



To serve the community by fairly and efficiently
collecting taxes and duties and implementing
import and export controls



Annual Report 1999

Seventy-Seventh Annual Report of the Revenue Commissioners for the year ended 31 December 1999 including progress on the implementation of Revenue's Statement of Strategy 1997-1999 in accordance with the Public Service Management Act, 1997, presented to the Minister for Finance.

July 2000

Tuarascáil Bhliantúil 1999

De réir an Achta um Bainistíocht na Seirbhíse Poiblí, 1997, tíolactar don Aire Airgeadais an Seachtú Tuarascáil Bhliantúil is Seachtó don bhliain dar chríoch 31 Nollaig 1999, lena n-áirítear tuairisc ar dhul chun cinn maidir le feidhmiú Ráiteas Straitéise na gCoimisinéirí Ioncaim 1997-1999.

Iúil 2000



Baile Átha Cliath
Arna fhoilsiú ag Oifig an tSoláthair

Le ceannach díreach ón
Oifig Dhiolta Foilseachán Rialtais
Teach Sun Alliance
Sráid Theach Laighean, Baile Átha Cliath 2

nó tríd an bpost ó
Foilseacháin Rialtais, an Rannóg Post-trácht
4 - 5 Bóthar Fhearchair, Baile Átha Cliath 2
Teil 01 647 6000
Fax 01 475 2760

nó trí aon díoltóir leabhar
Praghas £3.00
(ISBN 0-7076-6482-9)
(PN. 8600)

Dublin
Published by the Stationery Office

To be purchased directly from the
Government Publications Sale Office
Sun Alliance House
Molesworth Street, Dublin 2

or by mail order from
Government Publications, Postal Trade Section
4 - 5 Harcourt Road, Dublin 2
Tel 01 647 6000
Fax 01 475 2760

or through any bookseller
Price £3.00
(ISBN 0-7076-6482-9)
(PN. 8600)

Dublin Castle July 2000

Contents

Review of the Year	4
A New Organisational Structure	11
Chapter 1 Yield, Performance and Accountability	15
Chapter 2 Inquiries, Special Investigations and Prosecutions	31
Chapter 3 Compliance, Audit & Enforcement	37
Chapter 4 Quality Services for our Customers	57
Chapter 5 Policy, Legislation and International	69
Chapter 6 Our People and our Systems	77

Review of the Year

Nineteen ninety-nine will be remembered for many things, not least of which were the celebrations to mark the end of one century and the beginning of a new one. Around the world the much-dreaded millennium bug generally failed to cause the predicted havoc as the preparatory work for Y2K ensured that computer systems, including those in Revenue, continued to function normally as the new century dawned. For the country as a whole, it will be remembered as a year when the economy continued to thrive, marked by an increase of over 150,000 PAYE employments and a net increase of more than 30,000 in business taxhead registrations.

The welcome expansion of the economy poses a continuing challenge to us both as a revenue collector and as a service provider. Net tax and duty receipts during the year reached a record level of £18.5 billion. In 1999, we had over 2.4 million individual and corporate taxpayers on our books. This compares with over 1.6 million taxpayers in 1989 - an increase of over 50%. Servicing and policing this taxpayer base has put a severe strain on our resources and we are pleased that the Minister for Finance sanctioned increases in staff in 1999 and again in 2000. Our staffing needs will be kept under review.

In Revenue, the year will also be remembered for the Inquiry by the Sub-Committee of the Public Accounts Committee into the administration of the Deposit Interest Retention Tax (DIRT) by Revenue and the financial institutions. The investigation marked a new and a very significant development in our democratic system of government and brought the accountability of public and indeed private institutions to a new level. For Revenue, it represented an unprecedented critical and systematic examination of our organisation in full public view.

As an organisation we were determined to co-operate fully and to assist the Inquiry in every way we could, and we did this. We had previously serviced comprehensively the requirements of the Comptroller and Auditor General in his preparation of the Report that formed the basis of the DIRT Inquiry. During the Inquiry we were also concerned to ensure that the performance of our organisation would not be judged solely on how we handled this single issue in the particular circumstances of the time. This would be unfair and unhelpful to morale in an organisation which has been recognised as having successfully transformed itself on so many fronts over the past ten years. While we welcomed the core finding of the Inquiry we, and indeed others, have expressed disappointment that the Report of the Sub-Committee of the Public Accounts Committee did not contain greater recognition of the progress made by Revenue over a period of years in modernising and opening up the organisation. Whatever about that, the task now is to implement fully the recommendations of the Sub-Committee and insofar as Revenue is concerned, we are determined to do this and to ensure that the lessons learned from this experience will inform future strategies, actions and procedures.

In relation to DIRT, our primary focus at present is to complete the look-back audits of all the financial institutions involved and to collect any arrears of DIRT, together with interest and penalties. Under legislation included in the Finance Act, 2000, we shall be reporting the outcome of the look-back audits to the Committee of Public Accounts before 1 November 2000. We have already given a progress report on the audits at the review hearings of the Sub-Committee held on 20 June 2000. We have made a submission to the Review Group on External Auditors and we are co-operating fully with the Department of Finance in the review of Revenue recommended by the Sub-Committee.

Other major issues which featured in 1999 included follow-up on the taxation aspects of the findings of the Mc Cracken Tribunal report and the initiation of the investigation of the so-called Ansbacher accounts, using the new powers given to Revenue in the 1999 Finance Act. Additional tax-related revelations coming from the Flood and Moriarty Tribunals are also being actively investigated. We are continuing our investigations of the National Irish Bank offshore investment revelations, which came to light in 1998.

While much of our attention during 1999 was focused on the past, we were acutely aware of our need to ensure that Revenue will meet the challenges of the future. In this context, we established a Management Advisory Committee (MAC), comprising the Board and all senior managers at Deputy/Assistant Secretary level. The MAC is already playing a significant role in bringing greater cohesion and effectiveness to our strategies and in pushing our change agenda forward.

Since it was established, the MAC has spent a considerable amount of time bringing to a conclusion a root and branch review of the structure of our organisation which we first indicated that we would undertake in our Strategy Statement for the years 1997-1999. The purpose of this review was to see if there was a better way to align our structure with our business objectives so that we could more effectively do our job. Essentially, our aim was to seek new and more effective ways of providing better services to compliant taxpayers and to provide a sharper focus on tax evasion. The review was a major undertaking which was carried out by Revenue itself with advice from external consultants, including an international expert in tax administration.

In a special feature in this report we set out the key elements of the high-level conclusions management have reached on a new structure. We believe that our proposals, implemented in consultation with our staff and their representatives, will better position Revenue to meet the many demands and challenges that we face. We have made our conclusions and the underlying analysis available to the Department of Finance team which is currently conducting the review of Revenue called for in the Report of the DIRT Inquiry. Before proceeding any further with our own proposals, we await the outcome of the Finance review which is expected to be completed and presented to the Minister of Finance by 31 July. We shall keep everyone informed of our plans and developments as they unfold.

We also commenced a review of our objectives and strategies in consultation with staff right across the organisation. The outcome of this review will be reflected in our next Statement of Strategy, preparation of which is well advanced. We started work as well on a major project which will allow tax returns to be securely filed over the internet. Working in partnership with Andersen Consulting and Baltimore Technologies, we shall launch Phase 1 of the new Revenue On-line System (ROS) in September 2000. We have set ourselves the ambitious target of having 50% of all business tax returns e-filed by the end of 2005. This Revenue project is a flagship project under the e-government strategy.

During 1999 we also advanced the consolidation and updating of our taxpayer databases by bringing our assessing and collection system for PAYE employers into our leading edge IT development strategy called Integrated Taxation Processing (ITP). Earlier this year our assessing and collection systems for Value Added Tax (VAT) also became part of ITP. When the ITP process is completed, we shall have in place a flexible and modern IT infrastructure capable of giving a consolidated and integrated view of each person's tax affairs.

In our report last year, we undertook to work hard to restore full public confidence in the tax administration system. We believe that we have made progress in this during the past year, both on actions taken on specific issues and on the continued improvements in accountability and transparency. However, our consciousness that much more needs to be done is reflected in the major changes that we are planning. We shall spare no efforts to show even more convincing progress in the period ahead. This is no less than the general body of taxpayers is entitled to expect from us.

Finally, we thank all our staff for their efforts and commitment over a difficult year for the organisation. We would like to thank especially those who worked long hours over a prolonged period to support the work of the Comptroller and Auditor General and the Sub-Committee of the Committee on Public Accounts on the DIRT Inquiry and all those who appeared as witnesses including our retired colleagues who gave evidence to the Sub-Committee.

Dermot Quigley

Frank M. Daly

Josephine Feehily

Dermot Quigley
Chairman

Frank M. Daly
Commissioner

Josephine Feehily
Commissioner

Dublin Castle,
July 2000.

Athbhreithniú na Bliana

Is fada a bheidh cuimhne ar Nócha Naoi mar gheall ar go leor rudaí a tharla sa bhliain sin. Cuid suntasach díobh siúd ba ea na himeachtaí chun deireadh aoise amháin agus tús aoise nua a cheiliúradh. Níor tharla an scrios a bhí bagartha roimh ré ag fridín millteach na mílaoise ar fud an domhain. Go deimhin rinne an réamhullmhúchán do B2M(Y2K) cinnte de gur lean córais ríomhaireachta, agus ár gcórais féin ina measc, ag feidhmiú mar ba ghnáth le breacadh na haoise nua. Sa tír i gcoitinne cuimhneofar ar Nócha Naoi mar bhliain inar réab na heacnamaíochta ar aghaidh. Cruthaíodh dá bharr níos mó ná 150,000 (céad caoga míle) d'fhostaíochtaí breise agus cláraíodh do chánacha éagsúla os cionn 30,000 (tríocha míle) de ghnóthais bhreise.

Cé gur maith ann é, cruthaíonn leathnú na heacnamaíochta dúshlán leanúnach dúinn mar bhailitheoir cánach agus mar sholáthraí seirbhísí araon. Shroich na glanfháltais as cánacha agus dleachtanna i rith na bliana an leibhéal is airde riamh – ocht míle déag pointe cúig míle milliún punt (£18.5mm). In 1999 bhí dhá pointe ceathair milliún cáiníocóir aonair (2.4m) agus corparáideach sna leabhair againn. I gcomparáid le haon pointe sé milliún cáiníocóir in 1989, sin méadú caoga a dó faoin gcéad (50%). Chun an bonn cáiníocóirí seo a sheirbhísiú agus a mhaoirsiú leagadh stró breise ar ár gcuid acmhainní agus is cúis áthais dúinn gur cheadaigh an tAire Airgeadais méaduithe ar an bhfoireann in 1999 agus arís i mbliana. Coinneofar ár riachtanais foirne faoi athbhreithniú.

Beidh cuimhne againn freisin san Oifig ar Nócha Naoi mar gheall ar an bhFiosrúchán a rinne an Fochoiste de Choiste na gCuntas Poiblí ar conas mar a bhí an Cháin Choinneála ar Ús Taisce á riaradh ag na Coimisinéirí Ioncaim agus ag na Forais Airgeadais. Forbairt nua an-suntasach ba ea an fiosrúchán inár gcóras daonlathach Rialtais. Thug sé freagracht na bhforas poiblí agus go deimhin na bhforas príobháideach go leibhéal nua cuntasachta. Ó thaobh na gCoimisinéirí de, ba é a bhí ann ná scrúdú criticiúil córasach chéaduaire ar ár n-eagraíocht faoi shúile an phobail.

Bhí sé beartaithe againn, mar eagraíocht, comhoibriú go hiomlán agus cuidiú leis an bhFiosrúchán ar gach bealach a b'fhéidir linn agus rinneamar amhlaidh. Roimhe sin bhí seirbhísiú cuimsitheach déanta againn ar riachtanais an Ard-Reachtair Cuntas agus Ciste ag ullmhú dó na Tuarascála a glacadh mar bhonn don Fhiosrúchán ar Cháin Choinneála. Le linn an Fhiosrúcháin freisin, ba chás linn a chinntiú nach mbunófaí aon bhreith ar éifeachtacht na heagraíochta ar conas mar a phléamar leis an gceist aonair seo, agus airsean amháin, sna cúinsí áirithe ag an am. Ní bheadh sé seo cóir ná cothrom ná ní chuideodh sé le meanma na foirne in eagraíocht atá aitheanta mar eagraíocht ar éirigh léi í féin a chlaochlú san oiread sin réimsí thar na deich bliana seo caite. Cé gur chuireamar fáilte roimh thoradh lárnach an Fhiosrúcháin, chuireamar féin agus go deimhin daoine eile a ndíomá in iúl nár thug Tuarascáil an Fhochoiste de Choiste na gCuntas Poiblí níos mó aitheantais don dul chun cinn a bhí déanta againn thar thréimhse blianta

chun an eagraíocht a nuachóiriú agus a oscailt suas. Bíodh sin mar atá, is é atá le déanamh againn anois ná moltaí an Fhochoiste a chur i gcrích go hiomlán agus, chomh fada agus a bhaineann sé leis na Coimisinéirí Ioncaim, tá sé de rún againn é seo a dhéanamh agus a chinntiú go gcuirfear na ceachtanna a fhoghlaimfeofar as seo ar fad i bhfeidhm sna straitéisí, gníomhaíochtaí agus nósanna imeachta as seo amach.

Maidir le Cáin Choinneála ar Ús Taisce, tá ár n-iarrachtaí fócasaithe go príomha faoi láthair ar iniúchtaí siarfhéachana na bhforas airgeadais ar fad atá i gceist a thabhairt chun críche agus ar bhailiú riaráistí Cánach Coinneála chomh maith le hús agus le pionóis. Faoi reachtaíocht atá folaithe san Acht Airgeadais 2000, beimid ag tuairisciú thoradh na n-iniúchtaí siarfhéachana do Choiste na gCuntas Poiblí roimh an 1 Samhain 2000. Thugamar tuairisc cheana féin, ag éisteachtaí athbhreithnithe an Fhochoiste ar an 20 Meitheamh 2000, ar an dul chun cinn atá déanta ag na hiniúchtaí. Tá ár moltaí curtha faoi bhráid an Ghrúpa Athbhreithnithe ar Iniúcháirí Seachtracha againn agus táimid ag comhoibriú go hiomlán leis an Roinn Airgeadais san athbhreithniú ar na Coimisinéirí Ioncaim atá molta ag an bhFochoiste.

Tháinig ceisteanna tábhachtacha eile chun tosaigh i rith 1999. Ba ghá mar shampla gnéithe áirithe de thuarascáil Bhinse Mhic Reachtain (McCracken) a bhain le cánachas, a thabhairt chun críche agus fiosrúchán a thionscnamh sna cuntais, ar a dtugtar cuntais Ansbacher, leis na cumhachtaí nua a tugadh dúinn san Acht Airgeadais 1999. Tá fiosrúchán faoi lánseoil freisin ar na ceisteanna cánach a d'eascair as Binsí Uí Mhaoltuile (Flood) agus Uí Mhuircheartaigh (Moriarty). Táimid ag dul ar aghaidh freisin lenár bhfiosruithe ar infheistíochtaí Bhanc Náisiúnta na hÉireann lasmuigh den chósta, a nochtadh in 1998.

Cé go raibh ár n-aird dírithe cuid mhaith i rith 1999 ar an am a bhí thart, choinníomar os ár gcomhair i gcónaí an géarghá a bhí lena chinntiú go bhféadfaimis aghaidh a thabhairt ar na dúshláin a bhí romhainn. Sa chomhthéacs seo bhunaíomar Coiste Comhairleach Bainistíochta inar ghlac an Bord agus gach bainisteoir sinsearach ag leibhéal Leas-Rúnaí/ Rúnaí Cúnta páirt. Tá ról tábhachtach á fheidhmiú ag an gCoiste seo cheana féin chun comhtháthú agus éifeachtacht a thabhairt isteach inár straitéisí agus chun ár gclár athruithe a bhrú ar aghaidh.

Ó bunaíodh é, chaith an Coiste cuid mhór ama chun an t-athbhreithniú uileghabhálach ar struchtúr na heagraíochta againn a thabhairt chun críche. Gheallamar an t-athbhreithniú sin den chéad uair sa Ráiteas Straitéise uainn do na blianta 1997-1999. Ba í aidhm an athbhreithnithe sin ná a fháil amach an raibh bealach níos fearr chun ár struchtúir a thabhairt chun réitigh lenár gcuspóirí gnó ionas go bhféadfaimis ár ndualgais a chomhlíonadh níos éifeachtaí. Go bunúsach, theastaigh uainn bealaí níos éifeachtaí a aimsiú chun seirbhísí níos fearr a sholáthar do cháiniocóirí comhlíontacha agus chun súil níos géire a dhíriú ar imghabháil chánach. Tionscnamh mór ba ea an t-athbhreithniú a chuireamar

féin i gcrích le comhairle ó chomhairleoirí lasmuigh ar a n-áirítear saineolaí idirnáisiúnta ar riarachán cánacha.

I dtuairisc speisialta sa tuarascáil seo, táimid ag leagan amach eochairghnéithe na gconclúideanna ardleibhéil atá déanta ag an mbainistíocht maidir le struchtúr nua. Creidimid go dtiocfaidh as ár moltaí, arna gcomhlíonadh i gcomhairle lenár bhfoireann agus lena n-ionadaithe, go mbeimid i riocht níos fearr chun aghaidh a thabhairt ar an iliomad éileamh agus dúshlán atá romhainn. Chuireamar ár gconclúideanna agus an anailís bhunúsach ar fáil d'Fhoireann na Roinne Airgeadais a bhfuil an t-athbhreithniú á dhéanamh acu ar Oifig na gCoimisinéirí Ioncaim a moladh i dTuarascáil an Fhiosrúcháin ar Cháin Choinneála. Sula rachaimid ar aghaidh lenár moltaí féin, táimid ag fanacht le toradh athbhreithniú na Roinne Airgeadais a bheidh réidh, meastar, roimh an 31 Iúil. Coinneoidimid gach duine ar an eolas faoinár bpleananna agus faoin bhforbairt de réir mar a théann siad ar aghaidh.

Chuireamar tús freisin le hathbhreithniú ár gcuspóirí agus straitéisí i gcomhairle le baill foirne tríd an Eagraíocht ar fad. Léireofar toradh an athbhreithnithe seo sa chéad Ráiteas Straitéise eile uainn. Tá chuid mhaith den ullmhúchán déanta cheana againn. Thosaíomar freisin ag obair ar thionscnamh mór faoina bhféadfar tuairisceáin chánach a chur chugainn go sabhailte tríd an idirlíon. Ag obair dúinn i gcomhpháirtíocht le Andersen Consulting agus Baltimore Technologies, beimid ag ainseáil Céim 1 dár gCóras ar Líne nua i mí Meán Fómhair seo chugainn. Ghlacamar chugainn mar sprioc ardaidhmeannach caoga faoin gcéad (50%) de na tuairisceáin chánach gnó a bheith ríomhchomhdaithe faoi dheireadh 2005. Is tionscnamh bratloinge é an tionscnamh seo faoi straitéis an Rialtais i leith ríomhchomhdaithe.

Le linn 1999 freisin chuireamar dlús le comhdhlúthú agus nuashonrú ár mbunachar sonraí cáinócóirí. Chuige sin shníomar ár gcóras measúnaithe agus bailiúcháin d'fhostóirí ÍMAT isteach inár straitéis forbartha atá bunaithe ar an Teicneolaíocht Eolais (TE) is tionscantaí agus ar a dtugtar Próiseáil Chánachais Chomhtháite (PCC). Níos luaithe i mbliana, tháinig ár gcóras measúnaithe agus bailiúcháin i leith Cháin Bhreisluacha chun bheith ina chuid den PCC(ITP). Nuair a bheidh an próiseas PCC tugtha chun críche, beidh bonneagar solúbtha nua-aimseartha ar fáil dúinn a bheidh in ann léiriú comhdhlúite agus comhtháite a thabhairt ar ghnóthaí cánach gach duine ar leith.

I dtuarascáil na bliana seo caite uainn, ghlacamar orainn féin gach dícheall a dhéanamh chun muintín iomlán an phobail sa chóras riaracháin cánacha a athnuachan. Creidimid go ndearnamar dul chun cinn ina leith seo le linn na bliana seo caite. Thugamar aghaidh ar cheisteanna sonracha áirithe agus chuireamar feabhas ar chúrsaí cuntasachta agus trédhearcachta. Is léir áfach ó na hathruithe móra atá á mbeartú againn go dtuigimid go maith go gcaithfear i bhfad níos mó a dhéanamh fós. Déanfaimid gach iarracht dul chun cinn níos dearfaí fós a thaispeáint sa tréimhse atá romhainn amach. Tá sé de cheart ag cáinócóirí

bheith ag súil leis an méid sin ar a laghad uainn.

Mar fhocal scoir, gabhaimid buíochas lenár bhfoireann ar fad as a n-iarrachtaí agus as a dtiomantacht i rith bliana ina raibh go leor deacrachtaí le sárú ag an eagraíocht. Ba mhaith linn go háirithe buíochas a ghabháil leosiúd a bhí ag obair laethanta fada thar thréimhse fhadaíthe ag tacú le hobair an Ard-Reachtaire Cuntas agus Ciste agus an Fhochoiste de Choiste na gCuntas Poiblí i dtaca leis an bhFiosrúchán ar Cháin Choinneála ar Ús Taisce agus leo siúd ar fad a bhí ag freastal mar fhinnéithe ar a n-áirítear ár gcomhleacaithe a bhí éirithe as oifig, ach a tháinig ar ais chun fianaise a thabhairt don Fhochoiste.

Dermot Quigley

Frank M. Daly

Josephine Feehily

Dermot Quigley

Frank M. Daly

Josephine Feehily

Cathaoirleach

Coimisinéir

Coimisinéir

Caisleán Bhaile Átha Cliath,
Iúil 2000.

A New Organisational Structure

Introduction

Our Statement of Strategy for the years 1997 to 1999 identified the need to carry out a root and branch review of our organisational structure. The purpose of the review was to ensure that we have the best possible fit between how we organise ourselves and our strategy to improve overall efficiency and effectiveness. The review was driven and managed by a Steering Group consisting of our Deputy Secretary and Assistant Secretaries.

The review was comprehensive and far-reaching. It drew on first-hand experience of the most progressive tax and customs administrations throughout the world and its main recommendations were validated by external consultants. The review is now practically complete and the working documents and the conclusions reached by the Management Advisory Committee (MAC) and the Board to date have been made available to the Department of Finance team which is currently conducting a review of Revenue. In this feature, we set out in more detail the reasons why we undertook our review, the conclusions we have reached and the far-reaching changes we are now proposing to gear up our organisation for the challenges ahead.

The Objectives of the Review

The review was undertaken to ensure that we could improve our performance and, in particular, to:

- secure better focus on areas of greatest risk of non-compliance and evasion;
- continue development of better customer services;
- have greater clarity in the delegation of responsibility and accountability within Revenue;
- develop more extensive research and intelligence-gathering systems;
- facilitate better evaluation and comparison of performance between different parts of the organisation and
- be more effective overall in protecting the revenue yield to the Exchequer.

Outcome of the Review

The main conclusions which emerged from the review are that we must move our organisation structure from a traditional functional and taxhead approach (for example, dividing the organisation by reference to taxes such as corporation tax, excise duties, capital taxes etc.) to one which deals with customers in a more modern and holistic way. Under the existing structure, responsibility for various aspects of a taxpayer's affairs is divided among a number of senior managers. A good example is a self-employed retailer who has to deal with a tax district for the purposes of Income Tax and VAT but has to go to a customs collection area when applying for an Excise licence. As a consequence there is no comprehensive overview of a taxpayer and it is difficult to evaluate, measure and compare performance. A key feature of the proposed new structure will be that one

individual at senior management level will be responsible for all the Revenue affairs of individual taxpayers in a particular area or category. The MAC decided, subject to the outcome of the Department of Finance review, to establish:

- a Large Customers Division (including high net worth individuals),
- five new regional Divisions to deal with all taxpayers' affairs in specific geographic regions,
- a new Prosecutions Division,
- a better alignment of Revenue Legislation Service Divisions, and
- a new National Office structure to manage the new operational configuration.

The existing central Debt Management and Tax Collection function (based in Limerick) will be retained under the proposed new structure. The National Office will also include the Human Resources, Information Technology and Financial Management functions and the Revenue Solicitor's Office, together with two new Divisions responsible for Operations Policy and Strategic Planning.

Details of the new structure

A **Large Customers Division** (LCD) will be responsible for all the taxes and duties from our biggest customers regardless of geographic location. The Division's responsibility will include both large businesses and high net worth individuals. This focus on large customers is now a feature of most progressive revenue administrations around the world. It will deliver benefits both to the large customers (in terms of improved customer service) and to Revenue (in terms of consolidated risk assessment and management of our largest taxpayers).

In total, **five new regional Divisions** will be established. These will replace the traditional tax districts and customs collection areas. The head of each region (who will be at Assistant Secretary level) will be responsible for all the taxes and duties for all customers (except for the large customers) in their geographical area.

A **new Prosecutions Division** will be established with a clear brief to advance prosecutions in cases of serious tax evasion. This Division will be resourced with staff with appropriate skills and experience and will have ongoing legal expertise available to it. This move is essential to develop a more effective approach to prosecution of cases of serious evasion. Given the complexity of such cases and the evidential requirements needed to sustain a conviction, it will have an investigative arm in support of the prosecution process. Longer term, it is envisaged that all prosecution activity in Revenue will be co-ordinated and managed by this Division.

Our existing **Legislation Services** will be rationalised into four Divisions:-

Direct Taxes - policy, legislation and research;

Direct Taxes - interpretation and international;

Indirect Taxes - policy, legislation, interpretation, research and international;

Customs - policy, legislation, interpretation, research and international;

This approach will result in greater coherence as it will, inter alia, bring together under one senior manager in the relevant Divisions a number of interpretative and administrative functions currently being undertaken across a number of Divisions. This rationalisation will:

- * clarify managerial responsibility at Assistant Secretary level,
- * facilitate more effective deployment of resources, and
- * improve the quality and consistency of decision-making.

These changes will require significant restructuring of our **Head Office** management and support services. In effect, they will necessitate a development of corporate services and the amalgamation of functions that are currently carried out in the various "Head Offices" of existing Divisions. In formulating the new single Head Office structure, the aim will be to facilitate the maximum delegation of responsibility to ensure that there are clear lines of accountability. It will also ensure that standards are set and monitored, that performance is measured and evaluated and that all strategies are kept under review in the light of changing circumstances.

Conclusion

Without pre-empting the outcome of the more recent review being carried out by the Department of Finance, it is clear that before the end of 2000 we shall be embarking on a very ambitious programme of change which will transform our organisation. The challenge will be to successfully implement these changes and at the same time to keep all aspects of our core business running smoothly and efficiently. International experience of organisational change in tax and customs administrations suggests that it will take us a number of years to complete the programme. However, we shall strive to make considerable progress in a relatively short period of time and will use our annual business planning process to set implementation targets for each year of the programme. We shall continue to keep everyone informed about what is planned, and to consult with our Partnership Committee and the various stakeholders in Revenue at the different stages.

Implementing these changes will be a demanding task. However the unanimous view of the MAC is that the proposed new structure will position Revenue to deliver a more coherent and comprehensive service to all our customers, will secure a better focus in dealing with tax evasion and will improve our overall effectiveness in meeting the demands and challenges of a rapidly changing environment.



Yield, Performance and Accountability

Introduction

Gross receipts reached record levels of close to £24 billion in 1999. When repayments to business and individuals are taken into account, net receipts amounted to £18,446 million, £2,546 million above the corresponding figure for 1998 and £1,200 million ahead of Budget target. Targets for almost all taxes were exceeded. Direct and Indirect Taxes receipts were, respectively, £784 million and £116 million ahead of Budget estimate, while Capital Taxes receipts were some £312 million ahead of estimate.

Table 1: Total Amount Collected/Gross Receipts

Duties, Taxes and Levies	1999 £m	1998 £m
Customs	151	173
Excise	3,163	2,825
Value Added Tax	6,586	5,642
Capital Acquisitions Tax	155	117
Capital Gains Tax	362	195
Stamp Duties	739	564
Residential Property Tax	2	2
Corporation Tax	2,840	2,159
Income Tax	6,896	6,296
PRSI and Health Contributions and Employment and Training Levy	2,996	2,647
Total	23,891	20,619
euro	≈ 30,336m	≈ 26,181m

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

Table 2: Total Revenue/Net Receipts

Duties, Taxes and Levies	1999 Net receipts	1999 Budget estimates	1999 Net receipts +or-Budget estimates	1998 Net receipts
	£m	£m	£m	£m
Customs	144	158	-14	160
Excise	3,163	3,091	+72	2,825
Value Added Tax	4,895	4,837	+58	4,267
Capital Acquisitions Tax	151	122	+29	112
Capital Gains Tax	356	193	+163	193
Stamp Duties	719	599	+120	541
Residential Property Tax	1	1	0	1
Corporation Tax	2,711	2,289	+422	2,059
Income Tax:				
PAYE	5,225	4,996	+229	4,755
Income Tax from Self-Employed and certain other non-PAYE sources:				
Direct Payments	842	708	+134	736
Less other non-PAYE repayments	(55)	(55)	0	(48)
Net Yield (see footnotes)	787	653	+134	688
Deposit Interest Retention Tax	127	129	-2	188
Withholding Tax (fees)	137	125	+12	110
Dividend Withholding Tax	30	41	-11	N/A
Income Levy	0	0	0	0
Total	18,446	17,234	+1,212	15,900
euro	≈ 23,421m	≈ 21,883m	+≈ 1,539m	≈ 20,188m

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

Footnotes on Table 2

The VAT receipts in 1999 are composed of £5,941.8 million on internal VAT, £644.7 million collected on imports, less refunds of £1,681.4 million and £10.4 million respectively.

Income Tax from the Self-Employed: The gross figures for direct payments included in the table are adjusted to provide a more complete picture of the direct yield from the self-employed. This is necessary because the net yield under this heading takes into account tax repayments made to non-liaable individuals, charities, pension funds and foreign residents for tax deducted at source under various arrangements or of tax credits attaching to company distributions. Such repayments are made out of tax paid by the self-employed and have the overall effect of reducing the net yield from that sector.

Deposit Interest Retention Tax: Tax deducted from interest arising on bank and building society deposits.

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

Dividend Withholding Tax: Withholding tax on certain dividend and other profit distributions made on or after 6 April, 1999 by companies resident in the State.

Customs Duties and CAP Import Charges

Customs Duties and Common Agricultural Policy (CAP) import charges are collected on a wide range of goods imported from non-European Union countries. Ninety per cent 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 ten per cent is retained by the State as collection expenses.

In 1999, the amount collected on Customs Duties and CAP import charges came to £144 million compared to £160 million in 1998 and a budget estimate of £158 million. The lower amount collected is due to the continuing reduction in duty rates, arising from the implementation of the Uruguay round of GATT and the mid-1997 International Information Technology Agreement.

Excise

Excise receipts of £3,163 million increased by £338 million (12%) on 1998, reflecting continuing strong growth in consumer spending as well as the impact of the Budget increases in Tobacco Duty and Motor Vehicle Registration Tax (VRT). This outturn is £72 million (2.3%) ahead of Budget estimate.

Once again VRT receipts in 1999 exceeded forecast, this time by £32 million (5.5%). Gross receipts for VRT amounted to £646 million, an increase of £120 million (22.8%) on 1998, while repayments under the various repayment schemes amounted to £38 million. These figures again reflect a record year for new car registrations which numbered almost 175,000 i.e. nearly 29,000 up on the 1998 record.

A substantial year-on-year increase was also recorded for the Tobacco sector which yielded £62 million (10.1%) more than 1998 and £29 million (4.5%) more than forecast for 1999.

VAT

VAT receipts for 1999 amounted to £4,895 million. This figure was substantially up on the 1998 yield by £628 million (14.7%) and exceeded the Budget estimate by £58 million (1.2%), again reflecting continuing consumption buoyancy and strong underlying growth in the economy.

Capital Acquisitions Tax

Capital Acquisitions Tax is comprised of inheritance, gift, discretionary trust and probate taxes. The overall yield in 1999 was £151 million, an increase of 35% over the 1998 figure of £112 million and an excess of 24% (£29 million) over the Budget estimate. The increased yield again reflects the continued buoyant economic conditions and the increase in asset values.

Capital Gains Tax

The yield of £356 million from Capital Gains Tax in 1999 exceeded the Budget estimate by £163 million and was also up by £163 million on the 1998 outturn. Some £30 million of the excess can be attributed to the once-off effect of a number of large settlements. The balance can be attributed to increased activity, especially the impact of the reduction of the rate of tax in the 1998 Budget which caused a release of pent-up investment funds and created an incentive for the acquisition of further capital assets.

Stamp Duties

The yield from Stamp Duties for 1999, at £719 million, shows an increase of nearly £178 million over the 1998 outturn. The yield from share transfers, at around £178 million, reflects an increase of some 40% on 1998. The yield from property transfers increased by about 42% to around £434 million. The 1999 yield exceeded the Budget estimate by 20% (£120 million).

Corporation Tax

The yield from Corporation Tax in 1999 exceeded the Budget estimate by £422 million, or over 18%, and was up by £652 million on the 1998 performance. Some £71 million of the excess arose from the net effect of a small number of once-off collection factors. The balance is attributable mainly to a general increase in the taxable profits of companies and the ongoing growth in the formation of new companies.

Income Tax

The net receipts from Income Tax in 1999 exceeded the Budget estimate by £362 million (6%) and were up £565 million on the corresponding figure in 1998. Ongoing sizeable increases in numbers at work, employee remuneration and buoyant tax payments by self-employed taxpayers were the main factors which influenced the outcome.

Dividend Withholding Tax

A Dividend Withholding Tax (DWT) on distributions made by Irish resident companies was introduced with effect from 6th April 1999. The tax yielded £30 million in 1999 against a Budget estimate of £41 million. The yield for 1999 may not be an accurate barometer of the likely yield in future years as some non-resident persons were entitled to an exemption in 1999 under special transitional arrangements provided for in the legislation. It is estimated that DWT will yield in the region of £80 million in a full year.

Chart 1: Indirect Tax Net Receipts

Over £8,058 million was collected in VAT and Excise receipts in 1999.

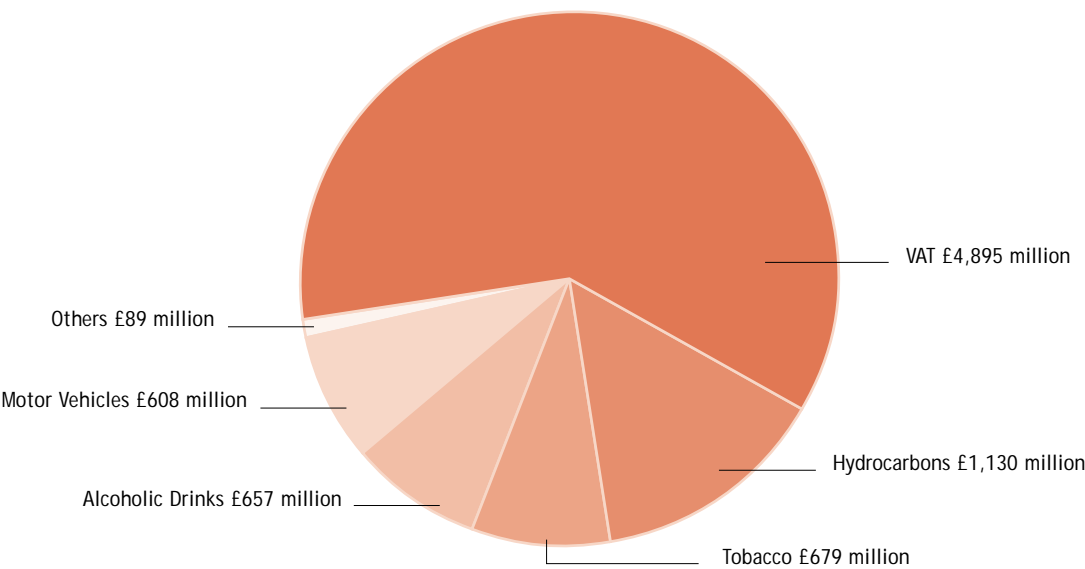
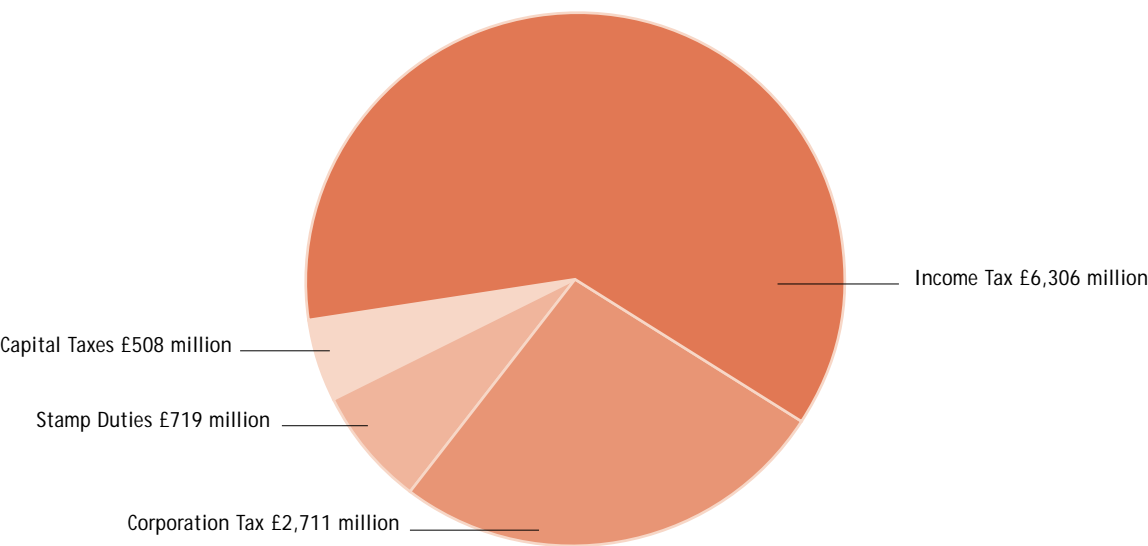


Chart 2: Direct & Capital Taxes Receipts

A total of £10,244 million was collected in Direct and Capital Taxes receipts in 1999.

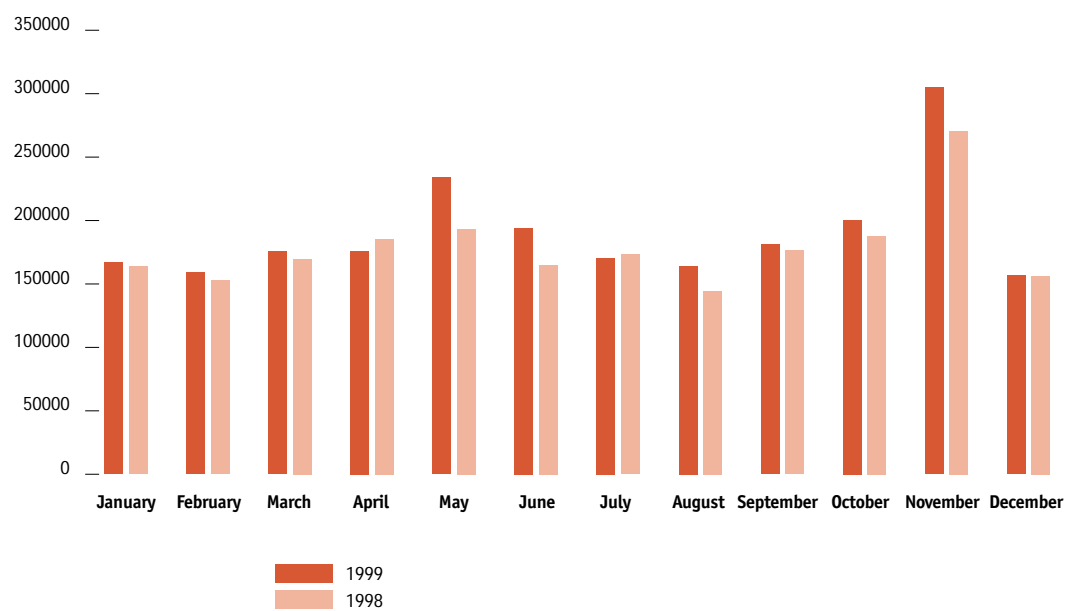


Income Tax comprises receipts from PAYE, Income Tax from the self-employed and certain other non-PAYE sources, Deposit Interest Retention Tax, Withholding Tax and Income Levy.

Capital Taxes includes receipts from Capital Acquisitions Tax, Capital Gains Tax and Residential Property Tax

Chart 3: Payment Items to the Collector-General - 1999 v 1998

The largest amount of payments in a single day to the Collector-General was £987.3 million. The highest number of items processed in a single day by the Collector-General was 51,064.



Debt Management

Revenue remains committed to the fair and efficient collection of all taxes in a manner which brings about a culture of compliance for current taxes and prevents the accumulation of new debt. Revenue’s debt management strategy seeks to ensure that staff resources collect the maximum amount possible of arrears but are not wasted in pursuing collection of old notional debt, based on unrealistic estimates, which have little or no likelihood of collection.

As part of the emphasis on timely current collection, our policy is to make early intervention in cases which demonstrate compliance problems. Early intervention ensures that customers have the opportunity to regularise their affairs before the liability escalates. For the customer who is not prepared to comply, it ensures early effective enforcement by Revenue, to try to secure payment.

Identification of problem cases is helped by an innovative computer technology system - Active Intervention Management (AIM) - which identifies cases and brings them to the attention of caseworkers for early intervention. AIM also associates all the taxheads for the customer, thus ensuring that each case is dealt with as a single entity regardless of the number of taxes involved. With the AIM system, the number of contacts with customers continued to increase. AIM, combined with other developments to the computer systems operated by Revenue, will pave the way for further progress in the coming years.

Progress on reduction of the overall Revenue debt continued in 1999 and the debt currently stands at £1.05 billion. This represents 6% of net collection in 1999 as against 57% in 1988. The reduction continues to be achieved by focusing on minimising new debt, combined with on-going efforts to tackle the accumulated arrear. This effort involves effective action to collect the liability that is soundly based together with a write-off of uncollectible tax in accordance with overall policy guidelines and procedures agreed with the Comptroller and Auditor General.

The amount of debt written off in 1999 was £88.3 million, a reduction on the 1998 figure of £216 million. The reduction reflects the decreasing size of the historic debt following the measures taken in recent years to tackle the problem more effectively.

Our new Strategy Statement currently in preparation will reflect the on-going importance of Revenue’s debt management policies. A key element of the strategy will remain the elimination of historic debt so as to enable the more productive use of resources on current debt. It is the intention to ensure that Revenue debt continues to decline as a percentage of Revenue collection.

Table 3: Total Arrear as a % of Taxes Collected (Direct Taxes and VAT)

Year	Total arrear	Taxes collected	Total arrear as a % of taxes collected
	£	£	
1988	3,501m	6,100m	57%
1989	2,985m	6,242m	48%
1990	2,718m	6,763m	40%
1991	2,538m	7,247m	35%
1992	2,437m	8,037m	30%
1993	2,215m	8,524m	26%
1994	2,057m	9,427m	22%
1995	1,978m	9,870m	20%
1996	1,690m	11,468m	15%
1997	1,329m	12,794m	10%
1998	1,167m	14,295m	8%
1999	1,055m _(provisional)	16,722m _(provisional)	6%

Revenue's Statement of Strategy 1997 - 1999

Main achievements and initiatives in 1999

The 1999 Budget target was exceeded by £1,212 million.

The level of debt owing to Revenue was reduced by £112 million to 6% of net collection.

Two prosecution cases for serious tax evasion were completed and five other cases were before the courts at the end of the year.

Revenue audits were carried out in 18,524 cases and yielded £138.2 million.

Tax avoidance schemes, with an additional yield of almost £1.6 million, were successfully challenged in 26 cases.

A total of 1,399 convictions were secured for failure to file returns. In addition, penalties were imposed in 606 cases for failure to submit P35 PAYE employer returns.

Petitions were presented to have companies wound up by the High Court on 23 occasions and Revenue was represented at 153 creditors' meetings.

Collection enforcement programmes directly yielded £55.9 million from 20,000 cases.

The Customs National Drugs Team seized drugs with an estimated street value in excess of £24 million and detained over £600,000 of suspected drug-related cash.

A major review of our drug enforcement operations was undertaken.

There was a significant increase in commercial tobacco seizures, totalling 70 million cigarettes.

A Memorandum of Understanding was signed with UK Customs to facilitate the fight against drug-trafficking and other Customs offences.

Contracts were signed with six firms of solicitors for the provision of debt collection legal services in respect of unpaid tax and interest.

Accountants and additional inspectors were hired for large case audit and investigation work.

A panel of external reviewers was appointed as part of the new internal review procedure for dealing with taxpayers' complaints.

The contract to develop the first two phases of our new internet filing service, Revenue On-line Service (ROS), was awarded to Andersen Consulting.

Work on modifying our computer systems for year 2000 compatibility was successfully completed.

A more flexible direct debit system for the payment of Preliminary Tax (Income Tax) was introduced.

A freefone telephone helpline was put in place for two days following the Budget on 1 December.

Hits on our website (www.revenue.ie) increased by over 500% to 3.6 million.

The Stamp Duties Consolidation Act, 1999 was enacted and comprehensive guidance notes on all sections of the Act were published.

Consolidation of Excise legislation continued in the 1999 Finance Act.

The new Corporation Tax regime, giving a rate of 12.5% for 2003 and subsequent years was phased in.

Our Report '*Electronic Commerce and the Irish Tax System*' was published; it examines the possible implications of e-commerce on taxes and duties.

A new Dividend Withholding Tax on distributions made by Irish resident companies was introduced.

New measures were put in place to tackle the problem of Irish registered non-resident companies (IRNRs).

New tax treaties with Slovakia and Romania were signed and a protocol was added to the 1997 treaty with the USA.

A Management Advisory Committee comprising of the Board and senior management, was established to enhance strategic effectiveness in Revenue.

A new financial management computer system was introduced.

The contract for a new human resource management computer system was signed.

Key business issues were addressed by our Intensive Partnership Committees.

The first phase of our comprehensive computer system for tax administration, Integrated Taxation Processing, was introduced.

Table 4: Volume of Business 1999

Number of Revenue Staff	5,939
Items processed	Volume in 1999
All Taxes	
Correspondence	5,002,209
Personal callers	822,092
Telephone callers	3,624,446
Page 'hits' on the Revenue website (www.revenue.ie)	3,610,120
E-mail queries received	1,933
Collector General	
Number of payment items received	2,283,866
Value of payment items received	£19.1bn
Number of tax clearance certificates issued	60,022
Accountant General	
Number of VAT claims received	221,650
Value of VAT claims repaid	£1,656.6m
Income Tax	
Income Tax Self-Assessment	
Returns	287,454
Repayments	150,997
P35 Returns	
Employers	148,000
Employments	2,400,000
Number of Refunds	12,272
PAYE	
Employee Reviews	419,666
Returns	100,915
 Number of exemptions granted to charitable/sporting bodies	
	323
Corporation Tax	
Returns	72,869
Repayments	17,002
Capital Gains Tax	
Returns	28,741
CG50 (Applications for clearance certificates)	17,872
Relevant Contracts Tax	
C2s (Subcontractor's certificates) issued	28,366
Repayments	52,604
C47s (Payment card authorisations) issued	154,106

Dividend Withholding Tax and International Claims

Correspondence 5,800
DWT Returns from paying companies 1,004
DWT Returns-distributions to individual shareholders 906,000
Number of repayments to non-residents 3,830
Value of repayments to non-residents £37.2m

New Business Registrations

Income Tax 35,988
VAT 30,400
PAYE and PRSI 23,767
Corporation Tax 13,818
Relevant Contracts Tax 1,907

New Business Visits 5,976

Customs and Excise Declarations

Number of Single Administrative Documents processed 869,018
Number of new and used vehicles registered 283,201
Number of INTRASTAT declarations processed 101,000
Number of VIES declarations processed 27,000

Capital Taxes

Inland Revenue affidavits and Probate Tax Returns 17,000
Gift/Inheritance and Discretionary Tax Returns 14,000
Capital Acquisition Tax Certificates of Discharge 18,000
Applications for Residential Property Tax clearance certificates 5,000
Returns in relation to Companies Capital Duty and
Composition Duty and Levies 7,000
Instruments presented for marking and stamping 324,000
Number of CREST refund claims received 14,750
Value of CREST refund claims repaid £18.0m

Table 5: Cost of Administration as a Percentage of Gross Receipts

1995	1996	1997	1998	1999
1.26%	1.10%	1.0%	0.98%	0.88%
Gross Receipts			£20,896.0 million*	
Cost of Administration			£183 million	

* This figure does not include PRSI, Health Contributions and Employment and Training Levy.

Accounting for our Performance

Last year, of course, we devoted considerable time in accounting to the Committee of Public Accounts in relation to our past performance on the contentious DIRT issue. We are directly accountable to this and other Oireachtas Committees and also to the Minister for Finance, the institutions of the EU, the European Court of Auditors, the Ombudsman and the Information Commissioner. We continue to take our own initiatives to improve our accountability for our performance.

Internal Audit

In an organisation of Revenue's size and diversity, internal audit is an essential part of our system of corporate governance and control. In recognition of this, it is the policy of the Board and Senior Management to maintain and support a strong Internal Audit function. This is required to provide independent audit assurance that all significant operating risks are identified and controlled throughout the Office and that internal controls are adequate, effective and properly complied with.

Internal Audit's remit extends over all activities of the Office, including direct and indirect taxes, EU own resources (customs duty and import levies) and corporate support services. As in previous years, the Internal Audit staff joined with officials of the European Commission in the Commission's annual inspection of the management and control of EU own resources in Ireland.

Internal Audit Committee

Internal Audit now operates under the guidance and support of the new Internal Audit Committee, established in 1998 and which is chaired by, and largely composed of, senior persons from outside Revenue. As well as overseeing the operation of the Internal Audit function, the Committee's role is to advise the Board in relation to the development of that function. The Committee met on nine occasions during the year and reviewed sixteen Internal Audit Reports. In addition, the work of Internal Audit in its review of Revenue's Y2K contingency plans was overseen by the Committee. A Charter on the role of the Internal Audit Committee was entered into between the Board and the Committee and a Charter on the operation of Internal Audit was approved. The Board wishes to record its appreciation of the important work being done by the Committee.

The Ombudsman

The functions of the Ombudsman include protecting the rights of individuals in their dealings with those entrusted with the exercise of public power and providing redress where it is found that these rights have been infringed.

In 1999, 132 complaints relating to Revenue were made to the Ombudsman accounting for less than 10% of the number of complaints made against the civil service sector notwithstanding the extent of Revenue's interface with the public. During the year, the Ombudsman finalised 122 complaints relating to this Office. The tables below analyse the complaints in more detail.

Table 6: Complaints Relating to Revenue made to the Ombudsman in 1999

Subject	No. of complaints
Income Tax	91
VAT/Inheritance/CGT	12
Customs & Excise	7
Disabled Drivers	7
Failure to reply to correspondence	6
Other matters	9
Total	132

Table 7: Complaints Relating to Revenue completed by the Ombudsman in 1999

Outcome	No. of complaints
Not upheld	33
Withdrawn	3
Discontinued	25
Assistance provided to complainant	39
Resolved	22
Total	122

Table 8: Complaints Relating to Revenue made to the Ombudsman, 90-99

Year	No. of complaints
1990	185
1991	177
1992	168
1993	153
1994	161
1995	116
1996	138
1997	135
1998	123
1999	132

Freedom of Information

Revenue continued to meet the requirements of the Freedom of Information Act. We received 511 requests for information in 1999. An updated version of the rules, procedures, guidelines and interpretations used by the organisation, as required under Section 16 of the Act, was issued in CD-ROM format in July.

Table 9: Freedom of Information Requests Received in 1999

Requests received	511
Requests requiring decision	480
Full information released	205
Part information released	181
Request for information refused	94
Requests for Internal Review	168
Internal Review decisions made	163
Original decision affirmed	111
Original decision varied	51
Original decision annulled	1
Information Commissioner Appeals	61
Information Commissioner decisions made	11
Decision affirmed	7
Decision annulled	2
Decision amended	2

Revenue continues to be committed to the implementation of the legislation in a positive manner. It should be noted, however, that we attach importance to the use of exemptions, provided in the legislation, which are designed to protect confidentiality (e.g. of personal or commercially sensitive information) or the effectiveness of Revenue operations (e.g. investigation or prosecution). The exemptions were put in place by the Oireachtas precisely for that purpose.

Prompt Payment of Accounts

The implementation of a new purchasing and integrated financial management system resulted in an increase in late payments during the period of transition to the new system. However, when the initial transition was completed, the number of late payments decreased and a further continuing downward trend is anticipated as the system becomes fully operational throughout the Office.

The vast majority of payments for goods and services are made by the prescribed payment date. In a very small proportion of cases, interest penalties have been paid in accordance with Section 4 of the Prompt Payment of Accounts Act, 1997. Written contracts generally have payment periods of 30 days and no attempt is made to contract for payment dates longer than 45 days.

Table 10: Prompt Payment of Accounts Statistics, 1999

	1999
Total value of all payments	£49,724,694
Total value of all late payments (Under £250 inclusive)	£1,310,595
Value of late payments in excess of £250	£1,270,768
Value of late payments as % of total payments	2.636%
Number of late payments in excess of £250 (Invoice Value)	427
Amount of interest paid	£7,242
Amount of Interest as a % of total payments	0.015%
Broad indication of length of delays (Invoices in excess of £250)	Average delay 19 days



Inquiries, Special Investigations and Prosecutions

Deposit Interest Retention Tax Inquiry

The single most important issue facing Revenue in 1999 was the investigation by the Comptroller and Auditor General into the administration of Deposit Interest Retention Tax during the period 1986-1998 and the subsequent Inquiry and First Report by a Sub-Committee of the Committee of Public Accounts published in December 1999. The servicing of these placed significant pressure on us during the year. It is quite clear also that the outcome of the Sub-Committee's deliberations will have a significant impact on the organisation for some time to come. The Sub-Committee's First Report contained over one hundred findings and twenty recommendations or groups of recommendations. A number of these directly involve Revenue and others affect us indirectly as part of the wider public service, to whose accountability and governance they relate.

Audits of Financial Institutions

One of the Sub-Committee's major recommendations was that Revenue undertake a full look-back audit (to April 1986) of each financial institution to assess any DIRT liability and to have this audit programme completed by 1 September 2000 with a report to the Public Accounts Committee by 1 November. We had in fact already commenced a programme of such audits in April 1999, using the powers introduced in the Finance Act, 1999. By the end of the year, DIRT audits were being carried out in twenty-one of thirty-seven financial institutions to be audited. The balance of sixteen institutions were each requested to do preparatory work for their audits, which began in the early part of 2000.

The objective of the audit programme is to enable Revenue to compute the amount of tax underpaid, if any, by each deposit-taker, together with the interest and penalties due. The focus of Revenue's DIRT look-back audits is to check a sample of non-resident accounts, as provided for in the legislation, in each of the financial institutions concerned. The information gathered from checking the sample of non-resident accounts, together with the other information obtained by Inspectors in the course of their audits, will allow Revenue to form a view on compliance with the DIRT legislation in each institution and, where necessary, make an estimate of the level, if any, of DIRT under-deducted by the financial institution.

If the DIRT arrears, interest and penalties due cannot be agreed in discussion with the deposit-taker, Revenue will raise assessments on the deposit-taker. Provision was made in the Finance Act, 2000 for Revenue to publish the results, including interim results, of the look-back audits, covering the years 1986/87 to 1998/99 and requiring us to make the report to the Committee of Public Accounts of Dáil Éireann before 1 November 2000.

Revenue assigned 37 officials to work on a full-time basis on the audit project. In addition, 30 officials were assigned for short periods to assist in the audits. This audit programme is on schedule for completion by the required date.

We also intend to pursue the question of 'underlying' tax on bogus non-resident accounts i.e. whether the funds in the accounts have been declared for tax purposes by individual depositors. Our present priority is first to complete the audits of the financial institutions - the issue of 'underlying' tax will then be pursued.

The Sub-Committee of the Committee of Public Accounts carried out a full review of the progress made in implementing all its recommendations, including those in relation to the look-back audits, at the hearings on 20 June 2000.

Other DIRT Inquiry Recommendations

Another key recommendation of the report was that a review of Revenue be carried out by the Public Service Management and Development Division of the Department of Finance. The review is to address issues of independence and accountability, organisation structure and practices and the desirability or otherwise of executive and non-executive Commissioners on the Board of Revenue. Revenue is co-operating fully with this review. We had previously commenced a review of our organisational structure, details of which are given earlier in this Report. The outcome from our work has been supplied to the Department of Finance review team.

Review Group on External Auditors

The DIRT Sub-Committee also recommended that the Department of Enterprise, Trade and Employment undertake a review of the Audit profession. Revenue is represented on this Group and has made a submission to it. Revenue's submission proposed, among other things, that:

- having regard to growing concerns arising from recent high-profile disclosures, self-regulation of the profession should be built upon and enhanced by some element of State agency supervision;
- audit reports for larger companies and financial institutions should contain an explicit opinion that, for the period of the financial statements, the company has substantially complied with its tax obligations;
- changes should be made to enhance the independence of auditors; these might include:
 - * disclosure in the financial statements of non-audit fees,
 - * an appropriate upper limit on non-audit fees in the case of large companies and financial institutions,
 - * lowering the permitted level of fees received by an audit firm from a single client company as a proportion of the total fee income of the audit firm, and
 - * a requirement for large companies and financial institutions to establish an audit committee independent of the board of the company which would have a responsibility for the company's tax compliance.

A full copy of the submission is available from our website (www.revenue.ie).

Tribunals and Tax Evasion

Revenue is co-operating fully with the Moriarty and Flood Tribunals and we are monitoring evidence emerging. Matters already disclosed at the Tribunals (including the Mc Cracken Tribunal) which suggest tax evasion are being fully investigated. We have made a submission to the Moriarty Tribunal and are legally represented at its hearings.

Mc Cracken Tribunal

In April 2000, the Revenue Board announced that Mr. Charles J. Haughey had agreed to pay £1,009,435 in respect of gift tax and interest arising out of payments identified in the Mc Cracken Tribunal Report and in respect of which assessments had been made by Revenue. The agreement has no application to, or implications for, any other tax liabilities that exist or may arise.

Special Investigations

National Irish Bank

Since Revenue commenced investigating ‘offshore’ investments made by individuals under the National Irish Bank scheme, enquiries have been undertaken into the returns of 429 individuals. By the end of 1999, enquiries were completed in 195 cases. The total amount paid at end 1999 in respect of ongoing and completed investigations is **£16.68** million, including tax, interest and penalties. This figure includes a sum of £7.4 million for payments on account in cases which have not yet been settled.

Of the cases investigated so far, 12 are being investigated with a view to possible prosecution through the Courts.

Table 11: Summary Results of National Irish Bank Investigation

	1999	1998	Total
Cases settled	145	50	195
Yield in settled cases	£m	£m	£m
Tax	3.70	0.58	4.28
Interest	2.96	0.32	3.28
Penalties	1.48	0.24	1.72
Total	8.14	1.14	9.28*

*Payments on account in cases which have not yet been settled totalled a further £7.4 million at 31 December 1999.

Ansbacher (Cayman) Limited

In September 1999, a copy of the Report of the Authorised Officer was received by Revenue from the Department of Enterprise, Trade and Employment. The Report contains information about the alleged involvement of 120 named individuals with Ansbacher (Cayman) Limited.

On receipt of the Report, a Special Project Team was brought together to investigate the tax affairs of the named individuals. While the list of names provided an important starting point, the investigations will be time-consuming and detailed. They cover events since the 1970s and, in addition to the individuals named, associated persons and trusts are also the subject of investigation. In the course of the investigations, Revenue officers are using, where appropriate, all available powers, including the powers included in the 1999 Finance Act. Information is being received under Court Orders from financial institutions and others.

All individuals identified in the Report have been contacted and enquiries are continuing. Indications are that a number of those named may not have been resident in the State for tax purposes. It is not possible, at this stage of what are likely to be lengthy investigations, to make any reliable judgement of the eventual tax yield or other actions that may ensue.

In November 1999, information became available to Revenue of a Lichtenstein-based tax evasion scheme. An investigation into this complex issue was commenced immediately by the officers conducting the 'Ansbacher' accounts enquiry. This investigation is continuing.

Pick-Me-Up Schemes

Revenue's investigation into the 'pick-me-up' schemes continued in 1999. These schemes involved irregular tax arrangements in relation to financial support given to certain political parties. Under such schemes, the bill for an expense incurred by a political party for goods or services supplied to it was, by arrangement, invoiced by the supplier to another trader who wished to support the party and that other trader paid the supplier. Such payments for political parties were not deductible for tax purposes, the relevant VAT was not reclaimable and the invoices issued were not in accordance with legal requirements.

In carrying out its investigations, Revenue has communicated with all individuals concerned. While some traders treated their payments correctly for tax purposes, quite a large number did not, thereby understating their tax liabilities. To date, Revenue has collected over £350,000 as payments on account of such additional liability. Enquiries are continuing.

Prosecutions for Serious Tax Evasion

During 1999, Inspectors in Revenue's Investigation Branch continued to investigate cases of serious tax evasion and prepared relevant reports for the Revenue Solicitor and the Director of Public Prosecutions. In 1999, 13 cases were selected for investigation with a view to criminal prosecution.

Selected cases which, after investigation, are considered unsuitable for prosecution are dealt with by way of monetary settlement to cover tax, interest and penalties.

Results

Two cases investigated by the Garda Síochána, with Revenue assistance, were finalised in the Courts. The Gardaí had commenced these investigations under the arrangements which had previously been in place for dealing with prosecutions for tax offences. Under current arrangements, Revenue now investigates the cases itself and reports directly to the Director of Public Prosecutions. In the first of these cases, a conviction was obtained in respect of the submission of false PAYE/PRSI returns by a meat processing company. The company was fined £15,000 on pleading guilty in the Circuit Criminal Court. A sum of over £3.3 million in tax, interest and penalties has since been recovered from the company arising out of that investigation.

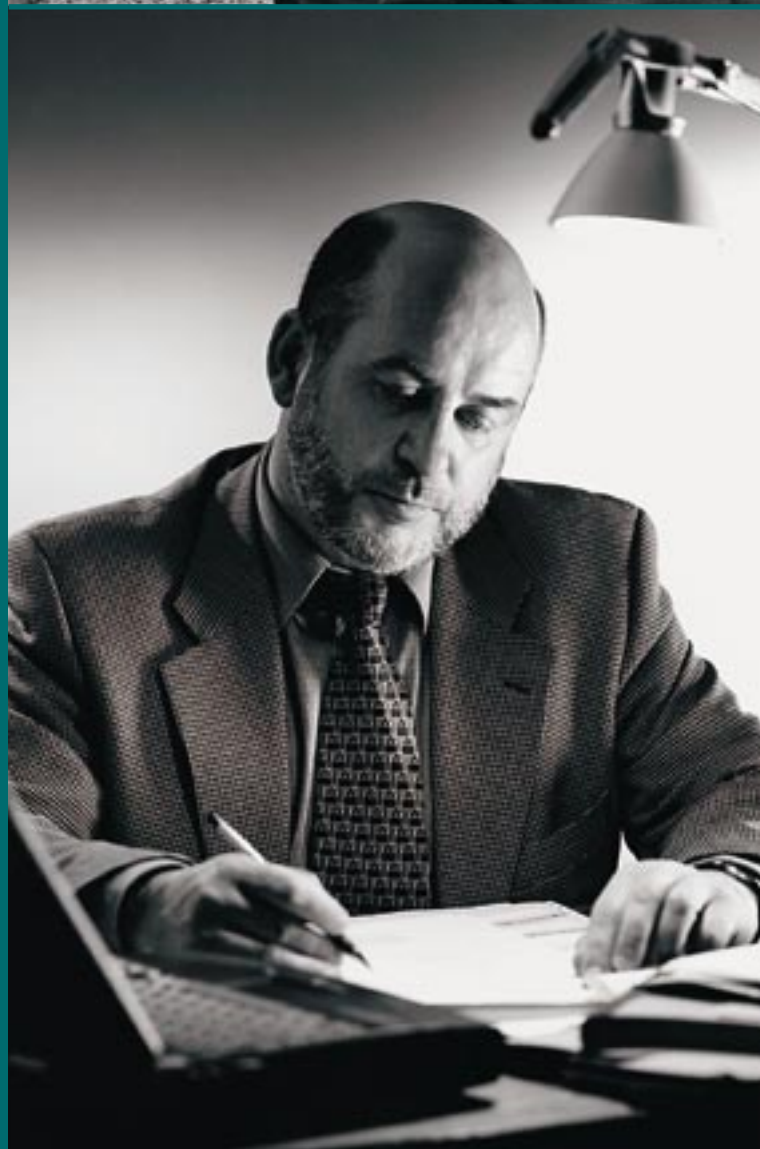
In the second case, two persons were charged with tax offences and subsequently acquitted.

A further four prosecution cases were brought to Court during 1999 and these were still before the Court at the end of the year, three in the District Court and one in the Circuit Court. A fifth case, was also in the Circuit Criminal Court awaiting trial.

In addition to these five cases, the Director of Public Prosecutions gave direction for a prosecution in one further case. Twenty-four other cases were at various stages of investigation at the end of the year.

While Revenue is pleased with the progress to date of its more active prosecution policy for serious tax evasion, the current arrangements are being reviewed to see how more rapid progress might be made.

Other prosecution activity by Revenue (e.g. for failing to file tax returns or Customs related matters) is covered in Chapter 3.



Compliance, Audit and Enforcement

Introduction

Revenue’s approach to tax and customs duty collection and administration is aimed at promoting a high level of voluntary compliance by making it as easy as possible for taxpayers to comply with their statutory obligations. Customer Service is the focus of Chapter 4. In this chapter we outline what Revenue does to secure compliance from those who do not comply voluntarily. As part of this we carry out audits of taxpayers’ returns to ensure that individuals pay the correct amount of tax and that the interests of compliant taxpayers are safeguarded. We play a vital role in tackling the National and EU-wide threat of illegally imported drugs and we have established ourselves as a significant partner with law enforcement agencies in combating drug-related crime.

In 1999 the main achievements in our Compliance, Audit and Enforcement Programmes included:

- Total of 1,399 convictions for failure to file returns. In addition, penalties were imposed in 606 cases for failure to submit P35 PAYE employer returns.**
- Total receipts of £138.2 million from Audit programmes.**
- Accountants and additional inspectors hired for large case audit and investigation work.**
- Tax avoidance schemes successfully challenged in twenty-six cases involving almost £1.6 million.**
- Yield of £55.9 million from collection enforcement programme through sheriffs and solicitors.**
- Contracts signed with six firms of solicitors for the provision of debt collection legal services in respect of unpaid tax and interest.**
- Seizure of drugs with a street value in excess of £24 million by the Customs National Drugs Team.**
- A major review of drug enforcement operations.**
- Significant increase in commercial tobacco seizures totalling 70 million cigarettes.**
- Signing of a Memorandum of Understanding between Irish and UK Customs relating to the fight against drug-trafficking and other offences.**

Checking for illegal diesel, Limerick	Scanning VAT Returns, Limerick
Revenue Audit Inspector, Dublin	Customs Officers, Shannon Airport

Compliance

Revenue’s compliance programme for tax returns focuses on the pursuit of late filers and persistent non-filers of tax returns, while at the same time promoting voluntary and timely compliance.

The early response campaign to tackle late filers and persistent non-filers continued in 1999 with cases being worked under a rapid pursuit programme. Over 7,000 compliance visits were carried out by Revenue staff throughout the country and 28,867 cases were reviewed. Further details are shown in Table 12.

Table 12: Cases Reviewed under 1999 Returns Compliance Programmes

	Income Tax	Corporation Tax	Total
Cases settled by receipt of Return(s)	16,577	6,215	22,792
Cases found to be ceased, dormant, dissolved, or deemed to have no liability.	3,031	3,044	6,075
Total	19,608	9,259	28,867

Chart 4: Income Tax Returns Compliance

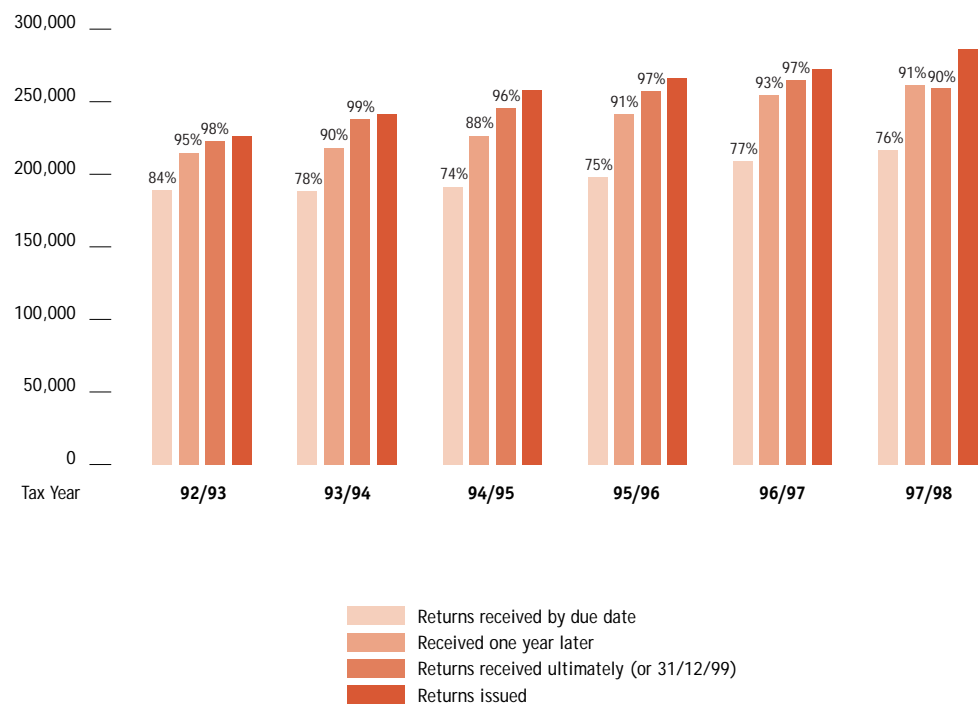
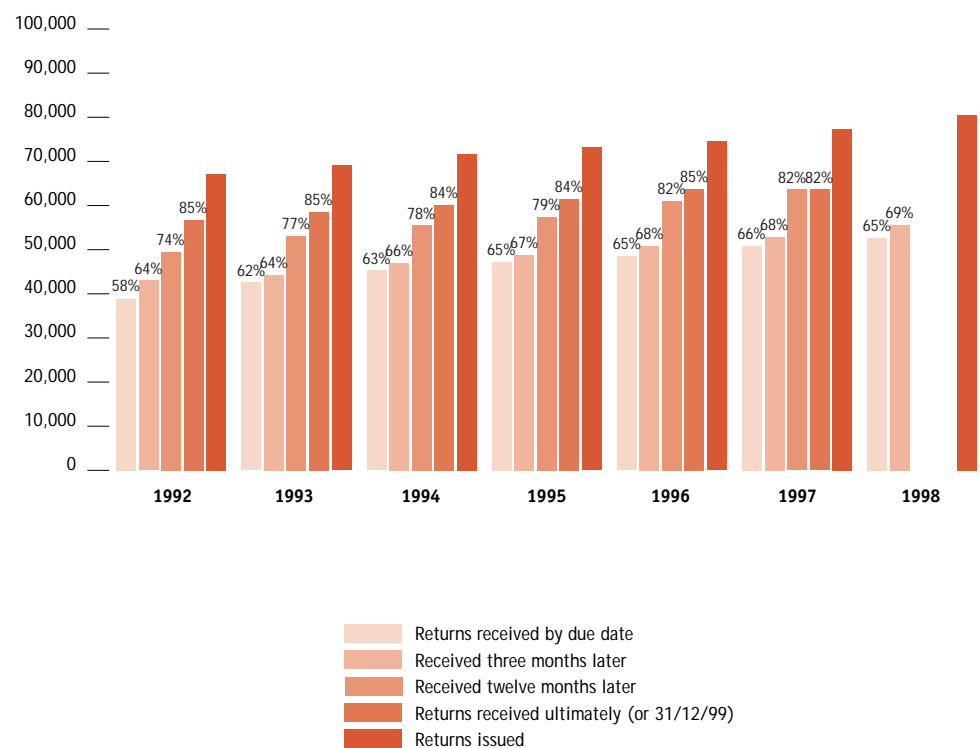


Chart 5: Corporation Tax Returns Compliance



P35 Compliance

The date for filing the employers’ P35 return for 1998/99 and subsequent years was extended from 30 April to 21 May, allowing employers and agents additional time to complete their returns. The response to this initiative was very positive with 85% of all employment details being received by the due date, as against 53% in the previous year. At the end of 1999 over 99% of all employment details had been received.

Table 13: Percentage of Employment Returns

Year	Estimated employments* by due date	Employments* by year end
1995/1996	48%	99.4%
1996/1997	52%	99.8%
1997/1998	53%	99.8%
1998/1999	85%	99.8%

* Percentage of total employments in respect of which employers have submitted returns.

Prosecution for Failure to File Returns

P35 Employer Returns

A more structured system was introduced for failure to make returns. The old penalty system, which provided for a standard penalty of £1,200, was considered to be too rigid and was replaced. The new system provides for a penalty of £500 for late returns, but this increases by £500 for each month that the return remains outstanding subject to a maximum penalty of £2,000. During 1999 we continued to pursue vigorously non-compliant employers. Penalties were imposed in 606 cases. In addition, 107 defaulting employers had their names published where penalties were imposed by the courts.

Income Tax and Corporation Tax Returns

In 1999, the prosecution of non-filers under Section 1078 of the Taxes Consolidation Act, 1997 continued. Legal proceedings were instituted in over 2,700 cases and convictions were secured in over 1,200 cases.

Table 14: Prosecution for Non-filing of Tax Returns

	Income Tax	Corporation Tax	Total
Revenue Solicitor warning letters issued in 1999	5,399	2,405	7,804
Revenue Solicitor warning letters issued in 1998	5,450	1,127	6,577
Cases referred for the institution of legal proceedings in 1999	2,369	400	2,769
Cases referred for the institution of legal proceedings in 1998	1,968	327	2,295
Convictions in 1999	1,159	85	1,244
Convictions in 1998	659	198	857

Solicitors' letters are normally issued in advance of instituting proceedings in respect of non-filing offences. Following the warning letter, those who do not submit their tax returns are referred again to the Revenue Solicitor to institute legal proceedings.

In addition to prosecution, 72 non-filers were referred for an examination of their books and records with regard to other possible tax evasion.

Audit

Tax Audit Programme

During the year, 18,524 audits and desk reviews were completed yielding £138.2 million under the self-assessment audit programmes. The reduction in completed audits over the 1998 figure was due to a number of factors including the re-assignment of 24 auditors to work connected with the DIRT and Ansbacher projects.

Investigation Branch and the Anti-Avoidance Unit carried out in-depth investigations in 33 cases. Settlements in 194 cases were published under the provisions of Section 1086 of the Taxes Consolidation Act, 1997. 49 cases were identified by tax districts for potential prosecution.

There were 6,429 audits in progress at 31 December 1999, representing an increase of 1,339 over the previous year. This increase is in part due to the stricter penalties regime introduced in the 'Code of Practice' for Revenue Auditors in 1998, which means that it took longer to achieve settlement in some cases.

During the year, 160 auditors received comprehensive, on-the-job training which will result in a more efficient audit function in future years.

Table 15: Summary Results of Audit Programmes

Audit Type	1999	Yield £m(1)	1998	Yield £m(1)
	Audits Completed		Audits Completed	
Comprehensive (All taxhead)	2,512	47.3	2,844	61.5
VAT	5,101	31.9	6,886	44.1
Employers' PAYE/PRSI	2,768	12.3	2,824	12.9
Relevant Contracts Tax (RCT)	384	1.5	261	1.4
Combined VAT, RCT & PAYE/PRSI(2)	892	3.0	735	2.3
Verification Audits(3)	1,848	3.1	4,314	6.8
Desk Reviews(4)	3,400	6.9	n/a	n/a
Investigation Branch	7	0.2	22	1.3
Anti-Avoidance	26	1.6	16	2.9
Capital Acquisitions Tax	490	3.2	293	3.3
Residential Property Tax	1,096	1.0	1,065	1.0
Totals	18,524	112	19,260	137.5
Arrears Collected(5)		26.2		27.6
Total Audits/Total Yield	18,524	138.2	19,260	165.1
Payments on Account(6)		30.5		12.6

note 1 - The yield figures for 1999 include £2.9 million referred for collection enforcement in cases where the liability was not agreed with the audit officer. It also includes £3.5 million. (income tax and corporation tax) which is the expected yield in future years from restriction of losses carried forward and reliefs overclaimed. The equivalent figures for 1998 are £2.2 million for tax sent to enforcement and £2.2 million for restriction of losses.

note 2 - Up to 1998 'combined audits' were confined mainly to the Construction Sector Districts. They were previously reported under Relevant Contracts Tax.

note 3 - This is the first year that this type of audit has been separately reported because of the increase in the number for 1998 onwards. In previous years they were included in the Comprehensive, VAT and Employers' PAYE/PRSI headings.

note 4 - Desk reviews mainly refer to queries on VAT repayment claims and to adjustments to tax computations in returns filed for income tax, corporation tax and capital gains tax. In previous years they were included in the Comprehensive (Income Tax, Capital Gains Tax and Corporation Tax), VAT and PAYE/PRSI headings.

note 5 - Unpaid declared liabilities collected with audit settlements.

note 6 - Payments on account by taxpayers, not included in total yield, where the final settlement is under negotiation.

Appointment of Extra Inspectors and Accountants

In May 1999, Revenue received approval from the Minister for Finance, to appoint thirty-seven additional staff in the Audit and Investigation areas including the appointment of five qualified professional accountants who are being specially recruited. The focus of these extra resources is on increasing the level of audit activity for the financial institutions and the larger corporate taxpayers, as well as for specific investigations. Revenue sought this staffing as an interim measure following the significant new powers given in the 1999 Finance Act.

Anti-Avoidance

During 1999 tax avoidance schemes were successfully challenged in twenty-six cases. The additional tax yield was £1,556,000. The general anti-avoidance provision, Section 811 of the Taxes Consolidation Act, 1997 continued to be invoked and two challenges by taxpayers to the provisions, which were before the High Court, have now been withdrawn. A large number of partnerships (mainly involved in investing in films), which are considered to be essentially schemes to avoid tax, are being challenged by Revenue. These involve claims for relief for trading losses in excess of £80 million. Legislation to counter the use of other avoidance schemes was enacted in the Finance Act 1998 and strengthened in the Finance Act, 2000. Also, a number of amendments to clarify the intent of legislation were incorporated in the Finance Act, 1999. These amendments concerned the transfer of assets abroad, the acquisition of capital gains tax losses and intra-group transfers.

Customs Audit Programme

In June 1999, the customs audit programme was extended to include excise warehousing. Up until then, Customs and Excise staff had been located in the warehouses. Warehouse keepers are now responsible for managing their own excise liabilities, subject to audit and regular stock checks.

A total of 321 audits were completed in 1999, of which:

- 33% indicated no irregularities.
- 33% resulted in an additional yield of Customs duty which amounted to £1.9 million.
- 21% resulted in repayments of overpaid Customs duty totalling £743,000.
- 13% resulted in non-monetary discrepancies.

Customs Audit Prosecution

One case of fraud was uncovered as a result of a Customs audit and this was prosecuted in 1999. A trader, based in the Shannon region, was convicted on two counts of furnishing incorrect information to Revenue in connection with tax. He was fined £1,000 on each of the two counts.

Audit of Common Agricultural Policy(CAP) Export Controls

Revenue’s CAP Management and Audit Branch carried out inspection visits in twenty-five Customs offices responsible for implementing controls on the export of agricultural products eligible for export refund payments. These visits formed part of an ongoing monitoring programme designed to ensure that the implementation of control arrangements complies fully with EU rules.

The EU Commission recently took a decision to impose severe financial penalties on a number of EU Member States for the failure of their customs services to carry out adequate physical controls on agricultural products which qualify for export refunds under the CAP during the period 1996 to 1998. Following the most recent audit of CAP export controls in Ireland, the Commission expressed satisfaction with the way these controls were being carried out. The penalties now imposed on other Member States illustrate the serious consequences which can follow if EU rules are not properly applied.

FEOGA Audit

The Customs FEOGA Audit Unit audited the commercial records of thirty-seven companies which had received export refund payments of £440 million in respect of agricultural exports during the period audited. The amount represented approximately 93% of the total export refunds paid by the Department of Agriculture, Food and Rural Development.

Enforcement

Revenue gives non-compliant taxpayers every reasonable opportunity to regularise their affairs. However, when this approach is not successful, the full rigours of the available enforcement provisions are applied. This includes sheriff or solicitor action, insolvency proceedings or orders attaching assets of defaulters.

Sheriff and solicitor enforcement continued to be the most frequently used and effective enforcement options deployed by Revenue to collect outstanding taxes. The decrease in the number of items compared with previous years reflects the replacement of large-scale, computer-generated enforcement by a case management system. This results in less frequent but larger and more realistic referrals for enforcement. Attachment continues to be used in appropriate circumstances.

Table 16: Collection Enforcement

		1999	1998
Solicitor	Items referred	2,554	3,588
	Payments received	£15.3m	£14.7m
Sheriff	Items referred	17,316	52,277
	Payments received	£39m	£54m
Attachments of Assets	Number of cases where attachment was used	161	136
	Yield from attachment	£1.6m	£0.9m

New Legal Services

In December 1999, Revenue concluded contracts with six firms of solicitors to provide legal services in relation to the collection of unpaid tax and interest, after completion of a tendering process. This service uses civil process through the courts, and is distinct from prosecutions which involve the State Solicitors, and from general legal representation and advice, which is provided by the Revenue Solicitor.

Revenue took the opportunity presented by the negotiation of new contracts to revise all procedures so as to make available the fullest and most effective use of the legal options. The new contracts explicitly envisage the pursuit of collection beyond the obtaining of judgement into areas such as bankruptcy, liquidation, the forced sale of assets or the pursuit of directors as appropriate. In support of a more determined approach to court action, the administration of cases has been considerably streamlined, and procedures have been put in place to ensure the greatest possible recovery of the costs of action. Arrangements are underway to secure forced sale of property in twelve cases.

The increase in the number of solicitors (from two to six), together with the revised procedures now in place, enables Revenue to ensure that once court action is commenced, it will terminate only when the debt is recovered with costs, or when it is proved that no tax is collectible.

Enforcement Agent Remote Access

This new facility utilises internet technology to send notifications to sheriffs acting for Revenue. In the past, any change in a taxpayer's position had to be notified by telephone, letter or fax, and this occasionally led to delays and confusion. The new system will ensure that all actions taken are supported by up-to-date information.

Insolvency

As part of our overall approach to debt collection and enforcement, Revenue was actively involved in liquidations and receiverships during 1999. Petitions were presented on 23 occasions under Section 214 of the Companies Act, 1963 to have companies wound up by the High Court. Revenue was represented at 153 creditors' meetings and continued our active role subsequent to the meetings by seeking appointment to committees of inspection and by attending Court where necessary.

Phoenix Syndrome

Revenue continued its programme of vigorous pursuit of companies which attempt to use the protection of limited liability for the deliberate avoidance of the payment of taxes properly due. Where a company attempts to cheat the State in this manner, Revenue moves rapidly to have that company liquidated. In addition, we use the provisions of the Companies Acts to maximise the pressure on delinquent companies and on the directors of those companies to get their tax affairs in order. The sanctions also facilitate the examination of the conduct of the directors by the Courts with a view to restrictions being imposed on them under the Companies Acts and the possibility of having them made personally liable for the company debts.

In 1999, Revenue petitioned the Courts for the liquidation of 12 'phoenix' companies. In addition, a further 28 companies either ceased trading or liquidated voluntarily as a direct result of Revenue's intensive intervention. 295 companies were being monitored as 'phoenix' companies at the end of the year.

Shadow Economy

During the year, Revenue continued to detect unregistered cases and previously undeclared sources of income in our programme to counter shadow economy activity, details of which are contained in Table 17.

Table 17: Special Enquiries

	1999	1998
Number of cases detected not previously on record	1,143	1,693
Number of persons already on record with unreturned income	1,809	2,399
Total number of detections	2,952	4,092
Referred to Investigation Branch	3	2
Referred for Audit	537	480

We are currently reviewing our approach in relation to shadow economy activities and will be launching new measures in our next strategy statement currently in preparation.

Criminal Assets Bureau

Assets arising from criminal activity, particularly the drug trade, continued to come under increasing scrutiny and attack by the Criminal Assets Bureau (CAB). Revenue assists and co-operates closely with the CAB through the provision of staff, the disclosure of information and general support. A total of £2.4 million in tax receipts was paid to Revenue by CAB in 1999.

DRUGS

Tackling Illegal Drugs

Drug abuse and associated criminal activity, influenced by a worldwide network of organised crime, remains one of the greatest threats to Irish society. It requires focused action and the continuous development of national and international co-operation between the law enforcement agencies charged with combating drugs smuggling and related crime.

Customs - getting results at home.....

The Customs Service has played a very important role to date, working quietly and effectively at combating international drug trafficking into Ireland and other EU Member States. Since 1993 Customs has seized over £250 million worth of drugs which had been smuggled into Ireland, resulting in numerous successful prosecutions. In 1999 alone Customs made 600 seizures with a street value of £24 million.

Table 18: Drugs Seizures by the Customs National Drugs Team in 1999.

Type of Drug	Quantity	Estimated street value
Heroin	1.126kgs	£171,800
Cocaine	27.20kgs	£3,359,500
Cannabis resin	1977.43kgs	£19,743,540
Cannabis herbals	68.29kgs	£136,573
Ecstasy	61,119 tabs	£733,428
	Total	£24,144,841

... and abroad

Results at home tell us only part of the story. By definition, drug-trafficking is a global business and the Irish Customs Service works with other Customs Administrations and Law Enforcement Agencies to tackle the problem on an international basis. While much more progress is required in this area, Revenue has already made a very significant contribution to the detection and prosecution of drug-traffickers in other jurisdictions.

One such example is the evidence obtained by Customs following their seizure of 599kg of cocaine on the 'Seamist' in 1996. This evidence led to a major international investigation resulting in a seizure of 600kgs of cocaine in the United Kingdom in 1998 and 2500kgs of cocaine in the United States in 1999 and charges being taken against 17 members of a drug-trafficking operation.

Major Review of Customs Drug Enforcement Operations

Despite national and international successes, it is clear that all enforcement agencies, including Customs Administrations, will have to continuously review and refine their efforts at combating illegal drug trafficking. During 1999 Revenue undertook a major review of its drug enforcement operations. Following the review, which involved and drew upon the experience of all our Customs and Excise enforcement staff, a series of new drug enforcement initiatives is being implemented together with a major restructuring of Customs and Excise enforcement operations.

Key Enforcement Initiatives for Even Better Results

- Additional staff **resources** will be deployed and there will be significant **investment** in new equipment and facilities.
- Research and analysis of international and national drug trafficking trends will be carried out by a newly established **Enforcement Management Branch** which will have responsibility for prioritising and planning enforcement activities and resource deployment.
- A specialised **Intelligence Unit** will be established to develop further our focused use of intelligence.
- A dedicated **Liaison and Joint Operations Unit** will be established to manage our participation in domestic and international co-operation and joint operations.
- Our specialised **Investigation Branch** will concentrate on targeted, in-depth investigations.
- Our **Maritime Service** will be strengthened by the procurement of larger and better craft.
- **'Passive' dogs**, capable of detecting drugs carried by passengers, will be introduced to strengthen front-line enforcement at ports and airports.
- Enforcement staff will be organised into **Customs Enforcement Teams** which will be responsible for drug-trafficking and fiscal smuggling at ports and airports, and **Anti-Evasion Teams** which will be responsible for excise compliance including marked gas oil and Vehicle Registration Tax, and for shadow economy activities.

Drug-related Cash Detained by Customs

The Criminal Justice Act, 1994 (Section 38) provides for the seizure/detention of suspected drug-related cash at import or export, if the amount is not less than the prescribed sum of £5,000. The maximum period of detention is two years, subject to legal application for District Court Orders every three months. Forfeiture proceedings are taken in the Circuit Court, in the name of the Director of Public Prosecutions, and are based on civil standards of proof. All forfeited cash benefits the Exchequer.

In 1999 over £600,000 was detained. The seizures, primarily at export from the State, continue to have a major impact on the activities of both national and international drug-traffickers. Following the seizures, Customs investigations have been carried out in the United Kingdom, the Netherlands and Spain.

Table 19: Cash Seizures 1999

Cash seized, subject to Court detention Orders	£118,758
Other cash seized, subject to Court detention Orders	£496,150
Total cash detained under Section 38	£614,908

Confidential Freefone - 1800 295 295

A total of 4,451 calls was received on the Customs Confidential Freefone during 1999, compared with 4,079 in 1998. A number of these calls proved useful and assisted the Customs in compiling important intelligence data on drug-smuggling activities.

SMUGGLING

Tobacco Seizures

There was a sizeable increase in the levels of cigarette seizures in 1999. In total, 70 million cigarettes originating from countries such as China, Egypt, Dubai and Indonesia were seized. Customs Officers undertook an anti-smuggling operation, code-named 'Prometheus' which focused on new sources of supply and accounted for the majority of the seizures (57 million cigarettes). This operation had an international dimension and resulted in the seizure of a further 16 million cigarettes in the United Kingdom.

Table 20: Commercial Tobacco Seizures

Type	Number of Seizures	Number/ Quantity	Estimated Retail Value	Duties (Excise & VAT)
Cigarettes	233	70,704,960	£11,116,678	£8,598,330
Roll Your Own	103	7,553 kgs	£1,130,794	£843,719
Total	336		£12,247,472	£9,442,049

During 1999 increasing evidence of the involvement of organised criminal groups in tobacco smuggling began to emerge. Irish Customs, with the co-operation of the EU Anti-Fraud Unit OLAF and the World Customs Organisation (WCO) is working with all other EU states and several other countries in a co-ordinated international response to this problem.

Seizure of Alcohol at Rosslare Harbour

More than 3,200 cases of assorted spirits were seized at Rosslare Harbour in a major Customs investigation into the illegal movement of excisable goods. The spirits, loaded in two articulated trucks, had arrived from Cherbourg, France and consisted of market brands of whiskey, brandy, gin, rum and vodka. They were valued at £500,000 representing a potential loss to the Exchequer of approximately £300,000.

Table 21: Commercial Alcohol Seizures

Type	Number of Seizures	Quantity	Estimated Retail Value	Duties (Excise & VAT)
Beer	42	39,298 litres	£107,904	£44,309
Spirits	74	33,870 litres	£574,534	£350,714
Wine	55	15,848 litres	£114,702	£53,872
Total	171	89,016 litres	£797,140	£448,895

General Smuggling

Some 993 cases of attempted smuggling were detected in 1999. A number of these cases were dealt with by means of compromise settlements, the total proceeds from which came to £373,428.

Other goods seized by Customs included pornographic material, fireworks, gas cylinders and counterfeit clothing.

PROSECUTIONS

Prosecutions for Smuggling and Illegal Selling Offences

A total of 39 convictions, with fines totalling £68,973 were secured for smuggling, customs fraud and illegal selling offences as summarised in the following table.

Table 22: Convictions Obtained for Smuggling and Illegal Selling Offences

Product Type	Number Convicted	Fines Imposed
Hydrocarbon oil smuggling	8	£7,000
Alcohol smuggling	5	£27,730
Tobacco smuggling	12	£28,993
Illegal selling of tobacco	10	£3,750
Other Customs fraud	4	£1,500

The largest penalty imposed on an individual was £25,030 for the illegal importation of 438.56 litres of spirits and 564 litres of beer from Northern Ireland. A three-month jail sentence, suspended for four years, was also handed down.

Unlicensed Trading

Table 23 indicates the number of convictions for breaches of the licensing regulations during 1999.

Table 23: Proceedings for Unlicensed Trading

Licence Type	Number Convicted	Fines Imposed
Liquor	90	£53,175
Hydrocarbon oil vendors	54	£30,900
Gaming/Amusement machines	4	£2,000

Marked Gas Oil Offences

There were 1,083 detections of the illegal use of duty-rebated Marked Gas Oil (MGO), commonly referred to as 'agricultural' or 'green diesel', and 125 people were convicted in court, with fines imposed totalling £80,530. In a further 825 cases, compromise sums totalling £238,711 were collected in lieu of legal proceedings. The majority of these cases involved first-time offenders. A total of £41,236 was accepted for the release of motor vehicles seized in connection with MGO offences.

Betting Duty Offences

Four people were convicted and fines amounting to £85,400 were imposed for betting duty offences. At Naas and Longford District Courts in May, a bookmaker pleaded guilty to 127 counts of suppression and evasion of betting duty. Fines totalling £100,000, mitigated to £53,800, were imposed.

INTRASTAT Intra-Community Trade Returns

Forty-eight traders were convicted for failure to file INTRASTAT returns. Fines totalling £117,000 were imposed.

Other Customs Enforcement Activities

Revenue Mobile Service

The Revenue Mobile Service (RMS) continued to play an active role in enforcement activities such as Vehicle Registration Tax, VAT compliance, hydrocarbon oil (green diesel) sampling and anti-smuggling operations. There was ongoing co-operation with H.M. Customs and Excise, Northern Ireland in the efforts to prevent the illegal importation of road fuels into Northern Ireland. In addition, we continue to develop the RMS as a key force in helping to tackle the shadow economy through intelligence-gathering and identifying of traders operating outside the tax system.

RMS staff detected three oil laundering plants in the Border area following major surveillance and intelligence-gathering operations. It is estimated that these plants, if undetected, could have defrauded the Exchequer of over £5 million in a full year of operation. The plants, machinery and vehicles involved in the laundries were seized by RMS staff and are estimated to be worth in excess of £300,000.

Vehicle Registration Tax Enforcement

During the year, 17,203 vehicles were challenged regarding Vehicle Registration Tax (VRT) and 580 were seized. While the number of vehicles challenged has decreased, the number of seizures is greater, which shows that through experience and more selective targeting the cost effectiveness of this operation has increased. There were also several successful campaigns mounted to detect the conversion of vehicles to a higher taxation category without payment of the additional VRT.

Table 24: VRT Enforcement

Number of vehicles challenged by Revenue	17,203
Number of detections involving minor delays in registration	2,374
VRT recovered as a result of detections	£1,121,429
Number of vehicles seized	580
Value of vehicles seized	£4,992,716
Penalties imposed for the release of seized vehicles	£180,543
Amount of VRT paid following release of seizures and other offences	£241,828
Cases reported for prosecution	56
Number of compromise settlements in lieu of proceedings	29
Amount paid in lieu of proceedings	£10,355
Court fines imposed	£10,500
Custodial sentence	1 (3 months)

National and International Co-operation in Combating Crime

The involvement of organised criminals in transnational crime, including fiscal fraud and illegal trafficking (especially drug-trafficking), is a phenomenon of which Revenue is acutely aware. At EU level, initiatives are being taken to improve international co-operation to combat such crime. These initiatives also promote a multi-disciplinary approach at national level. Regular meetings in Brussels, at which Customs and Tax experts from Revenue attend, are discussing and agreeing Ireland’s input to the Multi-Disciplinary Group on Organised Crime.

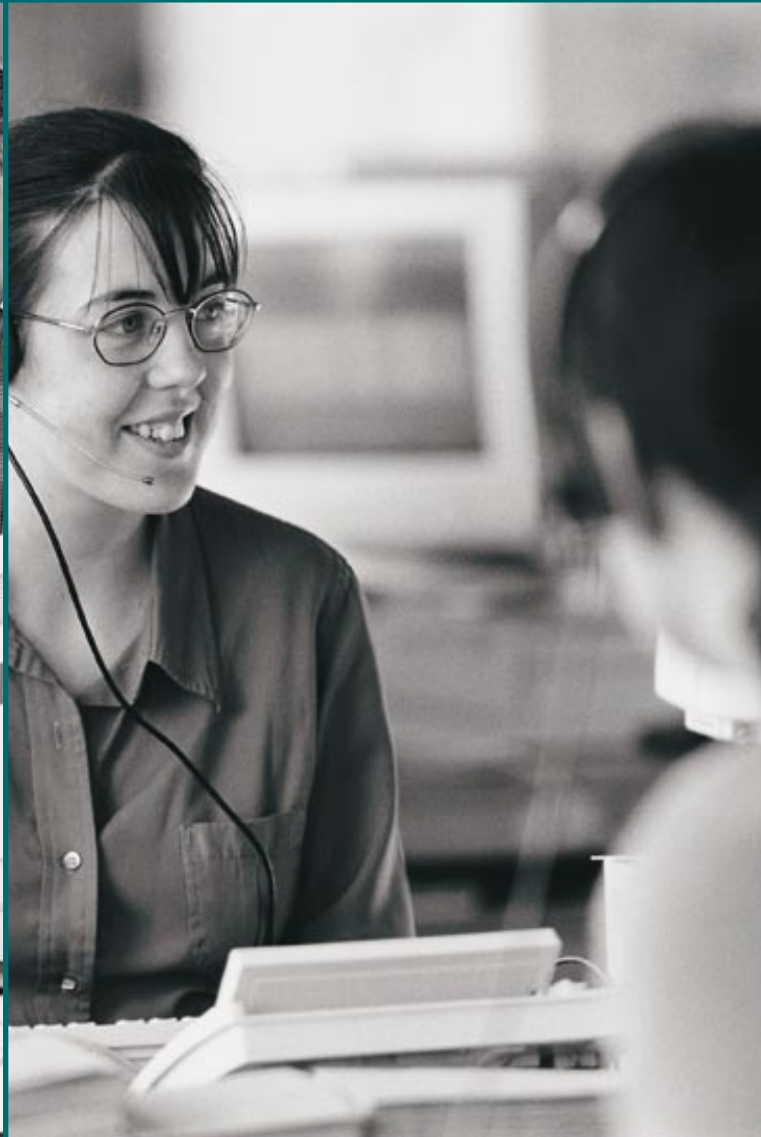
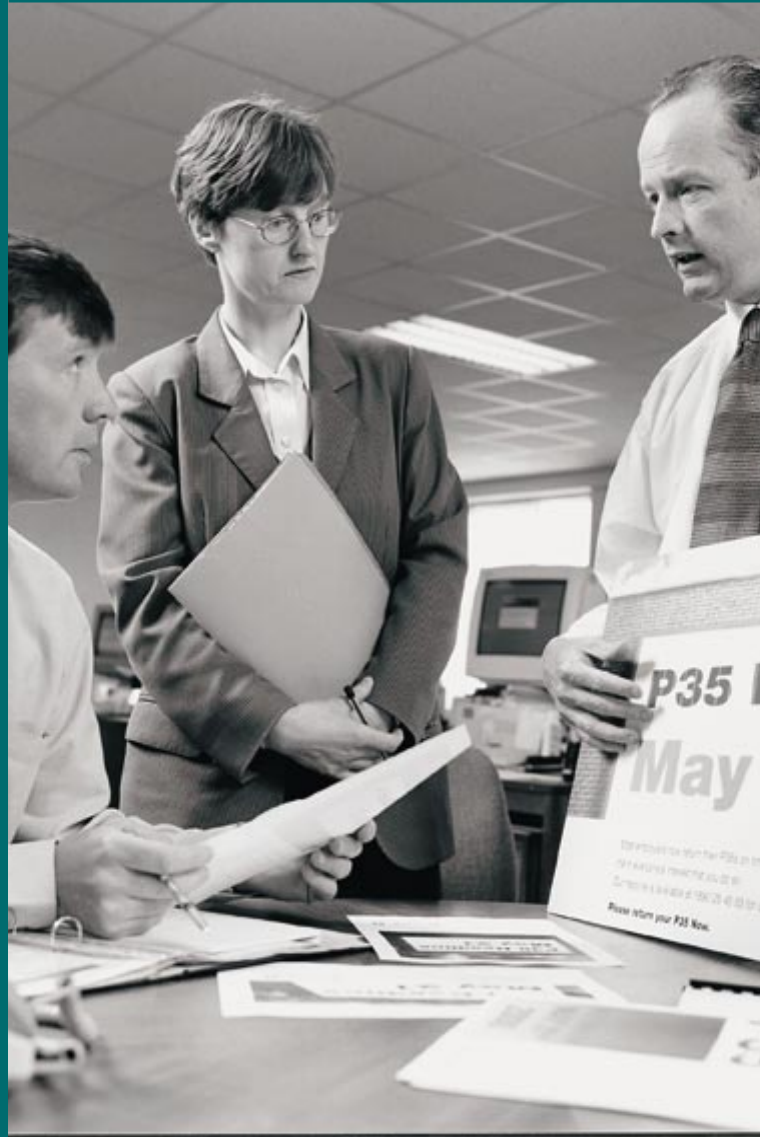
Revenue fully supports this multi-national, multi-disciplinary approach, believing it to be the key to success. We are committed to playing our full role in those important areas where our special expertise is essential to the full realisation of the multi-disciplinary response.

Memorandum of Understanding with UK Customs

At the EU Heads of Customs meeting in May 1999, a Memorandum of Understanding (MOU) between Irish and UK Customs was signed by Commissioner Frank Daly and the then Chairman of UK Customs and Excise, Dame Valerie Strachan. The MOU relates to mutual assistance in the fight against drug-trafficking and other Customs offences, with particular reference to the air and sea surveillance of suspect vessels. It provides for co-operation in the form of co-ordinated surveillance exercises and ensures that the Customs response to requests for assistance will be both swift and effective. Operational activities by the two administrations will take place in their own jurisdiction or in international territories and will be carried out subject to the requirements of their domestic laws.



Commissioner Frank Daly and the then
Chairman of UK Custom and Excise
Dame Valerie Strachan
signing the MOU in May 1999



Quality Services for our Customers

Introduction

The very welcome growth on the employment front – both in the number of people taking up employment and the mobility of people already within employment – has added significantly to Revenue’s workload over the past number of years and made more challenging our objective of providing quality customer services to all taxpayers. Between 1989 to 1999 the number of taxpayer registrations has increased by 50% – from over 1.6 million to over 2.4 million.

In 1999 the main achievements in our Customer Service Programme included:

- The contract to develop the first two phases of our new internet filing service, Revenue On-line Service (ROS), awarded.**
- A more flexible direct debit system for the payment of Preliminary Tax (Income Tax) introduced.**
- Special arrangements made at Vehicle Registration Offices for the advance lodgement of registration declarations for cars due to be delivered in January 2000.**
- New procedures introduced during the year to ease the compliance burden on subcontractors and principal contractors within Relevant Contracts Tax.**
- Two major VAT publications produced and a VAT decisions database set up on our website.**
- A revised and simplified Stamp Duty leaflet published.**
- A freefone telephone helpline put in place for two days following the Budget on 1 December.**

Customer Service Standards 1999.....

In January 1998 we first published our customer service standards. During 1999, we continued to measure our performance against those standards and are publishing the results. We are committed to reviewing our performance on an ongoing basis so that we can provide better services in the future.

It has to be recognised that following the 1999 Budget our front-line staff on PAYE came under pressure in servicing enquiries from taxpayers about the nature of the Budget changes (the move to tax credits). The increase in total employment and the frequency of job changes added to our difficulties. We regret that, despite the best efforts made by our staff, customers experienced delays on the telephone and in getting answers to correspondence.

Because of these difficulties an extensive review of administration procedures in all our PAYE offices was undertaken during 1999. Major improvements in administration were introduced in November and further changes are planned. It is expected that the streamlining of existing procedures and the introduction of new procedures will contribute significantly to the timely processing of correspondence and claims during 2000 and beyond. We shall be doing our best to provide a better service and for this purpose, are investing in newer telephonic and other technology.

Table 25: Customer Service Standards and Results for 1999

Service Correspondence	Standard 100% routine matters replied to within 20 working days 100% complex matters replied to within 30 working days	Result 81% 94%
PAYE repayments - current year	80% refunded within 10 working days 100% refunded within 20 working days	63% 90%
PAYE repayments - older year	85% refunded within 20 working days 100% refunded within 30 working days	72% 79%
Income Tax repayments	80% refunded within 20 working days 100% refunded within 40 working days	51% 87%
Corporation Tax repayments	80% refunded within 20 working days 100% refunded within 40 working days	78% 95%
Processing of VAT repayments	85% refunded within 10 working days 100% refunded within 30 working days	81% 94%
Processing claims for repayment of RCT	80% refunded within 20 working days 100% refunded within 40 working days	71% 96%
Processing of applications for Principal Contractor relevant payment cards	100% processed within 5 working days	88%
Processing CG50 applications	100% processed within 5 working days	95%
Processing of Income Tax returns	Returns received by end Jan 1999 100% processed before 1/4/99 Received Feb/Mar 1999 - 90% processed within 20 working days of 1/4/99 - 100% processed within 30 working days of 1/4/99 Received after 1/4/99 - 90% processed within 20 working days of receipt - 100% processed within 30 working days of receipt	92% 86% 90% 55% 74%
Processing of Corporation Tax returns	90% processed within 20 working days 100% processed within 30 working days	81% 92%
Processing applications for Income Tax registration	100% processed within 5 days	60%

Corporation Tax registration	100% processed within 5 working days	46%
VAT registrations	100% processed within 10 working days	52%
Employer registrations	100% processed within 5 working days	52%
Processing applications for Tax Clearance Certificate: General Scheme Licences Scheme	100% processed within 6 working days 100% processed within deadlines in relevant legislation	87% 100%
Stamp Duty – Adjudication and Straight Stamping	100% received in Public Office stamped on day of presentation 80% received by post stamped within 5 working days 90% received by post stamped within 10 working days	100% 24% 56%
Stamp Duty – Companies Capital Duty (CCD)	100% processed within 5 working days	100%
Stamp Duty – Composition Duty and Levies	80% processed within 5 working days 90% processed within 10 working days	96% 98%
Stamp Duty – CREST	90% refunded within 10 working days 100% refunded within 30 working days	53% 97%
Residential Property Tax Clearance Certificates	100% within 5 working days	100%
Capital Acquisitions Tax– Affidavits/Probate Tax: Non-Taxable	60% processed within 5 working days 80% processed within 10 working days	90% 98%
Taxable	60% processed within 5 working days 80% processed within 10 working days	45% 60%
Capital Acquisitions Tax – Gift/Inheritance and Discretionary Trust Tax	40% processed within 5 working days 70% processed within 10 working days	50% 70%
Capital Acquisitions Tax – Processing applications Certificates for Discharge	60% processed within 5 working days 90% processed within 10 working days	40% 90%

....Customer Service Standards 1999 continued

For a number of reasons – increase in volumes of business, administrative and legislative changes – not all the published standards have been met. In relation to stamping of documents received by post the principal reason for the poor performance is that staff had to be diverted during the year from normal duties to assist in the development of a new computerised stamping system. We are continually reviewing our practices and procedures so as to achieve those targets we are not yet reaching and to improve others even further.

Internal Review Procedure

A taxpayer's right to seek an internal review of Revenue's handling of his or her tax affairs has always existed. Previously, requests for a review were handled by a senior Revenue officer, unconnected with the case under review – Revenue's Director of Customer Services. In order to bring greater openness, transparency and accountability to this process, we established a new review procedure which involves a panel of external reviewers. This new review system also coincided with the introduction of our new powers in the 1999 Finance Act. The procedure provides an external review option to assure the taxpayer that his or her affairs are being dealt with objectively and that the appropriate checks and balances are in place on the use of powers.

The review procedure can be initiated by taxpayers when they are dissatisfied with the manner in which Revenue powers are being exercised, or indeed with any aspect of a Revenue audit or enquiry. Such reviews will now, if the taxpayer so wishes, involve an external reviewer who is neither from Revenue nor from the wider Civil Service, but who has suitable expertise. The reviews will be carried out jointly by that person and the Director of Customer Services. In order to protect taxpayer confidentiality, members of the new panel will be governed by the Official Secrets Act. This review procedure does not affect a taxpayer's right to appeal to the independent Appeal Commissioners or to complain to the Ombudsman.

Customer Service and the Strategic Management Initiative

At the launch in Dublin Castle in July 1999 of the next phase of the Strategic Management Initiative (SMI), 'Delivering Quality Public Service – Responding to the Changing Environment', the Taoiseach outlined the next steps for improving the quality of service provided by government to the Irish public. The Taoiseach announced that the SMI Quality Customer Service Working Group would be reconstituted and chaired by Mr. Dermot Quigley, Chairman of the Revenue Commissioners. The focus of this Group, is to work with organisations across the public service to help support implementation of the Quality Service Initiative by:

- monitoring and evaluating progress,
- sharing experiences and good practice, and
- overseeing the development of mechanisms for benchmarking and for recognising improvement in quality service delivery.

The Group has representatives from the private sector and the voluntary and community sectors, and particular attention is being given to the needs of specific groups of customers such as Irish language users, people with disabilities, and minority ethnic groups, including Travellers.

Revenue On-line Service (ROS)

Work continued on the key Revenue strategy of providing for the electronic filing of returns and declarations, and other electronic information exchange. Andersen Consulting was awarded the contract to work in partnership with Revenue to develop the first two phases of our new internet filing service, Revenue On-line Service (ROS). The new service will provide an electronic tax administration service and will include access to Revenue services outside normal office hours and access by customers and their agents to tax information. Phase 1 of the service, the electronic filing of VAT and payroll returns and access to the relevant statements of account, will be introduced in September 2000.

The Information Society Commission has identified ROS as one of the leading projects to deliver government services over the internet. Funding for ROS is to be provided through the Government's Information Society Fund.

The Euro

In our Annual Report for 1998 we detailed the numerous steps we have taken to ensure smooth arrangements for the business sector in relation to how and when they switch their tax, customs and statistical affairs to euro.

Since its introduction in January 1999, we have been processing euro transactions. However, the level of use of the euro by the business sector has remained extremely low in Ireland and indeed throughout the rest of the euro zone. This was reflected in a very small number of businesses switching their tax affairs to euro. In Ireland approximately 0.33% of businesses switched their tax affairs to euro in 1999 and approximately 1.3% of customs declarations were completed in euro. The low level of migration to euro in 1999 and the slow pace of business preparations are a cause of concern. A very late 'big bang' changeover by the business sector generally may give rise to information technology and accounting bottlenecks and some businesses may face disruption. Revenue will continue to play an active part in facilitating a smooth changeover for the business sector and will continue to offer business the option of conducting their Revenue affairs in euro between now and the end of the transitional period on 31 December 2001.

Direct Debit for Preliminary Tax

In 1999 the Collector-General introduced a new, more flexible, direct debit system for the payment of Preliminary Tax (Income Tax). The changes introduced allow for the payment of preliminary tax throughout the tax year, thus making the direct debit payment option more attractive to customers. Previously the payments were made throughout the calendar year. The primary benefit of participation in the direct debit scheme is that it avoids the requirement for a large lump sum payment by 1 November each year.

Millennium Car Registrations

Our Vehicle Registration Offices throughout the country were well prepared for the huge demand for millennium registration plates in January 2000. Staff processed more than 5,500 declarations over the bank holiday weekend, avoiding registration delays in what is traditionally the busiest period for new car sales and registrations. By close of business on 4 January, over 10,000 cars were registered, compared with 4,620 in 1999.

Relevant Contracts Tax

Certain changes to ease the compliance burden on subcontractors and principal contractors within Relevant Contracts Tax were introduced in 1999. A subcontractor now has the option of not producing a C2 to a principal contractor where both parties agree to have payments made into the subcontractor's bank account which has been nominated by Revenue. Also, at the end of the tax year, a principal contractor can apply for an RCT 47 for the following year in respect of a subcontractor still in contract where an RCT 47 for the current year is held.

Centralisation of Customs and Excise Repayments

Following a re-organisation of work to improve customer services, all Customs and Excise repayments are now in the Central Repayments Office (CRO), Coolshannagh, Co. Monaghan. These repayments include VAT and VRT to disabled drivers and passengers, VRT repayments on hire, leasing and demonstration vehicles, and excise duty repayments on fuel used by disabled drivers and passengers, school bus operators, fishermen and horticultural producers.

Tax Administration Liaison Committee

The Tax Administration Liaison Committee (TALC) is the liaison forum for Revenue and practitioners in relation to tax administration issues. TALC's main committee had four meetings in 1999 and its sub-committees met on various other occasions to discuss issues relating to Revenue audits, capital taxes, indirect taxes and collection.

Revenue/ICTU Liaison Committee

In May 2000 the first meeting took place of the new Liaison Committee of Revenue and the Irish Congress of Trade Unions (ICTU). The idea for setting up this Committee was first raised during discussions between Government and the Social Partners on the Programme for Prosperity and Fairness. The Committee will discuss tax administration issues of particular relevance to PAYE taxpayers. It will review and make recommendations to achieve equitable, effective and transparent administration of the tax code. The Committee will focus on tax administration and not tax policy.



Dermot Quigley, Revenue Chairman and Peter Cassells, General Secretary, ICTU at the first meeting of the Revenue/ICTU Liaison Committee, Dublin Castle, May 2000

Customs Consultative Committee

The Customs Consultative Committee, continues to facilitate the consultation process between Revenue and the various trade organisations, with a particular focus on simplifying rules and reducing customs compliance costs for business.

As in previous years, the views of the Committee were sought on a number of issues. In particular, the implications of Y2K for both the trade and Revenue, including Revenue’s proposed contingency plans in relation to the Automated Entry Processing (AEP) system for import/export declarations, were discussed in detail. In addition, the views of the trade were sought on their requirements for modifications and enhancements to the AEP system. E-commerce issues were discussed, including further simplification of procedures for dealing with low value parcels.

Electronic Filing and Information Exchange

Returns Filed Electronically

An increasing number of employers are availing of the option to make their P35 returns electronically.

Table 26: P35 Returns Filed Electronically

	Year ending 5 April 1999	Year ending 5 April 1998	Year ending 5 April 1997
Number of returns	17,300	11,600	5,500
Number of employments	1.7m	1.5m	1.2m
% of total employments	70%	65%	57%

Following the introduction of Dividend Withholding Tax we introduced the facility to file dividend withholding tax returns electronically.

Table 27: Dividend Withholding Tax Returns Filed Electronically

Year	1999/2000
Number of returns	121
Number of individual distributions	903,500
% of total distributions	99.7%

Automated Entry Processing

A new network contractor for Revenue's Automated Entry Processing (AEP) network service was appointed in 1999. This service further enhances Direct Trader Input (DTI) by exporters/importers and their agents for the electronic filing of Customs declarations. In line with Revenue's aim to cut the cost to traders, the enhanced service has resulted in over 50% savings for users.

The number of declarations continued to grow in 1999 with yet further growth in the level of DTI take-up on exports.

Table 28: Direct Trader Input

	1999	1998	1997
Declarations processed	869,018	811,748	740,691
DTI Take Up			
Import	92%	92%	92%
Export	76%	74%	63%

INTRASTAT

The percentage volume of information submitted electronically by traders increased from 53% of the total lines of INTRASTAT information processed in 1998 to 60% in 1999.

Revenue's Internet Service

Throughout 1999 we continued our policy of publishing as much information as possible on our website, while making it as easy as possible for our internet audience to navigate the site. During the year we received over 1,933 customer services queries by e-mail, up from 300 in 1998, and more than 3.6 million page 'hits' on the site compared with 663,004 in 1998. As part of Revenue's contribution to the Europe-wide [Netd@ys](#) initiative, which ran between 15 and 19 November, we provided access to the internet, including e-mail facilities, for customers calling to the Central Revenue Information Office in Dublin.

VRT Information Kiosk

In November 1999 a new kiosk to handle used vehicle valuations was installed in Ennis, Co. Clare as part of the Information Age Town project in November 1999. During the year, 32,470 valuations were produced from the system. There are currently 31 standalone versions of the valuation software installed in trader premises, eliminating their need to seek valuations on used vehicles. A CD ROM is also sent regularly to the Trade with updated information.

New Publications and Simplification Procedures

Guide to Value Added Tax 1999

This guide explains, in general terms, the principal features of the Irish VAT system and updates traders on all new developments and changes to that system since publication of the last guide in December 1994. A copy of the guide was issued to all VAT registered traders.

VAT and Financial Services

A guide describing the VAT treatment which applies to the many varied and complex financial services instruments and products now available was published in 1999. It is of particular interest to VAT practitioners and to all those interested in the interaction of VAT and financial services.

VAT Database

A database of all decisions in relation to the application of VAT rates to goods and services was made available on our website. The database at present contains over 2,500 records and it is updated regularly as new decisions are added.

Stamp Duty Leaflets

Following the enactment of the Stamp Duties Consolidation Act, 1999 we published a revised and simplified leaflet on Stamp Duty. In addition, an information sheet and leaflet were issued to practitioners, to assist them with the new Act.

New Pensions Options Booklet

We published a booklet explaining the new provisions relating to pension options for the self-employed and directors of family companies introduced in the Finance Act, 1999.

Rural Renewal Scheme Booklet

Following consultations with the Department of Finance and the Department of the Environment and Local Government, we published a guide on the Rural Renewal Scheme, which gives information on the tax reliefs available on the residential part of the scheme.

Relevant Contracts Tax Guides

Two new guides on Relevant Contracts Tax were published in 1999 – one for principal contractors and one for subcontractors.

These publications can be accessed on the Revenue website (www.revenue.ie).

Share Option Schemes

A new Return Form (S02) was introduced to help employers meet their return filing requirements in relation to the granting of share options and other rights to directors and employees. The return form, which incorporates explanatory notes, is designed to make it as easy as possible for employers to comply with their obligations.

Tax-Exempted Charities

In 1999 we published a list of bodies which have been granted charitable exemption under the Taxes Acts. This list is updated on a regular basis and currently comprises some 5,000 charities. The list of charities together with a wide range of information leaflets is available from Charities Section, Nenagh, Co. Tipperary.

Budget Helpline

A freefone telephone helpline was put in place for two days following the Budget on 1 December. The helpline dealt with enquiries from the public on the tax changes announced in the Budget speech. The service operated from 10am to 7pm and received over 4,000 calls.



Policy, Legislation and International

Introduction

Revenue works very closely with the Department of Finance in the formulation of national tax policy by:

- analysing and costing Budget and Finance Bill options and proposals;
- participating in the Tax Strategy Group — a high-level group consisting of senior civil servants and political advisers which considers tax policy options, and
- advocating and initiating policy changes based on Revenue's information, insights and experience in administering the tax code.

We are also involved in the formulation of tax and customs policy in the EU – as well as other international policy-making bodies such as the OECD and the World Customs Organisation – in directions which reflect government policy. We are responsible too for extending and updating Ireland's network of tax treaties in order to facilitate inward investment and international trade and finance.

Revenue prepares all draft legislation for the annual Finance Bill and other tax-related Bills and briefs the Minister for Finance at all stages during the legislative process. We are also committed to an ongoing programme of consolidating and updating primary and secondary legislation so as to have an easily accessible body of current tax law and reduce the regulatory burden on business.

Revenue continues to influence the formulation of company law through liaison with the Companies Registration Office and through its ongoing representation on the Company Law Review Group.

In 1999, the main achievements in our Policy, Legislation and International Programmes included:

- **The enactment of the Finance Bill running to over 300 pages.**
- **The consolidation of more than 100 years of Stamp Duty legislation in the Stamp Duties Consolidation Act, 1999 and the publication of guidance notes on all sections of the Act.**
- **The consolidation and updating of Excise legislation.**
- **The phasing-in of the new Corporation Tax regime giving a rate of 12.5% for 2003 and subsequent years.**
- **The introduction of Dividend Withholding Tax.**
- **The publication of a report entitled '*Electronic Commerce and the Irish Tax System*'.**
- **The introduction of measures to tackle the problem of Irish-registered non-resident companies (IRNRs).**
- **The signing of new tax treaties with Slovakia and Romania and the adding of a protocol to the 1997 treaty with the USA.**

Brussels bound, Dublin Airport	Post Budget radio phone-in, Castlebar
Finance Bill, Committee Stage, Dublin	

Revenue Powers

The Finance Act, 1999 contained provisions which substantially modernised and increased the powers available to Revenue in order to facilitate more effective audit and investigation work. While these additional powers were significant in scope and nature, similar powers have long been available to tax authorities in most other jurisdictions, particularly in relation to access to information and to documents held in financial institutions.

As well as 'catching up' with other jurisdictions, the increased powers were a response to weaknesses in existing Revenue powers identified through high-profile disclosures such as non-compliance in the area of deposit interest retention tax (DIRT) and tax issues arising in the Tribunal of Inquiry into Dunnes Payments (the Mc Cracken Tribunal). We are, however, conscious that these powers should be used responsibly having regard to the rights, as well as the obligations, of taxpayers generally. Following the enactment of the new powers a Statement of Practice (SP-GEN/1/99) and internal Guidance Notes governing the use of the powers were published. These set out in detail the procedures to be followed and the levels of authority required within Revenue for the use of each power. We are determined that these powers will be used actively but reasonably.

Consolidation of Stamp Duty Legislation

We completed the second phase of our ongoing consolidation programme in 1999. With the assistance of the Parliamentary Draftsman's Office, over 100 years of stamp duty legislation was consolidated in the Stamp Duty Consolidation Act, 1999. Guidance Notes on all sections of the new Act were also published in 1999.

Consolidation of Mineral Oil Excise Legislation

A consolidation of Mineral Oil primary legislation was enacted in the mineral oil tax chapter in the Finance Act, 1999. A draft consolidation of Mineral Oil secondary legislation was prepared as a corollary of the mineral oil primary consolidation and as a prerequisite for bringing this law into force. A draft consolidation of general excise primary law was compiled for further examination and revision with a view to inclusion in the Finance Bill, 2001. Non-statutory consolidations were undertaken of vehicle registration tax legislation, betting legislation and gaming, and of gaming machines and amusement machines legislation.

New Corporation Tax Regime

Revenue worked closely with the Department of Finance to give statutory effect to the new Corporation Tax regime. The Finance Act, 1999 provided that, subject to transitional arrangements, the 10% tax regime for income from manufacturing and certified activities in the Irish Financial Services Centre (IFSC) and the Shannon Airport Zone is to be phased out by 1 January 2003. The Act also set out rate reductions in the standard rate of Corporation Tax for trading income generally.

The Finance Act, 2000 brought forward the start date for the 12.5% rate to 1 January 2000 where company trading profits are less than £50,000 (subject to marginal relief).

For the year 2000 and subsequent years, Corporation Tax is to be charged at the rate of 25% on the non-trading income of companies. This rate will also apply to income from the working of minerals, petroleum activities and dealing in or developing land other than construction operations.

Dividend Withholding Tax

The Finance Act, 1999 introduced an entirely new tax – Dividend Withholding Tax (DWT) – to take effect from 6 April 1999. In general, DWT applies at the standard income tax rate (currently 22%) to dividends paid on or after that date by all companies resident in the State. DWT does not apply in certain circumstances – for example, dividends paid to another Irish resident company or dividends paid to certain residents of a country with which Ireland has a double taxation treaty. There are a number of other exemptions.

Before the tax was introduced in the Finance Act, 1999, Revenue consulted widely with company registrars and the main intermediaries such as custodian banks and stockbrokers – both in Ireland and in the main inward investor countries such as the United States and United Kingdom. The consultation process continued after the tax was introduced and led to a number of important changes in the Finance Act, 2000 which were intended primarily to simplify administration.

Electronic Commerce

Nineteen ninety-nine saw further rapid growth worldwide in computer ownership, internet access and electronic commerce (e-commerce). Since high levels of growth are expected to continue we intensified our examination of the challenges and opportunities presented by e-commerce.

We published a discussion document, entitled 'Electronic Commerce and the Irish Tax System' which assessed the impact of e-commerce and the internet on Ireland's tax systems. The purpose of the discussion document was to stimulate a dialogue on the taxation challenges and opportunities presented by e-commerce. The document was regarded favourably by business in Ireland and by tax administrations in other countries.

Following on from the publication, Revenue and the Irish Internet Association came together to co-host a seminar in July 1999 in Dublin Castle on the taxation aspects of e-commerce. The seminar was very well attended and received.

During 1999, and as part of the ongoing computerisation of our operations, provision was made in the Finance Act to facilitate the generation of electronic estimates and assessments of taxes due.

Irish Registered Non-Resident (IRNR) Companies

The Finance Act, 1999 introduced new measures to combat the problem of IRNRs. There had been evidence of the increasing use of such companies, in many cases for purposes which had no connection with Ireland and in some instances for undesirable and unlawful purposes. The use of the companies in this way was damaging to Ireland's international reputation. In 1999, a package of measures, some related to tax and some related to company law, was introduced to curb the undesirable use of these companies. The company law measures were incorporated in the Companies (Amendment)(No.2) Act, 1999.

Following enactment of the Finance Act in 1999, Revenue wrote in 1999 to over 47,000 companies seeking information required under the new rules. Where companies failed to provide the information, we started to notify the failure to the Registrar of Companies to facilitate the commencement of strike-off procedures. The process is continuing.

Pensions

The Finance Act, 1999 provided for significant changes relating to retirement benefits for the self-employed and proprietary directors. The changes provide much greater flexibility and control to individuals on how their pension savings are used.

Tax Treaties

Nineteen ninety-nine was another good year for the expansion of Ireland's tax treaty network. New treaties were signed with Slovakia and Romania and a protocol was added to the 1997 United States treaty. The text of a new treaty with India was agreed.

The Slovak treaty, along with a new treaty with Malaysia, entered into force on 1 January 2000. This brings the number of Irish tax treaties to thirty-six. The treaty with Romania is awaiting ratification by the Romanian Parliament. The US Protocol has been ratified by both countries and will enter into force when the instruments of ratification have been exchanged; it gives greater benefits under the 1997 US Treaty for Irish investors in US real estate investment trusts, following a recent relaxation of US tax policy in this area.

Negotiations began on new treaties with Bulgaria and Turkey and on a replacement for the existing Canadian treaty, which dates from 1966.

A number of other treaties are at various stages of finalisation, including a treaty with China which is expected to be signed shortly. These will bring the Irish treaty base to more than forty.

Code of Conduct on Business Taxation: Review Group

During 1999, Revenue participated with the Department of Finance in the Review Group whose task is to identify measures in EU Member States which are harmful in that they provide for a significantly lower level of tax than those levels which generally apply in the Member State in question and which affect or may affect the location of business in the European Union. In November 1999, the Group reported to the Council of Finance Ministers identifying sixty-six measures which it considers to be "harmful". The Council has yet to decide what further action should be taken on foot of the Group's report. In the meantime the work of the Group is continuing.

Other EU Direct Taxation Issues

Revenue also participated in high-level discussions in relation to draft Directives on taxation of savings and the taxation of cross border interest and royalty payments.

OECD

Revenue plays a significant role in the Committee on Fiscal Affairs (CFA) of the OECD by providing the Irish delegation to the Committee. Mr. Frank Mullen (Assistant Secretary, Direct Taxes International and Administration Division) was elected to serve as a Vice-Chairman of the Committee from January 2000. As such, he will be a member of the five-member group charged with managing the work of the Committee. He will have a particular responsibility for co-ordinating the work of the Committee's Working Parties and Sub-groups on taxation issues affecting electronic commerce.

Revenue officials also serve as delegates to the CFA's working groups, dealing, amongst other things, with the updating of the OECD's model tax convention, transfer pricing, avoidance and evasion, harmful tax competition and electronic commerce. The projects on harmful tax competition and electronic commerce are the most important projects currently underway in the CFA.

In relation to the Harmful Tax Competition Working Group ('the Forum'), Revenue serves on the steering group, along with the United States, Japan and France. The project is designed to strengthen international co-operation against harmful tax practices. As was indicated in last year's report, the work of the Forum to date has concentrated on identifying so-called tax havens and reviewing preferential regimes in the financial and mobile services sectors within OECD member countries. It is envisaged that the project will be extended to non-member countries.

The advent of the internet and other means of conducting commerce electronically may have considerable implications for the application of existing international tax rules. The OECD, through the CFA, is focusing on the resultant problems and possible responses. Our officials have played a prominent part in the discussions on this topic, thus reflecting the importance the Irish

Government attaches to the issue. In addition to chairing a number of OECD meetings Revenue also hosted a meeting in Dublin on the subject. Moreover, Ireland is one of a small number of OECD countries represented on special advisory groups established to liaise with business interests.

Heads of Customs Meeting

In May 1999, we hosted a major meeting of the Directors-General of Customs of the European Union and Turkey. These meetings take place annually in one of the Member Countries and are attended not only by high-level Customs officials but also by senior representatives of the European Commission and Eurocustoms. Among the items considered by delegates at the meeting chaired by Commissioner Frank Daly was a paper initiated by Ireland on the topic of risk analysis. Other topics discussed included the consequences for Customs of the proposed enlargement of the European Union and a review of EU computer developments which will facilitate trade by optimising levels of automation.

Irish Customs and EU Enlargement

We demonstrated our commitment to the candidate countries of Central and Eastern Europe, as they prepare for EU membership, by our participation in Customs activities under the Phare and Matthaeus Externe programmes. Among the visitors welcomed during the year was a delegation of Bulgarian officials who made a study of import procedures and accounting practices for customs revenue. Two separate missions undertaken to Estonia involved four Irish officials providing training in relation to import procedures and securities.

Mongolia was the subject of a training visit by our Customs experts under the auspices of the EU Tacis programme, which assists former Soviet countries. A delegation of Mongolian Customs officials in turn visited Ireland for technical assistance. Assistance in relation to Customs valuation was provided to Azerbaijan.

Ireland's participation in the Phare and Tacis programmes is co-ordinated by Eurocustoms, a consortium of the Customs administrations of the EU Member States. As well as participating in those programmes, Revenue was active in Eurocustoms as a member of its Policy Board and contributed significantly during the year to a Strategy Document which will guide future activities.

VAT Fraud Investigation Seminar

Under the EU Fiscalis Programme, a VAT Fraud Investigation Seminar was held in Dublin in September 1999. Representatives from the European Commission and all EU Member States attended as well as delegates from Bulgaria, Cyprus, the Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania and the Slovak Republic.

The subject matter of the Seminar was 'carousel fraud'. This fraud involves high value, easily transported goods such as mobile phones and computer components,

and is a serious threat to tax authorities across several Member States. Irish Revenue officials have been actively involved in investigating carousel fraud in Ireland and in giving assistance to other Member States engaged in similar investigations.

Matthaeus Seminar on Binding Tariff Information

In 1998 the Tariff Classification Unit in Nenagh, Co. Tipperary was designated as one of two EU pilot sites to test, operate and report on a new European Binding Tariff Information (EBTI) computer system, to enable any further enhancements to be made before its introduction in all other Member States. In May 1999, under the aegis of the Matthaeus Programme, a three-day Seminar on Binding Tariff Information was held, which was attended by delegates from all the EU Member States, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Norway, Romania, the Slovak Republic and Slovenia. Representatives from the EU Commission and the computer consultants involved in developing the system also attended.

During the Seminar, delegates were given the opportunity to see the new system in operation. In addition, a series of workshops were held aimed at giving delegates the opportunity to provide input into discussions on the development of the new system and to assist in identifying areas which required further attention before to its introduction in all Member States from 1 January 2000.

Relief for Donations of Heritage Items

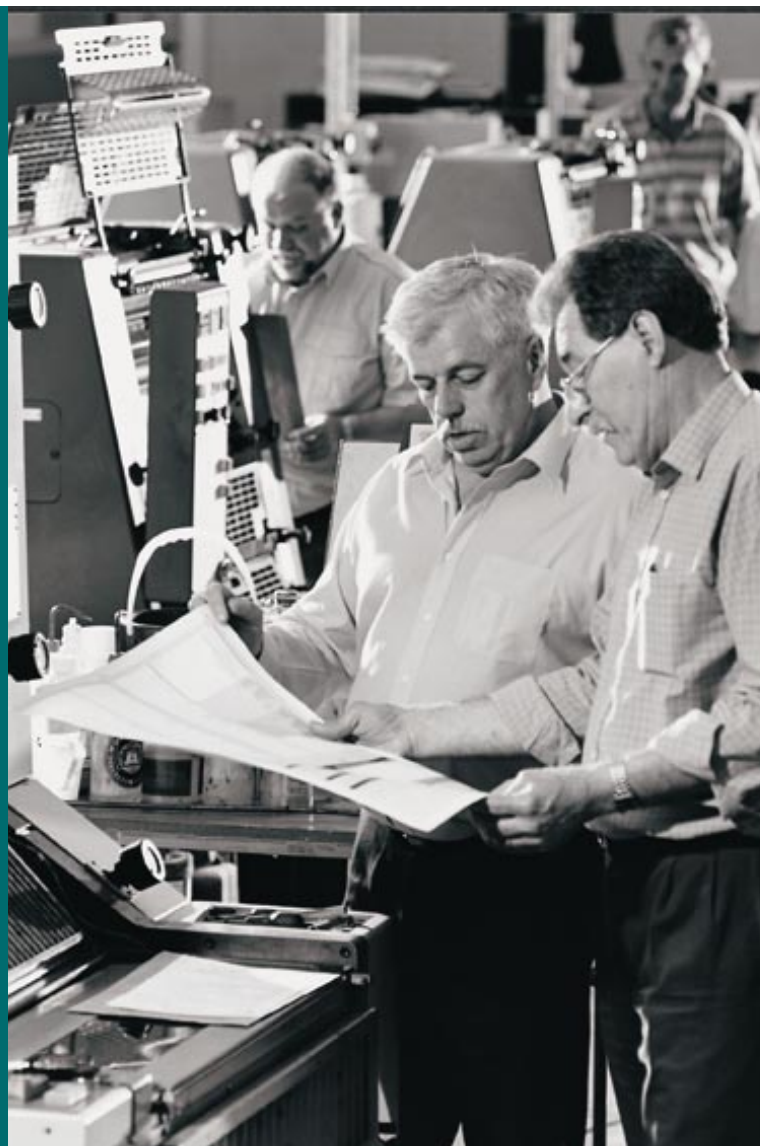
Section 1003, Taxes Consolidation Act, 1997 provides for a credit against tax liabilities where a taxpayer donates certain heritage items to national collections.

A collection of 21 paintings and one tapestry, all by Irish artists and valued at £146,000 was donated to the national collections in 1999.

'The Nugent Manuscript Poem Book' valued at £177,555, was donated in 1998. Reference to this donation was inadvertently omitted from the 1998 Annual Report.



Anne Donegan, Revenue
and Marguerite O'Molloy,
Assistant Curator of the Collection,
Irish Museum of Modern Art,
with one of the paintings
donated in 1999



Our People and our Systems

Introduction

Our business support programmes are all geared to support and facilitate the achievement of our business objectives. To this end we have set out clear objectives for human resource management, information and communications technology and corporate support services. Our aim is to carry out our business with highly skilled professional staff, advanced information and communications technology and modern corporate support services.

- In 1999 the main achievements in our Business Support Programmes included:**
- Establishment of our Management Advisory Committee to enhance strategic effectiveness in Revenue.**
 - A new financial management system introduced.**
 - The contract for a new human resource management system signed.**
 - Key business issues addressed by our Partnership Committees.**
 - Our integrated system for tax administration, Integrated Taxation Processing introduced in April.**
 - Work on modifying our computer systems for year 2000 compatibility completed successfully.**

Organisation Development

Management Advisory Committee

Revenue's Management Advisory Committee (MAC) was established in November 1999. The membership consists of the Board, the Deputy Secretary and Assistant Secretaries, and the committee meets monthly. The aim of the MAC is to enhance strategic effectiveness in Revenue. Its brief is:

- to initiate, debate and review particular aspects of Revenue's strategy and policy with a view to shaping and responding to developments which have, or will have, an impact on Revenue;
- to advise on appropriate long-term strategic and policy objectives, including reviewing existing plans and programmes;
- to monitor progress in relation to the achievement of objectives and targets set out in the strategic and business plans, particularly the corporate priority objectives and
- to appoint, as appropriate, sub-committees of the MAC or other working groups to deal with specific policy issues.

Management Changes

Mr. Gerry Kearney took up duty as Assistant Secretary, Indirect Taxes Policy and Legislation Division. He was previously a Principal Officer in the Department of Finance.

Revenue Printing Centre, Dublin	Salaries Unit, Accountant Generals, Ennis
MSc in Taxation Graduates, Dublin	

REVENUE'S MANAGEMENT ADVISORY COMMITTEE



Frank Mullen
Assistant Secretary
Direct Taxes International
and Administration
Division



Christopher Clayton
Deputy Secretary/
Chief Inspector of
Taxes



Michael O'Grady
Assistant Secretary
Direct Taxes Policy and
Legislation Division



Bobby Harrington
Assistant Secretary
Audit, Investigation
and Technical
Services



Liam Irwin
Assistant Secretary/
Collector-General



Norman Gillanders
Assistant Secretary
Customer Services
and Compliance



Frank Daly
Commissioner



Dermot Quigley
Chairman



Josephine Feehily
Commissioner

THE BOARD



Tom Duffy
Assistant Secretary
Customs and Residence
Division



Seán Moriarty
Assistant Secretary
Human Resources
Division



Seán Connolly
Assistant Secretary/
Director of Information Technology
Information and Communications
Technology Division



Maureen Moore
Assistant Secretary
Capital Taxes Division



Paddy Dowling
Assistant Secretary
Customs and Excise
Collections Division



Seamus Feely
Assistant Secretary/
Accountant General
Corporate Management
Division



Eamonn Fitzpatrick
Assistant Secretary
Customs and Excise
Enforcement Division



Gerry Kearney
Assistant Secretary
Indirect Taxes Policy and
Legislation Division



Frances Cooke
Revenue Solicitor

Strategic Management Initiatives

Financial Management System

A new financial management system was introduced in phases during 1999. It is an on-line, fully integrated system made up of specialised modules to facilitate the recording, processing, monitoring and control of the financial transactions of Revenue. The system will facilitate the further devolution of budgetary responsibility to line managers and the development of improved management information and effectiveness evaluation systems envisaged in the Strategic Management Initiative.

Human Resources Management System

In December 1999, a contract for a Human Resources Management System (HRMS) was signed after an extensive tendering and evaluation process. The product selected is the PeopleSoft Human Resources Management System and the implementation partner is KPMG Ireland. The HRMS will be a pivotal support to the ongoing implementation of the Strategic Management Initiative in Revenue, particularly in relation to the new Performance Management and Development System and the devolution of Human Resources Management functions to line managers.

The Performance Management and Development System and Revenue

The Performance Management and Development System (PMDS) for the Civil Service was launched by the Taoiseach on 11 May 2000 as the latest phase in the Strategic Management Initiative for the Civil Service. The PMDS is based on clearly identifying the role of the individual job holder and the range of competencies, i.e. the skills, knowledge and behaviours, that each person needs to fulfil their role. The system is designed to give each person clarity in terms of their objectives, their role and their career expectation; control in terms of their participation and development and the achievement of results; and the ability to contribute in terms of the business plan as an individual or as a team member.

Considerable work to prepare for the implementation of this system was undertaken in Revenue by our Partnership Committee and by the Intensive Group dealing with the Human Resources Agenda. The Intensive Group – which comprises members of management, staff and unions – will now be the Project Team responsible for the implementation of the PMDS in Revenue.

As part of its pre-implementation activities the Group has prepared a detailed and comprehensive Plan to address the rollout, communication, training and quality assurance strategies necessary to implement the system smoothly and effectively. This Plan has been refined over a long number of months and has been influenced by a number of factors. It reflects the Report of the Sub-Committee of General Council which defined the system for the Civil Service. It reflects the detailed discussions and agreement of the Revenue Project Team and the Partnership Committee and also reflects the experiences gained from a study undertaken in three different areas of Revenue in December 1998 on certain aspects of the PMDS.

PMDS will be introduced into Revenue over a three-year period, with training for some 2,000 staff involved in Stage One, commencing in September 2000. A detailed training and communication programme has also commenced, while quality assurance groups at national and local levels are also being established. PMDS is a major initiative which will help all of us in Revenue to improve the management of our performance, individually and in terms of the performance of the organisation as a whole.

Statement of Strategy 2001-2003

Notwithstanding the fact that our current Statement of Strategy is valid until April 2001, we embarked on a review of our current strategies with a view to developing a new Statement of Strategy for the years 2001-2003. To ensure the widest possible participation, staff, were invited to put forward their ideas. Staff also participated in this process through a number of Focus Groups established under the aegis of our Partnership Committee; these groups produced valuable reports which will inform and influence our next strategy statement. A sharper focus on curbing tax evasion will be a core feature of the new statement.

Human Resource Management

Partnership Structures in Revenue

The Partnership Committee ensured that the partnership structures between management, unions and staff set up under Partnership 2000 became more deeply embedded in Revenue during 1999, overseeing and guiding the various specialist Partnership Intensive Groups and Focus Groups which are in operation. Specialist groups facilitated the introduction of the PAYE/PRSI dimension of Integrated Taxation Processing (ITP) and did preparatory work for the introduction of VAT to this new system. Various initiatives were proposed by the Customer Service Group and the groundwork was laid for initiatives in relation to the Shadow Economy. The Intensive Group on Human Resources prepared the outline of an implementation plan for Performance Management, made proposals in relation to technical training, drew up a framework for the Exceptional Performance Awards Scheme and set an agenda for consideration of the wider SMI-driven HR Programme. As mentioned above, seven Focus Groups examined key strategic issues and made proposals which will influence the draft of Revenue's Statement of Strategy for the period 2001-2003.

The Partnership 2000 Agreement provided for local level negotiations for claiming an adjustment in pay not exceeding 2%, subject to there having been verified progress to a satisfactory level on implementation of the public service modernisation programme. In November 1999, the Partnership Committee considered the level of progress in the light of the reports from the Partnership Groups and verified that Revenue had made progress to a satisfactory level.

Exceptional Performance Awards

A major item on the agenda of the Revenue Partnership Committee and the Human Resources Intensive Group is performance management and how we acknowledge and reward exceptional performance. In this context, the Group reviewed the Exceptional Performance Awards (EPAs) Scheme and made a number of recommendations which were accepted by the Revenue Partnership Committee. The Exceptional Performance Awards Scheme was relaunched in September 1999, underlining the Partnership Committee's commitment to sustaining and developing a higher-performance organisation. Our people are the pivotal key to this objective, and the new profile being given to this scheme reflects this priority.



Commissioner Josephine Feehily with recipients of Input Awards in 1999 – Thomas Bermingham, C&E, Cork and Helen Moylan, AGs, Ennis

Human Resource Policy and Administration

Recruitment

Recruitment in Revenue from the open market in 1999 included Clerical Officers, Executive Officers, Inspectors of Taxes, Higher Tax Officers, Specialist Financial Accountants, a professional Librarian and temporary staff.

The following table gives an indication of the turnover of staff in Revenue in 1999.

Table 29: Human Resource Administration

Staff Changes	Number of Staff
Staff joining Revenue on recruitment, transfer or promotion	537
Promoted or transferred from Revenue to other Departments	95
Promoted internally	550
Retired/Resigned	180

By the end of 1999 we succeeded, despite the tightness of the jobs market, in attaining staff numbers close to our authorised strength and reduced vacancies to a level of less than one per cent.

SMI Equality Management Group

In September 1999, Commissioner Josephine Feehily was appointed as Chair of the SMI Equality Management Group. This Group is developing a new gender equality policy for the Civil Service.

Family-Friendly Working Initiatives

Revenue continued to promote family-friendly working arrangements during 1999. Facilities for job-sharing and career breaks have been available for many years. However, two new forms of special leave were introduced to the organisation in 1999. Parental Leave came into effect on 3 December 1998 and was widely availed of throughout Revenue. We also successfully piloted a scheme of Term Time Working, an arrangement under which staff caring for children or incapacitated people can take up to three months unpaid leave coinciding with the summer school holidays. All these schemes received positive reactions from staff and were seen as going some way towards the aspirations of staff in balancing work and family responsibilities.

Table 30: Staff Availing of A-Typical Working

	Number of Staff
Career Break	253
Job-sharing	819
Term Time Working	47
Parental Leave	149

MSc Degree in Taxation

Nine Revenue staff members were among the first ever group of students to be conferred with a Master of Science (MSc) in Taxation in October 1999. The awards marked the culmination of two years study at Dublin City University (DCU). The programme was designed in partnership with Revenue, tax practitioners and DCU and covered a wide range of taxation matters encompassing both policy and operational issues. The course is of benefit to both Revenue and staff. It directly enhances our skills base and provides a foundation for internal skills transfer. It also provides a unique opportunity for our staff and tax practitioners to study and work together, thereby enhancing mutual understanding and co-operation. Nine staff have commenced the 2000-2002 study programme.

Training

During the year, our training programmes and activities covered a wide range of competencies including technical training, management and interpersonal skills and information technology skills.

Table 31: Training

Competency Area	Training Days
Technical Tax	9,137
Technical Customs and Excise	1,117
Management/Interpersonal Skills	4,278
Computer End User	7,910
Computer Technical	3,080

An Integrated Senior Management Development Programme, involving Assistant Secretaries and all Principal level staff, commenced in 1999. This programme integrates individual management development needs with the achievement of key strategic and business goals and will be completed in 2000.

We supported 185 staff who undertook studies in their own time where this was directly relevant to the skill base required in the organisation. The fees refunded amounted to £176,187.

Information and Communications Technology

Integrated Taxation Processing

We introduced our comprehensive system for tax administration, Integrated Taxation Processing, in April 1999. This system provides a common framework for all aspects of tax collection, including returns generation and payment/returns compliance. The initial release supports the collection of PAYE/PRSI from employers. VAT was incorporated into ITP in April 2000.

ITP brings other customer service benefits to taxpayers and tax practitioners including detailed statements of account that show customers their financial status with Revenue. It is intended that in time these will replace individual payment receipts. A move to consolidated billing is planned bringing together all transactions with a particular taxpayer.

Year 2000

Work which began in 1996 on modifying our computer systems for year 2000 compatibility was successfully completed in 1999 and a smooth transition ensued on 1 January 2000. This was a major task carried out almost entirely from within our existing resources and in tandem with other major projects.

Euro

While all our systems now allow corporate and business clients to deal with Revenue through the euro, work is continuing to enable personal clients conduct their affairs with us through the new currency. We are also planning for the final changeover of all our systems.

Computerised Warehouse Accounts System

A computerised on-line Warehouse Accounts System was introduced during 1999. The new system replaced a manual system, which had been in place for more than thirty years. The old system was heavily paper-dependent, gave rise to duplication of work, and was cumbersome to operate. It was neither year 2000 nor euro compatible.

The new system was developed on a cross-divisional basis by Accountant General, Customs and Excise and Information and Communications Technology staff. The system is networked so that records of all transactions generating excise and duties are fully recorded on a central database through terminals installed in Customs and Excise collection offices throughout the country. As a result, transactions are more amenable to examination and analysis and the process of accounting for £3 billion raised in this area is vastly improved.

Edicom Conference

In March 1999, our VIMA Office in Dundalk, Co. Louth hosted an Edicom Task Force conference in the Dundalk Institute of Technology. The Task Force comprises representatives of all Member States and Eurostat; its responsibility is to extend the use of technology in the collection and dissemination of trade statistics. Among the topics discussed was the use of the internet and e-mail for the collection of statistics from traders.

Implementing the Information Society in Ireland: An Action Plan

In 1999, we continued to advance projects, such as Integrated Taxation Processing, Revenue On-line Service and developments to our website. These are covered in detail in this report, indicating our support for the Government's 'Implementing the Information Society in Ireland: An Action Plan'.