of the flat rate scheme for chicken farmers this week, the Government said the Revenue Commissioners

'There needs to be a trial for those people'

and the Department of Finance had advised again that overcompensation is continuing to occur within the poultry sector.

Mr Donohoe said: 'This has been a difficult decision to make.'

'However, in my role as Minister for Finance I am required to have regard for the welfare of all farmers who avail of the scheme.'

The closure of the flat rate VAT scheme for chicken farmers was greeted with dismay by the Irish Farmers Association (IFA), which had lobbied the Government to retain the status quo for years. The IFA also warned that chicken prices in supermarkets will rise, together with red tape for farmers.

But Mr Mohan – a former Fianna Fáil councillor and one-time chairman of the IFA's poultry committee – now feels vindicated for doing the right thing.

For years, processors involved in the scam, farming leaders who knew about it and political representatives who allowed it to continue, remained tight-lipped.

The millionaire processor Mr

Mohan's chicken farm supplied even tried to force him to sign a non-disclosure agreement.

Mr Mohan told the MoS around the time of our 2023 investigation: 'Every person that does their taxes correctly – or doesn't commit fraud – they're not whistleblowers.

'They're just ordinary citizens. And I'm just an ordinary citizen who refused to be part of fraud.'

This week, Mr Mohan called for justice for people like him who refused to partake in what they saw as corruption.

He added: 'The abuse that I received, and my family received, and the people that have been working with me... it's been absolutely heartless.

'They owe those families a serious apology.

'It's time for the authorities to stop trying to use the resources of the taxpayer to destroy the people who actually done the right thing.

'People have lost their husbands, people have lost their businesses, people lost their processing plants, all because of them.'

Instead of fighting him in the courts, Mr Mohan said the authorities should pursue those who abused the system.

He added: 'There's something wrong with our democracy.

'In a normal democracy, the individuals that were involved in this fraud would have to pay the taxpayer monies back.

'There would need to be a proper investigation into the individuals that actually broke the law and trial for these people that signed off and allowed people profit from corruption and fraud.'

In a statement to the MoS last night a spokesman for the Department of Finance said an opportunity had been provided to the sector in 2019 to respond to Revenue's report.

The spokesman said the sector's response 'was considered inadequate by Revenue who concluded in September 2020 that it did nothing to change the underlying position that overcompensation was occurring'.

The Government's inaction was then raised in discussions with the Finance Department in July 2023 by the European Commission.

The spokesman said: 'Since that time there has been significant engagement with the poultry sector.'

This engagement confirmed that overcompensation was ongoing.

The spokesman added: 'The Minister for Finance was satisfied that the level of overcompensation warrants the sector's removal from the scheme.

'Work is under way to prepare the necessary order to remove the sector from September 1, 2025.'

michaelofarrell@protonmail.com