



Annual Report 1998

Seventy-Sixth Annual Report of the Revenue Commissioners for the year ended 31 December 1998 including progress on the implementation of Revenue's Statement of Strategy 1997-1999 in accordance with the Public Service Management Act, 1997, presented to the Minister for Finance.

July 1999

Tuarascáil Bhliantúil 1998

De réir an Achta um Bainistíocht na Seirbhíse Poiblí, 1997, tíolectar don Aire Airgeadais an Séú Tuarascáil Bhliantúil is Seachtó don bhliain dar chríoch 31 Nollaig 1998, lena n-áirítear tuairisc ar dhul chun cinn maidir le feidhmiú Ráiteas Straitéise na gCoimisinéirí Ioncaim 1997-1999.

Iúil 1999

Revenue 

Baile Átha Cliath
Arna fhoilsiú ag Oifig an tSoláthair

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nó tríd an bpost ó
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Dublin Castle July 1999



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Review of the Year

Nineteen ninety-eight was an eventful year for Revenue. It was a year in which we marked the 75th Anniversary of the establishment of the Revenue organisation. The highlight of the celebration was a visit to Dublin Castle by Uachtarán na hÉireann, Mrs. Mary McAleese. It was a year also of many new achievements in our ongoing modernisation programme. Equally, however, it was a year in which public confidence in tax administration was dented by further disclosures and allegations about tax evasion.

Some of the highlights of the year included:

- Collection of £20,620 million in taxes, some £935 million ahead of Budget target.
- Preparation of two Finance Acts.
- Further development of new prosecution procedures to deal with serious tax evasion.
- Very significant seizures of drugs and other illegally imported goods.
- Establishment of a Revenue Partnership Committee comprising staff, unions and management to advance our modernisation programme.
- Setting up of an Internal Audit Committee with membership largely from outside Revenue.
- Completion of the first development phase of our state-of-the-art computerisation system 'Integrated Taxation Processing'.

These are just some of the successes of 1998. There are many other worthy achievements detailed in the report which reflect well on the capability of the organisation, particularly at a time of considerable change in the environment in which we are operating and a major increase in the volume of our business.

While Revenue continued to deliver on its core business it has to be acknowledged that public confidence was damaged by disclosures of tax evasion. All of us in Revenue are working hard to repair that damage. Nothing is more important to us. We want to reassure people about the even-handedness and correctness of our approach to tax administration.

That approach is straightforward and has two main elements. The first is to encourage voluntary compliance through better services to taxpayers and less red tape. The customer services section of the report highlights the many innovations that we are already implementing or planning in this area. The second is to use the resources freed up by better voluntary compliance to devote more attention to tackling tax evasion. That two-pronged approach has been very successful over the past ten years and we are satisfied that it is in line with the approach being taken by the world's leading tax administrations. We intend not only to continue with it but to redouble our efforts to satisfy the general public about our credentials in curbing tax evasion.

We have in fact always taken a tough stance on evasion whenever or wherever it is discovered. Chapters Three and Four of the report highlight the scale of our operations in this area. Our strategy is to ensure that those who are found engaging in tax evasion pay a high price. The sanctions that we use include the imposition of penalties and interest which in themselves can add up to more than the original tax due and the publication of the names of the defaulters in accordance with the law. Last year our audit and investigation work brought in over £160m.

Another sanction available to us is prosecution. While it will neither be appropriate nor feasible to seek to bring a criminal prosecution in every case of evasion which we uncover, we are committed to putting forward for prosecution cases of serious tax evasion where we feel we have evidence that might satisfy the Director of Public Prosecutions. To this end, we have streamlined our approach to prosecutions in recent years and the fruits are beginning to be realised as can be seen from Chapter Four. Last year 6 individuals were prosecuted before the Courts for tax evasion and a range of fines and suspended prison sentences were imposed. At present there are 3 more cases before the courts and 25 others are at various stages of investigation. In addition 857 taxpayers were fined for failure to lodge returns. As the Director of Public Prosecutions has indicated in his recent report, criminal prosecution is an onerous task and there are no shortcuts to success. Nevertheless, we are satisfied that our new approach will yield results over a period and that it will be one element in helping to restore fully the public's confidence in tax administration.

In relation to some of the specific disclosures, we outline in Chapter Three of this report our progress in dealing with them. The Comptroller and Auditor General and the Public Accounts Committee are investigating how Revenue dealt with Allied Irish Banks and the other financial institutions in their collection of Deposit Interest Retention Tax (DIRT). We are co-operating fully with them. We are also co-operating fully with the Moriarty Tribunal and have made a full submission to it. Various high profile cases continue to be pursued following the Report of the McCracken Tribunal. As regards the National Irish Bank disclosures, all of the cases uncovered have been investigated and a number of settlements have been made: to date six cases are under detailed investigation with a view to possible prosecution.

On the positive side, the disclosures appear to be consolidating the change in traditional attitudes to tax evasion. We welcome the opportunity, therefore, to account for our performance in an open, honest and frank way, while respecting taxpayer confidentiality, so that public concerns can be allayed.

Revenue has achieved much over the last ten years and, we believe, has served the community well. No more than any other large organisation, however, we cannot put

our hands on our hearts and say we did every thing right or that, with the benefit of hindsight or later information, we might not have done some things differently. The public can be assured that we operate without fear or favour and that in our past and future actions our core values of impartiality, integrity, fairness and respect will always be followed. In many ways we have re-invented our organisation over the years. But new challenges require further changes and improvements. As a Board we are committed to devising and implementing the necessary strategies.

Finally, we would like to acknowledge the efforts of our staff at all levels throughout the organisation and in particular of those who had to deal with the understandable public reaction to the disclosures about tax evasion. We thank you for your efforts and look forward to your continued co-operation and commitment. We also recognise the opportunity that the Revenue Partnership Committee provides to further improve participation and cohesion throughout the organisation. We shall work closely with it to build on the successes of the past and to ensure that Revenue can face the future with confidence in itself while instilling confidence also in the general body of taxpayers.

Dermot Quigley
Chairman

Frank M. Daly
Commissioner

Josephine Feehily
Commissioner

Dublin Castle, July 1999.

Tuairisc ar an mbliain

Ba bhliain ghnóthach í 1998 do na Coimisinéirí Ioncaim. Ba bhliain í ina ndearnamar comóradh ar Chothrom 75 Bliana bhunú eagraíocht na gCoimisinéirí Ioncaim. Ba é buaicphointe an cheiliúrtha ná cuairt ar Chaisléan Bhaile Átha Cliath ag Uachtarán na hÉireann, Máire Mhic Giolla Íosa. Ba bhliain í ina ndearnadh cuid mhór nithe nua i dtaca lenár gclár nuachóirithe leanúnach. Ach ba bhliain í freisin inar tharla maolú ar mhuinín an phobail as an gcóras riartha cúrsaí cánach mar gheall ar bhreis eolais a nochtadh agus mar gheall ar líomhaintí i dtaobh imghabháil chánach.

Áirítear na nithe seo a leanas ar phríomhphointí na bliana:

- Bailíodh £20,620 milliún i gcánacha, tuairim is £935m níos mó ná an sprioc sa Bhuiséad.
- Ullmhaíodh dhá Acht Airgeadais.
- Rinneadh urghabháil ar mhéideanna suntasacha drugaí agus earraí eile a allmhairíodh go neamhdhleathach;
- Rinneadh tuilleadh forbartha ar nósanna imeachta nua ionchúisimh chun déileáil le himghabháil chánach thromaí;
- Bunaíodh Coiste Comhpháirtíochta na gCoimisinéirí Ioncaim, ina bhfuil ionadaithe ón bhfoireann, ó cheardchumainn agus ón lucht bainistíochta, chun ár gclár nuachóirithe a thabhairt ar aghaidh;
- Cuireadh Coiste Iniúchta Inmheánaigh ar bun agus tromlach a bhall ó áiteanna lasmuigh de na Coimisinéirí Ioncaim;
- Críochnaíodh an chéad chéim d'fhorbairt ár gcóras riomhairí cothrom le dáta, 'Próiseáil Cánachais Chomhtháite'.

Níl sna nithe sin ach roinnt de na réimsí inar éirigh go maith linn sa bhliain 1998. Tá cuid mhór torthaí maithe eile ann agus tugtar tuairisc ina leith sa tuarascáil; léiríonn siad go maith cumas na heagraíochta go háirithe ag am nuair atá a lán athruithe ag tarlú sa timpeallacht ina n-oibrímid agus nuair atá méadú mór ag teacht ar an méid gnó atá le déanamh againn.

Cé gur lean na Coimisinéirí Ioncaim dá ngnó lárnach a dhéanamh ní mór a admháil go ndearnadh dochar do mhuinín an phobail tríd an eolas a nochtadh i dtaobh imghabháil chánach. Tá gach duine sna Coimisinéirí ag saothrú chun an dochar sin a dheisiú. Dar linn níl aon ní níos tábhachtaí ná sin. Is mian linn dearbhú a thabhairt don phobal maidir le cothroime agus cirte ár gcur chuige i dtaca le riaradh cúrsaí cánach.

Is cur chuige simplí é sin agus tá dhá phríomhghné ann. Is é an chéad cheann ná comhlíonadh deonach a spreagadh trí sheirbhísí níos fearr a sholáthar do cháiníocóirí agus trí laghdú a dhéanamh ar mhaorlathas. Sa chuid den tuarascáil ina bpléitear seirbhísí do chustaiméirí tugtar suntas don iliomad nithe nua atá á gcur i bhfeidhm cheana nó atá á

bpleanáil sa réimse seo. Is é an dara gné ná leas a bhaint as na hacmhainní breise atá ann mar gheall ar chomhlíonadh deonach chun díriú níos mó ar imghabháil chánach. D'éirigh go han- mhaith leis an gcur chuige dháchodach sin le deich mbliana anuas agus táimid sásta go bhfuil sé ar aon dul le cur chuige a úsáideann na dreamanna riartha cánach is tábhachtaí ar fud an domhain. Tá sé beartaithe againn ní hamháin leanúint de bheith á úsáid ach tá sé beartaithe againn freisin cur lenár n-iarrachtaí chun an pobal i gcoitinne a shásamh i dtaobh ár ndáiríreachta i leith imghabháil chánach a shrianadh.

Le fírinne, is gnáth linn seasamh daingean a ghlacadh maidir le himghabháil chánach aon tráth agus aon áit a bhfaightear í. I gCaibidlí 3 agus 4 den tuarascáil tarraingítear aird ar leith ar mhéid ár n-oibríochtaí sa réimse seo. Is é an straitéis atá againn ná a chinntiú go mbíonn orthu sin a aimsítear ag gabháil d'imghabháil chánach íoc as go daor. Áirítear ar na smachtbhannaí a úsáidimid pionóis agus ús a ghearradh ar nithe iad sin a d'fhéadfadh a bheith níos airde ná an cháin a bhí dlite i dtosach báire; agus déantar ainmneacha na mainneachteoirí a fhoilsiú de réir an dlí. Thuill ár saothar iniúchta agus imscrúdaithe os cionn £160m anuraidh.

Smachtbhanna eile atá ar fáil dúinn ná ionchúiseamh a dhéanamh. Cé nach mbeadh sé oiriúnach ná indéanta ionchúiseamh coiriúil a thionscnamh i ngach cás imghabhála a fhaighimid, tá rún daingean againn i gcónaí ionchúiseamh a thabhairt ar aghaidh i gcásanna imghabhála tromaí cánach ina measaimid go bhfuil fianaise againn a shásódh an Stiúrthóir Ionchúiseamh Poiblí. Chuige sin, tá nuachóiriú déanta againn ar ár gcur chuige maidir le hionchúisimh le tamall de bhlianta anuas agus tá torthaí maithe á mbaint amach anois; feictear fianaise air sin i gCaibidil 4. Rinneadh 6 dhuine aonair a inchúiseamh os comhair na gCúirteanna anuraidh i leith imghabháil chánach agus gearradh réimse iomlán fíneálacha agus pianbhreitheanna príosúnachta fionraithe. Faoi láthair, tá 3 chás eile os comhair na gCúirteanna agus tá 25 chás eile ann ag céimeanna éagsúla den phróiseas imscrúdaithe. Ina theannta sin, fíneáladh 857 cháiníocóir as mainneachtain tuairiscéain chánach a thabhairt. De réir mar atá curtha in iúl ag an Stiúrthóir Ionchúiseamh Poiblí ina thuarascáil le déanaí, is obair chrua í ionchúiseamh coiriúil a dhéanamh agus níl aon aicearraí ann chun teacht ar thorthaí maithe. Dá ainneoin sin, táimid sásta go mbeidh torthaí maithe ann san fhadtréimhse de bharr ár gcur chuige nua agus go bhfeidhmeoidh sé mar ghné amháin dár n-iarrachtaí chun muinín an phobail i riaradh cúrsaí cánach a athbhunú go hiomlán.

A mhéid a bhaineann le cuid den eolas sonracha a nochtadh, tugaimid achoimre i gCaibidil 3 den tuarascáil ar an dul chun cinn atá déanta chun déileáil leis sin. Tá an tArd-Reachtaire Cuntas agus Ciste agus an Coiste um Chuntais Phoiblí ag imscrúdú conas a dhéileáil na Coimisinéirí Ioncaim le Banc-Aontas Éireann agus le hinstitiúidí airgeadais eile i dtaca le Cáin Choinneála ar Ús Taisce a bhailiú. Táimid ag comhoibriú go hiomlán leo. Chomh maith leis sin táimid ag comhoibriú le Binse Moriarty agus tá aighneacht iomlán

curtha faoi bhráid an Bhinse sin againn. Táimid ag leanúint de roinnt cásanna ardhpróifíle tar éis fhoilsiú Thuarascáil Bhinse McCracken. I dtaca le Banc Náisiúnta na hÉireann (Irish National Bank) tá imscrúdú déanta ar na cásanna go léir a nochtadh agus tá líon áirithe comhshocraíochtaí déanta; go nuige seo, tá mion-imscrúdú á dhéanamh i leith sé chás d'fhonn ionchúiseamh a dhéanamh, b'fhéidir.

Tá gné dhearfach den ábhar seo ann sa mhéid gur léir go bhfuil an t-eolas atá á nochtadh ag déanamh comhdhúthú ar an athrú atá ag tarlú i dtaca leis an dearcadh traidisiúnta ar imghabháil chánach. Cuirimid fáilte roimh an deis, dá bhrí sin, chun cuntas a thabhairt ar ár dtorthaí oibre ar shlí oscailte, mhacánta, dhíreach ach, ag an am céanna, urraim a thabhairt do rúndacht cháiniócóirí, ionas gur féidir inni an phobail a mhaolú.

Tá cuid mhór dul chun cinn déanta ag na Coimisinéirí le deich mbliana anuas agus creidimid gur fhóin an eagraíocht don phobal go maith. Ach, dála aon eagraíochta eile ní thig linn a rá go macánta go ndearnamar gach rud i gceart nó nach ndéanfaimis rudaí ar bhealaí difriúla dá mbeadh tairbhe céille ceannaithe nó tairbhe eolais a nochtadh againn. Thig leis an bpobal a bheith cinnte go n-oibrímid gan eagla gan fabhar agus, i dtaca lenár ngníomhartha san am a caitheadh agus amach anseo, go leanfar i gcónaí dár mbunluachanna a chur i bhfeidhm is é sin le rá neamhchlaontacht, macántacht, cothroime agus urraim. Ina lán slite tá athbhunú déanta ar ár n-eagraíocht thar na blianta. Ach ó tharla go mbíonn dúshláin nua ann bíonn gá le le tuilleadh athruithe agus feabhsuithe i gcónaí. Mar Bhord, tá rún daingean againn na straitéisí riachtanacha a cheapadh agus a chur i bhfeidhm.

Mar fhocal scoir, ba mhaith linn iarrachtaí ár bhfoirne ag gach leibhéal ar fud na heagraíochta a lua agus go háirithe iarrachtaí na ndaoine sin a raibh orthu déileáil le dearcadh an phobail i leith an eolais a nochtadh faoi imghabháil chánach. Gabhaimid buíochas libh go léir as bhur n-iarrachtaí agus táimid ag súil le comhoibriú agus tiomantas leanúnach uibh. Tuigimid freisin an deis atá ar fáil trí Choiste Comhpháirtíochta na gCoimisinéirí Ioncaim chun tuilleadh feabhais a chur ar pháirteachas agus chomhtháthú ar fud na heagraíochta. Beimid ag obair go dlúth leis an gcoiste sin chun cur leis an méid atá bainte amach san am a caitheadh agus chun a chinntiú gur féidir leis na Coimisinéirí Ioncaim aghaidh a thabhairt ar an todhcháí agus muinín acu iontu féin ach, ag an am céanna, muinín a thabhairt don phobal cáiniócóirí i gcoitinne.

Dermot Quigley
Cathaoirleach

Frank M. Daly
Coimisinéir

Josephine Feehily
Coimisinéir

Caisleán Bhaile Átha Cliath, Iúil 1999.



Yield and Performance

Introduction

Gross receipts reached record levels of more than £20 billion in 1998, £935 million ahead of the Budget estimate. When repayments to business and individuals are taken into account, net receipts amounted to £15,899 million, £1,936 million above the corresponding figure for 1997. Targets for all taxes were exceeded. Direct and Indirect Taxes receipts were, respectively, £353 million and £399 million ahead of Budget estimate, while Capital Taxes receipts were some £182 million ahead of estimate.

Table 1 Total Amount Collected/Gross Receipts

<i>Duties, Taxes and Levies</i>	1998 £m	1997 £m
Customs	173	190
Excise	2,825	2,523
Value Added Tax	5,642	4,830
Capital Acquisitions Tax	117	97
Capital Gains Tax	195	134
Stamp Duties	564	435
Residential Property Tax	2	4
Corporation Tax	2,159	1,770
Income Tax	6,296	5,688
PRSI and Health Contributions and Employment and Training Levy	2,647	2,371
Total	20,620	18,042
euro	€26,182m	€22,909m

Table 2 Total Revenue/Net Receipts

Duties, Taxes and Levies	1998 Net receipts	1998 Budget estimates	1998 Net receipts +or-Budget estimates	1997 Net receipts
	£m	£m	£m	£m
Customs	159.6	176.0	-16.4	179.7
Excise	2,824.8	2,659.0	+165.8	2,522.6
Value Added Tax	4,267.0	4,017.0	+250.0	3,706.8
Capital Acquisitions Tax	111.7	92.0	+19.7	88.8
Capital Gains Tax	193.1	104.0	+89.1	132.4
Stamp Duties	541.2	467.0	+74.2	424.3
Residential Property Tax	1.4	2.0	-0.6	3.1
Corporation Tax	2,058.9	1,926.0	+132.9	1,697.2
Income Tax:				
PAYE	4,755.1	4,617.0	+138.1	4,356.4
Income Tax from Self-Employed and certain other non-PAYE sources:				
Direct Payments	735.8	665.0	+70.8	643.3
Less other non-PAYE repayments	(47.6)	(52.0)	+4.4	(46.5)
Net Yield	688.2	613.0	+75.2	596.8
<i>(see footnotes)</i>				
Deposit Interest				
Retention Tax	188.2	180.0	+8.2	147.8
Withholding Tax	110.1	112.0	-1.9	106.5
Income Levy	0.4	0.0	+0.4	0.7
Total	15,899.7	14,965.0	+934.7	13,963.1
euro	€20,188.5m	€19,001.6m	+€1,186.8m	€17,729.5m

Footnotes on Table 2

The VAT receipts in 1998 are composed of £5,077.1 million on internal VAT, £564.5 million collected on imports, less refunds of £1,364.0 million and £10.6 million respectively.

Income Tax from the Self-Employed: The net yield of Income Tax under this heading takes into account tax *repayments* made to non-liaible individuals, charities and pension funds for tax deducted at source under covenant arrangements or tax credits attaching to company distributions. Such tax repayments are not related to the tax paid directly by the self-employed but they have the effect of reducing the net yield from that sector. Some of the tax thus repaid was initially collected under PAYE or as Advance Corporation Tax and the gross figures for direct payments included in the table provide a more complete picture of the direct yield from the self-employed. Tax repayments in respect of BES and other investment incentives have already been taken into account in the direct payments figure. The direct payments figure includes tax payments made in respect of back-duty settlements.

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

Withholding Tax: This is tax deducted under the provisions of Chapter 1, Part 18, Taxes Consolidation Act 1997. This represents tax deducted at source from fees for professional services provided to state agencies and certain other designated bodies.

Customs Duties and CAP Import Charges

Customs Duties and Common Agricultural Policy (CAP) import charges are collected on a wide range of goods imported from non-European Union countries. Ninety per cent of the amount collected is paid to the EU as part of the Irish contribution to the EU Budget known as 'Own Resources'. The remaining 10% is retained by the State as collection expenses.

In 1998 the amount collected on Customs Duties and CAP import charges came to £159.6 million, compared to £179.7 million in 1997 and a budget estimate of £176 million. The lower amount collected is due to the continuing reduction in 1998 duty rates, arising from the implementation of the Uruguay round of GATT and the mid-1997 International Information Technology Agreement.

Excise

Excise receipts of £2,824.8 million increased by £302.2 million (12%) on 1997, reflecting continuing strong growth in consumer spending, as well as the impact of the Budget increases in the duties on petrol and tobacco. This outturn is £165.8 million (6.2%) ahead of Budget estimate.

Once again Motor Vehicle Registration Tax (VRT) receipts in 1998 exceeded forecast, this time by £74.3 million (18.1%). Gross receipts for VRT amounted to £525.8 million, an increase of £71.5 million (15.7%) on 1997, while repayments under the various repayment schemes amounted to £41.4 million. These figures reflect a record year for new car registrations which numbered more than 146,000 i.e. over 9,000 up on the 1997 record.

Substantial year-on-year increases were also recorded for the Oils and Tobacco sectors, with the former yielding £1,028.4 million (up 15% on 1997) and the latter £616.3 million (up 7.6% on 1997). The tobacco increase partly reflects the success of action taken by Revenue and the Gardaí against illegal street trading.

Value Added Tax

VAT receipts for 1998 amounted to £4,267 million. This figure was substantially up on the 1997 yield by £560.2 million (15.1%) and exceeded the Budget estimate by £250 million (6.2%), again reflecting continuing consumption buoyancy and strong underlying growth in the economy.

Capital Acquisitions Tax

Capital Acquisitions Tax is comprised of inheritance, gift, discretionary trust and probate taxes. The overall yield for 1998 was £111.7 million, an increase of 26% over the 1997 figure of £88.8 million and an excess of 21.4% (£19.7 million) over the Budget estimate. The increased yield reflects the continued buoyant economic conditions and the increase in asset values.

Capital Gains Tax

The yield of £193.1 million from Capital Gains Tax in 1998 exceeded the Budget estimate by £89 million and was up by £61 million on the 1997 outturn. £17.6 million of the excess can be attributed to the once-off effect of a number of large settlements and the balance to increased activity and possibly the initial impact of the reduction of the rate of tax in the 1997 Budget.

Stamp Duties

The yield from Stamp Duties for 1998, at £541.2 million, shows an increase of nearly £117 million over the 1997 outturn. The yield from share transfers, at around £127 million, reflects an increase of some 82% on 1997. The yield from property transfers increased by about 20% to around £304 million. The 1998 yield exceeded the Budget estimate by almost 16% (£74.2 million).

Corporation Tax

The yield from Corporation Tax in 1998 exceeded the Budget estimate by £133 million, or almost 7%, and was up by almost £362 million on the 1997 performance. The growth is attributable mainly to a general increase in the taxable profits of companies and the strong growth in the formation of new companies.

Income Tax

The net receipts from Income Tax in 1998 exceeded the Budget estimate by £220 million (4%) and were up £534 million on the corresponding figure in 1997. Ongoing sizeable increases in numbers at work, employee remuneration, tax payments by self-employed taxpayers and DIRT receipts were the main factors which influenced the outcome.

Chart 1 Indirect Tax Net Receipts

Over £7,090 million was collected in VAT and Excise receipts in 1998.

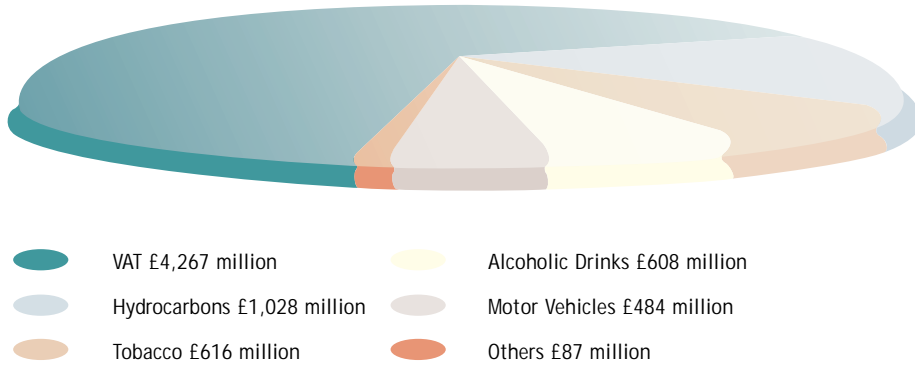
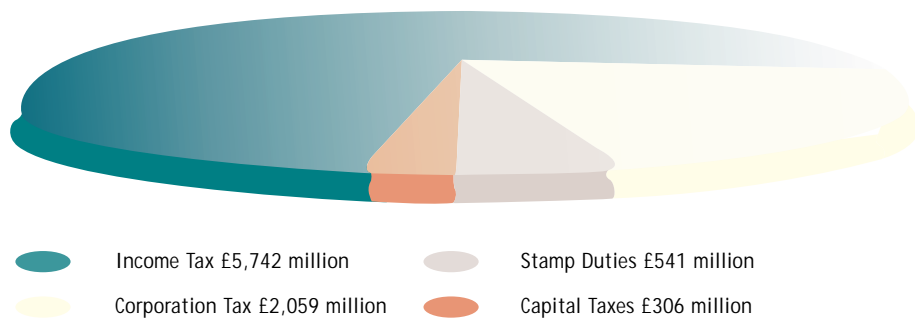


Chart 2 Direct & Capital Taxes Receipts

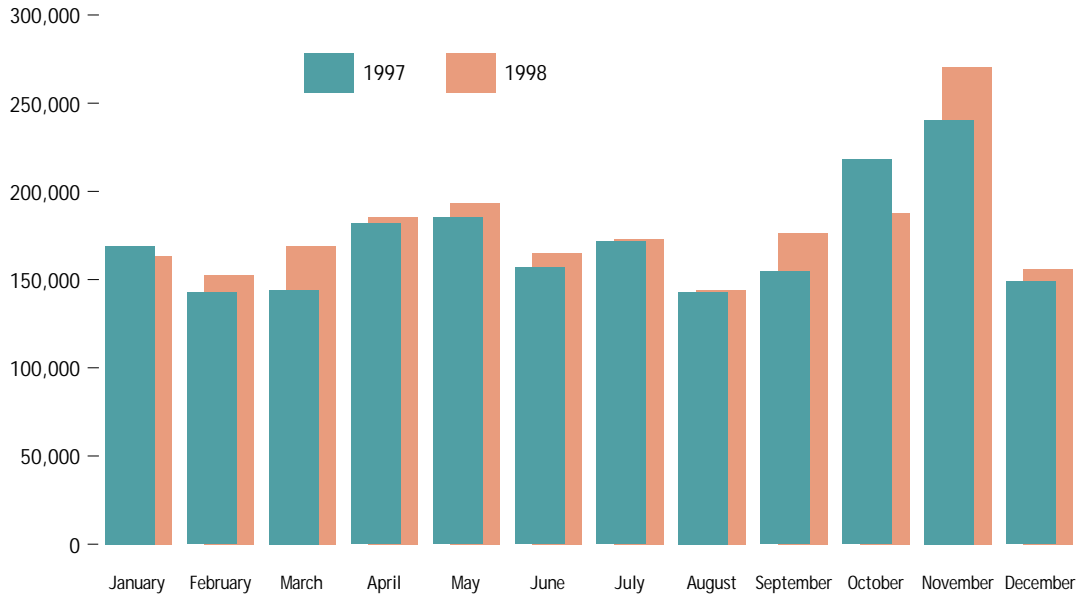
A total of £8,648 million was collected in Direct and Capital Taxes receipts in 1998.



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

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

Chart 3 Payment Items to the Collector-General - 1998 v 1997



The largest amount of payments in a single day to the Collector-General was £766.5 million. The highest number of items processed in a single day by the Collector-General was 45,650.

Debt Management

Revenue's debt management strategy aims to reduce the amount of accumulated debt on record, to increase timely payment compliance and minimise the rate of accumulation of new debt. The elimination of older nominal debt, much of which was based on unrealistic estimates where there is little or no likelihood of collection, ensures that resources are not wasted in pursuing old tax at the expense of current collection.

We set ourselves a target of eliminating, by the end of 1999, £1 billion of the Revenue debt of £2 billion as at the end of May 1996. This debt comprises historical debt of £1.6 billion as well as more current arrears. The target is well on the way to being achieved and now stands at £1.16 billion which represents 8% of the net annual tax collected. Compared with 1988 when the overall debt as a percentage of net annual tax collection was 57%, the latest figures reflect the progress on our debt management strategy. This reduction is achieved by continuing the debt management programmes outlined last year, including write off of uncollectable tax in accordance with the overall policy and procedures agreed with the Comptroller and Auditor General. Revenue will continue to develop debt management strategies and account for debt in accordance with best practice. The amount of debt written off in 1998 at £216m was a reduction on the 1997 figure, reflecting the decreasing element of our historic debt.

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

Year	Total arrear £	Taxes collected £	Total arrear as a % of taxes collected
1988	3,501m	6,100m	57%
1989	2,985m	6,242m	48%
1990	2,718m	6,763m	40%
1991	2,538m	7,247m	35%
1992	2,437m	8,037m	30%
1993	2,215m	8,524m	26%
1994	2,057m	9,427m	22%
1995	1,978m	9,870m	20%
1996	1,690m	11,468m	15%
1997	1,329m	12,794m	10%
1998	1,167m	14,280m (<i>Provisional</i>)	8%

Revenue's Statement of Strategy 1997-1999

Main achievements and initiatives in 1998

- The 1998 Budget target was exceeded by £935 million.
- The level of debt owing to Revenue was reduced by £216 million.
- Prosecutions for all tax and customs offences increased in 1998. Prosecutions for serious tax offences were completed in six cases. Convictions were obtained in all six cases.
- Revenue audits were carried out in 19,260 cases and yielded £160.7 million.
- 6,040 visits were made to check the operation of PAYE/PRSI in the Construction Industry sector.
- Collection enforcement programmes directly yielded £69.6 million from 56,000 cases.
- An updated Code of Practice for Revenue Auditors was published.
- The Customs National Drugs Team seized drugs with an estimated street value of more than £42 million.
- Revenue's customer service standards were published.
- Preparations were completed to provide services in euro to customers in time for the introduction of the single currency on 1 January 1999.
- A new integrated direct debit payment scheme for PAYE/PRSI and VAT was introduced.

- A simplified registration form for small traders was developed.
- A major review of Revenue powers was completed and proposals for new legislation were made to the Minister for Finance.
- Guidance notes on the Taxes Consolidation Act, 1997 were published, and the consolidation of Stamp Duty and Excise legislation was advanced.
- Revenue contributed to the development of the new 12.5 per cent Corporation Tax regime.
- The date for submission of employers' P35 returns was extended and a new penalty system was introduced for failure to file P35 returns on time.
- Seven new tax treaties were negotiated, and a protocol to the existing treaty with the UK was signed.
- Revenue's management, trade unions and staff inaugurated partnership structures in accordance with Partnership 2000.
- Action to make our computer systems ready for the Year 2000 continued and is on target.
- Development of Integrated Taxation Processing (ITP), which provides a common tax administration framework for collection, assessment, billing and accounting, was completed in 1998.

Table 4 **Volume of Business**

Items processed	Volume in 1998
Income Tax Self Assessment	
Returns	281,726
Repayments	146,757
Capital Gains Tax	
Returns	23,564
CG50 Applications	15,338
Corporation Tax	
Returns	67,909
Repayments	16,312
P35 Returns	
Employers	139,000
Employments	2,200,000
Number of Refunds	11,785
International Claims	
Number of Repayments to non-residents	3,448
Value of Repayments to non-residents	£17.3m
PAYE Employee Reviews	394,441
Relevant Contracts Tax	
C2s (Sub-contractor's certificates) Issued	36,796
Repayments	62,632
C47s (Payment card authorisations) Issued	132,353
New Business Registrations	
Income Tax	31,812
VAT	27,498
PAYE and PRSI	22,654
Corporation Tax	11,090
Relevant Contracts Tax	853
'New Business' visits	6,662

All Taxes	
Correspondence	4,136,617
Personal Callers	797,673
Telephone Callers	3,854,768
Page 'hits' on the Revenue website (www.revenue.ie)	663,004
Number of payment items received by the Collector-General	2,140,195
Value of payment items received by the Collector-General	£16,400m
Number of VAT claims received	207,458
Value of VAT claims repaid	£1,343.8m
Number of tax clearance certificates issued	72,499
Customs and Excise Declarations	
Number of Single Administrative Documents	811,748
Number of new and used vehicles registered	248,761
Number of INTRASTAT/declarations processed	105,000
Number of VIES declarations processed	27,400
Capital Taxes	
Inland Revenue affidavits and Probate Tax Returns	16,000
Gift/Inheritance and Discretionary Tax Returns	11,000
Applications for Residential Property Tax clearance certificates	5,500
Returns in relation to Companies Capital Duty and Composition Duty and Levies	7,500
Instruments presented for marking and stamping	402,000

Table 5 Cost of Administration as a Percentage of Gross Receipts

1994	1995	1996	1997	1998
1.23%	1.26%	1.10%	1.02%	0.98%

Cost of Administration - 1998

Gross Receipts:	£17,966.8 million*
Cost of Administration	£176 million

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



Accounting for our Performance

Introduction

The accountability of public sector organisations is central to achieving high levels of performance and ultimately in retaining the confidence of the people they serve. Like all other public sector bodies, the extent and range of our accountability has increased significantly in recent years. Internally we have enhanced existing monitoring arrangements. Externally our performance is monitored by the Minister for Finance, the Comptroller and Auditor General, the Public Accounts Committee and other Oireachtas Committees, the EU Commission, the European Court of Auditors, the Ombudsman and the Information Commissioner. Individually taxpayers may also of course take cases on appeal to the Appeal Commissioners or the Courts. For the future we shall continue to work to ensure that we conduct our business in as open and transparent a manner as possible while respecting taxpayer confidentiality.

Internal Monitoring of our Performance

Within Revenue and in line with our Statement of Strategy, we continue to monitor and enhance our performance measurement and reporting arrangements, in order to focus our resources on the achievement of our goals. This is increasingly important as our volume of business increases and our business environment becomes more complex. For example, the number of taxpayers and business registrations has increased by almost 44% from 1.6 million in 1987 to 2.3 million in 1998.

The annual tax yield is the headline indicator of Revenue's performance. However, we also use a range of other indicators to monitor our performance against the targets we have set in our three-year Statement of Strategy and our annual business plans. The extent to which we achieved some of the main targets is set out in Chapter One.

Internal Audit plays a vital role in ensuring that our systems, procedures and controls are of the highest standard. Revenue is committed to maintaining and supporting a quality Internal Audit function and, to this end increased staff resources were deployed on Internal Audit during the year. In addition, and in line with best practice in the private sector, Revenue broke new ground by establishing an Audit Committee in December 1998. This Committee consists of six members, five of whom including the Chairperson come from outside Revenue. The Committee is comprised of senior officers from a variety of bodies and brings together a wide repository of expertise in the management and audit of large organisations. The role of the Audit Committee is to oversee the Internal Audit function in Revenue and to advise the Board on the operation and development of that function. The role is set out in detail in a Charter agreed with the Committee.



Revenue Audit Committee

Left to right: Catherine Treacy - Chief Executive and Registrar of Deeds and Titles, Land Registry/Registry of Deeds, Noel O'Connell (Vice-Chair) - Inspector of Audits, Department of the Environment and Local Government, Alice O'Flynn (Chair) - Assistant Secretary, Department of Social, Community & Family Affairs, Aidan Horan - Senior Specialist, Finance and Planning Unit, Institute of Public Administration, Donal Cahalane - Head of Internal Audit, Central Bank of Ireland, Michael O'Grady - Assistant Secretary, Revenue.

The remit of our Internal Audit function covers all activities in the Office, including direct and indirect taxes, EU 'Own Resources' (customs duties) and internal processes such as procurement and payment procedures. Our Internal Audit staff together with officials of the EU, monitor the operation of the EU 'Own Resources' system in Ireland.

Minister for Finance

Revenue's Statement of Strategy has been approved by the Minister for Finance and we report to the Minister in our annual report on our performance in reaching our targets.

Monitoring by the Comptroller and Auditor General

The Comptroller and Auditor General conducts ongoing audits of Revenue's receipts and expenditure, and of our systems, procedures and practices. The Comptroller and Auditor General also conducts value-for-money examinations of specific functions and work programmes.

In 1998, the Comptroller and Auditor General concluded work on seven value-for-money examinations. Revenue was included in three of these examinations:

- Use of Sheriffs and Solicitors in the Collection of Taxes.
- Consultancies in the Civil Service.
- Year 2000 Compliance Projects.

The first of these Reports deals with the collection and enforcement of VAT, Employers' PAYE/PRSI and self assessed Income Tax/Corporation Tax. The Report found that:

- New systems introduced by Revenue in the past five years, which progressively changed its procedures and systems for debt management, have led to greater efficiency in the use of resources for tax collection.
- The quality of cases being referred for Sheriff and Solicitor enforcement has improved and this is reflected in a higher percentage of Sheriff Certificates returned paid.
- The revised arrangements for Sheriff remuneration introduced in November 1998 may strengthen the deterrent effect of enforcement by increasing the costs to be borne by the defaulting taxpayer.

The Report proposes that:

- Revenue should explore ways of ensuring that defaulting taxpayers carry the full cost of Solicitor action.
- Revenue should conduct more regular review of cases where collection has been suspended while under enquiry.

These recommendations are being considered as part of our ongoing review of systems.

The second Report examined the use of external consultants by Government Departments, including Revenue, in the period 1994 to 1996. Arising from the recommendations contained in the Report 'Guidelines for the Engagement of Consultants in the Civil Service' were published by the Department of Finance in May 1999. The Guidelines have issued to assist Departments in engaging consultants and we will ensure that the Guidelines are followed in Revenue.

In his third Report referred to above, the Comptroller and Auditor General examined how Year 2000 compliance work has been organised and managed in four Government organisations and two State Agencies. Revenue was included in this examination in respect of four of our most important information technology systems. The Report, which was published in May 1999, confirmed that projects are proceeding according to plan and that the solution strategies adopted by Revenue were carefully formulated and evaluated in advance. Revenue's timeliness of planning and its monitoring and reporting arrangements were identified as 'good practice'. However, the examination also found that earlier development of Year 2000 compliance solutions and earlier requests for finance would have improved the Year 2000 projects. It also found that extra features were added to some programs without proper assessment of their impact on the project.

Public Accounts Committee

As Accounting Officer, the Chairman of the Revenue Commissioners appears regularly before the Committee of Public Accounts to deal with issues arising from the Annual Report of the Comptroller and Auditor General and other matters relating to Revenue's activities.

The Chairman appeared before the Committee of Public Accounts on a number of occasions in 1998 regarding the collection and payment of Deposit Interest Retention Tax by financial institutions, following disclosures and allegations in relation to Allied Irish Banks. A Dáil Resolution subsequently requested the Comptroller and Auditor General to carry out an investigation into this matter and legislation enabling him to do so was passed by the Oireachtas in the Comptroller and Auditor General and Committees of the Houses of the Oireachtas (Special Provisions) Act, 1998. Revenue has co-operated, and will continue to co-operate fully, with both the Comptroller and Auditor General's investigation and future deliberations by the Committee. The Chairman also appeared before the Joint Committee on Finance and Public Service.

Monitoring by other Oireachtas Committees

Revenue officials appear as required before a number of Oireachtas Committees, including the Joint Committee on Finance and Public Service and the Joint Committee on Enterprise and Small Business. The establishment of an All-Party Oireachtas Committee on the Strategic Management Initiative (SMI) was announced by the Government in February 1998. The Committee's brief is to consider and report to both Houses of the Oireachtas on the progress of the programme of modernisation for the Civil Service. Revenue was the first Government agency invited to make a presentation to the Committee and we provided details of our Customer Service Policy to the members in March 1998. Committee members commented very positively on the progress Revenue has made over the past number of years in delivering quality services to our customers.

Accountability to Institutions of the European Union

External auditing of Revenue is also undertaken by EU institutions, principally the European Court of Auditors. There is a concerted drive by the EU Member States and the Commission to co-ordinate the activity of all EU Customs services - so that they are seen to be operating as a Union-wide service - through the Customs 2000 and Customs 2002 programmes. This is reflected in our accountability to the Commission, to the Court of Auditors and to the European Parliament, as they are concerned that EU Customs services are delivering the objectives of these modernisation and effectiveness programmes.

Considerable importance is attached by Revenue to ensuring that customs controls on agricultural products eligible for CAP export refunds are performed to a very high standard. The role of Customs here is vital because the EU Commission can disallow FEOGA Guarantee expenditure where EU rules are not complied with or where weaknesses are found in control systems. To this end, Revenue's CAP Audit and Analysis Unit carried out on-the-spot checks during the year at nineteen different Customs offices throughout the State as part of an ongoing monitoring programme to ensure that the control arrangements in place and the manner in which they are implemented comply fully with EU rules.

The Ombudsman

Since 1984, the Ombudsman has played a vital role in ensuring that Government Departments and agencies, including Revenue, act in a manner which is reasonable, fair, and focused on the citizen. In 1998, 123 complaints relating to Revenue were made to the Ombudsman accounting for less than 5% of the total complaints made. During the year, the Ombudsman finalised 139 complaints relating to this Office. The tables below analyse the complaints in more detail.

Table 6 Complaints Relating to Revenue made to the Ombudsman in 1998

Subject	No. of complaints
Income Tax	66
Customs & Excise	12
Failure to reply to correspondence	12
Value Added Tax	7
Other matters	26
Total	123

Table 7 Complaints Relating to Revenue dealt with by the Ombudsman in 1998

Outcome	No. of complaints
Not upheld	55
Withdrawn	3
Discontinued	44
Assistance provided to complainant	30
Resolved	7
Total	139

Table 8 Complaints Relating to Revenue made to the Ombudsman, 1989-1998

Year	No. of complaints	Year	No. of complaints
1989	171	1994	161
1990	185	1995	116
1991	177	1996	138
1992	168	1997	135
1993	153	1998	123

Freedom of Information

Revenue successfully implemented the requirements of the Freedom of Information Act, 1997 with effect from its implementation date, the 21st of April, 1998. The purpose of the Freedom of Information Act is to provide the public with a legal right of access to information held by public bodies to the widest extent possible consistent with the public interest and the right to privacy.

All requirements under the Act were met. Section 15 of the Act required us to produce a guidebook on the structure of the Office and the type of records which we hold. This was distributed to all Revenue public offices and local libraries. Copies were sent to the National Social Services Board for onward distribution to their local offices. Section 16 of the Act required us to publish the set of instructions which our staff use in making decisions. This was produced in electronic format and was made available for public access at eleven Revenue sites and most public libraries. The publication was produced on CD-ROM for distribution free of charge to public libraries with CD-ROM facilities and for a fee of £15 to all others. Sections 15 and 16 are also available on our website. It has been publicly noted that, across all of the countries where freedom of information legislation has been implemented, this Office was the only Revenue authority to meet its obligation by the implementation date.

Table 9 Freedom of Information Requests Received in 1998

Requests received	305
Requests requiring decision	290
Full information released	166
Part information released	71
Request for information refused	53
Requests for Internal Review	70
Internal Review decisions made	70
Original decision affirmed	48
Original decision varied	20
Original decision annulled	2
Information Commissioner Appeals	36
Information Commissioner decisions made	4
Decision affirmed	1
Decision varied	3
Decision annulled	0

Prompt Payment of Accounts Act, 1997

Revenue is complying fully with the terms of the Prompt Payment of Accounts Act, 1997 since it came into operation on 2 January, 1998.

Payments for goods and services are being made by the prescribed payment date, with the exception of a very small proportion of cases (details of which are given below), where interest penalties have been paid in accordance with Section 4 of the Act. Written contracts generally have payment periods of thirty days and no attempt is made to contract for payment dates longer than forty-five days which it is felt would not be in keeping with the spirit of the Act.

In February 1999, the existing database system was replaced with a new integrated financial management system which will further reduce the incidence of late payments.

Table 10 Prompt Payment of Accounts Act Statistics, 1998

Total value of all payments	£47,991,914
Total value of all late payments (Under £250 inclusive)	£672,961
Value of late payments in excess of £250	£649,899
Value of late payments as % of total payments	1.41%
Number of late payments in excess of £250	184
Amount of interest paid	£3,950
Amount of interest as a % of total payments	0.008%
Broad indication of length of delays (Invoices in excess of £250)	Average delay 28 days



www.rysure.co.uk

Compliance, Audit and Enforcement

Introduction

We recognise that while Revenue's approach to tax and customs duty collection and administration is based on achieving the highest possible levels of voluntary compliance, there will always be those who seek to evade their obligations under the law. We are committed to the vigorous pursuit of non-compliance, whether for failure to file returns, failure to file correct returns, failure to pay tax or duty as it falls due, failure to comply with statutory obligations or outright evasion. The key elements of our approach, as set out in our Statement of Strategy, are:

- Identification of all those who are liable for taxes and duties.
- In-depth investigation of persons or groups engaged in evasion.
- Risk-based auditing to test the accuracy of returns and declarations.
- Consistent enforcement of outstanding liabilities.
- Prosecution in appropriate cases of serious tax evasion.

In addition to the key role of our Customs National Drugs Team for prohibiting illegally imported drugs, Revenue has also established itself as a significant partner with other arms of the State in countering the pernicious drugs trade. Assets arising from criminal activity, particularly the drugs trade, are coming under increasing scrutiny and attack by the Criminal Assets Bureau (CAB). Revenue assists and co-operates with the CAB through the provision of staff, information and general support. We are involved too in countering other forms of illegal activity and these are also detailed in this chapter. The results of our prosecution programme are detailed in the next chapter.

In 1998 the main achievements in our Compliance, Audit and Enforcement Programmes included:

- Total receipts of £160m from audit programmes.
- Yield of £69m from collection enforcement programmes.
- Publication of an updated Code of Practice for Revenue Auditors.
- The seizure of drugs with a street value in excess of £42m by the Customs National Drugs Team.

Investigations and Tribunals

DIRT and Financial Institutions

In January 1998, Revenue commenced an examination of the operation of non-resident accounts by financial institutions. In the initial phase institutions were requested to provide certain information to facilitate the proposed examinations. This was followed by inspections which commenced in April 1998. By the end of the year inspections of a sample of, or in some cases all of, the declarations of non-residence held by twenty-one financial institutions had taken place, using the limited powers then available to Revenue. Further inspections took place in 1999 and to date the examinations have covered thirty-three financial institutions. Better audit powers in relation to DIRT were sought in proposals made by Revenue towards the end of the year to the Minister for Finance and significant new powers were introduced in the Finance Act, 1999. The programme has now been extended using the new powers. Chapter Two covers the DIRT inquiry by the Comptroller and Auditor General and Public Accounts Committee.

National Irish Bank Investigation

In January 1998, Revenue became aware of 'offshore' investments made by individuals via the National Irish Bank group and sought statutory returns from the group. As a result enquiries, most of which are ongoing, were commenced into the returns of 419 individuals. Indications are that a significant amount of the funds invested was from sources not previously disclosed for tax purposes. Consequently, Revenue expect that there will be significant additional tax, interest and penalties levied in these cases and that publication of names will apply in some of these cases in accordance with tax law. In fifty of the cases, the enquiries were completed by 31 December 1998 giving rise to recovery of tax, interest and penalties of £1.14million. In addition, six cases are being investigated with a view to prosecution through the courts.

Tribunals and Tax Evasion

Revenue is co-operating fully with the Moriarty Tribunal and with the Flood Tribunal in their enquiries. In November 1998 Revenue made a written submission to the Moriarty Tribunal covering the various areas in the Tribunal's terms of reference which relate to Revenue. Investigations by Revenue into suspected tax evasion arising out of the matters disclosed at the Tribunals are ongoing. Cases resulting from the McCracken Tribunal are at various stages of investigation or processing.

Pick-Me-Up Schemes

During the year, Revenue learnt of certain irregular tax arrangements for the financial support of a number of political parties. These arrangements were commonly known as 'pick-me-up schemes'. Under such schemes, the bill for an expense incurred by a political party for goods or services supplied to it was by arrangement, invoiced by the supplier to another trader who wished to support the party and that other trader paid the supplier. Such payments for political parties were not deductible for tax purposes, the relevant VAT was not reclaimable and invoices which were issued were not in accordance with legal requirements. While some traders treated their payments correctly for tax purposes, others did not.

In investigating the matter, Revenue have communicated with all persons concerned. Tax liabilities have been established in certain cases and payments on account of these liabilities have been made (a total of some £135,000). Enquiries are continuing.

Returns Compliance

Revenue's compliance programme for tax returns aims to improve voluntary and timely compliance and focuses on the pursuit of late filers and persistent non-filers of returns.

Revenue's early response campaign to tackle the problem continued in 1998. These cases are worked under a rapid pursuit programme and are pursued to audit, prosecution and enforcement where appropriate. In 1998 over 10,000 visits were carried out by Revenue staff throughout the country and over 41,000 cases were reviewed.

Table 11 Cases Reviewed Under 1998 Returns Compliance Programmes

	Income Tax	Corporation Tax	Total
Cases settled by receipt of Return(s)	23,687	6,735	30,422
Cases found to be ceased, dormant, dissolved, or deemed to have no liability	7,671	3,243	10,914
Total	31,358	9,978	41,336

Chart 4 Income Tax Returns Compliance

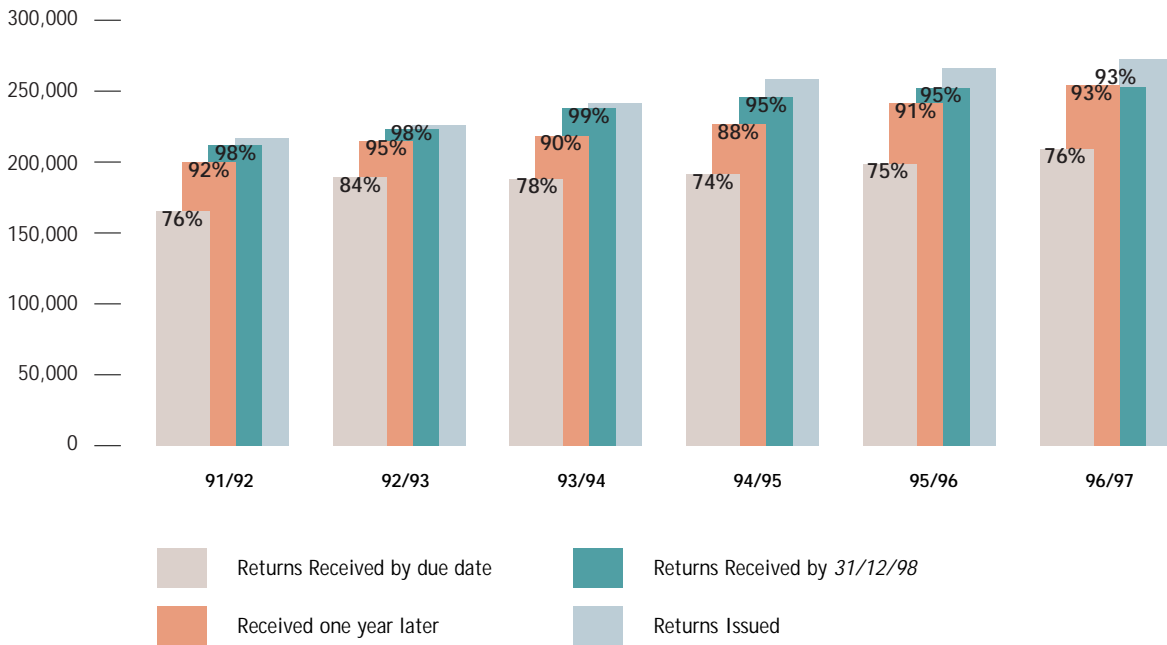
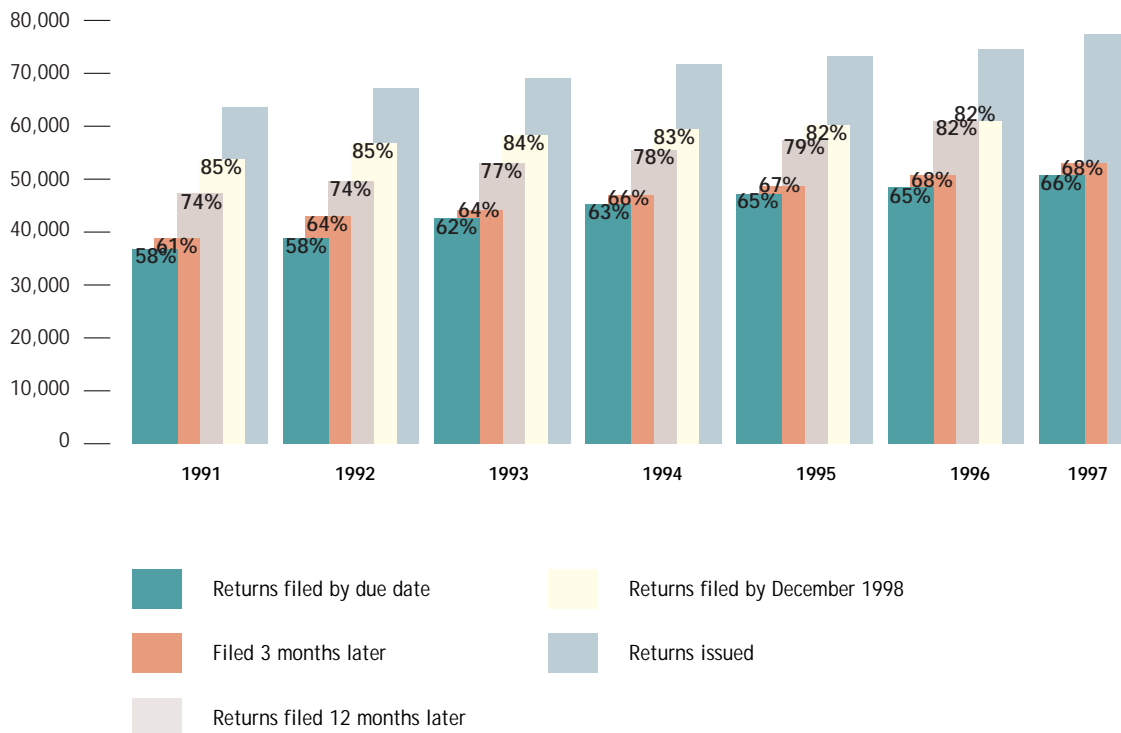


Chart 5 Corporation Tax Returns Compliance



Employer (P35) Compliance

As illustrated in Table 12, 96.5% of employers had filed their P35 for the tax year 1997/98 by the end of 1998. These accounted for 99.8% of all employments.

Table 12 Percentage of Employer (P35) Returns filed at the relevant year end in the period from 1993/94 to 1997/98 inclusive

Year	Employers*	Employments**
1993/4	94%	99.3%
1994/5	94%	99.4%
1995/6	95%	99.4%
1996/7	96.5%	99.8%
1997/8	96.5%	99.8%

* % of employers who have submitted returns

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

Audit

Tax Audit Programme

During 1998, £160 million was identified as a direct result of tax audit activity. Of this, £157 million was received currently, with the balance to be received in future years.

Code of Practice

During 1998, the *'Code Of Practice for Revenue Auditors'* was updated and published to reflect the stronger stance being taken against non-compliance. Full statutory interest as well as penalties in accordance with a set framework will be charged in audit cases. The Code also sets out the range of offences which will be considered for prosecution.

The Code of Practice together with the *'Revenue Audit Guide for Small Business'*, which is issued with audit notification letters, inform taxpayers about audit objectives and explain the framework within which Revenue audits are carried out.

Table 13 Summary Results of Audit Programmes

Audit Type	1998		1997	
	No.	Yield £m	No.	Yield £m
Comprehensive	3,283	61.6	3,635	*60.1
VAT	9,162	45.3	7,764	38.9
PAYE Employers	4,423	14.0	5,095	14.1
Relevant Contracts Tax	996	3.7	1,856	8.1
Investigation Branch	22	1.3	77	3.7
Anti-Avoidance	16	2.9	20	2.4
Capital Acquisitions Tax	293	3.3	315	3.3
Residential Property Tax	1,065	1.0	2,024	1.2
Audits/Additional Tax	19,260	133.1	20,786	131.8
Arrears Collected		27.6		22.2
Total Audits/Audit Yield	19,260	160.7	20,786	154.0

* This figure represents the total yield from comprehensive audit in 1997. The figure published in our 1997 Annual Report (£55.4m) represents actual payments received by auditors. The balance comprises tax savings in future years arising from restriction of losses (£4m) and audit undercharges referred to the Collector General for enforcement action (£0.7m). The equivalent figures for 1998 are £2.3m for restriction of losses and £0.7m for tax sent to enforcement.

Relevant Contracts Tax Visits

In October 1997, a project commenced to check whether persons who were registered as self-employed sub-contractors were in fact correctly registered or whether, instead, they should pay tax and PRSI through the PAYE/PRSI system. In total 6,420 visits were carried out, 6,040 of which were in 1998. The tax registration status of over 63,000 sub-contractors was reviewed and it was found that about 12,000 should have been treated as employees rather than self employed sub-contractors. Corrective measures were taken as necessary and these taxpayers will continue to be monitored in future years as part of the normal audit programme.

Anti-avoidance

During the year, tax avoidance measures were successfully challenged in sixteen cases. The additional tax yield was £2.9m.

The general anti-avoidance provision, Section 811 of the Taxes Consolidation Act, 1997, aims to defeat the effects of transactions which have little or no commercial reality and are intended primarily to avoid liability to tax. This provision was invoked in a number of cases during the year.

A number of amendments to close loopholes and clarify the legislative intention were incorporated in the Finance Act, 1998. These amendments dealt with the basis of assessment on commencement of a trade or profession, the transfer of assets abroad and the restriction of certain reliefs available in certain types of partnerships.

Customs Audit Programme

A total of 304 audits were completed in 1998 of which:

- 34% indicated no irregularities.
- 40% resulted in an additional yield of Customs duty which amounted to £1.7 million.
- 12% resulted in a repayment of Customs duty overpaid totalling £714,000.
- 14% resulted in non-monetary discrepancies.

FEOGA Audits

In 1998, Revenue audited the commercial records of forty-six companies which had received export refund payments of £499 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.

Enforcement

Collection Enforcement

In 1998, sheriff and solicitor enforcement continued to be the most common and effective enforcement options used by Revenue to collect outstanding taxes. The decrease in the number of referral items reflects the phased introduction of a new computerised system whereby all outstanding tax liabilities in a particular case are consolidated, resulting in less frequent but larger enforcement referrals. Attachment of defaulters' assets also continues to be used by Revenue as an effective enforcement tool. Other forms of enforcement are considered as appropriate in individual cases.

Table 14 Collection Enforcement

		1998	1997
Solicitor	Items referred	3,588	4,179
	Payments received	£14.7m	£9.9m
Sheriff	Items referred	52,277	63,057
	Payments received	£54m	£58m
Attachment of Assets	Number of cases where attachment was used	131	172
	Yield from attachment	£0.9m	£2.8m

Insolvency

During 1998, as part of its overall approach to debt collection and enforcement, Revenue was actively involved in liquidations and receiverships. During the year, over 100 of the most important creditors meetings were attended by Revenue staff. Revenue also played a proactive role subsequent to the meetings in seeking appointment to committees of inspection and in Court attendance. Revenue also supported liquidators and receivers in various aspects of their activities for example in taking action against directors. The proactive approach to cases in receivership resulted in the finalisation of 585 cases in 1998 and the payment of £2m in tax and interest. It is intended to increase and develop this proactive approach to insolvency matters in 1999. Revenue is determined to increase the pressure on phoenix syndrome operators (i.e. those who set up a new business while leaving tax and other debts unpaid in an earlier business) and those engaged in corporate tax abuse.

Vehicle Registration Tax Enforcement

A nationwide programme to identify and eliminate breaches of Vehicle Registration Tax (VRT) continued throughout 1998.

Table 15 VRT Enforcement

Number of vehicles challenged by Revenue	21,489
Number of detections involving minor delays in registration	2,280
Number of vehicles seized	584
Value of vehicles seized	£5,634,147
VRT recovered as a result of detection	£1,018,041
Penalties imposed for the release of seized vehicles	£161,017
Amount of VRT recovered from seizures and other offences	£223,893
Cases reported for prosecution	113
Number of compromise settlements in lieu of proceedings	50
Amount paid in lieu of proceedings	£16,640

Black Economy

Revenue operations undertaken in 1998 which specifically focused on black economy (sometimes now referred to as 'shadow' economy) activity included the following:

- Revenue continues to participate fully in the Black Economy Monitoring Group which includes representatives from the Department of Social, Community and Family Affairs, employers and Trade Unions. The Group, which meets regularly, monitors trends in black economy activity, with a particular focus on distortions in competition which are of concern to the Social Partners.
- Joint Inspection Units (JIUs) continue to operate in conjunction with the Department of Social, Community and Family Affairs. The JIUs carry out joint inspections at Employers' premises, mainly with a view to targeting cases where there is evidence of non-operation of PAYE/PRSI on the part of the employer and 'working and signing' on the part of employees.
- The Revenue Mobile Service took part in several Multi-Agency operations during the year which were set up to target evasion of tax or non-compliance with regulations by companies or individuals operating in the Heavy Goods Vehicles (HGVs)/Commercial Transport sector of the economy. Revenue personnel participated in these projects alongside officers from the Garda Síochána, the Department of Social, Community and Family Affairs and the Department of the Environment.
- The Revenue Mobile Service expanded its operations in intelligence gathering.

During 1998 Revenue continued to detect unregistered cases and previously undeclared sources of income in our programme to counter black economy activity, details of which are contained in Table 16. There was a significant increase in 1998 in the number of cases detected that had not previously been registered for tax. This was primarily due to growth in the economy generally and to the deployment of additional resources on the detection of non-compliant individuals.

Table 16 Special Enquiries

	1998	1997
Number of cases detected not previously on record	1,693	1,000
Number of persons already on record with unreturned income	2,399	2,169
Total number of detections	4,092	3,169
Referred to investigation	2	2
Referred to audit	480	518

Drugs and Smuggling

Revenue Mobile Service

In our Statement of Strategy, we stated our intention to develop the Customs Mobile Task Units as an Office-wide resource for the collection of information, gathering of intelligence, combating the black economy and general compliance operations. Following a review of the Mobile Task Units, a new restructured Revenue Mobile Service (RMS) was established late in 1997. In 1998, the RMS played an active role in Customs & Excise enforcement business such as Vehicle Registration Tax, hydrocarbon oil (green diesel) sampling and anti-smuggling operations, and their success in these activities is reflected elsewhere in this chapter. In addition, we began to develop the RMS as a key force in tackling the black economy through intelligence gathering and the identification of traders operating outside the tax system.

A commercial plant constructed and designed solely for the removal of prescribed markers from Marked Gas Oil was discovered in the Dundalk area. Marked Gas Oil was illegally imported from Northern Ireland concealed in a bulk dry cement tanker and transported to a secluded building where it was converted through a laundering process to a finished product and distributed to retail outlets in a regular oil tanker. This major fraud with a potential annual risk to Revenue of £1.5 million was detected as a result of a surveillance and intelligence gathering operation by the Dundalk Revenue Mobile Service Unit.

Customs National Drugs Team

The street value of drugs seized by the Customs National Drugs Team (CNDT) during 1998 amounted to over £42 million, some £2 million of which was seized following joint operations with the Gardaí. Continued co-operation with domestic and foreign enforcement agencies contributed to seizures of drugs at home and abroad. In the course of 1998 the CNDT participated in a number of joint surveillance exercises with other members of the European Union under the auspices of the Customs Co-operation Council. These operations resulted in significant seizures of drugs, alcohol and tobacco throughout the EU. In addition to the seizures effected, the operations increased the operational capacity of the participating countries to combat transnational smuggling.

In the course of the year the CNDT participated jointly with the Revenue Mobile Service in a number of operations at home which resulted in significant seizures of alcohol and tobacco.

The Criminal Justice Act, 1994, provides for the seizure of drug-related cash at import or export from the State. Under this provision, the CNDT seized a total of £527,000 during 1998.

Table 17 Drugs Seizures by the Customs National Drugs Team

Type of drug	Quantity	Estimated street value
Heroin	1.33 kgs	£200,000
Cocaine	322.33 kgs	£39,052,588
Ecstasy	143 tabs	£1,716
Cannabis	335.34 kgs	£3,042,756
Physeptone/NAPS	1,960 tabs	£19,600
Amphetamine	1.029 kgs	£10,294
Khat	117.3 kgs	£119,400
Other	(Assorted drugs)	£8,185
	Total	£42,454,539

Cocaine Seizure by Cork Customs

In September 1998, Customs Officers discovered 320Kgs of cocaine concealed on board the catamaran 'Gemeos' in Kinsale Harbour, Co. Cork. The vessel had arrived from Panama. The drugs and vessel were seized and two men were arrested and charged with offences under the Customs Acts and the Misuse of Drugs Acts. The two individuals were convicted and jail sentences of twelve and twenty years were imposed. The estimated street value of the cocaine is in excess of £39 million. This seizure was the largest ever seizure of cocaine in the history of the State and one of the largest in the EU Member States in 1998.

Confidential Freephone - 1800 295 295

A total of 4,079 calls was received on the Customs Confidential Freephone during 1998. A number of these calls proved useful and assisted the CNDT in compiling important intelligence data on drug smuggling activities.

Tobacco Seizures

During 1998, Customs officers were successful in detecting and seizing large quantities of cigarettes being smuggled into the country at airports and ports and destined for the black market. The Revenue Mobile Service in a joint operation with Customs National Drugs Team officers seized 1,344,600 cigarettes from the vessel 'Rotans' which had arrived from Latvia with a consignment of timber. The cigarettes were discovered elaborately concealed amongst the consignment. The vessel and consignment of timber were also seized.

Table 18 Commercial Tobacco Seizures - 1998

Type	Number of Seizures	Quantity/ Number	Estimated Retail Value	Duties (Excise & VAT)
Cigarettes	184	8,418,934	£1,284,674	£994,029
Roll your own	117	5,643kgs	£819,993	£614,113
Total	301		£2,104,667	£1,608,142

General Smuggling

There were 863 cases of attempted smuggling detected in 1998. Some of these cases were dealt with by means of compromise settlements, the total proceeds of which came to £235,058.

Table 19 Additional Categories of Goods Seized by Customs

Type	Quantity/Value
Spirits	14,916 litres
Beer	85,766 litres
Wine	17,239 litres

Other goods seized by Customs included steroids, computer parts, live wild birds, motor vehicles, counterfeit clothing and pornographic material.



A Customs Officer examining counterfeit clothing seized in September 1998

Commercial Memoranda of Understanding (MOU) Programme

This initiative was introduced in 1993 following the elimination of Customs barriers in the European Union on completion of the Single Market. The programme's primary function is the improvement of information flows between Customs and the commercial sector. This permits the faster movement of legitimate traffic and allows Customs to focus attention on the illicit traffic in drugs and other contraband.

Three new agreements were concluded in 1998, bringing the total number of MOUs in operation to forty-one. The programme was evaluated during 1998 and is currently being reviewed with the objective of improving its effectiveness. Enhanced co-operation with the trading community continues to be an important factor in combating Customs offences, in particular drug smuggling.



Prosecutions

Introduction

Revenue have, for some time, recognised the importance of having a vigorous, effective prosecution policy for cases of serious tax evasion and this policy was further developed through 1998 in line with our Statement of Strategy. A manual for the guidance of investigators was issued which outlined prosecution procedures and provided related legal notes. Experienced Inspectors in Revenue's Investigation Branch now work full-time in the investigation of cases and in the preparation of reports for the Revenue Solicitor and the Director of Public Prosecutions. Cases unsuitable for prosecution are dealt with by way of monetary settlement to cover tax, interest and penalties. Revenue considered twenty-six cases for prosecution during the year and eight were selected for criminal investigation.

In 1998 the main achievements in the Prosecution Programme included:

- **Prosecutions for all tax and customs offences increased in 1998. Prosecutions for serious tax offences were completed in six cases. Convictions were obtained in all six cases.**
- **By the end of 1998, 4 cases were before the Courts, 4 were being prepared for prosecution and 18 others were at various stages of investigation.**
- **A total of 977 convictions for failure to file returns. In addition penalties were imposed in 588 cases for failure to submit P35 PAYE employer returns.**
- **In 1998, a total of 211 convictions for various customs offences were obtained. In addition compromise sums were agreed in a further 966 cases.**

Arising out of our experience in the prosecution programme, some key issues which were impeding the progress of prosecutions were identified. A number of suggestions were made for legislative change which would have the effect of enabling investigators to undertake their work in a more effective manner. Specific proposals for change were made to the Minister at the end of 1998, and a number of new powers were introduced in the Finance Act, 1999.

Prosecutions in Cases of Serious Tax Evasion

Results

During the year, a person who had been convicted of VAT fraud in 1995 and had failed to make full restitution of the monies defrauded was sent to prison for 10 months. Also during the year, prosecutions for serious tax offences were completed in six cases (see Table 20). Four of these had been investigated by Revenue and two by the Gardaí. Convictions were obtained in all of the cases and fines were imposed in five of them. A suspended prison sentence was imposed by the Courts in two of the cases.

In one of these cases, a company director pleaded guilty in the Circuit Criminal Court, Dublin to four charges of knowingly or wilfully delivering incorrect VAT and PAYE/PRSI returns. He also pleaded guilty under the Companies Acts, to a charge of carrying on the business of the company with intent to defraud the Revenue Commissioners. A 6 month prison sentence (suspended) was imposed, and he was bound to the peace for 3 years. An earlier disqualification from acting as a company director was reaffirmed.

In another case, a company director pleaded guilty in the Circuit Criminal Court in Galway to three charges of knowingly or wilfully delivering incorrect Income Tax returns and the company of which he was the proprietary director pleaded guilty to six charges of knowingly or wilfully delivering incorrect accounts and Corporation Tax returns. The director also pleaded guilty to being complicit in the offences committed by the company. The company was fined £12,000 and the director was sentenced to imprisonment for 2 years (suspended) in respect of each charge. A recovery of over £1 million in tax, interest and penalties was made in this case.

In a further case, a company was fined £5,250 having pleaded guilty to eighteen charges of knowingly or wilfully delivering incorrect VAT and Corporation Tax returns. The proprietary director was also fined £5,250 having pleaded guilty to being complicit in these offences.

By the end of the year a further four cases were before the Courts (one on appeal to the Circuit Court), four were being prepared for prosecution, and eighteen others were at various stages of investigation.

Table 20 Prosecutions Completed in 1998

Case	1	2	3
Occupation /Activity	Civil Engineering	Crystal Glass	Plumbing Supply
Individual, Director or Company	Company	Director	Company and Director
Nature of Offence	Use of false invoice, failure to keep proper records, and false PAYE return.	Fraudulent trading/false VAT/PAYE returns.	False Income Tax, Corporation Tax returns and accounts.
No. of Charges	3 Charges	15 Charges	9 Charges
Court	District	Circuit	Circuit
Penalty/ Sentence	£2,250	Director: 6 months prison sentence (suspended). Disqualification from acting as Director reaffirmed.	Director: 2 years prison sentence (suspended). Company: £12,000
Case	4	5	6
Occupation /Activity	Rents	Air Conditioning	Electronics
Individual, Director or Company	Individual	Director	Company and Director
Nature of Offence	Producing false documentation.	False Income Tax Returns and Statements of Affairs.	False VAT and Corporation Tax returns.
No. of Charges	1 Charge	8 Charges	18 Charges
Court	District	District	District
Penalty/ Sentence	£1,000	£8,000	Director: £5,250 Company: £5,250

Prosecutions for Failure to File Returns

Income Tax and Corporation Tax Returns

Revenue sanctions against those who fail to file returns vary in severity and include surcharges, interest, penalties and publication of the taxpayer's name. In addition, prosecution may be initiated through the Courts under Section 1078 of the Taxes Consolidation Act, 1997.

Table 21 Prosecution for Non-filing of Tax Returns

	Income Tax	Corporation Tax	Total
Revenue Solicitor warning letters issued in 1998	5,450	1,127	6,577
Revenue Solicitor warning letters issued in 1997	1,917	700	2,617
Legal proceedings instituted in 1998	1,968	327	2,295
Legal proceedings instituted in 1997	853	355	1,208
Convictions in 1998	659	198	857
Convictions in 1997	229	82	311

In addition to prosecution, almost 200 people who failed to file returns were referred for audit of their returns and accounts as regards other possible tax evasion. A further 100 non-filers were pursued for the rapid enforcement of tax outstanding where the circumstances of the case warranted such action.

P35 PAYE Employer Returns

During 1998, we continued to vigorously pursue non-compliant employers. Statutory penalties of £1,200 were imposed in 588 cases, an increase of 8% over 1997 levels. Eighty-six defaulting employers also had their names published where penalties were imposed by the Courts.

INTRASTAT Intra-Community Trade Returns

During 1998, Revenue initiated legal proceedings in cases where there was persistent failure to file INTRASTAT returns. Thirty-four convictions were obtained, and fines amounting to £87,000 were imposed.

Prosecutions for Customs and Excise Offences

Prosecutions for Smuggling Offences.

A total of twenty-three convictions were secured for smuggling offences, fifteen of which related to cigarette smuggling.

Table 22 Convictions Obtained for Smuggling Offences

Product Type	Number Convicted	Fines Imposed
Tobacco	15	£570,202
Hydrocarbon Oil	5	£6,000
Alcoholic Products	3	£1,500

A lorry driver pleaded guilty to a charge of carrying 1.28 million cigarettes on which Excise duty chargeable at importation had not been paid. A statutory fine of £555,360, three times the duty-paid value of the cigarettes, was imposed at Wexford Circuit Court together with a 2-year prison sentence which was suspended.

Prosecutions for Illegal Sale of Cigarettes

Convictions were secured against twenty-nine people for selling cigarettes and tobacco on which duty had not been paid. Fines totalling £14,100 were imposed. This is a decrease on the 1997 figures of seventy-two convictions and fines of £53,050. The reduction results from the concerted enforcement campaign carried out in the previous two years by Revenue, working in close co-operation with the Garda Síochána, against the illegal selling of cigarettes, especially in central Dublin where the problem had been particularly serious. The virtual elimination of this street trade in Dublin's city centre has been one of the key successes of 1998 and has been very favourably commented on by the trade and business interests.

Prosecutions for other Customs and Excise Offences

There were 1,193 detections of the illegal use of duty-rebated Marked Gas Oil (MGO) commonly referred to as 'agricultural' or 'green diesel'. This represents an increase of 47% on the 1997 detection levels. Eighty-six people were convicted in Court, with fines imposed totalling £56,200. In a further 870 cases, compromise sums totalling £294,334 were collected in lieu of legal proceedings. The majority of these cases involved first-time offenders. A total of £13,800 was accepted for the release of motor vehicles which had been seized in connection with MGO offences.

Six people were convicted and fines amounting to £68,900 were imposed for betting duty offences. A compromise sum of £5,000 was paid in one other case.

An employee of a firm of Customs Clearance Agents was convicted and fined a total of £2,000 on fraud charges relating to the paperless system for customs declarations. This was the first prosecution ever brought for this type of offence.

Prosecutions for Vehicle Registration Tax (VRT) offences

In 1998, there were eleven convictions for VRT offences, with £10,900 in fines imposed by the Courts.

Prosecutions for Unlicensed Trading

Table 23 indicates the number of convictions for breaches of the licensing regulations during 1998 and details of compromise sums paid.

Table 23 Proceedings for Unlicensed Trading

Licence Type	Number Convicted	Fines Imposed	Number of Compromise Cases	Compromise Settlement Amount
Liquor	33	£18,225	27	£3,050
Hydrocarbon Oil vendors	31	£19,250	18	£1,800
Amusement machine licence	1	£500	-	-



Quality Services for our Customers

Introduction

Providing quality customer services is central to our strategy of maximising the revenue yield to the Exchequer through the promotion of voluntary compliance. The greater the level of voluntary compliance, the more resources we are able to devote to those who evade their obligations or who fail to meet their obligations fully or in a timely manner.

Our approach is to treat all customers fairly and courteously and make it as easy as possible for them to comply with the tax and customs codes. We have set ourselves performance standards which we published in 1998. In this report we are taking our customer service policy a step further by measuring our performance against those standards and publishing the results.

We are also conscious of the enormous opportunities offered by technology in providing quality services away from the traditional 'front office'. For example, the introduction of electronic data exchange for our customers over the last few years and the enhancements made in 1998 have allowed us to streamline procedures.

In 1998 the main achievements in the Customer Service Programme included:

- **Publication of our customer service standards.**
- **Introduction of a formal complaints procedure for Revenue customers.**
- **Completion by the end of 1998 of preparations to provide services in euro.**
- **Introduction of further electronic filing and data exchange facilities.**
- **Introduction of a new integrated direct debit payment scheme for PAYE/PRSI and VAT.**

Customer Service Standards

We published our Customer Service Standards booklet in January 1998. The booklet sets out in detail the standards of service Revenue's customers can expect, and takes account of the quality service principles identified by the Customer Service Working Group under the Government's Strategic Management Initiative in which Revenue played a leading role. Copies of the booklet are available to the public in all of our offices throughout the country and it is also published on our web site (www.revenue.ie).

The service standards in the booklet relate to those aspects of our service which our customers told us were important to them. The standards are ambitious, given the huge growth in the overall volume of our business and the cyclical nature of a significant part of the work in Revenue. This results in some busy peak periods which we acknowledge will sometimes make achievement of standards difficult. In keeping with our commitment, the service standards results are published in Table 24.

Table 24 Customer Service Standards and 1998 results

Service	Standard	Result
Correspondence	100% routine matters replied to within 20 working days	96%
	100% complex matters replied to in 30 working days	86%
PAYE repayments-current year	80% refunded within 10 working days	76%
	100% refunded within 20 working days	95%
PAYE repayments-older years	85% refunded within 20 working days	88%
	100% refunded within 30 working days	95%
Income Tax repayments	80% refunded within 20 working days	74%
	100% refunded within 40 working days	96%
Corporation Tax repayments	80% refunded within 20 working days	78%
	100% refunded within 40 working days	97%
Processing of VAT repayments	85% refunded within 10 working days	*80%
	100% refunded within 30 working days	*88%
Processing claims for repayment of RCT	80% refunded within 20 working days	50%
	100% refunded within 40 working days	84%
Processing of applications for Principal Contractor relevant payment cards	100% processed within 5 working days	86%
Processing CG50 Applications	100% processed within 5 working days	96%
Processing of Corporation Tax returns	90% processed within 20 working days	79%
	100% processed within 30 working days	89%
Processing applications Income Tax registration	100% processed within 5 working days	63%
Corporation Tax registration	100% processed within 5 working days	52%
VAT registrations	100% processed within 10 working days	75%

* These are results in calendar days achieved after 1/9/98

Service	Standard	Result
Employer registrations	100% processed within 5 working days	57%
Processing applications for Tax Clearance Certificate:		
General Scheme	100% processed within 6 working days	85%
Licences Scheme	100% processed within deadlines in relevant legislation	100%
Stamp Duty - Adjudication and Straight Stamping	80% received by post stamped within 5 working days	23%
	90% received by post stamped within 10 working days	68%
	100% received in Public Office stamped on day of presentation	100%
Stamp Duty - Companies Capital Duty (CCD)	100% processed within 5 working days	100%
Stamp Duty - Composition Duty and Levies	80% processed within 5 working days	80%
	90% processed within 10 working days	90%
Stamp Duty - CREST	90% refunded within 10 working days	90%
	100% refunded within 30 working days	100%
Residential Property Tax	100% within 5 working days	100%
Capital Acquisitions Tax - Affidavits/Probate Tax:		
Non Taxable	60% processed within 5 working days	90%
	80% processed within 10 working days	95%
Taxable	60% processed within 5 working days	48%
	80% processed within 10 working days	71%
Capital Acquisitions Tax - Gift/Inheritance and Discretionary Trust Tax	40% processed within 5 working days	56%
	70% processed within 10 working days	68%
Capital Acquisitions Tax - Processing applications Certificates for Discharge	60% processed within 5 working days	40%
	90% processed within 10 working days	90%

The standards are demanding ones. It is clear that while excellent performance has been delivered overall, not all of the published standards have been met for a variety of reasons. We shall continue to review our procedures and practices to try and achieve the targets we are not yet reaching and to improve others even further.

In 1998 we did not have the recording systems in place to measure timeliness in responding to calls at our switchboards. However we are currently installing a new Call Monitoring System which will provide for such measurement.

Complaints Procedure

The leaflet 'How to Complain to Revenue' (CS 3) was launched on 30 January 1998. The leaflet is available at all of our offices throughout the country and is also available on our website (www.revenue.ie).

Revenue is committed to providing quality service. However, we are aware that errors do occasionally occur and are anxious to correct any such errors without delay. The leaflet sets out Revenue's code of practice for dealing with complaints and also advises customers to address their complaint to the Customer Service Policy Unit when attempts to resolve matters locally are unsuccessful.

In 1998, twelve complaints were received by the Customer Service Policy Unit. Eight complaints related to the complainants' personal tax affairs, two referred to Customs & Excise matters and two were general complaints.

Introduction of the euro

The euro was launched on 1 January 1999 and Revenue was ready to do business in the new currency from day one, as promised, with our first euro repayment issuing on 4 January 1999.

Preparations during 1998 focused on the following:

- Completion of information technology system developments to enable the identification and processing of euro transactions.
- Design and printing of distinctive 'euro' forms for use by businesses in making euro denominated Revenue returns.
- Design and delivery of a comprehensive information programme to ensure business customers received the changeover information and support required.

The successful completion of this phase of Revenue's changeover work means that businesses in Ireland now have the maximum choice and flexibility in relation to how and when they switch their tax, customs and statistical affairs to euro.

Euro Changeover Options for Business

For VAT, Corporation Tax, Employers' PAYE/PRSI, Income Tax (Self Employed), Capital Gains Tax, and VIES and INTRASTAT returns, customers can switch to euro at the time which best suits their business needs. They also have the added flexibility of being able to switch different taxes to euro at different times. This facility will allow businesses to stagger their changeover and minimise the likelihood of disruptive and expensive IT 'bottlenecks'. To make the switch to euro for one of these taxes a customer must complete a 'euro election' form which is available from Revenue offices. The election to switch to euro is irrevocable.

In the case of Import and Export declarations, Capital Acquisitions Tax and Stamp and Excise Duties, customers have the option of making their declaration or return in euro or Irish pounds on a transaction by transaction basis. No 'euro election' is required for these cases.

This degree of choice and flexibility will encourage business in Ireland to prepare for and plan their changeover to euro according to their business needs.

Euro Communications

As an integral part of Revenue's pro-business changeover strategy, we are committed to informing business and the public about their changeover options. Our communications programme in 1998 consisted of four elements:

- Use of direct mail to 325,000 customers informing them in very broad terms of their options.
- Issue of personalised 'euro election' forms to 325,000 business customers, to be completed when required.
- Publication of 'Revenue and the Euro - A Business Guide', which provides business customers with all the information they require on switching to euro.
- The establishment of a 'Euro Changeover Customer Support Network', which provides a range of Revenue contact points for euro information needs.

Revenue, through its membership of the Euro Changeover Board of Ireland and the EMU Business Awareness Campaign Management Committee, plays an active part in preparing business and the public for the euro. We have also maintained good relations with individual private sector groups in developing our changeover strategy and in preparing our information material. We are extremely grateful for the assistance we have received to date and remain committed to working in partnership with all sectors of the economy, both in the public and private sectors, to ensure a smooth changeover.

Electronic Filing and Information Exchange

Our Statement of Strategy 1997 to 1999 declared that we would encourage the electronic filing of returns and declarations and other electronic information exchange. To advance this strategy we intend to establish a Revenue On-Line Service (ROS). This new service will provide a secure and simple electronic filing facility for customers, via the Internet. Planning for ROS began in 1998 and work on building the system is now under way. It is envisaged that the filing of tax returns and access by customers to their Revenue records will be implemented in phases. The 1999 work plan began with the inclusion of the necessary legislation in the Finance Act, 1999 to permit the electronic filing of returns. It is intended that the first phase will be available early in 2000 for some VAT and Employer Returns. Income Tax and Corporation Tax are scheduled to come within the new filing system by early 2001.

In the meantime, in 1998 our efforts to encourage employers to avail of the benefits of the P35 disk exchange scheme were intensified. Revenue also introduced a new P35 electronic filing system for accountants completing returns on behalf of clients and a bar coding system to facilitate immediate recording of P35 forms when received in our office.

Table 25 P35 Returns Filed Electronically

	Year ending 5 April 1998	Year ending 5 April 1997	Year ending 5 April 1996
Number of returns	11,600	5,500	3,000
Number of employments	1.5m	1.2m	1m
% of total employments	65%	57%	51%

A new composite P35/P60 form was introduced on a pilot basis for small employers who are **not** in a position to avail of electronic filing options. The new carbonised form replaces three existing forms, the P35L, P35L/T and P60 and reduces the form filling for these employers by approximately 50%.

Automated Entry Processing (AEP)

Irish importers and exporters can clear their goods within minutes through the submission of electronic Customs declarations using the Customs Automated System. The use of Direct Trader Input (DTI) has again shown further growth, in particular in respect of export declarations, in 1998.

Table 26 Direct Trader Input

	1998	1997	1996
Declarations Processed	811,748	740,691	617,485
DTI Take Up			
Import	92%	92%	90%
Export	74%	63%	60%

INTRASTAT

INTRASTAT operations also use a disk exchange operation. During 1998, 1,562 traders made INTRASTAT declarations using electronic methods. Though representing only 20% of the total trader database, these traders submit approximately 53% of the volume of the INTRASTAT information processed.

VRT Information Kiosks

In May 1998, VRT Information Kiosks were installed at the Vehicle Registration Office, St. John's House, Tallaght, Dublin 24 and the Central Revenue Information Office at Cathedral Place, off O'Connell Street, Dublin 1. A further kiosk is due to be installed in Ennis as part of Revenue's response to the Information Town/Age Project. The VRT Information Kiosk enables the general public to access the VRT enquiry system through a touch sensitive screen and ascertain the amount of VRT payable on any used car. The system contains tax information on almost 10,000 different cars categorised under marque, model, version, fuel type, body type etc. Additional factors, such as age and mileage, can be input in order to obtain a tax assessment which fully reflects the particular vehicle and a print-out is also provided. In 1998, 6,297 enquiries were made via the VRT Information Kiosks.

The new touch sensitive kiosk was developed in partnership with Eirtrade/Telecom Internet and the retrieval, storage, presentation and maintenance functionality is implemented using established and emerging Internet and World Wide Web standards. It is also the first customised Internet-based kiosk system in Ireland.

Following the successful launch of the kiosk project, we provided a snapshot of the Revenue used car valuation tax assessment system on CD-ROM to regular importers of used cars.

Internet

Revenue's website was further enhanced in 1998. The information available on the site for viewing or downloading includes tax return forms, information leaflets, euro information, Starting in Business guides, Freedom of Information publications, Finance Act Guidance Notes, and many other publications. A 'Small Business Page' with information of interest to small and medium enterprises was also established. The number of page 'hits' on the site is currently averaging 250,000 a month.

Other Customer Service Initiatives

Agreement with VHI

Revenue and the VHI signed a Memorandum of Understanding on 28 April 1998 providing for an annual electronic transfer of details of medical insurance premiums paid by VHI members to Revenue. Over 40,000 customers have provided their RSI Number to the VHI so that they can avail of this facility. Details of their payments to the VHI are now notified to Revenue electronically. This allows us to automatically update VHI premiums on computer record for inclusion in tax-free allowance certificates and notices of assessment. The automatic exchange of information will result in reduced compliance costs and more up to date and accurate tax free allowances for our PAYE customers.

PRSI Service Level Agreement

Revenue collects Pay-Related Social Insurance contributions on behalf of the Department of Social, Community and Family Affairs and transfers the monies collected together with related information and data. A new Service Level Agreement covering this arrangement came into effect from 1 July 1998. The agreement provides a basis for continuing and enhancing administrative and operational arrangements which have existed between both organisations since 1974.

Direct Debit

In 1998, as part of the continuing development of payment options, we introduced a new combined PAYE/PRSI and VAT direct debit payment scheme which provides for a single deduction from a customer's account. Customers who operate a seasonal business may construct their payment pattern to reflect the cashflow and seasonality of the business. This new combined direct debit payment scheme also reduces the number of forms to be completed.

Facilities for the Hearing Impaired

We have installed loop counter systems to assist hearing aid users in eight of our public offices in Dublin, Cork and Limerick.

Large Print Form 54D

Form 54D is used to reclaim Deposit Interest Retention Tax (DIRT). We introduced a large print version of this form suitable for customers with eyesight difficulties for the 1997/98 and subsequent tax years.

New Simplified Registration Form

We introduced a new simplified registration form, STR (Small Trader's Registration), to provide a more customer-friendly form for the small sole trader who wishes to register for any or all taxes. Form STR is aimed at an individual setting up in business who anticipates a turnover of less than £100,000 per annum.

Public Offices

Continuing our programme to improve our public offices, which includes the provision of integrated Revenue offices where possible, Revenue opened a new public office in Anne Street, Wexford in March, 1998. The new office replaced a number of Revenue offices in Wexford.

Central Revenue Information Office - One Millionth Customer

The Central Revenue Information Office (CRIO), based in Cathedral Street, off O'Connell Street, Dublin 1, which opened for business in 1992 served its one millionth customer, Ms. Michelle Nelson, on Friday 11 December 1998.



Revenue Chairman Dermot Quigley welcoming Ms. Michelle Nelson to the Central Revenue Information Office on 11 December 1998

Projects in Co-operation with other Departments

Revenue and the Department of Social, Community and Family Affairs jointly issued a leaflet entitled 'Employed or Self-Employed - A Guide for Tax and Social Insurance', which provides guidance for determining whether an individual should be treated as an employee or as a self-employed person.

Revenue was joined by FÁS and the Department of Social, Community and Family Affairs in the promotion of Revenue Job Assist which introduced a new tax relief for the long-term unemployed returning to work. Leaflets and posters promoting the new scheme were distributed and displayed by Department of Social, Community and Family Affairs and FÁS offices nationwide.

Tax Administration Liaison Committee

The Tax Administration Liaison Committee (TALC) is a liaison forum for Revenue and practitioners in relation to tax administration issues. TALC's main committee had six meetings in 1998 and its various sub-groups also met throughout the year in relation to specific aspects of the tax system. The work programme of the Committee was wide-ranging and focused, amongst other issues, on the proposed changes to aspects of the Self-Assessment system and the Code of Practice for Revenue Auditors.

Customs Consultative Committee

The Customs Consultative Committee (CCC), which is composed of Revenue and trade organisations, continues to provide a forum for consultation and an exchange of views on issues affecting the Customs treatment of imports and exports. In particular, the Committee facilitates consultation by Revenue with business on EU proposals and developments to ensure that trade concerns are taken into account when issues are being considered at EU level.

During 1998, the views of the Committee were sought on various issues including simplification of rules of origin, new procedures in relation to the intra-Community carriage of goods by sea, proposals for the modernisation of customs procedures and the centralisation of Customs Services in Dublin Port.

Through the Committee, Revenue responded to trade requests to provide expert customs contributions to four different seminars held during the year on customs issues.



Policy, Legislation and Administration

Introduction

While decisions are of course a matter for the Minister for Finance and his Department, Revenue actively assists in the formulation of tax policy. We do this by providing advice and recommendations to the Department of Finance, and by participating in the Tax Strategy Group - a group comprised of senior officials and political advisers which considers policy options for the Budget and Finance Bill. Revenue also plays a key role in the legislative process. We prepare draft legislation for the annual Finance Bill and other Bills which have a tax dimension, and we brief the Minister for Finance at all stages during the legislative process in the Oireachtas. Revenue is committed to the ongoing development of tax and customs law which is consolidated and accessible, which promotes voluntary compliance, and which contributes to national competitiveness by minimising compliance and administration costs. This is reflected in our programme of consolidation of the tax code, which began with the Taxes Consolidation Act, 1997.

Revenue also plays a major role in international tax developments by negotiating and updating double taxation treaties and extending our network of such treaties to facilitate investment and international trade, and by representing Ireland in EU, OECD and the World Customs Organisation (WCO) discussions on tax and customs matters.

In 1998 the main achievements in the Policy and Legislation Programme included:

- The completion of a major review of Revenue powers.
- The publication of detailed guidance notes on the Taxes Consolidation Act, 1997, and the advancement of the consolidation of Stamp Duty and Excise legislation.
- The development of the tax changes needed for the introduction of the euro.
- Our contribution to the development of the new 12.5 per cent Corporation Tax regime.
- Participation in the Company Law Review Group.
- The completion of negotiations on seven double taxation treaties, and a protocol to the treaty with the UK.

Revenue Powers

Following the publication of the Report of the Tribunal of Inquiry (Dunnes' Payments) - McCracken Report - the Minister for Finance requested that a review of Revenue powers be undertaken by his Department and Revenue. This review included a comparison with the powers available to tax authorities in other EU Member States and common law jurisdictions, particularly those powers which relate to access to taxpayer accounts and information in financial institutions and the audit of financial institutions themselves. As a result of this review, specific proposals for change were made to the Minister at the end of 1998, and a significant package of new powers was introduced in the Finance Act, 1999.

Revenue have since issued two Statements of Practice setting out how these powers are to be used. The Statements indicate clearly that the focus of the new powers will not be on smaller cases and publicise a new review procedure involving external as well as internal reviewers. They contain specific commitments with regard to the more sensitive powers, for example, the provision of advance notice before certain third party information powers - including access to bank accounts - will be used. In addition, detailed instructions on the operation of the new powers issued to Revenue staff have been published for the information of taxpayers and their advisers.

Consolidation

Our programme of consolidation of the tax code, which began with the Taxes Consolidation Act, 1997, continued in 1998. Detailed guidance notes were published on each of the 1,104 sections of the Taxes Consolidation Act, 1997. Revenue, together with the Department of Finance, also published the text of the Act and the notes for guidance on its interpretation on CD-ROM. Work on consolidating Excise mineral oil legislation, the first stage of a process to cover all other Excise Duties, was completed and the consolidated legislation was included in the Finance Act, 1999. The consolidation of the entire body of Stamp Duty legislation (which dates back to 1891) was substantially progressed, and is scheduled for advancement to the Oireachtas in Autumn 1999.

Introduction of the euro

During 1998 Revenue, in conjunction with the Department of Finance, carried out an analysis of the tax changes needed to facilitate the changeover to the euro on 1 January 1999. These included matters such as: the tax treatment of exchange gains and losses of trading companies; the position of companies not having a functional currency in Irish pounds; capital gains tax (CGT) issues relating to cash and bank deposits; and CGT computational rules where an asset was acquired using a euro currency. All of these issues were addressed in legislation contained in the Finance Act, 1998.

New Corporation Tax Regime

In July 1998, agreement was reached between the Government and the European Commission on the phasing out of the 10 per cent rate of Corporation Tax for the manufacturing sector and for certified activities in the International Financial Services Centre (IFSC) and the Shannon Airport Zone. Subject to transitional arrangements, the 10 per cent regime is to be phased out by 1 January, 2003.

The Government decided to move towards a general Corporation Tax rate of 12.5 per cent for trading income by 1 January 2003, and the rate reductions needed between 1999 and 2002 have now been set out in the Finance Act, 1999. The rate of Corporation Tax on non-trading income has been fixed at 25 per cent with effect from 1 January 2000.

Revenue worked closely with the Department of Finance in advising on the structure of the new Corporation Tax regime. For example, Revenue prepared discussion papers for the Tax Strategy Group on matters such as:

- Withholding tax on dividends.
- The distinction between trading and non-trading income.
- Surcharge on undistributed trading profits.

Working Group on Company Law Compliance and Enforcement

The group was set up in August 1998 to advise on improving compliance with and enforcement of company law. Revenue were represented on the Group and made a submission. The focus of this submission was with those who abuse the protection of limited liability to enable them to benefit at the expense of creditors. Revenue was concerned to ensure that existing sanctions were applied and strengthened, where necessary, to counter such abuse. In particular, the submission made recommendations to deal with the phoenix syndrome, companies which cease to trade without going into liquidation, and with measures to strengthen the liquidation process to ensure that any abuses of company law are identified and dealt with. The Commissioners are pleased to note that the Group incorporated Revenue's suggestions in its Report published on 30 November 1998.

Electronic Commerce

Nineteen ninety-eight saw further rapid growth worldwide in computer ownership, Internet access and electronic commerce (e-commerce). As high levels of growth are expected to continue well into the next century Revenue has intensified its examination of the challenges and opportunities presented by e-commerce.

The OECD held a series of detailed meetings on the developments in and taxation of e-commerce, culminating in a Ministerial Conference in Ottawa, Canada, in October 1998 which led to the issuing of a set of principles to be adopted by the 29 Member countries. At the heart of these principles is the assertion that e-commerce should be taxed in the same way as traditional commercial activity. Where this proves impossible a flexible approach should be taken to balance the needs of tax neutrality with the objective of minimising the compliance burden placed on traders engaged in e-commerce.

Revenue was also actively involved at EU level where attention has focused on the VAT and Customs aspects of e-commerce. The first fruits of these efforts should be realised during 1999 when the EU Commission expects to publish a draft VAT compliance model.

At national level Revenue published a discussion document assessing the impact of e-commerce and the Internet on Ireland's tax systems. The purpose of the discussion document is to stimulate a dialogue on the taxation challenges and opportunities presented by e-commerce.

Review of P35 System

In 1998 a review of the P35 system was carried out in consultation with employer representatives and accountants. The review identified a number of factors which could inhibit Revenue's customer service to employers and have an adverse effect on P35 compliance. The time allowed to complete the annual P35 return was considered inadequate, particularly for small and medium sized businesses and their agents. Also, the penalty system was seen as too rigid, as the penalty was the same regardless of the degree of non-compliance.

As a result of the review it was decided that the final date for issuing P60s to employees and filing P35s with Revenue would be extended from 30 April to 21 May, and that a new more structured penalty system for failure to file the P35 on time would be introduced. These changes were completed in time for the 1999 tax year returns and preliminary indications are that the extended filing date has had a very positive effect on compliance levels.

Tax Competition

Globalisation of business is creating challenges and tensions in the field of taxation, particularly as regards competition between countries for mobile international investment. This has given rise to significant developments at EU and OECD level aimed at curbing harmful tax competition.

In December, 1997 EU Member States adopted a Code of Conduct on Business Taxation which was aimed at identifying measures which are harmful in that they provide for a significantly lower level of taxation than those levels which generally apply in the Member State in question and which affect or may affect the location of business in the Community. During 1998 Revenue participated with the Department of Finance in the Code of Conduct Review Group which carried out a preliminary assessment of a number of tax measures by reference to the criteria in the Code.

In April 1998, the OECD published a report on harmful tax competition. The report focuses on geographically mobile activities, such as financial and other service activities. Revenue played a key role in drafting the report, together with Revenue authorities in the United States, Japan and France. The report proposes a series of steps to strengthen international co-operation against so-called tax havens and harmful preferential regimes in OECD member countries. In response to a recommendation in the report, a Forum on Harmful Tax Practices has been established in which Revenue continues to play a key role.

The report makes it clear that the existence of low or nil tax rates does not of itself constitute harmful tax competition. It accepts that competition is harmful only when low or no tax is combined with other legislative or administrative features, such as restricting tax benefits to transactions with non-residents, lack of transparency or the lack of effective information exchange. It follows therefore that the aim of the report is not to harmonise taxes or to suggest minimum tax levels across countries. Countries remain free to determine their own tax rates.

Tax Treaties

Ireland has double taxation treaties in force with thirty-four countries. During 1998, Revenue concluded negotiations for new double taxation treaties with China, Egypt, Malaysia, Mexico, Romania and Slovakia. Of these, the treaty with Mexico and a Protocol to the existing treaty with the UK were signed and entered into force in 1998. The treaty with Malaysia, which was signed in 1998, and also ratified by Ireland, is awaiting ratification by the Malaysian Parliament. The treaty with Estonia, signed in 1997, was brought into force in 1998. Negotiations with Greece are continuing.

Further new treaty partners continue to be identified in liaison with relevant Government Departments and business interests.

World Customs Organisation (WCO)

Revenue Chairman Dermot Quigley successfully completed his two year term of office as Vice-Chairman of the World Customs Organisation (WCO) and as Regional Representative for the 45 countries in the European region in June 1998. The WCO has a world-wide membership of 150 countries and is dedicated to improving the efficiency and effectiveness of its member administrations.

Following our positive experience in this country with the Customs Consultative Committee we felt that similar arrangements would be of benefit to other members of the WCO. As a result of a Revenue initiative, the WCO is initiating work with a view to developing similar models for co-operation between Customs and traders in all member countries.

Provision of Technical Assistance Abroad

Enlargement of the EU - which is based on a Customs Union - presents a significant issue in terms of the protection of the external frontiers of an enlarged Union. The provision of technical assistance by the Customs services of Member States to applicant countries is an essential element in helping these countries to develop their customs infrastructures to the required standards.

In that context, Ireland continues to play an active part in the Matthaëus Externe programme, which provides assistance to eastern European countries as they prepare for accession to the EU. In 1998, Ireland provided assistance to the Czech and Slovak Republics, Turkey and Poland, in areas such as Audit, Valuation, Controls at ports and airports and the rules relating to the Origin of Goods.

Revenue was an active participant in workshops to assess and assist in the preparedness of the Central and Eastern European Countries for EU membership and Revenue was a member of a delegation to Slovenia to evaluate that country's infrastructural and other systems.

The PHARE and TACIS programmes represent part of the EU contribution to the reconstruction of the Central and Eastern European states and the states of the former USSR, and the provision of assistance to those countries converting to a market economy. In 1998, under the aegis of the TACIS programme, Revenue participated in an EU mission to Mongolia. The expertise provided by Ireland covered such topics as the implementation of EU legislation on Valuation, Tariff Classification and Origin of Goods, as well as the provision of management training for Customs officials.

Also during 1998, Revenue provided assistance to the Czech Republic under the PHARE programme.

Relief of Donations of Heritage Items

An Italian marble sculpture 'Amorino' (Cupid) by Antonio Canova (1757 - 1822) valued at £520,000 was donated to the national collections in 1998 under Section 1003, Taxes Consolidation Act, 1997.



Our People and our Systems

Introduction

Like all service organisations, we rely heavily on our people and our systems to deliver on our business objectives. Revenue's business support programmes facilitate the achievement of business objectives through the effective management of our human resources, the delivery of appropriate information technology solutions, the focused use of strategic and business planning processes, and the provision of responsive and efficient financial management, logistical, and legal services. Because our business support programmes are concerned with the provision of services to the key business sections of the office, their objectives and performance indicators have a greater internal emphasis than those in the rest of this report. Nevertheless, these programmes are critical to the success of our business activities and are recognised as such under the Strategic Management Initiative (SMI).

In 1998 the main achievements in the Business Support Programmes included:

- The inauguration of partnership structures in accordance with Partnership 2000.
- Significant progress in the modification of our IT and Office systems for Year 2000 compliance.
- The continuing development of Integrated Taxation Processing - first phase live in April 1999.

Human Resource Management

New Partnership Structures in Revenue

New partnership structures have been put in place in Revenue in accordance with the current National Agreement between Government and the Social Partners - Partnership 2000 for Inclusion, Employment and Competitiveness. The Revenue Partnership Committee had its inaugural meeting in September 1998. The essential structures have been put in place to ensure that all our stakeholders - management, unions and staff - are fully represented in the partnership process leading to a wider sense of involvement in the organisation, which in turn will lead to further improvements in Revenue's responsiveness and effectiveness in tackling the challenges it faces. Intensive groups have also been set up to deal with business issues which have been selected for development through the partnership process. The four issues selected are:-

- Implementation of the Integrated Taxation Processing (ITP) project.
- Maintaining and developing quality customer service.
- Revenue's response to the black economy.
- Improving the management of the human resource agenda in Revenue.



Revenue Partnership Committee representing management, unions and staff

Human Resource Policy and Administration

During 1997 and 1998, Revenue participated in a number of project groups to develop new approaches to Human Resource Management (HRM) for the Civil Service, and to design and implement a new performance management framework. This work has continued into 1999, and a strategy has been developed to commence the implementation of a performance management system once agreement has been reached with staff interests.

On the industrial relations front, a restructuring agreement was concluded with IMPACT under the local bargaining clause of the Programme for Competitiveness and Work (PCW) covering the grades of Tax Officer and Higher Tax Officer. This agreement completed the PCW negotiations in Revenue and restructuring agreements are now in place covering all staff.

Table 27 gives an indication of the volume of human resource administration business generally in 1998.

Table 27 Human Resource Administration

Category	Number of Staff
Staff joining Revenue on recruitment, transfer or promotion	270
Promoted or transferred from Revenue to other Departments	111
Promoted internally	329
Retired/resigned	118
Commenced career break	88
Commenced job-sharing	129

The total number of staff on career break and job-sharing at the end of 1998 was 233 and 765 respectively.

Training

In 1998, our training programmes and activities covered a wide range of areas including technical training, customer service skills, management training and information technology skills.

Table 28 Training

Competency Area	Number of Days
Technical Tax	11,468 days
Technical Customs & Excise	1,304 days
Management/Interpersonal Skills	4,806 days
Computer End User	2,365 days
Computer Technical	4,884 days

As part of a programme to improve skills in the tax compliance management area, 200 staff received audit training in 1998. In addition, a specific year long training programme for seventeen staff aimed at enhancing skills in dealing with the large corporate sector was commenced in 1998.

The training needs of the Revenue Mobile Service were addressed as a priority during the year. Eighty-seven staff attended training programmes which included legal and courtroom procedures and sampling procedures for hydrocarbon oil.

A learning pack was designed and issued to all our staff about the implications of Freedom of Information for Revenue. This was considered to be a creative response to training needs for a workforce that is widely dispersed. Building on the success of this venture, a training pack was prepared for key staff who attended a euro training seminar on changes required for the provision of services in euro. The training pack assisted them in briefing staff at local level.

We continued to support staff who undertook studies in their own time where this was directly relevant to the skill base needed by the organisation. Fees refunded to 196 staff members amounted to £169,415.

Revenue places particular emphasis on computer based training (CBT) as an effective training method and has approximately forty such facilities spread throughout our offices. In 1998 we introduced a new initiative in CBT with a joint venture between Revenue and the Institute of Technology in Tallaght. This involved the development of a CBT training programme on the fundamentals of VAT, for completion in 1999.

Revenue staff are engaged in many different facets of specialist work. In order to inform their colleagues of the issues involved in areas such as economic growth, value for money auditing and tax competition, eight awareness-raising lunchtime talks were delivered in 1998. The average attendance at each talk was seventy.

Revenue's 75th Anniversary

In 1998, Revenue celebrated its 75th anniversary. To mark the occasion we had the honour of a visit from Uachtarán na hÉireann, Mrs. Mary McAleese. The President graciously accepted the first copy of a book 'Revenue over the Years' which we published to mark 75 years of achievement by the Revenue organisation and by Revenue staff. The achievements of those 75 years come down ultimately to the commitment, diligence and hard work of thousands of staff who have served in Revenue over the years and who work in Revenue now.



Uachtarán na hÉireann, Mrs. Mary McAleese and former Revenue Chairman Cathal Mac Domhnaill, on the occasion of her visit to Dublin Castle in June 1998

The Board and Senior Management

Frank Mullen
Assistant Secretary
Direct Taxes International
and Administration
Division

Christopher Clayton
Deputy Secretary/
Chief Inspector of Taxes

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

Bobby Harrington
Assistant Secretary
Audit, Investigation
and Technical Services

Liam Irwin
Assistant Secretary/
Collector-General

Norman Gillanders
Assistant Secretary
Customer Services
and Compliance

Dermot Quigley
Chairman

Frank Daly
Commissioner

The Board

Josephine Feehily
Commissioner

Tom Duffy
Assistant Secretary
Customs and Residence
Division

Seán Moriarty
Assistant Secretary
Human Resources Division

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

Maureen Moore
Assistant Secretary
Capital Taxes Division

Paddy Dowling
Assistant Secretary
Customs and Excise
Collections Division

Seamus Feely
Assistant Secretary/
Accountant General
Corporate Management
Division

Eamonn Fitzpatrick
Assistant Secretary
Customs and Excise
Enforcement Division

Seán Ó Séaghdha
Assistant Secretary (*Acting*)
Indirect Taxes Policy and
Legislation Division

Frances Cooke
Revenue Solicitor

Board Changes

Nineteen ninety-eight saw the retirement of Mr. Cathal MacDomhnaill as Chairman of the Revenue Commissioners after a long and distinguished career in Revenue. Mr. Dermot Quigley was appointed as his successor. Ms. Josephine Feehily was appointed to the Board in July 1998. Mr. Frank Daly has been a member of the Board since 1996.



Revenue Board l-r: Commissioner Josephine Feehily, Commissioner Frank Daly and Chairman Dermot Quigley

Management Changes

Mr. Norman Gillanders was appointed Assistant Secretary, Customer Services and Compliance. Mr. Seán Ó Séaghdha was appointed Assistant Secretary (Acting), Indirect Taxes Policy and Legislation Division.

Information and Communications Technology

Year 2000

Revenue made considerable progress on Year 2000 compliance in 1998. This work was undertaken from within our existing staff resources at a time when a number of other major IT projects including Euro and ITP were under way.

Revenue operates one of the largest computer installations in the country and ensuring that our mission-critical IT systems are Year 2000 compliant is a major priority for the organisation. In 1997, work began on the modification of 1,400 programs comprising 2.5 million lines of COBOL code as well as some 294 PC-based applications to ensure Year 2000 compatibility. Almost 75% of our programs were certified for Year 2000 compliance by the end of 1998 with the remainder due for conversion early in 1999 to achieve the target date of July 1999 for full compliance.

Revenue exchanges data electronically with many other organisations. Most of these exchanges have already been made Year 2000 compliant and the balance will be finalised in 1999. Significant progress was also made during 1998 in ensuring that office and communication equipment and plant will not encounter any Year 2000 problems as the result of date logic in embedded chips.

Revenue is represented on the Year 2000 Inter-Departmental Monitoring Committee which reports to Government every two months.

Table 29 Year 2000 Compliance

	Completed by end 1998	For completion in 1999
Percentage of centrally-maintained programs requiring modification for Year 2000	74%	26%
Percentage of user-maintained programs requiring modification for Year 2000	81%	19%

Integrated Taxation Processing

Development of Integrated Taxation Processing (ITP), which provides a common tax administration framework for billing and accounting, was completed in 1998. The collection of PAYE/PRSI from employers was the first system to be converted to ITP in April 1999. Other taxes will be added on a phased basis. Amongst the many new features are detailed statements of account that will show employers their PAYE/PRSI financial transactions with Revenue.

Deployment of the ITP application software and its underlying technical architecture entailed a significant enhancement of Revenue's IT infrastructure. This included the installation of new workstations in Revenue offices and the commissioning of new enterprise servers to complement the existing mainframe computers.

Table 30 IT Hardware Statistics

	Acquired in 1998	Number at Year End
Personal Computers	1,339	5,089
NetWare Fileservers	13	70
UNIX Servers	3	25
NT Servers	3	9

Revenue's Intranet Service

Intranets use the same tools and techniques as the global Internet to provide information and services *within* an organisation. Effective and timely communication between Revenue's divisions, sections, branches and individuals is vital to ensure the success of our business. We have successfully developed a pilot Intranet and an Intranet Project Board has been established to develop an Intranet strategy to advance this initiative and roll it out in 1999.

Electronic Access to Companies Registration Office (CRO)

Electronic access to the database of companies registered in the State was established between Revenue and the Companies Registration Office (CRO) following the transfer of the Companies Registration Office to its new premises in Parnell Square, Dublin. This provides on-line access to information required for various types of legal proceedings which was previously obtained by law clerks who had to attend and search in the CRO.

Implementing the Information Society in Ireland: An Action Plan

The Government has adopted an Action Plan which sets out a range of measures appropriate to the development of a true Information Society in Ireland where modern computer and communications technology becomes the normal way of doing business wherever possible.

The Action Plan covers a number of broad fields: telecommunications infrastructure, development of electronic commerce and business opportunities, enabling measures, legislative measures, information and communications technology, and delivery of public services electronically. The Action Plan also provides that each Department will include in its annual report a section on progress being made in these areas.

Progress made by Revenue in electronic commerce, delivery of services electronically, electronic filing and information, and communications technology is outlined throughout this report.

Financial Management System

A new financial management system is being introduced which will integrate the entire purchasing process from placement of orders to payment of suppliers and improve the control and monitoring of expenditure. The system will facilitate the further devolution of budgetary responsibility to line managers and the development of improved financial management systems for the Civil Service under the Strategic Management Initiative.