Annual Report 2012

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

‘To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls’

Annual Report 2012

Ninetieth Annual Report of the Revenue Commissioners for the year ended 31 December 2012, including progress on the implementation of Revenue’s Statement of Strategy, in accordance with the Public Service Management Act 1997, presented to the Minister for Finance.

April 2013

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Board's Review of 2012

Adapting and Innovating

Since 2008, the environment in which Revenue operates has been characterised by constant and often dramatic change. The consequences of the economic collapse have impacted on every facet of Irish life. Individuals, businesses and society as a whole have had to adapt to circumstances very different from those prevailing just five years ago.

Revenue too has had to adapt. In 2012 our staff numbers fell by 230 (3.9%) bringing overall staff numbers to 5,732 a reduction of 13% since 2008. Over the same period our annual running costs have fallen by over €103 million (21.3%).

Against this backdrop, technological innovation, ongoing review and refinement of our business programmes, improving the capability of our staff and filling critical skills gaps are key elements of our strategic direction for the medium term. These approaches allow us to deliver a high degree of operational flexibility and enable us respond quickly and imaginatively to changing circumstances without losing sight of our ultimate objective which is maintaining and improving the high levels of tax and duty compliance we have worked hard to achieve over the last decade.

Using third party information and data has been a particular strategy of ours for many years, to enable us to minimise form filling by taxpayers, to carry out compliance checks unobtrusively and cost effectively, to give insights into taxpayer behaviour and to begin a process of pre-populating tax returns. In this context, Revenue received a very large data file from the Department of Social Protection at the end of 2011, which saw us writing to 150,000 pensioners to say that the information on our record differed from the information we received from the Department of Social Protection. The total amount of additional tax arising from the discrepancy was material in the aggregate, of significance to the Exchequer, and we had a responsibility to secure it. Our approach caused considerable public comment and did upset some people. Our overarching objective of putting the taxpayers in question on the right footing was achieved, and on the basis of 2012 P35 information received in February/March 2013, a provisional amount of €65 million in additional tax has been secured from the cases we contacted. We refunded €1.13 million to cases that were paying too much. Follow-up work in relation to arrears, beginning with the largest cases, has yielded a further €11 million to date and we are now beginning an arrears project in relation to self-assessed cases.

Collection

Net tax and duty receipts increased by 7.1% to €36.7 billion in 2012, the second successive year-on-year increase in returns to the Exchequer since 2007. Receipts for the Universal Social Charge, Corporation Tax and Income Tax (non-PAYE) all grew strongly, by 21.7%, 20.4% and 8.9% respectively. VAT, PAYE and Stamp Duties also grew, albeit at the more modest rates of 4.2%, 6.6% and 3.1% respectively, while Excise Duties fell by 2.3%.

Overall receipts were marginally (0.4%) ahead of the target set in Budget 2012. Of the four main revenue sources, two – VAT and Corporation Tax – exceeded expectations while Income Tax and Excise Duties fell short.

Debt Management

It remains the case that many businesses are experiencing cash-flow problems as a result of protracted adverse trading conditions. This can have knock-on effects on their ability to pay the right amount of tax at the right time. Our strategy in these circumstances is to balance limited debt rescheduling for viable businesses with enforcement action where compliance is not forthcoming.

The total outstanding debt for 2012 amounted to €2,006 million, an increase of €20 million (or 1%) on 2011. This represents 4.0% of the gross receipts of €50,176 million, showing a reduction from 4.1% of gross receipts of €48,427 million in 2011.

Some €476 million of the debt available for collection was under active enforcement and a further €124 million was the subject of phased payment arrangements. The yield from our collection enforcement programmes in 2012 was €223.9 million.

Achieving a reduction in the debt available for collection is a key strategic objective for Revenue. The continuing trend in decreasing levels of debt available for collection in the last couple of years is very encouraging and demonstrates the successful outcomes of Revenue's debt management programmes. Revenue is fully committed to further reducing these debt levels in the coming year.

Promoting Electronic Services and Supporting Compliance

We strive to make it as easy as possible for taxpayers and businesses to be compliant on a voluntary basis. In addition to providing quality customer service, we support compliance by simplifying our procedures and practices and reducing the costs associated with meeting tax and duty obligations. In recent years we have reduced the administrative burden on businesses by 25%, saving them over €85 million annually.

We continue to promote electronic channels as the default way of doing business with us. By the end of 2012, almost 756,000 customers had registered for our PAYE anytime service, up 17.6% on the previous year. The number and value of payments made via the Revenue Online Service (ROS) also grew strongly, by 36% and 12% respectively over 2011 figures. The total value of payments made via ROS reached almost €36 billion in 2012.

Among other developments last year, we launched a new electronic system for Relevant Contracts Tax, extended mandatory electronic filing to a further 160,000 customers, enhanced our online registration system, extended the facility to make repayments by direct credit, provided for credit card payments of tax on ROS and introduced a full self-assessed system for Stamp Duty, via ROS.

Compliance

The level of voluntary compliance is a valid index of the effectiveness of a tax administration. Revenue pursues a twin-track approach to maintaining high levels of compliance – the provision of quality customer service coupled with the systematic identification and pursuit of those who fail to meet their tax and duty obligations. This approach serves us well, as is evidenced by the fact that already high compliance levels have improved since 2008, despite the ongoing financial and cash-flow difficulties experienced by many taxpayers.

We have put in place sophisticated systems that enable us to monitor and manage risk and we are rolling out new systems which assist us in evaluating risk in real-time. Our compliance interventions (apart from our random audit programme) are guided by rigorous risk assessment. Our Risk Evaluation, Analysis and Profiling Programme (REAP) analyses our case base by reference to a comprehensive range of in-house and third party data and ranks cases according to the level of risk they pose. Our real time PAYE programme alone resulted in over 50,000 interventions and tax savings of almost €3 million.

In 2012, a total of 9,066 audits were completed, yielding €359 million and a further 154,952 risk management interventions, including in the PAYE sector, yielded €111 million.

Shadow economy activity distorts the business environment, putting compliant business at a competitive disadvantage and depriving the Exchequer of much needed funds. Revenue devoted considerable resources in 2012 to counteracting this kind of activity, with a particular focus on sectors where cash transactions predominate, from retail, hospitality and entertainment businesses to doctors, dentists, veterinarians, accountants and those involved in the construction sector. We used a wide range of compliance initiatives, including covert surveillance, cold calls, third party information and localised blitzes to identify non-compliant businesses which were then requested or, where necessary, compelled to regularise their tax and duty affairs. We also cooperated with a number of agencies including the Department of Social Protection, and the National Employment Rights Authority to tackle tax and social welfare fraud and protect employment rights.

In 2012 we had a particular focus on fuel laundering and the sale of the resulting illegal product through filling stations. In addition to detecting and dismantling 11 oil laundries, we continued to target retail outlets trading in fuel in breach of licensing requirements and closed 89 in the two-year period up to the end of 2012. We introduced a new licensing regime for fuel traders, obliging them to maintain records of fuel receipts, deliveries and sales, and to provide monthly returns to Revenue, beginning in February 2013, of movements in their fuel stocks. We are also working with HM Revenue & Customs in the UK on a joint approach to finding a more effective fuel marker.

In 2012, we secured 50 convictions for serious tax and duty evasion, up from 30 in 2011. 19 custodial sentences, ranging from 15 months to 6 years were imposed. A further 21 custodial sentences, ranging from 2 months to 3 years, were suspended.

Protecting Society

The threats posed to the Exchequer, to compliant businesses, and to public health by smuggling and associated illegal activity are many and varied. Revenue, in cooperation with other agencies both national and international, plays a frontline role in the battle against smuggling in all its forms. Our objective is always to maximise the impact of our interventions while at the same time facilitating legitimate trade.

Drug smuggling is a lucrative and dangerous activity with a global reach. During 2012, we worked closely with overseas enforcement agencies to detect and disrupt international smuggling operations. On the domestic front, we cooperated with An Garda Síochána and the Irish Medicines Board in relation to the smuggling of both drugs and illicit medicines.

Overall, the number of illicit drug seizures in 2012 fell by 9.6% to 8,206, but their value increased by 104.5% to €49.3 million. Seizures of cannabis were down by 23.7% while those of heroin and cocaine increased by 30.8%. €1.2 million of cash, suspected as representing the proceeds of crime or intended for use in criminal activity was seized at ports and airports.

During 2012, a total of 8,108 seizures amounting to 95.6 million cigarettes valued at €43.3 million were made. Of these, some 1.9 million cigarettes were seized during four national tobacco blitz-type operations, which also resulted in two arrests and the seizure of 17 vehicles.

Contributing to Economic Development

Revenue's role extends beyond administering the tax system and implementing Customs controls. We provide policy and technical advice at both national and international levels to advance Irish economic and social development, facilitate trade and support the Government's drive to restore the public finances. One of our key functions is to assist the Department of Finance in the formulation of tax policy by supplying advice and recommending changes to the tax and duty codes.

On the international front, Revenue advanced Ireland's tax and customs policy agenda at European Union, OECD, and World Customs Organisation fora. We constantly promote Ireland's interests and ensure that they are taken into account at the highest level.

Ireland assumed the presidency of the EU Council on 1 January 2013. Throughout 2012, Revenue worked closely with the Department of Finance and other Departments in the preparation of an extensive work programme for the Presidency on taxation and customs matters, and we are now working to advance the Presidency programme by chairing and contributing to a wide range of policy groups and working parties.

Enablers

To deliver on our corporate mission 'To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls' Revenue draws on the three enablers identified in our Statement of Strategy 2011 – 2014, namely People and Structures, Technology and Processes, and Governance.

In terms of People and Structures, we are determined to ensure that Revenue's business needs are met by having the right people with the right mix of skills and competencies in the right places, and that we have the flexibility to deploy our resources to match evolving business requirements. The reduction in our staffing complement by 230 (3.9%) to 5,732 during 2012 made fulfilling this objective a challenge. We replaced lost skills through targeted training and open recruitment at Principal, Assistant Principal and Administrative Officer levels. We delivered 14,814 days of training to our staff during the year. 59 Revenue students graduated from the Applied Taxation Programme in the University of Limerick (UL). This brings to 687 the total number of Revenue students who have graduated via this Programme at UL.

Information and Communications Technology (ICT) is a vital support to Revenue's business operations. It drives efficiency and quality improvements and facilitates improved performance. In 2012, we delivered a wide range of new systems and upgrades to existing systems, and Revenue was awarded a Public Service Excellence Award in 2012 for our Real Time Risk Framework for PAYE.

Forward to 2013

The prevailing economic circumstances, including Government policy on public service costs, present considerable challenge to Revenue's frontline activities. The most important contribution we can make to the national objectives of fiscal consolidation and economic recovery is to administer the taxes and duties which are placed in our care and management as efficiently as possible, and to maintain and where possible increase compliance levels. In 2013, the introduction of Local Property Tax is a significant part of that contribution.

In July 2012, the Government decided that Revenue would administer the new Local Property Tax, and would collect a half-year charge in 2013. With neither a complete register of residential properties nor a valuation system in place, this was a huge challenge. Since then, an enormous amount of work has been carried out, drafting legislation and designing and developing processes and systems and in less than 9 months, we had created a register, built processing and collection systems, and begun to issue LPT return forms in respect of 1.66 million properties. Revenue has never before handled a project of this scale in such a short timeframe. The processes have several innovative features that are designed to make the tax easy to pay but difficult to avoid. They are also designed to enable the tax to be administered efficiently, having regard to limitations in our operating budget.

Because we created a register from multiple sources, there have been errors which we did anticipate and have tried to explain. No doubt there will be others but, as we write, the first LPT amounts have been credited to the Exchequer accounts. While the job is by no means done, we have made a credible start and we have a functioning new tax. *Tús maith leath na hoibre.*

While LPT is the biggest challenge for us in 2013, in terms of scale, we have a Budget target of €38 billion to achieve overall, we have to prepare for a new Budget timetable which will impact on our systems and shorten the lead in to the next Finance Bill.

Revenue is becoming an ever more efficient organisation but some of our business areas are feeling the effects of sequential staff reductions and the resultant loss of corporate knowledge. However, Revenue is fortunate to have a complement of civil servants who give of their best as a matter of course, who are flexible and willing to change, and who deliver a quality service. We thank our colleagues sincerely for their hard work and support in 2012.

Josephine Feehily
Chairman

Liam Irwin
Commissioner

Niall Cody
Commissioner

Main Results for 2012

Collection

- Net receipts for 2012 amounted to €36.7 billion, up 7.1% on the corresponding figure for 2011.
- €7.2 billion was collected on behalf of other agencies (of which €7.1 billion was PRSI).
- Debt available for collection in 2012 was €1,180 million, down €137 million (10.4%) on the 2011 figure. Debt available for collection as a percentage of total gross receipts was 2.35%, down from 2.72% last year.

Compliance

- Audit activity yielded €359 million from 9,066 interventions. 154,952 risk management interventions, including in the PAYE sector, yielded €111 million, and 373,803 assurance checks brought the total yield to €492 million.
- 1,113,142 litres of illegally laundered fuel seized and 11 fuel-laundering plants detected.
- 95.6 million cigarettes and 5,277kg of tobacco, valued at €43.3 million and €1.95 million respectively seized.
- 50 convictions for serious tax and duty evasion (25 for tax offences and 25 for duty offences), up from 30 in 2011.
- 929 convictions secured and fines totalling €2.26 million imposed for the non-filing of Income Tax and Corporation Tax returns.
- 538 convictions secured for a range of tax, customs and excise summary offences.
- Additional powers sought and obtained for a strengthened licensing process for auto-fuel traders and for the introduction of new licensing requirements for dealers in marked mineral oils.
- Drugs with a street value of €49.3 million seized, up from €24.1 million in 2011.
- €1.2 million of cash, suspected as representing the proceeds of crime or intended for use in criminal activity seized at ports and airports.
- 29 cash forfeiture orders amounting to €714,510 were granted by the Circuit Court. These related to seizures made between 2008 and 2011.

Supporting Voluntary Compliance

- The administrative burden on businesses reduced by 25%, saving them over €85 million per year.
- The number of payments made via ROS increased by 36% to 1,324,660, while the value of those payments increased by 12% to almost €36 billion.
- 555,445 electronic repayments were made with a value of €3.6 billion.

- By the end of 2012, a total of 755,827 customers had registered for our PAYE anytime service, up 17.6% on the previous year. 578,715 transactions were processed through this service during the year.

- New electronic Relevant Contracts Tax system introduced on 1 January 2012, removing one million pieces of paper from the process.

- iXBRL facilities launched on ROS which enables financial statements to be transmitted to Revenue electronically.

Policy Advice and Legislation

- Extensive taxation and customs work programme prepared for Ireland's Presidency of the EU.

- Provided advice and drafted legislation for the Finance Act 2012 and the Finance (Local Property Tax) Act 2012.

- Made provision for move to a system of full self-assessment for Income Tax, Corporation Tax and Capital Gains Tax (subject to exemption for certain smaller cases).

- Participated in negotiations with the United States Treasury to conclude an Intergovernmental Agreement on the application of the Foreign Account Tax Compliance Act to Irish Financial Institutions.

- Signed Double Taxation Agreements (DTA) with 3 new countries bringing the number of signed comprehensive DTAs in place to 68.

People and Structures

- Revenue's serving staff number reduced by 230 from 5,962 to 5,732 during 2012

- 59 Revenue students graduated from the University of Limerick, with 19 successfully completing the BA (Hons.) in Applied Taxation, and a further 40 students earning a Diploma in Applied Taxation.

Technology and Processes

- New electronic systems introduced, including Real-time Risk for VAT, an Excise Oils registration programme to underpin supply chain monitoring, XBRL (extensible business reporting language) for Corporation Tax, and internally an Arrears Case Analysis function and the foundation for a new generation of case-working applications.

- Provision of ICT shared services to other Government Departments and State Agencies, including server hosting, web services, printing and mailing.

Governance

- The cost of running Revenue fell by €10.4 million last year. Since 2008, we have reduced our annual running costs by over €103 million (21.3%).

- In co-operation with the Data Protection Commissioner we prepared and published a Code of Practice on the Protection of Personal Data, which represents best practice in safeguarding confidential information held by Revenue.

- Over 99% of valid invoices received by Revenue paid within 15 days.

Strategy 1 - Make it easier and less costly to comply

Achieving our collection targets, increasing the use of electronic channels and improving our services were our key priorities for 2012 under this Strategy.

Revenue's overriding priority is to assess, collect and manage the taxes and duties that account for 92.5% of Exchequer Revenue. Our focus in 2012 was to achieve our collection targets by maintaining and improving the levels of tax and duty compliance that we worked so hard to achieve over the past decade. This is a hugely important contribution to the Programme for Government, the EU/ECB/IMF Programme and the national objective of economic recovery, particularly fiscal consolidation.

Making it as easy as possible for taxpayers and businesses to be compliant on a voluntary basis is key to improving our services. Our strategies include consulting with stakeholders, designing-out complexity and providing quality services to make it as easy as possible to be compliant. We continue to develop and deploy innovative electronic services and to minimise the burden of complying with tax and duty obligations. Our initiatives are having a measurable effect – Revenue reduced the administrative burden on businesses by 25% up to the end of 2012, saving the business community over €85 million per year (see Feature Article on **Page 25**). An international benchmarking exercise by PricewaterhouseCoopers and the World Bank shows that in 2012, and for the sixth year running, Ireland was the easiest country in the EU in which to pay business taxes (and the sixth easiest in the world).

Key Results

- The administrative burden on businesses reduced by 25%, saving them over €85 million per year.
- Net receipts for 2012 amounted to €36.7 billion, up 7.1% on the corresponding figure for 2011.
- Compared to 2011, the number of payments made via the Revenue On-Line Service (ROS) increased by 36% to 1,324,660, while the value of those payments increased by 12% to almost €36 billion.
- The total number of electronic returns processed via ROS increased by 28% on the 2011 figure to 4.76 million.
- 555,445 electronic repayments were made with a value of €3.6 billion.
- At year-end, 755,827 customers had registered for our PAYE anytime service, up 17.6% on 2011. 578,715 transactions were processed through this service during the year.
- A new electronic system for Relevant Contracts Tax was introduced on 1 January 2012, removing one million pieces of paper from the process. It has significantly reduced the administrative burden on principal contractors and reduced the likelihood of errors and opportunities for abuse.
- The Universal Social Charge (USC) is now operating on a full cumulative basis, ensuring that employees pay the required USC on a weekly/monthly basis and reducing the occurrence of underpayments/overpayments.

Objective - Collect budgeted revenue

Table 1 and **Table 2** show Gross and Net Receipts respectively. Collection performance in 2012 was above target by €159 million (0.4%) and €2,435 million (7.1%) above the yield in 2011.

Income Tax/Income levy/Universal Social Charge - Combined Income Tax, Levy & USC receipts came in €149 million (-1.0 %) below target in 2012, due mainly to receipts from the PAYE and self-employed sectors performing below expectations. These shortfalls were partially offset by stronger than expected receipts from Dividend Withholding Tax, DIRT & residual payments from the Income Levy. Dividend Withholding Tax receipts for 2012 were approximately €87 million above budget target mainly due to a number of dividend paying companies paying more than was expected on the basis of their performance in the previous year.

Value Added Tax - Net receipts of €10,166 million in 2012 were €171 million (1.70%) above target and €413 million greater than in 2011. The negative impact of the recession on consumer spending has been offset by an increase in the VAT yield on imports and an increase in the standard rate of VAT to 23% from 1 January 2012.

Excise - Net receipts in 2012 were €4,759 million, which was €178 million (3.6%) below Budget target and €113 million lower than in 2011.

- The Mineral Oil Tax receipts in 2012 were €2,027.3 million, which was €62.9 million (3%) below target and €102.3 million less than in 2011.

- The Tobacco Products Tax receipts were €1,072.3 million, which was €82.6 million (7.2%) below target and €53.9 million less than in 2011. The figure of yield of €1,072.3 million from tobacco products tax does not include an amount of almost €41 million for which payment was received in December 2012, and included in Exchequer Returns for December 2012, but was reallocated to February 2013 on foot of a recommendation from the Comptroller and Auditor General. This reallocation was done on the basis of showing the yield in the month in which the liability was due for collection (February 2013) rather than in the month in which the payment was made (December 2012).

- Alcohol Products Tax receipts were €846.1 million, which was €22.1 million (2.7%) ahead of target and €16.6 million more than 2011.

- Vehicle Registration Tax (VRT), with receipts of €379.4 million, was €24.9 million below target and €9 million less than the receipts for 2011. Total new car registrations in 2012 numbered 79,874 compared to 90,477 for 2011, a decrease of 10,603 (11.7%).

- Carbon Tax yields for 2012 amounted to €354 million, which was €16.7 million (4.5%) below target but €55.7 million more than in 2011.

- Air Travel Tax with receipts of €33.6 million was €1.4 million (4%) below target.

- Other Excise (Licences and Betting) with receipts of €46.9 million were €11.1 million (19.1%) below target.

Corporation Tax came in €195 million (4.9%) above its target for the year and €715 million (20%) above receipts in 2011. The surplus in receipts over the target for the year was mainly caused by lower than expected repayments in the year.

Stamp Duties came in some €76 million ahead of Budget target in 2012. The shortfall against Budget target amounting to €6 million for Life Assurance Levy was counterbalanced by higher than expected yields of €20 million in Pension Levy, €18 million in share transactions, €15 million in property transactions, €15 million for Health Insurance levy and €14 million for Non Life Levy and other stamp duties.

Capital Acquisitions Tax came in €12 million below the Budget target in 2012, and €40 million ahead of the 2011 outturn. The yield was boosted by a budgeted increase of 5% in the tax rate but continues to be affected by the impact of the economic downturn on the value of property and shares.

Capital Gains Tax receipts came in €58 million ahead of Budget target for 2012 with the yield enhanced by a 5% increase in the tax rate introduced in Budget 2012.

Customs receipts of €242 million in 2012 were €3 million (-1.2%) below target and €2 million higher than the yield in 2011.

TABLE 1: TOTAL AMOUNT COLLECTED/GROSS RECEIPTS

	2012 €m	**2011 €m**
Income Tax, Income Levy & USC	17,716	16,412
Value-Added Tax	13,015	12,356
Corporation Tax	5,027	4,449
Excise	4,792	4,925
Stamp Duties	1,441	1,401
Capital Gains Tax	435	454
Capital Acquisitions Tax	290	254
Customs	243	241
Collection on behalf of other Departments/Agencies	7,217	7,937
Total	**50,176**	**48,427**

Note: *Any apparent discrepancies in totals are due to rounding.*

The figures for 2012 Net Receipts in **Table 2** are some €111 million lower than the comparable figure for Tax Revenue receipts published in the end of 2012 Exchequer Returns because of timing and accounting procedures.

The payments made by Revenue into Tax Relief at Source (TRS) schemes for mortgage interest and medical insurance are netted off proportionately in arriving at the yield of income tax from PAYE and the self-employed.

TABLE 2: TOTAL REVENUE /NET RECEIPTS

Duties, Taxes & Levies	2012 Net Receipts	2012 Budget Estimates	2012 Net Receipts +/- Budget Estimates	2011 Net Receipts
	€m	€m	€m	€m
Income Tax:				
PAYE	9,058	9,089	-31	8,496
Self-Employed and certain other non-PAYE sources (1)				
Direct Payments	1,019	1,216	-197	948
Less other non-PAYE Repayments	-136	-142	6	-137
Net Yield (see footnotes)	**883**	**1,074**	**-191**	**811**
Deposit Interest Retention Tax (2)	581	524	57	473
PSWT (fees) gross (3)	542	575	-33	555
Dividend Withholding Tax (4)	252	165	87	179
Income Levy	45	0	45	184
Universal Social Charge	3,790	3,873	-83	3,114
Income Tax (incl. USC) total	**15,151**	**15,300**	**-149**	**13,814**
Value Added Tax (5)	10,166	9,995	171	9,753
Excise (6)	4,759	4,937	-178	4,872
Corporation Tax	4,215	4,020	195	3,500
Stamp Duties	1,426	1,350	76	1,383
Capital Gains Tax	413	355	58	416
Capital Acquisitions Tax	283	295	-12	243
Customs (7)	242	245	-3	240
Total	**36,656**	**36,497**	**159**	**34,221**

***Note**: Any apparent discrepancies in totals are due to rounding of constituent figures.*

1. Income Tax from the Self-Employed: The figures shown under this heading are net of repayments made directly to the self-employed but are gross before netting off repayments to other non-liable individuals, charities, pension funds and foreign residents for tax deducted at source under various arrangements. Such repayments are normally made out of the non-PAYE collection and, if not adjusted for, would have the effect of understating the yield attributable to the self-employed. The repayments in question are accounted for in **Table 2** under the sub-heading "Other non-PAYE repayments".

2. Deposit Interest Retention Tax: tax deducted from interest arising on deposits with financial institutions.

3. Professional Services Withholding Tax: tax deducted at source from fees for professional services provided to state agencies and certain other designated bodies.

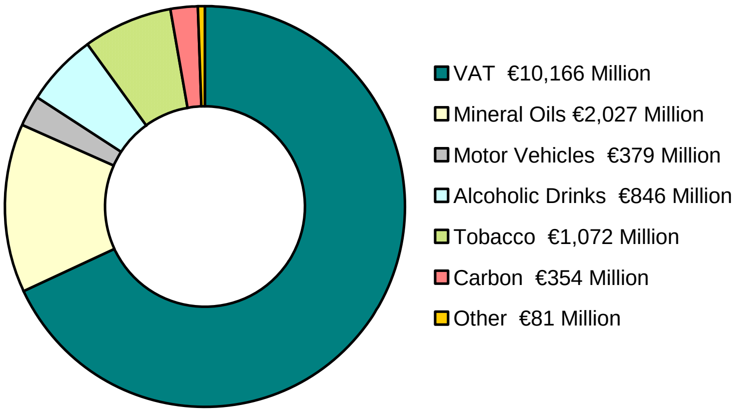
4. Dividend Withholding Tax: withholding tax on certain dividend and other profit distributions made by companies resident in the State.

5. The VAT receipts in 2012 are composed of €11,523 million of internal VAT and €1,492 million collected on imports, less refunds of €2,849 million.

6. A tobacco levy of €168 million, which is directly paid over by Revenue to the Health Service Executive, is included in the Excise figures for forecasts and receipts in **Table 1** and **Table 2**, even though it is not included in the end-year Exchequer Returns as tax revenue.

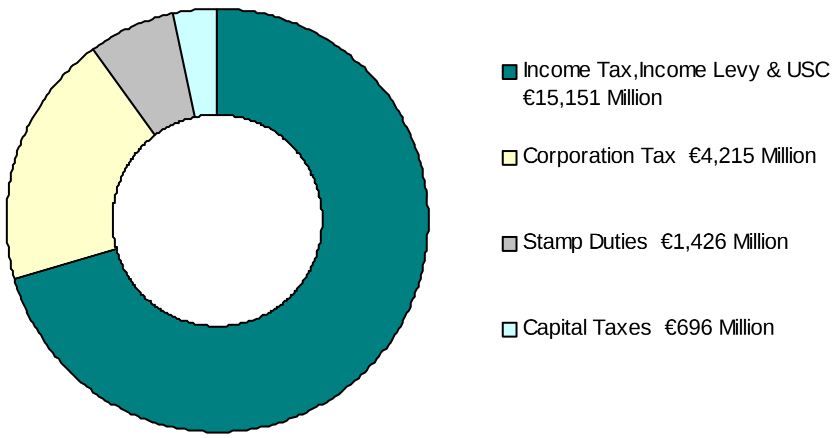
7. 75% of the amount collected is paid to the EU as part of the Irish contribution to the EU Budget known as 'Own Resources'. The remaining 25% is retained by the State as collection expenses.

CHART 1: INDIRECT TAX NET RECEIPTS



A total of €14,925 million was collected in net VAT and Excise receipts in 2012.

CHART 2: DIRECT & CAPITAL TAXES RECEIPTS



A total of €21,488 million was collected in Direct and Capital Taxes receipts in 2012.

Objective - Establish electronic channels as the norm

Revenue remains at the forefront in exploiting technology to enhance service delivery and to drive productivity. Revenue now offers extensive electronic options so that customers can fulfil their compliance responsibilities or claim their entitlements at a time that suits them best. The use of these online and electronic channels to transact business with Revenue continued to grow in 2012.

The number of payments made by business customers via the Revenue On-Line Service (ROS) increased by 36% to 1,342,660 in 2012 while the value of those payments increased by 12% to almost €36 billion. The total number of electronic returns processed via ROS increased by 28% on the 2011 figure to 4.76 million.

TABLE 3: ELECTRONIC PAYMENTS

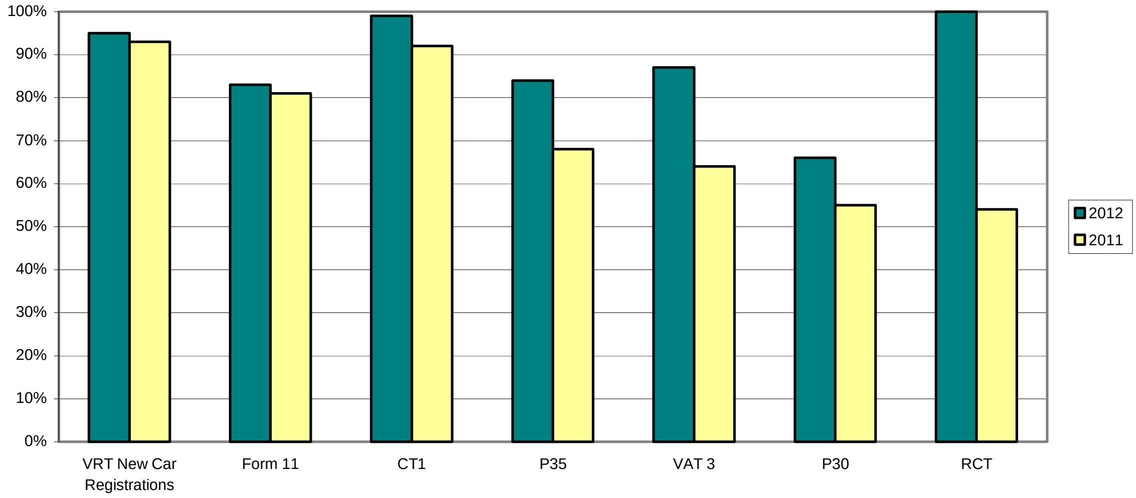
	2012	2011	% Change
No of Payments	1,324,660	975,105	35.9%
Value of Payments	€35.97 billion	€32.09 billion	12.1%

TABLE 4: ELECTRONIC RETURNS 2012 V 2011

	2012	2011	% Change
VAT 3	883,363	656,818	34.5%
Employers' Monthly PAYE Returns - Form P30	846,725	665,797	27.2%
Employers' Annual PAYE Returns - Form P35	185,099	155,314	19.2%
Cessation Certificate - Form P45	370,526	461,758	-19.8%
Income Tax Self Assessment Returns - Form 11	441,443	415,442	6.3%
Corporation Tax Self Assessment Returns - Form CT1	136,083	130,398	4.4%
Stamp Duty Returns	71,759	60,494	18.6%
Vehicle Registration Tax (VRT) Registrations	98,276	104,158	-5.7
Relevant Contracts Tax – Payment Notifications Processed*	598,174	N/A	N/A
Customs Declarations	1,125,195	1,126,998	-0.2%
Total No of all ROS Returns	**4,756,643**	**3,777,177**	**28%**

**New eRCT system commenced operation on 1 January 2012.*

CHART 3: E-FILING V TOTAL FILING IN 2012 V 2011



Desktop Applications

In 2012, we implemented downloadable desktop applications for the VAT3 Return and Employer's P30, which alert the customer just before their next return due date. The applications retrieve most of the information needed automatically, minimising the effort involved in submitting the return. Paying and filing are done in one easy step, supported by a Revenue Debit Instruction for payment.

PAYE anytime Registrations

PAYE anytime is our On-Line Service for employees. This interactive facility offers individuals who pay taxes under the Pay As You Earn (PAYE) system, a quick, secure and cost effective method to manage their taxes online. With PAYE anytime customers can avail of a full suite of services including viewing information, claiming Tax Credits, declaring additional income and updating their personal information. At the end of 2012, 755,827 customers had registered for our PAYE anytime service, up 17.6% on the previous year.

TABLE 5: 'PAYE ANYTIME' SERVICES

	2012	2011	% Change
PAYE anytime Unique Users*	369,328	341,745	8.1%
Total number of transactions	578,715	603,504	-4.1%

**The total number of individuals who logged in to PAYE anytime in 2012.*

2012 ROS Developments

In support of our strategy to further increase to use of our electronic channels we continued to improve the range of services available through ROS in 2012.

eRegistration

eRegistration is a ROS facility that enables agents and customers to complete a range of tax registration transactions online. A significant upgrade of the eRegistration system was released in 2012 providing a greater range of registration services and improved usability. There has been a significant increase in eRegistration activity since these enhancements and 46% of all business registrations are now completed online. As a result, paper applications for registration are no longer accepted from ROS users where that activity can be completed on-line.

Mandatory Electronic Filing

Phase 4 of mandatory electronic filing came into effect on 1 June 2012, requiring an additional 160,000 customers to pay and file using electronic means. Paper output in relation to specified returns no longer issues to these customers. Paying and filing online is a fast, safe and streamlined way for customers to meet their tax and duty obligations.

Pre-population of ROS Form 11

Pre-populated forms assist customers in completing their tax return and improve compliance levels. In 2011, Revenue gave customers the option of using online versions of the Income Tax Return (Form 11) and Corporation Tax return (Form CT1) pre-populated with relevant data from our records. The pre-populated Form 11 was further enhanced in 2012. Information on pension payments received from the Department of Social Protection (DSP) and notified to Revenue was made available in the form. Preparations for the inclusion of other types of DSP income, i.e. Jobseekers Benefit and Illness Benefit, are ongoing.

Payment by Credit Card

The range of payment options available to our ROS customers was further extended in 2012 with the introduction of a facility to pay by credit card. 5,110 payments amounting to €6.5 million were made by credit card in 2012.

Electronic Repayments

The facility to make repayments by direct credit to a customer-nominated bank account was extended to seven additional taxes and duties in November 2012. The electronic repayment system ensures that repayments are made in a faster, more secure and efficient way to our customers. In 2012, a total of 555,442 electronic repayments were made with a value of €3.6 billion.

TABLE 6: ELECTRONIC REPAYMENTS

Taxhead	No. of Electronic repayments 2012	Value of Electronic repayments 2012 €m
VAT	231,230	€2,540.0
Corporation Tax	25,822	€756.6
PAYE	288,656	€199.5
Income Tax (incl. Charities)	1,582	€25.5
DWT	1,153	€51.0
PSWT	3,508	€36.6
Stamps	540	€2.3
Customs & Excise	2,951	€23.8
TOTAL	**555,442**	**€3,635.3**

Relevant Contracts Tax (RCT) – a streamlined self-service solution

Revenue introduced an electronic system for RCT on 1 January 2012. This significantly reduced the administrative burden on principal contractors and reduced the likelihood of errors and opportunities for abuse. The system also provides Revenue with real time information, enabling us to intervene early in cases with the highest risk of evasion. The move to an electronic RCT system is in keeping with the Government's e-agenda policy and its objective of reducing the administrative burden for business (see Feature Article on **Page 20**).

iXBRL (in-line eXtensible Business Reporting Language)

The launch of iXBRL facilities on ROS in November 2012 marked a significant further step in the provision of a complete suite of on-line services by Revenue. iXBRL is a global standard that allows financial and accounting data to be shared between computers in a recognisable format. Financial statements (in iXBRL format) can now be transmitted to Revenue via ROS. Customers uploaded the first iXBRL financial statements on 26 November 2012. Currently, the use of the iXBRL facility is optional. Revenue will introduce mandatory filing of financial statements in 2013 for all companies filing Corporation Tax returns dealt with by our Large Cases Division.

We are examining, in co-operation with other State Agencies, the potential to re-use accounting data filed in the iXBRL format with a view to reducing the overall compliance burden on business in Ireland.

Electronic Relevant Contracts Tax

The new electronic Relevant Contracts Tax (eRCT) system was implemented by Revenue from 1 January 2012. All principal contractors in the construction, forestry and meat processing sectors are now obliged to submit information, data, payments and returns to Revenue electronically.

Key features of the new system include the elimination of the need for C2 certificates, annual returns (RCT35) and other forms, and the introduction of three rates of tax (0%, 20% and 35%) to replace the old C2 exemption and 35% tax rate. Revenue now has the facility to adjust the tax rate of a subcontractor and monitor transactions made by principals to subcontractors almost in real time.

The re-engineering and simplification of the Relevant Contracts Tax system has provided significant benefits and savings to both businesses and Revenue. In terms of the administrative burden for businesses, savings have been estimated at €24.3 million per annum. Over 1 million paper documents have been eliminated from the system freeing up 104 Revenue personnel for redeployment to other work. It is estimated that this has resulted in €3.7 million in pay and non-pay savings in respect of staff allocated to processing RCT. With the ready availability of all online RCT transactions, Revenue is better placed to monitor RCT activity, identify risks and take necessary action. Overall this has helped improve timely and voluntary compliance. Feedback from customers on the new system has, in general, been very positive.

The next development for eRCT will be the deployment of a smart phone app to allow principal contractors to make payment notifications using their phone. This app is expected to be available in mid 2013.

The eRCT system is delivering a significant number of benefits both from a customer and Revenue perspective. These include:

- Reduced administrative burden on customers,
- Reduced cost of RCT administration for Revenue,
- Round the clock online access to RCT functionality for customers,
- Reduced opportunity for fraud.

Objective - Increase awareness of entitlements and obligations

Informing Customers

Revenue devotes considerable time and resources to increasing customer awareness of their entitlements and obligations.

Our website (www.revenue.ie) which is regularly reviewed and updated is designed to make accessing information, forms, leaflets and guides as easy and intuitive as possible. Tax and duty manuals which contain the rules, guidelines, procedures, practices and precedents, covering the whole range of Revenue activities, which Revenue staff use in making decisions are also available on the website.

Changes in the Budget affect our customers and making the relevant information available on the day is a priority for Revenue. On 5th December an information leaflet on the main changes contained in Budget 2013 was published on our website, together with key information about Local Property Tax and an online calculator. Further support for our customers was available through a dedicated telephone service that operated for two days following Budget Day.

We pay particular attention to communicating with customers who are impacted by changes to the administration of taxes and duties. For example, information on the implications for subcontractors of the introduction of eRCT was provided to each subcontractor registered for RCT. In addition, explanatory videos and information guiding principal contractors through the contract and payment notification processes for electronic Relevant Contracts Tax (eRCT) were made available on our website. An iXBRL page on our website is a central repository of all Revenue iXBRL publications from FAQs to Technical Notes and provides contact details for the iXBRL Business Team.

At the start of 2012, Revenue set up a new forum for engaging with representatives for older persons and a number of meetings took place with that group during the year. The meetings included discussions around the taxation of Department of Social Protection pensions, together with a post Budget meeting in December dealing with the impact of the Budget, including Local Property Tax. The Group also contributed very constructively during the year to the development of a shortened and simplified Return of Income for PAYE taxpayers.

Recognising the role that social media plays in disseminating information, Revenue launched a Twitter account in October 2012. Twitter enables us to share Revenue news and general information, increase awareness of entitlements and obligations, and increase awareness of Revenue, and tax and customs matters in general.

Marketing visits and presentations

As part of our communications exercise in relation to the new Mineral Oil Licences, and the requirement to file a monthly electronic return of trading details, ten public seminars were held in 8 locations throughout the country to brief traders on the new requirements as well as numerous bi-lateral meetings with key oil traders.

Revenue undertook a wide-ranging communications campaign to ensure that all stakeholders were prepared for the introduction of iXBRL. Over 3,500 delegates attended the nationwide August/September ‘iXBRL Roadshow’ organised by Revenue in partnership with XBRL Ireland. We also convened a Software Vendors Forum to ensure that suppliers of tax and accounting software in the Irish market were fully briefed on the iXBRL developments and would be in a position to deliver product enhancements to their customers to avail of the new filing opportunities. iXBRL newsletters were issued and a number of related articles published in accountancy journals.

Throughout 2012, we engaged extensively with School Boards of Management to assist them in meeting their obligations in relation to Relevant Contracts Tax and VAT. Our staff made presentations at 16 workshops organised by the bodies representing the Boards.

Revenue hosted public stands at the National Ploughing Championships, the ‘Over 50’s’ events in the RDS and in Cork City Hall, and the Dublin City Enterprise Board’s ‘Your Business Day 2012’ event, aimed at small and start-up businesses. Revenue staff answered queries and provided information on wide range of tax and duty matters at these events.

Informing Practitioners and Business

Revenue engages on a regular basis with practitioners and business representative bodies and engages in dialogue through the Tax Administration Liaison Committee (TALC), the Customs Consultative Committee and the High Level Group on Business Regulation.

Tax Administration Liaison Committee

TALC is a forum for Revenue and tax practitioner representative groups to meet and discuss issues relating to the administration of the tax system. The work of TALC is supported by six sub-committees, which deal with specific areas of tax administration. Four meetings of the main TALC were held in 2012 and items discussed included a review of the Revenue Technical Services, reduction in the administrative burden, modernisation of the administration of Direct Taxes and the Self-Assessment system, iXBRL, mandatory e-filing and payment, Revenue Internal Review procedures, and administrative and interpretative issues arising from the publication of the 2012 Finance Act and Budget 2013.

Customs Consultative Committee

The Customs Consultative Committee is the forum for Revenue and trade representative organisations to discuss issues of mutual interest affecting the customs treatment of imports and exports. The Committee met four times in 2012. The views of the Committee were sought on a number of important issues including the Authorised Economic Operator Programme, the Electronic Customs Programme, the Electronic Manifest and the Union Customs Code.

High Level Group on Business Regulation

During 2012, Revenue continued to participate in the High Level Group on Business Regulation. This Group is chaired by John Perry, TD, Minister of State with special responsibility for Small Business (Department of Jobs, Enterprise and Innovation) and comprises business representative groups, trade unions and Government Departments. Its purpose is to prioritise and address areas for administrative burden reduction across a range of regulatory areas including taxation, as identified by business.

The Government’s 25% administrative burden reduction project was included in the work programme of the Group and a number of the most burdensome Revenue related regulatory areas were identified through interaction with the business representative bodies (see Feature Article on **Page 25**).

Objective - Design and deliver high quality Revenue services

Self-assessment system for Stamp Duty

Building on the introduction of eStamping in December 2009, a full online self-assessment system for Stamp Duty, via ROS, was introduced in 2012. The key changes introduced included the removal of adjudication for instruments, the replacement of late penalties with a late filing surcharge, new requirements for expressions of doubt, and the removal of the requirement to place certificates in instruments. This streamlined the process of complying with statutory stamp duty obligations, resulting in reduced compliance costs for taxpayers and practitioners. One of the main benefits for Revenue is the re-alignment of resources and an increased risk-based strategy when conducting compliance interventions.

Cumulative Universal Social Charge

A project completed in 2012 enabled the Universal Social Charge (USC) to operate on a full cumulative basis similar to PAYE. A full cumulative system ensures that employees pay the required USC on a weekly/monthly basis and reduces the occurrence of under/over payments. The project eliminated the need for end of year refunds by employers and Revenue, reducing the administrative burden on both. It enabled PAYE anytime customers to self-administer their USC allocations across employments and to electronically review their USC contributions.

Increased Rate of Mortgage Interest Relief

Legislation giving effect to an increased rate of mortgage interest relief (30%) for more than 189,000 mortgage holders who purchased their homes in the period 2004 to 2008 was introduced in the Finance Act 2012. Specific technology developments were required to Revenue's and to each of the lenders' computer systems in order to implement this change. Revenue system developments were implemented on time to facilitate the new rate from 1 January 2012. However, the speed at which each of the various lenders could upgrade their systems was not uniform. In January 2012, as an interim relieving measure, Revenue advised lenders to grant tax relief at the rate of 25% to those entitled to the new 30% rate of relief, given that the 25% rate was already a feature of the first time buyer mortgage interest relief regime and was not dependent on new IT upgrades taking place. Revenue worked with lenders throughout 2012 to ensure that the additional 5% due to borrowers was paid at the earliest possible date. All eligible borrowers received the additional 5% payment within the 2012 tax year.

Local Property Tax

In July 2012, the Government decided that the Revenue Commissioners would have responsibility for the collection of a new Local Property Tax (LPT). A Project Board was established to ensure the efficient and structured implementation of the new tax on time and within budget and included the development of a property valuation guide to assist house owners to value their residential properties.

In parallel, an Interdepartmental Group comprising the Departments of Finance, Environment, Community and Local Government, Social Protection, Agriculture, Food and the Marine, Public Expenditure and Reform, Local Government Management Agency and the Property Registration Authority was established and chaired by Revenue. This Group's role was to address cross-Departmental issues and to aid the design of an administrative model to facilitate deduction at source including from lump sum and recurring payments from Government Departments.

Details of the tax were announced by the Minister for Finance, Michael Noonan TD, in the Budget of 5 December. Revenue published key information about LPT and an online calculator on our website on Budget day. The Finance (Local Property Tax) Act, 2012 was signed into law on 26 December 2012.

Objective - Reduce compliance costs

Recognising that reducing administrative costs can support employment and growth, we have introduced a range of legislative changes and administrative initiatives to reduce the administrative burden on businesses. In 2012, we carried out an exercise to measure the impact of these developments. The findings showed that in recent years we reduced the administrative burden on businesses by 25%, saving them over €85 million a year (see Feature Article on **Page 25**).

The Finance Act 2012 updated the direct taxes assessing rules by substituting one common set of rules for the various rules that applied previously. It also provided for a move to full self-assessment, from 2013, for Corporation Tax, Capital Gains Tax and Income Tax purposes. The overall aim of these changes is to advance Revenue's simplification agenda, facilitate the simplification of assessing procedures, and minimise the possibilities for opportunistic technical challenges to the tax assessing rules.

Revenue Reduces Administrative Burden on Business by 25%

In March 2008, the Government set a target of 25% for the reduction in the administrative burden of national regulation on business to be achieved by the end of 2012. The Department of Jobs, Enterprise and Innovation (DJEI) led the national co-ordination and management of the project which involved Revenue and seven other Government Departments. Measurement of the administrative burden, or the costs of “red tape”, on business arising from Revenue regulation commenced in October 2011.

The results, which indicated that up to the end of 2012 Revenue reduced the administrative burden on business by 25%, saving them over €85m a year, were published on our website in July 2012.

Measurement of the administrative burden on businesses was carried out in accordance with the internationally accepted Standard Cost Model, and was overseen and validated by external consultants. This project was also included in the work programme of the High Level Group on Business Regulation, a forum for dialogue between business, trade unions and Government agencies.

Revenue engaged in an extensive consultation process in identifying the most burdensome areas of tax regulation for business. The regulatory areas were determined based on population (i.e. number of businesses affected), frequency (filing requirements - monthly, quarterly, annual) and time taken to comply with the regulatory requirements (i.e. complexity)

Having identified 62 of the most burdensome information obligations, interviews were held with 51 businesses and agents to establish the time and cost associated with these obligations. These interviews were both complex and time consuming and we appreciate the time given to us by members of the business community and by tax agents in the completion of this exercise.

The baseline cost year for the measurement exercise was 2008. The measurement also took account of reductions in the administrative burden arising from initiatives introduced by Revenue between 2004 and 2008, where relevant.

The main initiatives which led to the 25% burden reduction were:

- Reduced filing frequencies for VAT, Employers' PAYE/PRSI and Relevant Contracts Tax for smaller businesses,
- Pre-population of Income Tax and Corporation Tax forms,
- Revenue's new electronic Relevant Contracts Tax system,
- Ongoing expansion and improvement to the range of electronic services on the Revenue Online Service (ROS).

We also made a significant contribution to the administrative burden savings of other State agencies including:

- Improved quality and timeliness of trade data collected by Revenue on behalf of the Central Statistics Office, reducing the duplication in data submission from businesses,
- Providing an electronic identity authentication service via the ROS digital signature to the Companies Registration Office, allowing them to widen their base of entities that can sign and submit documentation electronically and enabling the real-time registration of changes in company details without the administrative burden of physically posting paper documentation.

Objective - Achieve service and trade facilitation standards

Service Standards

Revenue measures and publishes its Customer Service Standards to present the standard of service delivery experienced by customers. In 2012, we maintained a high level of service for most key business areas. However, while our aim is to continue to provide the highest level of service to all our compliant customers we acknowledge a slight decline in our service standards results in 2012. This was mainly due to reduced staffing, increased demands, especially in the earlier part of the year due to enquiries regarding the taxation of Department of Social Protection pensions, and reassignment of staff to other priority duties such as debt management and compliance interventions.

It took longer than expected to answer telephone calls in some instances but we still managed to answer a very significant number of calls within 5 minutes. We maintained our service standards for all our e-customers and improved our response times for Tax Clearance Certificates.

See **Table 7** – Customer Service Standards and Results and **Table 8** – Volume of Business.

Trade Facilitation

Revenue's Automated Entry Processing (AEP) system allows importers, exporters or their agents to clear consignments at import or export by electronic data transfer of SAD declarations (Single Administrative Document) without the necessity to lodge a subsequent paper declaration. This provides a simplified and paperless environment for customs and traders, in which legitimate trade can move their goods with minimum interference from Revenue. In 2012, AEP processed over one million customs declarations, over 96% of which were cleared immediately with Revenue seeking documentation or examining the goods in relation to the remaining 4%.

TABLE 7: CUSTOMER SERVICE STANDARDS AND RESULTS

Service	Standard	Results 2012	Results 2011
Complaints	Processed within 20 working days	91%	96%
Telephone Service	PAYE 1890 calls: 50% within 30 secs 85% within 3 mins 100% within 5 mins	20% within 30 secs 45% within 3 mins 62% within 5 mins	37% within 30 secs 68% within 3 mins 85% within 5 mins
	Other calls answered: 50% within 30 secs 85% within 3 mins 100% within 5 mins	48% within 30 secs 70% within 3 mins 79% within 5 mins	69% within 30 secs 92% within 3 mins 97% within 5 mins
Registrations	PAYE Customers registering for PAYE anytime, passwords will be issued within 5 working days by ordinary post.	76%	76%
	Business customers registering for ROS, passwords will normally be issued within 3 working days by ordinary post.	100%	100%
	Business customers registering for secure email, passwords will normally be issued within 3 working days by ordinary post.	76%	100%
Returns, Declarations Applications	ROS 100% processed within 5 working days	96%	89%
	Non ROS 80% processed within 10 working days	87%	IT 12% CT 33% Other 96%
	Non ROS: 100% processed within 20 working days:	94%	IT 22% CT 61% Other 98%
	AEP Immediate Response	100%	100%
Repayments	Non-ROS 80% processed within 10 working days	84%*	94%
	Non-ROS 100% processed within 20 working days	95%*	98%
	ROS 100% within 5 working days	93%	IT 92% CT 70% PAYE 96%
Correspondence, e-mail, fax	50% 10 working days 85% 20 working days 100% 30 working days	65% 10 working days 82% 20 working days 91% 30 working days	66% 10 working days 83% 20 working days 93% 30 working days
Applications for Tax Clearance Certificates	100% processed within 5 working days	93%	92%
Application for Non-Resident Tax Clearance Certificates	100% processed within 5 working days	100%	88%
Applications for Standards in Public Office Tax Clearance Certificates	100% processed within 5 working days	98%	97%

* *Due to a change in the method of calculation, the results for 2012 are not comparable with those for 2011.*

Table 8: Volume Of Business 2012

	Volume in 2012	Volume in 2011	% +/- 2012/2011
Self Assessment (Income Tax)	600,088	609,400	-1.53%
Companies	161,210	158,233	1.88%
VAT Registrations	249,036	258,691	-3.73%
Contacts			
Personal Callers	770,309	811,060	-5.03%
1890 Telephone Calls	1,500,645	1,739,283	-13.72%
Visits to the Revenue website (www.revenue.ie)	18,733,809	18,151,040	3.21%
Items processed			
Correspondence (iC system)[1]	2,056,636	1,790,245	14.88%
PAYE Employee Reviews	1,091,922	1,143,986	-4.55%
PAYE Returns	95,080	83,757	13.52%
Income Tax Returns	557,311	544,657	2.32%
Income Tax Repayments	206,242	209,185	-1.41%
Corporation Tax Returns	135,716	137,542	-1.33%
Corporation Tax Repayments	24,155	26,097	-7.44%
VAT Repayments	250,260	249,847	0.17%
Payments received by Collector General	3,325,991	4,012,510	-17.11%
P35 Returns	217,601	227,496	-4.35%
VAT3 Returns	1,018,738	1,029,190	-1.02%
Capital Gains Tax Returns	36,134	38,355	-5.79%
Environmental Levy Returns	7,519	8,208	-8.39%
CG50s (Applications for Clearance Certificates)	1,819	1,591	14.33%
Dividend Withholding Tax (DWT) Returns	5,986	6,281	-4.70%
DWT - Distributions to Individual Shareholders	519,839	506,948	2.54%
Tax Clearance Certificates issued	170,293	171,998	-0.99%
Claims repaid to non-residents	16,122	11,495	40.25%
Exemptions granted to charitable/sporting bodies	355	346	2.60%
Customs Declarations	1,125,195	1,126,998	-0.16%
Intrastat Declarations	99,118	106,567	-6.99%
VIES declarations	67,983	61,186	11.11%
New vehicles registered	95,195	105,907	-10.11%
Second-hand vehicles registered	50,292	53,544	-6.07%
Instruments stamped	71,759	61,950	15.83%
CREST refund claims received	26,150	19,699	32.75%

[1]Electronically recorded in Revenue's integrated Correspondence (iC) document management and workflow system.

Strategy 2 - Increase timely compliance and reduce debt

A key Revenue goal is to ensure that all taxpayers and businesses meet their tax obligations in a timely fashion. We have invested in a range of electronic payment and filing options to enable our customers to interact with us in a manner and at a time that best suits them.

We are determined to maintain the current high levels of compliance despite the challenging economic circumstances in which businesses and taxpayers are operating. We expect that businesses and taxpayers, supported and assisted by their agents or tax practitioners, will continue to maintain a clear focus and organise their financial affairs to ensure that tax debts are paid as they fall due.

In circumstances where timely compliance or meaningful engagement is not forthcoming, we deploy a range of enforcement actions. These actions, in combination with our strategy of offering limited debt rescheduling to viable businesses, serve to maintain high compliance rates and ensure that no customer obtains an unfair competitive advantage through non-compliance.

Key Results

- Debt available for collection in 2012 was €1,180 million, down €137 million (10.4%) on the 2011 figure.
- High returns/payment compliance levels maintained.
- The effectiveness of our enforcement programmes increased by 3% in 2012.
- 16,081 customers meeting their tax and duty obligations through phased payment arrangements.

Objective - Achieve compliance targets and reduce debt

In 2012, Revenue focused on maintaining timely compliance rates for return filing/payment of tax and reducing the Revenue debt available for collection.

Debt Collection Environment

The debt collection environment continued to be very challenging for Revenue during 2012. Cashflow and difficulties accessing credit caused problems for many businesses and taxpayers in meeting their tax obligations. However, notwithstanding the difficult economic circumstances, Revenue in some instances successfully increased and otherwise at least maintained the strong timely compliance rates of previous years.

Revenue also continued to work proactively with taxpayers and businesses where there was early and open engagement to agree mutually satisfactory arrangements to overcome temporary cashflow difficulties. Feedback from taxpayers and tax advisors during the year confirmed that the twin strategy of balancing enforcement with limited debt rescheduling for viable businesses delivered results and was important in stabilising tax debt levels.

Tables 9 and **10** show Revenue's achievement in respect of the percentage of tax collected by the due date and timely return/payment compliance respectively.

TABLE 9: AVERAGE PERCENTAGE OF TAX COLLECTED WITHIN THE DUE MONTH BY TAXHEAD

Taxhead	2012	2011
PAYE/PRSI	95%	95%
VAT	91%	91%
Preliminary Income Tax (Non PAYE)	98%	97%
Capital Gains Tax	94%	91%
Corporation Tax	98%	91%
Relevant Contracts Tax	86%	85%

TABLE 10: RETURN/PAYMENT COMPLIANCE BY CASE SIZE

Case Size *	Due Month Compliance End 2012 Target	Due Month Compliance 2012 Actual	Due Month Compliance + 1 End 2012 Target	Due Month Compliance + 1 2012 Actual
Large Cases	95%	96%	98%	98%
Medium Cases	87%	88%	95%	96%
All Other cases	71%	73%	80%	82%

**Definition of Terms:*

- *Timely compliance is defined using risk criteria and is calculated on a weighted basis for the main taxes (employers PAYE/PRSI, VAT, Corporation Tax, Income Tax and Relevant Contracts Tax).*
- *A Large Case is a customer paying over €500,000 in a year, a Medium Case is a customer paying between €75,001 and €500,000 and an Other Case is a customer paying €75,000 or less.*
- *Due month compliance represents tax paid in the calendar month in which it is due.*
- *Due month +1 represents compliance in the month following the payment-due date.*

Debt Performance

The total outstanding debt for 2012 amounted to €2,006 million, an increase of €20 million (or 1%) on 2011. This represents 4.0% of the gross receipts of €50,176 million, showing a reduction from 4.1% of gross receipts of €48,427 million in 2011. When amounts under appeal and at insolvency are excluded, the debt available for collection decreased by €137 million (or 10.4%) from €1,317 million to €1,180 million. This represents 2.35% of gross receipts, compared with the corresponding figure of 2.72% in 2011. Some €476 million of the debt available for collection was under active enforcement and a further €124 million was the subject of phased payment arrangements.

Managing Debt

Over the past three years, Revenue has invested in the quality of its management reports and its ability to target debt. Revenue developed a new sophisticated computer system called 'Arrears Case Analysis Tool' (ACAT) in late 2011. The new system facilitates in-depth analysis of debt, based on factors such as age, previous collection/enforcement activity and the impact of 'planned time-bound' intervention strategies for compliance activity.

ACAT has become the key driver for the identification of cases for intervention based on risk. The system facilitates much earlier and more targeted intervention and therefore better impact than was possible previously.

In 2012, Revenue wrote off €287 million of uncollectible tax. This figure compares with €321 million in 2011, a decrease of €34 million or 11%. The 2012 figure represents 0.56% of gross receipts for the year. €203 million (71%) of the total write off figure resulted from businesses becoming insolvent. €122 million (60%) of this amount resulted from court processes, e.g. liquidation/examinership, while €81 million (40%) resulted from businesses ceasing to trade. The remaining €84 million (29% of total write off) related to circumstances of inability to pay, compassionate grounds, and some taxpayers leaving the State where it was uneconomic for Revenue to pursue. The sectors where write off was most prevalent during 2012 were similar to 2011 i.e. construction (€68 million), retail (€54 million), and accommodation/food service (€38 million).

Collection Enforcement Performance

Table 11 shows the results of Revenue's collection enforcement programmes, using our Sheriff, Solicitor and Attachment enforcement options.

The total yield from our collection enforcement programmes in 2012 at €223.9 million was down almost €13.9 million (or 5.8%) from 2011. However, the key effectiveness measure for our enforcement programme is the amount of tax and interest recovered expressed as a proportion of the amount of tax and interest referred to enforcement. In 2012 there was an increase of 3% in the effectiveness of our enforcement programmes compared with 2011, as recovery rates increased to 29% from 26%.

In addition, a total of 4,236 cases (5% decrease from 2011) were monitored under our Phoenix and Commonality programmes. The programmes facilitate intensive case management interventions in regard to the tax debts of businesses that are connected through common ownership or management and where there is a heightened risk of non-compliance.

TABLE 11: COLLECTION ENFORCEMENT PROGRAMMES

	2012				2011			
Enforcement	**No. of Cases**	**No. of Referrals**	**Value of Referrals (€m)**	**Yield (€m)**	**No. of Cases**	**No. of Referrals**	**Value of Referrals (€m)**	**Yield (€m)**
Sheriff	22,099	31,065	373.6	151.3	N/A	34,466	474.3	172.1
Solicitor	4,984	6,040	211.3	34.2	N/A	5,602	212.6	35
Attachment	2,903	4,039	178.5	38.4	N/A	4,463	213.0	30.7
Total	**29,986**	**41,144**	**763.4**	**223.9**		**44,531**	**899.90**	**237.8**

Oversight of Corporate and Personal Insolvency

During 2012, Revenue was actively involved in the oversight of corporate and personal insolvencies:

- 1,244 companies were wound up via Creditor Voluntary Liquidations, (compared to 1,390 in 2011),
- 108 companies were wound up on foot of a Court Order during 2012 as against 100 in 2011. Of these, 44 cases were wound up on foot of Revenue petitions,
- Receiverships totalled 669 (551 in 2011),
- 42 companies went into Examinership (41 in 2011),
- 89 individuals were declared bankrupt (66 in 2011). Of these 4 were on foot of Revenue petitions (7 in 2011),
- Revenue staff attended 279 (404 in 2011) creditor meetings and took up positions on Committees of Inspection where appropriate,
- Under Section 214 of the Companies Act 1963 Revenue issued 140 notices resulting in 44 instances where Revenue petitioned the High Court for the appointment of a liquidator.

Occasionally, Revenue provides the funds for action by liquidators against directors in the event of suspected serious abuse of the company law provisions, particularly where the liquidator has evidence of fraudulent or reckless behaviour or where there are grounds to pursue action against rogue directors. In addition, close liaison is maintained with the Office of the Director of Corporate Enforcement (ODCE) and the Official Assignee's Office. We referred 7 companies to the ODCE during 2012 where the Liquidator discovered evidence of fraudulent or reckless behaviour. This compares to 8 cases in 2011.

Objective - Facilitate viable businesses that engage positively with Revenue

Balancing recovery and enforcement actions with limited debt rescheduling for viable businesses remained a key focus for Revenue in 2012.

It is critical that businesses or individuals experiencing payment difficulties engage with Revenue in a realistic way at the earliest opportunity. We are committed to engaging with viable

businesses and taxpayers who want to pay their taxes but are unable to do so in the short term. It is far easier to agree a mutually satisfactory arrangement where there is early contact rather than waiting until it is too late to avoid collection recovery activity.
Our overall approach to working with businesses and taxpayers experiencing cashflow difficulties, including in appropriate cases agreeing to phased payment arrangements**,** has worked well in developing and maintaining a strong voluntary compliance culture and in guiding the response to late or non-compliance.

In regard to debt rescheduling, at the end of December 2012 there were 16,081 taxpayers or businesses covering €124 million in tax debt meeting their tax obligations through phased arrangements.

Strategy 3 - Target and confront those who do not comply

Non-compliance can take many forms, from failure to make a tax return to outright tax fraud. It includes under-declaring income or profits, over-claiming expenses, tax allowances or credits, and smuggling. We have a wide range of intervention options at our disposal to tackle non-compliance, ranging from assurance checks to audit to enforcement to criminal prosecutions for serious tax and customs fraud. We use sophisticated risk-assessment and intelligence-gathering systems to target our interventions to ensure optimum impact.

These interventions also focus on shadow economy activity, drug and cigarette smuggling and fuel laundering, all of which can have a serious negative effect on Exchequer returns. In this context, it is worth noting that successful prosecutions for serious tax and duty evasion and fraud are up by 67% in 2012 compared to 2011.

We continue to work closely with a range of Government Departments and Agencies to advance mutual cooperation and data-sharing opportunities. Non-compliance is not restricted by geography. Increasing globalisation, cross-border trade and the rapid expansion of eCommerce give non-compliance a growing international dimension. This requires a coordinated response by tax and customs authorities worldwide. Revenue, through its involvement in the European Union, the Organisation of Economic Cooperation and Development (OECD), the World Customs Organisation and other international forums works to develop more effective regional and global responses to the threats posed by non-compliance.

Key Results

- Audit activity yielded €359 million from 9,066 interventions. 154,952 risk management interventions, including in the PAYE sector, yielded €111 million, and 373,803 assurance checks brought the total yield to €492 million.
- 1,113,142 litres of illegally laundered fuel seized. 11 fuel-laundering plants detected.
- 95.6 million cigarettes and 5,277kg of tobacco, valued at €43.3 million and €1.95 million respectively were seized.
- 50 convictions for serious tax and duty evasion, up from 30 in 2011. 40 custodial sentences were imposed with 21 of those suspended.
- New licensing requirements for dealers in marked mineral oils introduced.
- Drugs with a street value of €49.3 million were seized.
- €1.2 million of cash, suspected as representing the proceeds of crime or intended for use in criminal activity seized at ports and airports.

Objectives - Improve early detection of highest risk evasion & Improve coverage of risks in PAYE and non self-assessment cases

In 2012, working in co-operation with other Departments and Agencies where relevant, we focused on greater use of intelligence, data matching and analytics and an intensified range of risk focused compliance and audit interventions to improve early detection of highest risk evasion and to improve coverage of risks in PAYE and non self-assessment cases.

Audit and Compliance Interventions

Failure to comply with Revenue obligations can present in a number of ways ranging from unintentional errors to deliberate tax evasion. Revenue carries out compliance interventions to protect the Exchequer, to influence compliance behaviour and to support and protect legitimate trade.

Our compliance programme is based on carrying out the most appropriate intervention having regard to the risk in a case. We carry out a range of interventions from assurance checks, to appraisal of a case and aspect queries through to audit and, in serious cases of tax or duty evasion, we investigate with a view to prosecution.

In 2012, 9,066 audits, all of which were informed by risk profiling using REAP, were settled yielding €359 million. A further 528,755 interventions yielded €133 million. These consist of 125,073 risk management interventions (case appraisals, aspect queries and profile interviews), 29,879 PAYE compliance checks (where verification checks on tax credit and refund claims are examined as well as checks on potential non-declaration of additional income sources) and 373,803 other assurance checks (which include a significant number of customs and excise checks). While the number of audits and the yield from audit activity has decreased when compared to 2011, the yield from the less resource intensive aspect queries, profile interviews, assurance checks and PAYE compliance checks was more than €50 million higher compared to the yield from assurance checks in 2011, with a total yield for 2012 of €133 million. This indicates a positive return on investment and that it is appropriate to carry out compliance interventions that are commensurate to the risk involved and resources available.

Contractors Project

In 2012, Revenue commenced reviewing the tax affairs of companies and their directors, where the main source of income is a contract or contracts 'for service' with a larger company or companies (directly or through intermediaries). The companies in question do not appear to have a substantial business separate from these contracts, and in most cases the director(s) are the only employees of the company and pay tax through PAYE. To date, we have established that in many cases there are deficiencies in accounting for input costs and expenses, with the result that there has been a significant understatement of tax liability to the benefit of the director(s). 24 cases completed in 2012 yielded €908,428 (included in Table 12 below). As a result of these findings, a national project on the risks associated with this practice commenced in 2013. Changing taxpayer behaviour is a very important consideration in all compliance initiatives, and this is no exception.

TABLE 12: AUDIT AND COMPLIANCE INTERVENTION ACTIVITY

Type of Intervention	Completed 2012*	Yield €m	Completed 2011*	Yield €m
Comprehensive (All taxheads) Audits	4,687	182	4,717	183.6
Multi Tax/Duty Audits	985	34	1,236	61.6
Single Tax/Duty Audits	2,624	100	3,345	126.9
Single Issue/Transaction Audits	770	43	1,768	68.4
Total Audit Intervention	**9,066**	**359**	**11,066**	**440.5**
Risk Management Interventions	125,073	88	-	-
Assurance Checks	373,803	22	546,502	81
PAYE Compliance Checks	29,879	23	-	-
Total Interventions	**537,821**	**492**	**557,568**	**521.5**

** Not directly comparable because in March 2012, we considerably enhanced our Integrated Case Management System (ICM) and it is now used to define, record and report on a wider range of compliance interventions. For example, certain interventions recorded as Single Issue/Transaction Audits in 2011 are now defined as aspect queries. The term 'assurance checks' was previously a catch-all for non-audit interventions, however as a result of the ICM enhancements a more detailed breakdown of the various intervention types is now feasible. 2012 is the transition year for the new system and therefore it is not possible to present a direct, detailed comparison between 2011 and 2012 audit and compliance intervention results in Table 12, but the total figures are comparable.*

Risk Evaluation Analysis and Profiling

Revenue's approach to identifying and tackling instances of non-compliance has been considerably enhanced by the use of systems based risk analysis supported by extensive legislative powers to obtain third party data for interrogation. With the exception of random audits, cases requiring intervention are primarily identified by our Risk Evaluation, Analysis and Profiling (REAP) system. REAP now incorporates and interrogates over 50 separate data sources, from Revenue's own information sources to data from Government Departments and other third party sources from the public and private sectors. Recent datasets added to REAP include payments made by Life Assurance companies in respect of investments held, payments by State Agencies, and details of Casual Trader licenses issued by Dublin City Council.

The extensive sources of third party data in REAP all have the potential, when cross-checked against other Revenue data, to identify cases where businesses are operating but are not registered with Revenue for tax purposes, where taxable income has been under-reported and where a range of other compliance issues may arise.

While REAP was originally developed to risk analyse Revenue's active business customer base, in recent years it has been expanded to also risk analyse other customers. This includes business customers who have ceased trading, PAYE registered customers and cases that are not registered for tax but have third party data that indicates they may have taxable activity.

Social Network Analysis

A Proof of Concept was completed in 2012 for a Social Network Analysis (SNA) tool to identify suspect fraudulent business networks. The SNA tool uses all available data in the Revenue Data Warehouse to make hard as well as soft links in establishing possible fraudulent networks. The SNA tool is currently being piloted in a number of business units and its use will be extended when the pilot phase is completed.

Tackling Sales Suppression

Revenue has detected significant sales suppression (both manual and electronic), particularly in Electronic Point of Sales (EPOS) Systems. We have pursued the tax evaders involved with appropriate responses. Revenue will continue to confront this form of tax evasion by deploying new countermeasures, including the use of computer forensic tools.

New Third Party Information Sources

The extent of third party information available to Revenue for risk analysis purposes continues to expand. Under Regulations introduced in 2012, Merchant Acquirers[2] are required to provide details of all payments for goods and services received by businesses through payment cards (credit/debit cards etc.) whether in respect of online or the more traditional forms of business transaction. Returns for 2010, 2011 and 2012 are due by 30 April 2013.

In 2012, Revenue also extended its offshore investigation into the use of offshore credit and debit cards by Irish residents, particularly where the cards were issued by financial institutions based in traditional tax havens. High Court Orders were obtained requiring Merchant Acquirers to provide information on credit and debit cards issued from specified jurisdictions and which were used in the State in 2010 and 2011. The information received has been used to identify Irish residents holding offshore credit and debit cards. In the course of 2012, over 150 challenge letters were issued and the investigation is ongoing.

Real Time Risk Analytics

Real-time risk analytics involves implementing predictive models and associated business rules into back-office and public-facing systems to ensure that transactions entering the systems through any channel are risk assessed in real time.

The PAYE Real Time Risk Framework (RTRF), which was introduced in 2011, assists in the prevention of incorrect claims and the detection of under-declared income or incorrect claims in real time as opposed to after the event. Apart from the monetary savings achieved by not granting incorrect tax refunds and tax credits to claimants, significant efficiencies are also achieved as staff resources are not used up in the expensive task of recovering any incorrect refunds and credits from claimants. It is an innovative and groundbreaking system that has considerably improved the identification and management of risk associated with approving PAYE refunds and PAYE tax credits. The RTRF ensures that transactions entering the systems through any channel, e.g. through PAYE anytime or a paper-based refund request, are risk assessed in real time as they are processed by Revenue. In 2012, the RTRF was further improved and enhanced. Up to the end of December 2012, over 50,000 transactions were selected for checking. The checks undertaken resulted in savings of almost €3 million. Further enhancements to the framework are planned for 2013.

The Real Time Risk Framework was extended to VAT in 2012 to identify potential VAT fraud at the earliest possible opportunity. The VAT RTRF applies to both VAT repayable as well as VAT payable returns. From the first release in July 2012 to end December 2012, there was an increase of 14% in the level of risks identified from VAT returns examined over the equivalent period in 2011. This translated into a value gain (by way of reductions to VAT claims) of €2m.

The benefits arising from RTRF include:

- A reduction in incorrect refund and credits issuing, arising from the prevention and detection of non-compliance earlier and in real-time,
- Reduction in costs previously associated with investigating and retrieving payments,
- Improved customer service arising from more efficient processing of valid claims,
- Improved and more effective deployment of Revenue resources through better targeting of cases requiring manual intervention.

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[2] A Merchant Acquirer is an intermediary service provider, normally a bank, who provides a single interface for all card related matters to retailers, allowing them to accept debit/credit cards.

In June 2012, Revenue received a Public Service Excellence Award from the Taoiseach, Enda Kenny TD in recognition of the RTRF.

Radom Audit Programme

Revenue also undertakes an annual Random Audit Programme. The objectives of this programme, are to measure and track compliance with tax legislation and ensure that all taxpayers may be selected for a Revenue audit.

TABLE 13: RANDOM AUDITS COMPLETED - 2012 PROGRAMME

Yield Band	Number of Cases	% of Finalised Cases
Nil	177	71.08
< €2,000	39	15.66
€2,001 to €5,000	17	6.83
€5,001 to €10,000	5	2.01
€10,001 to €20,000	8	3.21
€20,001 to €50,000	3	1.21
> €50,000	0	0
Total	**249**	**100%**

CAP Audit

Under EU legislation, Revenue implements controls at the point of export of Common Agricultural Policy (CAP) goods and conducts an audit programme of CAP export refunds received by exporters. In the audit period July 2011 to June 2012, the commercial records of 7 selected CAP exporters were examined. These traders had received CAP export refunds amounting to €19.28 million in the period audited, representing approximately 84.5% of the total export refunds paid by the Department of Agriculture, Food and Marine.

Cooperation & Data Exchange between Revenue and the Department of Social Protection

The High Level Revenue/ Department of Social Protection (DSP) Liaison Group meets quarterly with the overall objective of deepening the co-operation between both organisations with a view to tackling the shadow economy, improving tax compliance and detecting welfare fraud. Both organisations seek to ensure that claim information submitted for benefits and tax credits is consistent. The High-Level Group also works to strengthen arrangements to ensure that information held in one organisation, and relevant to the other, for control programmes, claim validation procedures and debt recovery are readily available. In 2012, information relating to Deposit Interest earned and Form 46G (return of third party information) was made available to the DSP to facilitate validation projects on means-tested DSP claims (see Feature Article on **Pages 40 and 41**).

Special Investigations

The cumulative total recouped from the major ‘legacy’ investigation projects reached €2.7 billion. Details of the yield from these individual investigations are outlined in **Table 14**.

In 2012 Revenue continued its investigation into the use of offshore accounts and structures as a means of evading tax. The amount recovered in 2012 exceeded €18m. Three High Court orders were obtained in 2012 requiring the delivery of information and documentation relating to transfers of offshore funds. The use of offshore accounts is an issue for all tax administrations and Revenue continues to monitor developments in other jurisdictions in seeking to confront and tackle this serious issue.

The investigations involve the evaluation and interrogation of financial information and documentation relating to financial transactions and transfers of funds and the examination of structures and instruments used in the transmission of such funds. The focus is on identifying and examining the methodologies used to conceal taxable transactions and sources of income and gains and ensuring recovery of outstanding liabilities. The examinations have led to the uncovering of two cash extraction schemes – both involving the extraction of funds, without the payment of tax, from close companies. Both schemes are under investigation.

The yield from the Ansbacher investigations in 2012 was €3.25 million, bringing the total yield from this investigation to €112.69 million from 141 cases.

TABLE 14: SPECIAL INVESTIGATIONS

Investigation	Yield in 2012 €m	Cumulative Yield €m	Total Cases
Bogus Non Resident Accounts	0.52	649.05	12,175
Offshore Assets	12.81	985.01	15,134
Trusts and Offshore Structures	5.94	46.66	351
Life Assurance Products	3.98	489.65	5,548
Ansbacher	3.25	112.69	141
DIRT	-	225.00	25
Moriarty/Mahon	2.00	43.04	28
NIB	-	60.14	312
Interest Reporting	2.19	89.31	1,257
Total	**30.69**	**2,700.55**	**34,971**

Updating Revenue Records with Department of Social Protection Pension Information

Income tax legislation provides that a range of benefits payable under the Social Welfare Acts, including pensions, is taxable, subject to certain income thresholds. This means that where an individual has other sources of income – a salary or an occupational pension, for example - in addition to a Department of Social Protection (DSP) pension, the DSP pension may be liable to tax.

In 2011, Revenue carried out a pilot project, comparing a sample of cases in receipt of a DSP pension against Revenue records, to determine if the correct amount of tax was being paid. Following this exercise, under the exchange of information arrangements in place between Revenue and DSP, a file containing 560,000 pension payment records was supplied by the DSP in November 2011. This data was reviewed and matched to Revenue's records.

In three quarters of the cases there were no immediate concerns. 310,000 cases either had only a DSP pension or the DSP pension payment matched Revenue's records. A further 100,000 cases were in the self-assessment system and their 2011 tax returns were not due until October 2012.

In 150,000 cases taxed through the PAYE system the pension information did not match Revenue's records. The total amount of additional tax arising from the discrepancy was material in the aggregate, of significance to the Exchequer, and we had a responsibility to secure it. The Department of Finance was advised and an estimated amount of €45 million for 2012 was included in the Budget 2012 arithmetic.

Revenue's immediate priority was to ensure that these DSP pension recipients' affairs were regularised from 2012 onwards. In late December 2011, we informed those concerned that they were about to see a change in their take home pay or private pension and we sent tailored letters to 4 specific groups:

- 20,000 individuals who appeared to be paying too much tax,
- 30,000 individuals who had never previously reported their DSP pension to Revenue, and on the basis of information available to us, would pay more tax,
- 85,000 individuals who had reported their DSP pension but had under-reported or their circumstances had changed since they reported to Revenue, and
- 15,000 individuals who had not reported their DSP pension to Revenue, but as it appeared that their total income was less that the exemption limit for those over 65, they would have no liability. However, some tax could be deducted while we updated their records and prepared new tax credit certificates for them.

Included with each letter, was a copy of the person's 2012 tax credit certificate setting out details of their DSP income and tax credits. DSP pension recipients were urged to examine the information and to get in touch with Revenue if it was wrong. However, despite efforts to communicate a clear message to the persons concerned, the letters did, in some instances, cause confusion and distress. We acknowledged this and apologised for any distress caused.

The letters and resulting public coverage of the issue generated a significant amount of contacts for Revenue offices. For the first quarter of 2012, we handled 433,302 phone calls which is a substantially higher number than our call volumes for the same period in 2011. In response to the unprecedented demands for information from DSP pension recipients, we opened our telephone lines on Saturday 7 January 2012 and handled a large number of calls on the day.

(Continued on next page).

Updating Revenue Records with Department of Social Protection Pension Information (Ctd.)

Outcome:

- On the basis of 2012 P35 information received in February/March 2013, a provisional amount of €65 million in additional tax has been secured for the Exchequer from the cases we contacted. This may well increase.
- We repaid €1.13 million directly to 5,782 taxpayers and a significant additional number of taxpayers claimed refunds themselves.
- In March 2012, we began a project to review back years of the DSP pension cases. We began with cases with income of €50,000 in addition to their DSP pension. The project is now dealing with cases with income over €30,000 in addition to their pension. To date, the project has yielded a further €11 million approximately, as set out in the following table, and work is ongoing.

Annual Non-DSP Income	No. of Closed Cases	Overall Yield
> €50,000	2,676	€6,403,499
€40,001 - €50,000	1,627	€3,741,472
€30,001 - €40,000	1,067	€768,596
Total	**5,370**	**€10,913,567**

- A second project, using the same payments data provided by DSP in November 2011, has just commenced involving some 1,400 self-employed taxpayers.
- This project enabled us to begin to pre-populate paper and on-line tax return forms with DSP pension payment data.
- While the response from pensioners in January and February 2012 presented a challenge to our customer service staff, the outcome has resulted in significant updating of Revenue records where we had not previously been advised of changed circumstances.

Objective - Increase focus on the shadow economy

Growth in shadow economy activity reduces tax and duty revenues and impacts negatively on competitiveness and jobs. Shadow economy activity is often carried out by people and businesses already in the tax system and can occur across a range of economic sectors. It can range from businesses (including professions) understating their sales/income, under-declaring cash payments or paying their employees off the books, to individuals doing 'nixers' either in addition to their normal taxed employment or while also claiming Department of Social Protection payments.

In 2012, working in close cooperation with other State and International agencies and as part of our overall compliance programme, we continued to increase our focus on identifying shadow economy activity involving team based compliance interventions and visibility among the sectors and activities that pose the greatest risk to the Exchequer. We concentrated predominantly on sectors susceptible to shadow activity and maintained a very specific focus on cash businesses, prioritising the detection of serious sales suppression in pubs, restaurants, the entertainment and hospitality industries, checking the compliance of white-collar professionals, doctors, dentists, vets, solicitors and accountants, and the construction industries deploying a range of compliance activities such as:

- Risk analysis
- Covert surveillance
- Cold calls to businesses and venues, as well as pre-arranged aspect queries on specific issues
- Intelligence gathering
- Third party information
- Information exchange with other State agencies
- Audit and investigation programmes

We carried out in excess of 270 unannounced visits to specific areas, towns, streets, markets, fairs and special events with a focus on non-compliance with Revenue obligations (including registration for all appropriate taxes and excise and duties) and specifically, cash businesses. Over 1,400 separate businesses were visited. During these operations we identified and addressed risks in specific sectors such as couriers, security companies, nursing homes and solid fuel merchants. Direct outcomes from these operations included registering 165 people either as self-employed persons or employees, registering additional taxheads for 91 businesses, following up with 396 taxpayers with compliance issues and referring 86 cases to the Department of Social Protection for action.

Table 15 shows the results from a selection of audit and other risk interventions across a range of sectors.

TABLE 15: SUMMARY OF AUDIT RESULTS FOR CERTAIN SECTORS

Sector	No. of Audits	Yield €	Risk Management Interventions	Yield €
Construction	1,306	39,345,866	7,983	13,268,527
Retailers	848	22,367,954	3,245	5,618,576
Rental	733	42,006,751	2,338	3,562,954
Wholesalers	387	18,438,908	1,696	2,397,837
Pubs	281	6,690,505	652	623,609
Restaurants and Fast Food outlets	282	7,308,481	983	650,784
Doctors	132	4,363,468	179	187,059
Accounting, book-keeping and auditing Activities	124	4,032,146	459	511,994
Legal Activities	115	2,574,903	312	267,426
Total	**4,208**	**147,128,982**	**17,847**	**27,088,766**

Note: These results are included in overall results on Table 12

Mineral Oil Fraud

The predominant illicit activity in relation to mineral oil is the laundering of marked mineral oil to which a lower rate of mineral oil tax applies, and the sale of the laundered product as auto-diesel. This illicit activity poses a serious threat to the Exchequer, to legitimate trade and, because of the processes used in laundering, to the environment. Laundered diesel can also cause serious damage to car engines. Because of the scale of the threat posed by fuel laundering, Revenue adopted a comprehensive strategy to address the problem (see Feature Article on **Page 45).**

Joint Investigation Units

Joint Investigation Units (JIUs) have been operating since 1990. The Revenue numbers assigned to JIU activity stand at 32 full time officers involving 4 Regional teams, with officers based in each District. Their role is to carry out investigations into tax and PRSI non-compliance and fraud and the employment status of workers and to address areas where evidence suggests non-compliance shadow economy activity exists. Initially this work was carried out in conjunction with the Department of Social Protection (DSP). Since mid 2007, National Employment Rights Authority (NERA) officers have also been working with both Revenue and DSP Investigation Units. The Joint Investigation Units work collaboratively with these and other agencies including the Gardaí on multi-agency checkpoints to identify shadow economy activity.

Information and intelligence is shared and joint visits to construction sites and other businesses are carried out. Interventions range from joint profiling with our DSP colleagues in relation to issues such as identity fraud, to site visits. JIUs also work with NERA officers where appropriate when they are pursuing employment rights compliance issues.

JIUs carried out 6,677 interventions in 2012. Tax, interest and penalties amounting to €3,788,900 was collected and 1,074 new registrations for tax were made. Substantial savings also arise from the investigation of social welfare fraud and abuse.

Suspicious Transaction Reports

During 2012, 12,175 Suspicious Transaction Reports (STRs) were provided to Revenue by financial institutions and other designated bodies. Almost 65% of the Reports received were in electronic format. 56 reports received over a number of years are relevant to ongoing criminal investigations in tax and duty cases. In 2012, 159 cases in which STR’s figured were finalised with recovery of tax, interest and penalties amounting to €14.4m. Revenue and HM Revenue & Customs in the UK have continued the process of exchanging financial intelligence on STRs to facilitate the investigation and prosecution of persons suspected of laundering the proceeds of tax and duty fraud.

Working with key sectoral representative groups to identify significant shadow economy risks

Revenue has continued its policy of meeting with representative bodies with concerns about the impact of the shadow economy, and of non-compliant traders, on the legitimate trade of their members. At such meetings, the representative bodies are invited to provide insights and specific intelligence to support the targeting of Revenue’s compliance work, and structures are put in place for the provision of such information to the appropriate Government Agency.

In 2012, these representative bodies included the Retailers Against Smuggling, Irish Tobacco Manufacturers Advisory Committee, National Federation of Retail Newsagents, Irish Dental Association, the Irish Dental Hygienists Association, the Irish Hairdressers Association, the Irish Farm Contractors Association, the Irish Hospital Consultants Association, and the Irish Nursing Homes Association.

Hidden Economy Monitoring Group

The Hidden Economy Monitoring Group (HEMG) was first set up in 1990 at the request of the Central Review Committee of the Programme for National Recovery. It was a multi-agency group comprising of representatives of Government agencies, employers (IBEC, SFA, CIF) and trade unions (ICTU).

Between 1990 and 2011 the Group contributed to the establishment of multi-agency investigation units, produced a "Code of Practice for Determining Employment or Self-Employment Status of Individuals", and in 2007 sponsored legislation which provided for the exchange of employment information on the earned income of individuals between the Minister for Enterprise, Trade and Employment, the Minister for Social and Family Affairs and the Revenue Commissioners, the first steps into information exchange.

In November 2011, the Hidden Economy Monitoring Group set up four regionally based liaison groups. These liaison groups are chaired by Revenue staff and were established to facilitate greater local interaction and more immediate responses to insights and issues that may be highlighted.

The regional liaison groups include representatives from the Department of Social Protection (DSP), the National Employment Rights Agency, employer and employee representative groups and industry. These groups met 11 times during 2012 and are charged with dealing with the shadow economy issues that arise at local level, using whatever local resources are required.

Tackling the Fuel Laundering Problem

Fuel laundering to remove the marker added to lower-taxed mineral oil for off-road use has been a persistent problem over the years. However, it remained a marginal activity because the sulphur content of marked fuel was higher than that for road fuel and therefore the sulphur content continued to distinguish laundered fuel from genuine road fuel. Environmental requirements in relation to the sulphur content of fuel changed from the beginning of 2011, which resulted in marked fuel with the same sulphur content as road fuel coming onto the market. With this change, fuel laundering became more viable and criminal gangs intensified their laundering and distribution activities dramatically in the first half of 2011.

Because of the scale of the threat that this illegal activity poses, Revenue adopted a comprehensive strategy to tackle the problem. The strategy encompassed the following elements:

- The licensing regime for auto fuel traders was strengthened with effect from September 2011 to limit the ability of the fuel criminals to get laundered fuel onto the market.

- Following the enactment of new licensing provisions in the Finance Act 2012, a new licensing regime was introduced for marked fuel traders in October 2012, which is designed to limit the ability of criminals to source marked fuel for laundering.

- New Regulations were made specifying new requirements in relation to fuel traders' records of their stock movements and fuel deliveries.

- Following a significant investment in the required IT systems, new supply chain controls were introduced from January 2013. These controls require all licensed fuel traders, whether dealing in road fuel or marked fuel, to make monthly electronic returns to Revenue of their fuel transactions, which will provide assurance about the distribution of all fuels and identify suspicious or anomalous transactions and distribution patterns.

- Fuel laundering was targeted as an enforcement priority from early in 2011 and cooperation with other law enforcement agencies on both sides of the border was intensified with the objective of disrupting laundering plants and laundering networks as much as possible.

- Following discussions with HM Revenue & Customs in the UK on regulatory measures to tackle the problem, the two administrations signed a Memorandum of Understanding in May 2012 on a joint approach to finding a more effective marker for use in both jurisdictions and an Invitation to Make Submissions was published in June 2012. By the deadline in November 2012, 12 submissions had been received and these are currently being evaluated.

Outcome

Those parts of the enforcement strategy implemented since 2011 have already yielded results. In the two-year period to the end of 2012, 89 filling stations were closed because they were unlicensed or were in breach of licensing conditions, 20 fuel laundries were closed down and over 2 million litres of fuel were seized. In addition, 59 vehicles, including fuel tankers were seized and 25 persons were arrested.

The Director of Public Prosecutions has, to date, issued directions to prosecute on indictment in seven of these cases, two of which have resulted in convictions, one defendant receiving a two-year custodial sentence in 2012 and the other a two-year suspended sentence in early 2013. There were also 4 summary convictions of filling-station proprietors in the period. In 3 cases, the proprietor was convicted for selling laundered fuel as auto diesel and in the remaining case the proprietor was convicted for trading without a licence.

Objective - Improve detection of drugs and fiscal smuggling

The ongoing fiscal and safety threats associated with the smuggling of drugs, tobacco and counterfeit products that infringe Intellectual Property Rights constitute a strategic risk for the Government and Revenue. Illegal drugs pose a serious threat to the health and welfare of our society while the sale of illicit tobacco and counterfeit goods undermine legitimate commercial activity and have an adverse impact on the economic interests of the State. Countering these threats requires a range of responsive strategies and control actions including deployment of resources effectively and co-operation with national and international agencies, particularly with regard to sharing intelligence and best practice.

Drugs Detection

The quantity of cocaine seized by Revenue in 2012 was more than three times the total seized in 2011, in part due to an exceptional seizure of 423kg in June 2012. We made 80 drugs and illicit medicines supply level detections during the year, largely as a result of risk analysis and targeted interventions. There was a continued focus on illicit medicine smuggling, with seizure levels equivalent to those achieved in 2011. Revenue also continued an ongoing review, which had commenced in 2011, of its Memorandum of Understanding (MOU) agreements with the trade and logistics sectors. The purpose of the MOU programme is to enhance communication and cooperation with relevant trade bodies and to identify suspect movements while facilitating the movement of legitimate trade and passenger traffic. The effectiveness of the MOU programme was further enhanced during the year by the signing of 3 new agreements in addition to the review of 5 existing agreements.

TABLE 16: DRUGS SEIZURES IN 2012

Type of Drug	Number of seizures	Quantity (kg)	Value (€m)
Cannabis (Herbal & Resin)	1,814	1,477kg	12.6
Cocaine & Heroin	85	469kg	33.1
Amphetamines, Ecstasy & Other	6,307	183kg	3.6
Total	**8,206**	**2,129**	**49.3**

These figures include seizures made in joint operations with an Garda Síochána.

Cooperation with other Customs Services and law enforcement partners

In 2012, Revenue's Customs Service continued work with other countries and law enforcement partners in the fight against drugs and the smuggling of illicit medicine and firearms. This co-operation with international law enforcement, An Garda Síochána and the Irish Medicines Board resulted in 45 controlled delivery operations involving drugs, illicit medicines and firearms.

In June 2012, a joint Revenue/Garda container-targeting operation, which also involved the US Drugs Enforcement Administration, resulted in the seizure of 423kgs of cocaine and the arrest of three members of an Irish organised crime group. During the course of this operation Customs officers at Dublin Airport seized and detained €85,000 in cash linked to the main suspect.

Another joint Revenue/Garda maritime-targeting operation involved a number of international law enforcement agencies, including Spanish Customs and police, Dutch police, and the UK's Serious and Organised Crime Agency. The target vessel travelled from Ireland to Spain and on to Morocco where it took on board 700kgs of cannabis. This was seized by Spanish Customs in August 2012 and led to the subsequent arrest of six members of the organised crime group, including an Irish suspect.

Cigarettes and Other Tobacco Products

The smuggling and sale of cigarettes and other illicit tobacco products is a serious threat to legitimate businesses and to the Exchequer. A survey undertaken by Ipsos MRBI for Revenue and the Health Service Executive's National Tobacco Control Office indicates that 13% of all smokers were classified as having an illegal pack in 2012, and that a further 7% of all packs were legal Non-Irish Duty Paid (e.g. cigarettes legitimately brought into the State by persons arriving from other countries). The comparable figures from a similar survey carried out in 2011 are 15% and 8% respectively.

While the latest survey results suggest that the penetration of the cigarette market by illicit products is being contained or diminished, there is a continuing need for a wide-ranging programme of action against this illegal activity, and combating it will continue to be a high priority for Revenue.

Considerable success was achieved in this work during 2012. A total of 95.6 million cigarettes, with an estimated retail value of €43.3 million, were seized in 8,108 individual seizures. In addition, 5,276 kilograms of tobacco, representing 1,395 individual detections, and estimated to have a retail value of €1.95 million, were seized. Revenue also continued its programme of nationwide blitz-type operations in 2012. In the course of 4 operations, 1.9 million cigarettes, 1,038 kilograms of tobacco and 17 vehicles were seized, and two arrests were made.

Table 17: Excisable Products Seized in 2012

Product	Number of Seizures	Quantity	Value (€m)
Cigarettes	8,108	95.6 million	43.3
Tobacco	1,395	5,277kg	1.95
Alcohol (Beer, Spirits, Wine)	359	33,059 Litres	0.7
Illicit Mineral Oil	86	914,087 Litres	-
Oil Laundries	11	199,055 Litres(1)	-
Other(2)	7,068	-	-
Vehicles(3)	119	119	-

(1) Includes laundered, smuggled and marked mineral oil.
(2) Refers to non-Excisable commodities such as conveyances, counterfeit goods (excluding cigarettes) pornography, weapons and food.
(3) Vehicles seized for marked mineral oil offences

In the fight against the smuggling of illicit tobacco products, international cooperation with the European Anti-Fraud Office (OLAF) and the Customs services of other Member States was an ongoing feature in 2012. Work in this field was also facilitated by the Cross-Border Group on Tobacco Enforcement, which brings together all the relevant agencies in the State and in Northern Ireland concerned with combating illegal activity in the tobacco market.

Mutual assistance was provided in a number of investigations involving the smuggling of cigarettes and other tobacco products.

Cash Seizures

In 2012, there were 48 seizures of cash amounting to €1.2 million, mainly at airports and ports. This money is suspected as representing the proceeds of crime or intended for use in criminal activity. Following such seizures, an investigation is undertaken to establish the link to criminality with a view to securing a forfeiture order in the Courts. There were 29 cash forfeiture orders amounting to €714,510 granted by the Circuit Court in 2012. These orders mostly related to seizures made in 2010 (14 cases) and 2011 (9 cases), with the remainder dating from 2008 and 2009. Forfeiture applications in a further 18 cases, amounting to €1.1 million, were before the Courts at year-end.

Intellectual Property Rights

The production of counterfeit goods is a major area of criminal activity. Such goods are damaging to legitimate businesses and, because of the lack of regulation of the way in which they are produced, can pose serious health and safety risks to consumers. Seizures of counterfeit goods continued at a high level in 2012, with 5,580 seizures involving 142,110 items made during the year. The bulk of the seizures made were of items arriving into the country by post, reflecting the growth of internet purchasing. The estimated market value of the genuine equivalents of the goods seized was €5.4 million. The biggest category of items seized was body care products. Other major categories included shoes and clothing and mobile phones and other electronic goods.

Other Fraud

Revenue, in conjunction with the EU Anti-Fraud Office (OLAF), continued to tackle evasion and circumvention of EU Own Resources in 2012, with in excess of €500,000 being recovered. Investigations included the suspected undervaluation, misclassification and misdeclaration of origin on a range of goods imported from third countries.

Own resources are derived from customs and agricultural duties (these include common customs tariff duty, anti-dumping duty and countervailing duty, which Revenue administer on behalf of the EU). In addition, a fixed-rate portion of VAT receipts and a fixed-rate levy on gross national income (GNI) is transferred to the Own Resources fund.

CITES (Convention on International Trade in Endangered Species)

Some 21 CITES related seizures were made in the course of 2012. The purpose of CITES is to protect endangered species of fauna and flora through the regulation of international trade. More than half of the seizures related to importations of Hoodia Gordonii, an endangered plant species originating in southern Africa that is marketed as a food supplement. Other seizures included coral, conch shells and fashion accessories made from animal skin.

Objective - Prosecute for serious evasion and fraud

Serious Tax & Duty Evasion

Revenue investigates appropriate cases of serious tax and duty evasion with a view to prosecution and in 2012 there was a total of 50 convictions for serious tax and duty evasion, up from 30 in 2011. There were 25 convictions for serious tax offences in 2012. Custodial sentences were imposed in 9 cases ranging from 16 months to 6 years (with the final year suspended in the latter case). A further 7 cases received suspended custodial sentences ranging from 12 months to 3 years. In addition, fines of €452,750 were imposed.

There were 25 convictions for serious duty offences. Of these, custodial sentences ranging from 15 months to 6 years were imposed in 10 cases. (The six-year sentence was subsequently reduced to 2 years on appeal). A further 14 cases received suspended custodial sentences ranging from 2 months to 3 years. There were also fines of €6,000 imposed in 3 cases. Of these 25 convictions, 22 were for cigarette or tobacco related offences.

Thirty-five new investigations of suspected serious tax and duty evasion were commenced during 2012 and at year-end a total of 197 such cases were under investigation, under consideration by the DPP, with DPP directions, or in the court process.

Table 18: Prosecutions for Serious Evasion 2012

During 2012	Tax	Duty	Total
No. of convictions obtained	25	25	**50**
No. of cases referred to DPP	10	2	**12**
No. of cases for which DPP issued directions	8	6	**14**
Total	**43**	**33**	**76**
At year end			
No. of ongoing investigations	126	9	**135**
No. of cases being considered by DPP	3	0	**3**
No. of cases where directions issued by DPP but not yet in courts process	14	7	**21**
No. of cases before the Courts	13	24	**37**
Bench warrants in place	1	0	**1**
Total	**157**	**40**	**197**

Summary Criminal Prosecutions

There were 509 convictions for summary excise and summary customs offences in 2012. Custodial sentences were imposed in 18 cases. A further 7 cases received suspended sentences. In addition, fines totalling €1.05 million were imposed. Of the 509 convictions, 50 were for cigarette or tobacco smuggling and 60 for cigarette or tobacco selling.

There were 29 convictions for summary tax offences resulting in Court imposed fines totalling €58,161. The offences included fraudulent medical expenses claims, failure to produce a Statement of Affairs and non-production of books and records.

TABLE 19 : SUMMARY CRIMINAL CONVICTIONS 2012

Summary cases	No. of successful convictions
Cigarette Smuggling	50
Cigarette selling	60
Alcohol smuggling	4
Counterfeit Spirits	7
Commercial Oil	1
Marked Mineral Oil	211
VRT	21
Excise Licence	155
Tax Cases	29
Total	**538**
Total fines imposed	**€1,111,601**

Alcohol Fraud

In 2012, there were 359 seizures of alcohol amounting to 33,059 litres and with a value of €0.7 million. There were 4 criminal convictions imposed for alcohol smuggling resulting in fines of €10,000.

Vehicle Registration Tax (VRT) Evasion

A total of 1,181 vehicles were seized during the year, resulting in payment of €571,920 in penalties for the release of seized vehicles. 15,470 vehicles were challenged and 759 written warnings were issued. There were 21 convictions for VRT offences, which resulted in Court fines of €61,000. Among the VRT anti-evasion activities in 2012 were two national VRT blitz operations that yielded the following results:

- 3,351 vehicles were challenged,
- 293 vehicles were seized for failure to register /pay VRT,
- 254 warnings were issued to regularise vehicles,
- €102,000 in penalties and on condition of registration and payment of VRT,
- €58,708 VRT collected.

Civil Penalties & Criminal Prosecutions for not Filing Returns

- P35 Penalty Programme: In 2012, civil penalties were imposed in 607 cases (600 in 2011) to a total value of €2.4 million (also €2.4 million in 2011) for failure to lodge P35 returns by the due date.

- VAT Penalty Programme: In 2012, civil penalties were imposed in 110 cases to a total value of €440,000 for failure to submit Annual Direct Debit VAT returns by the due date (€496,000 in 124 cases in 2011).

- VAT/P35 Prosecution Programme: A total of 116 cases were successfully prosecuted during 2012 for failure to file VAT 3's and P35's. The total value of the fines imposed was €861,450 (141 cases with a value of €943,850 in 2011).

- Of 12 cases of Intrastat non-compliance referred to the Revenue Solicitor's Office for prosecution, settlements were reached in 8 cases before going to court, yielding €17,190. The remaining 4 cases went for court hearing and yielded fines of €9,605.

- 929 convictions were secured and fines totalling €2.26 million imposed for the non-filing of Income Tax, and Corporation Tax returns. Overall prosecutions and fines imposed were down on 2011 levels by 14.3% and 12.4% respectively.

TABLE 20: PROSECUTIONS FOR THE NON-FILING OF INCOME TAX, CORPORATION TAX AND RELEVANT CONTRACTS TAX RETURNS

	IT 2012	CT 2012	RCT 2012	IT 2011	CT 2011	RCT 2011
Revenue Solicitor warning letters issued	12,522	2,019	314	14,421	1,820	644
Cases referred for the institution of legal proceedings	1,117	98	14	1784	153	15
Convictions	865	64	0	1,003	77	3
Value of Fines imposed	€2,120,377	€140,350	0	€2,387,935	€183,150	€10,000

Objective - Detect and challenge abusive tax avoidance

Aggressive tax planning and unintended use of legislation can lead to outcomes which present real risks to the tax base and the perceived fairness of the tax system. Revenue continues to identify such arrangements and challenges them, or recommends strengthening legislation where appropriate. For example, measures were enacted in the Finance Act 2012 to counter avoidance of Capital Gains Tax on the disposal of company shares, where the shares are exchanged for units in a collective investment undertaking.

Enquiries into potential tax avoidance transactions continued throughout 2012, including enquiries into:

- Financial transactions resulting in capital losses from a scheme involving Irish Government Gilts and foreign exchange financial instruments that give rise to a potential loss of Capital Gains Tax of approximately €110 million.

- Financial transactions using a slightly different scheme that also give rise to capital losses with a potential tax loss of Capital Gains Tax of approximately €28 million.

As a consequence of enquiries into the potential tax avoidance transactions mentioned above, 24 Notices of Opinion under our general anti-avoidance legislation (Section 811 TCA 1997) were issued in 2012.

Table 21: Anti-Avoidance

Avoidance schemes challenged	2012	2011
Number of schemes under challenge at start year	50	48
+ New schemes challenged during year	1	3
- Decisions on challenge taken during year	7	1
Number of schemes under challenge at year end	44	50

Legislative Challenge Successfully Defended

Revenue successfully defended a judicial review of the process Revenue deployed in challenging transactions under the general anti-avoidance provisions, contained in section 811 of the Taxes Consolidation Act 1997. In November 2012, the High Court found in favour of the Revenue Commissioners and found the Applicant was not entitled to any of the reliefs sought. The Applicant had sought an order quashing Revenue's notice of opinion, issued by a nominated officer of Revenue, that a number of transactions entered into by the Applicant and his wife together constituted a tax avoidance transaction for the purposes of section 811. The issuing of the notice of opinion had the consequence of the withdrawal of a tax advantage of over €6 million. The High Court found that the notice of opinion issued by the nominated officer of Revenue concerning these series of transactions complied with the requirements of section 811 of the Taxes Consolidation Act. The High Court further found that there was no evidence that the officer who had formed the opinion was tainted by pre-judgment or bias and there was no breach of natural or constitutional justice. The Applicant has appealed the High Court decision to the Supreme Court.

Protective Notifications under Section 811A of the Taxes Consolidation Act 1997

The primary purpose of the protective notification regime is to encourage taxpayers to notify Revenue in relation to transactions that may involve tax avoidance. During 2012, a total of 48 Protective Notifications were received. Many of these related to the same or similar types of transactions and in some instances the same taxpayer was involved in a number of these different transactions. The details of these transactions are currently being examined in Revenue and in some cases further information has been sought and obtained from the taxpayers concerned.

Mandatory Disclosure of Certain Transaction Legislation

New legislation requiring mandatory disclosure by promoters of tax-based transactions that meet certain ‘hallmarks’ came into effect on 17 January 2011. Promoters are required to disclose details to Revenue within a short time frame of the transaction being first marketed or used. The purpose of the new rules is to act as an ‘early-warning’ system for transactions which may be part of tax avoidance schemes. It complements the existing scheme of voluntary disclosure by way of Protective Notifications. To date, 8 Mandatory Disclosures have been received.

Strategy 4 - Contribute to Ireland's economic development

Revenue's role in contributing to Ireland's economic and social development involves more than collecting taxes and duties and implementing Customs controls. We work hard to ensure that our programmes and services provide maximum support to Government policies that encourage inward and indigenous investment and boost competitiveness, with the ultimate aim of promoting growth and facilitating economic recovery.

We assist the Department of Finance in the formulation of tax policy by supplying advice, policy options and costings and by recommending changes to the tax and duty codes that support compliance, reduce complexity and facilitate the move to e-services. Our advice and recommendations are based on a sophisticated understanding of tax administration and a thorough grasp of the wider commercial and financial environment.

Revenue supports the implementation of Government policies and programmes by working closely with a wide range of Departments, agencies and other national forums.

Our international role includes extending the network of double taxation agreements and tax information exchange agreements. In the context of the Government strategy of engagement with the international community, we contribute to the work of the EU, the World Customs Organisation (WCO) and the OECD in the areas of policy formulation and legislative development. We constantly strive to promote Ireland's interests and to ensure that they are taken into account at the highest level. In June 2012, Revenue Chairman Ms. Josephine Feehily was re-elected Chairperson of the World Customs Organisation and in November she became Chair of the OECD's Forum on Tax Administration.

Key Results

- Extensive taxation and customs work programme prepared for Ireland's Presidency of the EU.
- Provided advice and drafted legislation for the Finance Act 2012 and the Finance (Local Property Tax) Act 2012.
- Made provision for move to a system of full self-assessment for Income Tax, Corporation Tax and Capital Gains Tax (subject to exemption for certain smaller cases).
- Participated in negotiations with the United States Treasury to conclude an Intergovernmental Agreement on the application of FATCA to Irish Financial Institutions.
- Signed Double Taxation Agreements (DTA) with 3 new countries bringing the number of signed comprehensive DTAs in place to 68.

Objective - Provide high quality policy advice and legislation

Revenue plays a pivotal role in both the formulation of tax policy and the drafting of legislation. We analyse and cost Budget and Finance Bill proposals, advocate policy changes based on our experience in administering the tax code, and prepare draft legislation and associated briefing materials.

Budget and Finance Act 2012

Revenue assisted the Department of Finance in the delivery of Budget and Finance Act 2012 through the provision of policy advice, technical support and draft legislation on a broad range of measures. These included:

- Clarification of the tax treatment of transactions in carbon credits under the EU Emissions Trading Scheme.
- Extension of unilateral relief for double taxation on leasing income.
- Enabling treasury companies to receive a tax deduction for interest paid to companies established in non-Treaty territories.
- Amending the Research and Development tax credit to a *volume* basis (i.e. total expenditure rather than increase in expenditure qualifying) for the first €100,000 R & D expenditure and to enable surrender of R & D tax credit to key employees.
- Amending the Film Relief Scheme to ensure companies provide compliance reports to Revenue before any return to investors is paid.
- Making provision for a Vehicle Registration Tax Export Repayment Scheme.
- To address the problem of fuel laundering, the introduction of new Mineral Oil Tax provisions for the licensing of fuel traders and to require them to maintain records on fuel receipts, deliveries and sales and provide monthly returns to Revenue of movements in their fuel stocks.
- Making provision for the application of a reduced rate of VAT on charges for Open Farms & Built and Natural Heritage Facilities.
- A Reverse Charge on Supplies of Construction Services between connected persons.
- Changes to pension taxation, including an increase in the annual imputed distribution applying in certain cases to Approved Retirement Funds and the extension of the imputed distribution regime to vested Personal Retirement Savings Accounts.
- The introduction of a restriction in the use by passive investors of accelerated capital allowances under any of the property or area-based tax incentive schemes.
- The modernisation and simplification of the pre self-assessment assessing rules and the self-assessment rules relating to direct taxes - Income Tax, Corporation Tax and Capital Gains Tax - in order to provide for a common integrated set of rules for those taxes.
- Moving to a system of full self-assessment for Income Tax, Corporation Tax and Capital Gains Tax (subject to exemption for certain smaller cases).
- Self-Assessment for Stamp Duty together with sundry reliefs and exemptions.
- Measures relating to Capital Gains Tax. These included amendments in relation to: the location of assets, contingent liabilities, relief for disposal of a business or farm on retirement, relief for disposals within a family of a business or farm. An anti-avoidance provision in relation to non-resident trusts was also introduced.

- The Capital Acquisitions Tax (CAT) measures included the extension of Discretionary Trust Tax to foundations, the application of Discretionary Trust Tax from the date of death in the case of a discretionary trust created in a will, as well as anti-avoidance provisions for CAT and Discretionary Trust Tax.

- A number of measures relating to Revenue powers were contained in the Act. These included requirements for certain persons to provide security in respect of taxes, and to enable a Revenue officer to apply to the District Court for an order requiring certain persons to provide information /documents. The Act strengthened Revenue's powers to require returns of information from investment undertakings as well as details from merchant acquirers of all payments for goods and services received by businesses through payment cards (credit/debit cards etc.) whether in respect of online or the more traditional forms of business transaction.

Budget 2013

Revenue provided extensive advice to the Department of Finance on a range of proposals in preparation for the 2013 Budget and assisted in the preparation of Budget Day Financial Resolutions, including:

- Restructuring of Vehicle Registration Tax (VRT) bands and increases in the rates.

- Rate changes in tobacco and alcohol product tax.

- Introduction of a diesel rebate scheme for hauliers.

- Extension of carbon tax to solid fuels.

- Restriction of Top Slicing Relief.

- Amendments to Universal Social Charge.

- Taxation of Maternity Benefit with effect from 1 July 2013.

- Enhancement of the 3-year Corporation Tax relief for start-up companies to allow any unused relief to be carried forward.

- Increase in the *de minimis* limit on undistributed income which a close company may retain without surcharge and a similar increase in the limit for certain service companies.

- Increased rates of DIRT and exit taxes on investments in life assurance policies and investment funds.

Finance (Local Property Tax) Act 2012

In July 2012, the Government decided that Revenue would have responsibility for all aspects of the new 'local property tax' (LPT), including administration, collection, enforcement and audit.

Details of the tax were announced in Budget 2013 and the Finance (Local Property Tax) Act 2012, which was drafted by Revenue, was enacted on 26 December 2012. It is a substantial piece of work that was completed in a very tight timeframe. It was the result of extensive collaboration between Revenue and several Government Departments. One of the key provisions is for LPT to be deducted at source from certain State payments made by the Departments of Social Protection and Agriculture, Food and the Marine. The Act also provides for the cessation of the Household Charge and for the collection in due course of any unpaid charge at 1 July 2013 by the Revenue Commissioners.

Constitutional Challenge Successfully Defended

Revenue also successfully defended a constitutional challenge to the legislation that provides the mechanism for the valuation of second-hand vehicles for Vehicle Registration Tax purposes. In the action, the plaintiff challenged the legislation on the grounds that it was unconstitutional and in breach of the plaintiff's property rights under the Irish Constitution, that it lacked fair procedures, and that it was secretive and not transparent. The plaintiff also challenged the legislation under European Union Law. The proceedings commenced in 1995 and ultimately the plaintiff made a claim for alleged loss and damage of €131m in 2011. The case was heard for 33 days in May to June 2012 before the High Court. The case was fully defended by the Revenue Commissioners and the State defendants. Extensive evidence, including expert evidence, was adduced by both the Plaintiff and Defendants in the case. On 15 March 2013, the High Court gave judgment dismissing the plaintiff's claim in its entirety.

Review of Film Relief

During 2012, Revenue assisted the Department of Finance in carrying out a review of the Film Tax Relief Scheme. As a result of this review, the Minister for Finance announced in his Budget Speech that the scheme will be extended to 2020 and will move to a tax credit model in 2016, replacing tax relief to investors with direct relief in respect of expenditures undertaken on film production.

Statutory Instruments

A list of Statutory Instruments made in 2012 is shown in **Appendix 2**.

Other Legislation

Revenue provided observations and assistance in relation to a wide range of legislation proposed by other Departments, for example:

- Personal Insolvency Bill 2012.
- Civil Registration (Amendment) Bill 2012.
- Health Insurance (Amendment) Bill 2012.
- Companies Bill 2012.
- Credit Reporting Bill 2012.
- Betting (Amendment) Bill, 2012.

Engagement with Other Stakeholders

In 2012, Revenue consulted with the representative bodies of tax practitioners and other interested parties on a number of important initiatives to speed their progress through the legislative process. We avail of formal and informal contacts, including the Tax Administration Liaison Committee and the Customs Consultative Committee.

Some of the major consultation exercises involving Revenue during 2012 are listed below:

- The Foreign Account Tax Compliance Act (FATCA) is a new United States reporting and withholding regime, the aim of which is to ensure tax compliance among US persons who hold offshore accounts. The Act requires all Financial Institutions outside the US, who carry on business in or with US Financial Institutions, to report to the US tax authorities (IRS) in respect of financial accounts held with them by US persons. Direct reporting by foreign financial institutions to the IRS would result in a significant administrative burden for such companies and would also result in data protection issues. As a result, a number of countries decided to enter bilateral intergovernmental agreements with US to enable the exchange of such information. Along with the Department of Finance, Revenue participated in negotiations with the United States Treasury to conclude an Intergovernmental Agreement on the application of FATCA to Irish Financial Institutions. The agreement provides that Irish Financial Institutions will report to Revenue in respect of US account-holders and, in exchange, US Financial Institutions will be required to report to the US Internal Revenue Service in respect of any Irish-resident account-holders. The two tax authorities will then automatically exchange this information on an annual basis commencing in 2015 in respect of transactions undertaken in the 2013 and 2014 calendar years. The agreement was signed by the Minister for Finance, on behalf of the Government, on 21 December 2012.

- Tax practitioners, financial institutions (including NAMA) and insolvency practitioners on the tax treatment of receiverships.

- Revenue participated actively in the consultation undertaken in 2012 by the Department of Finance on tax relief for donations to approved bodies under section 848A of the Taxes Consolidation Act 1997. Approved bodies are eligible charities, educational institutions, bodies approved for education in the arts by the Minister for Finance and other entities listed in Schedule 26A Taxes Consolidation Act 1997.

Contributing to Cross-Departmental Policies and Programmes

Revenue supports the implementation of Government policies and programmes by working closely with a wide range of Departments, agencies and other national forums, such as:

- The Advisory Group on Tax and Social Welfare, which is addressing specific issues around the operation and interaction of the tax and social protection systems,

- The Tax Strategy Group, an interdepartmental committee tasked with examining and developing proposals for measures in the areas of taxation, PRSI and levies for Budgets and Finance Bills within agreed Government parameters.

- The Inter-Departmental Group on Property Tax – Established in January 2012 by the Minister for the Environment, Community and Local Government, Phil Hogan TD, and chaired by Dr. Don Thornhill, the Group was tasked with considering the design of a property tax to replace the household charge.

- The Irish Auditing and Accounting Supervisory Authority (IAASA), where Revenue is a Board member.

- The IFSC Clearing House Group - mandated to identify and consider issues of importance to the long-term development of the international financial services industry in Ireland, including the strategic development of new business areas and opportunities.

- The Company Law Review Group - a statutory expert body charged with advising the Minister for Jobs, Enterprise and Innovation on the review and development of company law in Ireland.

- Oversight Forum on Drugs - The primary role of the Oversight Forum on Drugs chaired by Alex White, TD, Minister of State with special responsibility for Primary Care (Department of Health), is high level monitoring of the implementation of the Government's National Drugs Strategy for 2009 - 2016. Revenue continues its commitment to supporting the National Drugs Strategy as a member of the Forum, advising on illicit drug/medicine supply reduction issues and emerging threats.

- The Export Trade Council, led by the Department of Foreign Affairs and Trade, which was established in 2011 to strengthen co-operation and co-ordination across key Departments, State Agencies and the private sector, with a view to further developing and promoting trade and exports.

Objective - Extend tax treaty network

Double Taxation Agreements (DTAs) seek to eliminate or minimise double taxation that might arise for taxpayers operating across national borders. They cover direct taxes, which in the case of Ireland are Income Tax, Corporation Tax and Capital Gains Tax. DTAs encourage economic ties between countries by making it easier for companies to trade and invest internationally. They also provide for more certainty for companies with cross-border operations and are important enablers for encouraging linkages between economies.

By the end of 2012, Ireland had signed comprehensive Double Taxation Agreements with 68 countries. Progress in 2012 on extending the tax treaty network was as follows:

- Irish ratification procedures were completed for 3 new Double Taxation Agreements in March 2012. These were with Armenia, Panama and Saudi Arabia. Ratification procedures were also completed in March 2012 for a replacement Double Taxation Agreement with Germany.

- 3 new Double Taxation Agreements were signed in 2012. These were with Egypt (on 9 April 2012), Qatar (on 21 June 2012) and Uzbekistan (11 July 2012). In addition, a Protocol to the existing Double Taxation Agreement with Switzerland was signed on 26 January 2012.

- Negotiations were held with Thailand to finalise a long-standing draft Double Taxation Agreement that had stalled for some years. Negotiations were also held with the Netherlands (on the replacement of the existing treaty) and with India (on a Protocol to the existing treaty). A Protocol to the Double Taxation Agreement with Belgium was finalised in 2012.

Work also continued in 2012 on the extension of Ireland's Tax Information Exchange Agreement (TIEA) network.

- Ratification procedures were completed for 2 new TIEAs in March 2012 with Grenada and Vanuatu.

- 2 new TIEAs were signed in 2012 - with San Marino on 4 July and with Montserrat on 14 December.

- Negotiations for 2 new TIEAs – with St. Kitts & Nevis and with Costa Rica – were advanced in 2012.

Mutual Assistance

Ireland has a wide network of agreements that provide for exchange of information in tax and customs matters. Most exchanges take place on foot of a request for information. The majority of requests received were dealt with within the timeframes laid down by the relevant international standard. See **Table 22**: Mutual Assistance Requests.

TABLE 22: MUTUAL ASSISTANCE REQUESTS

Mutual Assistance Request	Received 2012	Received 2011	Sent 2012	Sent 2011
From/to EU Member States	2,705	3,872	925	1,247
From/to other countries	131	78	29	46
Total	**2,836**	**3,950**	**954**	**1,293**
Europol Requests	313	207	87	43

Objectives - Contribute to successful EU Council Presidency in 2013 & Advance Ireland's tax and customs policy agenda at EU, OECD, WCO and international fora

Revenue participates at many levels internationally and plays a considerable role in shaping policy development and implementation. Our aim is to advance the Government's tax and customs policy agenda to support competitiveness and facilitate trade. Our participation also enables us to leverage the experiences and successes of other tax and customs administrations when designing Revenue's compliance and seizure programmes.

Ireland's Presidency of the EU in 2013

Revenue is playing an active part in the planning and delivery of an effective EU Presidency. In 2012 we worked closely with the Department of Finance and other Departments in the preparation of an extensive work programme for the Presidency on taxation and customs. We also actively engaged with various stakeholders in this regard, including the Commission, Council Secretariat, Trio Partners and other Member States. During the course of the Presidency, Revenue is chairing 8 Council Working Groups covering various taxation and customs issues and we are providing technical support for a further 7 Council Working Groups. Issues being examined by these Groups include proposals for a Common Consolidated Corporate Tax Base (CCCTB), a Financial Transactions Tax, the European Commission's Action Plan on Tax Fraud and Evasion, a Quick Reaction Mechanism in relation to VAT Fraud and a new Customs Code for the Union. We also hosted a high-level seminar in Dublin on Customs Risk Management. Our overall approach will be to advance the EU agenda and facilitate progress, where possible, on the various taxation and customs dossiers.

Tax Policy

Revenue plays a significant role in assisting and advising the Department of Finance in the formulation of Ireland's stance in relation to taxation policy and legislative developments at EU level. During 2012, Revenue participated in discussions on a number of key initiatives, including:

The Commission White Paper on the Future of VAT

The European Commission published a Communication on the Future of VAT in December 2011. The purpose of the Communication is to set out a blueprint for the reform of the VAT system in the EU with a particular focus on the single market. The Communication includes specific proposals on addressing fraud, the structure of VAT rates, standardising VAT returns and proposes that the definitive system of VAT is based on the destination principle i.e. taxed where consumed.

The Commission has established a Group on the Future of VAT, in which Member States contribute to the policy discussions for the implementation of the Commission Strategy. Revenue participated in two meetings of this Group in 2012.

A Quick Reaction Mechanism to address VAT fraud

The Commission published a proposal in July 2012 to provide Member States with the option of applying to the Commission for a Quick Reaction Mechanism to enable a tax authority to address the risk of sudden and massive fraud. The EU Council Working Party on Tax Questions has discussed this proposal on a number of occasions. This proposal will continue to be progressed during the Irish Presidency.

Financial Transactions Tax

The draft Financial Transactions Tax (FTT) Directive published by the EU Commission in September 2011 is designed to harmonise Financial Transaction Taxes at EU level and create a new revenue stream for the EU budget. Revenue engaged in the technical analysis at EU level while liaising with the Department of Finance and the financial services sector in relation to policy concerns. In the absence of agreement on the Commission's draft Directive at EU-27 level, the Economic and Financial Affairs Council (ECOFIN), at its meeting in January 2013, agreed to initiate discussions on the introduction of an FTT under the *enhanced cooperation* procedure and these discussions will be progressed under the Irish Presidency.

Commission proposal for a Common Consolidated Corporate Tax Base (CCCTB)

A Council Working Group of tax experts - at which Revenue, along with the Department of Finance, is represented - is examining the Commission's proposal for a draft Directive on CCCTB. The Group has completed a first technical reading of the draft Directive and the Irish Presidency is taking forward the work on this dossier with a view to facilitating further discussion and examination of the proposal.

EU Administrative Cooperation in the field of Taxation

Council Directive 2011/16/EU on administrative cooperation in the field of taxation was transposed into Irish law by Statutory Instrument No. 549 of 2012. Revenue continues to take part at EU level in discussions on the practical implementation of the Directive and Revenue is also taking measures to implement the provisions of the Directive at national level.

Code of Conduct Group on Business Taxation

Revenue, together with the Department of Finance, participates in the Code of Conduct Group on business taxation, which is aimed at eliminating measures that are considered to represent harmful tax competition. The Irish Presidency will facilitate the continuing work of the Code of Conduct Group, including chairing a technical sub-group examining issues in relation to hybrid entities that give rise to avoidance opportunities.

EU Transfer Pricing Forum

The Forum is a joint meeting of EU Member States and representatives from business. The Forum works to ensure the smooth operation of the EU Arbitration Convention, the purpose of which is to relieve double taxation where two Member States tax the same profits. Revenue participates in this Forum.

OECD's Committee on Fiscal Affairs (CFA)

The Committee on Fiscal Affairs (CFA), which comprises groups of experts from participating countries, sets and manages the OECD's work programme in the tax area. In 2012, Revenue continued its participation at meetings of the CFA and its various working parties which cover tax treaty issues, tax policy analysis and statistics work, the taxation of multinational enterprises (transfer pricing), consumption taxes, and exchange of information and tax compliance. Revenue also participated in the steering group on aggressive tax planning and in the Task Force on Tax and Crime which dealt with issues related to money laundering, capacity building and domestic inter-agency cooperation.

OECD's Forum on Tax Administration (FTA)

Comprising of Commissioners from 43 OECD and non-OECD countries the OECD's Forum on Tax Administration is the premier international body in the field of tax administration and identifies, discusses and influences relevant global trends and develops new ideas to strengthen tax administration around the world. Its aim is to improve taxpayer services and tax compliance by helping tax administrations increase the efficiency, effectiveness and fairness of tax administration and reduce the costs of compliance.

Revenue continues to be an active participant in all aspects of the FTA's work. In November 2012, Revenue Chairman Ms. Josephine Feehily succeeded Mr. Douglas Shulman of the Internal Revenue Service, United States, in the role as Chair of the FTA. Throughout 2012, Revenue contributed to a number of the Forum's projects. These included:

- Improving tax compliance for Small and Medium Enterprises,
- Using the tools of Lean/ Six Sigma to improve service demand management,
- More effective practices and initiatives focusing on offshore compliance,
- Development of operational methods and procedures for the management of High Net Worth Individuals,
- Further developing risk assessment and the effectiveness of compliance initiatives in regard to Large Businesses.

The FTA 'Small and Medium Enterprise' compliance sub-group, had undertaken a project to explore the possible benefits to a Tax Administration and to a society in general, in evolving a philosophy of 'Engaging and Involving' SME taxpayers and stakeholders in the design and co-production (delivery) of new systems and forms. A final report will be presented to an FTA meeting in Moscow in May 2013.

Global Forum on Transparency and Exchange of Information for Tax Purposes

The Global Forum brings together over 115 countries that are committed to combating tax evasion and implementing standards of transparency and effective exchange of information for tax purposes. Ireland continued to participate in the work of the Global Forum in 2012.

The Intra-European Organisation of Tax Administrations (IOTA)

IOTA is an intergovernmental organisation whose mission is to promote cooperation between tax administrations in the European Region, to provide a forum for the discussion of tax administration issues and to support the development of its 46 member administrations.
The theme of the 16th IOTA General Assembly, held in Norway in July 2012, was 'Good Governance - the Way Forward for Tax Administrations Moving from Reactive to Proactive Approaches'. At this Assembly, Ireland was elected onto the Executive Council of IOTA for the 2012-13 term. The main focus of the IOTA work programme is on the sharing of good practice in practical areas of tax administration with the aim of strengthening and modernising all tax administrations. During 2012, Revenue assisted in the preparation of, presented at and participated in workshops on a wide range of topics covering all aspects of tax administration, including *the Use of Forensic Tools and Techniques to Combat Fraud*; *Using Communication to Influence Taxpayer Culture*; and *the Development and Maintenance of Data Warehouses within Tax Administrations*. Revenue was also represented in Area Groups on Debt Management and Strategic Management and Benchmarking, and assisted other member administrations by providing comprehensive answers to numerous technical enquiries.

Customs Policy

World Customs Organisation

At its Council Session in June 2012, Revenue Chairman Ms. Josephine Feehily was re-elected Chairperson of the World Customs Organisation (WCO), one of the largest intergovernmental organisations in the world with 179 Member Countries. During 2012 the WCO worked on developing international Customs policy, building trade facilitation mechanisms, enhancing supply chain security, protecting intellectual property rights and assisting in the modernisation of Customs administrations worldwide through capacity building and other initiatives.

Customs 2013 Programme

Revenue participated fully in the Customs 2013 Programme during 2012. This Programme is a tool designed to support strengthened cooperation between national administrations and the European Commission and support the establishment of trans-European IT Systems and EU eLearning modules. It connects customs services across borders, fosters the exchange of information and ensures that EU rules are implemented and applied in a uniform manner.

Administrative Cooperation

At EU level, meetings of the Electronic Customs Group, the High Level Steering Group and the Customs Policy Group were held. Pending the implementation of the Union Customs Code, scheduled for 2013, business process modelling of all areas of Customs activities continued, as also did the work on finalising the EU IT Master Plan that will outline the main areas of IT activity up to 2020.

The Working Party on Customs Union (CUG)

The CUG is a preparatory body within the Competitiveness Council and its principal role is to examine and seek agreement on customs proposals put forward by the Commission. In addition it also coordinates a EU position for international customs meetings such as the WCO. In 2012 Revenue contributed to discussions at 25 CUG meetings under the Danish and Cypriot Presidencies. The following proposals were presented and discussed in 2012 and are the principal issues under the Irish Presidency in 2013:

- **Union Customs Code (UCC) -** The UCC is designed to simplify and modernise customs procedures in support of business and the EU growth agenda. Following detailed discussions in the CUG a compromise text on the proposal was produced in December and discussions towards final agreement will be advanced in 2013.

- **Customs 2020 -** This is a proposal to establish an action programme in the EU for the period 2014 – 2020. The programme will replace the existing Customs 2013 programme from January 2014. Detailed discussions on the proposal took place in the CUG and a compromise text was agreed. Discussions with the Commission and the European Parliament will be held during the Irish Presidency.

- **Intellectual Property Rights (IPR) -** The Commission produced proposals to amend the existing legislation in January 2012 and following detailed discussions a compromise text was agreed at CUG. Subsequent discussions with the Commission and the European Parliament resulted in agreement on the proposal and the new Regulation will be finalised during the Irish Presidency.

Enabler 1 – People and Structures

We work hard to ensure that Revenue's business needs are met by having the right people with the right mix of skills and competencies in the right places, and that we have the flexibility to re-deploy our resources to match business risks. This is a particular challenge in the context of Government policy on civil service numbers, combined with incentives and opportunities to retire. Our organisational structures continue to evolve to support our strategies and respond to changing demands and our systems support quality customer services and sharply focused compliance programmes.

Revenue's staffing was 5,732 full time equivalents at 31 December 2012, a 13% reduction since 2008. During the year 282 staff retired resulting in a loss of experience and gaps in critical skills. Our main focus was on replacing lost skills through capability building and adjusting structures. We also succeeded in filling a number of critical skill gaps through open recruitment at Principal, Assistant Principal and Administrative Officer levels.

We progressed the Public Sector Reform agenda and implemented our Public Service (Croke Park) Agreement Action Plan and decisions arising from the 2011 Comprehensive Review of Expenditure.

Key Figures

- Revenue's serving staff number reduced by 230 from 5,962 to 5,732 during 2012
- The total expenditure on training and development in 2012 amounted to €5.78 million, representing 2.05% of payroll costs.
- 59 Revenue students graduated from the University of Limerick, with 19 successfully completing the BA (Hons.) in Applied Taxation, and a further 40 students earning a Diploma in Applied Taxation.
- Revenue compiled a skills and qualifications database from the results of an online survey of all staff. It will be used to inform future decisions regarding staff deployment and capability development needs.

Objective - Improve knowledge, capabilities, leadership and skills

The total expenditure on training and development in 2012 amounted to €5.78 million, representing 2.05% of payroll costs. Revenue Training Branch delivered 14,814 training days during the year.

TABLE 23: STAFF & SKILL DEVELOPMENT

Training category	Training days delivered*	% change over 2011
Management/Soft Skills/Seminars/CSTDC	1,317	+9.84%
Languages	130	-75.93%
Health & Safety	733	+139.54%
Technical Taxes (including Audit training)	4,625	-10.52%
Customer Services Technical Taxes	4,335	+21.26%
Technical Customs & Excise	1,493	-13.00%
Computer/CBT/Systems	1,714	+1.12%
Collection & Compliance	467	-4.30%
Total	**14,814**	**+0.86%**

** Includes eLearning and blended learning.*

Revenue encourages and supports the participation of staff members in relevant and appropriate third-level educational programmes. In 2012, a total of 59 Revenue students graduated from the University of Limerick, with 19 successfully completing the BA (Hons.) in Applied Taxation, and a further 40 students earning a Diploma in Applied Taxation. As a result of an initiative taken by Revenue, 25 staff gained a Tax Technician (TMITI) qualification. In addition, Revenue supported some 61 staff undertaking relevant third level courses by means of the Refund of Fees scheme. The combined effect of all these educational supports represents a significant contribution to maintaining the critical skills and knowledge needed to achieve Revenue's business objectives.

In addition to the wide-range of ongoing training courses contained in the Revenue Training Programme, new courses were developed and delivered to meet demand in the areas of Mineral Oils Excise Licensing, Ship Rummage, and VRT Enforcement. An e-learning course was put in place in anticipation of the rollout of MS Office 2010 across Revenue. 424 staff availed of training from Revenue's suite of e-learning courses.

In 2012, Revenue significantly improved its E-Audit capability. E-Audits involve the use of sophisticated software tools to analyse and interrogate the extensive computer records held by many businesses. Additional staff were trained and mentored by experienced E-Auditors and new techniques were developed, in conjunction with international tax administrations, to enhance our ability, in particular, to identify and counter tax evasion in the retail sector.

As part of the implementation of our Workforce Planning Strategy, Revenue compiled a Skills and Qualifications database from the results of an online survey of all staff. The comprehensive data gleaned from this exercise will inform future decisions regarding staff deployment and capability development needs.

Revenue Solicitor's Division Wins Award

The Revenue Solicitor's Division, provides a wide range of legal services to the organisation. These include the conduct of criminal prosecutions, tax appeals before the Appeal Commissioner, litigation in the District, Circuit, High and Supreme Courts, advice in relation to all insolvency matters, and legal interpretation of legislation and on a range of other areas, including administrative law, EU law, human rights and employment law.

On 4 May 2012, the Revenue Solicitor's Division won the award for 'In-House Legal Team of the Year/Lawyer of the Year' at the inaugural Irish Law Awards. The Award honours an in-house legal team that has demonstrated excellence in the provision of legal services to the 'internal' clients of a company or state agency. The winner has demonstrated the provision of effective, strategic, and timely legal advice within the organisation; a result-focussed professionalism and an awareness of legal developments and other related issues affecting the internal client.

Nominated by colleagues and selected by an adjudication panel of leading national and international experts, the Irish Law Awards 2012 identify and honour outstanding performances of great practitioners, law firms, academics, legal executives, and legal personnel across Ireland throughout 2011.

Performance Management

The well embedded, proactive management of individual performance continued and was supported by a strengthened Performance Management and Development System (PMDS). Emphasis on the up-skilling and training of staff continues with considerable resources dedicated to this activity. Following agreement by management and unions in the civil service, further improvements to PMDS aimed at improving and measuring individual performance will be implemented in 2013. Revenue is fully committed to this and will continue to engage with staff and the Department of Public Expenditure and Reform on the implementation of these and other planned changes during 2013.

Objective - Better match structures and staff deployment to evolving strategy

Workforce Planning

Revenue undertook a detailed workforce plan analysis in 2012 and identified critical posts and skills that required to be filled to enable existing and emerging business delivery requirements. Revenue's serving staff number reduced by 230 from 5,962 to 5,732 during 2012. This reduction was primarily due to large number of retirements in the early part of the year. Following the Government decision in July 2012 to assign responsibility for the collection of Local Property Tax to Revenue, our employment control framework (ECF) was subsequently increased by 100 to 5,874.

Open recruitment

Open recruitment competitions were undertaken to fill critical posts at Principal, Assistant Principal and Administrative Officer levels. 32 staff were recruited in 2012 to fill critical posts in audit and investigation, analytics and ICT.

JobBridge Interns

Revenue engaged in the JobBridge internship programme in 2012, with the recruitment of 14 interns who are gaining valuable skills and mentoring from Revenue in specific work areas including accounts research, data analysis, project analysis, HR administration, economic research, press and media, and legal support.

Graduate Internship Programme

Revenue has been running a successful internship programme for four years, with students and work experience interns from third level institutes gaining valuable skills and mentoring while working in Revenue's Research and Analytics Branch. The interns contribute directly to our research agenda by undertaking projects of use to Revenue under supervision of staff members. Projects conducted in 2012 were:

- A segmentation exercise for the investigation of PAYE customer behaviour;
- A time series approach to VAT forecasting;
- The use of social network analysis to identify high-risk groups in Revenue's case base;
- An exploratory analysis of Revenue's PAYE data.

To date, Revenue has mentored 16 students, working singly and in pairs, from UCD's Smurfit Business School, NUI Galway & DIT Kevin Street. Projects have been completed on a range of topics including predictive analytics targeting risk, customer segmentation/population profiling, time series analysis/ forecasting, outlier/ anomaly detection, economic tax-head profiling, analysis of the economics of tobacco demand, geographic information systems and social network analysis.

Temporary Clerical Officers

In 2012 Revenue employed a total of 272 Temporary Clerical Officers covering 2,382 work weeks for critical business requirements including Pay and File, and maintaining customer service delivery during periods impacted by the Shorter Working Year Scheme.

TABLE 24: GENDER EQUALITY

Grades	% of posts held by women at end 2011	% of posts held by women at end 2012
Higher Executive Officer (HEO) / Administrative Officer (AO)	49%	48%
Assistant Principal (AP)	32%	33%
Principal Officer (PO)	26%	28%

Objective - Improve engagement and communication with our staff

Staff surveys

The review of Revenue carried out under the Organisational Review Programme recommended that a staff survey be carried out to gauge levels of communication and engagement with staff. Rather than carry out one major survey, Revenue carried out individual surveys for each Division/Region. The surveys used a robust methodological approach including, for example, in relation to questionnaire design, data collection and analysis. Division/Regions are currently implementing the recommendations arising from the survey findings.

Partnership

Revenue has well-developed partnership structures at national, local and district level. These are important channels of engagement and communication with our staff. In 2012, the national Revenue Partnership Committee met on six occasions to consider a wide range of business developments. In addition, a small number of single-issue Partnership Intensive Groups were established to address specific business issues. The local and district partnership groups were also active on various matters impacting business areas across the organisation.

Objective - Increase flexibility, efficiency and innovation

Public Service Reform

Revenue's public service reform deliverables are planned, managed and assessed at Commissioner and Assistant Secretary level. They are documented in our Annual Corporate Plan and are therefore a constituent part of our Key Corporate Priorities. Progress on a range of initiatives was reviewed by Revenue's Management Advisory Committee and reported to the Department of Public Expenditure and Reform in 2012.

Revenue is also represented at senior management level on a number of cross – Departmental public service reform groups including:

- The Advisory Group of Secretaries General on Public Service Reform,
- The Reform Delivery Board, which oversees and monitors the delivery of Public Service Reform at organisational and sectoral level and provides delivery assurance to the Reform and Delivery Office and the Cabinet Committee,
- The Public Service Chief Information Officers Council, which coordinates ICT developments across the public service,
- The Public Service Management Team, responsible for the negotiation of civil service sector reform proposals within a new Public Service Agreement (Croke Park 2),
- The Shared Services Steering Board, responsible for the strategic direction of shared service initiatives,
- The Human Resources Shared Services Project Board,
- The Banking and Financial Management Project Board,
- The Project Board on Baselining Debt Management Functions of Selected Public Service Bodies.

Public Service Agreement (Croke Park) 2010 - 2014 Action Plan.

Notwithstanding the fact that Revenue's serving staff number fell by 230 during 2012, standards of service were maintained and additional resources applied to compliance, debt collection and anti-evasion tasks through the judicious use of innovative ICT developments and through reorganisation and re-engineering of routine tasks and functions. These approaches were all facilitated by Revenue's Public Service Agreement (Croke Park) 2010 –2014 Action Plan, which was implemented and updated in 2012.

Shared Service Initiatives

Revenue is actively supporting the current public service shared service initiatives.

- **HR Shared Services Centre -** Revenue played an active role in supporting the move to a HR Shared Service for the public service by providing staff members of the project team as well as assistance and support in the management of the project and design of the new service. A small number of Revenue staff transferred to People Point in late 2012 and more will transfer in 2013. The scheduled date for Revenue's move to People Point is August 2013.
- **Payroll Shared Services -** Revenue is actively involved in the Payroll Shared Service project and completed a baselining exercise during 2012. The Payroll Section reviewed processes and procedures and made the changes necessary to facilitate a smooth transition to the Shared Service environment.

- **Banking and Financial Management Shared Services (B&FMSS) -** The B&FMSS project commenced during the latter part of 2012. Baselining templates were drafted by the project group for both elements of the project.

- **Debt Management -** Revenue has provided the project manager for the project to conduct baselining and to investigate alternative delivery options for debt collection.

Absence Management

Resulting from proactive management of sick leave, which includes early referral to the Office of the Chief Medical Officer, the overall level of sick leave has continued to reduce slowly but incrementally since 2008. In 2012, the percentage of working days lost to sick leave was 4.86% and the average number of sick days per staff member was 10.41. The corresponding results for 2011 were 4.9% and 10.63.

Enabler 2 - Technology and processes

A key strategic objective for Revenue is to establish electronic channels as a normal way of doing business with us. In a world of social media, smartphones and cloud computing, this can only be done by employing the latest technologies in an attractive and customer-centric way. During 2012 we expanded the range of online services available to our customers and began using Twitter to disseminate information.

Internally we continue to adapt and integrate new technologies and processes to streamline our operations, reduce costs and improve performance across a range of business areas. A particular focus has been the introduction of analytics into our day-to-day operational systems to identify and address risk and compliance issues in real-time rather than retrospectively through audit.

We also continue to work in partnership with other Government Departments and Agencies to progress the delivery of shared services.

Key Results

- New electronic systems introduced, including Real-time Risk for VAT, an Excise Oils registration programme to underpin supply chain monitoring, XBRL (extensible business reporting language) for Corporation Tax, and internally an Arrears Case Analysis function and the foundation for a new generation of case-working applications.

- Timely implementation of Budget and Finance bill system changes, plus a range of major maintenance and enhancement releases across Revenue's portfolio, including mandatory EU changes and additional features for the recently introduced eRCT and USC systems.

- Significant upgrade of the Revenue Online Service (ROS) to add functions and make it easier to use.

- Participation in a wide range of cross-Governmental programmes to realise efficiency gains.

- Provision of ICT shared services to other Government Departments and State Agencies, including server hosting, web services, printing and mailing.

Objectives - Deploy leading edge technologies to facilitate and drive excellent performance and delivery & Generate internal efficiencies and reduce compliance costs

During 2012, the following projects were successfully delivered or significantly advanced:

- Real-time risk for VAT using predictive analytics to better detect errors, misuse and fraud at point of entry.

- The Excise Systems Integration project, which supported the introduction of new legislation to extend the licensing requirements for all traders involved in the sale or distribution of mineral oil products, and the subsequent online filing of oil movements between wholesalers, distributors and forecourts.

- The XBRL project which facilitates the electronic filing of financial accounts (in iXBRL format) by companies who are required to electronically file their returns with Revenue.

- A ROS ‘refresh’ to deliver an improved customer experience in line with present day expectations. This was achieved through added functions for agents and clients, easier navigation and an improved user interface.

- A Profiling, Intervention and Compliance framework for PAYE to facilitate improved targeting and more efficient processing of PAYE compliance cases, and which also provides the foundation for a new Revenue case-working application for all taxes and duties.

- An Arrears Case Analysis function, which provides an on-demand decision support system and prioritisation of debt based on risk factors.

- The Registration Number format project, which was necessary to facilitate the introduction of an extended PPSN number format (as defined by the Department of Social Protection) across all Revenue systems, stationery and processes.

- Social Network Analysis to provide for relationship mapping between companies, agents, directors, individual and other entities and which is being embedded across the full range of Revenue’s analytics, intelligence and case working products.

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- Extension of repayments by direct credit to a customer-nominated bank account to seven additional taxes. As well as reducing the number of cheques issued and the associated overheads, this is in line with our strategy of establishing the use of electronic channels as the normal way for conducting business.

- System changes resulting from the Budget and Finance Bill, including Tax Relief at Source provisions for first time buyers.

- A Local Property Tax System for introduction in March 2013 to facilitate property owners in filing and paying the tax due. For those who do not self assess their liability, the new system will also allow Revenue to apply its full range of compliance mechanisms to collect an estimated amount.

A number of other systems continued to be actively developed during 2012:

- We commenced the phasing-in of a ‘virtual’ desktop that allows our staff access to their applications and data from any Revenue office or device, while also providing central software and data management and improved security. We have upgraded to a later version of the MS Office suite as part of this project, which is scheduled for completion in 2013.

- The second phase of the internal Performance Measurement and Reporting System delivered the ability to record and report Revenue performance measures and outputs associated with specific costs.

- The Appeal Recording System was developed for use in all Revenue offices for recording and managing open appeals.

- A new Revenue intranet, with greatly enhanced collaboration and document management features, was further developed.

The specific projects outlined above are a product, inter alia, of Revenue's ongoing focus on improving the efficiency of our processes and procedures and the service experience for our customers and contributing to a reduction in, or minimisation of, compliance costs for business. The approach we have adopted has supported the flexible deployment of our staff from customer services and transactional processing to compliance and debt management. For example, embedding predictive analytical models into our processing systems reduces costs previously associated with investigating and retrieving payments data and improves customer service by more efficient processing of valid claims. Similarly, Revenue's a new Profiling, Intervention & Compliance (PIC) system for PAYE improves the coverage of risks in PAYE and non-self assessed cases and supports increased staff flexibility, efficiency and innovation. The impact of our ongoing focus on reducing or minimising compliance costs for business is demonstrated by the fact that, up to the end of 2012, we reduced the administrative burden on business by 25%.

Collaborative Case Working 'cloud' environment

With a view to making the exchange of data process as efficient as possible, a Collaborative Case Working (CCW) environment, using a 'private cloud' approach, has been developed between Revenue and the Department of Social Protection (DSP). This new facility allows both Revenue and DSP caseworkers to:

- Securely upload case lists, which may be of interest to the other Department.

- Securely upload lists and request feedback from the other Department.

- View and filter cases and case lists, by information specific to that case or list.

Launched in December 2012, the CCW allows a level of data exchange and co-operation between the two departments that has not existed before.

Revenue Shared Services

Revenue is actively engaged in the provision of ICT shared services to other Government Departments and State Agencies including server hosting, web services, printing and mailing.

Revenue operates two Data Centres located in Dublin. After extensive modernisation and upgrades, Revenue now hosts over twenty different Government Departments and State Agencies with a further eight in the planning stages of relocating to Revenue. With two Data Centres, Revenue can offer both a Production and Disaster Recovery (DR) site solution. Revenue currently has three departments using both Data Centre sites in this manner.

Revenue's Data Centres offer high quality infrastructure with dual power, UPS systems with backup generators, highly redundant fire suppression, cooling and environmental monitoring systems and high bandwidth network connectivity from a number of providers. Both sites are covered by Revenue's ISO27001 accreditation, with 24-hour security, video surveillance cameras and proximity card access as standard in Revenue's Data Centres.

Revenue offer several complementary services to augment these co-location facilities. Utilising in-house expertise, Revenue provide management, maintenance and support for servers up to the operating system level and for networks. Revenue also offer SAN storage facilities, software backups, backup tape changing and cycling, system monitoring, remote hands and eyes and weekly visual equipment inspections to check for equipment warning light or equipment faults.

Service Provided	Number of Departments Using Service
Server management, maintenance & support	2
Network management, maintenance & support	8
SAN Storage	1
Software backups	2
Backup tape changing & cycling	3
System monitoring	5
Remote hands & eyes	All
Weekly equipment inspection	All

Work is well advanced to expand our hosting capacity in both Data Centres to provide an additional one hundred racks for hosted IT equipment, across both sites.

Revenue also provide a number of online web services to other Government Departments and State Agencies including real time Tax Clearance checks and customer authentication services re-using our secure ROS digital certificate mechanism. Discussions are underway to extend the use of these services and a number of additional services are under development.

Revenue currently provides printing and mail services for five Government Departments. These vary from daily, weekly or monthly runs and range from informational leaflets to payslips. Approximate volumes printed are 3 million items per annum. Revenue are currently in discussion with several other Government Departments and State Agencies and it is expected that these volumes likely to grow throughout 2013.

Objective - Increase contribution to cross-governmental programmes

Substantial efficiency gains can be achieved through better cooperation between public sector organisations. Revenue contributes significantly to the eGovernment agenda, providing a range of services for other Departments and Agencies, including hosting computer servers, tax clearance and printing and mailing (see Feature Article on **Page 75**). We also contribute to a broad range of cross-departmental bodies and programmes including:

- Collecting a range of contributions and levies on behalf of other Departments and Agencies.

- Providing data to the CSO to reduce the administration burden on business, in particular with regard to eliminating duplication of data submission.

- Providing stamp duty returns data from our e-stamping system to the Property Services Regulatory Authority (PSRA) on a weekly basis to assist the PSRA populate and maintain a register of residential house prices that reflects the current values of residential properties.

- Senior management representation on the Public Service Chief Information Officers Council, which coordinates ICT developments across the public service.

- Single Customer View Project, led by the Department of Public Expenditure and Reform, is developing a central system to provide a single view of the identity of Irish residents based on the Personal Public Service Number (PPSN) and the associated Public Service identity data set.

- Data Sharing Clearing House (DSCH) – The Department of Public Expenditure and Reform established a DSCH in 2012 with representatives from senior levels within Government Departments and Agencies. The DSCH has a remit to review legislative provisions in relation to data sharing, particularly legislative obstacles to better data sharing, and progress any necessary legal changes. It also provides a mechanism for the discussion and resolution of data sharing issues, whether these arise due to legal constraints or other reasons.

- Revenue/Department of Social Protection working groups - A number of these working groups are addressing processes, information sharing and technical services of mutual interest, with oversight by a high level Assistant Secretary Group.

Enabler 3 - Governance

Revenue has put in place governance structures and processes to ensure that our overall governance structure is effective, achievement of our strategic goals and delivery on our business programmes is facilitated in as cost effective a way as possible, and that we meet all relevant regulatory requirements.

Measuring our performance at a corporate and business programme level in a systematic and meaningful way enables us to identify emerging issues and trends and address them quickly. In 2012, we focused, in particular, on improving how we measure performance and evaluate business risks to facilitate effective business planning and decision-making.

Taxpayer confidentiality is central to Revenue's work and was legislated for in the Finance Act 2011. In 2012, a Code of Practice was approved by Data Protection Commissioner and the Revenue Board and was subsequently published on our website. The Code represents best practice in safeguarding confidential information held by Revenue.

Key Results

- The cost of running Revenue fell by €10.4 million last year. Since 2008, we have reduced our annual running costs by over €103 million (21.3%).
- Further development of our Performance Measurement Reporting System enabling us to assign costs to specific outputs.
- In co-operation with the Data Protection Commissioner we prepared and published a Code of Practice on the Protection of Personal Data, which represents best practice in safeguarding confidential information held by Revenue.
- Over 99% of valid invoices received by Revenue paid within 15 days.

Objective - Improve performance evaluation and outcome measurement

Performance Measurement Reporting System (PMRS)

During 2012 we continued with the development of our new Performance Measurement Reporting System (PMRS) through the systematic association of selected outputs with related costs. This development was completed towards the end of 2012. PMRS will provide senior managers with data on the functions assigned to all staff in Revenue, their outputs and related costs and will be rolled out in 2013. Further developments to expand the scope of outputs captured are envisaged and once completed will assist Revenue to link inputs to outputs and outcomes, improving the monitoring of efficiency and effectiveness.

We are continuing to improve our case management systems to:

- Enhance governance through improved compliance settlement approval systems,
- Further developing performance reporting systems,
- Assist caseworkers in the selection of cases suitable for compliance interventions, ranging from audits to debt management.

Objective - Improve risk management approaches to corporate and other risks

Planning Process

Revenue's planning process which incorporates the Statement of Strategy 2011 - 2014, Annual Corporate Plans and Annual Business Plans, is designed to ensure that the key goals of the organisation are achieved over the period covered by the Statement of Strategy. Any significant emerging issues or risks, which may impact on the achievement of Revenue’s corporate priorities and objectives, are identified and addressed within this framework.

Enterprise Risk Management in Revenue

Most of Revenue’s business involves identifying, assessing and managing risk. Risk management is now integrated into the business planning process. Corporate risks are identified and listed for each strategy and enabler with key deliverables and risk actions to address relevant risks. The various ‘Lead Responsibility’ areas identified within the Plan will cover significant emerging issues or risks, which may impact on the achievement of Revenue’s corporate priorities. The identification of other emerging risks not included in the Annual Corporate Plan, or exceptional item risks that have the potential to impact on the achievement of Revenue’s objectives, will be addressed during the business planning process.

Objective - Ensure data privacy and security

Taxpayer confidentiality is central to Revenue's work and was enshrined in law in the Finance Act 2011. Revenue's determination to follow best governance standards for both data protection and data security underpins this focus.

Any person who transacts business with Revenue can request copies of their personal information and 22 such applications were received in 2012. Usually, such requests are granted in full, with the exception of information that may be redacted under the Data Protection Acts. In addition, 18 enquiries/investigations were initiated during the year. Six of these were opened on foot of correspondence from the Data Protection Commissioner and a further 12 enquiries / investigations resulted from individual taxpayer complaints to Revenue. Of the 6 initiated by the Commissioner, 4 have been concluded to the satisfaction of the Commissioner, while no further correspondence has been received in the other 2 cases. In relation to the 12 complaints to Revenue, 11 have been responded to and one is still under investigation.

As required under Section 13 of the Data Protection Acts 1988 and 2003, a Code of Practice was drafted in 2012 and was approved by Data Protection Commissioner and the Revenue Board in December 2012. This document 'Protection of Personal Data - Code of Practice' has been published on the Revenue Website. The Code represents best practice in safeguarding confidential information held by Revenue.

Objective - Deliver our ORP Action Plan

Revenue has largely implemented its Organisational Review Programme (ORP) action plans. A progress report published by the Department of Public Expenditure and Reform (DPER) in January 2012 found that Revenue had made substantial progress in acting upon the key findings of the ORP review. Remaining action plans are now incorporated into our Public Service Reform Action Plan and Integrated Reform Delivery Plans.

Objective - Deliver Value for Money

The cost of running Revenue fell by €10.4 million in 2012. Since 2008, we have reduced our annual running costs by over €103 million (21.3%).

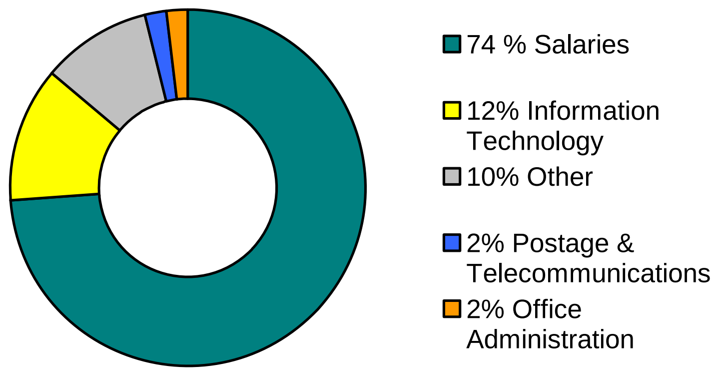
The Cost of Administration as a % of Gross Collection was 0.85%. This is a reduction from 0.92% in 2012. See **Table 25**.

Overall gas and electricity consumption was reduced by 6.28 % in 2012. There was also a reduction in fuel consumption in a number of areas including a decrease of 18.78% in heating fuel, 21.16% in cutter fuel and 6.18% in fleet fuel. We are working in conjunction with the OPW to roll out the Optimising Power at Work initiative to all Revenue Offices, to encourage our staff to reduce energy usage in their workplaces. We are also currently investigating alternative methods of heating buildings, to migrate away from oil heating to more eco-friendly and fuel-efficient methods.

TABLE 25: COST OF ADMINISTRATION

	2012	2011
Cost of Administration as a % of Gross Receipts	0.85%	0.92%

CHART 4: TOTAL EXPENDITURE WAS €381,474,000 BROKEN DOWN AS FOLLOWS:



Prompt Payment of Accounts

Pursuant to the Government decision to reduce the payment period by central Government Departments to their business suppliers from 30 to 15 days, over 99% of valid invoices received by Revenue are paid within 15 days – see **Table 26**.

Revenue is fully compliant with Prompt Payment of Accounts Act 1997 and the European Communities (Late Payment in Commercial Transactions) Regulations 2002 – see **Table 27**.

TABLE 26: PROMPT PAYMENT OF ACCOUNTS 2012

	Number	Value €	Percentage (%) of Total Payments Made
Total payments made in Quarter	15,617	122,911,052	100%
Number of payments made within 15 days	15,479	122,249,315	99.12%
Number of payments made within 16 days to 30 days	118	656,228	0.76%
Number of payments made in excess of 30 days	20	5,409	0.13%
Disputed Invoices	-	-	
Total	**15,617**	**122,911,052**	**100.00%**

TABLE 27: 2012 COMPLIANCE WITH PROMPT PAYMENT OF ACCOUNTS ACT

Payments	Value
Total value of all payments	€95,565,419.43
Total value of all late payments (including those under €317)	€2,920.00
Value of late payments in excess of €317	€2,920.00
Value of total late payments as a percentage of total payments	0.003%
Number of late payments in excess of €317 (Invoice Value)	1
Amount of interest paid on all late payments	€5.14
Amount of interest on all late payments as a percentage of total payments	0.000005%
Average delay in days (Invoices in excess of €317)	8

TABLE 28: REPRESENTATIONS RECEIVED BY THE CHAIRMAN'S OFFICE FROM PUBLIC REPRESENTATIVES IN 2012

Name	General Issue	On behalf of a Person	Total
Bannon, James		5	5
Boyd Barrett, Richard		1	1
Brabazon, Tom		1	1
Breen, Pat		4	4
Brennan, Terry	1		1
Broughan, Thomas P.	1	4	5
Browne, John		4	4
Bruton, Richard	4	9	13
Burton, Joan		6	6
Byrne, Catherine		1	1
Calleary, Dara		1	1
Carey, Joe		1	1
Collins, Áine		1	1
Collins, Niall		10	10
Coonan, Noel		3	3
Costello, Joe		1	1
Coveney, Simon	1	2	3
Creed, Michael		1	1
Cummins, Maurice		1	1
Daly, Jim		1	1
D'Arcy, Michael		1	1
Deasy, John		1	1
Deenihan, Jimmy		1	1
Deering, Pat		4	4
Dollard, Michael		27	27
Dooley, Timmy		3	3
Durkan, Bernard J		2	2
Farrell, Alan		1	1
Feighan, Frank		1	1
Ferris, Anne		4	4
Flanagan, Charles		2	2
Flanagan, Terence		2	2
Fleming, Sean		3	3
Gilmore, Eamon		1	1
Grealish, Noel		1	1
Halligan, John		1	1
Hannigan, Dominic	1		1
Harris, Simon	2	1	3
Hayes, Brian		7	7
Hayes, Tom		2	2
Heydon, Martin	1	2	3
Higgins, Jim		1	1
Hogan, Phil		1	1
Howlin, Brendan		3	3
Kehoe, Paul	2	2	4
Kelly, John	1		1
Kenny, Enda		25	25

Name	General Issue	On behalf of a Person	Total
Kitt, Michael P		1	1
Landy, Denis	1		1
Lowry, Michael		2	2
Mac Sharry, Marc	1		1
McCarthy, Michael		2	2
McConalogue, Charlie		2	2
McFadden, Nicky		2	2
McGinley, Dinny		2	2
McGuinness, John		1	1
McNamara, Michael		1	1
Mitchell-O'Connor, Mary		2	2
Moran, Mary	1		1
Mulvey, Dara		1	1
Naughten, Denis	1	2	3
Nolan, Derek		1	1
Noonan, Michael		6	6*
Ó Cuív, Éamon		1	1
Ó Domhnaill, Brian	2	4	6
O'Brien, Darragh		1	1
O'Dea, Willie		1	1
O'Dowd, Fergus		1	1
O'Keeffe, Kevin		1	1
Penrose, Willie	1		1
Perry, John		6	6
Rabbitte, Pat		2	2
Ring, Michael		2	2
Shatter, Alan		4	4
Sheahan, Tom		1	1
Sherlock, Sean		3	3
Stagg, Emmet		10	10
Timmins, Billy		3	3
Twomey, Liam		1	1
Varadkar, Leo		8	8
Wall, Jack		1	1
Walsh, Brian		1	1
White, Alex	1	1	2
Totals	**22**	**233**	**255**

In addition, in 66 cases the Minister for Finance referred correspondence from individuals to Revenue for direct reply.

Corporate Governance

The administration and management of taxes and customs is vested in the Revenue Commissioners, who are independent in the performance of their functions for the purposes of relevant enactments as listed in Section 101 (3) of the Ministers and Secretaries (Amendment) Act 2011. The Board of the Revenue Commissioners consists of three Commissioners, one of whom is Chairman. The Chairman is the Accounting Officer for Revenue and the Head of the Office under the Public Service Management Act 1997.

The Board meets regularly to deal with a broad range of issues pertaining to Revenue, including strategic direction, the setting of key corporate priorities, financial and risk management, internal audit reports and minutes of Audit Committee meetings, resource deployment, senior management appointments and performance. The Board reviews compliance with other legislation such as the Ethics in Public Office Acts, the Freedom of Information Acts and the Prompt Payment of Accounts legislation.

The Board reports annually to the Minister for Finance on the implementation of Revenue's Statement of Strategy, as required by the Public Service Management Act 1997.

A formal system of delegation to each Assistant Secretary is in place, in accordance with the Public Service Management Act, with specified lines of responsibility and accountability to the Board. These responsibilities include the management of risk and of divisional resources. In addition, the Board has formally delegated responsibility for certain Human Resource Management matters to Assistant Secretaries as a group.

Management Advisory Committee (MAC)

A Management Advisory Committee, consisting of the Board and all Heads of Division (at Assistant Secretary level), meets at least once a month to monitor performance across the organisation. The MAC reviews existing programmes and priorities to ensure that they remain responsive to emerging developments, deals with business issues which have cross-divisional impact and plays a key role in managing corporate risk.

Ethics in Public Office Acts 1995 and 2001

All Revenue officials at Assistant Principal level and above, as well as certain other officials, involved, for example, in procurement decisions, are required to submit an annual Statement of Interests under these Acts. In addition, the Board members are required to submit a Certificate of Tax Clearance not more than nine months before or after taking up duty.

Civil Service Code of Standards and Behaviour

The Code forms part of the terms and conditions of service of all Civil Servants. It underpins the existing rules in many areas, including Revenue’s own Code of Ethics, and sets out the main principles, standards and values that the Civil Service espouses and upholds.

The Civil Service Regulation (Amendment) Act 2005

The Civil Service Regulation (Amendment) Act 2005 gives each Secretary General/Head of Scheduled Office, as appropriate authority, responsibility for managing all matters relating to performance, conduct and discipline of civil servants below Principal Officer level. (Ministers and Government continue to be the appropriate authority for these matters in relation to civil servants at or above Principal level).

Internal Audit

While it is the function of management to put in place the necessary systems, processes and procedures required to deliver on Revenue's business objectives, the Board places a high degree of importance on having systems and processes independently examined and assessed by Revenue's Internal Auditors. An Audit Plan is prepared each year, following consultation with the Board, senior management and input from the Director of Internal Audit. The Chairman of the Board approves the Plan. For matters relating to the internal audit function, the Director of Internal Audit reports directly to the Chairman as Accounting Officer.

An Audit Committee provides independent governance assurance to the Revenue Board. The committee is made up of five members, four of whom are from outside Revenue. The role of the Committee is to oversee the internal audit function and to provide objective advice to the Revenue Board in relation to its operation and development.

Audit Committee Membership

- Gerry Kearney, Chairman and former Secretary-General of the Department of Community, Rural and Gaeltacht Affairs.
- Siobhán Lawlor, Principal Officer, Department of Social Protection.
- Eugene Creighton, Assistant Secretary, Large Cases Division, Revenue (to October 2012).
- Marie-Claire Maney, Revenue Solicitor, Revenue Solicitor's Division (since November 2012).
- Richard Murphy, Principal Auditor, Local Government Audit Service, Department of Environment, Community and Local Government.
- Tommy Quinn, Head of Corporate Services, Public Appointments Service (to December 2012).

Appeals

Taxpayers have rights of appeal to the Appeal Commissioners and the Courts in relation to a range of tax and duty issues. Depending on their complexity, certain appeals can take a considerable time to bring to finality. **Table 29** sets out the decisions given in appeal cases at the various stages in 2012.

TABLE 29: OUTCOME OF APPEALS IN 2012

	Total 2012	Decided			Settled or Withdrawn
		Won by Revenue	Won by Appellant	Part Won Revenue/ Appellant	
Number of Cases at Supreme Court stage	0	0	0	0	0
Number of Cases at High Court stage	13	0	0	0	13
Number of Cases at Circuit Court stage	10	5	1	0	4
Number of Cases at Appeal Commissioner stage	92	40	12	2	38
Total	**115**	**45**	**13**	**2**	**55**

Joint and Internal Review Procedure

Taxpayers who are dissatisfied with Revenue's handling of their tax affairs can have their case reviewed, either internally by a senior Revenue officer or by an External Reviewer acting in conjunction with a senior Revenue officer. The number of taxpayers requesting Joint and Internal Reviews in 2012 is set out in **Table 30**.

TABLE 30: INTERNAL REVIEWS IN 2012

	Internal	Joint	2012 Total	Internal	Joint	2011 Total
Number Received	37	79	116	22	63	85
Number Finalised	33	77	110	20	54	74
Decision Upheld	25	62	87	13	42	55
Decision Revised / Partly Revised	5	10	15	2	8	10
Withdrawn or agreed prior to being sent to Reviewers	3	5	8	5	4	9

Ombudsman

In 2012, the Ombudsman received 78 complaints relating to Revenue and finalised 78 complaints. **Tables 31** and **32** provide further summary information.

TABLE 31: COMPLAINTS RELATING TO REVENUE MADE TO THE OMBUDSMAN IN 2012

Total Received and Subject	Number of Complaints
Income Tax	37
VAT/ Inheritance Tax/ CGT	4
Customs & Excise	1
Stamp Duty	3
Delay/no response to Correspondence	7
Miscellaneous	26
VRT	0
Total	**78**

TABLE 32: COMPLAINTS RELATING TO REVENUE COMPLETED BY THE OMBUDSMAN IN 2012

Total Completed and Outcome	Number of Complaints
Not Upheld	36
Withdrawn	5
Discontinued	9
Assistance Provided	25
Partially Resolved	0
Resolved	3
Total	**78**

Freedom of Information

Revenue's Freedom of Information publications under Section 15 of the FoI Acts (structure, organisation, functions, services and records of Revenue) and Section 16 (rules, procedures, practices, guidelines and interpretations of Revenue) are updated as required and published on our website.

TABLE 33: FOI REQUESTS

FOI Requests	2012	2011
Received	202	232
Released in Full	79	80
Released in Part	74	86
Refused	31	32
Dealt with outside of FOI/Withdrawn/Transferred	22	31
Requests for Internal Review	26	25
Appeals to the Information Commissioner	10	2

Assistant Secretaries

Philip Brennan
Dublin

Tony Buckley
South West

Declan Rigney
Planning

Eugene Creighton
Large Cases

Paul Dempsey
Corporate Services &
Accountant-General

Michael Gladney
Collector-General

Gerry Harrahill
Corporate Affairs &
Customs

Gerry Howard
East & South East

Joe Howley
Border Midlands West

Marie-Claire Maney
Revenue Solicitor

Gerard Moran
Indirect Taxes

Gerry Smyth
Income & Capital Taxes

Eamonn O'Dea
Corporate Business &
International

Breda Ruddle
Investigations &
Prosecutions

Liam Ryan
Information &
Communications
Technology and Logistics

Senior Management Changes

- Michael O'Grady, Commissioner, retired on 1 February 2012.
- Willie Funnell, Assistant Secretary, retired on 29 February 2012.
- Frank Mullen, Assistant Secretary, retired on 29 February 2012.

Following a Top Level Appointments Commission (TLAC) competition, the Taoiseach, Enda Kenny, TD, appointed:

- Niall Cody as Commissioner with effect from 1 February 2012.

Following a Top Level Appointments Commission (TLAC) competition, the Minister for Finance, Michael Noonan TD, appointed:

- Declan Rigney, as Assistant Secretary on 17 July 2012.
  The Revenue Board assigned Mr. Rigney to Planning Division

- Michael Gladney, as Assistant Secretary on 17 July 2012.
  The Revenue Board assigned Mr. Gladney to the Collector-General's Division.

On 4 June 2012, Gerry Smyth, Assistant Secretary, joined Revenue on transfer from the Comptroller and Auditor General's Office in the context of the Senior Public Service mobility process. The Revenue Board assigned Mr. Smyth to Income and Capital Taxes Division.

Appendix 1

Donation of Heritage Items

Section 1003 of the Taxes Consolidation Act 1997 provides for a credit against tax liability where a taxpayer donates certain heritage items to the national collections. The following item was donated in 2012:

The Memorabilia of Major John McBride and Mr. Séan McBride valued at €152,350.

Since 2009, the tax credit available to the donor of heritage items is an amount equal to 80% of the market value of such items, where the market value is established under the terms of section 1003. The value shown is the market value of the item.

Donation of Heritage Property to the Irish Heritage Trust

Section 1003A of the Taxes Consolidation Act, 1997 provides for a credit against tax liability where a taxpayer donates certain heritage property to the Irish Heritage Trust or the Commissioners of Public Works in Ireland.

- There was no donation under this scheme in 2012.

Appendix 2

Statutory Instruments made in 2012

S.I. No. 156	Tax Returns and Payments (Mandatory Electronic Filing and Payment of Tax) Regulations 2012.
S.I. No. 201	Value-Added Tax (Refund of Tax) (Flat-rate farmers) Order 2012.
S.I. No. 226	Finance Act 2012 (Section 78) (Commencement) Order 2012.
S.I. No. 231	Mineral Oil Tax Regulations 2012.
S.I. No. 233	Stamp Duty (Estamping of Instruments)(Amendment) Regulations 2012.
S.I. No. 234	Stamp Duty (Estamping of Instruments and Self-Assessment) Regulations 2012.
S.I. No. 253	Income Tax (Employments) Regulations 2012.
S.I. No. 255	Taxes Consolidation Act 1997 (Section 960EA) (Payment of Tax by Credit Card via Internet) Regulations 2012.
S.I. No. 266	Value-Added Tax (Refund Of Tax) (Touring Coaches) Order 2012.
S.I. No. 267	European Communities (Exemption from Value-Added Tax on the Permanent Importation of Certain Goods) Regulations 2012.
S.I. No. 324	Returns of Payment Transactions by Payment Settlers (Merchant Acquirers) Regulations 2012.
S.I. No. 354	European Union (Value-Added Tax) Regulations 2012.
S.I. No. 392	Value-Added Tax Consolidation Act 2010 (Section 14(2)) (Commencement) Order 2012.
S.I. No. 429	European Union (Value Added Tax) (No. 2) Regulations 2012.
S.I. No. 458	Value-Added Tax (Amendment) Regulations 2012.
S.I. No. 491	Stamp Duty (Designation of Exchanges and Markets) Regulations 2012.
S.I. No. 542	Vehicle Registration and Taxation (Amendment) Regulations 2012.
S.I. No. 549	European Union (Administrative Cooperation in the Field of Taxation) Regulations 2012.
S.I. No. 576	Income Tax and Corporation Tax (Relevant Contracts Tax) Regulations 2012.

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www.revenue.ie

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