Our Mission

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

Revenue

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(ISSN 1649-5292)
(PRN 2687)

Dublin Castle
June 2004

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Foreword

Main developments: offshore investigation and internal restructuring

2003 was Revenue's 80th year serving the State. For us the year was dominated by two main developments. First, we started what was to become a wide-ranging investigation into tax evasion involving offshore accounts and investments. The initial (voluntary disclosure) phase of this investigation has proved to be hugely successful. This success is due to a number of factors: the availability of increased powers, more international cooperation to combat tax evasion, and an obvious determination on the part of Revenue to follow through on investigations – as demonstrated clearly in relation to bogus non-resident accounts.

The second significant development in 2003 was the completion of the most far reaching restructuring of the organisation ever undertaken, which included agreement on grade integration to allow greater flexibility in using our staff resource. We are confident that by bringing our front line operations together in a highly taxpayer-focused and risk-driven structure, and by streamlining our central policy and support areas, we will be much better positioned to detect and punish the non-compliant and to provide better service to the vast majority of Irish people who fully comply with their tax obligations.

The sheer scale of our restructuring, the need to train large numbers of staff for new tasks, steadily increasing volumes of business and our special investigations all put pressure on our service standards in 2003. We acknowledge this and we are working hard to keep the timeliness and quality of our service at the very high standards we have set for ourselves.

Tax collection performance

Net tax and duty receipts in 2003 came to just over €32 billion. This was some €400 million above the budgeted amount and nearly €3 billion above the corresponding figure for 2002. The surplus over budget was mainly due to much better than expected yields from capital gains tax and stamp duties, which more than compensated for shortfalls in excises and value added tax.

Protecting society

Revenue plays a key role in protecting society from illegal drugs and other contraband. Drugs with a street value of €21 million together with drug-related cash of some €600,000 were seized in 2003. Revenue continued to work closely with the Criminal Assets Bureau (CAB), where nine Revenue officials are now working full-time. And there were also many noteworthy seizures last year of cigarettes, oil laundry plants and counterfeit goods, which in some instances were linked to organised criminal gangs.

Technology and e-Government

Information systems are the lifeblood of any tax and customs administration. Revenue have always been public sector leaders in the field of technology and to maintain our leading edge we recently set out a clear ICT and eBusiness strategy for 2004-2005. Last year we reached a "tipping point" in relation to the electronic filing of income tax returns through our Revenue Online Service (ROS): over 40 percent of all income tax self assessment returns came in through ROS. This is hugely encouraging. ROS is also a major success in other areas such as vehicle registration tax, with 70% of all eligible motor vehicles now registered on-line, and in total over €6 billion was paid through the system last year.

In 2003, we also started work on building a totally new computer system to support the 1.4 million people who pay tax under the PAYE system. This will be operational in the autumn of 2005 and will deliver better service with reduced costs. It will also allow PAYE taxpayers to interact with us electronically, for example to change tax credits/allowances over the Internet.

Statement of Strategy and the Annual Report

Early in 2003, we launched our new Statement of Strategy for the years 2003-05 and this is our first Annual Report on the new Strategy Statement. We are now reporting for 2003 on our three main goals and the ten related strategies as set out in the Statement of Strategy. We are also, for the first time, introducing elements of our new "Revenue Performance Scorecard" (which is still in a developmental stage) in this document, to report on Revenue's efficiency and effectiveness in achieving its targets. (Further details are contained in Appendix 2.)

Thank you to our staff

Every year we thank our staff for consistently delivering on the high performance targets we set ourselves and for their adaptability in coping with constant change. However, the changes we faced over the past seven months, with the transition to our new structures, were of a different order of magnitude to anything that went before. In particular, the front-line staff in our customer service areas have borne the brunt of these changes and they deserve special thanks for their huge efforts in bringing us through this difficult period.

Frank M. Daly
Chairman

Josephine Feehily
Commissioner

Michael O'Grady
Commissioner

Main Achievements and Initiatives in 2003

- Net tax and duty receipts reached €32.21 billion, an increase of €2.95 billion on 2002.
- Arrears of debt for 2003 amounted to €1,363 million, or 3.1% of gross receipts of €43.77 billion – down from 3.3% in 2002.
- Revenue made a significant breakthrough in 2003 in our ability to investigate assets held offshore by or on behalf of Irish residents. Formal enquiries were launched, following which the Revenue Chairman initiated a series of meetings with chief executives of a number of financial institutions seeking their cooperation with a comprehensive enquiry into all offshore accounts. As a result of these meetings, the institutions concerned signalled that they would cooperate with the enquiry.

  By 31 December 2003, approximately €150 million was received from investigations into two subsidiaries of Irish financial institutions – one in Jersey and the other in the Isle of Man.
- During 2003, Revenue successfully challenged five significant tax avoidance issues. Proposals for legislative amendment to close tax avoidance loopholes were adopted and implemented in a number of circumstances. The Finance Act, 2003, contained twelve anti-avoidance measures.
- The ongoing investigation into depositors who held Bogus Non-Resident accounts identified 7,500 individuals who had not come forward during the voluntary disclosure incentive phase which ended on 15th November 2001. €258 million was recovered in tax, interest and penalties, and 20,390 cases were finalised.
- Aggregate payments in the ongoing National Irish Bank/Clerical Medical Insurance investigation reached €49 million, of which €5.4 million was recovered in 2003.
- Aggregate payments in the ongoing Ansbacher investigation reached €26.3 million, of which €5.27 million was recovered in 2003.
- Cases involving 25 individuals and companies were referred to the DPP for directions in connection with serious tax and duty evasion.
- There were seven convictions for serious tax evasion, with 38 cases under active investigation at year-end. There were 627 convictions for failure to file tax returns, 169 convictions for unlicensed trading, 145 convictions for marked mineral oil offences, 65 convictions for smuggling, and 7 convictions for Vehicle Registration Tax offences.
- Collection enforcement through solicitors, sheriffs and Attachment Orders yielded €195 million from more than 43,000 cases.
- The Pay and File system was extended to include Corporation Tax.
- Drugs with an estimated street value of over €21 million were seized, as well as over 52 million cigarettes, and almost €600,000 of suspected drug-related cash was detained.
- Nine oil laundries were detected, saving the Exchequer approximately €9 million per annum.
- Revenue audits yielded €428.65 million.

- Revenue published the names of 1,257 tax defaulters, in connection with audit settlements amounting to €133.91 million.
- We completed a major restructuring of the organisation in October 2003.
- The Integration of Departmental Taxes and General Service grading structures was achieved in 2003, which facilitated the ongoing process of restructuring.
- Our communication programme for employers and other interested parties, together with the administrative procedures put in place during 2003, resulted in the successful implementation of PAYE on Benefits-in-kind, with effect from 1 January 2004.
- A new Risk Analysis system for Revenue Audit was delivered to support an effective risk-based case selection programme, and to facilitate the selection and processing of cases based on their risk to Revenue.
- Almost 30 years of Capital Acquisitions Tax legislation was consolidated in the Capital Acquisitions Tax Consolidation Act 2003.
- Intelligence and Investigation Units have been established and are operating successfully throughout the country, combating various forms of evasion and smuggling.
- More than €6 billion was paid electronically using ROS. Another €2.9 billion was paid using direct debit.
- Over 40% of income tax self-assessment returns were made through ROS.
- The Civil Service Performance Verification Group considered that Revenue had made excellent progress in implementing the modernisation agenda in Sustaining Progress.

Implementing our New Structure

Introduction

2003 saw the completion of Revenue's new structure. Following a detailed study of international best practice and of structures in place in other leading tax and customs administrations, we concluded that there was scope for major improvement in our structure. This had historically developed around specific taxes and duties and we decided that we needed to align it with systems and strategies that focused on our customers.

The evolution of the structure, with new Regions and Divisions at its core, was the culmination of a process that involved a root and branch review of our organisation. It followed extensive deliberations, analysis and consultation with staff throughout the organisation and their representatives. We are now moving forward, recognising the traditions and successes of the past 80 years, and building on them to achieve our key objective of maximising compliance with tax and customs legislation. Our new structure will produce a more cohesive, efficient and effective Revenue.

What will this new structure achieve?

Our resources are now aligned to profile and manage our customers on a more coherent and logical basis. Our resources are fully supported by our information technology systems, which provide information on our customers across all taxheads. This information and the knowledge gained from the shared expertise of our staff will allow us to better determine compliance levels and focus on particular areas of risk. It will also enable us to evaluate our customer service delivery and improve it in line with customer requirements.

Each Region will have specialist teams to examine and tackle particular areas of risk. The Regions will work closely with our Collector General's Division, to maximise the return from our debt management strategies and with our Investigations and Prosecutions Division, to bring forward an increased number of cases suitable for investigation and prosecution.

The continued improvements in our information technology, and in particular the success of our Revenue On-Line Service, provide us with further opportunities to match our resources to risk and core business. Staff with appropriate training will be redeployed to maximise the return from compliance and audit programmes, with the latter fully supported by Revenue's computer-based Risk Analysis System for audit selection.

On the management front, the appointment of senior managers responsible for identifiable groups of customers clarifies roles and responsibilities and strengthens devolution and accountability, in line with the requirements of the Public Service Management Act.

We will of course continue to keep our new structure under review to ensure that it delivers.

Conclusion

The implementation of our new structure in 2003 is the most significant change programme ever undertaken in Revenue. While every effort was made to minimise any disruption in service to our customers during 2003 as the new structures were put in place, inevitably some occurred in the last months of 2003 and into 2004. We thank our customers for their patience and understanding.

We would also like to take this opportunity to thank our staff for their contribution to the project and for their patience and dedication in what was a challenging but rewarding year.

Revenue's New Organisational Structure and Reporting Relationships

Strategic Planning
Chris Clayton

Human Resources
Niamh O'Donoghue

Information, Communications Technology & e-Business
Seán Connolly

Operations Policy and Evaluation
Denis Graham

Investigations and Prosecutions
Paddy Donnelly

Revenue Solicitor
Frances Cooke

Chairman
Frank Daly

Commissioner
Josephine Feehily

Commissioner
Michael O'Grady

Collector General
Liam Irwin

Customs
Eamonn Fitzpatrick

Direct Taxes Policy & Legislation
Eamon O'Dea

Direct Taxes Interpretation & International
Frank Mullen

Indirect Taxes
Liam Hennessy

Border Midlands West Region
Bobby Harrington

Dublin Region
John Leamy

East & South East Region
Norman Gillanders

Large Cases
Seán Moriarty

South West Region
Gerry Harrahill

New Revenue Regions

Revenue has 6,364 staff located throughout Ireland:

The East & South East Region has 723 staff (of whom 249 are based in Dublin). It consists of Counties Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford and Wicklow.

The Border Midlands West Region has 871 staff. It consists of Counties Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo and Westmeath.

The South West Region has 751 staff. It consists of Counties Clare, Cork, Kerry and Limerick.

The Dublin Region has 1,409 staff. It consists of Dublin City and County.

The Accountant General's Office has 159 staff, based in Ennis.

The Collector General's Office has 802 staff, based in Limerick, Nenagh and Dublin. (87 are based in Dublin.)

The Revenue Customs Division has 123 staff, based in Nenagh, Cork and Dublin. (61 are based in Dublin.)

Large Cases Division has 219 staff. It is responsible for all of the taxes and duties of Ireland's largest corporate businesses and wealthiest individuals, regardless of their geographic location.

The remaining 1,307 staff in various specialist and corporate support divisions are based in various locations throughout Dublin.

Further detail on the new structure is contained in Appendix 1 to this report.

Goal 1

Maximise Compliance with Tax and Customs Legislation

Our goal is to foster a culture wherein compliance with Tax and Customs legislation is the norm. We recognise that the achievement of this requires a balanced approach. On the one hand, we will apply speedy and effective enforcement measures to non-compliance. On the other, we will seek to foster voluntary compliance through the continued excellence of our customer services.

Goal 1

Strategy 1.1 Maximise collection compliance

1.1.1
Yield from tax and duty collection

Gross receipts were €43.77 billion in 2003, some €3.78 billion ahead of the 2002 receipts (Table 1). When repayments to business and individuals as well as PRSI transfers to the Department of Social and Family Affairs are taken into account, net receipts amounted to just above €32.2 billion, some €2.9 billion above the corresponding figure for 2002 and some €0.4 billion above the Budget estimate (Table 2). Income Tax from the PAYE sector, Corporation Tax, Capital Taxes and Stamp Duties exceeded budget targets but there were shortfalls in Indirect Taxes and Income Tax (non-PAYE). Overall, a very strong performance from Capital Gains Tax and Stamp Duties more than compensated for shortfalls in Excises and Value Added Tax.

Table 1: Total Amount Collected/Gross Receipts

	2003 €m	2002 €m
Duties, Taxes and Levies		
Customs	148	153
Excise	4,736	4,595
Value Added Tax	12,321	11,375
Capital Acquisitions Tax	222	158
Capital Gains Tax	1,449	636
Stamp Duties	1,696	1,177
Residential Property Tax	1	1
Corporation Tax	5,537	5,129
Income Tax	11,471	10,983
PRSI and Health Contributions and Employment and Training Levy	6,177	5,775
Environmental Levy	13	7
Total	43,770	39,990

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

Table 2: Total Revenue/Net Receipts

Duties, Taxes and Levies	2003 Net Receipts €m	2003 Budget estimates €m	2003 Net Receipts + or – Budget estimates €m	2002 Net Receipts €m
Customs	137	141	- 4	134
Excise [1]	4,736	4,978	-242	4,595
Value Added Tax [2]	9,716	9,826	-110	8,844
Capital Acquisitions Tax	213	150	+63	151
Capital Gains Tax	1,436	920	+516	619
Stamp Duties	1,664	1,419	+245	1,139
Residential Property Tax	0	0	0	1
Corporation Tax	5,155	5,068	+87	4,804
Income Tax:				
PAYE	7,209	7,184	+25	6,725
Income Tax from				
Self-Employed and certain other non-PAYE sources: [3]				
Direct Payments	1,490	1,458	+32	1,690
Less other non-PAYE Repayments	- 118	-70	-48	- 89
Net Yield	1,372	1,388	-16	1,601
(See footnotes)				
Deposit Interest Retention Tax (DIRT) [4]	153	241	-88	206
Withholding Tax (fees) (PSWT) [5]	226	314	-88	256
Dividend Withholding Tax [6]	196	180	+16	190
Income Levy	0	0	0	0
Income Tax total	9,156	9,307	-151	8,979
Total	32,214	31,809	+405	29,265

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

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

2. The VAT receipts in 2003 are composed of €11,354 million of internal VAT and €967 million collected on imports, less refunds of €2,605 million.

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

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

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

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

The figures for 2003 Net Receipts in Table 2 are some €52 million lower than the comparable figure for Tax Revenue receipts published in the end-2003 Exchequer Returns because of timing and accounting procedures.

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

Customs Duties and CAP Import Charges

Customs Duties and Common Agricultural Policy (CAP) import charges are collected on a wide range of goods imported from non-European Union countries. 75% of the amount collected is paid to the EU as part of the Irish contribution to the EU Budget known as "Own Resources". The remaining 25% is retained by the State as collection expenses. The shortfall in the amount collected in 2003 was due to imports from outside the EU being less buoyant than expected.

Excise

The yield from excise reflects a lower than expected rise in the value of consumer spending on excisable items, as well as the impact of the Budget increases in duty on Tobacco, Spirits, Auto Diesel and Vehicle Registration Tax (for cars in the 1901-2000 cc band).

The main shortfall on expected yield occurred in the Tobacco and Spirits categories, which were below target by €106 million and €52 million respectively, although exceeding their corresponding yields in 2002 by €20 million and €39 million. Shortfalls in respect of oils (€47 million), VRT (€22 million) and beer (€20 million) were marginally offset by small surpluses in yield from wine and other excises.

Value Added Tax

The increase in VAT over the 2002 figure includes the impact of the Budget increase in the low rate from 12.5% to 13.5% with effect from 1 January and, at a margin of error of 1.1%, the outturn was reasonably close to the expected level of net VAT intake for the year.

Capital Acquisitions Tax

The increased yield can be attributed to a single once-off payment of €50 million, while the balance can be attributed to some unexpected large payments of gift and inheritance taxes.

Capital Gains Tax

The expected once-off yield from bringing forward to 2003 the due date for payment of CGT in respect of gains arising in the first nine months of 2003 produced an estimated €480 million, or some €230 million higher than expected. This increase and the balance of the surplus appear to have been attributable to high rates of capital value growth and a much higher than expected increase in activity in the property market in 2002 and 2003.

Stamp Duties

The surplus on the Budget estimate is mainly attributable to a significantly higher than anticipated yield from property transactions. The yield from property transfers totalled €1,075 million, an excess of €258 million on the Budget estimate of €817 million. The yield from share transfers was €256 million, a shortfall of €28 million on the Budget estimate, which was partly offset by a surplus of €15 million on the Budget estimate of the yield from other Stamp Duties.

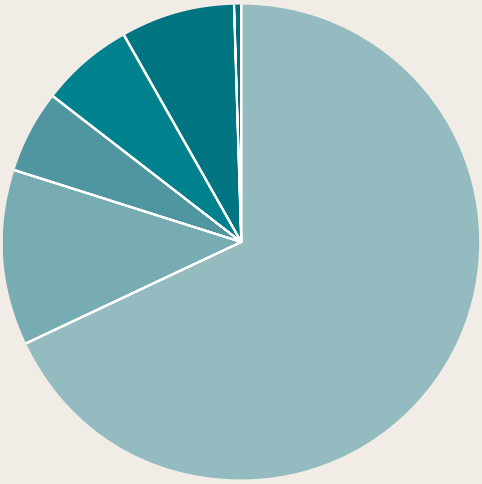
Corporation Tax

At €5,155 million, Corporation Tax yield in 2003 was €87 million (1.7%) higher than the Budget estimate and €351 million (7.3%) more than in 2002 (Table 2).

Income Tax

Total net receipts of Income Tax in 2003 amounted to €9,156 million, an increase of €177 million (2.0%) on the 2002 outturn and €151 million (1.6%) below Budget estimate (Table 2). PAYE yield of €7,209 million in 2003 reflected a small excess of €25 million (0.3%) over Budget target and was €484 million (7.2%) above the 2002 outturn. A shortfall of €176 million arose in respect of two main constituents of Income Tax, namely, Deposit Interest Retention Tax (€88 million), due to lower than expected rates of deposit interest, and Withholding Tax on Professional Fees (€88 million), where payments of fees on which the tax is based were below expectations.

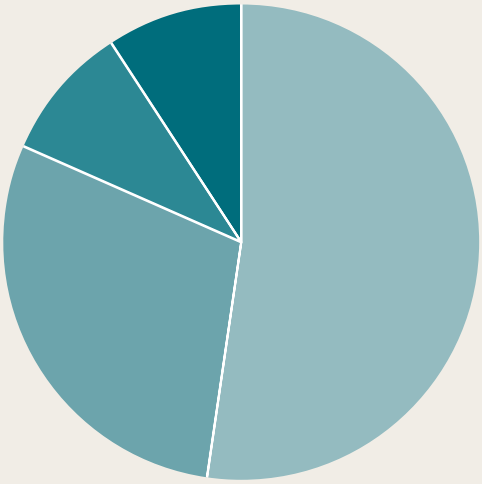
Chart 1: Indirect Tax Net Receipts



A total of €14,452 million was collected in net VAT and Excise receipts in 2003.

- VAT €9,716 million
- Hydrocarbons €1,702 million
- Motor Vehicles €819 million
- Alcoholic Drinks €989 million
- Tobacco €1,157 million
- Others €69 million

Chart 2: Direct & Capital Taxes Receipts



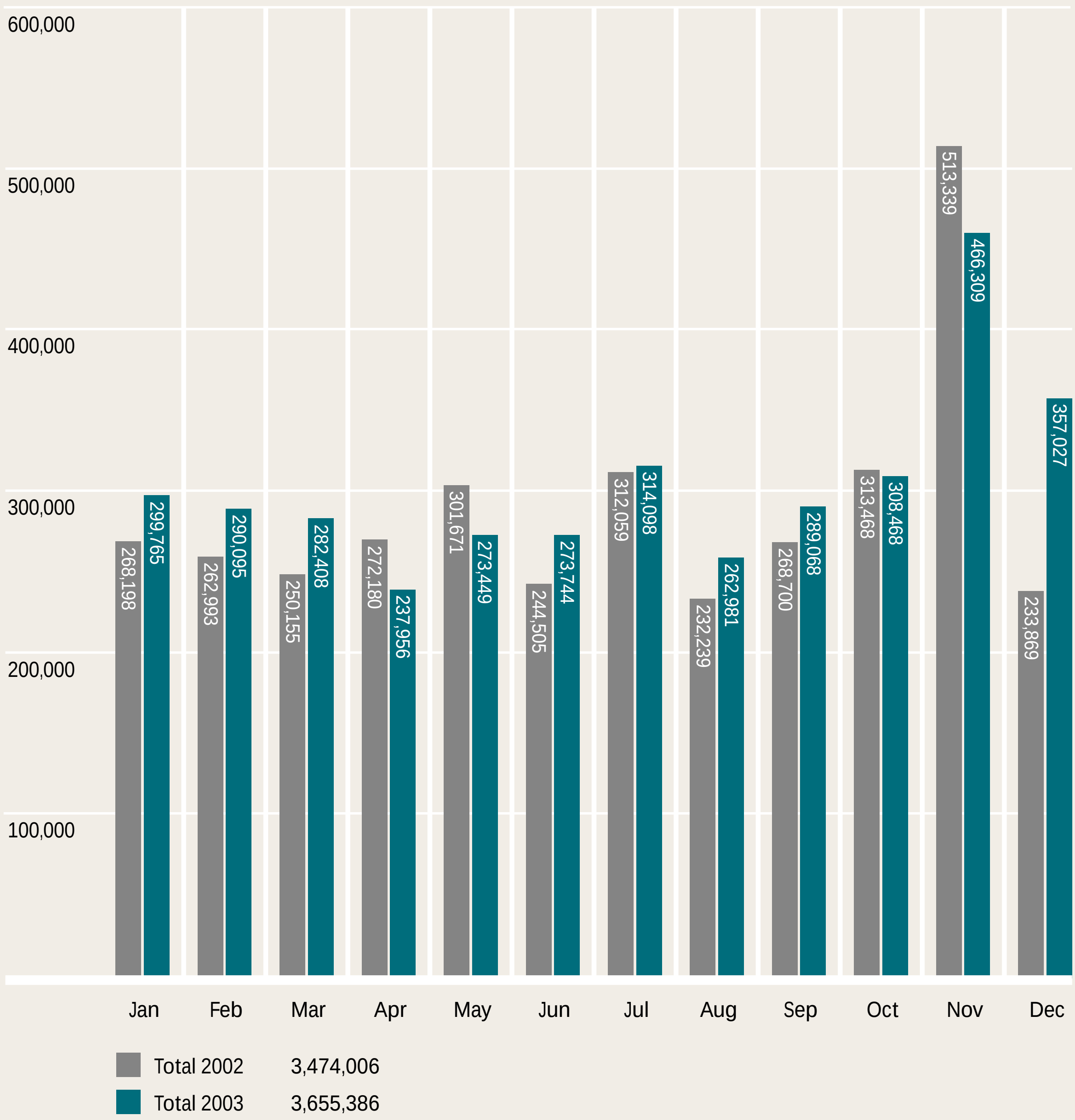
A total of € 17,624 million was collected in Direct and Capital Taxes receipts in 2003.

- Income Tax €9,156 million [1]
- Corporation Tax €5,155 million
- Stamp Duties €1,664 million
- Capital Taxes €1,649 million [2]

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

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

Chart 3: Payment Items to the Collector General: 2003 v 2002



Largest amount lodged in a single day:	€1,025.15 million
Average daily lodgement:	€143.6 million
Cumulative number of payment items:	
2003	3,655,386
2002	3,474,006
Highest number of items processed in a single day:	66,936
Summary of Collection and Debt:	Collection €43.770 million/Debt €1,363million

Donation of Heritage Items

The following heritage items were donated to the national collection in 2003. Section 1003 of the Taxes Consolidation Act 1997 provides full credit against tax liability in respect of items donated:

- A painting entitled "Old Walls" by Jack B. Yeats, valued at €134,004.
- Joyce Papers (selected items) , valued at euro2,984,877.40.
- A painting entitled "Nature Morte aux Pommes et aux Pots Breton" by Roderic O'Connor, valued at €535,144.
- A collection of nine art works, valued at €212,000.
- A painting entitled "Interior of a Café" by William John Leech, valued at €327,962.35
- A collection of 37 art works, valued at €825,000.
- A painting entitled "Mrs Healy Chadwick and her Daughter" by Walter Osborne, valued at €550,000.

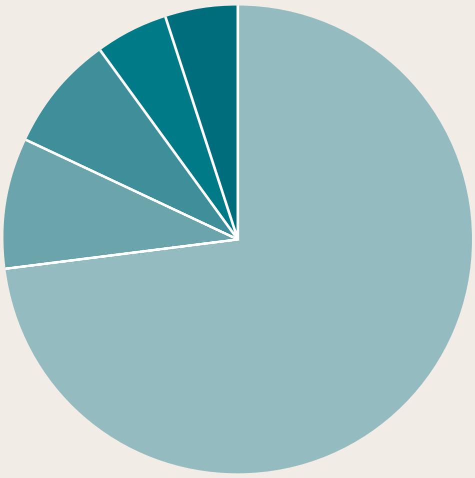
Table 3: Cost Of Administration as a Percentage of Gross Receipts

1999	2000	2001	2002	2003
0.88%	0.81%	0.90%	0.95%	0.90%

*Gross Receipts: €37,908 million**
Cost of Administration: €341.9 million

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

Chart 4: Expenditure by Revenue in 2003



Total expenditure was €337,484,000 (excluding certain costs borne by other Departments), broken down as follows:

- 73% Salaries
- 9% Information Technology
- 8% Other (including Legal Charges, Travel Expenses, Etc.)
- 5% Postage & Telecommunications
- 5% Office Accommodation

Table 4: Volume of Business 2003

	Volume in 2003	% +/- 2002/2003
Number of Revenue Staff (including job-sharers)	6,364	-1%
Number of Taxpayers		
PAYE Employments	2.15m	+2%
Self Assessment (Income Tax)	412,987	+7%
Companies	121,152	+5%
Items processed		
All Taxes and Duties		
Correspondence	2,867,023	+7%
E-mail	2,555,000	+264%
Personal Callers	656,926	-3%
Telephone Callers	4,334,700	-1%
External visits to the Revenue website (www.revenue.ie)	2,928,390	+27%
Collector General		
Number of payment items received	3.7m [1]	+6%
Value of payment items received	€35.9bn	+ 10%
Number of tax clearance certificates issued	80,330	+37%
Returns processed	1,916,710	+16%
Accountant General		
Number of VAT claims received	262,878	+2%
Value of VAT claims repaid	€2,444m	+2%
Income Tax		
Income Tax Self Assessment		
Returns	367,618 [2]	-23%
Repayments	194,000	+39%
P35 Returns		
Employers	184,800	+2%
Employments	2.8m	+4%
Number of Repayments/Offsets	42,851	+32%
Value of Repayments/Offsets	179m	+29%
PAYE		
Employee Reviews	482,628	-2%
Returns	95,264 [3]	-34%
Corporation Tax		
Returns	110,154	+23%
Repayments	23,039	+49%

Capital Gains Tax		
Returns	34,059	- 28%
CG50s (Applications for Clearance Certificates)	7,216	+11%
Relevant Contracts Tax		
C2s (Sub-contractor's certificates) issued	25,097	-8%
Repayments	75,610	+9%
RCT47s (Payment card authorisations) issued	246,902 [4]	+81%
Dividend Withholding Tax & International Claims		
DWT Returns from paying companies	5,212	+16%
DWT Returns-distributions to individual shareholders	1,150,814	-17%
Number of repayments to non-residents	8,140	+55%
Value of repayments to non-residents	€119m	+83%
Number of exemptions granted to charitable/sporting bodies	933	+53%
New Business Registrations		
Income Tax	37,916	+8%
VAT	34,504	+15%
PAYE and PRSI	23,396	+4%
Corporation Tax	14,575	-5%
Relevant Contracts Tax	1,683	+6%
New Business Visits	3,196 [5]	-30%
Customs and Excise Declarations		
Number of Single Administrative Documents processed	913,072	+7%
Number of INTRASTAT declarations processed	99,378	-2%
Number of VIES declarations processed	45,676	+34%
Inward Transit declarations processed	35,089	-5%
Outward Transit declarations processed	16,243	-33%
Vehicle Registration Tax		
Number of new vehicles registered	190,392	-8%
Number of second-hand vehicles registered	32,765	+8%
Capital Taxes		
Inland Revenue affidavits	14,264	-2%
Gift/Inheritance and Discretionary Tax Returns	11,661	-7%
Capital Acquisition Tax Certificates of Discharge	12,398	-11%
Returns in relation to Companies Capital Duty Composition Duty and Levies	6,699	-6%
Instruments presented for marking and stamping	218,000	+5%
Number of CREST refund claims received	21,855	-27%
Value of CREST refund claims repaid	€27.94m	-13%

1 *This figure includes Nil Payments as items processed.*
2 *2002 was unusual in that there were two filing dates for tax returns in that year.*
3 *The decrease in 2003 was caused by a reduction in the number of cases selected for submission of returns.*
4 *The increase in 2003 is due to the considerable reduction in the 2002 figures, arising from the issue in 2001 of RCT47's for 2002, to facilitate the changeover to the Euro.*
5 *The decrease in 2003 was due to a Revenue decision to reduce visits.*

1.1.2
Taxes and duties correctly paid by due dates

We continued to influence the timeliness of tax payments in 2003 through collection caseworking, including the imposition of interest charges on late payment and enforced collection where necessary. VAT, Employers' PAYE/PRSI and Relevant Contracts Tax receive particular attention, because of the frequency with which they arise, and the increased risk of accumulating significant levels of debt. Corporation Tax and Income Tax returns are subject to separately tailored compliance programmes.

The results of this caseworking activity are reflected in the continued improvement in due month return/payment compliance, as outlined in the following paragraphs and Table 5.

The following sets out the average percentage of tax collected in the due month:

- 93% of the total PAYE/PRSI collection
- 86% of the total VAT collection
- 95% of the total Preliminary Income Tax (non-PAYE) collection
- 94% of the total Capital Gains Tax collection
- 81% of the total Corporation Tax collection.

Table 5 below outlines the taxpayer compliance rates for the Large and Medium Case size range for PAYE/PRSI and VAT.

1.1.3
Timely and robust action against late payment or non-payment of tax

Revenue's twin track approach to reducing the overall tax debt by eliminating old uncollectable tax from the record and taking early and effective action in respect of current outstanding liabilities – including enforcement where necessary – continued in 2003. The success of this programme has resulted in a further reduction in the overall debt as a percentage of total gross receipts, from 3.3% in 2003 to 3.1% in 2002, which compares well internationally.

Table 5: VAT and PAYE/PRSI Payment Compliance, within the due month

	2003	2002	2001
PAYE/PRSI			
Large Cases*	91%	90%	89%
Medium Cases**	85%	84%	83%
VAT			
Large Cases*	88%	85%	83%
Medium Cases**	77%	74%	72%

**Large Cases - taxpayers who pay on average more than €25,000 PAYE/PRSI or €50,000 VAT per tax period.*
***Medium Cases – taxpayers below the Large Case level of payments but who pay on average more than €6,000 per tax period.*

Chart 5(a): Total gross receipts

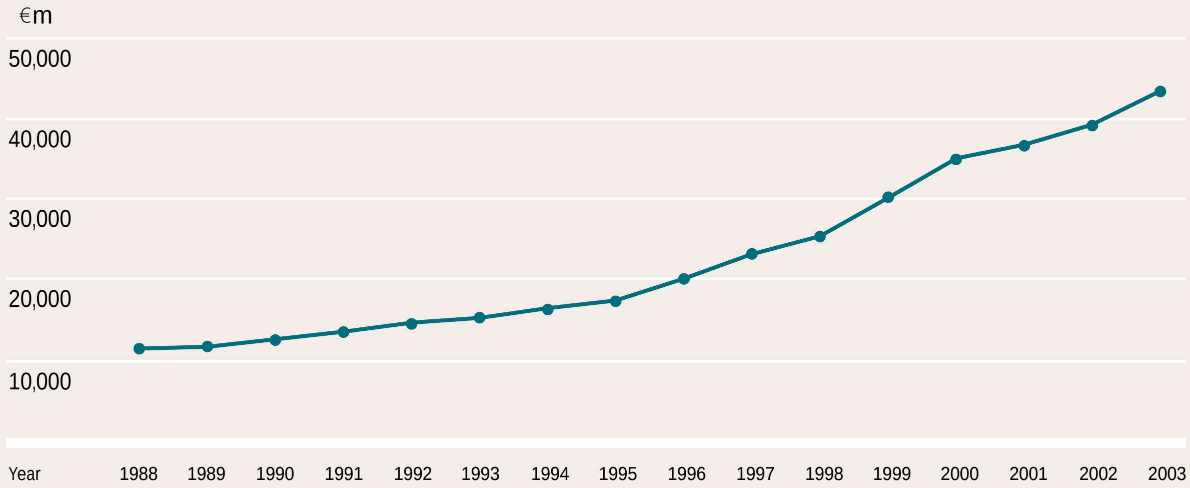
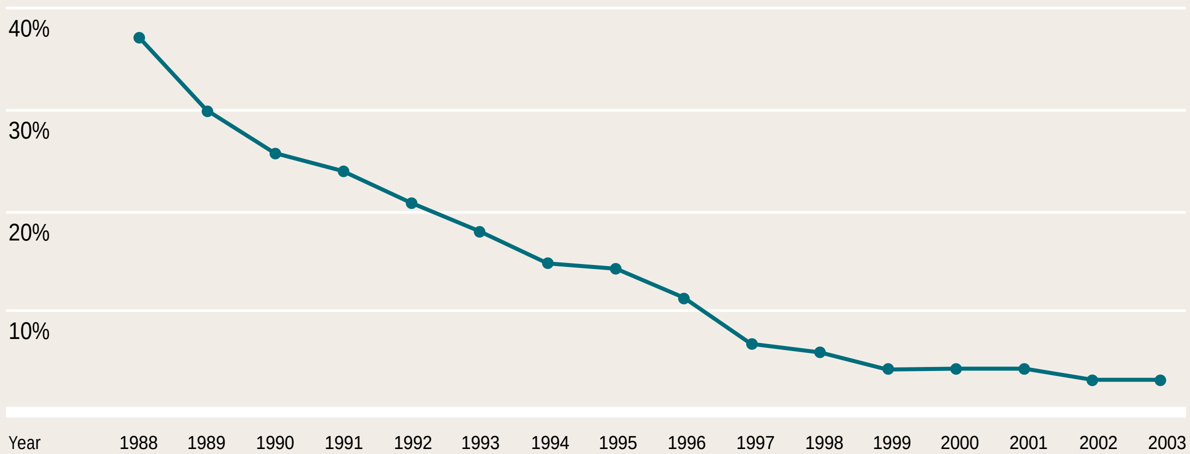


Chart 5(b): Total arrears as a percentage of total gross receipts



Note: In previous years, the debt figure was reported as at 31 May each year. This delayed publication of our Annual Report. For this and future Annual Reports the debt figure will be reported as at 31 March. For comparison purposes, it is estimated that the debt figure at 31 May 2004 is €1,254 million. In other words, there is a real year on year decrease of €68 million.

The following figures show our ongoing success in eliminating old uncollectable debt and in focusing on more current debt:

The proportion of the debt less than six years old is €1,126 million or 83% of the total, up from 81% or €1,070 million in 2002.

In 2003, €119 million of debt was written off, compared to €178 million in 2002.

Enforcement

Revenue is committed to maximising tax compliance through its vigorous enforcement programme, involving referral of cases to a sheriff or solicitor for enforcement of outstanding tax debts, or the attachment of monies due to defaulters by third parties.

Exemplary Enforcement

Where appropriate, Revenue uses all available enforcement options in cases of serious and persistent tax default to enforce collection of outstanding taxes. Table 6 indicates the increased success of solicitor, sheriff and attachment in enforcement of debts.

Table 6: Enforcement Programmes

		2003	2002
Solicitor	Number of Referrals	8,079	7,992
	Payments received	€67.5m	€64.08m
Sheriff	Number of Referrals	34,677	29,722
	Payments received	€119.8m	€117.19m
Attachment of Assets	Number of Attachment Orders	512	572
	Yield from attachment	€7.76m	€7.62m

Revenue initiated bankruptcy proceedings against two individuals, as part of our policy to actively pursue sole traders in situations where there are significant tax liabilities and no effort has been made to address them. Revenue was successful in having one individual adjudicated a bankrupt and the other individual made a part payment and an arrangement to pay the balance.

Insolvency

Revenue continued its policy of being actively involved in company liquidations, receiverships and examinerships. In 2003, notices under Section 214 of the Companies Act 1963 issued in 51 cases. In a number of these cases, the companies either entered into arrangements to pay outstanding taxes or were voluntarily wound up.

Revenue petitioned the High Court for the appointment of a liquidator to wind up companies on 15 occasions under Section 214 of the Companies Act 1963. Revenue was also represented at 250 creditor meetings during the year, and continued an active role by participating in Committees of Inspection where relevant, and by attending final meetings where appropriate. Revenue officials actively participated in High Court hearings of petitions for the appointment of an examiner (9 cases in 2003) and voted on the acceptance of Schemes of Arrangement subsequently proposed by examiners.

1.1.4
Timely and robust action against the abuse of limited liability, including 'phoenix syndrome' cases

Limited Liability Abuse

Revenue has established a framework to identify businesses that seek to avoid the payment of taxes by abusing limited liability. A dedicated team ensures that the serious cases are pursued and accelerated enforcement is undertaken to make the companies compliant or to put them out of business. During 2003, 2,500 cases were examined and 293 were selected for intensive case working.

Phoenix Syndrome

Phoenix syndrome describes a range of activities where the controllers of companies, using the protection of limited liability, walk away leaving substantial tax debts and immediately form a new company carrying on the same business, with the same customers, often from the same premises.

In 2003, Revenue intensively monitored 563 companies under its Phoenix Syndrome programme. Of these, 24 companies ceased trading or went into voluntary liquidation, one was liquidated, and a further eight were targeted for liquidation.

Goal 1

Strategy 1.2 Deter, detect and prosecute evasion, smuggling and other breaches of Tax and Customs legislation

The Revenue restructuring programme, which was concluded during the year, recognised the need for a more forceful and effective focus on tax evasion, smuggling and other breaches of Revenue law. Revenue's new Investigations and Prosecutions Division works closely with the new Revenue Regions and Large Cases Division, as well as using profiling methodologies to identify those risks, and to ensure these objectives are accomplished.

We made a significant breakthrough in 2003 in relation to the investigation of trusts administrated in Jersey for Irish residents and in relation to Irish residents holding accounts with an Isle of Man subsidiary of an Irish financial institution.

We also continued to progress major investigation projects (Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries) and also initiated a number of new projects involving offshore assets.

There were seven convictions for serious tax evasion during the year, compared to three in 2002. The following table outlines the details.

Table 7: Convictions for serious tax evasion in 2003

Name	General Nature of Case	Outcome
Christopher Jones	Incorrect Income Tax returns	Fined €6,000
Brendan Galligan	Incorrect Income Tax returns	Fined €1,750
Michael McKenna	Incorrect Income Tax, VAT and PAYE returns	Fined €8,640
Frank Morahan	Incorrect Income Tax returns	2 year suspended sentence
Denver Motors Ltd.	VAT offences	Fined €475
*Newpark Holdings Ltd.		Fined €6,250
and Joseph Flood (Director)	Incorrect Corporation Tax, VAT & PAYE returns	Fined €6,250

** In this case, fines were imposed on both the company, Newpark Holdings Ltd., and the Director, Mr Joseph Flood.*

The level or severity of the sentences imposed is, of course, a matter for the Courts. In this regard, the judgment of the Court of Criminal Appeal in the case of *The People (Director of Public Prosecutions) v Redmond* in 2002 includes the following:

> "It is plainly not possible for a sentencing court in a case such as this to ignore the fact that other penalties, which may be much greater in amount than the cumulative sum of the maximum fines for those charges, have already been made".

The Courts take account of the fact that Revenue imposes penalties. For instance, in one of the cases referred to in Table 7, that of Mr Brendan Galligan, a guilty plea was entered in January 2003 and the Judge deferred sentencing to allow him put his tax affairs in order. The tax, interest and penalties collected in relation to the two years for which Mr Galligan was convicted totalled approximately €125,000, out of a total settlement in excess of €1.65 million relating to both Mr Galligan and his company. The total penalties included in that sum were €517,712.

1.2.1
Increased detection and prosecution of tax evasion, fraudulent activity, smuggling and illicit drugs

Table 8: Prosecutions and referrals for prosecution in 2003

Prosecutions for serious tax evasion	Convictions	Serious cases of tax and duty evasion referred to DPP	Summary cases referred to Revenue Solicitor or State Solicitors
6	7	25	397

(These cases related to evasion of Income Tax, Corporation Tax, PAYE, VAT and Excise Duties.)

Table 9: Ansbacher Investigation – Progress to end 2003

Number of cases	289
Total number of concluded settlements	56
Total payments to date	€26.3 million

Table 10: Clerical Medical Insurance (CMI) - National Irish Bank Scheme

Cases originally targeted for investigation	452
Investigations concluded by end 2003	395
Cases settled	285
Total collected (tax, interest and penalties)	€42.5 million
Cases finalised with no additional liability arising	110

The remaining 57 cases are the subject of ongoing investigation, in respect of which €4.78 million has been paid on account.

A further €1.66 million in Capital Gains Tax was collected in respect of the cases in which compensation was paid by NIB to the investors concerned.

Three cases were prosecuted, with fines being imposed in two of them and a suspended prison sentence imposed in the third.

Offshore Assets Investigations

Revenue's Offshore Assets Group made a significant breakthrough in 2003 in relation to trusts administrated in Jersey for Irish residents. A formal enquiry was launched with effect from 31 May to establish the identity of Irish resident settlors of trusts administrated by a Jersey subsidiary of one Irish bank. Prior to the 31 May deadline, 254 individuals came forward and made voluntary disclosures and by 31 December payments of approximately €105 million were received.

In November, a further enquiry was launched to identify Irish residents holding accounts with an Isle of Man subsidiary of another Irish financial institution. 1,250 individuals came forward to make voluntary disclosures before the enquiry began and payments of €45 million have been received to date.

Arising from these and other enquiries, the Revenue Chairman initiated a series of meetings with chief executives of a number of financial institutions, seeking their cooperation with a comprehensive enquiry into all offshore accounts. As a result of these meetings, the institutions concerned signalled that they would cooperate with the enquiry. A large number of individuals made a voluntary disclosure before the enquiry commenced on 29 March 2004.

Bogus Non-Resident Accounts (BNR)

The ongoing investigation into the underlying depositors who held BNR accounts had by the end of 2003 identified 7,500 individuals who had not come forward during the voluntary disclosure incentive phase which ended on 15th November 2001. In the latest phase, €258 million has been recovered in tax, interest and penalties, with 20,390 cases being finalised.

Money Laundering and Suspicious Transaction Reports

Under Section 57 of the Criminal Justice Act 1994, as amended, financial institutions must report suspicious transactions to Revenue as well as to the Garda Síochána, with effect from 1 May 2003. On 15 September 2003, the classes of persons designated to file suspicious transaction reports was broadened to include solicitors, accountants, auditors, estate agents, tax advisors and dealers in high value goods.

2,688 reports were received up to the end of 2003. These reports are regarded as an important intelligence resource in the fight against fraud and tax evasion and are now being used to target audits and investigations. Revenue and the Garda Bureau of Fraud Investigation liaise closely to ensure co-ordination of follow-up activity between the two agencies.

Customs and Excise Enforcement and Prosecution

The following Tables contain details of customs and excise enforcement and prosecution activities during 2003.

Table 11: Vehicle Registration Tax Enforcement

	2003	2002
Number of vehicles challenged	10,456	11,031
Number of vehicles seized	543	514
Penalties imposed for release of seized vehicles	€200,814	€393,088
Offences reported for prosecution	24	29
Number of convictions	7	7
Court fines imposed	€5,736	€14,255
Number of compromise settlements in lieu of prosecution	5	5
Amount of compromise penalties paid	€3,337	€8,473

Table 12: Unlicensed Trading

Licence Type	Proceedings Instituted 2003	Proceedings Instituted 2002	Numbers Convicted 2003	Numbers Convicted 2002	Fines Imposed (€) 2003	Fines Imposed (€) 2002
Liquor	214	257	129	164	93,586	122,545
Hydrocarbon Oil Vendors	44	59	25	30	26,907	25,625
Gaming/Amusement Machines	8	25	12	21	18,013	30,531
Auctioneers/House Agents	5	10	3	6	1,756	2,927

Table 13: Marked Mineral Oil

	Proceedings Instituted 2003	Proceedings Instituted 2002	Numbers Convicted 2003	Numbers Convicted 2002	Fines Imposed (€) 2003	Fines Imposed (€) 2002
	198	159	145	158	169,647	161,655
Compromises			1,179	1,294	756,825	799,481

Table 14: Customs & Excise Anti-Fraud Prosecutions

	Proceedings Instituted 2003	Proceedings Instituted 2002	Numbers Convicted 2003	Numbers Convicted 2002	Fines Imposed (€) 2003	Fines Imposed (€) 2002
Illegal Selling	4	13	8	16	7,500	19,521
Tobacco Smuggling	79	78	54	34	23,799	14,565
Alcohol Smuggling	8	8	4	7	2,732	2,825
Hydrocarbon Oil Smuggling	8	14	7	1	8,802	952
Other Customs Fraud (Counterfeit Spirits)	2	1	3	1	1,967	476

Table 15: Customs & Excise Anti-Fraud Seizures 2003

Type of Seizure	Number of Seizures	Total Compromises (€)
Commercial	6,277	201,471
Private	54	0
Total	6,331	201,471

Table 16: Drugs Seizures in 2003

Type of Drug	Number of seizures	Quantity	Value (€m)
Herbal Cannabis	494	219 kg	0.527
Cannabis Resin	244	714 kg	9.015
Ecstasy	8	128,117 tablets	1.959
Heroin	4	15 kg	2.838
Cocaine	27	38 kg	3.909
Amphetamines	4	51 kg	0.653
Khat	3	1,053 kg	2.040
Other	19	93 kg	0.0003
Total			20.941

Drugs seizures by Revenue's Customs & Excise Service in 2003

Revenue's commitment to delivering on the supply reduction targets set out in the National Drugs Strategy is shown by the volume and value of illegal drugs seized during 2003. Table 16 sets out details of the seizures to the overall value of more than €20.9 million.

During 2003, one of the international operations coordinated by Revenue Customs staff resulted in the seizure on board a yacht of a huge quantity of cocaine by HM Customs, Gibraltar. The approximate street value of the cocaine was £30 million Sterling (€45 million). The two crewmembers were convicted of the importation of a controlled drug and intended supply, and sentenced to 18 and 20 years respectively.

Cash seizures at ports and airports

Revenue officers are empowered to seize cash at entry and exit points from the State where they believe it to be derived from or destined for drug trafficking purposes. In 2003, a total of €582,000 was seized, compared to €121,000 seized in 2002, and proceedings for its forfeiture were instituted in the Courts. Three forfeiture orders were made under the provisions of the Criminal Justice Act 1994.

Criminal Assets Bureau (CAB)

Revenue continued to work closely with the Criminal Assets Bureau. There are nine Revenue officials working full time with the CAB. A total of €9.91 million in tax receipts was paid by the CAB to Revenue in 2003.

Detections of illegal oil, tobacco and alcohol

During 2003, the total number of detections/seizures of oil, tobacco, cigarettes and alcohol was 5,794.

Table 17: Excisable products seized in 2003 and percentage increases over 2002

Product	Number of Seizures	Value (€m)	Quantity	% increase / decrease on 2002 quantities
Beer	29	0.074	12,645 litres	+ 178
Spirits	60	1.101	41,674 litres	+ 166
Wine	54	0.239	23,629 litres	+ 29
Cigarettes	5,242	15,141	52,681,335	- 30
Tobacco	318	0.979	4,238 kg	- 44
Oil	91	* See below	631,880 litres	+ 127

**Nine oil laundries were detected in Counties Louth, Monaghan and Meath. The average laundry detected was capable of processing up to 50,000 litres of oil per week. This represents a saving to the Exchequer of approximately €9 million per annum. Investigations are continuing in several of these cases, with a view to prosecution.*

Cigarette/Tobacco Smuggling

While the overall quantity of cigarettes and tobacco seized in 2003 was down on 2002, cigarette/tobacco smuggling continued to be an issue. However, checks carried out by Revenue indicate that the level of penetration of the Irish market with contraband is low. Continued vigilance on the part of Revenue officers appears to have had a deterrent effect.

The circumstances in which the majority of seizures were made and the brands involved continued to indicate that most of the consignments intercepted were destined for Northern Ireland.

Counterfeit Spirits

Convictions were obtained in three cases involving counterfeit spirits, while several other cases investigated are pending. Prosecutions are also pending in a number of cases involving evasion of excise duty on wine.

VAT on Yachts and Boats

As a result of an ongoing operation, checks were carried out in 2003 on 173 vessels, resulting in the collection of €390,000 in VAT and penalties.

Multi-Agency Checkpoints (MACs)

This programme involves Customs, the Garda Síochána, the Department of the Environment and Local Government, the Health & Safety Authority and the Department of Transport. During 2003, checkpoints were mounted throughout the country. The Revenue results from the checkpoints were as follows:

- 145 vehicles using rebated oil were detected
- 24 detections involving VRT evasion were made
- 44 cases were reported for prosecution
- 70 cases were settled on payment of compromise settlements.

Exchange of Information

In 1998, the OECD established the Forum on Harmful Tax Practices, to strengthen international cooperation against harmful tax competition and tax practices. Revenue and Department of Finance officials serve on the steering group of the Forum, along with Government representatives of France, Japan and the United States.

As a direct consequence of the project, 33 jurisdictions (formerly described as "tax havens") have committed to the principles of transparency and effective exchange of information. The OECD project is now firmly focused on promoting international co-operation in tax matters through exchange of information, and an OECD Model Agreement on Exchange of Information in Tax Matters has been concluded, to allow such exchanges of information to take place.

The Model Agreement serves as a template for Tax Information Exchange Agreements (TIEAs) between those committed jurisdictions and OECD member-countries and sets out minimum standards for effective exchange of information. TIEAs negotiated on the basis of the Model Agreement will require committed jurisdictions to exchange bank information on request, as well as information regarding the beneficial ownership of companies, partnerships and trusts. Revenue has embarked on a programme of negotiating TIEAs with a number of committed jurisdictions. Discussions have taken place with the Isle of Man, Jersey, Guernsey and the Cayman Islands.

Revenue Powers Group Report

The report of the Revenue Powers Group, set up by the Minister for Finance under the chairmanship of Mr. Justice Francis Murphy, was published on 4 February 2004.

The group's main recommendations include some new powers for Revenue, reform of the interest, penalties and voluntary disclosure regime, extension of rights of appeal, reduction in interest rates, improved safeguards for use of powers, and increase in publication limits for settlements.

The full report can be accessed on the Revenue website at www.revenue.ie, under 'Publications'.

Law Reform Commission Consultation Paper

The Law Reform Commission, at the request of the Attorney General, carried out a study of whether there is a need for a dedicated Fiscal Prosecutor and a Revenue Court. It published a consultation paper on the matter in July 2003. It contains a wide-ranging review of the history and operation of the Revenue Commissioners in relation to enforcement, civil penalties, appeals, offences and prosecutions, and makes provisional recommendations in that regard.

It does not, at the moment, recommend the establishment of a specialised criminal Revenue Court or an Office of Director of Fiscal Prosecutions. It recommends that current arrangements for the prosecution of Revenue offences be maintained and be reviewed in a few years. The final report is expected later this year.

1.2.2
Defaulters with liability detected and registered

Revenue continually seeks to improve the accuracy of its tax register, targeting two areas in particular – under-reporting and non-reporting of income, profits or gains. These are identified through information-matching, local intelligence, observation and investigation. Special Compliance Districts in each Region are responsible for identifying businesses that are not on the tax register and for regularising their affairs.

The Hidden Economy Working Group, which includes representatives from Revenue, the Department of Social and Family Affairs, CIF, IBEC and ICTU, continues to meet as appropriate, to monitor developments and review the effectiveness of measures to combat tax evasion and social welfare fraud.

Goal 1

Strategy 1.3 Maintain effective compliance programmes, including audit

1.3.1
Increased levels of yield and compliance

Pay and File

Timely compliance with Pay and File for Income Tax self assessment matched the previous year at 76%. By 31 December 2003, compliance rose to 81%, which was a 1% increase over 2002. Pay and File was also extended to Corporation Tax for 2003 for companies with accounting periods ending on or after 1 January 2003.

Interest Charges

The amount of interest collected in 2003 in respect of collection caseworking (as opposed to interest charges in respect of liabilities which arose from Revenue audits and investigations) was €69 million, which was an increase of €6 million over 2002.

Tax Avoidance

During 2003, Revenue's Large Cases Division successfully challenged five tax avoidance issues. Proposals for legislative amendment to close off tax avoidance loopholes were adopted and implemented in a number of circumstances. The first Notice of Opinion, under Section 811 of the Taxes Consolidation Act 1997, relating to a VAT avoidance scheme, issued during the year.

The Finance Act 2003, contained eleven anti-avoidance measures. These included provisions to:

- Counter schemes involving the transfer of capital allowances from companies to individual investors in respect of expenditure on buildings.
- Close a loophole involving contrived financial arrangements in relation to tax relief in respect of capital expenditure incurred on the provision of student accommodation.
- Block tax avoidance arising from the sale, by an individual to a company, of a rent roll from a building.
- Target "passive investors" in the areas of electricity generation, the film and music industries and oil and gas exploration, by "ring-fencing" tax relief for investment in those areas so that it can only be used to shelter an individual's income from tax to the extent, if any, that it is earned from the particular investment concerned.
- Address a potential problem with the option provided for in the VAT Act to waive exemption from VAT on short-term letting of property.
- Provide that, where a foreign trader supplies and installs or assembles goods in the State for or on behalf of a VAT-registered person, that VAT-registered person should be liable to account for VAT on the transaction.

In addition, a Financial Resolution was passed on Budget night, 3 December 2003 (and confirmed in the Finance Act 2004), to ensure that all developers account correctly for VAT on the sale of developed sites in situations where properties are sold under separate contracts for the sale of the sites and construction services.

1.3.2
An effective risk-based case selection programme

Computer-based risk-assessment

Revenue strategy is to focus our compliance resources on the areas where they are needed most. An associated strategy is to minimise the number of contacts with compliant tax and duty payers. During 2003, Revenue put in place a new computer-based risk analysis system and has commenced gathering and testing the rules that will support the risk analysis process. We intend to implement the system in support of our audit and compliance programmes during 2004. Case selection and case management systems are also in development and will be rolled out in conjunction with the risk analysis system.

Tax Audit Programme

The numbers of audits carried out was broadly in line with previous years. However, the number of comprehensive audits went up dramatically and the yield from these activities increased significantly.

Approximately 16,000 audits and investigations were completed. The yield from these audits was €428.65 million, a substantial increase of €160 million on 2002. A significant feature of the audit programme for 2003 was the number of Bogus Non-Resident Account cases audited. 3,910 BNR settlements were made, with an associated yield of €138.78 million. This figure of €138.78 million includes €64.07 million in respect of statutory interest and €30.73 million in respect of penalties.

In addition, €10.11 million in arrears was collected during the course of these audits. A further 5,300 audits were in progress at the end of 2003, in respect of which €40.43 million was paid on account.

Settlements were achieved in 55 cases where liabilities exceeded €1 million. This compares with 23 such settlements in 2002. The largest settlement in the year was €13.23 million.

3,127 audit settlements with liabilities in excess of €12,700 were made in 2003. The total amount collected in respect of these settlements was €383.9 million. Of these, 1,259 cases with a yield of approximately €134 million were published quarterly in Iris Oifigiuil under the provisions of Section 1086 of the Taxes Consolidation Act 1997.

In the course of the audit programme, 32 cases were identified for possible investigation with a view to prosecution.

The number of audit settlements in 2003 includes 276 randomly audited cases. This is close to 2% of the total audit base for the year.

A summary of audit activity in 2003, with comparisons for 2002, is contained in Table 18.

Table 18: Audit Activity 2002-2003

Audit Type	2003 Audits Completed	2003 Yield €m[1]	2002 Audits Completed	2002 Yield €m[1]
Comprehensive (All taxhead)	4,359	226.32	2,424	88.58
VAT	3,951	76.37	4,300	61.09
Employers' PAYE/ PRSI	874	18.05	862	6.31
Relevant Contracts Tax (RCT)	231	1.61	169	1.74
Combined VAT, RCT & PAYE/ PRSI	544	13.17	582	9.89
Verification Audits	5,695	86.79	7,594	88.47
Investigation Branch	1	0.44	8	4.99
Anti-Avoidance	3	0.29	12	4.39
CAT	112	5.61	225	3.10
Totals	15,770	428.65	16,176	268.56
Arrears Collected[2]		10.11		17.27
Payments on Account[3]		40.43		63.95

1 *The yield figures for 2003 include €2.55 million that has been referred for collection enforcement action in cases where the liability was not settled with the audit officer. The equivalent figure for 2002 is €1.66 million and for 2001 is €1.54 million.*

It also includes €18.24 million (Income Tax and Corporation Tax), which is yield expected in future years as a result of audits settled by way of restriction of losses carried forward and reliefs overclaimed. The equivalent amount for 2002 is €9.2 million and for 2001 it is €3.7 million.

2 *In the course of finalising taxpayers' affairs, auditors collect arrears of tax for periods other than the period audited. Auditors collected arrears of €10.11 million in 2003, €17.27 million in 2002 and €76.23 million in 2001.*

3 *This is the amount of payment on account by taxpayers, where the final settlement is not agreed between the taxpayer and the auditor. These payments are generally made to avoid further interest charges accruing. Payments on account on hands at the end of 2003 totalled €40.43 million.*

Special Savings Investment Account (SSIA) Scheme Compliance

During 2003, subscriptions to the scheme amounted to €2,187 million and the Exchequer contribution amounted to €532 million. An SSIA compliance programme was developed and commenced in 2003 to verify that the tax credits claimed by the Qualifying Savings Managers, representing some 330 savings institutions, were correct and to ensure that the scheme was administered in accordance with the legislative provisions. There were 12 compliance visits during the year.

Tax relief at source (TRS) for mortgage interest and medical insurance

A compliance programme was initiated in 2003, to verify that the TRS amounts claimed by lenders and medical insurers were correct, and to ensure that lenders and medical insurers were administering the TRS system correctly and in accordance with the legislative provisions, and that individuals were claiming the relief only in respect of qualifying loans and medical insurance policies.

Compliance visits were carried out on three of the 14 major lenders in 2003.

Customs & Excise Audit Programme

259 audits of businesses engaged in Customs and/or Excise activities were completed in 2003, of which:

- 39% indicated no irregularities
- 24% resulted in additional yield of duty of €0.52 million
- 8% indicated overpayments of duty totalling €104,000
- 29% indicated non-monetary discrepancies

FEOGA Audit

During the scrutiny period July 2002 to June 2003, the FEOGA Audit Unit in Revenue audited the commercial records of 28 traders who had received export refund payments amounting to €187 million in respect of agricultural exports during the period audited. The amount represents approximately 94% of the total export refunds paid by the Department of Agriculture and Food during that period.

Audit of CAP Exports

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

1.3.3
Increase in the number of returns and declarations filed correctly and on time

P35 Returns Compliance (Employers' PAYE/PRSI)

80% of PAYE/PRSI annual P35 returns for the 2002 tax year were received within the due month, compared to 79% for 2001. At the end of 2003, 96% of all returns had been received.

Revenue continues to vigorously pursue non-compliant employers. Penalties were imposed in 455 cases of employers who were late in filing their P35 returns. 85 court judgements were obtained against employers who failed to pay the penalty and their names were published in the Court register of judgements. 1,730 estimates were raised during 2003 on employers who failed to file a P35 return, and this was followed up by enforcement action, where necessary.

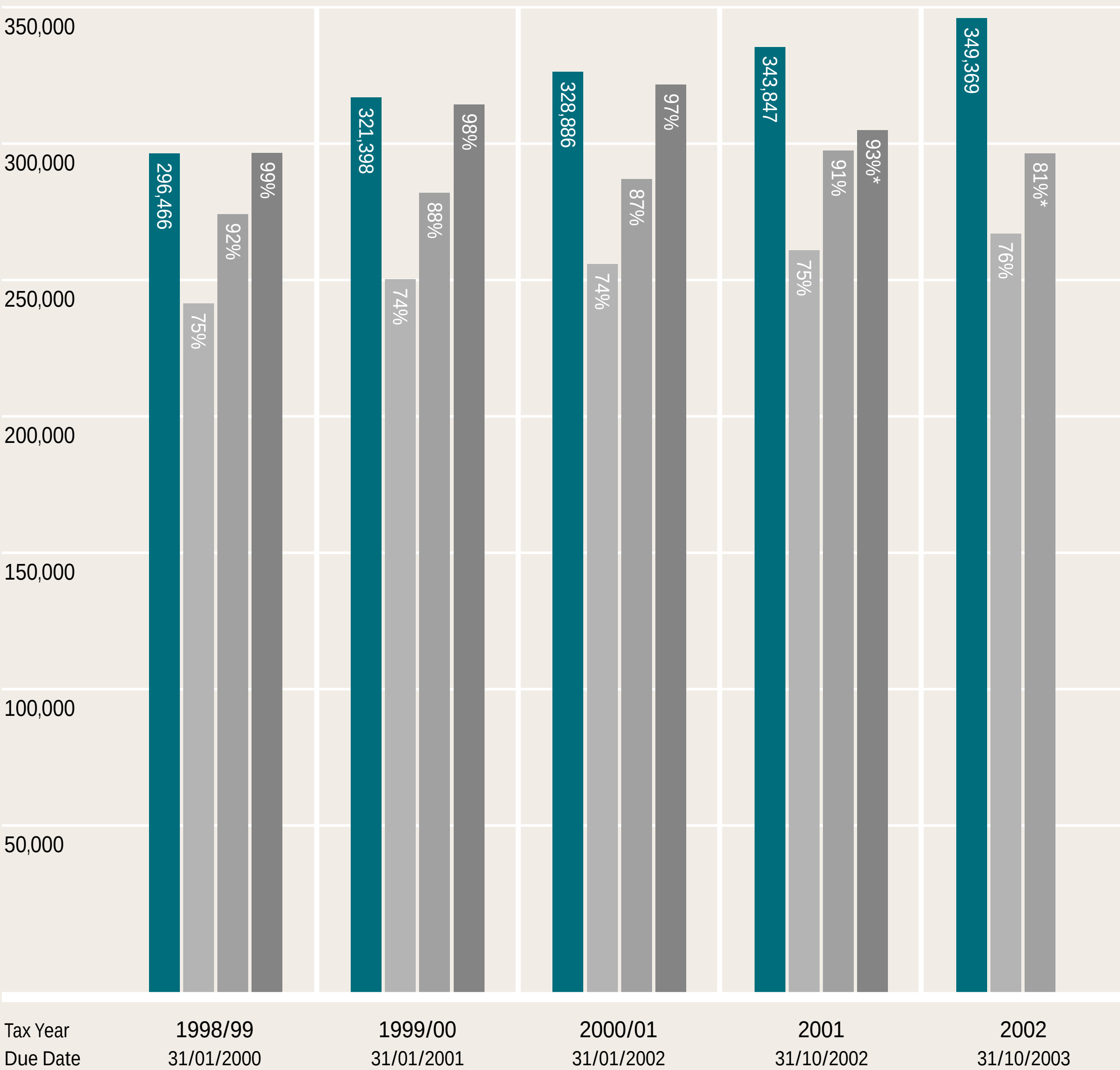
Self Assessment Return Compliance

Revenue's compliance programme continued to tackle late and persistent non-filers in 2003. Over 56,000 cases were reviewed, and over 8,900 visits were carried out by Revenue staff. Further details are contained in Table 19.

Table 19: Cases reviewed under the 2003 Returns Compliance Programme

	Income Tax	Corporation Tax	Totals
Cases settled by receipt of return(s)	32,728	4,431	37,159
Cases ceased, dormant, dissolved or deemed to have no liability	15,981	3,623	19,604
Total Settled	48,709	8,054	56,763

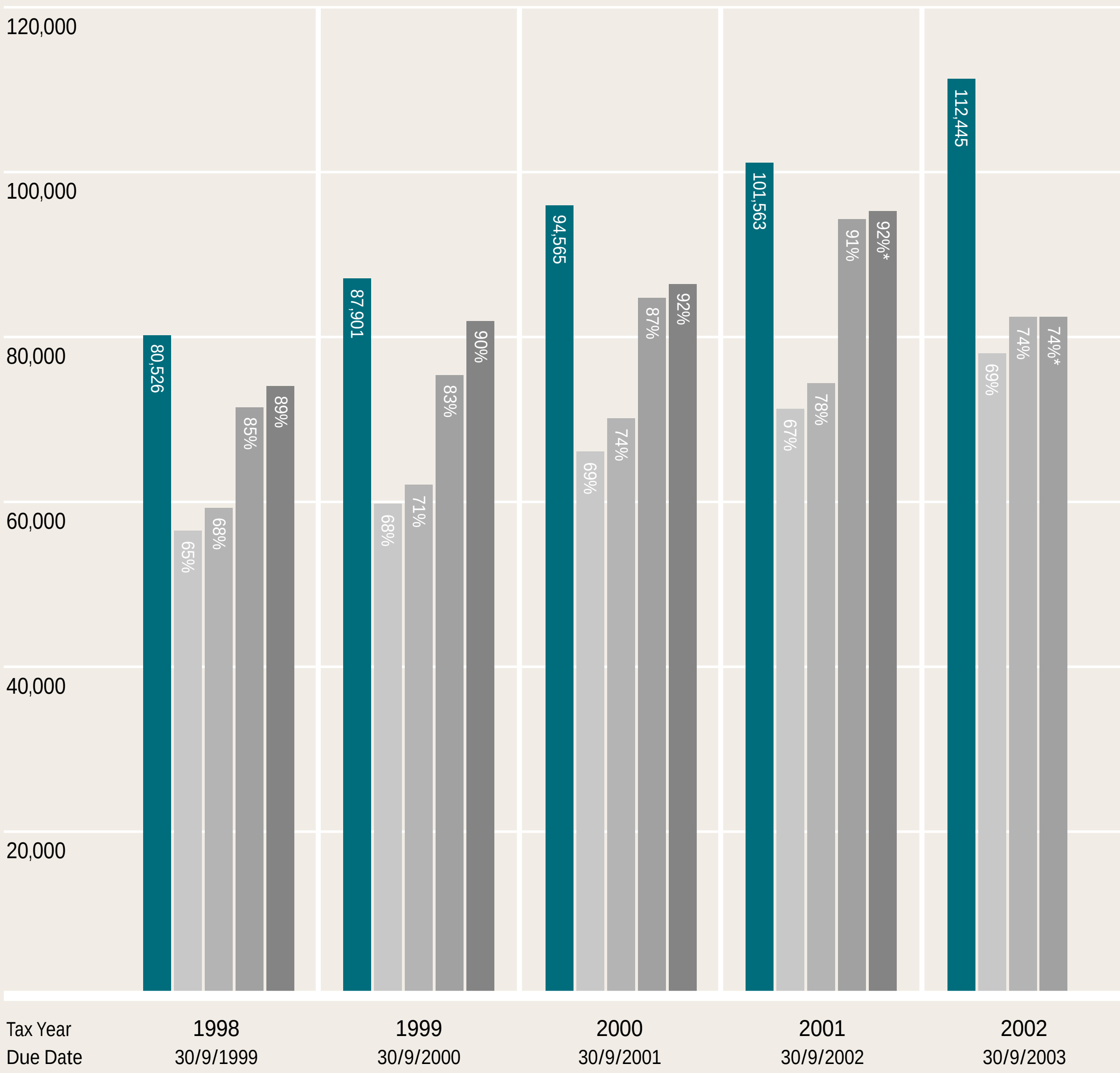
Chart 6: Income Tax Returns Compliance



* Represents Returns received by 31/12/2003

- Returns issued
- Returns received by due date
- Returns received one year later
- Returns received ultimately

Chart 7: Corporation Tax Returns Compliance



* Represents Returns received by 31/12/2003

- Returns issued
- Returns received by due date
- Returns received 3 months later
- Returns received one year later
- Returns received ultimately

Prosecution for Failure to File Returns

In 2003, warning letters were issued to 13,647 taxpayers by the Revenue Solicitor. Legal proceedings, under Section 1078 of the Taxes Consolidation Act 1997, were instituted against 1,931 of these and convictions were secured in 627 cases.

Table 20: Prosecution for non-filing of Income Tax (IT) and Corporation Tax (CT) Returns

	Tax	2003	2002
Revenue Solicitor warning letters issued	IT	12,357	9,348
	CT	1,290	912
Cases referred for the institution of legal proceedings	IT	1,908	1,839
	CT	23	119
Convictions	IT	575	972
	CT	52	66

1.3.4
The close monitoring of taxpayers who pose the greatest risk to the Exchequer

The new Large Cases Division became fully operational on 31 October 2003. First contacts were established with large businesses and high wealth individuals, to explain the role and objectives of the Division, and a round of discussions with senior management in these businesses took place. These contacts set the scene for future ongoing engagement with these taxpayers in relation to support for good compliance practice and in relation to audit and compliance interventions driven by professional analysis of risk.

Goal 1

Strategy 1.4 Foster voluntary compliance through the delivery of quality customer services

1.4.1 Customer satisfaction with Revenue services

2003 was a particularly challenging year for Revenue in terms of implementing the most significant restructuring programme in the history of the organisation, while at the same time ensuring that our core business was not adversely affected. While there was slippage in meeting some of our customer service standards, overall results for 2003 compare favourably with previous years.

Table 21: Customer Service Standards And Results

Service	Standard	Result 2003	Result 2002
Processing of:			
General correspondence	100% of routine matters processed within 20 working days	98%	95%
	100% of complex matters processed within 30 working days	98%	97%
PAYE repayments current year	80% refunded within 10 working days	72%	68%
	100% refunded within 20 working days	96%	95%
PAYE repayments previous years	85% refunded within 20 working days	99%	73%
	100% refunded within 30 working days	100%	84%
Income Tax repayments	80% refunded within 20 working days	91%	75%
	100% refunded within 40 working days	96%	91%
Corporation Tax repayments	80% refunded within 20 working days	84%	79%
	100% refunded within 40 working days	95%	98%

Service	Standard	Result 2003	Result 2002
VAT repayments	85% refunded within 10 days	80%	81%
	100% refunded within 30 days	93%	93%
Relevant Contracts Tax repayment	80% refunded within 20 working days	91%	58%
	100% refunded within 40 working days	99%	85%
Principal Contractor relevant payment cards	100% processed within 5 working days	99%	94%
CG50 applications	100% processed within 5 working days	100%	100%
Income Tax returns	2002 returns received by 31/8/2003		
	100% processed by 31/10/2003	99%	99%
	2002 returns filed on time after 31/8/2003		
	100% processed by 31/12/2003	88%	74%
	Other Income Tax returns		
	90% processed with 20 working days	72%	66%
	100% processed within 30 working days	83%	79%
Applications for C2 certificates	100% processed within 15 working days	96%	93%
Corporation Tax returns	90% processed within 20 working days	60%	74%
	100% processed within 30 working days	78%	87%
Applications for Income Tax registration	100% processed within 5 working days	73%	66%
Applications for Corporation Tax registration	100% processed within 5 working days	73%	51%
Applications for VAT registration	100% processed within 10 working days	90%	70%
Applications for Employer registration	100% processed within 5 working days	73%	52%
Applications for Tax Clearance certificate	100% processed within 6 working days	91%	82%

Service	Standard	Result 2003	Result 2002
Stamp Duty:			
Adjudication and straight stamping	100% presented to the Stamp Duty Public Office for over-the-counter processing on the day of presentation	100%	100%
	100% presented to the Stamp Duty Public Office for 'drop-in' processing: document to be stamped within 5 working days	72%	100%
	100% received by post processed within 20 working days	71%	83%
Companies Capital Duty (CCD)	100% processed within 5 working days	95%	100%
Composition Duty and Levies	80% processed within 5 working days	83%	97%
	90% processed within 10 working days	84%	98%
Through the CREST system	90% refunded within 10 working days	39%	25%
	100% refunded within 30 working days	84%	81%
Residential Property Tax:			
Tax Clearance certificates	100% processed within 5 working days	100%	100%
Capital Acquisitions Tax:			
Affidavits/Probate Tax:			
Non-Taxable	80% processed within 10 working days	85%	78%
	100% processed within 20 working days	100%	100%
Taxable	80% processed within 10 working days	85%	63%
	100% processed within 20 working days	99%	95%
Inheritance/Gift and Discretionary Trust Tax returns	70% processed within 20 working days	70%	32%
	100% processed within 30 working days	99%	71%
Certificates for Discharge	90% processed within 10 working days	80%	53%
	100% processed within 20 working days	100%	100%

Customer Surveys

A survey of PAYE customers was carried out in July 2003. Some of its main results were as follows:

- 64% of respondents made contact by telephone, 24% called to a public office, 11% sent a letter, and 1% emailed
- 24% made contact two or more times in relation to the same query
- 82% received their new certificate of tax credits within 10 days
- 95% of all respondents were either satisfied or very satisfied with the quality and clarity of the information they received from Revenue staff
- 96% were either satisfied or very satisfied with the courtesy and consideration they received from Revenue staff
- Although only 1% had contacted Revenue by email, 5% gave email as their preferred method of contact.

Range of Payment Options

Continuing our policy of providing a wide range of payment options to taxpayers, with an emphasis on electronic means of payment, the Single Debit Authority (SDA), introduced in 2002 for Income Tax, Capital Gains Tax and Corporation Tax, was extended to VAT payments towards the end of 2003. In 2003, €169 million was paid by SDA. The SDA allows tax to be paid by means of a single debit.

Payment by regular monthly direct debit payments, that can be adjusted to suit the person's business cycle, continued to be popular, with over 705,000 payments in 2003, accounting for €2.9 billion. Taxpayers who pay by direct debit also have the benefit of only making one return per year for each tax for which they are liable.

In 2003, almost 100,000 payments to the value of €6 billion were received through ROS, an increase of 77% (in value terms) from 2002. This represents almost 17% of the national tax take overall.

ROS customers have a choice of three different methods of electronic payment, by debit instruction, by Laser card, or by on-line banking for Income Tax. The majority of users opted for the ROS debit instruction method (RDI). This enables customers to set the instruction up well in advance, confident that Revenue will not deduct any money until the due date, unless advised to the contrary by the customer.

Revised Customer Service Standards

Revenue first published its customer service standards in 1998. A commitment was given to revise them in our Customer Service Action Plan 2001-2004. After consultation with our stakeholders, new standards were published on 1 December 2003, to apply from the beginning of 2004.

The new standards set challenging targets for the whole organisation. We will continue to demonstrate our accountability to our customers in the most transparent way possible, by publishing the results of our performance against these standards each year in our Annual Report.

Provision of Information to our Customers

We routinely provide information to our customers on various taxes and duties, and we expanded our range of information in 2003. Some examples include:

- "Capital Gains Tax - Revised Due Dates 2003 and Following Years". This leaflet explains important changes to the due date(s) for payment of Capital Gains Tax for the year 2003 and following years, which were introduced in the Finance Act 2003.
- A new leaflet, "What to do about Tax when you Separate", was published in October. It addresses frequently asked questions about Income Tax, Capital Gains Tax, Inheritance Tax and Stamp Duty, in a question and answer format.
- A "Guide to Completing 2002 Tax Returns" was produced for individuals, to assist them in meeting their Pay and File obligations under self assessment.
- "Revenue eBrief", a periodic electronic communication for tax practitioners and other interested parties, was established in 2003. It enables a timely communication of information, news and website updates to the target audience. The first issue was delivered to approximately 800 subscribers on 16th January 2004.
- "An Employers' Guide to operating PAYE and PRSI and Benefit in Kind (BIK) - Frequently Asked Questions" was published on the Revenue website.

In addition, we held meetings with representatives of the payroll industry to explain the significant changes in the tax treatment of Benefit in Kind. We also arranged 43 seminars countrywide, which were publicised through a national advertising campaign, and we liaised with the Irish Taxation Institute in relation to queries on BIK.

The Revenue Website (www.revenue.ie)

The redesign of Revenue's website was completed in 2003, and the site was launched in February 2004. The new website is designed to provide an improved service to the public (both individuals and businesses), practitioners and other users. It includes simpler navigation to assist 'self service' by users, information grouping by customer categories, and an enhanced search facility.

eGovernment

We are committed to the ongoing development of the Information Society, especially BASIS and OASIS. These initiatives are led by the Department of Enterprise, Trade and Employment and Comhairle, and comprise portals designed to provide "one-stop-shops" of information for businesses and citizens respectively. They are structured around life events of both business and citizen. Revenue will continue to participate in the Reach work programme, especially in the development of a Business Service Identifier (BSI) number, which is a key ingredient of the Public Service Broker (PSB) or eBroker. This has been postponed for phase one of the PSB, but remains a long-term objective to facilitate the provision of a relevant and useful eBroker. Revenue and the Companies Registrations Office will be involved in administration of the BSI.

1.4.2
Compliance costs kept as low as possible for Revenue customers

We have an ongoing policy of minimising our customers' compliance costs. One of our main ways of achieving this is our free electronic services, such as the Revenue On-Line Service (ROS), for filing returns and making payments to Revenue for the main taxes and duties. This offers taxpayers and their agents many opportunities to reduce their compliance costs, as a result of speedier processing of returns and repayments, greater accuracy, reduction in postal and telephone costs, timely payment, and the reduction or elimination of paperwork.

A new service in ROS was introduced in the autumn of 2003, which enabled approximately 8,000 employers to receive their employees' Tax Credit Certificates on-line. This represented approximately 25% (500,000) of employees.

Simplified Customs procedures for import/export traffic

A new electronic web-based system to replace the presentation of paper-based manifests was designed and developed in 2003 for express carriers. A number of them began testing the application in 2003. Full implementation of the system is expected in 2004.

The web-based system was also used for a pilot local clearance project involving a major Irish importer. As a result of this, the importer continues to maintain high levels of compliance while the administrative burden involved in the clearance of imported goods has been reduced. The project will be expanded in 2004 to include a major technology firm.

1.4.3
Increased level of on-line business

Revenue is committed to encouraging its customers to make increased use of the on-line facilities it has developed. As can be seen from the following statistics, customers' usage of ROS grew significantly in 2003. The number of Income Tax Forms 11 submitted through ROS in the 2003 Pay & File period was 112,733 and payments in excess of €756 million were received. This number of returns represented nearly 40% of all timely returns received and compares with 9% in 2002. Corporation Tax Returns can also be filed on-line, and 10% were filed in this way in 2003.

Our On-Line Vehicle Registration facility, which was launched in November 2002, proved very popular, with a steady growth in the uptake of the service throughout 2003. By the end of the year, almost 70% of all eligible vehicles were registered through ROS and in January 2004 80% was achieved in some Regions.

Nearly €6.2 billion was paid through ROS in 2003. This represents an increase of 77% on the amount collected by ROS in 2002 and 16% of the national tax take overall.

Table 22: Customer Usage of the Revenue On-Line Service (ROS)

	2003	2002	% Increase
Digital Certificates issued	10,222	8,175	25%
Number of payments	97,488	77,646	26%
Value of payments	€6.2bn	€3.5bn	77%
Repayments	€550m	€319m	72%
Returns	514,528	135,036	281%
Customer enquiries	814,197	279,383	191%
Total Transactions	1,433,947	509,308	181%

Table 23: Payments filed electronically

Payments	Total Number of Payments Received in 2003	% Received Electronically in 2003*	% Received Electronically in 2002
Items	3.7m	34%	32%
Gross receipts	€35.9bn	38.1%	33.6%

Includes all electronic and on-line payments

Table 24: Returns filed electronically

Tax Return Type	Total Number of Returns Received in 2003	% Received Electronically in 2003	% Received Electronically in 2002
VAT 3	970,951	6%	3%
Employers' PAYE/PRSI monthly P30	1,275,497	5%	2%
Employers' PAYE/PRSI Annual P35	184,800	19%	17%
Income and Capital Gains Tax Form 11	401,677	29%	5%
Corporation Tax CT1	110,154	7%	0.7%

Revenue Website Awards

The Revenue website www.revenue.ie and the Revenue On-Line Service (ROS), which is incorporated into the website, received a number of awards in 2003, as follows:

- The Public Sector Times Award for best eGovernment website
- The Irish Internet Association award for the Revenue Commissioners' contribution to eGovernment
- The ICT Expo award for best example of Public Service eCommerce implementation in the Public Service
- An EU award, confirming the standing of ROS as an example of best practice of eGovernment. This followed an eGovernment label received in 2001 from the European Commission for this service, which was found to be one of the very best practices of its type.

ROS also won a top award under the heading "Digital Media Innovation" at the O2 Digital Media Awards in January 2004.

Goal 2

Fulfilment of our External Obligations

In addition to our central role of collecting taxes and duties, Revenue also plays its part in the broader administration of the State. We do this through our active participation in cross-departmental programmes and initiatives and also through the provision of agency services to other Departments and Offices.

Goal 2

Strategy 2.1 Provide quality input to legislative development

2.1.1
Timely high quality advice supported by accurate statistics and forecasts

In 2003, Revenue played a key role in a number of major legislative initiatives, including the provision of advice to the Department of Finance on changes to the direct tax code, such as the direct application of PAYE to certain taxable benefits-in-kind with effect from 1 January 2004.

We also provided advice in relation to a wide range of other measures, including:

- Advancement of the date for payment of Capital Gains Tax and Corporation Tax;
- Abolition of the seven-year deferral of payment of income tax due in respect of the exercise of share options;
- The charging of interest on late remittances of Relevant Contracts Tax; and
- The introduction of a scheme for the payment of interest on repayments of taxes and duties generally.

Capital Gains Tax reforms included the ending of indexation, the ending of deferral of liability where shares are exchanged for loan stock, and the imposition of a charge on part of the gain accruing on disposals of significant share holdings during a temporary period of residence by the shareholder outside the State.

2.1.2
Precise and robust legislation supported by comprehensive briefing material

In keeping with the principles in "Towards Better Regulation", the Finance Act 2003 was drafted with a view to assimilation into updated consolidated legislation for the taxheads concerned. This facilitated the production by private sector publishers of non-statutory annual updatings of consolidated legislation in single-volume accessible formats. It will also simplify future statutory consolidations of the legislation concerned.

The Finance Act 2003 made provision for a better balance in the financial services industry between commercial requirements and tax regulation. This reflected detailed consideration by Revenue of the issues arising. In particular, the provisions in relation to securitisation were acknowledged in industry journals as providing a favourable fiscal framework for the development of this financial service.

Consolidation of Legislation

Almost 30 years of Capital Acquisitions Tax legislation was consolidated in the Capital Acquisitions Tax Consolidation Act 2003. Notes for Guidance on all sections of the Act were also published in 2003.

Notes for Guidance on the Taxes Consolidation Act 1997 (TCA 1997), reflecting all changes to the TCA 1997 made by subsequent legislation up to and including the Finance Act 2003, were published in book form, in addition to the annual updating of the electronic version.

Revenue continued its programme of consolidation and modernisation of excise law. A new unified Alcohol Products Tax regime was enacted in the Finance Act 2003, to replace separate excise duties on spirits, beer, wine and cider. Elimination of obsolete law from as far back as the 19th century and the closer alignment of tax structures and terms with the relevant EU legislation were among the main developments. Commencement of the new provisions is due to take place in mid-2004, following the passing of the necessary regulations and the preparation of staff instructions.

A framework for the consolidation and modernisation of all VAT regulations was put in place during 2003. In addition to making the regulations clearer and more accessible, the opportunity is being taken to update regulations as appropriate to cater for ongoing developments in the commercial sector. The exercise takes account of the regulatory reform principles in "Towards Better Regulation".

We have also begun to consider options to modernise and consolidate Customs legislation, which dates back almost 130 years.

2.1.3
Assessment of the impact of Tax and Customs law on business decisions affecting Revenue yield

Quality feedback

During 2003, the Tax Administration Liaison Committee (TALC), the Customs Consultative Committee and other representative groups provided feedback in relation to policy formulation and legislative processes.

Detailed responses from interested parties in relation to the broadening of the scope of the PAYE system of tax collection, to include tax and PRSI on benefits-in-kind, were fully considered and a consultation process was entered into.

A similar process, involving consultation with financial institutions, was also undertaken in relation to draft regulations to transpose the EU Savings Directive into Irish law, before the regulations were signed by the Minister for Finance. In addition, the preparation of guidelines on the operation of the Directive, including technical aspects of transmitting the required data to Revenue, has involved consultation with the financial institutions concerned.

Goal 2

Strategy 2.2 Participate fully in Government programmes and cross-departmental activities

2.2.1
Quality input to cross-departmental activities

The Civil Service modernisation agenda includes areas such as the Quality Customer Service Initiative, chaired by the Revenue Chairman, Frank Daly, the Performance Management and Development System, the Management Information Framework, and the implementation of Freedom of Information legislation, all of which are dealt with elsewhere in this Report.

2.2.2
Provision of agency services on behalf of other Departments and Offices

PRSI and Health Contributions

Revenue collects PRSI on behalf of the Department of Social and Family Affairs, and Health Contributions on behalf of the Department of Health and Children. In 2003, the following amounts were paid over:

- PRSI and Health Contributions from employers/employees: €5.79 billion
- PRSI and Health Contributions from the self-employed: €319 million.

Revenue also captured PRSI contribution data in respect of approximately 2.85 million PAYE employments in 2003. The data is important in assisting the Department of Social and Family Affairs in determining entitlement to social welfare benefits.

Environmental Levy

Revenue is the collection agent for the Environmental Levy on the supply of plastic shopping bags at point of sale, introduced by the Minister for the Environment and Local Government in March 2002.

For 2003, in excess of €12.7 million was paid over to the Department of the Environment and Local Government. These proceeds have been lodged in a special fund, the 'Environmental Fund', established under the Waste Management (Amendment) Act 2001.

Customs Controls

In April 2003, agreement was reached in the form of a formal Memorandum of Understanding between Revenue and the Food Safety Authority of Ireland. Under this arrangement, Revenue officials and food control officials in the various official agencies will liaise and work with each other to strengthen controls on food importation.

Close co-operation exists at import stations between Revenue officers and officials from other state bodies, such as Environmental Health Officers and Agricultural Officers. This is essential in combating the importation and exportation of illegal products.

2.2.3
Improved drug detection

Revenue is committed to delivering on key action plans set out in the Government's National Drugs Strategy 2001-2008. These include:

- To increase in volume our seizures of opiates and other drugs
- To continue to work closely with other law enforcement agencies, both nationally and internationally. In this regard, a Revenue official is assigned to the Europol National Office
- To strengthen and consolidate existing coastal watch and other ports of entry measures designed to restrict the importation of illicit drugs. In this regard, nine detector dog teams are deployed at strategic locations throughout the State. The Revenue Board approved the acquisition of a new cutter and delivery is expected in the middle of 2004. Additionally, Revenue invited tenders for the acquisition of x-ray scanner technology for screening containerised freight.

A senior Revenue officer is part of the Inter-Departmental Group that advises the Cabinet Sub-Committee on Social Inclusion on drugs-related issues and seeks to ensure better co-ordination between the various stakeholders involved in the National Drugs Strategy. Revenue is also represented on each of the Regional Drugs Task Forces. In terms of supply reduction, Revenue is well placed to deliver on the seizure targets set for the period 2001-2004.

As part of the EU Action Plan to Combat Drugs (2000-2004), an evaluation of law enforcement and its role in the fight against drug trafficking was conducted in each Member State. Revenue is committed to implementing the recommendations of the review group.

Goal 2

Strategy 2.3 Participate fully in the EU, the OECD, the WCO and other international forums

2.3.1 Influence at the EU, the OECD, the WCO and other international policy-making bodies reflecting Government policy

The increasing globalisation of economic activity has resulted in a greater focus on international taxation issues and the need to strengthen international co-operation in this area. As a result, the role of the OECD Committee of Fiscal Affairs (CFA) has increased over the past decade. Frank Mullen, Assistant Secretary, Revenue, is Deputy Chairman of the Committee, and one of the five-member group charged with managing the work of the Committee. Revenue and Department of Finance officials serve as delegates to the CFA's various working groups, dealing with such issues as the updating of the OECD's Model Tax Convention, transfer pricing, consumption taxes on e-commerce and internationally traded services, avoidance and evasion, and harmful tax competition. Revenue also provides the Committee with detailed statistical analysis of a range of tax-related matters.

Revenue was actively involved in influencing the shape and content of EU legislation – for example EU Council Regulation (EC) No. 1383/2003 regarding Customs Action against Goods Suspected of Infringing Certain Intellectual Property Rights (e.g. counterfeit and pirated goods) and EU Council Resolution of 5 December, 2003 on creating a simple and paperless environment for customs and trade.

Revenue and Department of Finance officials assisted actively in the development of specific responses to particular barriers to cross-border business. These included the EU Interest and Royalties Directive and the Parent and Subsidiaries Directive, which removed withholding taxes on cross-border dividend, interest and royalty payments. This is in line with Ireland's stated position of pursuing targeted measures that reduce obstacles to trade.

We participated fully in the non-statutory Code Of Conduct process of review and roll-back of harmful tax competition between Member States and their related jurisdictions.

Together with the Department of Finance, we met with various Member States - including Italy, the United Kingdom, Germany, and the Netherlands - and the EU Commission, in preparation for the Irish Presidency programme in 2004.

Revenue took part in discussions on a directive on the taxation of energy products with officials from the Department of Finance. This directive was adopted in October 2003.

Revenue contributed to the ongoing VAT modernisation agenda of the EU Commission, and took part in international discussions of VAT issues at OECD level. Our strategy of easing the compliance burden on traders, thus encouraging voluntary compliance, was a key feature in Revenue's input into discussions on these topics. The most significant VAT issues involved participation in an EU Commission working party on the Recast of the Sixth VAT Directive, renewal of the property derogation and the Council Directive clarifying the VAT treatment of natural gas and electricity.

2.3.2
A network of double taxation treaties which facilitates investment and international trade in goods and services and assists in combating tax evasion

The Irish tax treaty network continued to be expanded and updated in 2003. Ireland now has double taxation treaties in force with 42 countries, including a new agreement with Croatia, which is effective from January 2004.

New agreements with Greece and Iceland and a replacement agreement with Canada were signed during 2003 and are expected to be ratified in 2004. Negotiations are also taking place for new agreements with Argentina, Egypt, Malta, Singapore, Turkey and the Ukraine, as well as for replacement agreements with Cyprus and France. Further new treaty partners continue to be identified, in liaison with relevant Government Departments.

2.3.3
Close co-operation with international agencies in the fight against drug smuggling and other forms of trans-national crime

In July 2003, the European Commission proposed a number of amendments to the Community Customs Code, (Council Regulation (EEC) No. 2913/92), in order to provide an equivalent level of protection by Customs to the Community, its citizens and trading partners, on goods brought into or out of the EU. Revenue actively participated at Council Working Groups at which these amendments were discussed. Discussions on these proposals were not finalised in 2003 and were carried over into the Irish Presidency in 2004.

International co-operation

There is evidence of the increasing involvement of international criminal networks in organising drug smuggling. Criminals do not respect international boundaries and indeed seek to exploit them. Consequently, international co-operation is of critical importance in the fight against these practices. No single organisation or country can tackle these issues in isolation. Revenue is very conscious of this international dimension and of the need to work closely with other jurisdictions and agencies. Various international instruments including tax treaties, regulations and mutual assistance directives regulate co-operation between countries.

Fiscal Liaison Officer

Revenue's Fiscal Liaison Officer in the UK plays an important role in co-ordinating the exchange of information between the UK and Ireland, and with the network of international fiscal liaison officers from other jurisdictions.

VAT Carousel Fraud

Intra-EU VAT fraud by means of carousel trade has emerged as a serious threat in recent years. Revenue's VAT Carousel Fraud Team plays an important role in combating this fraud at EU level. While some Irish companies have been involved in the supply chain, the fraudulent activity typically has taken place outside of this jurisdiction. An active international network of tax and customs officials continues to monitor this trade.

2.3.4
Provision of technical assistance to EU applicant countries

In 2003, Revenue continued to make a significant contribution in terms of providing assistance to tax and customs administrations of EU candidates and other countries. The Czech Republic, Latvia, Lithuania, Malta and Slovakia were amongst the EU applicant countries that received assistance.

We also provided assistance to and exchanged ideas of mutual benefit with tax and customs administrations in Bosnia-Herzegovina, Canada, Finland, France, Iran, New Zealand, the Netherlands, the UK, the Ukraine and the USA.

We made presentations at conferences in Prague and Vienna, attended the European eGovernment Conference in Italy, and provided training at the OECD training school in Vienna on the topic of tax and e-commerce.

As part of the OECD Outreach Programme, we provided instructions for courses organised by that organisation for emerging economies.

Goal 3

A Capable, Adaptable and Effective Organisation

We recognise the importance of organisational excellence, including effective structure, to delivering on our mandate. Our programme of organisational change, together with investment in the development of our people and systems, is designed to ensure we have the capability and adaptability to meet all the challenges facing Revenue.

Goal 3

Strategy 3.1 Attract, develop and retain high calibre staff

3.1.1
An effective Performance Management and Development System (PMDS)

The PMDS is now operational for all grades in Revenue. Training procedures and quality assurance structures were designed and implemented across all Regions and Divisions during the fourth quarter of 2003.

3.1.2
A highly skilled and adaptable workforce

We continued to increase our investment in training in 2003, and exceeded the 4% of payroll target set out in our Statement of Strategy and in the national Sustaining Progress agreement. Total expenditure was equivalent to 4.12% of overall payroll costs, amounting to an investment of over €10 million.

Training Strategy

Following a comprehensive consultation process, we published our Training and Development Strategy 2003-2005 in November 2003. The document sets out in detail the training strategies we will implement to develop our staff to the highest standards and to maximise the benefit of organisational restructuring and grade integration.

Technical Training Programmes

The restructuring of our organisation gave rise to significant demands for technical training, particularly in the latter half of 2003. Tax and Customs and Excise familiarisation training was provided to most management grades in the new Revenue Districts. Meanwhile, our Audit Technical Tax programme continued apace. By the end of 2003, almost 100 additional trainees had joined some 200 staff already involved in the programme at the beginning of 2003 - the majority as a result of assuming new duties arising from restructuring.

A number of new modular training courses were developed and delivered, including Customs technical programmes on advanced interviewing skills, the New Computerised Transit System and, in partnership with the Department of Nautical Studies in the Institute of Technology in Cork, a new training course on shipboard familiarisation.

Other technical programmes provided during 2003 included training on capital taxes, stamp duty, debt collection and enforcement.

Management and Interpersonal Skills Training

As part of our commitment to providing high quality management training to all our managers, our programmes continued in 2003. In June, we began one of our biggest ever management training programmes, including interpersonal skills training, for all our HEO/EO grade levels. This training was provided by an external company.

Supporting Post-Entry Staff Education

Over 260 staff were provided with financial support under the Refund of Academic Fees scheme, amounting to a total investment of €236,000. In addition, new provisions governing the Refund of Professional Subscription Fees were published in 2003, providing for financial support to staff for individual membership of certain professional bodies. Total financial support for both individual and corporate membership fees amounted to €92,500.

3.1.3
A highly motivated and well informed workforce

The importance of Revenue's Workplace Charter is highlighted in all training courses, and is incorporated in our 'Human Resources Policy' and 'Equality Strategy' documents. Good progress was also made during 2003 in developing an Internal Customer Service Standards document.

Our Internal Communications Policy is actively promoted throughout Revenue, with an emphasis on face-to-face communications with staff. The PMDS has fostered better communications, particularly in terms of clarifying roles and performance. Revenue also holds twice-yearly Senior Management Conferences, where senior managers review progress and consider future developments.

"Revnet", a new internal intranet portal, was designed, piloted and released in Revenue on a phased basis at the end of 2003. When fully introduced in 2004, Revnet will provide staff with up-to-the-minute communications, and intuitive categorisation of documents and instructions for ease of access.

3.1.4
Improved Human Resources (HR) management aligned to business needs

Revenue's 'Human Resources Policy' and the 'Revenue Code of Ethics' were launched during 2003. As part of the HR policy, the second phase of the devolution of HR management was implemented in a number of areas. This phase devolves responsibility to local management for tracking and monitoring various personnel functions, including monitoring of performance of probationers and acting appointees, monitoring performance for salary increments and deciding on the outcome in each of these instances. A tailored HR database was also provided as the supporting software tool.

3.1.5
Successful policies on gender equality and diversity

We launched our 'Equality Strategy for Revenue' in 2003.

Promoting equality and diversity are part of Revenue's induction training for new staff, and of training given to interviewers. They also form a complete module in the management training currently being given for all front-line managers. In addition, any staff member who believes they have been discriminated against on the grounds of gender, or any of eight other grounds, can have their case investigated by Revenue's Equality Officer.

Employee Assistance Service

The Employee Assistance Service (EAS) is a support service that provides practical help, advice and emotional support for all serving and retired staff and their family members. It is staffed by trained counsellors, to help resolve job-related and personal problems.

During 2003, the Employee Assistance Officers dealt with 723 cases, covering a range of topics, including bereavement, addictions, emotional and physical health problems, relationship problems, financial problems, and help with wills and probate applications.

Table 25: Targets for Gender Balance

Grades	% of posts held by women at July 2000	% of posts held by women at end 2003	Target % posts to be held by women by 2005
HEO/AO	25%	31%	30%
AP	18%	23%	23%
PO	9%	15%	15%
HEO (former Inspector of Taxes)	38%	48%	45%
AP (former Higher Grade Inspector)	24%	24%	25%
PO (former Senior/Principal Inspector)	7%	12%	12%

Goal 3

Strategy 3.2 Implement flexible and adaptable organisational structures and processes to support our strategies

3.2.1
Completion of our new organisational structure

Implementation of our new organisational structure was completed during 2003. It is reported on in the chapter called 'Implementing our New Structure', and in Appendix 1.

'Sustaining Progress'

The restructuring/modernisation process was further supported in 2003 by the national agreement, 'Sustaining Progress'. Revenue's Action Plan under Sustaining Progress set out the specific actions that would be undertaken to progress modernisation within Revenue. The implementation of the new Revenue structures is a significant commitment in the Action Plan. The Civil Service Performance Verification Group considered Revenue's Progress Report on implementing the Action Plan. They concluded that the progress achieved in Revenue, in relation to stable industrial relations, co-operation with flexibility and change and implementation of the modernisation agenda, warranted payment of the pay increases due from January 2004. The Group noted that excellent progress had been made across many areas of Revenue, including in particular the scale of the organisational restructuring which had taken place, the strong customer orientation which Revenue displays and the innovative use of technology.

Integration of Grading Structures

Further significant progress on the integration of Departmental Taxes and General Service grading structures was achieved in 2003, resulting in the completion of negotiations with IMPACT to integrate the grades of Executive Officer and Higher Tax Officer, and Clerical Officer and Tax Officer. All the former Departmental Taxes grades can now be integrated into the General Service grading structures, to facilitate the process of restructuring.

3.2.2
Business processes which effectively support our strategies

Revenue has a well-established annual business planning process. All divisions prepare annual business plans, based on Revenue's Statement of Strategy. These plans are approved by the Revenue Board and reviewed on an ongoing basis during each year.

New performance measures were put in place in 2003, and will be used in 2004 and subsequent years in gauging actual performance.

A revised Budget Management System, to meet the budgetary and coding requirements of the restructured organisation, was also implemented on schedule in 2003.

Our Banking and Accounting Procedures

Revenue operates approximately 70 bank accounts, in the commercial banks and the Central Bank, to facilitate the wide variety of payment and refund options available to customers. Internet banking facilities are widely used as part of the management of these accounts, to ensure prompt value to the Exchequer.

The Revenue and Appropriations Accounts for 2003 were both completed in accordance with legislative requirements and timeframe. Accounting processes and systems continue to be developed and upgraded in line with Strategic Management Initiative requirements and best practice generally.

The Prompt Payment of Accounts Act 1997 and the European Communities (Late Payment in Commercial Transactions) Regulations 2002

Revenue is committed to fully implementing the provisions of the Act and Regulations. All payments for goods and services were made by the prescribed payment dates, with the exception of a very small proportion of cases (details of which are given below), where interest penalties were paid in accordance with the legislation.

The Department of Enterprise, Trade and Employment published guidelines in 1998, which specified that only payments over €317 need to be reported on. A significant reduction in late payments from 229 in 2002 to 90 in 2003 was achieved. The changeover to the Euro on 1 January 2002 had resulted in a temporary increase in late payments in that transitional year. The average delay in the case of the late payments was also reduced from 18 days in 2002 to 10.5 days in 2003. These achievements resulted in a 46% reduction to €1,817 in the amount of interest paid on late payments in 2003.

Business Process Reviews

In 2003, our Organisation Development Unit (ODU) assisted managers to examine structures, processes and practices and to identify areas where improvements could be made. Recommendations of reviews carried out on the Revenue Solicitor's Office, Dublin Airport and Revenue's communications function have been implemented.

Table 26: Payment of Accounts Statistics, 2003

Total value of all payments	€86,678,447
Total value of all late payments (Incl. under €317)	€903,199
Value of late payments in excess of €317	€903,199
Value of total late payments as a percentage of total payments	1.04%
Number of late payments in excess of €317 (Invoice Value)	90
Amount of interest paid on all late payments	€1,817
Amount of interest on all late payments as a percentage of total payments	0.0021%
Broad indication of length of delays (Invoices in excess of €317)	Average delay was 10.5 days

3.2.3
Resources deployed effectively to meet business needs

Revenue's Manpower Advisory Service (MAS) completed a major review of Revenue's staffing in 2003. The recommendations of this review have been carried out in the implementation of restructuring.

Management Information Framework

In addition to our existing systems for performance evaluation and financial management, we are implementing the Management Information Framework (MIF). The MIF is central to the reform of financial management across the civil service. Revenue will complete implementation of the MIF in accordance with the deadline of December 2004 set by the Government, putting in place a framework for financial management and performance measurement that will:

- Provide Revenue's management with an integrated view of financial and non-financial information to measure and improve our performance; and
- Enhance the quality of our financial and performance reporting to external stakeholders.

3.2.4
Effective internal control structures and risk management

It is vital that the systems and processes in place across Revenue are adequate and effective in the discharge of the many functions performed by Revenue and that risks are effectively managed and controlled. Divisional and line management have primary responsibility for maintaining sound systems of internal control and for managing risk. These systems and processes are also independently examined and assessed by Revenue's internal audit and risk management functions.

Value for Money

Revenue's Value for Money (VFM) Unit was established to identify and recommend ways in which Revenue's return on the resources that it employs can be maximised. The role of the VFM Unit is to evaluate the efficiency and effectiveness of processes and procedures and to analyse the relevance of the objectives and strategies in the area being reviewed within the overall context of Revenue strategies. The Unit has completed a number of reviews and is working with the relevant business areas to implement the necessary improvements.

Goal 3

Strategy 3.3 Continue to develop advanced business systems which optimise our efficiency and effectiveness

3.3.1 Enhanced Integrated Taxation systems

The Integrated Taxation Services continued to be developed and enhanced during 2003 to reflect ongoing business changes, and improvements in the way we deliver our services to the public, as well as reflecting changes in legislation. The main changes introduced in 2003 include the following:

- Introduction of Pay & File for Corporation Tax
- CGT changes to Pay & File for Income Tax
- Introduction of Single Debit Authority as a payment option for Income Tax, Corporation Tax and VAT
- Amendment of taxation of Share Options
- Introduction of VAT on eCommerce
- Introduction of on-line application for Tax Clearance
- Automation of Tax Clearance processing
- Automation of C2 processing for Relevant Contracts Tax
- New system to automate enforcement referrals to the Sheriffs and update tax records with the results from enforcements

3.3.2 Enhanced Revenue On-Line Service (ROS)

In 2003, there were a number of key new developments to the On-Line Service, as follows:

- Filing and payment of Relevant Contracts Tax – Forms RCT 30 and RCT 35 for the construction industry sector
- VAT on eServices
- New Computerised Transit System (NCTS) facility for electronically submitting transit messages to ROS and linking to the new EU-wide NCTS
- Filing of the Capital Acquisitions Tax Return for Gift and Inheritance Tax - Form IT 38
- A facility for employers to access Tax Credit Certificate information for their employees
- Filing of VIES and Intrastat Returns
- Web-connected services for Income Tax and Corporation Tax were released. It is planned to enhance this facility to include the New Computerised Transit System. These services allow customers or their agents to seamlessly interact with ROS via their tax preparation software.

In addition to these new services, significant enhancements were made to the existing service. The key items were:

- A redesign of payment screens, including the introduction of a payment confirmation screen for customers
- The extension of the Customer Information Service, so that it now makes available seven years of tax information to customers
- Filing of Income Tax Returns by tax agents for clients who are not yet registered for Income Tax, or for clients who are not yet on Revenue's records as being represented by the agent.

A joint project between Revenue and the Department of Agriculture and Food began in 2003. It relates to CAP traders and the IT-related developments in ROS and in ITS (Integrated Taxation Services) for CAP direct trader input (DTI). The system is due to be available for live use by July 2004.

3.3.3
Provision of a range of on-line services in line with the "New Connections" programme

We have already mentioned our commitment to working with the service-wide e-Broker project, in full co-ordination with the REACH, BASIS and OASIS project timetables, elsewhere in this Report.

Tax Clearance

An on-line facility for Tax Clearance Certificate applications by customers via Revenue's website has been developed and is in live use.

Electronic Funds Transfer

The increased use of on-line services for salaries and payments to staff was facilitated through pilot projects begun during the year.

3.3.4
Optimal use of information and communications technology to support our business needs

We remain to the forefront in the use of advanced information and communications technology (ICT), both to deliver an enhanced range of services to our customers and to improve our performance, especially as regards tax compliance. The new "ICT and eBusiness Strategy 2004-2005", which sets out the ICT direction for Revenue in the years ahead, was completed in 2003.

Redesign of the PAYE System

The project to redesign the PAYE system and bring PAYE into our Integrated Taxation Services framework began during 2003 and is on course to be completed by October 2005. The new systems will bring a range of tangible benefits to Revenue and greatly enhance the effectiveness of the PAYE working environment and service to customers.

These benefits include helping to reduce the number of contacts our PAYE customers have with Revenue by providing more tax services electronically, allowing rapid access to quality information for customers, and resolving all of a customer's queries on first contact.

LINKS Project

Significant progress was made on the LINKS Project, the aim of which is to optimise all aspects of the capture, management and sharing of information throughout Revenue. The capture of accounts data from returns of Income Tax and Corporation Tax received in paper format is now available for use. This ensures that Revenue has access to accounts data from all returns whether submitted through ROS or in paper format. This data will be used in the selection of cases for audit, using our new computer-based Risk Analysis system. The process of capturing further useful data in electronic format will continue.

Development work has now been completed on a national database for the control and management of income and assets information. Considerable progress has also been made on providing Revenue staff with wider access to better quality information from additional internal and external sources.

Work Management Solutions

Caseworking and work management solutions were provided during the year to support the Bogus Non-Resident Account and Audit Case Management programmes. A solution to support the Prosecution Case Management programme was substantially developed during 2003 and will be completed in 2004.

Accounting for our Performance

Committee of Public Accounts

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

Joint and Internal Review Procedure

Taxpayers who are dissatisfied with Revenue's handling of their tax affairs can have their case reviewed, either internally by a senior Revenue officer or by an External Reviewer acting in conjunction with a senior Revenue officer. The number of taxpayers requesting Joint and Internal Reviews in 2003 is set out in Table 27.

Table 27: Internal Reviews

			2003			2002
	Internal	Joint	Total	Internal	Joint	Total
Number Received	5	19	24	14	25	39
Number Finalised	4	18	22	14	25	39
Inspector's Decision Upheld	4	16	20	11	16	27
Inspector's Decision Revised	0	2	2	3	5	8

The Ombudsman

In 2003, the Ombudsman received just 114 complaints relating to Revenue, notwithstanding the extent of Revenue's interface with the public. This accounted for less than 12% of the total number of complaints made against the Civil Service sector. During the year, the Ombudsman finalised 124 complaints relating to Revenue. The following tables summarise the complaints in more detail.

Table 28: Complaints Relating to Revenue Made to the Ombudsman in 2003

Subject	Number of Complaints
Income Tax	76
VAT/InheritanceTax/CGT	14
Customs & Excise	3
Stamp Duty	3
Other Matters	18
Total	114

Table 29: Complaints Relating to Revenue Completed by the Ombudsman in 2003

Outcome	Number of Complaints
Not Upheld	39
Withdrawn	0
Discontinued	18
Assistance Provided	39
Partially Resolved	1
Resolved	27
Total	124

Table 30: Complaints Relating to Revenue Made to the Ombudsman 1991-2003

2003	114
2002	112
2001	102
2000	88
1999	132
1998	123
1997	135
1996	138
1995	116
1994	161
1993	153
1992	168
1991	177

Freedom of Information (FoI)

Revenue received 190 requests under the FoI Act in 2003, compared to 251 in 2002 and 270 in 2001 (Table 31). The reduction in the number of requests received by Revenue in 2003 may be attributable to improved access to information outside of FoI and the ongoing development of our website. It may also be attributable in part to the introduction of up-front fees.

Revenue's FoI publications under Section 15 of the Act (Functions and Records of the Office) and Section 16 (Rules and Procedures of the Office) are available on Revenue's website. The Functions and Records publication has been updated to reflect the new organisational structure of Revenue and outlines the functions of the new Divisions/Regions.

Table 31: FoI Requests

FOI Requests	2003	2002	2001
Received	190	251	270
Released in part*	59	70	138
Refused	32	57	47
Requests for Internal Review	26	42	30
Appeals to Information Commissioner	10	15	9

**Over 80% of the information requested was released in these cases.*

Table 32: Revenue Energy Expenditure 2003

Fuel	Expenditure in 2003 (€)
Electricity	2,015,771
Gas	424,119
Oil	139,299
Total	2,579,189

Energy Efficiency In Revenue Buildings

Revenue had a total energy expenditure of €2.58 million for 2003 – an increase of 4.5%, which is less than the percentage increase in the price of electricity and gas.

Electricity consumption accounted for 79% of total expenditure. (75% of this was on the most efficient Maximum Demand Tariff.) Space heating accounted for 21% of total energy consumption.

Expenditure on gas increased by 260%, while oil consumption was reduced by 10%. The increased spending on gas was due in part to a gas price increase of 9%. A number of buildings occupied during 2003 are gas-fired, in keeping with the Kyoto Protocol.

In 2003, Revenue availed of incentives under the programme for Energy Efficiency provided by Sustainable Energy Ireland. A large older building was identified as a potential site where savings could be realised. Heating system improvements, lighting upgrades, draught proofing, use of solar control film on windows and power factor correction were implemented. The cost of these improvements attracted a 50% grant from Sustainable Energy Ireland. The improvements will also result in significant energy savings over a relatively short payback period.

Corporate Governance

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

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

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

Management Advisory Committee (MAC)

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

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

Ethics In Public Office Acts 1995 and 2001

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

Risk Management

Revenue's risk management process was further enhanced in 2003 with the setting up of a Risk Management Unit and the development of a Risk Management Programme to provide assurance that Revenue will not be hindered in achieving its objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen. The full programme is being rolled out to all divisions in 2004 and will continue to provide risk assurance to management at all levels throughout Revenue. A Risk Management Committee comprised of senior management will oversee the programme.

Management Advisory Committee (MAC)

Front Row *(left to right)*	Josephine Feehily Commissioner	Frank Daly Chairman	Michael O'Grady Commissioner	
Middle Row *(left to right)*	Niamh O'Donoghue Assistant Secretary Human Resources	Eamonn Fitzpatrick Assistant Secretary Customs	Frances Cooke Revenue Solicitor	Sean Moriarty Assistant Secretary Large Cases
	Christopher Clayton Deputy Secretary Strategic Planning	Liam Hennessy Assistant Secretary Indirect Taxes	Bobby Harrington Assistant Secretary Border Midlands West	Norman Gillanders Assistant Secretary East South-East
Back Row *(left to right)*	Eamon O'Dea Assistant Secretary Direct Taxes Policy and Legislation	John Leamy Assistant Secretary Dublin Region	Liam Irwin Assistant Secretary Collector-General	Paddy Donnelly Assistant Secretary Investigations & Prosecutions
	Gerry Harrahill Assistant Secretary South-West	Denis Graham Assistant Secretary Operations Policy & Evaluation	Frank Mullen Assistant Secretary Direct Taxes Interpretation and International	Sean Connolly Assistant Secretary Information, Communication, Technology & eBusiness

Internal Audit

It is important that the systems and processes in place across Revenue are adequate and effective in the discharge of the many functions performed by Revenue. The Director of Internal Audit reports directly to the Chairman, as Accounting Officer, while Internal Audit's day-to-day activities are overseen by an Audit Committee, five of whose six members, including the chairperson and deputy chairperson, are from outside Revenue. Internal Audit's remit extends throughout Revenue and covers all systems, processes and procedures. Internal Audit operates to a planned annual audit programme, agreed between the Director of Internal Audit and the Audit Committee and approved by the Revenue Board. A comprehensive programme of audit work was carried out in 2003.

Comptroller and Auditor General

Revenue is subject to annual audit by the Office of the Comptroller and Auditor General. This audit is published in the Comptroller and Auditor General's Annual Report, and the Chairman is examined on this by the Committee of Public Accounts. The audit reports on Revenue's receipts, expenditure, systems and practices. It also includes in-depth examination of selected Revenue activities. For example, the most recent Annual Report for 2002 contains two special examinations: "Prosecutions of Non-Filers of Income Tax Returns" and "Random Audit".

Oireachtas Committees

Revenue officials attend other Oireachtas committees as required from time to time.

Appendix 1

The New Revenue Structure

Four new Revenue Regions have been established. Each Region is headed by an Assistant Secretary and consists of a number of Revenue Districts, having regard to our customer base, county boundaries and spread of population. In general, our business customers now have all their tax and duty affairs dealt with in the Revenue District in which their business is managed and controlled, while PAYE customers are, in general, dealt with in the Revenue District in which they live.

New Revenue Regions

Border Midlands West (Counties Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo and Westmeath)

Dublin (Dublin City and County)

East and South East (Counties Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford and Wicklow)

South West (Counties Clare, Cork, Kerry and Limerick)

Large Cases Division

The Large Cases Division is responsible for all of the taxes and duties of Ireland's largest corporate businesses and wealthiest individuals, regardless of their geographic location. This is in line with international best practice. The management of these large and often complex multi-national organisations requires a particular response from Revenue. The co-ordination of specialist expertise from within our organisation into this Division, including specialist anti-avoidance teams, will ensure that the compliance levels of these customers, who contribute over 60% of Revenue receipts, are tightly managed. It will deliver benefits both to our large customers, in terms of improved customer service, and to Revenue, in terms of improved risk assessment and management.

Investigations and Prosecutions Division

The Investigations and Prosecutions Division manages and advances all Revenue prosecutions in cases of tax and duty evasion. It also handles and co-ordinates special investigations of various kinds. The establishment of this division reflects Revenue's commitment to use prosecutions and investigations in combating non-compliance.

Revenue Legislation Services Divisions

Our existing Legislation, Interpretation and Technical Services have been rationalised into four divisions, as follows:

- Direct Taxes Policy and Legislation Division carries out the policy and legislation functions for direct taxes, including capital taxes;
- Direct Taxes Interpretation and International Division is the centre for interpretative and international functions for all direct taxes, including capital taxes;
- Indirect Taxes Division carries out the policy, legislation, interpretation and international functions for all indirect taxes (VAT, Excise and VRT);
- Customs Division carries out the policy, legislation, interpretation and international functions for Customs, including the FEOGA Audit function.

National Office Divisions

Strategic Planning Division (SPD) supports the Board in setting corporate strategy and reviewing performance. Its role also includes research, risk assessment, internal audit, governance issues, budgetary matters, co-ordination of the annual business plans, and development of the Management Information Framework. The Accountant General's Office in Ennis, which has accounting responsibilities for all of Revenue's receipts and expenditure, is part of SPD.

Operations Policy and Evaluation Division co-ordinates the development of operational policy, and evaluates the return from our customer service, audit and compliance programmes from an organisational perspective, in consultation with our operational and legislative areas. It also includes planning and operational support services for PAYE and business customers and other Revenue Divisions, provides communications services, and undertakes corporate operations reporting and the development of information management to support corporate objectives.

The Human Resources Division, Revenue Solicitor's Division, Collector General's Division and the Information, Communications Technology and e-Business Division continue to provide a wide range of specialist and corporate support services for the entire organisation.

Appendix 2

The Revenue Performance Scorecard

Introduction

We are committed to providing information:

- As part of better management, to assist our managers in evaluating our performance, and
- To assist in accounting for our performance to our external stakeholders.

As part of that commitment, we have researched "best practice" on a number of measurement methodologies in use in the public and private sectors. These methodologies include the Balanced Scorecard approach and the European Foundation for Quality Management Excellence Model.

Adapting these methodologies in 2003 to suit Revenue requirements, we are devising a new Scorecard. This is at an experimental stage but we have made significant progress in compiling comparative results of our performance. We did this by reference to a range of indicators that are representative of Revenue's business programmes.

Revenue's main business programmes are:

Audit
Human Resource Management
Prosecution, Investigation & Enforcement
Financial Management
Compliance
Information Technology
Debt Management
Corporate Management
Customer Service
Legal Services
Revenue Accounting & Banking
Agency Services
Policy & Legislation

Our Scorecard will measure performance in future years against performance in each previous year and against the base year of 2002, thus providing a comparative timeline going forward.

For 2003, the first year in which we have compared figures in this way, this appendix contains lists of the main indicators under each of our goals, which are outlined in Revenue's Statement of Strategy 2003-05. We are doing this by reference to management's view of the relative importance of each Revenue goal, strategy and business programme.

The achievement of *Maximum Compliance with Tax And Customs Legislation* is Goal 1 of our Strategy Statement. It is our most important objective. It represents our core business and is represented in our Scorecard by a significant number of performance indicators.

Goal 2 (*Fulfilment of our External Obligations*) and Goal 3 (to be *A Capable, Adaptable and Effective Organisation*), while also essential, reflect other complementary aspects of the work the organisation undertakes.

Where possible, we have included *numerical* indicators of performance under each goal but, for some programmes, it is not feasible to assess progress in terms of simple numerical indicators.

Qualitative analysis of performance is the other main ingredient in assessing overall performance. In some instances, this can be measured simply by reference to numerical indicators. However, it can also require measurement through other methods such as surveys of our customers, our managers and our staff. For the future, surveys and other studies will be carried out on a periodic basis. The results of the surveys will be fed into the Scorecard to ensure that we measure our performance in terms of efficiency and effectiveness both qualitatively and quantitatively.

Composition of the Scorecard

The Scorecard is comprised of numerous indicators, such as: "Arrears as a percentage of Collection"; "The cost to collect €100"; "Volumes of drugs seized"; and "Value of seizures of alcohol and tobacco".

For example "The cost to process one payment" increased from €2.29 in 2002 to €2.52 in 2003, resulting in a reduction in performance of 9.1% in that particular indicator.

On the other hand, "The cost to collect €100" fell from 0.95 cent in 2002 to 0.90 cent in 2003, resulting in an improvement of 5.3% in that particular indicator. However, these are only a few components in the totality of indicators.

There is considerable interaction between various elements of our work programmes. More action in a particular area can result in less in another. All are interlinked and the Scorecard reflects this.

Performance measurement is an evolving process. The Scorecard is designed to evolve in the light of experience. It will be adapted to meet our changing needs and circumstances. As it develops, we expect that it will be used extensively as a means of improving our performance.

Goal 1: Maximise Compliance with Tax and Customs Legislation

1.1 Maximise collection compliance	2002	2003	Change in performance [1]
Yield as % of targets (Net receipts, total taxes)	96.00%	101.27%	+5.5%
Yield from Solicitor, Sheriff and Attachment enforcement	€188.9m	€195.1m	+3.1%
Arrears as a percentage of collection (gross receipts)	3.31%	3.25%	+1.8%
Arrears greater than 3 years old as a % of total arrears	41.0%	38.0%	+7.3%
Cost to collect €100	€0.95	€0.90	+5.3%
Cost to process 1 payment	€2.29	€2.52	-10.0%
Number of VAT claims received	258,236	262,878	+1.8%
Number of payment items received	3,488,829	3,654,056	+4.7%

1 *A positive change indicates improved performance. A minus figure indicates reduced performance.*

1.2 Deter, detect and prosecute evasion, smuggling and other breaches of Tax and Customs legislation	2002	2003	Change in performance [1]
Number of convictions in cases of serious tax evasion	3	7	+133.3%
Number of drug seizures	660	803	+21.7%
Volume of drug seizures (recorded by weight) [2]	6,801 kgs	2,183 kgs	-67.9%
Volume of drug seizures (recorded by number) [3]	20,071	128,117	+538.2%
Convictions for smuggling (including tobacco, oil and alcohol)	43	65	+51.2%
Convictions for other Customs & Excise offences (unlicensed trading and illegal selling of tobacco)	237	177	-25.3%
Number of commercial tobacco seizures	4,024	5,560	+38.2%
Number of oil laundries detected	8	9	+12.5%
Number of marked gas oil detections	1,681	1,494	-11.1%
Value of seizures of alcohol and tobacco	€16.3m	€13.5m	-17.3%
Percentage of tobacco market taken by illegal trade [4]	5%	5%	----
Number of defaulters with tax liability detected and registered	969	910	-6.1%

1 *A positive change indicates improved performance. A minus figure indicates reduced performance.*
2 *Refers to drugs for which seizures are recorded by weight, including herbal cannabis, cannabis resin, cocaine, khat and heroin.*
3 *Refers to drugs for which seizures are recorded by number of tablets, including ecstasy and physeptone.*
4 *Estimated percentage based on information and intelligence sources.*

1.3 Maintain effective compliance programmes, including audit		2002	2003	Change in performance [1]
Percentage of main tax returns received by the due date:	VAT – large cases	85%	88%	+3.5%
	VAT – medium cases	74%	77%	+4.1%
	P30 – large cases	74%	76%	+2.7%
	P30 – medium cases	90%	92%	+2.2%
	P35	84%	85%	+1.2%
	Income Tax	77%	79%	+2.6%
	Corporation Tax	67%	69%	+3.0%
Yields from audits		€268.6m	€428.7m	+59.6%
Percentage of VRT challenges leading to seizures		4.66%	5.19%	+11.5%
Number of Audits		16,176	15,770	-2.5%
Collector General – Returns processed		1,819,725	1,916,710	+5.3%
P35 Returns – Employers		182,000	184,800	+1.5%
No. of Taxpayers – companies		114,837	121,152	+5.5%
No. of Taxpayers – Self Assessment (Income Tax)		385,931	412,987	+7.0%

1 *A positive change indicates improved performance. A minus figure indicates reduced performance.*

1.4 Foster voluntary compliance through the delivery of quality customer services	2002	2003	Change in performance [1]
Achievements against Customer Service Standards (Overall rating of achievement for all standards listed in the Annual Report) [2]	84.9%	92.1%	+8.4%
Percentage of returns submitted via ROS [3]	2.81%	8.38%	+198.5
No. of Taxpayers - PAYE Employments	2.1m	2.15m	+2.4%
Customs and Excise Declarations – Number of Single Administrative Documents processed	854,572	913,072	+6.8%
Capital Taxes – Instruments presented for marking and stamping	206,856	218,000	+5.4%
Vehicle Registration Tax – No. of new and used vehicles registered	236,943	223,157	-5.8%
Contacts per customer [4]			
Correspondence	1.30	2.02	-55.4%
Telephone	1.69	1.61	+4.7%
Personal visit	0.26	0.25	+3.8%

1 *A positive change indicates improved performance. A minus figure indicates reduced performance.*
2 *Each customer service standard is given a performance rating, where 100% means that the standard has been met. The above result is the average of all of the individual performance ratings.*
3 *This refers to the following returns: VAT, P30, P35, Income Tax, and Corporation Tax.*
4 *This is defined as the number of customer-initiated contacts divided by the number of customers. A fall in the number of contacts per customer is regarded as an efficiency gain.*

Goal 2: Fulfilment of our External Obligations

	2002	2003	Change in performance [1]
Amount of agency collection per euro spent	€181.60	€190.05	+4.7%
Compliance with FoI Act legal deadlines (% of decisions issued on time)	71%	84%	+18.6%
Prompt Payments Act – value of late payments as a % of total payments	0.87%	1.04%	-19.5%
FoI – results of referrals to Information Commissioner (% of Revenue decisions upheld)	78%	89%	+14.1%
Results of Ombudsman investigations (% of cases brought by Revenue customers not upheld)	28.13%	31.45%	+11.8%
Number of international tax treaties negotiated and concluded	1	1	-----

1 *A positive change indicates improved performance. A minus figure indicates reduced performance.*

Goal 3: A Capable, Adaptable and Effective Organisation

	2002	2003	Change in performance [1]
Vacancy rates (No of vacancies as % of authorised total)	1.56%	2.02%	-23.1%
Absenteeism rates (% of payroll spent on sick absences)	4.6%	4.6%	----
Training expenditure as % of payroll	4.0%	4.12%	+3.0%
Number of staff participating in post-entry education (including numbers supported by refund of fees)	245	260	+6.1%

1 *A positive change indicates improved performance. A minus figure indicates reduced performance.*