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SPECIAL**

Fugitive Peter Quinn Jr is back in business

# ON-THE-RUN NEPHEW OF SEÁN QUINN HAS €2<sub>M</sub> FIRM IN REPUBLIC

THE fugitive nephew of former billionaire industrialist Seán Quinn – who faces arrest if he ever returns to the Republic – now owns a Dublin company worth over a million, the Irish Mail on Sunday can reveal.

Peter Darragh Quinn went on the run in the summer of 2012 rather than be jailed

**EXCLUSIVE**

By **Michael O'Farrell** and **Valerie Hanley**

for contempt of court after he helped the Quinn family to move their €500m global property portfolio beyond the reach of creditors. In doing so, he avoided the fate

of his uncle and cousin, Seán Quinn Jr, who spent time in jail to purge their contempt.

Peter Jr was made bankrupt in 2014 after the special liquidators for the Irish Bank Resolution Corporation secured a judgment of \$188m against him.

Now, despite remaining a fugitive, Peter

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**When Tom  
Cruise told  
Emily to  
man up**

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# PETEY IS BACK

By Michael O'Farrell

INVESTIGATIONS EDITOR

PETER DARRAGH QUINN has faced his fair share of financial problems over the years.

Being made bankrupt in 2014 on foot of a \$188m judgment obtained by the Irish Bank Resolution Corporation was perhaps one of the tougher moments.

But in January of 2012 he faced an entirely different problem; how to get €100,000 in cash into Ireland without being caught.

The dilemma surfaced as Peter Jr (his father's name is also Peter) – known as 'Petey' to family and friends – was putting into action a plan to cash out and siphon away as much of the Quinn family's €500m international property portfolio as possible.

The idea – originally recommended by Peter Jr after he had consulted with specialist lawyers in Moscow, Kyiv and Dubai – was put into action on the say-so of Seán Quinn.

The devil, though, was in the detail – something Peter Quinn Jr and his cousin Seán Quinn Jr, quickly learned as they criss-crossed the globe to implement the audacious, highly risky and entirely illegal plan.

Some tasks, such as assigning debt between hastily bought offshore shelf companies to alter the ownership property assets in favour of the Quinns, could be done in a lawyer's office.

Other jobs were a little more tricky, as Peter Jr found out during a tense meeting with Ukrainian businessmen in Kyiv during which the Quinns demanded cash.

Famously, as revealed in the Irish Mail on Sunday, the meeting was secretly recorded by the Ukrainians who feared the Quinns were trying to double-cross them.

Dressed in a yellow jumper, white open-necked shirt and his trademark black spectacles, Peter Jr is clearly visible in the recording as he agrees to accept a part-payment of \$100,000 from secretive tycoon, Aleksandr Aleksandrovich Orlov.

'Can we get a safe deposit box today?' he asks Larrisa Puga – who was manager of the Quinn's €60m Ukrainian shopping mall at the time.

When the Ukrainians suggested that the money simply be declared and brought to Ireland, Peter Jr was incredulous.

'Of course,' he scoffs, sitting back with a tense grin. 'And all the major reporters expecting us when we land there with a hundred thousand.'

Peter Jr then speaks of going to Amsterdam with the cash.

'We're going through Amsterdam, so we have to go to Amsterdam... and there we... we can't get 100,000 into

## How Peter Quinn Jr became a fugitive and his history of contempt for the laws of the land

Ireland,' he says. Translating for the meeting participants, Ms Puga asks whether 'it can be put on your cards' or into the account of a Peter Quinn-controlled firm which had illegally assigned the Kyiv shopping centre to the Ukrainians.

This, Peter Jr points out, is also impossible because he and the firm are the subject of an injunction forbidding any transactions.

'No,' he says in frustration as he

### 'Can we get a safe deposit box today?'

reminds the meeting of the court order. 'So, it's not a very sensible request. It's impossible.'

The most revealing thing about the Kyiv meeting, though, is Peter Jr's disregard for the authority of the courts in Ireland.

This admission, delivered with a nonchalant shrug, dispelled any pretence the Quinns were playing by the rules – at the very time they were insisting to the courts back home that they were.

'I'd have to lie to the court,' he says, laughing. 'That wouldn't overly concern me.'

The episode sheds light on the manic and desperate bid by the Quinns to prevent the IBRC – and by extension the State – from taking control of the family's international property portfolio.

The portfolio, managed by Peter Jr, spanned the globe and included assets such as the Kutuzoff office block in Russia and a €65m development



#### THE COUSIN

Seán Quinn Jr was jailed in 2012 for contempt of court

#### THE FUGITIVE

Peter Jr was described as 'evasive... and at times untruthful' in court

called Q City in in Hyderabad, India.

These properties generated tens of millions in rents annually – money that the IBRC would spend the best part of the next decade chasing.

Much of this rent roll money – an estimated €70m – has never been recovered, and its whereabouts are still unknown. And in its efforts to recover the assets IBRC has spent in the order of €100m in legal and other fees. Some of these fees went to A1 – a branch of Moscow firm the Alfa Group – to assist the recovery of assets in Russia.

The Alfa Group is controlled by three oligarchs with close ties to Putin.

One of them, German Khan, is a self-confessed gun fanatic with a private collection displayed in his Moscow office.

Cables from the US Embassy in Moscow, leaked by Wikileaks, give a fascinating, if daunting, insight into Khan.

The cables recount a hunting trip that BP executive Tim Summers took with the oligarch. Although married with three children, Mr Khan travelled to his rural hunting lodge – which, according to the cables, is 'like a Four Seasons hotel' – with seven glamorous women.

When he came down to dinner he was 'armed with a chrome-plated pistol' and told his guest that he watched The Godfather movie every few months and considered it 'a manual for life'.

Every step of the way in this often spy-like game of cat and mouse between the Quinns and State, Peter Jr's role was crucial – as repeated court judgments here have concluded.

In June 2012, Judge Elizabeth Dunne ruled that the evidence given in court by Peter Jr had been 'evasive, lacking in candour and, I regret to say, untruthful'.

'Peter Quinn was evasive, less than forthright, obstructive, uncooperative and at times, untruthful,' Judge Dunne continued.

But rather than face the music for contempt of court – as Seán Quinn Sr and Jr did – Peter Jr absconded north of the border, to his hometown of Enniskillen.

While a warrant was issued for his immediate arrest should he return to the Republic he routinely attended GAA games with his local team, Teemore Shamrocks, within sight of the border.

Photographed and confronted by the MoS at the time, he refused to speak while locals corralled to protect him.

Meanwhile, his father, Peter Quinn Sr – a one-time President of the GAA – told reporters his son would never return and denied there was a split in the family over Peter Jr's

## HOW WE BROKE THE QUINN STORY

IN July 2012, The Irish Mail on Sunday broke the story about Peter Quinn Jr's secret meeting with a Ukrainian tycoon in January that year.

The video laid bare how the Quinns were planning to siphon away as much cash as they could as courts pursued them for millions. Peter Jr was seen agreeing to accept a part-payment of \$100,000 from magnate Aleksandr Aleksandrovich Orlov. The damning videos also contain a nonchalant admission from Peter Jr

EXCLUSIVE: Sensational film reveals Quinn family trying to do deal in Kiev and get cash back to Ireland AFTER court froze assets

### SECRET VIDEO OF QUINN'S PLAN TO LIE

who says he is prepared to mislead a court probing the Quinns' affairs. 'I'd have to lie to the court,' he says, laughing. 'That wouldn't overly concern me.'



# IN THE GAME



**THE UNCLE**  
Former billionaire Seán Quinn Sr  
lost his empire started in Cavan

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Quinn Jr has exited bankruptcy with a clean slate and owns a new recruitment business called Eurotas, with companies on both sides of the border.

The warrant for Peter Jr's arrest remains in force.

A senior security source told the MoS: 'Even though the warrant was issued in 2012, it still exists. It would still be live and even though it's 10 years later it's still live. The warrant wouldn't die.'

This means that if he is apprehended south of the border, Peter Jr will be brought to the High Court to face the contempt charge – and likely be imprisoned in a similar fashion to his uncle and cousin.

However, this threat has not stopped Peter Jr from doing business in the Republic – something the authorities here were not aware of until informed by the MoS this week.

But although they are now aware of the fugitive's new business interests in Dublin, the authorities remain powerless to act.

A source familiar with the process told the MoS: 'It's interesting that Peter Quinn Jr has set up a new business, but unfortunately the Irish State can do nothing to get anything back financially from him because he went bankrupt in the UK.'

Peter Jr's new firm describes itself as 'a UK and Ireland-based company which specialises in supplying manpower to our clients throughout UK, Ireland, Europe and the world.'

Eurotas (NI) Ltd was first incorporated in the North in late 2018 by Peter Quinn Sr – a loyal brother of Seán Quinn Sr and one-time President of the GAA. At the same time, a sister company of the same name was incorporated in Dublin and now operates from an office on Sir John Rogerson's Quay.

By August 2021, the Northern Irish firm, operating from an office in Belfast's Ormeau, had available cash resources of £1.4m.

On the same date, the southern firm's accounts posted cash at bank of €772,000 and debtors of €836,000 – meaning €1.6m in assets. It paid €661,000 in wages that year.

Although originally established by his father, ownership of these firms transferred to Peter Jr in September 2021.

This ownership is held via Beechmount Developments Ltd, the Enniskillen firm of Peter Quinn Sr, which has also now passed to Peter Jr.

As the owner of Beechmount, Peter Jr is now in control of its £2.6m in assets.

In January this year, Peter Jr

chutspah and brass neck that enabled him to oversee the Quinn's asset-stripping schemes.

'Peter is a vastly skilled and competent strategist who has a proven track record in finance and management,' the recently disabled

## He uses Quinn family global portfolio as endorsement for his firm

also set up a new Dublin firm called Eurotas Engineering Ltd.

This firm has not yet posted any financial details, but Peter Jr's southern recruitment operation is actively engaged in the Dublin market.

In July 2021, Revenue provided the Dublin firm with a letter confirming it had 'a real and continuous link with one or more economic activities being carried on in the State'.

According to the Eurotas website, Dublin contracts have involved providing construction staff to Lidl supermarket developments and other projects around the city.

Eurotas lists Peter Jr's work with various Quinn family assets abroad on its website to highlight

### 'State can do nothing to get anything back'

its owner's experience. A development in Q City in Hyderabad, India, and the Kutuzoff tower in Moscow are represented as Eurotas projects on the company's website and Facebook pages.

A decade ago, these properties formed part of the asset-stripping scheme that Peter Jr assisted the Quinns to implement as they battled to keep millions from the State.

As revealed in court papers at the time, control of the Kutuzoff tower was vested in 'men of straw' – including an unemployed Russian rail worker – in order to hide the Quinn family's stake.

The asset-stripping scheme was described in one court judgment as one of 'mesmeric complexity' that 'reeks of dishonesty and sharp practice'.

Eurotas website reads. 'He has worked throughout Europe, Russia, Middle East and USA and has extensive experience in setting up businesses and projects in different jurisdictions and what it entails to be compliant,' the bio continues.

Another ruling described the intent of the scheme as being 'as far removed from the concept of honour and respectability as it is possible to be'.

His role in the scheme would result in Peter Jr becoming a fugitive but today he is using his experience of managing the Quinns' global portfolio as an endorsement of his new recruitment firm.

'Q City was a challenging project logistically due to its location in India,' the Eurotas Facebook page reads.

'We supplied Project Management who were heavily involved in the design and build.'

Various other former Quinn family properties are also used in this fashion by Eurotas, including the Belfry golf course, which was once a trophy asset of Seán Quinn's.

Last week the MoS revealed how €440m owed by Seán Quinn's five children to the Irish taxpayer remains unpaid.

A judgment of €88m was secured against each of Cavan-based Quinn's five children, Seán Jr, Aoife, Brenda, Ciara and Colette, following a protracted legal battle between the family and the Irish Bank Resolution Corporation, formerly Anglo Irish Bank.

A source familiar with the process said the judgments would only be enforced 'if one of them [Quinn children] comes into a windfall or if it transpires that any information they gave about assets was wrong'.

Even though the €440m owed to the State remains unpaid, Seán Quinn claimed in the three-part documentary series, Quinn Country, aired on RTE One last week, that he wanted to be remembered as 'the man they tried to bury and they weren't able to bury him'.

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The site also contains a list of projects that Peter has worked on – including many of the former Quinn family assets that he tried to secure for the Quinns at the cost of the State.

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refusal to do his jail time.

'There is one thing about the Quinns. We have never split on any issue, and we won't split on this issue,' he said. 'We haven't split on this issue. We're probably one of the closest families in the country.'

Peter Sr also openly challenged the very authority of the Irish Government and courts when it comes to the affairs of Seán Quinn Sr.

'There is a conspiracy to make sure he doesn't win the case,' he said of Seán Quinn's legal battles.

'There is systematic and systemic collusion to make sure Seán Quinn doesn't win the case and they are succeeding with the support of the national media, including RTE, BBC and the national dailies.'

'People aren't being told the truth, that Anglo was involved in illegal activity, defrauding investors and overstating their balance sheet.'

But absent from this criticism was any mention of the fact that members of Anglo's

management team were charged and did, in fact, face prosecution.

Meanwhile, a decade on, the battle to recover the Quinns' assets continues. Today any income recovered by the State is banked in a dedicated firm called QIPG Refinance Ltd.

To this day, bit-by-bit, the money the Quinns tried to siphon away continues to be recovered.

### 'We have never split on any issue'

According to the latest accounts for QIPG Refinance, filed in March this year, \$3m was recovered from Russian companies in 2021.

In November 2021, \$5m was secured from the Ukrainian shopping mall in Kyiv. In January this year, a second \$2m tranche of money from Kyiv was banked just before the Russian invasion of Ukraine, in February, hampered these efforts.

Meanwhile, a decade after he was caught on tape trying to sell this asset, Peter Quinn Jr is back in business. Typically, his new enterprise, Eurotas, is displaying the same



**EXCLUSIVE**By **Michael O'Farrell**

INVESTIGATIONS EDITOR

AN INTENSIVE Government lobbying campaign on behalf of globally financed cuckoo funds is being spearheaded by former Fianna Fáil general secretary Pat Farrell.

Irish Institutional Property (IIP) has lobbied policy makers, TDs, ministers and senior civil servants no fewer than 56 times since it was established three years ago.

Mr Farrell, a former chief executive of the Irish Banking Federation, is now head of IIP, a lobby group representing powerful global funds that have become Ireland's biggest landlords.

The chairwoman of the lobby group, Margaret Sweeney, is also the chief executive of I-Res REIT, Ireland's largest institutional landlord with approximately 4,000 homes worth €1.5bn.

Lobbying records reveal that Mr Farrell, who is also a former Fianna Fáil senator, has repeatedly sought to have legislation changed to suit cuckoo funds.

In 2019, he made a submission to then minister of state at the Department of Housing, John Paul Phelan, in which the IIP sought changes to legislation relating to local government rates.

The following year Mr Farrell lobbied for changes to the Finance Bill in submissions to Finance Minister Paschal Donohoe and officials in his department.

The IIP has also sought to influence codes of conduct for landlords and tenants,

## Sought change in legislation to suit cuckoo funds

tax policy and various housing matters.

In the first quarter of this year the IIP held direct or virtual meetings with 11 ministers, senior officials or special advisers at Government departments.

During these meetings, Mr Farrell made direct presentations to Housing Minister Darragh O'Brien, Department of Finance secretary general John Horgan, Department of Housing, Local Government and Heritage secretary general Graham Doyle, Department of Enterprise, Trade and Employment secretary general Orlaigh Quinn, and Department of Public Expenditure and Reform secretary general David Moloney.

In further lobbying this year, the IIP has also sent a report on 'the significant tax contribution' made by its members to Taoiseach Micheál Martin, various Government ministers, and local authority chief executives.

International 'cuckoo' and wealth management funds – which have been criticised for forcing families out of the housing market and contributing to soaring rents – have amassed huge property portfolios in the past eight years.

**MEETINGS:**  
Housing Minister Darragh O'Brien



They have bought up developments using REITs (real estate investment trusts) which are generally exempt from corporation tax on income from their rents.

Other corporate structures funded by international capital, such as pension funds, joint ventures and publicly listed property firms, are also IIP members.

These include Hines Real Estate Investments – a US property giant currently funding the construction of over 3,000 homes in Dublin.

Another member is international property giant Kennedy Wilson, which has approximately 2,500 homes worth €1bn.

According to its publicly filed accounts, IIP began life with a €500,000 war chest. This was funded by membership fees from IIP members which include the largest cuckoo funds and the construction firms building their developments.

Following scrutiny of the role of cuckoo funds in Ireland's housing sector, IIP has been keen to justify the role played by its members, its lobbying records show.

When IIP was set up in 2019, cuckoo funds and globally

# Access all areas for billionaire landlords as lobby group led by ex-FF boss goes on turbocharge

Cuckoo fund alliance led by Pat Farrell has lobbied Government 56 times since 2019



**LOBBYIST:** Pat Farrell in 1997

## FARRELL'S DECADES

AS a political player and lobbyist for decades, Pat Farrell has attended some fascinating and controversial dinners.

As general secretary of Fianna Fáil in 1994, he was present at a late night meal in Cork at which 12 businessmen made substantial donations totalling IR£150,000.

Long before funding concerns were to emerge in Irish politics – and at a time when Bertie Ahern was

By **Michael O'Farrell**

party treasurer – the event saw developer Owen O'Callaghan provide then Taoiseach Albert Reynolds with IR£50,000 for FF.

Reynolds would later appoint Mr Farrell as a senator at the end of an Oireachtas term for a grand total of one sitting day. Known largely for his role as Irish Banking Federation

funded property firms were already buying over 40% of all new apartments, according to Department of Finance analysis that year.

These entities were attracted to Ireland by a chronic shortage of homes and a growing skilled workforce to drive rental demand.

But at the time the cuckoo fund industry had not yet become a focus of public controversy. That changed with the 2021 sale of Maynooth's Mullen Park estate to Round Hill Capital. That deal – and a slew of

later ones – led to calls for such sales to be banned or limited.

Today the cuckoo fund sector,

## On track to deliver half the housing market

which is dominated by tax-efficient REITs and other investment funds, is moving to another phase. After

buying up housing stock, it is now funding and building developments. According to its own estimates, it is on track to deliver half the entire housing market in the years ahead.

Ireland has a shortage of apartments and small homes compared to other EU countries. If we were in line with EU averages we would have 800,000 apartments but we have only a quarter of that. The Government has made it a priority to bridge this gap – and cuckoo funds will finance most of it.





**FUNDS:** Pat Farrell, right, with former Bol chief Richie Boucher

# Cuckoo fund CEO needed retention for holiday home

By **Michael O'Farrell**

THE head of the largest cuckoo fund operating in Ireland began building a 112 square metre addition to her holiday home before seeking planning permission, the Irish Mail on Sunday can reveal.

Planning files show that the addition to Margaret Sweeney's home – a standalone two-bed unit with a games room – would have almost doubled the size of the original 125 square metre property.

In an indication of the scale of the extension, the average size of all homes in Ireland is 81 square metres.

According to planning records, Ms Sweeney, the chief of the I-RES REIT fund, sought permission to retain and complete the development in June 2010.

The application was also in the name of her husband, Paraic Lavelle, a long-serving member of the Defence Forces.

However, when council officials arrived to inspect the site at Derrylahan near the village of Kilcar, Co. Donegal, they found the extension half built.

It was 'evident that works were ongoing on site' they reported and 'as a result 'damage had occurred to the existing road'.

Planning officials noted: 'The development for which retention and completion is being sought is currently half built on site.'

Plans for the unit, located in the garden behind the main house, involved a games room

on the ground floor and a two-bed unit on the first floor. The living area was to be composed of two bedrooms, a kitchenette, a bathroom and sitting room.

The games room included space for a sitting area and a bathroom.

Refusing permission, council planners said 'the principle of an additional second dwelling on the site of an existing dwelling is contentious'.

In particular they objected because it might breach waste water guidelines for the existing septic tank on the property.

'The applicant has not demonstrated that he has a housing need in the area ... or that there is justification for a holiday home,' the planners concluded.

The council also said to allow the development would 'set an undesirable precedent for future development'.

Nevertheless, in November 2010 the council approved a revised plan in which the bedrooms and living area were omitted and replaced with a 'storage room' of the same size.

Ms Sweeney also increased her property holding in the area with the purchase of a thatched pub in the village of Kilcar on the Wild Atlantic way.

In need of refurbishment, the pub was bought for €40,000 in February 2021 and is controlled via Weepridge Ltd – a firm jointly owned by Ms Sweeney and her husband.



**HOLIDAY HOME:** Margaret Sweeney

# 'Even builders' are leaving the country

By **John Drennan**

THE rise of Ireland's new 'absentee landlords' will have profound social consequences and result in a new wave of emigration, an Opposition housing spokesman warned.

Social Democrats TD Cian O'Callaghan said even builders – vital for providing the housing families need – are leaving the country.

He told the Irish Mail on Sunday: 'Increasingly, I am meeting people who 10 years after graduating from college or school are still living with their parents and who see no prospect of that ending soon. It is the new norm.'

'This is the consequence of a policy of supply at all costs which does not take affordability into account.'

The Dublin Bay North TD said the chronic shortage of housing 'is affecting all aspects of social life, the capacity of people to marry, to have children. People who do not move out are

not progressing key areas of their lives – they cannot buy homes, they cannot create roots in new communities'.

He added: 'Emigration is the new consequence of this. People with skills that are very much needed in healthcare, in education, in child-care are leaving.'

'Those who are leaving include the same builders we need to actually build houses.'

Mr O'Callaghan also expressed concern over the absence of detail about REITS. He said: 'There is no transparency over how these investment funds operate. They are not constrained in the way that everyone else is. Housing policy in Ireland is now a vicious cycle. People want homes but instead the vast majority of supply is geared towards the sort of high-rental properties...

which means they can never afford homes.'

Mortgage arrears advocate David Hall said the rental market is now dominated 'by a new absentee anonymous landlord class of REITS'.

He said: 'The old staple landlord who could be contacted by phone is gone; it's been replaced by a PO Box. We don't control the rental market anymore. It has created an inferno.'

'Politicians and departments can write all the policy documents they like, but ultimately the REITS have more power than any Dáil. The proof of this is in the absence of any effect when it comes to Government policies. Normally if you change things they improve. The opposite has happened here.'

He added: '[Funds] are still benefiting from the tax structures. We don't control REITS; we incentivise them to do what they want.'

# AS A POLITICAL PLAYER

(IBF) chief during the Celtic Tiger years, Mr Farrell's most ill-timed dinner is the 2008 farewell for the Chairman of the Financial Regulator, Brian Patterson.

Dubbed the banker's 'last supper' when the hush-hush event was unearthed by the press, the evening was attended by a flock of boom-time bankers.

'Well, it probably wasn't the best decision I ever made,' he said when quizzed by the Oireachtas Joint Committee of Inquiry into the Banking Crisis. As IBF chief, it was Mr

Farrell who, at the behest of the banks, lobbied the Government for the banking guarantees that crippled a generation and paved the way for today's housing crisis.

Afterwards, he took up a position as head of Communications and Government Relations at Bank of Ireland until 2019.

Now, as Irish Institutional Property chief, he is the chief lobbyist for the cuckoo fund industry at a time when they are poised to become the most serious property players and landlords the State has ever seen.

The National Development Plan forecasts the population will grow by a million by 2040, which will require 550,000 new houses. These will have to be built at a rate of 30,000 to 50,000 a year – the equivalent of building a new Galway city every year.

To build this – and the accompanying infrastructure required – the Government is planning to spend €165bn up to 2030.

But private funds, using international capital, are planning to dwarf that amount. According to IIP, they will spend €312bn on homes and related infrastructure over the same period.

These funds – headed by financiers and executives who typically shun publicity – will have more impact on Ireland in the coming decades than almost any other actor, including the Government.

Today the top ten funds own and rent almost 20,000 homes across the country. Over the coming decades they will own hundreds of thousands.

Critics of the situation say that instead of owning their own homes, the next generation will likely pay rent to these institutional landlords for their entire lives.

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# The **IRISH** Mail

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**DETAILS PAGE 20**

# STATE IGNORING FARM 'VAT SCAM' WORTH MILLIONS

Clear Revenue  
advice in 2019  
still not acted on

**EXCLUSIVE**

By **Michael O'Farrell**

INVESTIGATIONS EDITOR

**THE** Government has allowed a massive farming tax scam that has cost taxpayers tens of millions of euro to continue despite repeated warnings from Revenue, an Irish Mail on Sunday investigation reveals.

The tax abuse – which enables some chicken farmers to recoup as much 1,000% more VAT than they are entitled to – was first identified to the authorities in 2013 by

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**How Imelda  
May was set  
up with her  
beau by a  
Rolling Stone**

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a whistleblower. Despite this, the Government has never shut down the scam, even though it passed a law more than six years ago to allow the finance minister to do so with a single stroke of a pen.

Now this failure to act could result in Ireland being investigated and fined by the European Commission if it is found that the Government allowed breaches of EU VAT rules to continue.

Under EU directives, no business can claim more in VAT than it pays.

However, Irish poultry producers were able to earn multiples more than they paid by manipulating rules intended to make VAT administration simple for farmers.

This exploitation of what farmers call the 'flat-rate allowance' allowed the sector to secretly harvest unjustified VAT returns from the Exchequer.

According to a never-before published Revenue review – seen by the MoS – this tax abuse earned the poultry sector €7m more in 2017 alone, an average of €35,000 per farmer.

An MoS analysis of the underlying figures revealed in the review suggests the scam could have cost the State more than €20m in recent years. A second element to the abuse involved VAT being harvested on the double via farming co-ops. When Revenue ordered this practice to halt in August 2017, the amount of VAT overcompensation dropped, from 1,000% to 750%.

In turn, this Exchequer funding benefited the sector's largest processors and their multi-millionaire owners, as well as the farmers.

### 'Overcompensation of unregistered farmers in chicken production'

When the MoS first asked the Government about the widespread VAT abuse in the sector a month ago, the Department of Finance and Revenue issued a joint response. The cryptically worded statement gave no indication of Revenue's continuing concern over the Government's failure to act against the tax abuses.

However, internal files obtained by the MoS under the Freedom of Information Act reveal Revenue warned the Government the tax abuse could escalate and spread to the beef sector, with far more costly consequences for taxpayers.

These concerns were reflected in correspondence between former finance minister Paschal Donohoe, now Public Expenditure Minister, to the attorney general.

Mr Donohoe wrote: 'There is significant overcompensation of unregistered farmers in the chicken production sector.'

'Despite Revenue's engagement with the sector, the practice continues. This is unsustainable in that the flat-rate scheme is designed to compensate unregistered farmers for the VAT paid on their inputs but overcompensation is not permitted under EU law.'

Mr Donohoe added: 'There is also a concern that the business model and contractual arrangements that have emerged in this sector could migrate to other agricultural sectors with potentially more serious implications for VAT revenues.'

The documents also show Revenue told the Government that the millions earned via the scam likely amounted to illegal State aid.

One Revenue official noted in internal correspondence prompted by our original query a month ago, 'The Department were also advised that should the Minister decide not to remove the sector from the op-

# Poultry farmers have made millions out of a dodgy tax scheme that still hasn't been shut down even though a law to ban it was passed in 2017

# VAT scam hiding in plain sight

The IRISH Mail  
ON SUNDAY

## INVESTIGATION

By MICHAEL O'FARRELL

INVESTIGATIONS EDITOR

eration of the flat-rate addition that they would need to consider the issue of State Aid'.

The files also lay bare the frustration of senior Revenue officials as their warnings went unheeded.

One Revenue official criticised the Department of Agriculture for allowing the poultry sector to 'engineer an opportunity to stall the process and walk us into a merry go round'.

The same official also expressed frustration at the failure of the Department of Finance to act to shut down the VAT scam.

He wrote: 'We have... presented a report to the Department of Finance; it is up to the Minister to act or not.'

Another official was so frustrated at the lack of response from the department he suggested putting Revenue's concerns on the record. He wrote: 'Knowing as we do that nothing is likely to happen, what about putting our warning about the risks of the scheme migrating to other sectors on record?'

According to records seen by the MoS, Revenue was aware of these abuses from at least 2013, when Cavan chicken farmer Alo Mohan,

a supplier to Manor Farm, raised the issue with a succession of tax officials.

Along with Mayo-based Western Brand and Cork-based Shannon Vale Foods, Manor Farm is one of the top three chicken processing firms in Ireland. Of the three, Shannon Vale Foods was the only one in which farmers did not operate a co-op.

### 'It is up to the finance minister to act or not' on Revenue's Report

However, the three firms have jointly made representations to the Department of Agriculture in a bid to ensure the sector is not excluded from the flat-rate allowance because of the abuse.

Mr Mohan raised his concerns after his accountant, 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

## Manipulation that left all taxpayers the loser

THE VAT system is supposed to be a zero-sum game for everyone except the Exchequer.

But chicken farmers found a way of mining up to 1,000% more from the VAT system than they were paying into it.

They do so by manipulating a scheme which allows farmers get the VAT they pay for materials back without being VAT-registered.

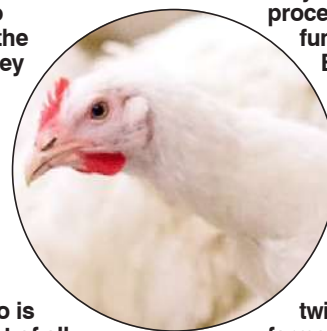
All they need to do is add 5.4% of the cost of all their business expenses to the price of the animals they sell.

The processor buying the animals then claims the 5.4% back from Revenue.

The poultry sector also found a way of manipulating the price of feed – which is zero VAT rated and always supplied by processors – to harvest funds from the Exchequer.

If feed is twice the price it should be, the VAT still remains at zero, but a farmer can claim twice as much back from the taxman.

There is a further twist that allowed many farmers claim back on the double, though this system was not used at Shannon Vale Foods. It involved the formation of VAT-registered farmers' co-ops to claim back VAT on farmers' other costs.



adviser Eugene Dolan, also advised 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, a number of Revenue officials were unable to clarify for Mr Mohan if the schemes were illegal.

Refusing to partake in the abuse on moral grounds, Mr Mohan ultimately lost his business. He is currently seeking to sue the Revenue for malfeasance.

In recent years, Mr Moran has also been joined in his campaign by Raymond O'Hanlon, former

managing director of Cappoquin Chickens, which went bust as rivals abused the tax system to gain an advantage.

Internal Revenue and Department of Finance records confirm that, from at least 2015, the Government knew these practices were a likely breach of EU rules.

The records describe the abuse as 'an anti-avoidance issue' and as being 'against the spirit and purpose of the EU VAT directive'.

In 2016, then MEP Marian Harkin made an official complaint about the practice to the EU's director general for finance.



# Canny brothers who made fortunes out of chicken feed

By **Michael O'Farrell**

INVESTIGATIONS EDITOR

THE year of 2003 was a difficult one for Vincent Carton and his brother Justin.

After eight generations their family business, Manor Farm chicken, was in trouble.

'Everything continued to go well, until 2003, but that year the company hit a real crisis,' Vincent told an interviewer in 2015.

That was also the year farmers supplying Manor Farm were encouraged to deregister from VAT en masse. The move was part of the rollout of an ingenious 'tax abuse' scheme designed to secretly channel millions from the exchequer into the poultry sector.

Aside from Manor Farm and the Carton brothers, other chicken processors including Mayo-based Western Brand and Cork-based, Shannon Vale Foods also benefited from the scheme.

These firms – the three largest processors in the country – have all used offshore structures to keep their finances secret.

But their turnover is massive. Before going offshore in 2008, the



**CASHED OUT:** Justin Carton and his brother Vincent, inset right

Carton Brothers were turning over €117m annually.

Western Brand, owned by Eugene Lannon from Ballyhaunis, Co Mayo, turned over €106m the year before it went offshore in 2019. Every week, 750,000 Western Brand chickens are packaged in the firm's famous 'Just Good Honest Chicken' logo.

Shannon Vale, owned by the O'Regan family from Clonakilty, processes 120,000 chickens weekly.

And in 2017, the Carton brothers, no longer struggling as they had been prior to the VAT scams being introduced, were able to cash out for €70m. Their buyer, Swedish giant Scandi Standard, paid the brothers €34m in cash, with the

balance in shares. The firm was sold the same year that a new law empowering the minister for finance to eliminate the poultry sector's VAT scams with the stroke of a pen came into force.

At the time it looked as if the game was up, just as the brothers cashed in their chips.

When the MoS contacted Vincent and Justin Carton in recent weeks, the brothers did not want to discuss the VAT abuses or the timing of their decision to sell up.

Justin told us: 'It will be Vincent who has to respond because obviously when we sold out of the company we are under restrictions, even still, as to what we can and cannot say.'

Vincent said: 'I'm struggling to even remember the technical detail... I know it was about VAT. That was the big issue wasn't it?'

He then asked to go off the record, after which he was able to demonstrate considerable familiarity with the issue.

We later sent the Carton brothers a detailed breakdown of the potential contents of the findings of the MoS investigation, but they declined to respond.

Western Brand owner,

Eugene Lannon, said farmers' VAT arrangements were nothing to do with him.

'We didn't do that system – it's the farmers who did the system. Western Brand didn't tell our farmers to deregister,' he continued. 'They decided to deregister, so I don't know why you're coming to Western Brand.'

Asked about the second level of VAT abuse conducted via co-ops, Mr Lannon said: 'I don't like co-ops. I like to deal with people individually. It was the farmer's choice to open the co-ops.'

In response to queries from the MoS, Shannon Vale Foods said it 'has fully co-operated with Revenue and Department on this matter and at no time has the company been found to be acting fraudulently'.

A spokesperson added: 'The farmers who supply us are individual families who have never supplied chickens to Shannon Vale through any form of co-op structure or been involved in the so called "double VAT".'



## BACKGROUND TO THE 2017 ACT

**2013**

One Manor Farm farmer, Alo Mohan, refuses to participate in sector-wide manipulation of the farming flat-rate scheme when his accountant advises him that the structures of this particular scheme amount to VAT fraud. After losing his business, Mr Mohan begins several years of whistleblowing complaints to the Revenue and other State authorities, but unfortunately to no avail.

**May 25, 2016**

The then MEP Marian Harkin lodges a

complaint about the scheme with the EU's Director General for Finance.

**September 9, 2016**

The EU complaint sparks an internal Revenue investigation, which confirms that the flat-rate VAT system is being 'manipulated' and 'abused in certain circumstances'.

Revenue acknowledges that this abuse is a breach of EU law and advises that legislation is

needed to stop the tax abuses.

**October 20, 2016**

The Government announces a proposed new law to empower the Minister for Finance to exclude any sector that has been found to be abusing the flat-rate system.

**November 08, 2016**

Finance Minister Michael Noonan confirms to the

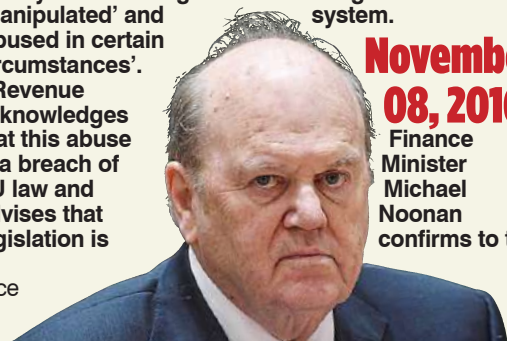
EU Parliament that 'VAT avoidance schemes' are 'in place particularly around the Poultry Industry' and insists the Government's proposed law will address the issue.

**November 14, 2016**

Manor Farm tries to silence Mr Mohan with a non-disclosure agreement (NDA). He refuses to sign.

**January 1, 2017**

The Government's new law comes into force. Satisfied that Ireland is taking action, the EU Commission closes its investigation. The new law is never used.



**LAW CHANGE:** Ex-Finance Minister Michael Noonan

result in a much higher level of flat-rate addition payments in the sector than would otherwise be available.'

Mr Noonan's briefing notes also warned: 'This would have implications for VAT neutrality and possibly competitiveness within the sector and within the agriculture industry generally.'

However, any EU concerns about the VAT abuses were satisfied when Ireland passed legislation to address the issue in January 2017.

The new law gave the finance minister the authority to exclude an agricultural sector from the flat-rate

system completely if it was found to be abusing the rules. Satisfied with this, the EU closed the investigation it had opened on foot of Ms Harkin's complaint.

However, neither Mr Noonan nor his successors as ministers for finance have used this power to shut down the VAT abuses.

In September 2019, Mr Mohan and his accountant wrote a letter to Minister Donohoe, in which they said the Government had 'failed to address or seek redress in any meaningful way'.

The letter reads: 'What your predecessor [Mr Noonan] actually al-

lowed for was a situation where one industry... claims more flat-rate VAT than it is entitled to compared to VAT-registered enterprises.'

'An example of this has been occurring in the large beef feed lots whereby the VAT claimed by these industrial farmers is far in excess of the inputs actually incurred and gives them an unfair competitive advantage against their farming neighbours.'

However, like his predecessor, Mr Donohoe did not use his power to ban the poultry sector from the flat-rate allowance.

Mr Donohoe did ask for an exclu-

sion order to be prepared, but he never signed it after the Department of Agriculture became involved.

Asked about the VAT abuse when he appeared before the Dáil spending watchdog in November 2019, Revenue chairman Niall Cody admitted, 'There is no doubt that, within the poultry sector, the pricing structure allowed for an over-compensation of the VAT for some people who are in that trade'.

When asked what solution was available to the finance minister, Mr Cody replied, 'To remove the flat-rate compensation for the sector'.

Mr Cody added Revenue had conducted a detailed report 'to establish if there was overcompensation in the poultry sector' for the finance minister.

**'VAT claimed gives these farmers an unfair competitive advantage'**

'We have sent our report to the Minister for Finance. It is now with the minister and he has to consider,' he said at the time.

He also acknowledged concerns the issue could have spread into the beef sector, saying Revenue would be 'keeping an eye on it'.

When Aontú leader Peadar Kirby raised the tax abuses in the Dáil in 2021, he questioned Agriculture Minister Charlie McConalogue about what he described as the 'VAT fraud' and 'illegal State aid'.

However, Mr McConalogue refused to engage with Mr Kirby, saying it was not 'appropriate' to raise the matter 'on the floor of the House [Dáil]'.

michaelofarrell@protonmail.com

**ALERT:** Farmer Alo Mohan told Revenue about VAT abuses in 2013

Briefing notes prepared for then finance minister Michael Noonan explained that 'models are established in some sectors... which



# 'Doing nothing i

By Michael O'Farrell

INVESTIGATIONS EDITOR

REVENUE'S investigation into VAT abuses in the poultry sector pulled no punches.

Details of the review, completed in July 2019, were obtained by the Irish Mail on Sunday under the Freedom of Information Act.

It concluded: 'There is very significant overcompensation of unregistered farmers.'

The investigation found a sample of 80 farmers had together paid VAT worth €350,000 in 2017 – but successfully reclaimed nearly €2m back by manipulating the system.

When extrapolated across the sector, Revenue calculated that as much as €7m a year was being improperly diverted from the coffers of the State to an industry whose millionaire leaders regularly feature on rich lists.

Something had to be done and Revenue believed it would be – especially since the Government had passed a law a year earlier to allow the Finance Minister to exclude any sector abusing VAT rules from the flat rate allowance (FRA) scheme.

Revenue warned: 'If the minister decides not to exclude the sector from the operation

## 'Sceptical of industry's capacity to change'

of the flat-rate addition scheme, it is expected that the current level of overcompensation will increase.'

When he reviewed the report in November 2019, then Finance Minister Paschal Donohoe did not hesitate. 'Level of overcompensation... justifies action,' he noted. 'Please prepare order for exclusion.'

The news was welcomed by those in Revenue. 'Good news,' Dermot Donegan, Revenue's Head of VAT Policy and Legislation, told colleagues.

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 is clear from the documents Mr Donegan was dubious Agriculture could do anything.

'The overcompensation is occurring due to the structures, schemes, pricing and exclusivity contracts in place,' he wrote.

The following day, the Department of Finance emailed Revenue's findings to Sean Bell, the chief economist in the Economics and Planning Division of the Department of Agriculture.

Shortly afterwards, Mr Donohoe wrote to then Agriculture Minister, Michael Creed, saying: 'You will note that despite Revenue's engagement with the sector, the practice continues. This is unsustainable in that the Flat Rate Scheme is designed to compensate unregis-

tered farmers for the VAT paid on their inputs but overcompensation is not permitted under EU law.'

Mr Donohoe said his officials were drafting 'an order to remove the sector from the scheme'. Soon, the Department of Agriculture was in talks with the poultry sector and Irish Farmers Association representatives who said 'significant changes' had been made and more would follow.

Upon hearing this, Revenue officials were 'sceptical of the industry's capacity to change'.

Gerard Moran, an Assistant Secretary within Revenue's Indirect Taxes Policy Division expressed his

fears in writing. 'This is what I was afraid of – that this further consultation would engineer an opportunity to stall the process and walk us into a merry-go-round of incremental changes and repeated labour-intensive examinations of the operation of the FRA in the sector,' he told colleagues on January 9, 2020.

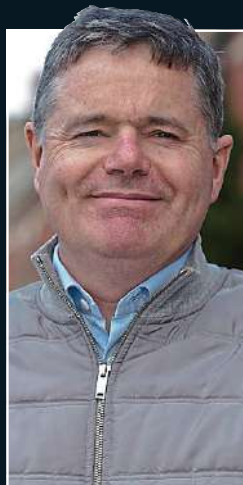
'We have acted under the legislative provision enacted to deal with this matter and presented a report to the Department of Finance; it is up to the minister to act or not and the Department can engage with whoever it wishes on the matter and ultimately make whatever recommendation it chooses. I see no

further role for us in this process other than to prepare the draft exclusion order for the minister.'

Weeks later, on January 22, the leaders of the three main processors Manor Farm (Carton Bros), Western Brand and Shannonvale Foods wrote to the Department of Agriculture to say the abuse of the co-op double VAT system had been 'discontinued'.

They also promised consultancy reports on how much processors and co-ops should 'reasonably' charge for feed – since the manipulation of feed prices was the mechanism that allowed most of the VAT overcompensation to occur.

# That was Revenue's stark warning from 2019... but doing nothing has been the only political response



**EMPOWERED:**  
Paschal Donohoe



**FEARS:** Revenue's  
Gerard Moran



**REVENUE HEAD:**  
Dermot Donegan



**MINISTER:** Charlie  
McConalogue

'We trust that you can see from the actions already taken and the action under way... that the industry is fully committed to ensuring that the FRA scheme remains open to the poultry sector, as it does to all other sectors of agriculture.'

This development was greeted with further scepticism in Revenue. 'Thanks for forwarding the email from Agriculture but we have deep concerns about where this might lead,' Mr Donegan told the Department of Finance.

His email goes on to say that since 2016 the sector has had 'ample time to make changes and were urged to do so'. He pointed out that, aside from the discontinuance of the double VAT co-op scam, 'no other material changes were implemented.' He added that Revenue, 'see no value in repeating the same mes-

## 'The reports do not deal with the issues raised'

sages to the sector that were already delivered in 2017 to little effect.'

The following month, in February 2020, Revenue presented a slideshow of their concerns to the Department of Finance.

It warned 'doing nothing is not an option' and identified potential reputational risks that could ensue as a result of an EU case, media coverage or political interest.

Revenue's view did not alter after the industry delivered reports from consultants EY and Grant Thornton in the autumn of 2020.

The Grant Thornton report argued poultry co-ops were not behaving any differently to any other agriculture co-ops and should not be unfairly discriminated against.

Two separate EY reports calculated what the industry pitched as a 'reasonable margin' that processors and co-ops should charge for feed.

The suggested new margin was lower than the previous price levels used to scam excessive VAT returns

## Fears VAT abuse might have migrated to beef sector

THE 'contra supply arrangements' used to manipulate massive VAT overcompensation by poultry producers are feared to be in use in the far more valuable beef sector.

This warning is contained in a slideshow presented to the Department of Finance in February 2020 by Revenue.

The presentation detailed how the migration of the VAT abuse to the beef sector would be far more serious.

At the time, the poultry industry was worth €167m annually, a fraction of the €2.3bn value of the beef sector. At 2017 levels, the

overcompensation detected by Revenue in the poultry sector amounted to €7m annually.

If the same level of claims were to take place across the beef sector this would amount to €90m a year.

Revenue found no evidence of abuses in the turkey and duck sectors. But with new models of manipulation emerging, the same guarantee could not be given for the beef sector, which Revenue has not yet investigated.

Concerns about the migration of the issue to other agricultural sectors were detailed in

Revenue's 2019 investigation of the poultry sector. This warns of the risk of 'potentially more serious implications' if the abuses spread to the beef sector.

The risk of migration to other sectors was also referred to by then finance minister Paschal Donohoe when he wrote to former agriculture minister Michael Creed about the issue in November 2019.

Meanwhile, the possibility of co-ops in the dairy and other sectors being used to manipulate VAT returns for unregistered farmers has also been raised.



# 's not an option'

## DAMNING DOCUMENTS THAT PROVE NEED FOR ACTION

The analysis shows that there is very significant overcompensation of unregistered farmers in the chicken production sector, with only a minor difference in compensation levels between those farmers that operate through a co-operative and those that do not.

### JULY 2019: REVENUE REVIEW REVEALS WIDESPREAD ABUSE BY FARMERS

'THE analysis shows that there is very significant overcompensation of unregistered farmers in the chicken production sector, with only a minor difference in compensation levels between those farmers that operate through a co-operative and those that do not.'

### REVENUE WARNS OF CONTAGION OF TAX ABUSE SCAM TO OTHER SECTORS

'If the Minister decides not to exclude the sector from the operation of the Flat Rate Addition scheme, it is expected that the current level of overcompensation will increase. There is also a risk that the business models and contractual arrangements that emerged in the chicken industry could migrate to other agricultural sectors with potentially more serious implications for VAT revenues and for the structure of agricultural production, given the way in which competitive pressures drive the adoption of cost cutting or subsidy generating structures.'

If the Minister decides not to exclude the sector from the operation of the flat-rate addition scheme, it is expected that the current level of overcompensation will increase. There is also a risk that the business models and contractual arrangements that emerged in the chicken industry could migrate to other agricultural sectors with potentially more serious implications for VAT revenues and for the structure of agricultural production, given the way in which competitive pressures drive the adoption of cost cutting or subsidy generating structures.

Level of overcompensation that is noted in "Findings section" justifies action. Please prepare order for exclusion. However do so after consultation with D/Ag. Make clear that if this not yield an acceptable result I will sign order to exclude. Also share report with Committee. PD 13/11/19 (refer attached.)

### NOVEMBER 2019: PASCHAL DONOHUE PREPARES TO EXCLUDE SECTOR

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### DONOHUE WRITES TO AGRICULTURE MINISTER MICHAEL CREED OF EXCLUSION PLAN

'The analysis shows that there is significant overcompensation of unregistered farmers in the chicken production sector. You will note that despite Revenue's engagement with the sector, the practice continues. This is unsustainable in that the Flat Rate Scheme is designed to compensate unregistered farmers for the VAT paid on their inputs but overcompensation is not permitted under EU law. There is also the concern that the business model and contractual arrangements that have emerged in this sector could migrate to other agricultural sectors with potentially more serious implications for VAT revenues and for the structure of agricultural production.'

The minister concluded by saying he had asked his officials to work with Revenue to draft 'an order to remove the sector from the scheme'.

structures capable of delivering a systematic excess of flat-rate addition payments. The analysis shows that there is significant overcompensation of unregistered farmers in the chicken production sector. You will note that despite Revenue's engagement with the sector, the practice continues. This is unsustainable in that the Flat Rate Scheme is designed to compensate unregistered farmers for the VAT paid on their inputs but over-compensation is not permitted under EU law. There is also the concern that the business model and contractual arrangements that have emerged in this sector could migrate to other agricultural sectors with potentially more serious implications for VAT revenues and for the structure of agricultural production.

I have asked my officials to work with their Revenue colleagues on the drafting of an order to remove the sector from the scheme. While this work is ongoing I have also asked them to

### Conclusion

- Overcompensation significant
- In 2018, the poultry industry accounted for 2% of total agricultural output- €167 million of €8.2 billion
- Risk of migration to other sectors- beef sector accounted for €2.3 billion in 2018
- Report prepared for Minister in July 2019 highlighting findings and risks to exchequer
- Section 86A- Decision of the Minister for Finance on whether to exclude. No formal decision taken to date.

### FEBRUARY 2020: REVENUE REMINDS FINANCE OFFICIALS OF SCAM - AND LACK OF ACTION

#### Conclusion

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### REVENUE OFFICIAL, DERMOT DONEGAN, SUGGESTS TOUGH TACTICS

'Another suggestion! Knowing as we do that nothing is likely to happen, what about putting our warning about the risks of the scheme migrating to other sectors on record?'

Another suggestion! Knowing as we do that nothing is likely to happen, what about putting our warning about the risks of the scheme migrating to other sectors on record? See **RED FONT** below.

but Revenue were not convinced.

Revenue official Denise Corrigan said: 'In my opinion the reports do not fully deal with the issues raised.

'The study has been undertaken on request from the processors and there is nothing included indicating what, if any, undertaking has been given by the co-operatives.'

Mr Donegan suggested: 'Knowing that nothing is likely to happen, what about putting our warning about the risks of the scheme migrating to other sectors on record?' he asked.

His boss – assistant secretary Gerard Moran – liked the suggestion but ultimately decided a better strategy was to stick to the core issue of getting an exclusion order.

Consequently, Revenue's reply to the Department of Finance warned the industry reports do, 'not address the crucial question of the level of

FRA payments relative to VAT on input costs and as such is of little relevance to the determination to be made. If the sector is permitted to continue to operate as they do at

present you may need to consider if any State Aid issues arise'. The State aid point was made once again as recently as last month as Revenue and Department of Finance

officials considered how to respond to queries from this newspaper.

'We were not convinced that the changes made sufficiently dealt with the issue of overcompensa-

tion,' a Revenue email dated April 21, 2023, reads. 'We also advised Finance we would not be repeating the examination that was undertaken within the sector and had no intention of preparing further reports on the matter.

'It remains that any action to be taken to address the issue lies with the minister.

'The Department were also advised that should the minister decide not to remove the sector from the operation of the FRA that they would need to consider the issue of State aid.'

Six years have elapsed since the Finance Minister was empowered to exclude the chicken sector. At the time, the move was enough to head off an EU investigation.

But given the revelations of Revenue continuing concerns about the tax abuses, this may not remain the case for long.

## Department took poultry farmers' word

By Michael O'Farrell

THE Irish Mail on Sunday first asked the Department of Finance and Revenue about VAT abuses in the poultry sector more than a month ago. In response, they issued a joint statement on April 21: 'The business model employed in the poultry sector did not breach Irish VAT law at the time and did not constitute abuse or fraud.'

The statement said Revenue had investigated and sent a report to the finance minister, who could act if he wished.

'Following the Department of Agriculture's engagement with representatives of the poultry sector, the sector presented two reports which outlined changes made to the operation of the flat rate scheme within the poultry sector, and which the sector believed addressed the concerns raised in the Revenue review. Consequently, no further action

was taken on this matter.'

This means the Department of Finance told this newspaper that things were okay, because the chicken farmers said they were okay. A month ago, Revenue officials disagreed with that view.

During the preparation of the response on April 21, Revenue reminded Finance that they were not convinced the changes made addressed the issue of overcompensation outlined in section 86A.





By Michael O'Farrell

INVESTIGATIONS EDITOR

THERE was a time when hundreds of thousands of chickens would have occupied the five cavernous grow houses on Alo Mohan's farm.

But today the Cavan facility lies idle, the red, wood-panelled chicken houses eerily quiet.

He's used to it now, but the silence is the first thing that struck Mr Mohan when he lost his contract supplying Manor Farm chickens almost a decade ago.

'I walked into my farm and there was no sound in it,' he recalls. 'That was a very low point. I was worried whether I'd have enough money to pay my loans and keep my family going and whether I'd have to sell the farm, so at the very start, that was very hard.'

Today, Mr Mohan is known in farming circles as a whistleblower, and he has paid dearly for it.

It's because of his refusal to be part of something he knew to be wrong: we now know chicken processors were able to manipulate and abuse the VAT regime to earn millions at the expense of taxpayers.

As revealed in last week's Irish Mail on Sunday, the authorities failed to act for years, despite Mr Mohan's warnings, as they allowed the sector to claim up to 1,000% more VAT than they should have.

In losing his business, Mr Mohan continues to pay a heavy price for

### 'I won't let politicians throw me to the wolves'

his stance. But despite his actions, he insists: 'No, I'm not a whistleblower – I'm a citizen who refused to be part of fraud.'

He is referring to tax abuses that have been branded a fraud in the Dáil and the EU Parliament, which involved VAT being claimed on the double through farming co-ops.

The co-op 'fraud' augmented another scam in which feed prices are manipulated to earn millions more in unjustified VAT. Processors denied this financial wizardry, at the cost of the Exchequer, was fraud when it was introduced.

But as then chairman of the Poultry Committee of the Irish Farmer's Association, Mr Mohan wasn't convinced. So he checked with his accountant, who told him he believed the system amounted to VAT fraud.

A second opinion, from a former Revenue Commissioner, came to the same conclusion. So Mr Mohan did what he regarded as the right thing. 'Every person that does their taxes correctly – or doesn't commit fraud – they're not whistleblowers,' he says.

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

Watching him in his yard, as he produces a flask of boiling water from the cab of his Toyota Hilux and dunks a tea bag into a mug with his fingers, he certainly looks every inch an ordinary citizen.

Fifty years old, a father-of-four, Mr Mohan is a Liverpool supporter and music fan who likes the The 4 Of Us. His eldest is sitting the Leaving Certificate exams this week.

Mr Mohan grew up in Clones, Co Monaghan, one of a family of six girls and three boys whose parents ran a small chicken farm.

The family revolved around one of the girls who had cerebral palsy,

# Poultry farmer Alo Mohan on how he lost his business 'I am not a whistleblower or soft in the head – I'm a citizen who did not want to be part of a fraud'

and when his father took ill, Mr Mohan – who wanted to be an engineer – stepped up to run the farm.

'I realised that somebody had to take the farm at that stage and I did it,' he says simply. Certainly, he comes from a different world to that of the millionaire owners of the processors he blew the lid on. But there is little ordinary about this man. When informed the scam was improper, he did what no one else did. He refused to take part.

'I said, "I'm sorry, I can't trade like that".'

Coming home to his wife and four children, he understood what the decision meant.

'I'd say, "We're in trouble here. We've a big decision to make. Are we going to do this knowing this is fraud?" She said, "We've always done the right thing and we're going to continue to do that".'

'We sat the kids down as well, and we said to them, "There's two things

– you can either have your father accused of being a participant in fraud or you can have him being the person that stood up to fraud".'

Once the decision was made, Mr Mohan never wavered. When he was asked to stay quiet, he refused to sign a non-disclosure agreement.

### 'Scariest thing was when we got a murder threat'

And since then, Mr Mohan has refused to remain silent. Instead, the silence is among the processors involved in the scam, farming leaders who knew about it and political representatives who allowed it to continue.

Scandi Standard, the massive Swedish PLC which now owns Manor Farm, has also remained

silent. Most within the sector would rather if Mr Mohan went away. But that's unlikely.

'I can tell you one thing,' he promises. 'I won't let civil servants and politicians throw me to the wolves. And if that means I'm taking them on; I'll take them on.'

True to his word, he is seeking to sue Revenue for malfeasance for its failure to heed his warnings. But his resolve has come at a price.

Mr Mohan was once a Fianna Fáil councillor, a board member of An Bord Bia and a leadership figure in the Irish Farmers' Association (IFA). He was part of the establishment that has now blacklisted him.

But Mr Mohan was not built for the cute hoor politics of Ireland.

'I was told by one of the ministers that I was too honest for politics,' he says of his old party, which he says once asked him to run for the Dáil. The kind of cronyism he encountered while in politics included a

**STATE IGNORING FARM 'VAT SCAM' WORTH MILLIONS**

**HEADLINES:** How the Irish Mail on Sunday broke the scandal last week

stint on the local Vocational Educational Committee, where politicians were lobbied by those seeking teaching jobs.

'I was one of the people that voted to take that power away from the political level and give it to the experts,' he says.

Some think of Mr Mohan as a sort of Holy Joe, but he doesn't regard himself any more or less religious than other people.

A leading IFA figure once told him, 'You did this for ecumenical reasons', in reference to the stand he took.

'It's a fantastic word,' says Mr Mohan. 'But I said no, I did it



# ess for standing up to VAT scam



**UNBOWED:**  
Alo Mohan in  
one of the  
closed chicken  
barns on his  
Cavan farm  
this week

# Hearings planned into State's failure to shut down scam

By **Michael O'Farrell**

INVESTIGATIONS EDITOR

THE Oireachtas Finance Committee plans to hold hearings into the Government's failure to shut down the massive farming tax scam in which the poultry sector over-claimed VAT by as much as 1,000%.

The revelation comes as the European Commission considers whether the Government's inaction amounted to a breach of EU rules. The State could face hefty fines if it is found the tax abuses amounted to illegal State aid.

The full scale of the VAT abuses in the poultry sector were revealed the Irish Mail on Sunday last week.

Our investigation showed how growers for household brands – such as Manor Farm and Western Brand – manipulated the flat-rate allowance (FLA) scheme to harvest millions of euro in extra VAT.

The scheme was supposed to allow farmers not registered for VAT to be compensated for their VAT costs.

But, according to Revenue files obtained by the MoS via the Freedom of Information Act, the scheme was 'universally' abused via a feed manipulation scam.

A second scam involved co-ops being established to allow VAT to be reclaimed on the double.

This manipulation enabled the poultry sector to claim between five and 10 times more VAT they were entitled to.

Revenue is also concerned the abuses could have migrated to other agricultural sectors, such as the larger beef sector – with far greater consequences for the Exchequer.

On foot of a request from Aontú leader Peadar Kirby this week, the Oireachtas Committee on Finance, Public Expenditure and Reform is preparing to hold hearings into the matter.

The committee will meet in private on Wednesday to consider inviting officials from Revenue, the Department of Finance and the Department of Agriculture before public hearings.

Committee chair John McGuinness said he was in favour of public hearings and warned the issue could have 'wide-ranging' impacts.

The Carlow-Kilkenny Fianna Fáil TD told the MoS: 'There is something afoot there, that we do need to understand and investigate.'

Alo Mohan, the Cavan poultry farmer who lost his business when he refused to engage in the VAT scam, welcomed the prospect of Oireachtas hearings and

confirmed his willingness to attend. Meanwhile, the European Commission is investigating if the Government's failure to clamp down on abuses of the FLA scheme in the poultry sector amounts to breach of European tax law.

The EU first engaged with the Irish authorities in 2016 after then MEP Marian Harkin lodged a formal complaint.

But that process concluded in 2017 when Ireland passed a law empowering the finance minister to exclude any offending agricultural sector from the FLA scheme.

As the EU saw it, there was no longer a possibility of any EU breach since Ireland had amended its legislation.

But the Government never implemented the law, despite Revenue's concern about the abuses.

In April, when the MoS began investigating the abuses, an EU official said: 'In case new evidence comes to light on this matter, Commission services will examine it and decide about any further steps to take.'

This week, we forwarded all of the evidence released in Revenue and Department of Finance Freedom of Information records to the Commission.

In response, a Commission spokesman accepted the material and promised to respond once it has been considered.

If the Commission opens an infringement procedure, it can refer the matter to the EU Court of Justice.

A court ruling against Ireland would compel the authorities here to take action and Ireland could be fined to compensate for the loss of resources resulting from any breach.

Despite our revelations and the potential financial consequences for the Government, Agriculture Minister Charlie McConalogue continues to refuse to address the issue.

In 2021, Mr McConalogue was asked by Mr Kirby in the Dáil about the poultry sector 'VAT fraud', and how it could amount to 'illegal State aid'.

But Mr McConalogue refused to comment, saying it would be inappropriate to do so.

This week, the MoS asked Mr McConalogue, via his department's press office, to comment on the VAT abuses, but he again declined.

because my accountant told me it was fraud.'

Many simply considered him mad, or tried to portray him as such.

'He's hit his head,' one political figure was fond of telling others. 'He's not well.'

'Poor Alo. I feel sorry for him,' one leading industry figure mockingly told the MoS in recent weeks.

'That is kind of a go-to thing that happens in Ireland,' Mr Mohan says.

'The quickest way is to say that the person is mentally unstable, which is a sad reflection for mental health. But it is also playing the man rather than the ball.'

'Nobody wanted to debate the issues; they all wanted to debate the person and this whole thing isn't about me. It's about the actual issues, and about how people are willing to cover up things.'

But being branded crazy and losing his business were not the worst

possible consequences. First, a garage and a veranda at one of his properties was set alight. 'That was kind of a signal,' says Mr Mohan.

But there was worse to come.

'I'd say the most scariest thing of all of this was when we ended up getting a murder threat,' he added.

The threat came as Mr Mohan was preparing court proceedings against the IFA and Revenue. There were many who did not want the spotlight any such case would bring.

'If you go to court, you'll be taken out the same way Liam Lawlor was,' was one warning conveyed to him.

'My fear was for my family, not for myself,' he says now with a shrug. 'I don't cower easily.'

'The guards, they confirmed that the threat was made, and they sent a squad car up to our house four times a day for a number of days.'

'My youngest girl was only starting school and she started to cry,

saying, "Daddy, what did you do wrong that the guards are up?" and that really hurt me. It hurt me to the bone because that meant I was the one being persecuted and here was the State protecting me.'

Ultimately, the threat was hollow. But nine people were arrested later

## 'Fear was for my family. I don't cower easily'

when Mr Mohan's home and another property were daubed with graffiti. None were prosecuted, although a number of juveniles were cautioned.

Others, including some public figures who supported Mr Mohan, were also threatened, and he believes they backed off as a result. But some, including public officials,

reached out to help privately.

There was a discreet call from a senior civil servant with earnest advice. Another individual quietly supplied paperwork to help Mr Mohan prove the scams.

'That let me know that they absolutely knew it was wrong,' he says.

Such files also enable the publication of articles like this one. But they were not enough for the Competition Authority, the gardaí, the Central Bank and various other State bodies to act.

'It really hurt me that people in regulatory bodies – in officialdom in Ireland – and politicians, could ignore all of these issues,' says Mr Mohan. Asked what he believes should happen now the true scale of the VAT scam has been exposed, Mr Mohan replies, 'I think at this stage now we have to outline exactly what has happened and why this is fraud, and let people make up their own judgement.'

According to Mr Mohan, the people who designed the scams and benefited – rather than the farmers who were forced into them – should have to fund any overcompensation. But he's not naive enough to think this will happen.

'Unfortunately, what will happen in Ireland if the EU Commission come in, is that the taxpayer will foot this,' he says.

That won't make him any more popular within poultry farming circles but Mr Mohan, who has already lost so much, will remain true to his word.

'Your word is the only thing that you really have in life,' he insists.

'That means something when you go into business, it means something when you're with your friends and it means something when you ask somebody to do something... I think that's very important.'

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Picture: SEAN DWYER