

ANNUAL REPORT 2002
TUARASCÁIL BHLIANTÚIL 2002

Revenue





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

ANNUAL REPORT 2002

Eightieth Annual Report of the Revenue Commissioners for the year ended 31 December 2002, including progress on the implementation of Revenue's Statement of Strategy in accordance with the Public Service Management Act 1997, presented to the Minister for Finance.

June 2003

TUARASCÁIL BHLIANTÚIL 2002

An t-Ochtódú Tuarascáil Bhliantúil ó na Coimisinéirí Ioncaim don bhliain dár críoch 31 Nollaig 2002, lena n-áirítear tuairisc ar dhul chun cinn atá déanta chun an Ráiteas Straitéise acu a chur i gcrích faoin Acht um Bainistíocht na Seirbhíse Poiblí 1997, arna cur faoi bhráid an tAire Airgeadais.

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Dublin Castle June 2003

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Foreword

PROGRESS MADE

In 2002, we made significant progress on all the main items of our agenda.

We made substantial advances in the bogus non-resident account campaign. This ongoing investigation, which is unprecedented in terms of its scale, has so far yielded additional tax, interest and penalties of over €600 million. Good progress was also made on the other 'legacy' investigations: Ansbacher, NIB and the tax related disclosures made at the Flood and Moriarty Tribunals. We are determined to follow through fully on all of these investigations.

We put in place the first phase of a new computerised risk analysis system. When fully implemented, this will make use of all information in the Revenue system to better target cases for audit and enquiry. We also expanded the Revenue Online Service, our secure and easy way of filing returns and paying tax through the internet, and we successfully implemented the new 'pay and file' arrangements for self-assessed Income Tax.

Internally, we reached a breakthrough agreement with the majority of our staff on integrating grades and implementing the most radical restructuring in our eighty-year history. This restructuring will facilitate 'whole case management' of taxpayers, which will both improve service levels and allow us to focus more sharply on those cases that pose the highest risk of non-compliance. It will also provide greater flexibility and improved career and location opportunities for our staff.

TAX COLLECTION PERFORMANCE

Net tax and duty receipts in 2002 were just under €29.27 billion, some 4% less than the Budget estimate. Indirect taxes came in broadly on target, but there were significant shortfalls in Corporation Tax, Income Tax (particularly PAYE) and Capital Gains Tax. While there were a number of factors involved, the predominant reason for the shortfall was lower-than-expected economic growth during 2002.

TAX EVASION INVOLVING OFFSHORE ASSETS

While we are tackling tax evasion in all its forms, we have recently put particular efforts and resources into tracking down and identifying tax evaders who use offshore accounts/structures or who have acquired overseas property or other assets which were funded out of undeclared income or gains. We are having increasing success in this area due to our improved access to information arising from the powers in the Finance Act 1999, the development of better intelligence networks and the recent improvements in international co-operation between tax administrations, including administrations in so-called tax havens. The more rigorous application of money laundering legislation in offshore jurisdictions (which generally requires the reporting of suspected tax evasion) is also a helpful factor.

Revenue officials are currently negotiating exchange of information agreements or have initiated discussions on such agreements (including information on beneficial ownership of trusts and companies) with the Isle of Man, Jersey, Guernsey and the Cayman Islands. The need for such agreements with other jurisdictions is being kept under review.

We are determined to use all our available powers and information networks to the fullest extent possible to identify offshore-related tax evasion and we are confident of achieving further successes in this area. There were also noteworthy successes on the Customs and Excise side of our operations with significant seizures of drugs, tobacco, oil-laundering plants and other contraband. In the area of drugs we are ahead of targets set for us in the National Drugs Strategy and we are confident that our risk analysis and profiling techniques are working effectively.

INVESTMENT IN TECHNOLOGY

Revenue has always been to the fore in using technology to improve tax administration. Our Revenue On-line Service (ROS) has been recognised as a world leader in secure internet-based return filing and tax payment systems. E-services are a central plank of our strategy for the future - we want to achieve a situation where electronic interaction between taxpayers and Revenue will become the norm.

We have also invested heavily in recent years in updating and integrating our underlying databases and workflow systems. Over the next two years we will be continuing that process with a major re-engineering of our PAYE computer systems. This will significantly improve the level of service to our 1.3 million PAYE taxpayers.

OUR STAFF

Finally, this organisation has seen many changes in recent years. The most obvious constant in this period has been the performance of our staff. We thank them sincerely for this and wish to express our confidence that they will maintain these high levels of performance and flexibility as we go forward to meet the challenges ahead.



FRANK M. DALY
Chairman



JOSEPHINE FEEHILY
Commissioner



MICHAEL O'GRADY
Commissioner

Réamhrá

DUL CHUN CINN DÉANTA

Bliain a b'ea 2002 ar tharla dul chun cinn suntasach lena linn trí gach réimse d'ár bpríomhchlár.

Thógamar céim mhór chun tosaigh i bhfeachtas na gcuntas neamhchónaitheach bréige. Is fiosrúchán leanúnach é sin nach raibh a leithéid ann cheana ar an scála céanna. Cheana féin tá os cionn €600 milliún cánach breise tugtha isteach dá bharr; ús agus pionóis san áireamh. Rinneadh dul chun cinn maith freisin sna seanfhiosrúcháin leanúnacha eile: cúrsaí Ansbacher agus NIB, chomh maith leis an bhfaisnéisiú ar chúrsaí cánach atá ag teacht as na Binsí 'Flood' agus 'Moriarty' Tá rún daingean againn na fiosrúcháin seo ar fad a thabhairt chun críche ina n-iomláine.

Thionscnaíomar an chéad chéim de chóras nua ríomhairithe um anailísiú riosca. Arna chur i bhfeidhm go hiomlán, bainfidh sé seo leas as gach faisnéis dá bhfuil sa chóras againn chun díriú mar is fearr ar roghnú cásanna le haghaidh iniúchta agus fiosraithe. Rinneamar leathnú freisin ar Sheirbhís Ar-Líne na gCoimisinéirí Ioncaim, ár mbealach rúnda éasca chun cáin a thuairisciú agus a íoc tríd an idirlíon. Ina theannta sin d'éirigh linn na socruithe nua do Cháin Ioncaim - Íoc agus Tuairiscigh – a chur i bhfeidhm.

Sa réimse inmheánach d'éirigh linn chomhaontú tionscantach a thabhairt i gcrích le formhór mór na foirne againn maidir leis na gráid a chomhtháthú agus leis an athchóiriú is bunúsaí dá ndearnamar san ochtó bliain dár ré a chur i gcrích. Cuideoidh an t-athchóiriú seo le 'cásbhainistiú cuimsitheach' cáinócóirí, rud a chuirfidh feabhas ar leibhéal na seirbhíse agus a dhíreoidh níos géire ar na cásanna sin lena mbaineann an riosca is mó ó thaobh neamhchomhlíonaidh de. Cothóidh sé freisin níos mó solúbthachta agus deiseanna níos fearr ó thaobh ghairme agus ionaid oibre de.

FEIDHMIÚ BAILIÚ CÁNACH

Tháinig glanfháltais as cánacha agus dleachtanna go €29.27 míle milliún in 2002, 4% níos lú ná meastachán an bhuiséid. Bhí an teacht isteach as cánacha indéreacha thart ar mhéid an mheastacháin. Tháinig laghdú suntasach áfach ar Cháin Chorporáideach, ar Cháin Ioncaim (go háirithe ÍMAT) agus ar Cháin Ghnóchan Caipitiúil. Cé go raibh go leor tosca i gceist, is í an chúis is mó a bhí leis sin ná fás níos lú ná mar a bhí measta san eacnamaíocht le linn 2002.

IMGHABHÁIL CÁNACH I LEITH CIAN-ACMHAINNÍ

Ar ndóigh táimid ag tabhairt agaidh i gcónaí ar imghabháil cánach de gach cineál. Maidir le lucht imghabhála cánach, áfach, a úsáideann cianchuntais/struchtúir nó a fuair maoin nó acmhainní eile thar lear a maoiníodh as ioncam nó gnóchain nár tuairiscíodh, tá iarrachtaí ar leith ar siúl againn agus acmhainní ar leith á n-úsáid againn le tamall anuas chun dul sa tóir orthu agus iad a aithint. Toisc gur féidir linn teacht níos éasca ar fhaisnéis de bharr na gcumhachtaí san Acht Airgeadais 1999, na forbairte ar ghréasáin fhaisnéisithe agus na bhfeabhsuithe a tharla le déanaí i gcomhoibriú idirnáisiúnta idir na riaracháin chánach, lena n-áirítear riarachán a bhaineann le hionaid dídine cánach, mar a thugtar orthu. Is mór an cúnamh é freisin an leas níos treise atá á bhaint againn as reachtaíocht i gcoinne sciúradh airgid i gcian-dhlínsí (faoinar gá i gcoitinne aon amhras maidir le himghabháil cánach a thuairisciú).

Tá feidhmeannaigh dár gcuid ag iarraidh comhaontuithe faoi mhalartú faisnéise a thabhairt i gcrích faoi láthair nó tá tús curtha acu le comhchainteanna faoi chomhaontuithe dá leithéid (lena n-áirítear faisnéis ar úinéireacht thairb-

hiúil iontaobhas nó chuideachtaí), le hOileán Mhanann, agus leis na hOileáin Jersey, Guernsey, agus Cayman. Cuirfear tús le comhchainteanna le dlínsí eile dá leithéid go luath amach anseo. Tá rún daingean againn leas a bhaint, oiread agus is féidir, as gach cumhacht agus gréasán faisnéise dá bhfuil againn chun cian-imghabháil cánach a aithint. Tá lán-mhuinín againn go mbeidh rath leanúnach ar ár n-iarrachtaí sa réimse seo.

D'éirigh go suntasach linn freisin inár bhfeidhmeanna Custam agus Máil. Rinneamar méid mór drugaí, gléasra do sciúradh ola agus contrabhanna eile a fhorghabháil. I réimse na ndrugaí sháraíomar cheana na spríocanna a leagadh síos dúinn sa Straitéis Náisiúnta Drugaí. Táimid cinnte de go bhfuil ár dteicníochtaí um anailísú agus próifiliú riosca ag feidhmiú go héifeachtach.

INFHEISTÍOCHT I DTEICNEOLAÍOCHT

Bhíomar i gcónaí amach chun tosaigh maidir le húsáid na teicneolaíochta chun riarachán cánach a fheabhsú. Tá aitheantas bainte amach ag Seirbhís Ar-Líne na gCoimisinéirí Ioncaim (ROS) mar threoraí domhanda i gcórais rúnda atá bunaithe ar an idirlíon agus a bhaineann le tuairisciú agus íoc cánach. Is lárchuid iad an seirbhísí leictreonacha dár straitéis leanúnach – teastaíonn uainn an pointe a bhaint amach ag a nglacfar le hidirfheidhmiú leictreonach idir cáiníocóirí agus na Coimisinéirí Ioncaim mar ghnáth-nósmhaireacht.

Le blianta beaga anuas tá infheistíocht thréan déanta againn freisin chun ár gcórais bhunúsacha maidir le bunachar sonraí agus sreabhadh oibre a thabhairt suas chun dáta agus a chomhtháthú. Thar an dá bhliain seo chugainn leanfaimid ar aghaidh leis an bpróiseas sin trí athchóiriú mór ar ár gcórais ríomhaireacht ÍMAT. Cuirfidh sé seo go mór leis an leibhéal seirbhíse dár gcáiníocóirí ÍMAT (1.3m).

ÁR BHFOIREANN

Mar fhocal scoir, chuaigh an eagraíocht seo faoi go leor athruithe le tamall beag de bhlianta anuas. Sheas gné amháin go háirithe amach mar lárphointe socair buan agus sin feidhmiú ár bhfoirne. Gabhaimid buíochas ó chroí leo faoi seo agus is mian linn ár muinín a chur in iúl go bhféadfaidh siad an leibhéal ard feidhmiúcháin agus solúbthachta seo a chothabháil de réir mar a thugaimid aghaidh ar na dúshlán atá romhainn amach.

FRANK M. DALY
Chairman

JOSEPHINE FEEHILY
Commissioner

MICHAEL O'GRADY
Commissioner

Main achievements and initiatives in 2002

- Net tax and duty receipts reached almost €29.27 billion, an increase of €1.25 billion on 2001.
- The debt collection ratio, i.e. arrears as a percentage of gross receipts, fell again in 2002, from 4% to 3%.
- The total amount received as a result of the DIRT and bogus non-resident account investigations now exceeds €600 million.
- Aggregate payments in the ongoing National Irish Bank and Ansbacher investigations reached €42.75 million and €21.03 million, respectively.
- There were three successful prosecutions for serious tax evasion, with 26 cases under active investigation at year-end. There were 1,038 convictions for failure to file tax returns, 221 convictions for unlicensed trading, 158 convictions for marked gas oil offences, 59 convictions for smuggling, customs fraud and illegal selling offences, 46 convictions for failure to file intra-Community returns and seven convictions for Vehicle Registration Tax offences.
- Collection enforcement through solicitors and sheriffs yielded €188.89 million from more than 38,000 cases.
- Agreement was reached with the majority of Revenue staff on grade integration and restructuring.
- Three new Divisions were established as part of our restructuring programme – Investigations and Prosecutions Division, Large Cases Division and the East South-East Region. In March 2003, nine more Divisions were established, bringing our new structure into place at senior management level.
- The Pay & File system was successfully introduced for individuals within the self-assessment tax system.
- The new system of advance payment of Preliminary Corporation Tax was also successfully introduced.
- Drugs with an estimated street value of over €33 million as well as over 74 million cigarettes were seized and €121,120 of suspected drug-related cash was detained.
- Revenue audits in 16,186 cases yielded €286.83 million. The first steps were taken to implement a computer-based risk analysis audit selection system.
- A new Code of Practice for Revenue Auditors was launched.
- The incorporation of Relevant Contracts Tax into the Integrated Taxpayer Processing system in 2002 follows on the successful integration of employers' PAYE/PRSI, VAT, Income Tax, Corporation Tax and Capital Gains Tax. This largely completes the integration of business tax administration, and provides each business with a single Revenue account. Vehicle Registration Tax and the Environmental Levy were incorporated into ROS.

- The Revenue website, including ROS, received two awards – ‘Best Government Site’ from the Public Sector Times and ‘Outstanding Contribution to eGovernment’ from the Irish Internet Association.
- Approximately 14.5 million postage items issued from Revenue’s Computer Centre.
- There were more than 1.3 million calls to our PAYE employees’ 1890 telephone number (1890 60 50 90). A new PAYE employers 1890 call centre facility was launched during the year (1890 236 336).
- More than €3.5 billion was paid electronically using ROS and another €2.7 billion was paid electronically using direct debit.
- An Internal Communications Policy and a Workplace Charter were launched with the aim of ensuring that staff are kept informed of matters affecting their work, in a climate of partnership, openness and mutual respect.
- Tax Clearance, introduced by the Standards in Public Office Act 2001, for Members of the Dáil and Seanad, senior public officials and candidates for appointment to the Judiciary, was implemented.
- Revenue was appointed as collection agent for the Environmental Levy on plastic bags introduced in 2002. Up to the end of December 2002, in excess of €7.1 million was paid over to the Department of Environment and Local Government.
- Tax Relief at Source for mortgage interest on home loans was successfully introduced on 1 January 2002. This initiative saw tax relief on qualifying mortgages being paid through the mortgage providers by way of a reduction in the mortgage payment. It also provided the opportunity to extend the relief to persons whose taxable income was insufficient to avail of the relief in the past.
- Revenue successfully managed the major increase in the take-up of Special Savings Investment Accounts in 2002. At the closing date for the SSIA scheme, 30 April 2002, 1.1 million accounts in 331 qualifying schemes had been opened.



Objective 1

Collect the required annual yield from Taxes and Duties

Gross receipts were €39.99 billion in 2002, some €2.39 billion ahead of the 2001 receipts (Table 1). When repayments to business and individuals as well as PRSI transfers to the Department of Social and Family Affairs are taken into account, net receipts amounted to just under €29.27 billion, €1.25 billion above the corresponding figure for 2001 but €1.2 billion below the Budget estimate (Table 2). Indirect taxes came in broadly on target, but there were significant shortfalls in Corporation Tax, Income Tax (particularly PAYE) and Capital Gains Tax. While there were a number of factors involved, the shortfall was largely due to lower-than-expected economic growth.

Statement of Strategy Output

Budget targets for taxes and duties met.

TABLE 1: TOTAL AMOUNT COLLECTED/GROSS RECEIPTS

	2002	2001
	€m	€m
Duties, Taxes and Levies		
Customs	154	172
Excise	4,595	4,213
Value Added Tax	11,375	10,548
Capital Acquisitions Tax	158	175
Capital Gains Tax	636	889
Stamp Duties	1,177	1,257
Residential Property Tax	1	2
Corporation Tax	5,129	4,623
Income Tax	10,983	10,549
PRSI and Health Contributions and Employment and Training Levy	5,775	5,169
Environmental Levy	7	0
Total	39,990	37,596

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

TABLE 2: TOTAL REVENUE/NET RECEIPTS

Duties, Taxes and Levies	2002	2002	2002	2001
	Net Receipts	Budget estimates	Net Receipts + or - budget estimates	Net Receipts
	€m	€m	€m	€m
Customs	134	167	- 33	165
Excise ¹	4,595	4,573	22	4,213
Value Added Tax ²	8,844	8,789	55	7,907
Capital Acquisitions Tax	151	151	0	168
Capital Gains Tax	619	758	-139	876
Stamp Duties	1,139	1,220	- 81	1,223
Residential Property Tax	1	0	1	2
Corporation Tax	4,804	5,381	- 577	4,144
Income Tax:				
PAYE	6,725	7,455	-730	7,280
Income Tax from Self-Employed and certain other non-PAYE sources: ³				
Direct Payments	1,690	1,340	350	1,486
Less other non-PAYE Repayments	- 89	-95	6	- 77
Net Yield	1,601	1,245	356	1,409
<i>(see footnotes)</i>				
Deposit Interest Retention Tax (DIRT) ⁴	206	226	- 20	228
Withholding Tax (fees) (PSWT) ⁵	256	320	- 64	226
Dividend Withholding Tax ⁶	190	200	-10	175
Income Levy	0	0	0	0
Income Tax total	8,979	9,446	-467	9,319
Total	29,265	30,485	- 1,220	28,015

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

1 A tobacco levy of €168 million is included in the Excise figures for forecasts and receipts even though it is not included in the official figures as a tax revenue.

2 The VAT receipts in 2002 are composed of €10,391 million of internal VAT and €984 million collected on imports, less refunds of €2,500 million and €31 million, respectively.

3 Income Tax from the self-employed: The gross figures for direct payments included in the table are adjusted to reflect 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-liable individuals, charities, pension funds and foreign residents for tax deducted at source under various arrangements. 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.

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

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

6 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.

The figures for 2002 Net Receipts in Table 2 are some €186 million lower than the comparable figure for Tax Revenue receipts published in the end-2002 Exchequer Returns because of timing and accounting procedures.

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

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

In 2002 the amount collected on Customs Duties and CAP import charges was €134 million, compared to €165 million in 2001 and a Budget estimate of €167 million (Table 2). The lower amount collected was due to a reduction in the global value of non-EU trade.

EXCISE

Excise receipts in 2002 totalled €4,595 million, some €382 million (9.1%) more than in 2001 and €22 million (0.5%) above the Budget estimate (Table 2). This reflects a close-to-expected rise in the value of consumer spending on excisable items, taking account also of the impact of the Budget increases in duty on cider, tobacco, petrol and auto diesel.

At the itemised level the main shortfall on expected yield occurred in the Oils category, while the Tobacco and VRT categories were quite buoyant. New car registrations during 2002 numbered over 156,000, the fourth highest year on record.

VALUE ADDED TAX

VAT receipts in 2002 amounted to €8,844 million, an increase of €937 million (11.9%) on 2001 and €55m (0.6%) more than the Budget estimate (Table 2). This reflects a close-to-expected level of net VAT intake for the year, inclusive of the impact of the Budget increase of the standard rate from 20% to 21% on 1 March. Gross VAT receipts (i.e. before offset of repayments) amounted to €11,375 million, an increase of €827 million (7.8%) on 2001. The net yield of €8,844 million was enhanced by a lower-than-anticipated level of repayments.

CAPITAL ACQUISITIONS TAX AND RESIDENTIAL PROPERTY TAX

Capital Acquisitions Tax comprises Inheritance, Gift, Discretionary Trust and Probate Taxes. The Capital Acquisitions Tax yield in 2002 was €151 million, over 10% below the 2001 yield of €168 million and in line with the Budget estimate (Table 2). There was a reduction in the Discretionary Trust Tax yield that was offset by an increase in the yield for Inheritance Tax and Probate Tax, despite the fact that Probate Tax was abolished in respect of deaths occurring on or after 6 December 2000.

CAPITAL GAINS TAX

The yield of €619 million from Capital Gains Tax in 2002 was €139 million (18.3%) below the Budget estimate and €257 million (29.3%) less than the 2001 yield (Table 2). The shortfall on the Budget estimate was due in part to the slowdown in the economy but may also be an indication that the level of 'pent-up' disposals of assets, which had been a feature in the years following the halving of the Capital Gains Tax rate to 20% in Budget 1998, has slowed down. The reduction in the 2002 yield below that of 2001 is mainly due to the "short tax year" 2001 being the basis period for the bulk of Capital Gains Tax payments in 2002.

STAMP DUTIES

In 2002, the yield from Stamp Duties amounted to €1,139 million, a decrease of €84 million on the previous year and €81 million below the Budget estimate of €1,220 million (Table 2). The shortfall on the Budget estimate is attributable to a slowdown in the economy in general, which caused a lower-than-expected yield from property transfers, share transfers and companies' capital duty. The yield from property transfers totalled €666 million, a shortfall of €55 million (7.6%) on the Budget estimate of €721 million. The yield from share transfers totalled €303 million, a shortfall of €11 million on the Budget estimate.

CORPORATION TAX

The 2002 Corporation Tax yield of €4,804 million was €577 million (10.7%) lower than the Budget estimate, but €660 million (15.9%) more than in 2001 (Table 2). Year-on-year growth was enhanced by the impact of the first phase of a move, to be implemented over five years, to bring forward the due date for payment of preliminary tax. The shortfall on the Budget estimate is attributable to a combination of, firstly, lower-than-expected taxable profits in the base year 2001, reflecting the impact of a slowing economy, the events of 11 September 2001 and the foot and mouth restrictions, and, secondly, a lower final yield in 2001 than was expected when the Budget estimate for 2002 was compiled.

INCOME TAX

Total net receipts of Income Tax in 2002 amounted to €8,979 million, a decrease of €340 million (3.6%) on the 2001 outturn and €467 million (4.9%) below Budget estimate (Table 2). The shortfall largely reflects the fact that the economy in 2002 was weaker than had been projected at Budget time, resulting in labour market conditions not being as favourable as expected. The higher-than-expected costs of the Special Savings Incentive Scheme (SSIS) and of tax relief for medical insurance premiums also contributed to the shortfall relative to the Budget estimate. SSIS and tax relief at source payments are 'netted off' against Income Tax receipts.

CHART 1: INDIRECT TAX NET RECEIPTS

A total of €13,439 million was collected in net VAT and Excise receipts in 2002.

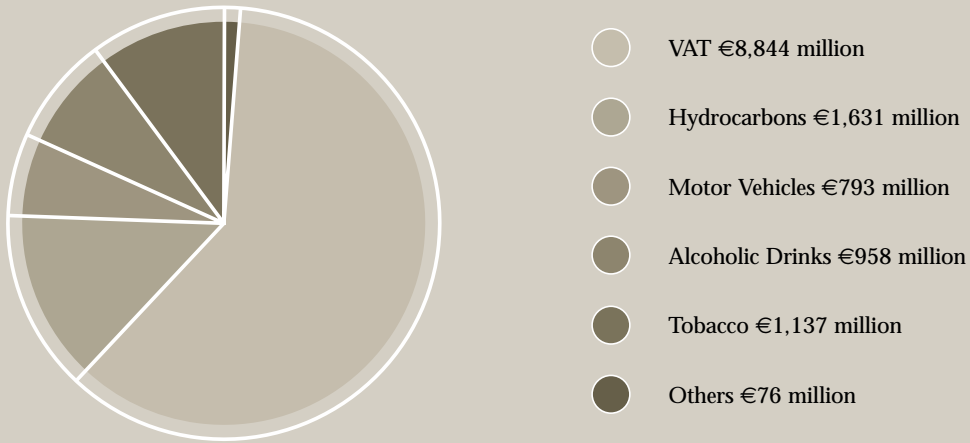
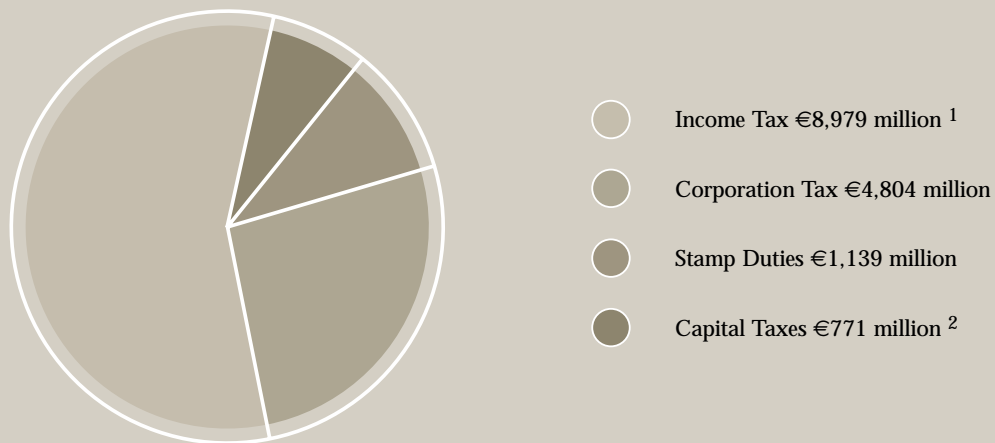


CHART 2: DIRECT & CAPITAL TAXES RECEIPTS

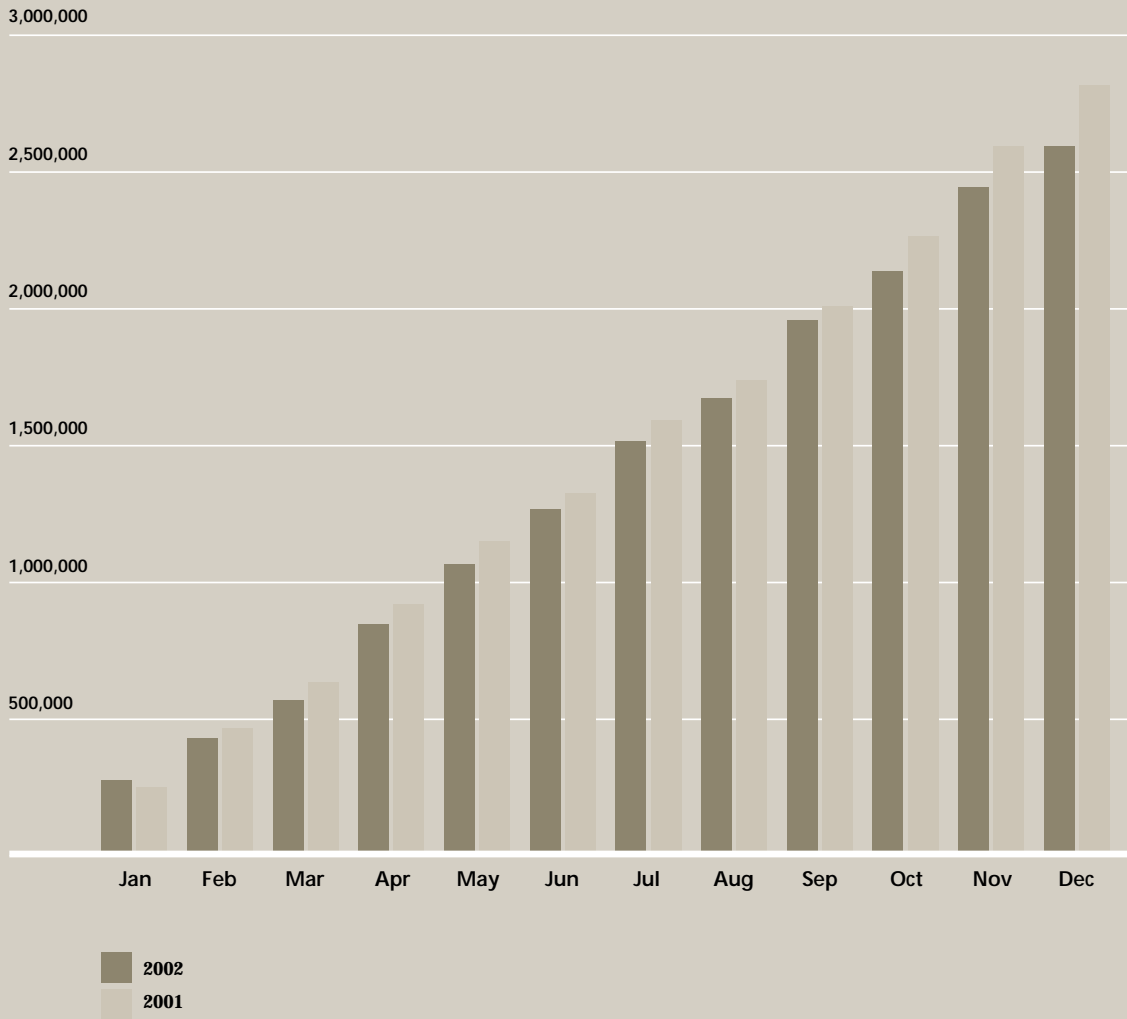
A total of €15,693 million was collected in Direct and Capital Taxes receipts in 2002.



¹ Income Tax comprises receipts from PAYE, Income Tax from the self-employed and certain other non-PAYE sources, Deposit Interest Retention Tax, Withholding Tax, Dividend Withholding Tax and Income Levy.

² Capital Taxes includes receipts from Capital Acquisitions Tax, Capital Gains Tax and Residential Property Tax.

CHART 3: PAYMENT ITEMS TO THE COLLECTOR GENERAL 2002 v 2001



Largest amount lodged in a single day	€1.23bn
Average daily lodgement	€130.6m
Largest single payment	€252m
Cumulative number of payment items:	
2002	2,810,907
2001	2,620,199
Summary of Collection and Debt	Collection €39,990m/Debt €1,322m
Greatest amount of items processed in a single day	62,657

DEBT MANAGEMENT

Statement of Strategy Output

Reduction in the level of outstanding taxes and duties.

TABLE 3: TOTAL ARREARS AS A % OF TOTAL GROSS RECEIPTS

Year	Total Arrear	Total Gross Receipts	Total Arrear as a % of Total Gross Receipts
	€m	€m	
2002	1,322	39,990	3%
2001	1,508	37,596	4%
2000	1,493	35,134	4%
1999	1,340	30,335	4%
1998	1,482	26,181	6%
1997	1,687	22,909	7%
1996	2,146	20,016	11%
1995	2,512	18,231	14%
1994	2,612	17,511	15%
1993	2,812	16,049	18%
1992	3,094	14,944	21%
1991	3,223	14,070	23%
1990	3,451	13,429	26%
1989	3,790	12,687	30%
1988	4,445	12,165	37%

DEBT REDUCTION

In 2002, debt as a percentage of gross collection again fell, from 4% to 3% (Table 3). This is a good result, indicating that the continuing increase in collection levels and volume of business is not being reflected in increased debt levels. At the same time, the reduction in the absolute level of debt, from €1,508m to €1,322m is somewhat less than we had expected. The slowdown in the rate of debt reduction reflects the relatively more difficult economic environment of the past year.

Despite the relatively difficult operating environment, taxpayer compliance increased very satisfactorily in 2002, largely due to a continued focus on maintaining the timeliness of payments.

The amount of debt written off in 2002 was €178m, compared to €140m the previous year. The increase reflects the success of our continuing objective of eliminating uncollectable debt that is more than six years old.

TABLE 4: COST OF ADMINISTRATION AS A PERCENTAGE OF GROSS RECEIPTS

2002	2001	2000	1999	1998
0.95%	0.90%	0.81%	0.88%	0.98%

Gross Receipts: €34,207 million*

Cost of Administration: €325.6 million

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

REVIEW OF PROGRESS UNDER OBJECTIVE 1

Net tax revenue receipts in 2002 were just under €29.3 billion, a shortfall of €1.2 billion on the Budget estimate. As in 2001, the tax revenue shortfall in 2002 largely reflected changed economic conditions vis-à-vis Budget day predictions. Two taxes, Corporation Tax and Income Tax, accounted for over €1 billion of the shortfall. Some €577 million of the shortfall is due to lower-than-projected receipts from Corporation Tax, of which €190 million can be attributed to a lower final outturn in 2001 than was expected when the Budget estimate for 2002 was compiled. Corporate profits are very difficult to project accurately when there are significant economic changes in the relevant period. The base year for the bulk of 2002 Corporation Tax receipts was 2001 and the profits for that year reflect the impact of a rapidly slowing domestic economy, the slowdown in the United States economy which was exacerbated by the events of 11 September 2001, and the animal health 'foot and mouth' restrictions. These factors are also likely to have impacted negatively on the disposals of assets in 2001, which formed the basis period for the bulk of Capital Gains Tax payable in 2002.

Income Tax came in at €467 million below the Budget estimate, with a particularly large shortfall in PAYE receipts (€730 million) being offset by much better-than-expected payments from the self-employed sector. The indications are that the poor PAYE performance was due to labour market conditions not being as favourable as expected and higher than expected costs of the Special Savings Incentive Scheme and tax relief for medical insurance premiums.

At the time of compiling the Budget for 2002, the expectation was that the international economy would recover in the second half of 2002, giving the Irish economy a similar boost. However, that recovery did not materialise and the shortfall in expected tax receipts reflects this.

A summary of Revenue's business in 2002 is given in Table 5.

TABLE 5: VOLUME OF BUSINESS 2002

		% +/- 2001/2002
Number of Revenue Staff (including job-sharers)	6453	0%
	Volume in 2002	
Number of Taxpayers		
PAYE Employments	2.1m	+5%
Self Assessment (Income Tax)	385,931	+5%
Companies	114,837	+8%
Items processed		
Correspondence	*2,674,394	-27%
E-mail	702,000	+101%
Personal Callers	*678,954	-21%
Telephone Callers	4,388,784	+1%
Page 'hits' on the Revenue website (www.revenue.ie)	12,002,304	+19%
Collector General		
Number of payment items received	2,810,907	+7%
Value of payment items received	€32.7 bn	+7%
Number of tax clearance certificates issued	58,652	-1%
Returns processed	1,651,212	+2%
Accountant General		
Number of VAT claims received	258,236	0%
Value of VAT claims repaid	€2,385m	-8%
Income Tax		
Income Tax Self Assessment		
Returns	**475,666	+51%
Repayments	139,402	-10%
P35 Returns		
Employers	182,000	+2%
Employments	2.7m	-7%
Number of Repayments/Offsets	32,542	+78%
Value of Repayments/Offsets	€139m	+96%
PAYE		
Employee Reviews	491,253	+8%
Returns	144,314	+35%
Corporation Tax		
Returns	89,620	+4%
Repayments	15,508	-30%

* The programme of administrative reform, which began in 1999 and continued into 2002, led to efficiencies which, coupled with the introduction of Tax Relief at Source (TRS) for medical insurance relief and mortgage interest relief, account for the significant reduction in the figures for incoming post and personal callers.

** 2002 was unusual in that there were two filing dates for tax returns in that year.

Capital Gains Tax		
Returns	47,332	+22%
CG50s (Applications for Clearance Certificates)	6,475	-7%
Relevant Contracts Tax		
C2s (Sub-contractor's certificates) issued	27,426	-17%
Repayments	69,139	+4%
RCT47s (Payment card authorisations) issued	***136,287	-67%
Dividend Withholding Tax & International Claims		
DWT Returns from paying companies	4,492	+12%
DWT Returns - distributions to individual shareholders	1,379,315	-41%
Number of repayments to non-residents	5,250	+19%
Value of repayments to non-residents	€65m	-5%
Number of exemptions granted to charitable/sporting bodies	609	+13%
New Business Registrations		
Income Tax	35,061	+2%
VAT	30,072	-2%
PAYE and PRSI	22,427	-6%
Corporation Tax	15,392	-2%
Relevant Contracts Tax	1,590	-29%
New Business Visits	4,597	-5%
Customs and Excise Declarations		
Number of Single Administrative Documents processed	854,572	-1%
Number of INTRASTAT declarations processed	101,268	+13%
Number of VIES declarations processed	34,197	+7%
Inward Transit declarations processed	36,744	-3%
Outward Transit declarations processed	24,420	-30%
Vehicle Registration Tax		
Number of new vehicles registered	206,469	-7%
Number of second-hand vehicles registered	30,474	-9%
Capital Taxes		
Inland Revenue affidavits	14,575	-14%
Gift/Inheritance and Discretionary Tax Returns	12,583	-3%
Capital Acquisition Tax Certificates of Discharge	13,993	-18%
Returns in relation to Companies Capital Duty and Composition Duty and Levies	7,100	+1%
Instruments presented for marking and stamping	206,856	+2%
Number of CREST refund claims received	29,915	-5%
Value of CREST refund claims repaid	€32.24m	+29%

*** The 2001 figure included RCT47s that issued for 2002, to facilitate the changeover to the euro.



Objective 2

Deter and detect tax evasion and the illegal importation of goods and illicit drugs

Revenue recognises that serious non-compliance with the Tax and Customs codes must be forcefully addressed and in recent years we have been provided with powers which enable us to do this more effectively. This combined with the dedication and professionalism of our staff, has resulted in some very significant outcomes in combating both current and past non-compliance. We have been able to access and handle very large volumes of valuable information, particularly that acquired from financial institutions under High Court Orders. Through our restructuring programme we have been able to deploy resources more flexibly and in a manner which makes us more responsive to the challenges posed by non-compliers. We have stepped up our use of information technology to assist in targeting risk and further enhancements in this area are being developed.

The outcomes of these programmes are covered in detail in the following paragraphs.

Statement of Strategy Output

An increase in prosecutions for cases of serious tax evasion.

INVESTIGATIONS AND PROSECUTIONS

INVESTIGATIONS AND PROSECUTIONS DIVISION

The first new Division established under our restructuring programme was the Investigations and Prosecutions Division, which was established on 1 March 2002. This Division brings together, under one Assistant Secretary, all of Revenue's prosecution functions, together with areas relating to investigations, intelligence and enforcement. By concentrating expertise in these areas within a single Division we will achieve a stronger

and more focused approach to detecting, investigating and prosecuting cases of serious fraud and evasion. Towards the end of the year additional staff selected for work in the Division were trained in the investigation of cases with a view to prosecution. This will lead to an increase in the number of prosecutions for serious tax evasion.

PROSECUTIONS FOR SERIOUS TAX EVASION

Prosecution-related activity continued during the year. At the end of the year there were 26 cases at various stages of investigation or prosecution. Three of these were before the Courts while the Director of Public Prosecutions had given directions to prosecute in another four.

During the year three convictions were secured in the Courts:

- In October 2002, a cattle dealer/hauler was convicted of failure to make Returns of Income for five years, giving rise to substantial evasion of tax. He received a fine of €3,000.

- In November 2002, a company director was convicted of making fraudulent Value Added Tax repayment claims. He was given custodial sentences of three months on each of two charges, both of which were suspended on condition that he repaid to Revenue the tax defrauded.
- In December 2002, a builder was convicted and fined €2,540 for making a false Income Tax and Value Added Tax return.

FOCUS ON RISK

Statement of Strategy Outputs

The close monitoring of taxpayers who pose the greatest risk to the Exchequer. Customers with liability identified and registered.

LARGE CASES DIVISION

Our new Large Cases Division was established on 3 July 2002 by bringing together existing operational areas dealing mainly with large cases. The core objective of this Division is to ensure the maximum level of compliance by large corporates and high-wealth individuals. These customers, by virtue of the scale and complexity of their financial activities, require a specialised response from Revenue. By managing the revenue affairs of a relatively small number of cases in a proactive and specialised way, we will protect a significant proportion of the overall tax and duty yield.

The Division is now being restructured along sectoral lines, with Branches specialising in the tax and duty affairs of similar business sectors, such as financial institutions, manufacturing companies, service providers and wealthy individuals. We are gearing up to detect and confront evasion and avoidance and to manage compliance across all taxes and duties in these sectors. The Division's investigators will develop a specialist understanding of the dynamics of large businesses and wealthy individuals operating nationally and globally and the capacity and skills required to effectively track and confront patterns of evasion and avoidance in the various sectors.

SPECIAL REVENUE INVESTIGATIONS

Statement of Strategy Outputs

Restored confidence in the even-handedness of tax administration.

Increased awareness by the public of the financial and personal consequences of tax evasion.

UNDERLYING TAX ON BOGUS NON-RESIDENT ACCOUNTS

Work commenced in February 2002 in relation to taxpayers who held bogus non-resident accounts detected in the course of the DIRT look-back audits of financial institutions in 1999 and 2000 and who did not avail of the voluntary disclosure scheme in 2001. Initial lists of over 1,800 such account holders were passed to Tax Districts for enquiry in March and August 2002.

Information supplied by the financial institutions, arising from Orders made under Section 908 of the Taxes Consolidation Act 1997, as amended by the Finance Act 1999, is the principal basis for identifying bogus non-resident account holders who did not avail of the voluntary disclosure scheme in 2001. This enquiry work commenced on 16 November 2001, the day after the voluntary disclosure scheme ceased.

Eighteen applications for Orders under Section 908 have been made. When institutions that have been taken over or amalgamated with other institutions are taken into account, these Orders sought information in respect of accounts originally held in 23 financial institutions.

Very large volumes of information have been reported to Revenue under the High Court Orders. Enquiry work in relation to the examination of the first batch of taxpayers commenced in October 2002 with the issue of 30,000 enquiry letters. A further issue of 40,000 enquiry letters was made in January 2003. This enquiry work relates to 35,000 non-resident accounts that had Irish addresses connected with them. Information will continue to be supplied during 2003 under the Court Orders and more enquiry letters will issue.

TABLE 6: SUMMARY RESULTS OF NATIONAL IRISH BANK INVESTIGATION

	2002	2001	2000	1999	1998	Total
Cases settled	56	57	51	145	50	359
Yield in settled cases	€m	€m	€m	€m	€m	€m
Tax	4.94	3.31	2.64	4.70	0.74	16.33
Interest	3.75	2.39	2.03	3.76	0.41	12.34
Penalties	2.47	1.58	1.43	1.88	0.30	7.66
Total	11.16	7.28	6.10	10.34	1.45	36.33

Payments on account in open cases at 31/12/2002 totalled €6.42 million.

NATIONAL IRISH BANK INVESTIGATION

Investigations into “offshore” investments made by 430 individuals under the National Irish Bank scheme are almost complete. Enquiries were finalised in 359 cases by 31 December 2002, resulting in a total payment of tax, interest and penalties of €36.33 million (Table 6). Of the remaining 71 cases still under investigation, six of them were being investigated for possible prosecution and €6.42 million was paid on account.

Following a further review of their records by National Irish Bank, a supplementary list containing 22 new cases was received by Revenue in 2001. Of these, 15 cases involve relatively small sums and are unlikely to involve substantial tax evasion. Enquiries have not yet been completed in any of these cases.

ANSBACHER (CAYMAN) LIMITED

There are two elements to this investigation, namely, cases involving Ansbacher-type arrangements and cases involving offshore funds and deposits. There are 289 core cases, made up of 179 cases in the High Court Inspectors’ Report and 110 similar cases discovered by Revenue or listed in the Authorised Officer’s Report. These cases, taking account of spouses and connected companies, consist of 300 names.

A total of 211 cases have been under active investigation. Six of these cases have been concluded, one of which had no additional liability, while the other five were settled with payments totalling €1.26 million. The remaining cases include 62 non-resident persons (including 17 former Irish residents), 12 individuals who claimed the 1993 Amnesty provisions and four cases with insufficient identity information.

The investigation includes examination of the tax position of disclosed entities and accumulating and assembling information on other connected entities. The number of connected entities in relation to cases under investigation is nearly 700.

Extensive use of legislative powers is being made to seek books, records, documents and information in the cases being investigated.

By the end of 2002 a total of €21.03 million had been received, mostly by way of payments on account, in respect of 64 cases (Table 7)

TABLE 7: SUMMARY RESULTS OF ANSBACHER INVESTIGATION

Type	Number of Cases	€m
Cases involving Ansbacher or Ansbacher-type arrangements	55 Cases	€14.47
Cases involving offshore funds or deposits	9 Cases	€6.56
Total	64 Cases	€21.03

SHADOW ECONOMY

Statement of Strategy Output

Reduction in the number of individuals and businesses operating in the 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 are shown in Table 8.

TABLE 8: SPECIAL ENQUIRIES

	2002	2001
Number of cases detected not previously on record	969	542
Number on record with unreturned sources of income	2,609	2,120
Total number of detections	3,578	2,662
Referred to Investigation Branch	5	1
Referred to Audit	312	203

CUSTOMS AND EXCISE ENFORCEMENT

Statement of Strategy Outputs

Increased detection of illicit drugs, drug-related cash, and illegally diverted precursor chemicals. The environment for drug smugglers recognised as significantly more difficult.

DRUG SEIZURES

The Customs & Excise Service seized drugs with a street value of over €33.5 million in 2002 (Table 9) and Customs Officers arrested 34 persons suspected of being involved in drug smuggling.

CRIMINAL ASSETS BUREAU (CAB)

Several successful joint operations involving CAB Officers and Revenue staff were undertaken during the year. CAB paid a total of €10.02 million in tax receipts to Revenue in 2002.

TABLE 9: DRUG SEIZURES

Type of Drug	Number of seizures	Quantity	Value €
Herbal cannabis	491	6105.698kg	26,000,000
Cannabis resin	115	393.355kg	4,700,000
Cocaine	22	19.473kg	2,000,000
Khat	2	231.500kg	590,000
Ecstasy	7	20,030 tablets	200,000
Heroin	2	0.251kg	48,000
Physeptone	1	41 tablets	500
Amphetamines	2	0.003kg	100
Other	18	51.030kg	200
Total	660	n/a	33,538,800

INTERNATIONAL TRAFFICKING IN STOLEN CARS

Revenue continued its involvement in a special project, which commenced in 2001, aimed at the detection by Customs of stolen vehicles at the point of import, export or registration. In the course of this exercise, which involved liaison with Interpol, a total of 11 luxury vehicles had been detected in 2001 en route to or from the United Arab Emirates. Details were passed on to the Garda Stolen Vehicle Unit (GSVU). Further checks, carried out with the assistance of Interpol in 2002, resulted in the detection of 16 vehicles that had been stolen in Japan prior to importation into Ireland. This information was also passed on to the GSVU. It is intended to continue this initiative in 2003.

DETECTOR DOGS

As part of our commitment to the National Drugs Strategy, we completed our team of detector dogs in August 2002 with the deployment of five additional Dog Units. Two proactive drug detector dogs, suitable for the examination of luggage and freight, trained by the Metropolitan Police in Kent, were assigned to Cork and Sligo. Also two multi-purpose detector dogs, suitable for the screening of passengers, trained by the Defence Animal Centre (DAC) in Leicester, were assigned to Dublin and Shannon Airports. In addition, a tobacco detector dog, also trained by the DAC, was assigned to the Dublin area.

In all there are currently nine Dog Units deployed at various locations throughout the country.

CASH SEIZURES UNDER SECTION 38, CRIMINAL JUSTICE ACT 1994

There were six cash seizures under this Act in 2002, totalling €121,120. Customs Officers use this power to seize cash that is believed to have been derived from, or to be destined for, drug trafficking purposes.

OTHER ENFORCEMENT ACTIVITIES

Statement of Strategy Outputs

Increased detection and prosecution of fraudulent activity. The environment for smugglers and cross border fraudsters recognised as significantly more difficult. Protection of Ireland's part of the EU's external frontiers. Greater focus on risks attached to the movement of excisable products between Member States, and increased collaboration with OLAF and other EU Commission services in combating fraud in this area.

TOBACCO SMUGGLING

There were 3,826 cigarette seizures in 2002, amounting to 74.8 million cigarettes with a value of over €18.7 million and a "revenue at risk" figure of €14.7 million (Table 10). In addition, Customs seized almost 7.6 tonnes of tobacco with a value of €1.7 million and a "revenue at risk" figure of €1.3 million (Table 10). A total of ten persons were arrested and charged with cigarette smuggling. Indictable proceedings were instituted in 68 cases while summary proceedings were instituted in a further 37 cases.

DETECTION OF OIL LAUNDRIES

Eight oil-laundering plants were detected in 2002. This activity continues to pose a serious risk to oil revenues. One individual was arrested and charged with oil laundering offences in the course of detection. A large amount of plant and equipment was also seized, in addition to almost 270,000 litres of laundered oil. While the capacity of each laundry varied considerably, the larger plants were each capable of processing in excess of 7 million litres of marked oil per year with a potential revenue loss of €3 million.

ILLICIT SPIRITS

In 2002, there were 89 commercial alcohol seizures amounting to 38,548 litres of beer, wine and spirits with a retail value of €625,902 and a "revenue at risk" figure of €330,714 (Table 11).

TABLE 10: COMMERCIAL TOBACCO SEIZURES

Type	Number of seizures	Quantity/number	Estimated retail value €m	Duties (Excise & VAT) €m
Cigarettes	3,826	74,800,000	18.7	14.7
Roll your own	198	7,583kg	1.7	1.3
Total	4,024	n/a	20.4	16

TABLE 11: COMMERCIAL ALCOHOL SEIZURES

Type	Number of seizures	Quantity (Litres)	Estimated retail value	Duties (Excise & VAT)
Spirits	39	15,644	€413,471	€241,543
Wine	32	18,352	€185,712	€80,932
Beer	18	4,552	€26,719	€8,239
Total	89	38,548	€625,902	€330,714

OTHER SEIZURES

Other items seized by Customs and Excise included pornographic material, oils, fireworks, endangered species, jewellery and counterfeit clothes and goods. Further information on Customs seizures and operations is contained in the Appendix.

REVIEW OF PROGRESS UNDER OBJECTIVE 2

Revenue has made significant progress under this Objective in the course of the year including, most importantly, the establishment of the Investigations and Prosecutions Division. The scale of Revenue's anti-evasion activities continues to grow, with an unprecedented number of cases of both onshore and offshore evasion coming under scrutiny. The cumulative yield from the various special projects being undertaken is currently in the region of €700 million and will increase in the future. Of particular significance is our increased success in the detection of cases using offshore methods of evasion. We are now putting particular efforts and resources into tracking down and identifying tax evaders who use offshore accounts or who have acquired overseas property or other assets that were funded out of undeclared income or gains. This remains a difficult area to tackle, but we are confident of increasing success arising from more effective use of the powers given in the Finance Act 1999, better intelligence networks and much greater international co-operation in

tackling tax evasion. This cooperation is extending to so-called tax havens and we are currently negotiating exchange of information agreements or have initiated discussions on such agreements with the Isle of Man, Jersey, Guernsey and the Cayman Islands.

There were further success in the area of drugs seizures, keeping us well ahead of targets set in the National Drugs Strategy for the Revenue and the Garda Síochána. Overall, the level of seizures was down on the record year of 2001, but was substantially up on 2000, leading us to conclude that our risk analysis and profiling methodologies are working effectively. Of particular significance in this regard was the very substantial increase in the number of cocaine seizures. For further details of drug seizures see the Appendix.



Objective 3

Maximise compliance with all aspects of tax and customs law

Robust tax compliance measures have been a feature of our operations for a number of years. Our goal is to foster a culture where compliance with Tax and Customs legislation is the norm. We have increased our response rate in pursuing late-filers and in taking enforcement action against defaulters. This is in line with our aim of improving timely filing of accurate returns and declarations. We set out below the results of our various compliance programmes.

AUDIT, COMPLIANCE AND ENFORCEMENT

Statement of Strategy Output

An effective audit programme targeted at areas of Revenue risk.

TAX AUDIT PROGRAMME

During the year over 16,000 audits and investigations were completed. The yield from these audits was €350.78 million, including €17.27 million in arrears collected during the course of the audits and €63.95 million paid on account (Table 12). Approximately 7,500 audits were in progress at the end of the year. The number of audit settlements during the year includes 720 randomly audited cases. This represents approximately 5% of the total audit base for the year.

While the number of audits completed during the year was broadly in line with 2001, there was a substantial increase of €60.21 million in yield on the 2001 figure, indicating more effective targeting of risk areas.

During the year 23 cases were settled where liabilities exceeded €1 million in each case. The largest settlement was €11.82 million. Again, these figures compare favourably with 2001 outcomes.

There were 272 audit settlements in excess of the publication threshold of €12,700 with a yield of approximately €35 million. These cases were published on the Revenue website under the provisions of Section 1086 of the Taxes Consolidation Act 1997, as amended by the Finance Act 2002.

In the course of the Audit Programme, 46 cases were identified for potential prosecution.

TABLE 12: AUDITS COMPLETED FOR THE YEAR ENDED 31 DECEMBER 2002

Audit Type	2002		2001	
	Audits Completed	Yield €m	Audits Completed	Yield €m
Comprehensive (all taxhead) ¹	2,424	88.58	2,200	74.34
VAT	4,300	61.09	4,223	61.19
Employer's PAYE/PRSI	862	6.31	1,443	10.30
Relevant Contracts Tax (RCT)	169	1.74	383	2.95
Combined VAT, RCT & PAYE/PRSI	582	9.89	626	11.79
Verification Audits	7,594	88.47	7,107	37.15
Investigation Branch	8	4.99	30	0.41
Anti-Avoidance	12	4.39	10	3.87
Capital Acquisitions Tax	225	3.1	334	6.35
Totals	16,176	268.56	16,356	208.35
DIRT Project 2000	10	1.00	47	0.00
Arrears Collected ²		17.27		76.23
Total Audits/Total Yield	16,186	286.83	16,403	284.58
Payments on Account ³		63.95		73.91

¹ The yield figures include €1.66 million, which has been referred for collection enforcement action in cases where the liability was not settled with the audit officer. The equivalent figure for 2001 is €1.54 million and for 2000 €3.05 million. The 2002 figure also includes €9.2 million (Income Tax and Corporation Tax) which is yield expected in future years as a result of audits settled by way of restriction of losses carried forward and reliefs overclaimed. The equivalent amount for 2001 is €3.7 million and for 2000 €10.92 million.

² In the course of finalising a taxpayers affairs, auditors collect arrears of tax for periods other than the period audited.

³ This is the amount of payment on account made by taxpayers, where the final settlement is not agreed between the taxpayer and the auditor. These payments are generally made to avoid further interest charges accruing.

AUDIT CODE OF PRACTICE

In August 2002, Revenue published a revised Code of Practice for Revenue Auditors. The new code establishes a revised scheme for the mitigation of penalties, based on the seriousness of the original tax default. It makes changes to the disclosure procedures, introducing a requirement that such disclosures are made in writing. It also encourages taxpayers to review their tax affairs regularly, through a scheme where taxpayers are allowed to self-correct returns. The revised code was published following extensive consultation with practitioner bodies through the Audit Sub-Committee of the Tax Advisory Liaison Committee.

CUSTOMS AUDIT PROGRAMME

A total of 306 audits of businesses engaged in Customs and/or Excise activities were completed in 2002, of which:

- 40% indicated no irregularities
- 26% resulted in additional yield of duty of €1.6 million
- 8% indicated overpayments of duty totalling €58,000
- 26% indicated non-monetary discrepancies.

FEOGA AUDIT

In 2002 the FEOGA Audit Unit in Revenue audited the commercial records of 28 traders who had received export refund payments amounting to €495 million in respect of agricultural exports during the period audited. The amount represented approximately 97% of the total export refunds paid by the Department of Agriculture and Food during that period.

AUDIT OF CAP EXPORTS

During the year, Revenue's CAP Audit and Analysis Unit carried out Quality Assurance audits at all of the major Customs Offices responsible for implementing controls on the export of agricultural products eligible for export refund payments. These inspection visits form part of an ongoing monitoring programme designed to ensure that the control arrangements in place fully comply with EU rules.

RISK ANALYSIS TECHNIQUES

We are committed to implementing an effective risk-based case selection programme for audit and we expect that such a computer-based system will be fully operational by 2005. Following a tendering process in 2002 a contract was awarded to implement the new computer-based risk-analysis system. This new system will dovetail with existing case management, workflow, statistical and reporting solutions and these will be enhanced in tandem. In 2002 an electronic risk analysis system that profiles businesses with Customs liabilities was also introduced. The system, known as Integrated Risk Analysis for Customs (IRAC), assists the targeting of Customs audits by analysing and building a risk-based picture of a business's non-EU trade.

RETURNS COMPLIANCE PROGRAMMES

Statement of Strategy Outputs

Increased levels of timely payment. Returns and declarations filed correctly. Number of taxpayers who file declarations and returns on time. Reduction in the number of outstanding declarations and returns.

PAY & FILE

The introduction of Pay & File for Income Tax for the self-employed was one of the largest projects in Revenue in 2002. The new requirement, introduced in the Finance Act 2002, was that self-employed persons were obliged to make their returns for the tax year 2001, along with any outstanding payments and their normal preliminary tax payment for 2002, all by 31 October 2002.

The change, combined with the change to calendar-year basis for returns, meant that taxpayers and their agents had to deal with two Income Tax returns in one year. In addition, Revenue had to devise and put in place new systems for dealing with combined returns and payments at a central location, the Collector-General's Office in Limerick.

From late 2001, we prepared the ground for the sweeping changes in behaviour for Revenue, taxpayers, and agents. We consulted closely with representative bodies directly and also through the Tax Advisory Liaison Committee. We took account of the transitional burden by offering concessions for small liabilities and those who made returns and payments through the Revenue On-line Service. We identified two cultural changes which needed to be supported. Traditionally, returns were lodged on the due date at a local Revenue office by the taxpayer's agent and payment was made by cheque by the taxpayer. We therefore made special delivery arrangements with An Post which allowed us to take the date of lodgement in a post office as the date of the return and we introduced a new payment method, the Single Debit Authority, by which a taxpayer could authorise us to debit their bank account, without writing a cheque. These authorisations were held until 31 October, thus avoiding the possibility of payments being made earlier than intended.

While our organisational and computer system preparations were ongoing, we launched a major public information campaign, incorporating a series of seminars for tax practitioners all over the country. This was followed by information packs mailed to every taxpayer, supported by extensive radio, television and press advertising.

In the event, the campaign was an outstanding success. On the due date, we had received over 75% of all returns, rising to 80% within a few weeks. This compared with 74% for the previous (traditional) year. Over €1.5 billion was collected which was significantly in excess of the budgeted figure.

In 2003, a similar system will apply for Corporation Tax. The lessons we have learned will be applied and we intend to further explore the streamlining of administration made possible by Pay & File.

COMPLIANCE ACTIVITY

Our focus on timeliness of payment continued through collection caseworking, including interest charges for late payment and enforced collection where appropriate. In this programme, caseworkers deal with all payments and returns due but focus primarily on payment and returns for VAT, employers PAYE/PRSI and Relevant Contracts Tax, because of their short periodicity and the risk of rapidly accumulating significant levels of liability. Corporation Tax and Income Tax returns are subject to separate, tailored compliance programmes.

In 2002, caseworkers carried out 631,343 separate activities, of which 24,368 related to the charging of interest for late payment of tax. As a consequence, the submission of payments and returns by the due date (excluding those not trading) reached 57% for VAT and 63% for employers' PAYE/PRSI in December 2002, increases of 6% and 11%, respectively, over the same month in 2001.

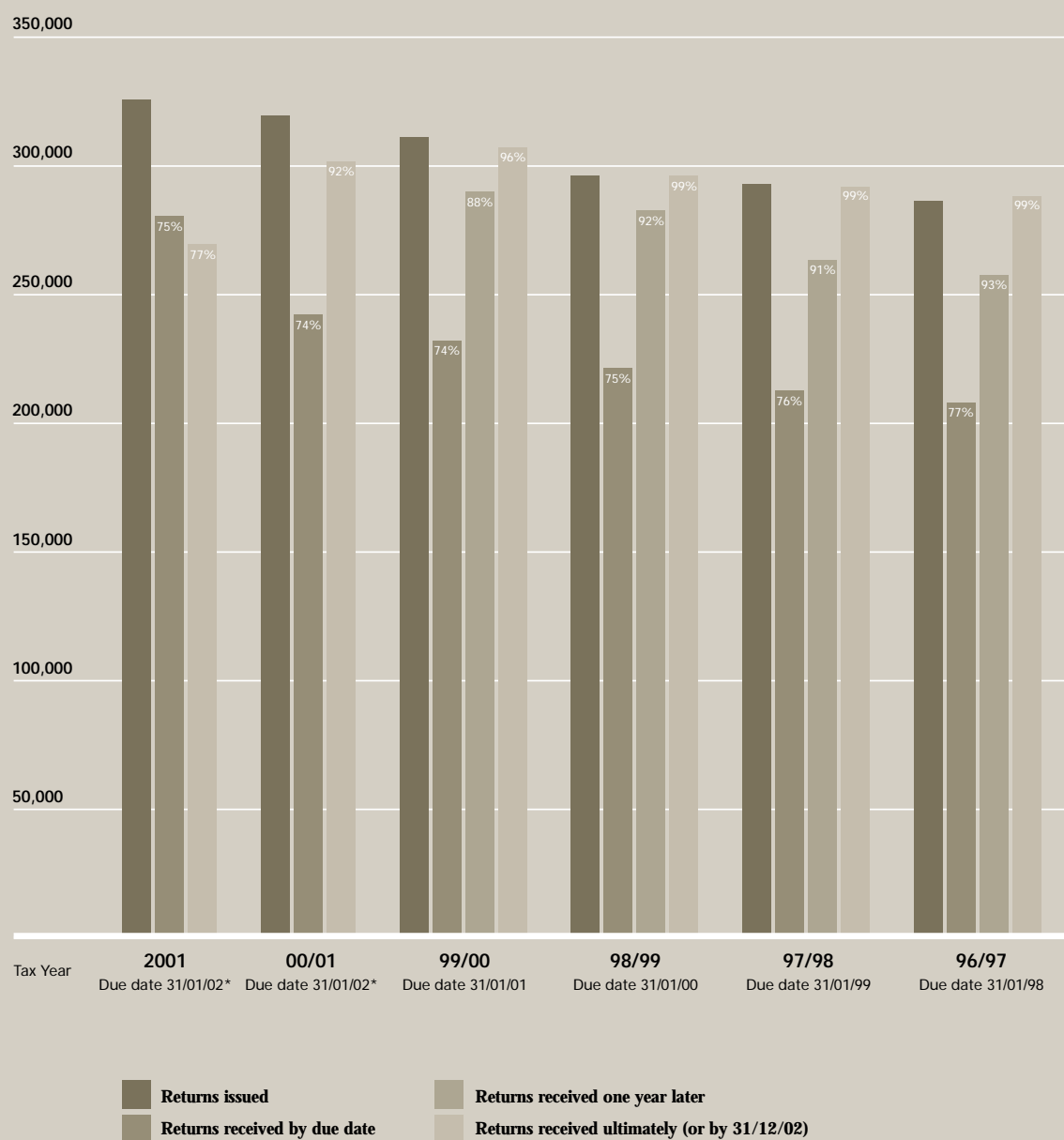
The separate programme to address late submission of Income Tax and Corporation Tax returns also continued in 2002. Revenue staff carried out over 9,321 visits and over 57,000 cases were reviewed. Our target for 2002 was to resolve 55,000 non-filer cases and 57,546 cases were resolved. This was an improvement on 2001, when 45,111 cases were resolved.

Further details are contained in Table 13 and Charts 4 and 5.

TABLE 13: CASES REVIEWED UNDER THE 2002 RETURNS COMPLIANCE PROGRAMME

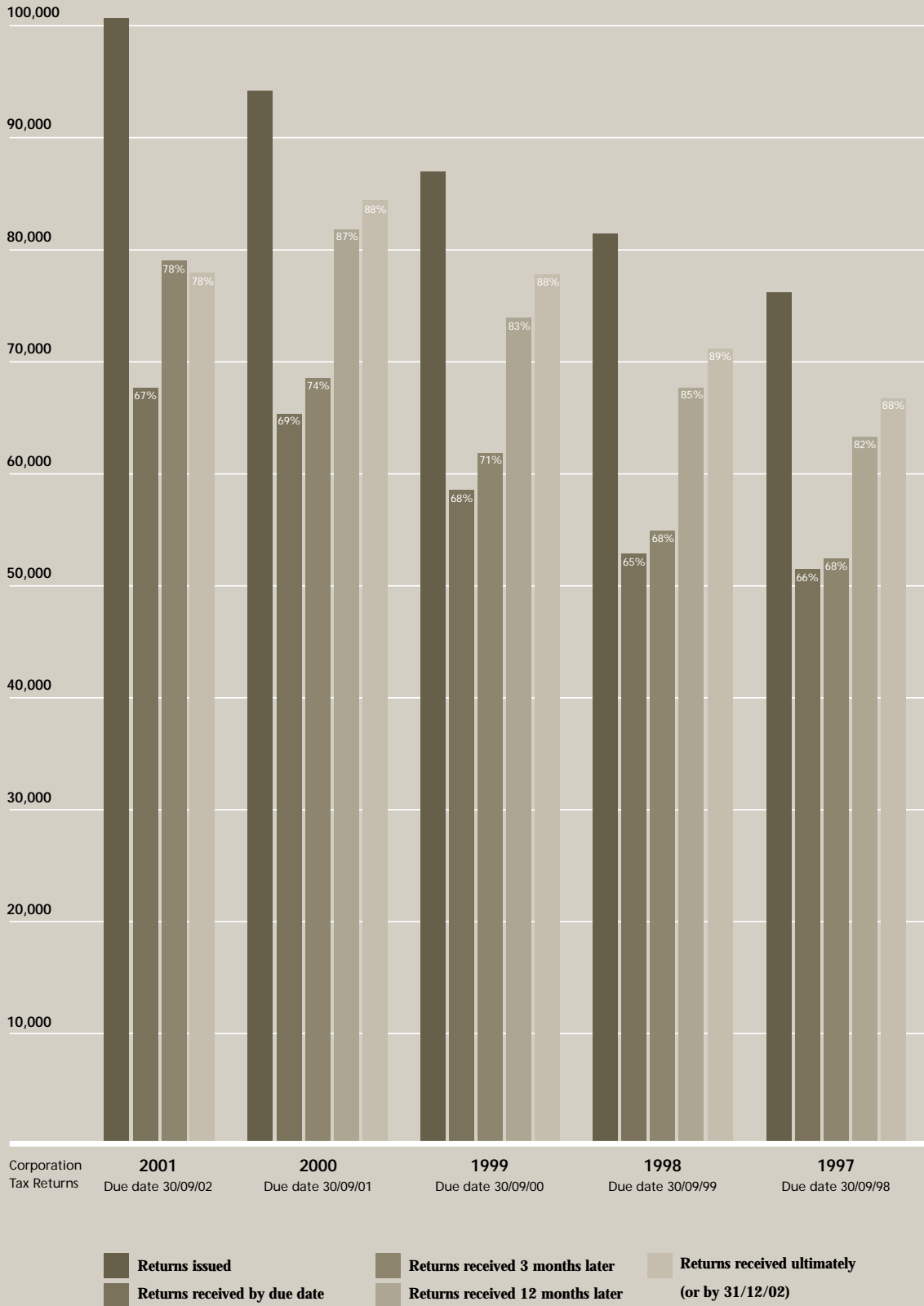
	Income Tax	Corporation Tax	Totals
Cases settled by receipt of returns	39,264	6,475	45,739
Cases ceased, dormant, dissolved, or deemed to have no liability	10,733	1,074	11,807
Totals	49,997	7,549	57,546

CHART 4: INCOME TAX RETURNS COMPLIANCE



* 2002 was unusual in that there were two filing dates for tax returns in that year.

CHART 5: CORPORATION TAX RETURNS COMPLIANCE



P35 RETURNS COMPLIANCE

On the due date of 15 February 2002, P35 returns for 79% of all employments for the nine-month tax year ended 31 December 2001 had been received. At the end of 2002, P35 returns for over 99% of all employments had been received (Tables 14 and 15).

We continued to vigorously pursue employers who were late in filing their P35 returns. Penalties were imposed in 617 such cases. In addition, 70 employers had their names published where court judgements were obtained and registered against them for failure to pay the penalty.

ENFORCEMENT ACTIVITY

INCOME TAX AND CORPORATION TAX RETURNS

In 2002, the prosecution of non-filers under Section 1078 of the Taxes Consolidation Act 1997 continued (Table 16). Legal proceedings were instituted in over 1,900 cases and convictions were secured in over 1,000 cases.

TABLE 14: PERCENTAGE OF EMPLOYMENT RETURNS

Year	Estimated Employments* by due date	Estimated Employments* by year end date
2001	77%	99%
2000/2001	79%	99%
1999/2000	81%	99%
1998/1999	85%	99%

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

TABLE 15: P35 RETURNS FILED ELECTRONICALLY

Tax Year	2001	2000/2001	1999/2000
Number of returns	31,500	26,300	21,500
Number of employments	2.1m	2.2 m	2.0m
Percentage of total employments	78%	77%	74%

TABLE 16: PROSECUTIONS FOR NON-FILING OF INCOME TAX AND CORPORATION TAX RETURNS

	Income Tax		Corporation Tax		Total	
	2002	2001	2002	2001	2002	2001
Revenue Solicitor warning letters issued	9,348	9,818	912	1,838	10,260	11,656
Cases referred for the institution of legal proceedings	1,839	2,401	119	219	1,958	2,620
Convictions in 2002	972	1,050	66	51	1,038	1,101

In addition to prosecution, 341 non-filers were referred for an audit of their books and records with regard to possible tax evasion. As more cases were resolved in 2002 compared to previous years, there was less need to refer cases for prosecution.

COLLECTION ENFORCEMENT

As part of our commitment to improving tax compliance and reducing tax debt, Revenue continues to take effective and timely enforcement action against defaulters. Such action most frequently involves referral of cases for sheriff or solicitor enforcement of collection, or attachment of monies due to defaulters by third parties.

In 2002, there were significant increases over 2001 in the number of cases referred for sheriff

and solicitor enforcement action. Attachment also increased in effectiveness in 2002 and continues to be an important element of the enforcement programme. While the number of cases where attachment was used decreased last year, the yield increased very substantially.

The positive results that Revenue's mainstream enforcement programmes yielded in 2002 are set out in Table 17.

TABLE 17: COLLECTION/ENFORCEMENT ACTIVITY

		2002	2001
Solicitor	Number of Referrals	7,992	6,106
	Payments received	€64.08m	€51.11m
Sheriff	Number of Referrals	29,722	23,558
	Payments received	€117.19m	€100.82m
Attachment of Assets	Number of Attachment Orders	572	689
	Yield from attachment	€7.62m	€4.47m

In cases of persistent non-compliance, Revenue is determined to take whatever measures are necessary to pursue collection of outstanding tax liabilities. During 2002, the following special enforcement actions were undertaken:

- examination of means in seven cases;
- forced sale of property in 11 cases;
- declaration of bankruptcy in two cases;
- obtaining committal orders where defaulters fail to comply with Court payment orders.

INSOLVENCY

Revenue continued its policy of being actively involved in liquidations and receiverships as part of our approach to debt management and enforcement in 2002. A notice under Section 214 of the Companies Act 1963 issued in 36 cases. In a number of these cases the companies either entered into arrangements to pay outstanding taxes or were voluntarily wound down.

We petitioned the High Court for the appointment of a liquidator to wind up companies on ten occasions under Section 214 of the Companies Act 1963. Revenue was also represented at 245 creditor meetings during the year and continued its active role subsequent to these meetings by seeking appointment of its representatives to Committees of Inspection and by attending final meetings where appropriate. Revenue officials attended High Court hearings where petitions for the appointment of an examiner were heard. Revenue was represented at all creditor meetings in respect of these examinerships.

Formal arrangements were agreed between Revenue and the Director of Corporate Enforcement in respect of the disclosure of information under Section 18 of the Company Law Enforcement Act 2001. A number of cases, where a resolution to wind-up these companies was passed with no liquidator appointed, were referred to the Office of the Director of Corporate Enforcement.

Where necessary Revenue has been financially supportive to insolvency practitioners in securing the following actions:

- successfully defending an appeal to the Supreme Court by a liquidator against a High Court Judgement;
- pursuing rogue directors by having them examined before the Master of the High Court under Section 245 of the Companies Act 1963, with a view to having them disqualified or made personally liable for the debts of the company;
- pursuing a bank as a “shadow director” in circumstances where the bank contrived in the non-payment of taxes and therefore, in Revenue’s view, should forfeit its preferential debtor status for secured debts;
- investigating insolvent companies that show large deficits on the statements of affairs with little or no assets.

SYSTEMATIC ABUSE OF LIMITED LIABILITY

Revenue is strongly committed to rooting out abuses of limited liability, which lead to non-payment of tax. We have developed two specific programmes with dedicated resources to tackle these cases.

1) PHOENIX SYNDROME

During the year, we continued our programme of identification and pursuit of 'Phoenix Syndrome' companies. A Phoenix company is one that existed in a previous manifestation, which was liquidated or abandoned leaving substantial tax debts behind. In many instances all creditors on which the business depends for survival have been paid, and the business, usually with the same management team, staff and customers, continues to trade but as a new company.

In this programme, we monitor companies attempting to use the protection of limited liability to avoid payment of taxes. Where any such companies are deficient in the making of returns or the payment of taxes they are immediately pursued through enforcement of the outstanding tax. Where this does not secure collection, liquidation proceedings are initiated. The objective of the programme is to ensure that the pattern of abusing limited liability is not repeated.

Currently, the number of Phoenix companies being actively pursued is 500. Two Phoenix companies were liquidated in 2002 and it is estimated that a further 28 companies went into voluntary liquidation as a direct consequence of Revenue's enforcement activity.

2) COMMONALITY PROGRAMME

In addition to the abuse of incorporation through the Phoenix syndrome, other patterns of intentional non-compliance through the use of limited liability have become evident in recent years.

The Comptroller & Auditor General specifically highlighted this problem in his 2001 Annual Report. The nature of the non-compliance varies from entity to entity but typically it features several companies controlled directly or indirectly by the same individuals, who contrive to avoid payment of taxes, sometimes by using inter-company transactions to mask tax liability. The problem is especially prevalent in a number of sectors including construction and the licensed trade.

In order to combat this form of tax evasion specific procedures have been put in place to identify companies associated with known non-compliers. A special team has been tasked with monitoring and ensuring assessment and enforcement of all liabilities in a co-ordinated manner.

To date, the tax compliance records of 1297 companies have been examined under this programme.

ANTI-AVOIDANCE

During the year, Revenue's Anti-Avoidance Unit continued to challenge tax avoidance. A test case, which related to nationally marketed tax avoidance schemes involving film partnerships, was successfully challenged by Revenue at Appeal Commissioner stage, using the general anti-avoidance legislation in Section 811 of the Taxes Consolidation Act 1997. The Appeal Commissioner upheld Revenue's opinion that the transaction was a tax-avoidance transaction.

Twelve cases involving purported avoidance were successfully challenged during the year, yielding in excess of €2.6 million to the Exchequer.

CUSTOMS AND EXCISE ENFORCEMENT AND PROSECUTION PROGRAMMES

Statement of Strategy Outputs

Increased levels of compliance with import/export regulations.

Increased levels of compliance and revenue yield.

CUSTOMS DRUG WATCH SCHEME – 'DON'T IGNORE IT – REPORT IT'

This scheme, originally introduced in 1995, was comprehensively overhauled during 2002. A redesigned set of information booklets, calling cards and posters was published and distributed throughout the country. The scheme is aimed at encouraging the general public, and in particular those living in coastal areas or engaged in maritime activities, to assist Customs in tackling drug smuggling by reporting anything suspicious or unusual.

VEHICLE REGISTRATION TAX ENFORCEMENT

Over €1.9 million in unpaid VRT was recovered in 2002. The details are set out in Table 18.

TABLE 18: VEHICLE REGISTRATION TAX ENFORCEMENT

Number of vehicles challenged	11,031
Number of detections involving minor delays in registration	1,985
VRT recovered as a result of detections	€1,942,407
Number of vehicles seized	514
Value of vehicles seized	€6,619,387
Penalties imposed for the release of seized vehicles	€393,088
VRT paid for release of seized vehicles and other offences	€350,642
Other offences reported for prosecution	29
Number of compromise settlements in lieu of prosecution	5
Amount of compromises paid	€8,473
Prosecutions	
Number of convictions	7
Court fines imposed	€14,255

UNLICENSED TRADING

A total of €181,628 was imposed in fines for unlicensed trading in 2002. Details are given in Table 19.

TABLE 19: PROCEEDINGS FOR UNLICENSED TRADING

Licence Type	Number Convicted	Fines Imposed
Liquor	164	€122,545
Hydrocarbon oil vendors	30	€25,625
Gaming/Amusement machines	21	€30,531
Auctioneers/House Agents	6	€2,927
Total	221	€181,628

MARKED GAS OIL OFFENCES

There were 1,681 detections of the illegal use of duty-rebated Marked Gas Oil (MGO), commonly referred to as 'agricultural' or 'green' diesel, and 158 people were convicted in court, with fines imposed totalling €161,655. In a further 1,294 cases, compromise sums totalling €799,481 were collected in lieu of proceedings or seizure of vehicles. The majority of these cases involved first-time offenders.

INTRASTAT INTRA-COMMUNITY TRADE RETURNS

Forty-six traders were prosecuted for failure to file INTRASTAT returns and fines totalling €110,064 were imposed.

YACHTS AND BOATS BROUGHT INTO THE STATE FROM ABROAD

Checks were carried out on 1,047 vessels, resulting in the collection of unpaid VAT and penalties amounting to €756,548.

PROSECUTIONS FOR CUSTOMS AND EXCISE OFFENCES

The increased emphasis in recent years on taking prosecutions for Customs & Excise offences continued in 2002. A total of 59 convictions with fines totalling €38,339 were secured for offences involving smuggling, Customs fraud and the illegal selling of unstamped tobacco products (Table 20).

GENERAL SMUGGLING

There were 4,697 cases of attempted smuggling detected in 2002, mainly wine, spirits, tobacco and motor vehicles. Some of these cases were dealt with by means of compromise settlements (Table 21); the total proceeds from these came to €223,104.

REVIEW OF PROGRESS UNDER OBJECTIVE 3

We have made progress in achieving and implementing the outputs in this key Objective. Our programmes will continue to be geared towards improving the level of compliance through targeted interventions aimed at identifying areas of return and payment risk. We will continue to maximise compliance through the use of targeted enforcement and appropriate exemplary measures where necessary.

TABLE 20: PROSECUTIONS FOR CUSTOMS AND EXCISE OFFENCES

Product Type	Number Convicted	Fines Imposed
Illegal selling of tobacco	16	€19,521
Tobacco smuggling	34	€14,565
Alcohol smuggling	7	€2,825
Hydrocarbon oil smuggling	1	€952
Other Customs fraud	1	€476
Totals	59	€38,339

TABLE 21: COMPROMISE SETTLEMENTS

Type of Seizure	Number of seizures	Total Compromises
Commercial	4,627	€223,104
Private	70	€0
Total	4,697	€223,104



Objective 4

Deliver quality customer services to encourage voluntary compliance

Good service is a basic right of all Revenue's customers and, indeed, of all those who interact with State bodies. Experience, both nationally and internationally shows that good service is also a valuable contributor to voluntary compliance. A quality customer service ethos is, therefore, central to all our work programmes. However, we balance the provision of quality services to compliant tax and duty payers with a firm response to non-compliance. Moreover, we have progressively deployed a new generation of integrated tax administration solutions and have modernised our technical infrastructure. This, together with the development and promotion of our on-line services, such as the Revenue On-Line Service (ROS), both improves the service we provide to customers and frees up valuable Revenue resources to tackle non-compliance.

Statement of Strategy Outputs

Level and quality of customer services delivered. Reduced compliance costs.

A reduction in the average number of contacts between taxpayers and ourselves.

Reduced and simplified forms and regulations. Fair, efficient and streamlined procedures which help to minimise costs.

REVENUE WEBSITE

It was an outstanding year for the Revenue website (www.revenue.ie), which also incorporates the Revenue On-Line Service. Revenue received a number of awards:

- In a competition organised by the Public Sector Times, our website was deemed to be the best Government site, on the basis of criteria which included accessibility, information, layout /design and readability.
- Revenue received the Irish Internet Association award for our contribution to eGovernment.
- At the ICT Expo Awards in April 2003, the Revenue web services (i.e. the website and the ROS) were awarded the top prize in the category "Best example of an ecommerce implementation in the public service". The judges observed that while there were a number of excellent contenders in the public service category, Revenue had emerged as the clear leader.

Notwithstanding these successes, a Revenue team has been set up to explore and implement further improvements to our website.

ELECTRONIC PAYMENTS

In 2002, a total of €6.367 billion was paid by electronic means. Of this, €3.524 billion (55.3%) was paid through ROS. This represents an increase of almost 80% on the amount collected by this method in 2001. €2.694 billion (42.3%) was paid by Direct Debit. A new electronic payment mechanism called the Single Debit Authority was introduced in 2002 and €136 million (2.1%) was paid through this system. Laser, Banking On-Line and arrears paid by electronic means accounted for the remaining €13 million.

The use and development of ROS and other electronic forms of payment such as On-Line Banking, Laser, Single Debit Authority and Direct Debit, continue to grow in line with our commitment to provide a comprehensive range of payment options for our customers.

REVENUE ON- LINE SERVICE (ROS)

The Revenue On-Line Service continues to make a significant contribution to the eGovernment agenda. Features added to ROS during 2002 included:

- the Environmental Levy;
- Vehicle Registration Tax;
- Financial and Withholding Tax Returns, i.e. DIRT, PSWT, DWT, IUT, LAET, SSIA.

Table 22 summarises ROS activity in 2002.

TABLE 22: REVENUE ON-LINE SERVICE (ROS) ACTIVITY

Digital Certificates issued	8,175
Number of payments	77,646
Value of payments	€3.524bn
Repayments	€319m
Returns	135,036
Customer enquiries	279,383

We will continue to develop ROS and participate fully in the eBroker model envisaged by the REACH project.

ROS/VEHICLE REGISTRATION

On-Line Vehicle Registration was launched on ROS in November 2002. This facility enables motor distributors and dealers to register new vehicles on-line. Motor distributors can file form VRT40 and Vehicle Birth Certificates using the off-line facility and then upload the forms to the ROS website for processing. In the months since the launch a steady 45% of all new vehicles have been registered via ROS. Motor dealers can also check account balances via ROS, download form RF100 for their customers and download monthly account statements. Feedback from the Society of the Irish Motor Industry (SIMI) and the distributors indicates they are very satisfied with the system.

PAY & FILE/ROS

Revenue computer systems were successfully modified to cater for the major changes required as a result of the introduction of Pay & File for self-assessed taxes in 2002. Developments required in our on-line service (ROS) included:

- Front Desk Filing facility for personal callers to tax offices;
- an electronic Statement of Net Liabilities;
- facilities for on-line banking;
- changes to the ROS Access Control System, to encourage large agents to file through ROS;
- a facility to allow agents to complete ROS Debit Instructions on-line for their clients.

ROS also took part in the marketing campaign for Pay & File, including countrywide road shows and presentations to interested parties, and supported customers by extending the service supplied by the ROS Helpdesk, both in terms of opening hours and staff numbers. The services of a second mobile Computer Gym were provided during the Pay & File campaign. Table 23 summarises ROS Pay and File activity in 2002.

CHANGEOVER TO THE EURO

With effect from 1 January 2002, Revenue automatically converted all its customers' tax affairs from Irish punts to euro. This ended the three-year transitional period, during which business customers could choose to have their affairs dealt with in either Irish punts or euro. For years of assessment and accounting periods ending after 1 January 2002, all customers' tax affairs are in euro only. This marked the final phase of Revenue's changeover to the euro.

REVIEW OF PROGRESS UNDER OBJECTIVE 4

While we continue to develop innovative and cost-effective solutions for our customers, and significant improvements have been made, the attainment of certain service delivery targets remains a challenge, as indicated in Table 24. In order to address performance slippage in some areas, we are undertaking an organisation-wide review of performance against all customer service standards. We aim to have this completed by October 2003 and it should enable us to tackle any residual areas requiring attention, with a view to improving our performance with reference to our published targets.

TABLE 23: ROS/PAY & FILE STATISTICS

Agents registered for ROS	1,868
Number of customers represented	312,270
Number of Agents who filed Form 11	938 (19,407 Returns)
Total Forms 11 filed	21,968 (10% of overall total)
Front Desk Forms 11 filed	1,142
Number and value of payments	9,958 valued at €198.2m (10% of total)

TABLE 24: CUSTOMER SERVICE STANDARDS AND RESULTS

Service	Standard	Result 2002	Result 2001
Processing of:			
General correspondence	100% of routine matters processed within 20 working days	95%	91%
	100% of complex matters processed within 30 working days	97%	93%
PAYE repayments current year	80% refunded within 10 working days	68%	61%
	100% refunded within 20 working days	95%	88%
PAYE repayments previous years	85% refunded within 20 working days	73%	73%
	100% refunded within 30 working days	84%	85%
Income Tax repayments	80% refunded within 20 working days	75%	34%
	100% refunded within 40 working days	91%	64%
Corporation Tax repayments	80% refunded within 20 working days	79%	60%
	100% refunded within 40 working days	98%	88%
VAT repayments	85% refunded within 10 days	81%	80%
	100% refunded within 30 days	93%	94%
Relevant Contracts Tax repayment	80% refunded within 20 working days	58%	60%
	100% refunded within 40 working days	85%	93%
Applications for Principal Contractor relevant payment cards	100% processed within 5 working days	94%	69%
CG50 applications	100% processed within 5 working days	100%	100%
Income Tax returns	Returns received by 31 Jan 2002		
	100% processed before 1/4/2002	74%	84%
	Received Feb/Mar 2002		
	90% processed within 20 days of 1/4/2002	58%	69%
	100% processed within 30 days of 1/4/2002	77%	81%
	Received after 1/4/2002		
	90% processed within 20 days	66%	60%
	100% processed within 30 days	79%	83%
	Returns received for the Short Tax "Year" 2001 by 31/8/ 2002		
	100% processed by 31/10/2002	99%	-
Applications for C2 certificates	100% processed within 15 working days	93%	92%
Corporation Tax returns	90% processed within 20 working days	74%	69%
	100% processed within 30 working days	87%	87%

Applications for Income Tax registration	100% processed within 5 working days	66%	65%
Applications for Corporation Tax registration	100% processed within 5 working days	51%	63%
Applications for VAT registration	100% processed within 10 working days	70%	61%
Applications for Employer registration	100% processed within 5 working days	52%	63%
Applications for Tax Clearance certificate	100% processed within 6 working days	82%	82%
Stamp Duty:			
Adjudication and straight stamping	100% presented to the Stamp Duty Public Office for over-the-counter processing on the day of presentation	100%	100%
	100% presented to the Stamp Duty Public Office for 'drop-in' processing: document to be stamped within 5 working days	100%	100%
	100% received by post processed within 20 working days	83%	45%
Companies Capital Duty (CCD)	100% processed within 5 working days	100%	100%
Composition Duty and Levies	80% processed within 5 working days	97%	96%
	90% processed within 10 working days	98%	97%
Through the CREST system	90% refunded within 10 working days	25%	43%
	100% refunded within 30 working days	81%	76%
Residential Property Tax:			
Tax Clearance certificates	100% processed within 5 working days	100%	100%
Capital Acquisitions Tax:			
Affidavits/Probate Tax:			
Non-Taxable	80% processed within 10 working days	78%	99%
	100% processed within 20 working days	100%	*
Taxable	80% processed within 10 working days	63%	66%
	100% processed within 20 working days	95%	66%
Inheritance/Gift and Discretionary Trust Tax returns	70% processed within 20 working days	32%	*
	100% processed within 30 working days	71%	*
Certificates for Discharge	90% processed within 10 working days	53%	91%
	100% processed within 20 working days	100%	*

*Comparable figures not available for 2001, as new standards were introduced in 2002



Objective 5

Provide quality advice and input on legislative proposals and other Revenue issues

Revenue plays an important part in both the formulation of tax policy and legislation. In 2002, Revenue played a key role in a number of policy and legislative initiatives, through the provision of advice, forecasts and draft legislation to the Department of Finance. It also played a full part in the formulation of tax policy in international fora.

Statement of Strategy Outputs

Quality advice and improved revenue statistics and forecasts. Precise and robust legislation accompanied by clear and intelligible briefing material. Information which minimises uncertainty about the impact of tax and Customs law on business decisions.

POLICY AND LEGISLATION

STATISTICAL ANALYSIS

Revenue currently uses advanced computer software to facilitate policy analysis by measuring the effect of changes in the tax regime. A new programme of work began in 2001 to substantially upgrade the software and the development phase was completed in 2002. Revenue expects to use the software for modelling the 2004 Budget.

LEGISLATION CONSOLIDATION PROGRAMME

Revenue continued its programme of consolidating and modernising Betting Duty law. The main changes which came into effect on 1 May 2002, under Section 77 of the Finance Act 2002, are:

- the rate of duty was reduced to 2%;
- returns and payment of Betting Duty are made monthly instead of weekly;
- bookmakers may now elect to pay the Betting Duty for customers;
- bookmakers may now elect to make a single return.

TAX AVOIDANCE SCHEMES

In the 2002 Finance Act new provisions were enacted to provide for a change in the rules regarding the taxation of certain property transactions. This anti-avoidance measure counteracts schemes under which certain exempt bodies were avoiding or reducing VAT on major developments of their property. The Finance Act provisions were designed to counteract the use of intermediary companies to reduce the amount of VAT payable on the development of property by exempt bodies.

The 2002 Finance Act also addressed a problem with group registrations for VAT, where a short-term letting of immovable goods occurs within a group and the lessor has been entitled to claim deductibility on his or her acquisition. The new provisions prevent this type of abuse.

Further details of legislation in respect of which Revenue provided advice and drafts appear in the Appendix.

INTERNATIONAL POLICY

Statement of Strategy Outputs

Influence on EU, OECD and other international policy-making bodies, in directions which reflect Government policy. A network of double taxation treaties which facilitates investment and international trade in goods and services.

EUROPEAN UNION – DIRECT TAXATION

Revenue participates with officials from the Department of Finance in discussions in the EU in relation to direct tax issues. The principal topic under discussion in 2002 was what is known as the “tax package”. This involves a code of conduct for business taxation, aimed at tracking harmful tax competition, and two Directives, one on the taxation of savings and one on interest and royalties.

Other EU direct tax issues discussed in the course of 2002 included mutual assistance between tax authorities of Member States on exchange of information, a review of the Parent/Subsidiary and Mergers Directives, and the taxation of pensions. Revenue is represented on an EU Joint Transfer Pricing Forum that was set up in 2002 by the Member States to look at practical problems related to the application of transfer pricing rules and to improve the practical operation of the arbitration convention which is concerned with dispute resolution procedures. The Forum consists of representatives of both tax administrations and business.

EUROPEAN UNION – VAT

Revenue contributed fully to the ongoing VAT modernisation agenda of the EU Commission. Two key Directives were adopted, relating to VAT invoicing and VAT on e-commerce. Revenue also participated in an EU Commission working party on the recasting of the Sixth VAT Directive. This requires significant structural changes to the Directive to achieve a coherent legal text and involves considerable commitment from all the Member States.

ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) FORUM ON HARMFUL TAX PRACTICES

In the more open and competitive business and investment environment that exists today, the topic of tax competition between countries has assumed a much higher profile. This is reflected at the OECD with the establishment in 1998 of the Forum (working group) on Harmful Tax Practices. Revenue officials serve on the steering group of the Forum, along with Government representatives of France, Japan and the United States. The project is designed to strengthen international cooperation against harmful tax practices.

As a direct result of the project, 31 former “tax haven” jurisdictions have made commitments to the principles of transparency and effective exchange of information, leading to the development of an OECD Model Agreement on Exchange of Information in Tax Matters,

published in April 2002. The purpose of the Model Agreement is to promote international cooperation in tax matters through effective exchange of information. The Model Agreement serves as a template for Tax Information Exchange Agreements (TIEAs) between the jurisdictions and OECD member-countries and sets out minimum standards for effective exchange of information between OECD member countries and committed jurisdictions. TIEAs negotiated on the basis of the Model Agreement will require committed jurisdictions to exchange on request bank information as well as information regarding the beneficial ownership of companies, partnerships and trusts. Information relevant to criminal tax matters will be exchanged from 1 January 2004 and information relevant to civil tax matters from 1 January 2006. Revenue has initiated discussions for TIEAs with a number of committed jurisdictions including the Isle of Man, Jersey, Guernsey and the Cayman Islands.

TAX TREATIES

The Irish tax treaty network continued to be expanded in 2002. There are now 41 treaties in the network. A new double taxation agreement with Slovenia was signed and ratified in 2002 and is effective from January 2003. A new agreement with Croatia, signed and ratified by Ireland in 2002, is awaiting ratification by Croatia.

Negotiations for new agreements with Egypt, Greece, Iceland, Malta and Singapore are completed and agreements are expected to be signed and ratified in 2003. There are also ongoing negotiations for new agreements with Argentina, Turkey and the Ukraine. In addition, some of Ireland's older agreements, with Canada, Cyprus and France, are in the course of being renegotiated.

REVENUE LEGISLATION SERVICES

A key task of our restructuring programme was to rationalise and concentrate Revenue's widespread functions dealing with legislation, including policy advice, interpretation, technical advice and international activities. Four new Revenue Legislation Services Divisions – Customs, Direct Taxes Interpretation and International, Direct Taxes Policy and Legislation, and Indirect Taxes – were established on 18 March 2003. They bring together, in a coherent way, the full spectrum of functions associated with the provision of technical and policy advice and guidance to both internal and external customers.

A brief summary of the main legislative changes is contained in the Appendix.



Objective 6

Provide quality input to both cross-departmental issues and agency services

Revenue plays an active part in the broader administration of the State, by taking part in cross-departmental programmes and by providing “agency services” to other State bodies. Examples of our inter-departmental activities include the Government’s Strategic Management Initiative, the ‘New Connections’ strategy on eGovernment and the Public Service Broker framework. We also work with the Criminal Assets Bureau in combating organised crime. Our agency work includes the collection of PRSI for the Department of Social and Family Affairs and the Environmental Levy on plastic bags for the Department of the Environment and Local Government.

Statement of Strategy Outputs

Cooperation extended to all relevant organisations, agencies and Government departments. Quality input and agency services.

REVENUE AND OTHER GOVERNMENT AGENCIES

PUBLIC SERVICE BROKER

Revenue continues to broaden and deepen the range of on-line services on offer to our customers. Revenue is actively involved in the REACH project and is represented on the project board. Revenue will continue to monitor the future implications of the Broker as, once established, it will affect the way electronic government services are provided.

VEHICLE REGISTRATION AND LICENSING

To simplify vehicle registration and licensing procedures for customers, Revenue and the Department of the Environment and Local Government (DoELG) agreed to combine the current Revenue Vehicle Registration Certificate and the DoELG Vehicle Licensing Certificate. Revenue agreed the technical specification for the combined vehicle registration document and is now collecting all the necessary additional vehicle information to facilitate the production of this new document and to produce emissions statistics as required by EU legislation.

ENVIRONMENTAL LEVY

The Minister for the Environment and Local Government introduced an Environmental Levy on the supply of plastic shopping bags at point of sale on 4 March 2002. Revenue has been appointed as collection agent for the Levy.

The Levy was not introduced as a tax raising measure. Rather, its objective is to educate the shopping public towards moving away from plastic packaging towards biodegradable and recyclable alternatives.

The Environmental Levy is the first tax/levy under the care and management of the Revenue Commissioners where payment by electronic means is compulsory. This method of payment results in reduced banking charges for the retailer and reduced processing overheads in Revenue. Retailers have accepted the principle of electronic payment of the Levy and a small but significant number have also opted to pay the levy by way of the Revenue On-line Service (ROS).

In addition to Levy collection activity, Revenue also has further audit responsibility, to ensure the accuracy of both the records kept by registered traders and returns submitted by them.

Up to the end of December 2002, in excess of €7.1 million was paid to the Department of Environment and Local Government. These proceeds have been lodged in a special fund and will be used to finance environmental projects throughout the country.

PRSI AND HEALTH CONTRIBUTIONS

Revenue collects PRSI and Health Contributions on behalf of the Department of Social and Family Affairs and the Department of Health and Children, respectively. In 2002, Revenue paid over the following amounts:

- PRSI from employers/employees: €5.5 billion;
- PRSI from the self employed: €159 million;
- Health Contributions from the self-employed: €111 million.

In addition to the collection and pay-over of PRSI and Health Contributions, Revenue also captured PRSI contribution data in respect of approximately 2.7 million PAYE employments in 2002. This information was supplied to the Department of Social and Family Affairs and is important in determining entitlement to social welfare benefits.

Objective 7

Develop a more adaptable, capable and effective organisation

Revenue's efficiency and effectiveness result from the combined expertise and efforts of all our 6,500 staff. Our Human Resources policy seeks to ensure that Revenue's business needs are met by having the right people with the right mix of skills and competencies in the right places, and that we have the flexibility to re-deploy our resources to match business risks. Our programme of organisational change, together with investment in the development of our people and systems, is designed to ensure we have the capability and adaptability to meet the challenges Revenue faces.

RESTRUCTURING

Statement of Strategy Outputs

A restructured and more flexible organisation.

Improved performance in our core business.

OUR NEW ORGANISATIONAL STRUCTURE

In recent annual reports we set out our plans for fundamental change to our organisational structure. The changes are aimed at improving both our efficiency and effectiveness. To achieve this, we are moving from our traditional focus on taxes and duties to a focus on customers. By doing this, we will enhance our ability to tackle non-compliance vigorously, while at the same time providing a more integrated and accessible service to our compliant customers. The new structure will support the key objectives of our Statement of Strategy for 2003-2005, in particular the matching of scarce resources to areas of greatest risk to Revenue. The changes will also open up opportunities for our staff to enjoy a wider and more fulfilling range of work throughout their careers.

ACTIVITY THROUGHOUT 2002

Three new Divisions were established in 2002:

- Investigations and Prosecutions Division (1 March);
- Large Cases Division (3 July);
- East South-East Region (3 July).

In addition, the detailed designs of the two National Office Divisions and four Revenue Legislation Services Divisions were completed.

Phase Two of the restructuring project began in September 2002 when teams were set up to progress the design and implementation of our other new regions Dublin, the South-West and the Border Midlands West. The high level designs for these regions were well underway by the end of the year.

These teams were assisted in their work by a number of Focus Groups, made up of some 400 staff drawn from all areas of Revenue. These Groups act as sounding boards for draft designs and provide valuable operational and technical advice across all of the taxes, duties and functions in the organisation.

In addition, all of the teams engaged in a comprehensive communications programme, to keep staff up-to-date on developments in the restructuring project and to canvass ideas and opinions.

NEXT STEPS

Design work on all of the Phase Two Regions was completed early in 2003. These three Regions, together with the two National Office Divisions and four Legislation Services Divisions, were established on 18 March 2003, bringing the new structure into being at senior management level. All of these divisions are now operational. Throughout 2003 much work will be required to fully develop the new divisions and to ensure that the planned gains in effectiveness and efficiency are realised. Refinements to our internal structures will continue to be implemented during 2003, with a view to having a comprehensive review of the new organisational structure by the end of the year.

CONCLUSION

Revenue is now well on its way towards completing the most comprehensive structural change of any Government Department in the history of the State. However, the new structure is not an end in itself. It is a flexible, adaptable platform that will greatly enhance Revenue's ability to change with the times, to take advantage of new technologies and procedures and to meet new challenges as they arise.

OUR PEOPLE

Statement of Strategy Outputs

A highly skilled, motivated and adaptable workforce. Improved human resource management through performance management and delegated functions.

Greater understanding of issues. Better internal communications. Improved levels of respect and trust. Increased organisational flexibility and capability, all leading to improved performance in our core business.

WORKPLACE CHARTER

“Working Together: Our Workplace Charter” was a key output of Revenue’s Partnership Process in 2002. The Charter sets out the most important principles which should govern our working relationships irrespective of grade or location. The Charter aims to foster a climate of partnership, openness and mutual respect throughout the organisation. Embedding the Charter throughout Revenue is now incorporated into our Strategy Statement 2003–2005.

INTERNAL COMMUNICATIONS POLICY

In 2002, Revenue launched an innovative Internal Communications Policy. The objective of the policy is to ensure that all staff are informed about developments and matters that affect their working life. In keeping with this policy of open communications and transparency, each staff member will have access to his or her own personal file.

GENDER BALANCE

The majority of civil servants are women but women are significantly under-represented in the higher Civil Service grades. In order to achieve a more balanced representation of men and women, the Government set a target for all Departments and Offices of one third of posts at Assistant Principal level to be filled by women by 2005. Each Department and Office was required to set gender equality targets, taking account of their starting position, which would ensure progress across the grades. While the gender equality targets set by Revenue in 2001 have been substantially achieved (Table 25), women still occupy less than one third of posts at Assistant Principal level and upward. The targets will be reviewed and Revenue will continue to put in place action plans to achieve further improvements in all aspects of equality. These will be developed through Revenue’s Partnership process.

TABLE 25: REVENUE TARGETS FOR GENDER BALANCE

Grades	Position in July 2000	Position in February 2003	Target % posts to be held by women by 2005
Higher Executive/Administrative Officer	25%	30%	30%
Assistant Principal	18%	23%	23%
Principal Officer	9%	16%	15%
Inspector of Taxes	38%	46%	45%
Higher Grade Inspector	24%	23%	25%
Senior/Principal Inspector	7%	9%	12%

THE PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM (PMDS)

The training programme for PMDS continued during 2002, with 5,000 staff receiving training for different phases of the PMDS cycle. This training programme is now largely completed and will be concluded in 2003. Further measures to ensure that PMDS is embedded throughout the organisation will be undertaken during 2003.

INTEGRATION OF GRADING STRUCTURES

It has long been considered that the interests of staff and the organisation would be best served if the Departmental Taxes and the General Service Grading Structures in Revenue were integrated on a General Service grading structure basis. Integration offers the following key benefits:

- maximum flexibility in deployment;
- availability of the range of skills within the organisation in a more cohesive and integrated manner and
- enhanced career development opportunities for staff.

To this end, extensive negotiations with all of the relevant Unions continued throughout the year, culminating in the publication of a proposed Agreement in October. With one exception, all of the parties involved voted in favour of the proposed Agreement. In March 2003, the Revenue Commissioners announced that they had obtained the approval of the Minister for Finance to proceed with a substantive integration which includes the following grades:

Principal

Senior Inspector of Taxes

Assistant Principal

Inspector of Taxes (Higher Grade)

Higher Executive & Administrative Officer

Inspector of Taxes

By any yardstick, this was a very significant, even historic development.

DEVOLUTION OF RESPONSIBILITY FOR HUMAN RESOURCE MANAGEMENT

The first phase of devolution began in June 2000 when a number of specific HR functions were delegated to all line managers in the organisation. In 2002 this process was reviewed, involving wide consultation within Revenue. Stemming from this, Phase 2 of devolution was designed, along with a comprehensive training course and associated support material for managers. Pilot areas were identified. Training and implementation began in the latter half of 2002 and will continue during 2003.

The Human Resource Management System (HRMS) has been developed and customised to support the HR devolution agenda. The introduction of this system in the devolution pilot areas commenced in 2002.

Further details of Human Resources Programmes appear in the Appendix.

INFORMATION, COMMUNICATION, TECHNOLOGY AND eBUSINESS

Statement of Strategy Outputs

Optimum use of information technology. Delivery of the right IT solutions for business needs on time and within budget. Provision of a quality computer operations service and countrywide telecommunications structure which meets our business requirements.

OUR TECHNOLOGY

Revenue continues to invest in secure, agile and adaptable computer systems to ensure that we provide a quality customer service. Opportunities offered by advances in information and communications technology (ICT) are exploited in line with the Revenue IT Plan 2001-2003. Our integrated taxation administration framework allows us to respond quickly and effectively to new business requirements such as the Environmental Levy and Pay & File, both of which were implemented during 2002. The Environmental Levy was the first new tax to be seamlessly supported by our integrated framework.

Revenue continues to be at the forefront in using the advances in ICT to improve the effectiveness of its operations and the service it provides to its customers. We have complemented the automation of routine processes with sophisticated business intelligence and personal productivity software. Our remittance processing system, using character recognition software, is now one of the most sophisticated such systems in the world, and has largely removed the need for manual entry of data. We have progressively deployed a new generation of integrated tax administration solutions and have modernised our technical infrastructure. Authorised third parties, such as Revenue Sheriffs and Solicitors, are being linked into a Revenue Extranet.

We will remain at the forefront in implementing the Government's decision to provide services electronically. The Revenue On-Line Service (ROS) is making a significant contribution to the eGovernment agenda. Our customers can file a growing menu of returns, make payments and access their Revenue account information on-line. In addition, customers have access to an Internet site which contains a wealth of useful information and from which standard Revenue forms can be obtained electronically.

We continue to exploit our strategic Integrated Taxation Processing (ITP) solutions, so that we can deal with all our customers in a fully consolidated way, covering all taxes.

MAIN TECHNOLOGICAL ACHIEVEMENTS DURING 2002

- Successful introduction of euro systems on 1 January 2002
- Successful implementation of new Automatic Remittance Processing system incorporating intelligent character recognition and imaging functionality
- Electronic Bank transfer of the Collector General's daily lodgement
- Migration of Relevant Contracts Tax to ITP.
- Computer support for collection of eLevy
- Inclusion of VRT Registration in ROS
- Introduction of Pay & File for Self-Assessed Taxes
- New sophisticated systems to identify cases and support the pursuit of monies due on foot of Bogus Non Resident Accounts
- Support for new payment options such as Single Debit Authority
- New Management Information System (MIS) facilities for TRS and SSIA
- The introduction of a new Corporate Records Management System (CRMS) to help us respond better to Freedom of Information requests.

REVENUE AND THE INFORMATION SOCIETY

Revenue wholeheartedly supports New Connections, the second Government Action Plan on the Information Society. From the outset, we have enthusiastically embraced the Information Society agenda, and we continue to play a lead role. Our continued progress in providing on-line services to our customers is detailed elsewhere in this Report.

INTERNAL COMMUNICATIONS

We continue to review our internal communication infrastructure to cater for continued growth and increased Intranet usage. Research into the use of portal and related technologies to provide improved internal communications and access to information for business users was carried out during 2002.

Objective 8

Measure and evaluate our performance

Revenue continues to review and develop its processes and activities to ensure that they are efficient, effective and appropriate. We have a well-established Business Planning system and we are improving how we measure and evaluate our performance using such measures as the Management Information Framework and our Manpower Advisory and Organisation Development functions. Revenue is accountable to the Oireachtas, the Minister for Finance and to all our customers and stakeholders.

Statement of Strategy Outputs

Relevant, accurate and timely management information. Optimal return on investment in resources. Systems, procedures and controls of the highest standard. Effective evaluation of use of resources and results on an ongoing basis.

MEASURING OUR PERFORMANCE

Two new National Office Divisions, the Strategic Planning Division and the Operations Policy and Evaluation Division, were established on 18 March 2003. The new Divisions have added capability in relation to strategic and operations evaluation, performance measurement, risk management, research and the management of operational information and in their role as a corporate support.

THE MANAGEMENT INFORMATION FRAMEWORK (MIF)

In addition to our existing performance evaluation systems, we are implementing the Management Information Framework. This will substantially advance the recommendations of the Public Accounts Committee in relation to performance measurement.

The financial management systems needed to support the MIF are already in place and implementation of the integrated framework commenced in 2002. Considerable progress has been made and implementation will be completed by December 2004, the deadline set by the Government.

In 2002, the Strategic Management Initiative (SMI) Implementation Group established a group of senior managers across the civil service with overall responsibility for the MIF project. Revenue Commissioner Michael O'Grady is a member of this group.

MANPOWER ADVISORY AND ORGANISATION DEVELOPMENT FUNCTIONS

The Organisation Development Unit (ODU) assisted business managers to examine structures, processes and practices and to identify areas where improvements can be made. It completed a number of reviews of business areas, including the Revenue Solicitor's Office, the Dublin Airport Passenger and Cargo Terminals and the Revenue Communications Functions. The ODU is currently working with managers in these areas to implement the recommended improvements.

ACCOUNTING FOR OUR PERFORMANCE

COMMITTEE OF PUBLIC ACCOUNTS

As Accounting Officer, our Chairman appears regularly before the Committee of Public Accounts (PAC) to deal with issues arising from the Annual Report of the Comptroller and Auditor General and any other matter relating to our activities that the Committee wishes to discuss.

Revenue is also implementing the recommendations of the PAC Sub-Committee Inquiry into DIRT. At the Committee's request, we provided it with two progress reports on this implementation, in November 2001 and May 2002. A third and final progress report was furnished to the Committee in December 2002.

REVENUE'S NEW STATEMENT OF STRATEGY 2003-2005

Revenue's new Statement of Strategy was formally launched on 3 March 2003, at a ceremony attended by the Minister for Finance, Mr Charlie McCreevy TD, the Revenue Board and senior management.

The Strategy Statement sets out our three main goals for the next three years:

- maximum compliance with tax and customs legislation;
- fulfilment of our external obligations;
- a capable, adaptable and effective organisation.

It emphasises that our primary goal is the first of these but that the other two goals complement it, since legislative development and inter-agency cooperation provide vital support to compliance activities, while organisational capability is the critical factor underpinning success of all our business activities.

The Strategy Statement also outlines the strategies we will use to achieve these goals, the outputs we hope to see from them and the Performance Indicators we will use to measure how well we are doing.

Revenue will detail its attainment of the targets set out in the Strategy Statement in its Annual Reports for the period 2003 to 2005.

TRIBUNALS

Revenue continues to cooperate fully with all requests made by the Flood and Moriarty Tribunals in the course of their work and will pursue all tax-related matters arising from them.

JOINT AND INTERNAL REVIEW PROCEDURE

Taxpayers who are dissatisfied with Revenue's handling of their tax affairs can have their case reviewed, either internally by a senior Revenue officer or by an External Reviewer acting in conjunction with a senior Revenue officer. The number of taxpayers requesting Joint and Internal Reviews is set out in Table 26.

TABLE 26: JOINT & INTERNAL REVIEWS

Joint Reviews involving External Reviewer	
Total number received	25
In favour of Revenue	16
Against Revenue	3
Partially revised	1
Withdrawn	4
Ongoing	1
Internal Reviews	
Total number received	14
In favour of Revenue	9
Against Revenue	1
Ongoing	4

THE PROMPT PAYMENT OF ACCOUNTS ACT 1997

Revenue has implemented the terms of the Prompt Payment of Accounts Act 1997, and latterly the European Communities (Late Payment in Commercial Transactions) Regulations 2002, as detailed in Table 27. These Regulations introduced a shorter payment period of 30 days, compared to the 45-day payment period that applied under the 1997 Act.

Payments for goods and services were made by the prescribed payment dates, with the exception of a very small proportion of cases (Table 27),

where interest penalties have been paid in accordance with the provisions of the above-mentioned legislation.

The changeover to the euro on 1 January 2002 and the introduction of the Regulations on 7 August 2002 had temporary impacts during the transitional periods. These were reflected in an increase in late payments (in excess of €317, invoice value) from 200 in 2001 to 229 in 2002.

TABLE 27: PROMPT PAYMENT OF ACCOUNTS STATISTICS

Total value of all payments	€85,733,745
Total value of all late payments (including €317 and under)	€749,223
Value of late payments in excess of €317	€715,755
Value of total late payments as a percentage of total payments	0.87%
Number of late payments in excess of €317 (invoice value)	229
Amount of interest paid on all late payments	€3,361
Amount of interest on all late payments as a percentage of total payments	0.0039%
Broad indication of length of delays (invoices in excess of €317)	Average delay was 18 days

THE OMBUDSMAN

In 2002, the Ombudsman received just 112 complaints relating to Revenue, despite the extent of Revenue's interface with the public. This accounts for less than 12% of the total number of complaints made against the Civil Service sector. During the year, the Ombudsman finalised 128 complaints relating to this Office. Tables 28-30 summarise the complaints in more detail.

In 2002 the Ombudsman submitted a special report to the Oireachtas on the subject of 'Redress for Taxpayers'. This report concerned the question of compensation for loss of purchasing power in the case of certain categories of tax refund. Revenue was clear that the Ombudsman's recommendations in this regard could not be implemented without legislative change. The necessary legislative changes were subsequently made in the Finance Act 2003 and the Ombudsman's recommendations were implemented in full.

TABLE 28: COMPLAINTS RELATING TO REVENUE MADE TO THE OMBUDSMAN

Subject	Number of complaints
Income Tax	80
VAT/Inheritance/CGT	11
Customs and Excise	4
Stamp Duty	1
Other matters	16
Total	112

TABLE 29: COMPLAINTS RELATING TO REVENUE COMPLETED BY THE OMBUDSMAN

Outcome	Number of complaints
Not upheld	36
Withdrawn	0
Discontinued	22
Assistance provided to complainant	54
Partially resolved	2
Resolved	14
Total	128

TABLE 30: COMPLAINTS RELATING TO REVENUE MADE TO THE OMBUDSMAN, 1991-2002

Year	Number of complaints
2002	112
2001	102
2000	88
1999	132
1998	123
1997	135
1996	138
1995	116
1994	161
1993	153
1992	168
1991	177

FREEDOM OF INFORMATION (FOI)

The Freedom of Information Act 1997 entitles members of the public, subject to specified exemptions, to access records held by Government bodies and to be given reasons for decisions particularly affecting themselves.

Revenue received 251 requests under the FOI Act in 2002, compared to 270 in 2001 and 372 in 2000 (Table 31). The fall in numbers may be attributed to improved access to information outside of FOI and the ongoing development of our website. In his Annual Report for 2001, the Information Commissioner praised the improvements and initiatives undertaken by the Revenue Commissioners.

Revenue's FOI publications under Section 15 of the Act (Functions and Records of the Office) and Section 16 (Rules and Procedures of the Office) are available on the Revenue website. In 2002, a Section 16 Summary document was published. It acts as a reference guide to the manuals available in the main Section 16 publication, and also contains the details of the relevant person(s) or area(s) to be contacted about either the summary or the manuals. It is available both on our website and on request from the FOI Branch, Revenue, Wicklow House, South Great George's Street, Dublin 2.

TABLE 31: FOI REQUESTS

FOI Requests	2002	2001	2000
Received	251	270	372
Released in part*	70	138	122
Refused	57	47	29
Requests for Internal Review	42	30	45
Appeals to the Information Commissioner	15	9	42

*Over 80% of the information released in these cases

Corporate Governance

The administration and management of taxes and customs is vested in the Revenue Commissioners who are subject to the general direction of the Minister for Finance but are independent in the day-to-day management of the Office and in relation to taxpayers' affairs. The Board of the Revenue Commissioners consists of three Commissioners, one of whom is Chairman. The Chairman is the Accounting Officer for Revenue and the Head of the Office under the Public Service Management Act, 1997.

The Board meets regularly to deal with a broad range of functions pertaining to Revenue including strategic direction, the setting of key corporate priorities, financial and risk management, senior management appointments and resource deployment. The Board reviews compliance with key legislation such as the Ethics in Public Office Act, the Freedom of Information Act and the Prompt Payment of Accounts Act.

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

MANAGEMENT ADVISORY COMMITTEE (MAC)

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

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

ETHICS IN PUBLIC OFFICE ACTS 1995 AND 2001

All Revenue officials at Principal Officer level and above, as well as certain other officials involved, for example in procurement decisions, are required to make an annual Statement of Interests under these Acts.

RISK MANAGEMENT

During 2002 the Board initiated a review of the significant potential risks for the organisation under a number of key headings – strategic risk, operational risk, financial risk and reputational risk. As part of the review, controls and/or mitigation strategies to minimise and manage these risks are being examined. The risk management process will be continuously developed in 2003, including the refinement of arrangements for internal security in individual business areas and at corporate level, to continue to provide risk assurance to management at all levels throughout Revenue.



Management Advisory Committee (MAC)

FRONT ROW
(left to right)

Josephine Feehily
Commissioner

Frank Daly
Chairman

Michael O'Grady
Commissioner

MIDDLE ROW
(left to right)

Niamh O'Donoghue
Assistant Secretary
Human Resources

Eamonn Fitzpatrick
Assistant Secretary
Customs

Frances Cooke
Revenue Solicitor

Sean Moriarty
Assistant Secretary
Large Cases

Christopher Clayton
Deputy Secretary
Strategic Planning

Liam Hennessy
Assistant Secretary
Indirect Taxes

Bobby Harrington
Assistant Secretary
Border Midlands West

Norman Gillanders
Assistant Secretary
East South-East

BACK ROW
(left to right)

Eamon O'Dea
Assistant Secretary
Direct Taxes Policy
and Legislation

John Leamy
Assistant Secretary
Dublin Region

Liam Irwin
Assistant Secretary
Collector-General

Paddy Donnelly
Assistant Secretary
Investigations and Prosecutions

Gerry Harrahill
Assistant Secretary
South-West

Denis Graham
Assistant Secretary
Operations Policy & Evaluation

Frank Mullen
Assistant Secretary
Direct Taxes Interpretation
and International

Sean Connolly
Assistant Secretary
Information, Communication,
Technology & eBusiness



Audit Committee

(left to right)

Mr. Peter Charleton
Head of Internal Audit
Central Bank of Ireland

Ms. Catherine Treacy
Chief Executive and Registrar
of Deeds & Titles
Land Registry

Mr. Noel O'Connell
Vice-Chairperson
Director of Audit
Department of Environment
& Local Government

Ms. Alice O'Flynn
Chairperson
Assistant Secretary
Department of Social &
Family Affairs

Mr. Aidan Horan
Head of Finance & Planning Unit
Institute of Public Administration

Mr. Liam Hennessy
Assistant Secretary
Revenue

Ms. Phil Shannon
Higher Executive Officer
Revenue
Secretary to the Committee

INTERNAL AUDIT

The Board places a high degree of importance on maintaining a strong internal audit function, which has been developed over many years. The Director of Internal Audit reports directly to the Chairman, as Accounting Officer. An Audit Committee oversees the day-to-day activities of the Internal Audit Branch (IAB). This Committee comprises six members, five of whom, including the chairperson and deputy chairperson, are from outside Revenue. Internal Audit Branch's remit extends throughout Revenue, and covers all our systems, processes and procedures.

A wide-ranging programme of audit work was carried out in 2002. The ordinary annual audit programme consists in part of requests from MAC members to examine certain risk areas, as well as other areas initiated independently by IAB. The Board reviews the Audit Plan to ensure that on a multi-annual basis, internal audit activity ranges across the key risk areas. During 2002, the Audit Committee continued its practice of inviting Assistant Secretaries to make presentations on their areas of responsibility, in order to gain a fuller understanding of Revenue's business activities, with special focus on internal controls and areas of perceived risk. The Committee also met the Deputy Director of Audit in the Office of the Comptroller & Auditor General who has responsibility for the Revenue Vote.

COMPTROLLER AND AUDITOR GENERAL

Revenue is subject to regular annual audit by the Office of the Comptroller and Auditor General. This audit is published in the Comptroller and Auditor General's Annual Report. The audit reports on Revenue's receipts, expenditure, systems and practices. It also includes in-depth examination of selected Revenue activities. For example, the most recent Report in 2002 contained four special examinations: "In Depth Examination of Tax Written Off", "Repayments of Value Added Tax to Registered Traders", "Dividend Withholding Tax" and "Forecasting of Tax Receipts".

OIREACHTAS COMMITTEES

Revenue officials appear before the Joint Committee on Finance and the Public Sector at least annually, and other Oireachtas committees as required from time to time.

Appendix

1. CUSTOMS & EXCISE ENFORCEMENT ACTIVITY

JOINT OPERATIONS WITH OTHER ENFORCEMENT AGENCIES

Seven joint operations were conducted with An Garda Síochána in 2002. Customs Officers also conducted a number of joint operations in collaboration with Customs Services from abroad, targeting various aspects of the illegal drugs trade.

MUTUAL ASSISTANCE

Mutual Assistance continued to play a prominent role in the investigation of fiscal fraud and drug smuggling in 2002 (Table 32).

TABLE 32: MUTUAL ASSISTANCE STATISTICS

Subject	Sent/Received	Number of requests
Fiscal matters	Received from other Member States	132
	Received from third countries	33
	Sent to other Member States	68
	Sent to third countries	5
Drugs matters	Received from all countries	220
	Sent to all countries	151
Legal matters	Received	30

DRUG SEIZURES IN 2002

The biggest single trend observed in 2002 was the increase in frequency and amount of cocaine seized. There were 22 seizures in 2002 totalling 19.473 kg of cocaine. This is almost twice the total quantity seized by Customs during the previous two years. Almost all of the cocaine originated in South America. Customs Enforcement Officers in Dublin Airport detected six passengers with internal concealments, that is, drugs that they had swallowed or placed inside their bodies

in order to evade detection by Customs. A “drugs-loo” has now been built at Dublin Airport in response to this developing trend. Internal concealment is an extremely dangerous means of carrying drugs as the swallowed packages can leak, often with fatal consequences.

SEIZURE OF HERBAL CANNABIS

As a result of routine profiling by the National Intelligence Unit, Customs Enforcement Officers in Dublin Port examined a container of concrete garden furniture that had arrived from Thailand. Concealed behind the furniture, the officers found 5.57 tonnes of herbal cannabis, a huge haul with a street value of €23.8 million. This consignment is believed to have been destined for the UK.

CIGARETTE SMUGGLING

The figures for 2002 show an increase in airport seizures of cigarettes from 11 million in 2001 to almost 14.5 million in 2002. Most of these cigarettes originated in the Canaries, Spain, Portugal and Eastern Europe. Nine Northern Ireland residents were detected with significant quantities of cigarettes and were arrested and charged with smuggling offences.

Regarding the attempted smuggling of cigarettes in containers, the single most significant operation resulted in the detection of over 40 million cigarettes in six containers imported from Miami via Rotterdam. These cigarettes originated in Uruguay and had been shipped under cover of general merchandise and furniture. The investigation of this case is continuing with the assistance of OLAF and US Customs.

Large quantities of cigarettes were also discovered in containers which arrived in Dublin and Cork from Malaysia. A container of earthenware which arrived in Cork from Thailand contained over five tonnes of tobacco while a container of furniture which arrived in Rosslare Harbour from Belgium contained almost six million cigarettes.

In 2002, a total of eight people were arrested, charged and subsequently convicted of cigarette smuggling. Five custodial sentences were imposed in 2002 for cigarette smuggling. Three of these sentences were suspended and two offenders who were involved in the smuggling of 70 million cigarettes were imprisoned for 2 years and 3 years, respectively.

ILLCIT SPIRITS

Enforcement staff continued their efforts to detect illicit spirits and, in particular, the sale of counterfeit vodka. Investigations in connection with detections made towards the end of 2001 were concluded in 2002 and resulted in proceedings being instituted in 15 cases under Sections 22 and 23 of the Illicit Distillation Act 1831. This act carries a mandatory disqualification from holding an Excise licence by virtue of Section 27 of the Intoxicating Liquor Act 1924.

Customs Officers visited 200 premises in a further operation in 2002 and detected illicit spirits on four licensed premises. These are now the subject of follow-up investigations and will be reported to the Director of Public Prosecutions with a view to similar prosecution.

OTHER CUSTOMS AND EXCISE INVESTIGATIONS

The Customs Investigation Branch collected a total of €968,654 in duties and penalties in 2002. Of this amount, €750,000 was recovered as a result of investigations conducted into the undervaluation of both new and used motor vehicles and also the misclassification of footwear, textiles, animal food additives, computer equipment, etc. In addition almost €100,000 was collected in Excise duty and penalties on undeclared wine and beer.

EXCISE LIAISON OFFICER

The assignment of an Excise Liaison Officer (ELO) on a full time basis in November 2002 has already enhanced our liaison and information-sharing role with other EU Member States in relation to controlling the movement of excisable products under the EU-wide duty suspension regime. That role will be enhanced further in 2003, as work commences on the six-year EU project for computerising the movement control system.

2. DONATION OF HERITAGE ITEMS

Section 1003 of the Taxes Consolidation Act 1997 provides for a full credit against tax liability where a taxpayer donates certain heritage items to national collections. The following heritage items were donated in 2002 under this section:

- the O’Neill Manuscript, valued at €169,552;
- a painting entitled “A Family” by Louis le Brocquy, valued at €2,786,885;
- W.B. Yeats Library, valued at €952,303;
- a painting entitled “St. Stephen’s Green, Closing Time” by Jack B. Yeats, valued at €220,000;
- the Noel Sheridan Archive, valued at €120,000.

3. POLICY & LEGISLATION

Revenue provided advice and draft legislation in relation to the following:

- The inclusion, in the Bills setting up the office of the Director of Corporate Enforcement and the new Irish Financial Services Regulatory Authority, of legislative proposals on the exchange of information between Revenue and these new agencies, and the amendment of the money-laundering legislation to require financial institutions to report possible money-laundering transactions to Revenue.
- The transposition of an EU Directive agreed in 2001, which both simplified and extended to direct tax the existing directive on mutual assistance between Member States on the recovery of Customs, VAT and Excise debts. These rules are contained in the European Communities (Mutual Assistance for the Recovery of Claims relating to Certain Levies, Duties, Taxes and Other Measures) Regulations 2002 (S. I. 462 of 2002).

- Changes to the tax clearance provisions, to extend tax clearance to almost all liquor licences and also to owners of premises in which amusement machines are operated.

Revenue also provided advice on provisions in the 2003 Finance Bill relating to:

- The acceleration of preliminary Corporation Tax payment dates.
- The introduction of Tonnage Tax.
- The introduction in the Budget on 4 December 2002 of anti-avoidance legislation to prevent the unintended use of tax reliefs by passive investors in the area of electricity generation using windmills.
- The introduction of a new Excise duty of €100 on premises in which amusement machines are operated.
- An examination of the operation of vehicle registration tax on “crewcabs”, which resulted in amending legislation being included in the Finance Act 2003.
- An examination of the Vehicle Registration Tax incentive for hybrid electric vehicles. This resulted in a proposal to the Minister for Finance to extend the incentive for two more years and this was accepted.
- The codification and consolidation of reliefs under the various urban, rural and town tax incentive schemes for lessors and owner-occupiers, in respect of expenditure incurred on the provision of residential accommodation. The new legislation comprised a more coherent code of less than 40 pages located in one Chapter of the Taxes Consolidation Act 1997, and replaced 150 pages of legislation which was previously located in 12 different areas of that Act.

- The introduction, with effect from 1 May 2002, of a scheme of tax relief for donations to certain sports bodies for the funding of capital projects, provided the sports bodies meet certain conditions. The estimated aggregate cost of a project, which must be approved by the Minister for Arts, Sport and Tourism, must not exceed €40 million and the minimum-qualifying donation in any year to any sports body is €250.
- The introduction of an arrangement, under Section 93(1) of the Finance Act 2002, which allows coach tour operators to claim partial repayment of Mineral Oil Tax on fuel used in tour coaches in respect of certain qualifying tours. Unlike other Mineral Oil Repayment claims, which must be processed through a local Revenue Office, this category of repayment is dealt with on the basis of self-certification by the claimant, who sends the claim directly to the Central Repayments Office in Monaghan.

4. HUMAN RESOURCES

TRAINING

Our increased investment in training and development is reflected in the significant increase in the number of training days delivered in 2002. Quality training continues to be a key element in attracting, developing and retaining staff of the highest calibre in order to meet our business needs.

Technical tax training programmes, which have been developed specifically for our audit and customer service staff, continued throughout 2002. Up to 230 audit staff and 295 customer service staff were involved. Training programmes for Customs and Excise staff in effective enforcement and prosecution procedures also continued throughout 2002.

A training brochure was devised in 2002, providing staff with information on a wide variety of tutor-led and self-tuition courses and materials to address their individual development needs. Our Performance Management and Development System enables each staff member to identify the courses best suited to enhancing their skills and competencies, to maximise their contribution within the organisation.

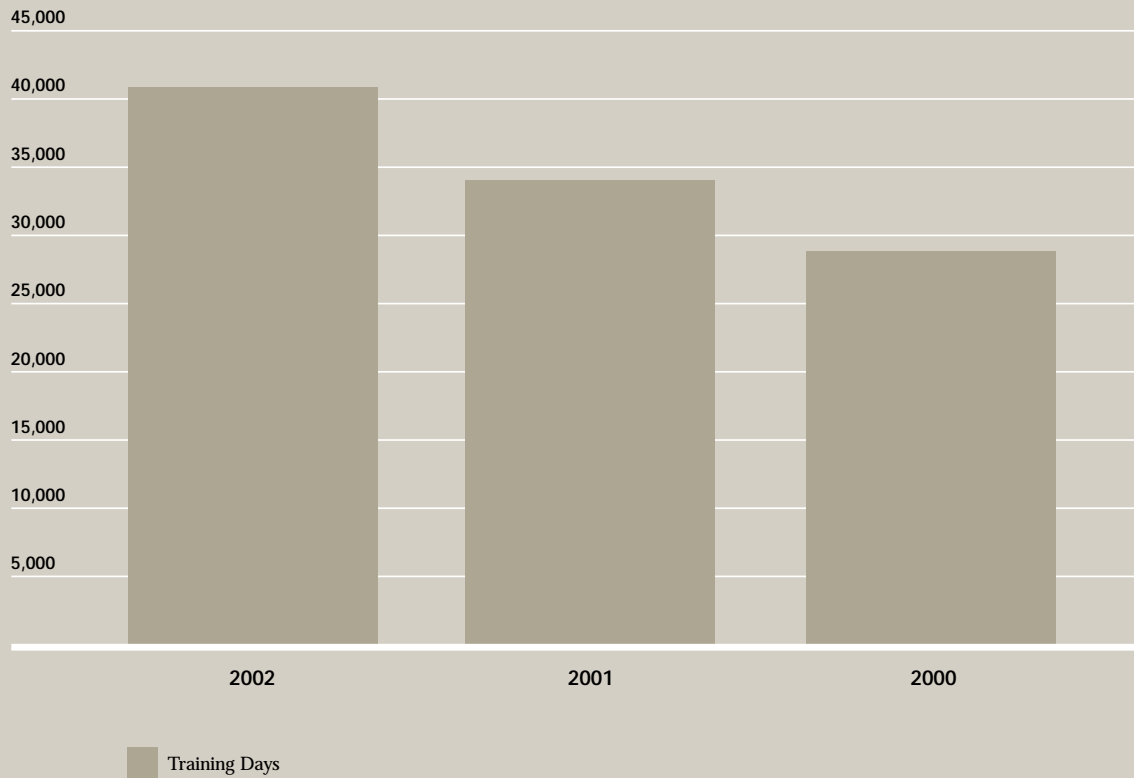
We continued our commitment to developing the skills of our managers during 2002 and all Assistant Principal and equivalent grades participated in a management development programme. A similar programme will be delivered to Higher Executive Officers and equivalent grades in 2003.

Our training is provided by means of in-house and outsourced training programmes and is co-ordinated through our Training Branch and our national network of training officers. Our expenditure in training will reach our Statement of Strategy target of 4% of payroll by the end of 2003. Table 33 below illustrates the extent of training activities undertaken during 2002 and Chart 6 shows the trend for the period 2000-2002.

TABLE 33: TRAINING ANALYSIS

Competency Area	Training Days
Technical Tax	17,976
Technical Customs and Excise	1,696
Management/Interpersonal Skills/Other	9,885
Computer End User	988
Computer Technical	2,852
PMDS	7,200
Total Number of Training Days	40,597

CHART 6: TRAINING DAYS COMPARISON



CONTINUING EDUCATION

In 2002, we supported 245 staff who undertook studies in their own time that were directly relevant to the skills and competencies that Revenue needs. We refunded a total of €232,117 in fees.

As a further commitment to those who undertook professional qualifications in their own time, we extended our programme of reimbursement of subscriptions to professional bodies to a greater number of staff in 2002.

LIBRARY LEARNING CENTRES

The library supports the learning and research needs of staff throughout Revenue by acquiring up-to-date and comprehensive material in print and electronic format. The collection consists of 30 electronic databases, supplemented by over 3,000 books. Material is provided to staff via the library's research query service. The Intranet allows staff to search the library catalogue from the desktop and also provides links to seven on-line databases.

HUMAN RESOURCE ADMINISTRATION

During 2002, Revenue recruited 268 staff from open competitions conducted by the Civil Service and Local Appointments Commission. Within Revenue, nine competitions and two promotion consistories were held, resulting in 245 internal promotions (Table 34). Competencies for competitions were reviewed, and are now more in line with the Civil Service and Local Appointments Commission competencies. The briefing document given to all interview boards was updated and we ensure that our interview boards are provided with the best training possible. A more user-friendly application form for competitions was also developed.

TABLE 34: HUMAN RESOURCE ADMINISTRATION

Staff Changes	Number of staff
Staff joining Revenue on recruitment	268
Staff joining Revenue on transfer	45
Staff joining Revenue on promotion	25
Promoted from Revenue to other Departments	63
Transferred from Revenue to other Departments	33
Promoted internally	245
Retired	71
Resigned	82

FAMILY-FRIENDLY WORKING INITIATIVES

In 2002, Revenue continued its commitment to providing family-friendly working arrangements. Term-time working, parental leave and atypical working arrangements, such as the 3-day week or the 4-day week, are available to staff. The numbers availing of these options continued to increase (Table 35).

TABLE 35: STAFF AVAILING OF ATYPICAL WORKING ARRANGEMENTS

Initiative	Number of staff
Career Breaks	312
Worksharing	1,112
Term-Time Working	420
Parental Leave	322
Commenced worksharing in 2002	412

5. ENERGY EFFICIENCY IN REVENUE BUILDINGS

Revenue had a total energy expenditure of €2.5 million for 2002, broken down as follows:

Electricity	€2,138,260
Gas	€162,652
Oil	€155,207
Total	€2,456,119

Electricity accounted for 87% of total expenditure, and 75% of this is on the most efficient Maximum Demand Tariff. Space heating accounts for 13% of total energy consumption.

Energy expenditure increased by 16% in 2002 after significant savings in the previous two years. This is due to a number of factors:

- Electricity charges increased by up to 15% in 2002, depending on tariff.
- The assignment of extra staff resulted in Revenue occupying additional accommodation in 2002.
- New automated processing equipment was installed.

Revenue is working closely with the Commission for Energy Regulation, Sustainable Energy Ireland and key account managers in the ESB to identify further savings. Our Energy and Environment Unit, in cooperation with the OPW, ensures that the latest technology in energy efficiency is availed of in all buildings and equipment. To date, the following initiatives have been implemented:

- Building Energy Management Systems have been installed in all buildings with a floor area exceeding 1,000 square metres.
- Conversions to the most efficient tariffs were achieved.
- Winter Demand Reduction incentives have been availed of.
- Changes to maximum import capacity were made to increase efficiency.
- Use of best available technology has been applied to all new buildings and refurbishments to achieve maximum energy efficiency.