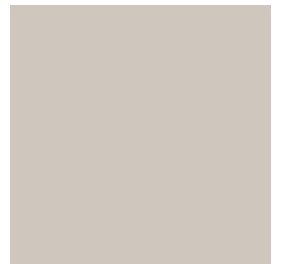


Annual Report 2005



Our Mission



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

Annual Report 2005

Eighty-third Annual Report of the Revenue Commissioners for the year ended 31 December 2005, including progress on the implementation of Revenue's Statement of Strategy, in accordance with the Public Service Management Act 1997, presented to the Minister for Finance.

May 2006

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Foreword

Tax Collection Performance: €1.8 Billion Ahead of Target

2005 was a very successful year for Revenue across a wide range of activities. Tax collection performance was extremely robust. Net receipts amounted to almost €39.5 billion, some €3.7 billion above the corresponding figure for 2004 and some €1.8 billion above the Budget estimate (Table 2). Overall, the very strong performances came from Capital Gains Tax, Stamp Duties, Income Tax and Value Added Tax. The ongoing special investigations contributed almost €537 million to the total and Revenue Audit and Assurance interventions contributed a further €575 million.

Special Investigations: Cumulative Yield €2.2 Billion

During 2005, we continued to progress the major 'legacy' investigation projects: (Offshore Assets, Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries). We also commenced an investigation into the area of insurance-based investment products. Of the €536.8 million collected in 2005, €382 million resulted from the Single Premium Insurance Policy Investigation. At the end of 2005, the investigation into holders of bogus non-resident accounts was near completion with over 98% of cases finalised. The cumulative total receipts from all of the special investigations has now reached €2.2 billion. The success of these investigations has been more than monetary. Revenue is now widely perceived as being thorough and relentless in the pursuit of tax evasion – a perception that is contributing directly to the creation of a broadly-based compliance culture.

Pressure on Service Delivery

Exceptional growth in our taxpayer base in recent years, coupled with more flexible work patterns and greater diversity in the workforce, has placed considerable extra demands on Revenue. In 2005 alone, the number of PAYE employments increased by 6% while the number on Self-Assessment for Income Tax rose by 10%. To meet these demands, we continue to develop and apply cutting-edge technology, including new on-line services and advanced telephony.

During 2005, we also rolled-out the first phase of a complete redesign of our PAYE system – one of the biggest IT releases in the history of the Irish Civil Service. The introduction of this new system, which is now used daily by approximately 1,000 Revenue staff and which will facilitate a wide range of on-line services for some 2 million PAYE customers in 2006, gave rise to some operational difficulties, particularly in the delivery of customer services. While many of the difficulties we encountered in 2005 have been resolved, those remaining are being addressed as a matter of priority. Customer service is a core value in Revenue. We have a proud record of it in the past and an absolute determination to build on that record in the future, in particular by offering a wider range of on-line and other self-service facilities.

Prosecutions

We are also pleased to report that the time, energy and resources we have devoted to increasing the number of prosecutions for Revenue offences produced results in 2005. A total of 24 prosecutions for serious tax and duty evasion were obtained, three of which led to custodial sentences. This is the highest number of cases of serious evasion which have been tackled on a criminal investigation footing by Revenue and is consistent with the commitment given by us to the public. A further 1,683 convictions were obtained for summary offences, such as cigarette smuggling, unlicensed trading, Marked Mineral Oil offences and oil laundering and there were over a thousand convictions for non-filing of tax returns.

Protecting Society

Revenue is a key player in the fight against illegal drugs and other contraband. In 2005, drugs with an estimated street value of €37 million were seized, and more than €500,000 of suspected criminal cash was detained. Revenue continued to work closely with the Criminal Assets Bureau, providing information and support when requested. During the year, nine Revenue officials worked full-time with the CAB. A total of €16.4 million in tax receipts was paid over to Revenue by the CAB in 2005.

Revenue also took delivery of a €3 million mobile x-ray container scanner. It is the most powerful mobile container scanner on the market and can detect concealments of drugs, cigarettes, alcohol, explosives, firearms, radioactive materials and stowaways.

Working Smarter: New Risk Analysis System

In Revenue we continue to develop new approaches to how we do business. Our new organisational structure is built on the principle of 'whole case management' that views customers in a holistic way, taking account of all of their interactions with Revenue across the full spectrum of taxes and duties.

2005 saw significant development of Revenue's ability to tackle non-compliance. We substantially enhanced our ability to identify, measure and prioritise risk – the risk posed by non-compliant behaviour to Exchequer returns. In 2005, we successfully piloted a powerful risk analysis system prior to full implementation across the organisation in 2006. This system enables us to direct our interventions against non-compliance in a structured way.

Decentralisation

Revenue continues to play an active role in the decentralisation programme. Detailed implementation plans for all Revenue locations have been submitted to the Decentralisation Implementation Group. All three Revenue early mover locations – Kilrush, Listowel and Newcastle West – are on target, with formal offers accepted for the majority of the 150 posts involved. Details of all staff indicating an interest in decentralising

to other Departments have been issued to the relevant Revenue Divisions to assist them in planning sustainable transition and recruitment strategies.

Accreditation of Training

In 2004, Revenue and the University of Limerick (UL) entered into an innovative agreement under which the University would accredit our in-house technical tax training programmes with a Diploma in Applied Taxation. In December 2005, the first 113 Revenue graduates were awarded Diplomas in Applied Taxation by UL. Substantial progress was also made in relation to the development and implementation of a final year degree programme. This programme will significantly address Revenue's advanced technical training needs, and provide a further level of accreditation at degree level for Revenue staff.

Our Staff

2005 was a year when much was demanded from our staff and when much was delivered by them. They deal on a daily basis with the enquiries and needs of a rapidly growing and increasingly diverse customer base in offices, by phone, through the post and by e-mail. In the face of huge demands, our staff have responded to this challenge with customary patience, tenacity, good humour, creativity and attention to detail. We are pleased to have this opportunity to publicly thank each and every one of them for their drive and determination. We in Revenue are committed to developing our management style, strengthening the ethos of partnership, openness, innovation and the pursuit of excellence throughout the organisation.



Frank M. Daly *Chairman*



Josephine Feehily *Commissioner*



Michael O'Grady *Commissioner*

Main Achievements and Initiatives in 2005

Collection

- Net receipts amounted to almost €39.5 billion, some €3.7 billion above the corresponding figure for 2004 and some €1.8 billion above the Budget estimate.
- Over €7.7 billion was collected on behalf of other agencies. (PRSI & Health Contributions €7,544 million; Environmental Levy €17.5 million; Tobacco Levy €168 million).
- Arrears of tax and duty amount to €1,085 million, a decrease of €132 million or 11% in 2005. Arrears as a % of total gross receipts now stand at an historic low of 2% – one of the lowest of any tax administration worldwide. Our Statement of Strategy 2005-2007 goal of reducing debt to 2.5% of gross collection by 2007 has already been exceeded.

Compliance

- The cumulative total from special investigations (Single Premium Insurance Policies, Offshore Assets, Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries) currently stands at €2.2 billion. €536.8 million of this was collected in 2005, including €382 million from the Single Premium Insurance Policy Investigation initiated during that year.
- Twenty-four convictions for serious tax and duty evasion were obtained in 2005. At year's end, 66 cases of serious tax and duty evasion were under investigation for potential prosecution, the DPP was considering eight cases and had given directions to prosecute in another 10, and 15 cases were in the Court process. Three custodial sentences, seven suspended sentences, two community service sentences and fines in excess of €200,000 were imposed by the Courts for cases of serious tax and duty evasion.
- 105 convictions were obtained for summary offences in connection with cigarette smuggling and breaches of tax stamp legislation, and suspended sentences were imposed in four cases. There were 17 convictions for alcohol smuggling, 140 convictions for unlicensed trading, 173 for marked mineral oil offences and 23 for VRT offences. 13 individuals were convicted for offences connected with oil laundering and one retailer received a custodial sentence.
- Collection enforcement through solicitors, sheriffs and Attachment Orders yielded €226.4 million from almost 51,000 cases.
- Total audit and assurance check activity yielded €575.37 million.
- We published the names of 629 tax defaulters, in connection with audit settlements amounting to €116.94 million.

Customs

- Drugs with an estimated street value of over €37 million were seized, and more than €500,000 of suspected criminal cash was detained.
- 51.28 million cigarettes and 1.1 tonnes of tobacco, with a value of €15.6 million and €314,000 respectively, were seized by our Customs Service.
- Two oil laundries were detected, 310,000 litres of laundered oil seized, and 20 retail outlets detected selling laundered oil.
- Our new €3 million mobile x-ray container scanner was delivered in October and commissioned by An Taoiseach Mr. Bertie Ahern, TD in February at the New Custom House in Dublin Port.

Service

- Use of the Revenue On-Line Service (ROS) grew very strongly in 2005. The number of payment transactions made via ROS increased by 61.4% to 290,842 while the value of the payments made via ROS increased by 45.8% to €12.1 billion. Almost two thirds (65% or 248,967) of income tax self-assessment returns were made through ROS.
- A major redesign and modernisation of our PAYE system was completed and incorporated in our mainstream Integrated Taxation Services applications.

- A range of self-service channels – including voice-activated telephony, web forms and SMS (mobile texting) facilities – was introduced to improve customer service. Our document scanning systems for paper correspondence were further enhanced.
- ‘Cooperative Compliance – Revenue working with Large Business’ was published. By the end of the year, 25 of Ireland’s largest businesses had agreed to engage with Revenue in the cooperative compliance approach.

Efficiency and Effectiveness

- The cost of administration as a percentage of Gross Receipts fell to 0.81% in 2005, down from 0.86% in the previous year.
- This reduction in administration costs, achieved despite rising volumes of business in almost all areas while staffing levels remained static, clearly demonstrates our commitment to delivering value for money and the benefits of new technology.
- The first 113 Revenue staff to graduate from the University of Limerick (UL) were awarded Diplomas in Applied Taxation.
- We continued our commitment to investment in training and development. Total expenditure amounted to 4.07% of annual payroll.



GOAL 1

Ensure Everyone Complies with their Tax and Customs Responsibilities

Ensuring that taxpayers, individual and corporate, meet their tax and customs obligations is Revenue's primary Goal. It is essential to the maintenance of Exchequer funding necessary for the well being of the State.

We will facilitate taxpayers in meeting their obligations by providing a quality customer service. We will provide a sharp and focused response to those who fail to meet their obligations. Our approach will be guided by a whole case response to managing compliance. This allows us to simplify and reduce the contacts compliant taxpayers need make with us and to focus on the risk-driven targeting of our interventions against non-compliance.

We have reshaped our organisation and invested in advanced technologies to support this approach.

Strategy 1.1 Facilitate and Encourage Compliance

Yield from Tax and Duty Collection

Gross receipts were €54.15 billion in 2005, some €5.45 billion ahead of 2004 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 almost €39.5 billion, some €3.7 billion above the corresponding figure for 2004 and some €1.8 billion

above the Budget estimate (Table 2). Income Tax, Value Added Tax, Excise, Capital Taxes, Customs Duties and Stamp Duties all exceeded budget targets and there was a shortfall in Corporation Tax. Overall, the very strong performances came from Stamp Duties, Value Added Tax, Capital Gains Tax and Income Tax.

TABLE 1: TOTAL AMOUNT COLLECTED/GROSS RECEIPTS

	2005 €m	2004 €m
Duties, Taxes and Levies		
Value Added Tax	15,591	13,635
Income Tax	14,177	13,189
PRSI and Health Contributions and Employment and Training Levy	7,610	6,881
Corporation Tax	6,003	5,707
Excise	5,549	5,242
Stamp Duties	2,693	2,106
Capital Gains Tax	2,016	1,548
Capital Acquisitions Tax	261	201
Customs	234	178
Environmental Levy	18	14
Total	54,152	48,700

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

TABLE 2: TOTAL REVENUE/NET RECEIPTS

Duties, Taxes and Levies	2005 Net Receipts €m	2005 Budget estimates €m	2005 Net Receipts + or - Budget estimates €m	2004 Net Receipts €m
Value Added Tax ¹	12,125	11,625	500	10,717
Income Tax:				
PAYE	8,637	8,736	-99	8,111
Income Tax from Self-Employed and certain other non-PAYE sources ² :				
Direct Payments	2,074	1,743	331	1,996
Less other non-PAYE				
Repayments	-112	-90	-22	-104
Net Yield	1,961	1,653	308	1,892
(See footnotes)				
Deposit Interest Retention Tax ³	167	149	18	144
Withholding Tax (fees) ⁴	342	355	-13	323
Dividend Withholding Tax ⁵	232	212	20	225
Income Tax Total	11,339	11,105	234	10,695
Corporation Tax	5,503	5,760	-257	5,335
Excise ⁶	5,391	5,243	148	5,066
Stamp Duties	2,673	2,085	588	2,070
Capital Gains Tax	1,982	1,500	482	1,528
Capital Acquisitions Tax	249	180	69	190
Customs ⁷	226	170	56	174
Total	39,490	37,668	1,822	35,775

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

¹ The VAT receipts in 2005 are composed of €14,357 million of internal VAT and €1,234 million collected on imports, less refunds of €3,466 million.

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

³ Deposit Interest Retention Tax: tax deducted from interest arising on deposits with financial institutions.

⁴ Withholding Tax: tax deducted at source from fees for professional services provided to state agencies and certain other designated bodies.

⁵ Dividend Withholding Tax: withholding tax on certain dividend and other profit distributions made by companies resident in the State.

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

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

The figures for 2005 Net Receipts in Table 2 are some €81 million higher than the comparable figure for Tax Revenue receipts published in the end-2005 Exchequer Returns because of timing and accounting procedures.

The payments made by Revenue into the SSIA and the 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.

Value Added Tax

VAT receipts in 2005 were €12,125 million (Table 2), exceeding the Budget estimate by €500 million (4.3%) and an increase of €1,408 million (13.1%) on the 2004 yield. This is a reflection of continuing strong consumption buoyancy.

Income Tax

Total net receipts of Income Tax in 2005 amounted to €11,339 million (Table 2), €234 million (2.1%) over Budget estimate and an increase of €644 million (6.0%) on the 2004 out-turn. Tax receipts of €537 million were attributable to once-off monies from Revenue Special Investigations. The primary source of this yield was a major investigation into holders of single premium insurance policies, which yielded €382 million, some €232 million ahead of Budget target, with almost 81% classified as Income Tax. Ongoing yield from the offshore accounts and bogus non-residents investigations accounted for a further €131 million, some €81 million above Budget target. The yield of €8,637 million from PAYE was €99 million (1.1%) lower than Budget target and €526 million (6.5%) higher than the 2004 receipt.

Corporation Tax

At €5,503 million, the Corporation Tax net receipt in 2005 was €257 million (4.5%) lower than the Budget estimate and €168 million (3.1%) higher than the corresponding receipt in 2004 (Table 2). The shortfall on the Budget estimate was mainly due to some higher than expected repayments of a once-off nature to a small number of companies which were partially offset by higher than expected yields from other companies.

Excise

Excise receipts in 2005 totalled €5,391 million (Table 2), €148 million (2.8%) above the Budget estimate and some €325 million (6.4%) more than in 2004. This reflects a higher than expected rise in the value of consumer spending on excisable items.

The main increases on expected yield were in respect of Vehicle Registration Tax (VRT) and Tobacco. VRT was, once again, very buoyant with receipts of €1,149 million exceeding forecast by €109 million (10.5%) and also exceeding the yield in 2004 by €203 million (21.5%). Total new car registrations in 2005 numbered almost 172,000, which was over 17,000 more than 2004. The Tobacco sector, with receipts of €1,080 million, yielded €80 million more than expected and €20 million more than in 2004. The Oils sector with receipts of €2,048 million was below target by €37 million although exceeding the corresponding yield in 2004 by €85 million. Alcohol receipts of €1,038 million were below target by €8 million with surpluses in Beer, Cider and Perry partly offsetting shortfalls in the Wine and Spirits sectors.

Stamp Duties

The total surplus of €588 million (29%) over the Budget estimate (Table 2) was mainly due to continuing strong buoyancy in the property market with the surplus from property transactions alone amounting to some €517 million. The remaining surplus of €71 million is accounted for by share transfers (€57 million) and other stamp duties.

Capital Gains Tax

The 2005 Capital Gains Tax yield of €1,982 million was €482 million (32.1%) ahead of the Budget estimate (Table 2). This surplus reflects a continuation of the very strong performances in the previous two years attributed to the high rate of growth of asset values and the buoyant property market.

Capital Acquisitions Tax

The €69 million surplus on the Budget estimate for Capital Acquisitions Tax (Table 2) is due partly to some large individual payments of Inheritance Tax and partly to a higher than expected underlying yield from both Inheritance and Gift Taxes.

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.

In 2005 the amount collected on Customs Duties and CAP import charges was €226 million, compared to €174 million in 2004 and a Budget estimate of €170 million (Table 2). The increase in customs duty reflects the buoyancy of the economy and a greater volume of imports from outside the EU. It includes €24 million collected on behalf of the United Kingdom under a Single European Authorisation. This is a new scheme, operating on a pilot basis, allowing traders to pay customs duties in one Member State in respect of goods imported into a different Member State.

Common Agricultural Policy (CAP) import charges (agricultural levies) are collected on a wide range of goods imported from non-European Union countries. The figures are included in the figures shown for Customs in Tables 1 and 2.

CHART 1: INDIRECT TAX NET RECEIPTS

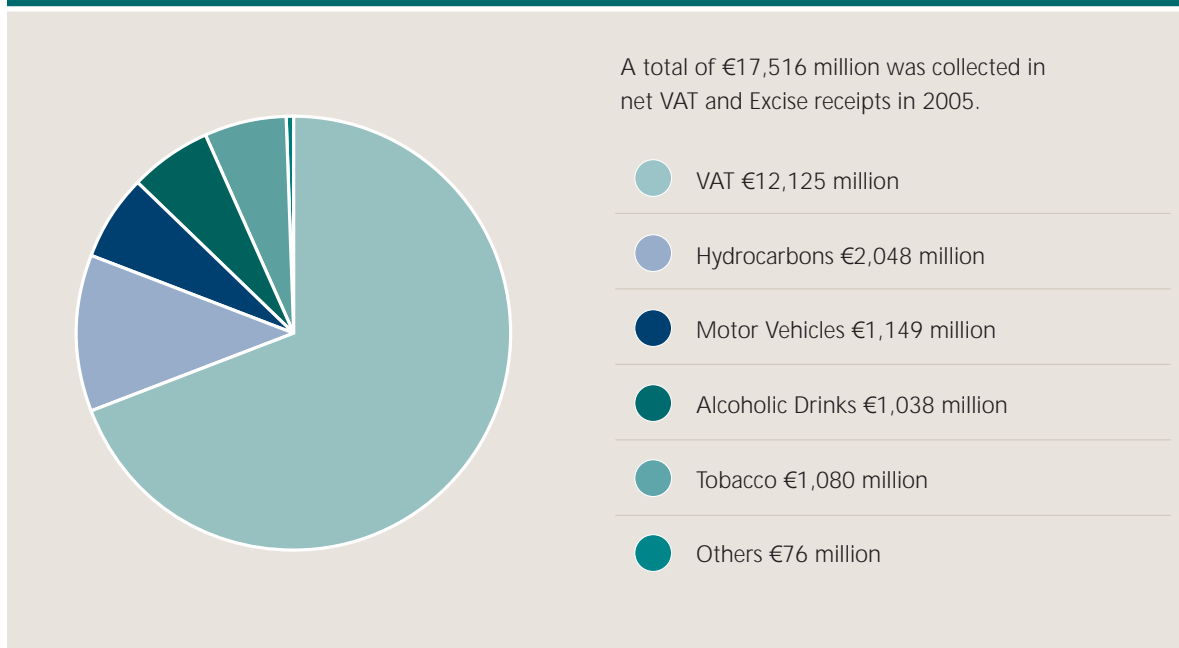
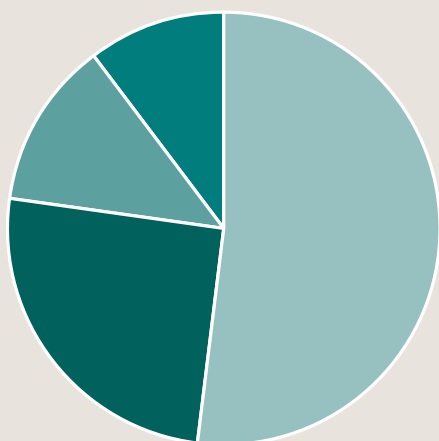


CHART 2: DIRECT & CAPITAL TAXES RECEIPTS



A total of €21,746 million was collected in Direct and Capital Taxes receipts in 2005

- Income Tax €11,339 million¹
- Corporation Tax €5,503 million
- Stamp Duties €2,673 million
- Capital Taxes €2,231 million²

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

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 and Dividend Withholding Tax.

² Capital Taxes include receipts from Capital Acquisitions Tax and Capital Gains Tax.

TABLE 3: PAYMENT ITEMS TO THE COLLECTOR GENERAL IN 2005

Largest amount lodged in a single day:	€1,643 million
Average daily lodgement:	€176.95 million
Number of payment items:	
2005	4,656,056
2004	4,234,674
Highest number of items processed in a single day:	70,868

Summary of Collection and Debt, 2005:

Collection €54,152 million/Debt €1,085 million

DONATION OF HERITAGE ITEMS

Section 1003 of the Taxes Consolidation Act 1997 provides for a full credit against tax liability where a taxpayer donates certain heritage items to the national collections. The following items were donated in 2005:

- "Dorothy" by Sean Scully, valued at €181,292
- Three paintings by Francis Bacon, valued at €2,000,000
 - Untitled (Elongated Walking Figure) c.1949
 - Untitled (Figure) c.1970
 - Untitled (Seated figure on dappled carpet) c.1970

- A collection of artworks including paintings, tapestries and sculptures valued at €1,037,200
- "Bretonne" by Roderic O'Connor, valued at €542,424
- "Wooded River Landscape" by George Barret, valued at €860,674
- "Proclamation of the Irish Republic, 1916", valued at €300,000
- "A view of Cork" by Jonathan Butts and "Skeillig Night on the South Mall" by James Beale, valued at €870,580

TABLE 4: VOLUME OF BUSINESS 2005

	Volume in 2005	% +/- 2004/2005
PAYE Employments	2,381,917	+6%
Self Assessment (Income Tax)	502,725	+10%
Companies	130,641	+3%
VAT Registrations	253,980	+8%
Contacts		
Personal Callers	786,591	+13%
Telephone Callers	5,281,443	+22%
Visits to the Revenue website (www.revenue.ie)	7,108,290	+80%
Items processed		
Correspondence	3,116,587	+11%
PAYE Employee Reviews	552,098	+6%
PAYE Returns	81,587	+27%
Income Tax Returns	434,058	+10%
Income Tax Repayments	185,469	+9%
Corporation Tax Returns	113,683	+2%
Corporation Tax Repayments	27,049	+8%
VAT claims received	296,568	+7%
Payment items received by Collector General	4.6m	+10%
P35 Returns	185,753	+4%
VAT3 Returns	1,203,005	+10%
RCT30 Returns	426,717	+23%
Capital Gains Tax Returns	43,008	+4%
Environmental Levy Returns	33,732	+27%
CG50s (Applications for Clearance Certificates)	14,618	+48%
C2s (Sub-contractor certificates) issued	24,457	+11%
Relevant Contracts Tax (RCT) Repayments	122,721	+23%
RCT47s (Payment card authorisations) issued	235,620	-4%
Dividend Withholding Tax (DWT) Returns	947,955	-3%
Tax Clearance Certificates issued	114,431	+31%
Claims repaid to non-residents	20,402	+11%
Exemptions granted to charitable/sporting bodies	469	-27%

TABLE 4: VOLUME OF BUSINESS 2005 (CTD.)

	Volume in 2005	% +/- 2004/2005
Single Administrative Documents (Customs Declarations)	920,293	+1%
INTRASTAT declarations	108,720	+9%
VIIES declarations	42,526	-8%
New vehicles registered	224,282	+13%
Second-hand vehicles registered	68,660	+56%
Inland Revenue affidavits	21,881	+46%
Gift/Inheritance and Discretionary Tax Returns	19,601	+30%
Capital Acquisition Tax Certificates of Discharge	26,554	+119%
Returns in relation to Companies Capital Duty and Composition Duty and Levies	8,043	+6%
Instruments presented for marking and stamping	325,630	+22%
CREST refund claims received	22,612	+19%

Timely Compliance Rates

TABLE 5: AVERAGE PERCENTAGE OF TAX COLLECTED BY THE DUE DATE

	2005	2004
PAYE/PRSI	93%	93%
VAT	84%	85%
Preliminary Income Tax (Non PAYE)	97%	97%
Capital Gains Tax	95%	96%
Corporation Tax	90%	90%
Relevant Contracts Tax	70%	66%

Table 6 below outlines the taxpayer compliance rates for the biggest, medium-sized and other cases.

TABLE 6: RETURN/PAYMENT COMPLIANCE FOR BIGGEST, MEDIUM AND ALL OTHER CASES		
	2005	2004
Biggest Cases*	92%	92%
Medium Cases*	88%	86%
All Other Cases	80%	79%

* *Definition of Terms*

Biggest Cases: PAYE Employers and RCT cases remitting more than €300,000 per annum; VAT cases who pay more than €300,000 per annum; IT and CT cases remitting more than €200,000 per annum.

Medium Cases: PAYE Employers and RCT cases remitting more than €120,000 per annum; VAT cases remitting more than €108,000 per annum; IT and CT cases remitting more than €90,000 per annum.

Table 6 is a composite measure of timely compliance rates across the 5 main business taxes, weighted by yield. It shows that our biggest cases, where non-compliance poses the greatest risk to the Exchequer, have a very high compliance rate of 92% in timely payment of taxes and filing returns. This rate rises to 97% within a month after the due dates.

Timely compliance in our medium size cases improved by 2% during the year and Revenue is well on course to reach or exceed its target of achieving a 90% timely compliance rate by 2007. Timely compliance in all other cases, where the risk is lowest, is also improving and is exceeding expectations. Revenue continues to vigorously pursue non-compliant taxpayers with particular focus on those posing the greatest risk.

CHART 3(A): TOTAL GROSS RECEIPTS

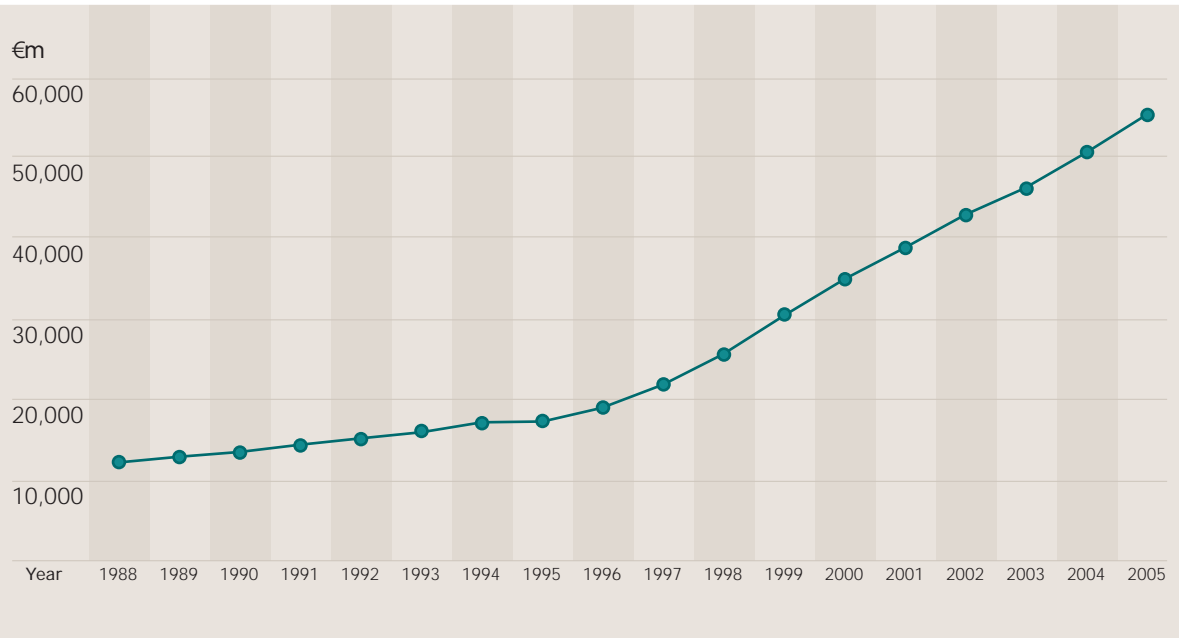


CHART 3(B): TOTAL DEBT AS A PERCENTAGE OF TOTAL GROSS RECEIPTS

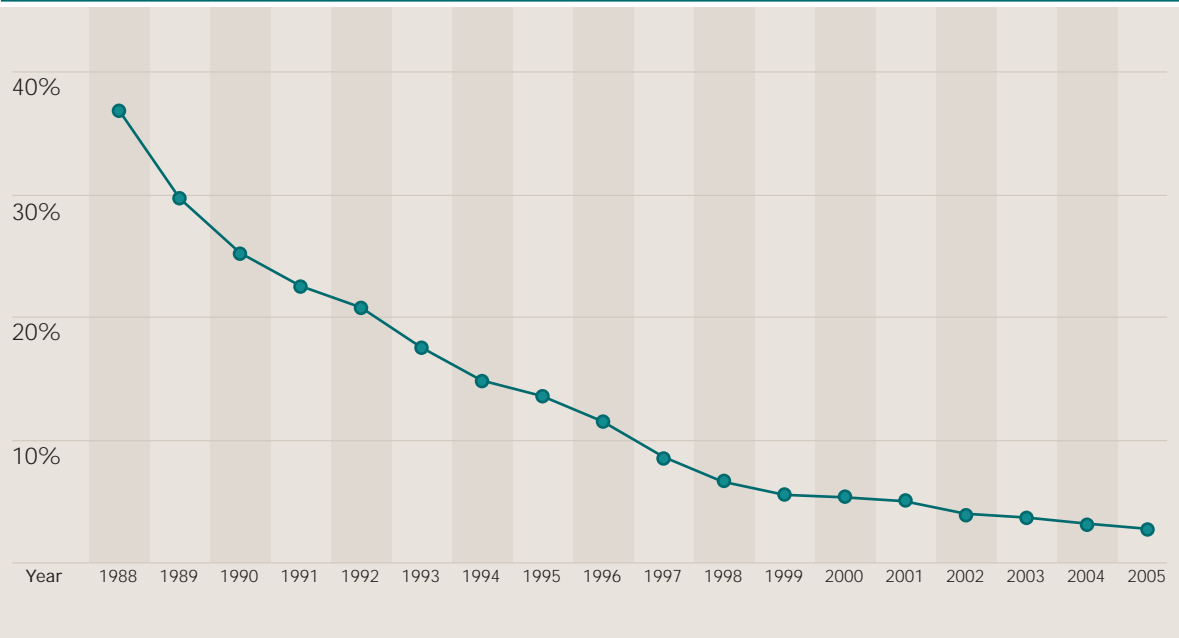


TABLE 7: DEBT REDUCTION PROGRAMME

	2005	2004
Overall Debt	€1,085m	€1,217m
Debt as % of gross collection	2%	2.5%
Debt over 5 years old	€336m	€314m

Arrears of tax and duty amount to €1,085 million, a decrease of €132 million or 11% in 2005. Arrears as a % of total gross receipts now stand at an historic low of 2% – one of the lowest of any tax administration worldwide. Our Statement of Strategy 2005-2007 goal of reducing debt to 2.5% of gross collection by 2007 has already been exceeded.

New Cooperative Compliance Approach

During 2005, Large Cases Division (LCD) implemented the new Cooperative Compliance approach.

This new approach to managing tax compliance seeks to:

- Promote a collaborative, mutually beneficial approach to compliance;
- Facilitate more efficient use of business and Revenue resources;
- Reduce tax uncertainty; and
- Promote a relationship between Revenue and business based on trust, mutual understanding, openness and transparency.

The Cooperative Compliance approach deliberately draws a connection between good corporate governance and tax compliance. It supports the development of a new form of relationship between Revenue and large business involving a greater degree of interaction, co-operation and timely consideration of tax issues.

By end 2005, twenty-five of Ireland's largest businesses had agreed to participate in Cooperative Compliance.

Customer Service Delivery

Revenue's tradition of good customer service came under severe pressure during 2005 and was not up to its usual high standard. A range of factors contributed to this, principally:

- **Significant increase in the tax base:** Thanks to the continued buoyant economy, the number of employments reached the highest ever level. PAYE employments increased from 2,247,036 to 2,381,917 (+6%) and self-assessed from 455,888 to 502,725 (+10%). As a consequence, volumes of registrations, correspondence, telephone and personal callers increased very substantially, as can be seen in Table 4.
- **More complex cases:** The amount of personal wealth in the economy has resulted in a perceptible increase in the numbers of personal taxpayers, including PAYE taxpayers, who have more complex personal financial arrangements, including property and other investments. There is also considerably more volatility in the labour market, and a larger proportion of atypical employment arrangements, including multiple employments.
- **Customers whose mother tongue is not Irish or English** now form a very discernable proportion of callers and inevitably take longer to deal with.

The combination of these factors made it difficult, even at times impossible, to provide the level of service we would have wished and we regret this. To help us resolve this situation, and to improve our own productivity we began in 2005 to introduce a range of technological and other initiatives to facilitate the provision of the high quality service that is a key part of Revenue's strategy:

- Extending the Integrated Contacts (iC) system to all PAYE customer service staff. A major enhancement to our wide range of modern technology, the iC system scans and records all relevant correspondence so that it may be viewed immediately in any Revenue office in any part of the country. Enabling us to track all post, the iC system provides our staff with a complete history of all contacts, including post, telephone calls and e-mails that a customer has made with Revenue.
- The iC system has been integrated with a Voice over Internet Protocol (VoIP) PAYE telephony system. This enables a caller's tax record and contact details to be displayed automatically on the Revenue PC screen as soon as the call is connected to our customer service staff. It also allows us to provide automatic responses to the most frequently asked questions. It has better queuing facilities and it automatically routes callers to the most appropriate Revenue office for the service required. This major investment in up to the minute technology will save our customers valuable time and costs. In addition, it will enable us provide the top quality service which is our goal.
- The launch of a pilot set of self-service options for our PAYE customers, through Internet forms, text messaging and telephone-based voice activation. These services enable automatic claiming of appropriate tax credits for Age, Domestic Refuse charges and Trade Union subscriptions. The most popular PAYE forms and leaflets may also be ordered through these channels which will be significantly extended in 2006.

Other developments to electronic services include:

- A facility to allow customers to calculate VRT on Motor Vehicles.
- A development, in partnership with the Department of Agriculture and Food (DAF) making use of government eBroker messaging mechanism, enabling exporters submit CAP Export Refund declarations electronically to Revenue and DAF. The development won the top award in the best partnership category at the 2005 *Innovation Through Technology Awards*.
- A system which allows freight forwarding companies to provide the details of the manifest of a shipment to Customs officers electronically.
- A facility to file EU Savings Directive Returns via ROS.

Further initiatives are planned for 2006.

On-line Business

Electronic Return Filing

There has been a continuous and steady growth in the number of returns being filed on-line in 2005. For example, about two-thirds (65%) of income tax self assessment returns were made through ROS – almost 30% up on 2004.

VRT and Customs On-line Filing

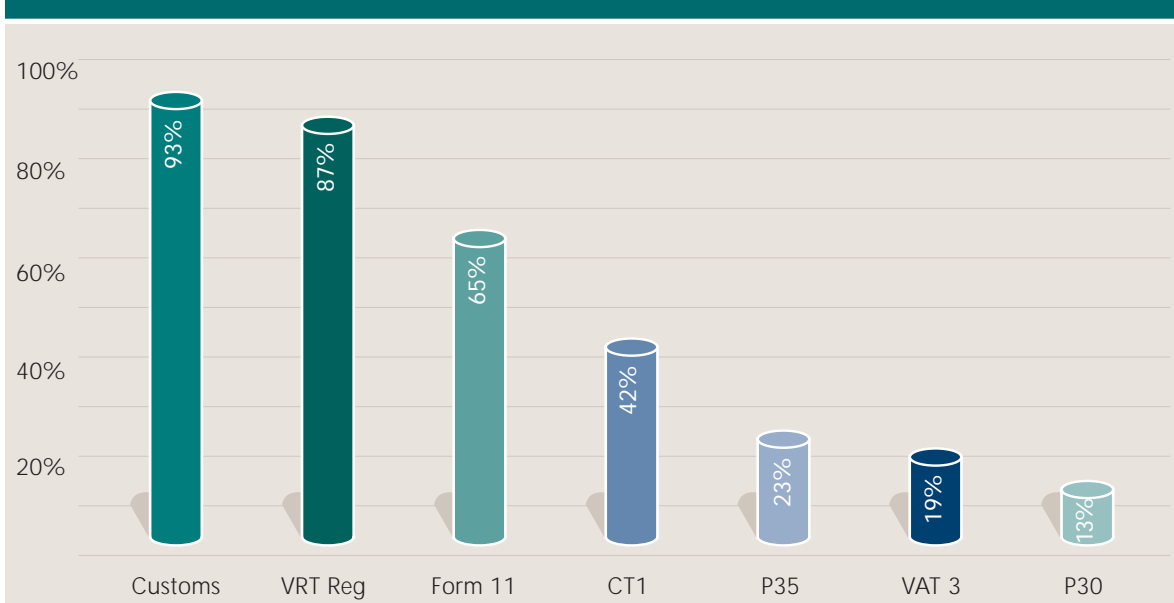
Over 93% of Customs declarations were filed electronically via Automated Entry Processing in 2005.

87% of new car VRT registrations were filed electronically in 2005.

TABLE 8: ELECTRONIC RETURNS 2005 v 2004

	2005	2004	% Increase
V.A.T. 3	234,288	136,246	71.95%
Employers' Monthly PAYE Returns – Form P30	211,924	122,099	73.56%
Employers' Annual PAYE Returns – Form P35	42,201	21,421	97.00%
Cessation Certificate – Form P45	187,773	135,916	38.15%
Income Tax Self Assessment Returns – Form 11	248,967	194,544	27.97%
Corporation Tax Self Assessment Returns – Form CT1	49,992	30,151	65.81%
Vehicle Registration Tax (VRT) Registrations	194,045	155,049	25.15%
Relevant Contracts Tax – Form C30	67,185	29,427	128.31%
Relevant Contracts Tax – Form C35	4,603	1,693	171.88%
Customs Declarations	859,232	838,261	2.5%
Total No of all ROS Returns	2,100,210	1,664,807	26.15%

CHART 4: E-FILING v TOTAL FILING IN 2005



ROS Payments

Payment transactions in ROS have also increased significantly during 2005:

TABLE 9: PAYMENT TRANSACTIONS IN ROS

	2005	2004	% Increase
No of Payment Transactions	290,842	180,213	61.38%
Value of ROS Payments	12.1 billion	8.3 billion	45.78%

Provision of Information to our Customers

Revenue's award winning website provides a comprehensive, constantly updated range of on-line services and information to our customers. It is tailored to meet the requirements of particular user groups – individuals, businesses and practitioners – which assists navigation through the vast amount of material available. A key feature of the website is the menu of on-line services which allow customers to claim refunds, order forms and leaflets, calculate Vehicle Registration Tax, and apply for Certificates of Tax Clearance.

The website has a 'contact locator' facility which enables customers to obtain full information on how to contact the appropriate Revenue office by phone, fax, e-mail or by post.

Over 300 information leaflets and booklets are available on-line. In 2005, 50 leaflets/booklets covering a broad range of Revenue topics were updated. Four editions of Tax Briefing, our technical publication aimed at practitioners, were issued, supplemented by 43 issues of Revenue e-Brief, our e-mail based information bulletin.

Irish Language Information

In accordance with Section 11 of the Official Languages Act 2003, Revenue published a first implementation plan (Scheme) for the Irish language on 26

July 2005. The Scheme commenced officially on 1 October, 2005 and provides for the phased rollout of service in the Irish language over a three-year period.

In September 2004, a general customer survey was undertaken in three Revenue Districts (Dublin, Dundalk, Limerick) of callers to our 1890 PAYE telephone service and those surveyed were asked about their requirements for service in Irish. A total of 750 taxpayers were surveyed and of those, 3% said they would avail of a service through the Irish language if it were provided.

As an organisation, we are committed to the implementation of the provisions of the Official Languages legislation. This will be achieved incrementally, beginning with our first Scheme, and building on subsequent Schemes, having regard to the level of demand and resource availability. During the course of the initial Scheme, we will monitor the take-up of services, with a view to matching, over time, the provision of service in Irish with the level of demand identified.

Information for Immigrants

An information leaflet for immigrants on Irish tax obligations – the Moving to Ireland Guide – was published in 2005 and translated into Polish. Translations in Russian, Lithuanian, Slovakian, Czech, Chinese, French, German, Spanish and Portuguese will be available in 2006 and will be posted on the Revenue website.

Effectiveness of Revenue Customer Services

Customer Service Charter

Revenue's Customer Service Charter reflects the mutual expectations of Revenue and its customers, and seeks to ensure that our organisation conforms to the highest principles of professional public service. Revenue measures its performance against the

standards set out in the Customer Service Standards document: the results for 2005 are published in Table 10. The Charter and Customer Service Standards documents are available on our website www.revenue.ie.

TABLE 10: CUSTOMER SERVICE STANDARDS AND RESULTS

Service	Standard	Results 2005	Results 2004
Complaints	Processed impartially within 20 working days	100%	100%
Telephone Service	PAYE 1890 Calls* (answered) Other calls answered within 30 seconds	47% 79%	n/a 75%
Registrations	VAT 100% within 10 working days Other 100% within 5 working days	86% 87%	69% 68%
Returns, declarations Applications	ROS 100% within 5 working days	91%	97%
	Non ROS 80% processed within 10 working days	IT 36% CT 32% Other 91%	IT 29% CT 20% Other 96%
	Non ROS 100% processed within 20 working days	IT 54% CT 67% Other 97%	IT 56% CT 56% Other 97%
	AEP Immediate Response	Immediate Response	Immediate Response
Repayments – NON ROS	80% processed within 10 working days	76%	68%
	100% processed within 20 working days	88%	83%
Repayments – ROS	100% within 5 working days	IT 79% CT 68%	n/a
Correspondence, e-mail, fax	80% processed within 20 working days	82%	96%
Applications for Tax Clearance Certificates	100% processed within 6 working days	86%	81%

* The high level of unanswered calls on the PAYE 1890 Service in 2005 can be attributed to a number of factors, including the significant growth in the employment base over recent years, complicated late in the year by teething problems with the introduction of the redesign of the PAYE System.

Consultation with Groups Representing our Customers

Tax Administration Liaison Committee (TALC)

The Tax Administration Liaison Committee (TALC) is a forum where Revenue and organisations representing tax practitioners discuss issues of mutual interest in relation to the administration of the tax system. The Law Society of Ireland chaired the Committee in 2005. Items discussed during the year included:

- Revenue's On-Line Service (ROS)
- Audits
- Customer Services
- The Cooperative Compliance Framework
- The Single Premium Insurance Policy Investigation
- Relevant Contracts Tax

Other operational issues covered included the Savings Directive, Professional Services Withholding Tax, and the Customer Service Charter.

The Customs Consultative Committee

The Customs Consultative Committee is the forum for Revenue and trade representative organisations to discuss issues of mutual interest affecting the customs treatment of imports and exports. It met twice in 2005. The views of the Committee were sought on a number of important issues, including Transit, Preferential Origin, the modernisation of the Community Customs Code, the Authorised Economic Operator programme, the Customs Strategy 2005-2010 and the redevelopment of Revenue's Customs Automated Entry Processing system.

Strategy 1.2 Confront and Reduce Evasion, Avoidance and Non-Compliance

Audit

There have been significant changes to Revenue's approach to countering tax evasion and avoidance in recent years. We are increasingly adopting a technology based risk-analysis approach to identifying and tackling non-compliance and increasing our emphasis on real time interventions on the ground.

Computer-Based Risk-Analysis

A new Revenue Risk Analysis system to support audit and compliance programmes was successfully piloted during 2005. The system has been designed to analyse the vast amount of data we have on tax and duty cases and to attribute scores based on the level of risk they pose. The Risk Analysis system will be rolled out nationally in 2006.

Computerised Risk Analysis is just one element of Revenue's programmes to target non-compliance. It will be supported by, and validated against, other interventions including random audits, special compliance activities, local intelligence and sectoral programmes.

Sectoral Compliance

Targeted projects aimed at tackling evasion in specific sectors are now an established and important part of Revenue's compliance programme. The main projects carried out in 2005 involved the following sectors:

- fishing,
- construction,
- motor,
- beauty and hairdressing,
- security,
- guesthouse,
- fast food, and
- waste disposal sectors.

The projects were spread across all case sizes within the sectors and different Revenue Districts focussed on varying issues within the sectors.

The results from these projects are reflected in the audit and compliance results in this report. The findings from this sectoral work will be fed into the risk analysis system, described above, to further complement the risk rating procedures. This risk analysis tool will support the identification of sectors posing the greatest risks to Revenue in the future.

National Audit Programme 2005

In 2005, some of the Audit Categories were re-defined to reflect the fact that the appropriate intervention depends on whether the risk is perceived to relate to one or more tax or duty headings or to specific issues or transactions (as opposed to tax-heads). A total of 14,214 audits and investigations were completed in 2005. The total yield from all interventions including Assurance Checks (defined below) was €575.37 million. In addition to audit yield, Revenue officers collected €7.79 million in arrears of tax in the course of audit interventions.

Settlements were achieved in 67 cases where liabilities exceeded €1 million. The largest settlement in the year was €9.5 million.

629 cases settled to 31 December 2005 were published under the provisions of Section 1086 of the Taxes Consolidation Act 1997. The total amount of tax, interest and penalties in published cases was €116.94 million.

Assurance Checks

In 2005, a range of "assurance checks" totalling 98,981 in number supplemented general audit activity. Assurance checks are interventions by Revenue officers that, although not audits, may involve tests, verification checks, desk examinations, visits to premises, site visits, and telephone enquiries. Many of these were previously categorised as controls/control visits or verification checks. All such interventions are initiated with the intention of assuring Revenue, without recourse to a resource intensive audit or enforcement activity, that the customer is compliant for the taxes and duties the subject of the intervention.

Computer Audit

Many of the businesses that Revenue deals with store their records and supporting information electronically. The ability to access and interrogate computer-based information is a vital support to the conduct of audits.

System auditing is a specialised skill that requires the use of sophisticated software. With assistance from the UK Revenue and Customs we continued to train staff in computer audit techniques in 2005. Of the 44 officers who received training in 2005, 10 are now at an advanced level and involved in supporting computer auditing programmes in the Regions and in Large Cases Division.

Audit of CAP Exports

Under Council Regulation (EEC) No. 4045/89, Revenue is obliged to conduct an audit programme covering the relevant commercial records of beneficiaries of export refunds arising from their claims to CAP exports in third-country trade.

The FEOGA Audit Unit in Customs Division carries out this audit programme, which runs from 1 July to 30 June of the following year. In the audit period July 2004 to June 2005, the commercial records of 22 selected CAP beneficiaries were examined. The traders selected for audit had received CAP export refunds amounting to €214.8 million in the period audited, representing approximately 92% of the total export refunds paid by the Department of Agriculture and Food during that period.

Revenue's CAP Audit and Analysis Unit also carried out inspections of customs offices, forming part of an ongoing monitoring programme designed to ensure that control procedures in place fully comply with EU rules and standards. In 2005, the implementation of CAP instructions was inspected in 9 customs offices.

Audits: Overall Results

The overall results for audits completed in 2005 and associated yield are shown in the table below:

TABLE 11: AUDIT AND ASSURANCE ACTIVITY 2005				
Audit Type	2005 Audits Completed	Yield €m	2004 Audits Completed	Yield €m
Comprehensive (All taxheads)	5,077	323.25	4,058	382.32
Multi Tax/ Duty Audits	1,220	52.33	848	18.35
Single Tax/Duty Audits	6,173	122.80	3,732	62.08
Single Issue/Transaction Audits	1,744	26.58	256	4.18
Verification Audits ¹	-	-	6,103	76.18
CAT	-	-	1,324	6.53
Total Audits¹	14,214	524.96	16,321	549.64
	Assurance Checks	Yield €m		
Assurance Checks ¹	98,981	50.41		
Total Interventions	113,195	€575.37		

¹ Some activities classified as verification audits in 2004, e.g. VAT refund verification checks, are classified as assurance checks in 2005.

Tax Compliance Testing Programme

To ensure a balance between risk and coverage of the taxpayer base, and to validate our risk approach, Revenue, in 2005, developed a new Tax Compliance Testing Programme to provide a robust random audit testing mechanism. The programme's primary purposes are to measure and track compliance, and to ensure that every taxpayer runs the risk of being selected for audit. In 2005, we selected 411 cases for this programme and of these, 351 cases have been finalised to date, resulting in a yield of €1,015,456.

TABLE 12: TAX COMPLIANCE TESTING PROGRAMME RESULTS

Yield Band	No. of Cases	% of finalised cases
Nil	260 ¹	74.07
<€2,000	27	7.69
€2,001 to €5,000	24	6.85
€5,001 to €10,000	13	3.70
€10,001 to €20,000	11	3.13
€20,001 to €50,000	14	4.00
> €50,001	2	0.56
Total	351¹	100

¹ Includes 53 'dropped' cases (ceased trading, never traded, recently deceased etc.)

Timely and Robust Action against late filing or non-filing of returns and payments

Interest Charges

The primary method used to improve timely payment compliance is to charge interest on late payment of tax in appropriate cases. €81 million interest was collected in 2005 by way of collection caseworking, an increase of €10 million over 2004. This is entirely separate from interest charged and collected as a result of Revenue audits and investigations.

Prosecutions for Failure to File Returns

In 2005, the pursuit of Income Tax and Corporation Tax non-filers continued. Legal proceedings were instituted in over 2,180 cases and convictions were secured in 1,115 cases, an increase of 88% over the figure for the previous year. Fines totalling €1.517 million were imposed.

Revenue also prosecutes in selected cases for the non-filing of VAT returns and P35's. As a result of this programme in 2005, 205 cases were referred for prosecution. 36 convictions were obtained resulting in fines totalling €0.165m being imposed. One individual was committed to prison for the non-payment of a fine.

TABLE 13: PROSECUTIONS FOR THE NON-FILING OF INCOME TAX AND CORPORATION TAX RETURNS

	Tax	2005	2004
Revenue Solicitor warning letters issued	IT	17,432	12,637
	CT	1,376	766
Cases referred for the institution of legal proceedings	IT	2,135	3,257
	CT	45	97
Convictions	IT	1,090	576
	CT	25	16

TABLE 14: COLLECTION ENFORCEMENT PROGRAMMES

		Results 2005	Results 2004
Solicitor	Number of Referrals	6,485	6,723
	Payments received	€59.6m	€63.9m
Sheriff	Number of Referrals	42,239	38,682
	Payments received	€139.6m	€125.2m
Attachment of Assets	Number of Attachment Orders	2,253	949
	Yield from attachment	€27.2m	€10.9m

Collection Enforcement

The data set out in Table 14 highlights the increased overall yield resulting from collection enforcement, maintaining the trend of recent years. While referrals of outstanding debts to sheriffs or solicitors continue to underpin our enforcement programme, the attachment of monies due to non-compliant customers by third parties is increasingly used. The circumstances of each individual case are considered prior to referral, to ensure that the most appropriate enforcement option, based on the available information, is selected in all cases.

Following the successful introduction of an on-line system for the referral of cases to sheriffs in 2004, Revenue introduced a similar system for the referral of cases to solicitors during 2005. These electronic systems, in addition to facilitating the on-line referral of cases to the sheriffs and solicitors, also allow payments collected by enforcement agents to be automatically credited to taxpayers' accounts within 15 working days of collection. The systems also permit Revenue to notify enforcement agents, on-line, of amendments to liabilities, for example if a payment is received.

Exemplary Enforcement

During 2005, exemplary enforcement action resulted in the collection of €7.3 million in arrears. In addition, two individuals were declared bankrupt and bankruptcy proceedings were initiated for a further four individuals, two forced sales of property were initiated while one committal order and one injunction preventing the disposal of property were obtained. This compares with 2004 when there was one bankruptcy, 3 forced sales and 3 committal orders.

Insolvency

Revenue continued its policy of being actively involved in company liquidations, receiverships and examinerships. In 2005, notices under Section 214 of the Companies Act 1963 issued in 58 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 to wind up companies on 30 occasions, under Section 214 of the Companies Act 1963. Revenue was also represented at 150 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 (6 cases in 2005).

TABLE 15: WRITE OFF

Year	Write Off - €m	Gross Receipts - €m	Write Off %
2001	140	37,596	0.37%
2002	178	39,990	0.45%
2003	120	43,770	0.27%
2004	173	48,525	0.36%
2005	143	54,152	0.26%
Average			0.34%

Phoenix Cases

Revenue has two well-established programmes that focus on abuse of limited liability, with one programme exclusively targeting “phoenix syndrome” and the other concentrating on clusters of connected businesses engaging in systematic non-compliance.

The usual pattern with a “phoenix” business is that the original limited company accumulates substantial tax debts and is then abandoned, but the business continues with the same stakeholders using a newly formed company.

A related form of abuse occurs where a number of separate businesses are controlled by the same individual(s) and the businesses systematically accumulate tax liabilities before ceasing to trade.

A total of 2,099 companies were examined under the two programmes. By the end of 2005, following intensive case-working, 582 were considered fully compliant, 1,026 were considered to be substantially compliant, 491 were the subject of ongoing intensive caseworking, 18 had liquidated and 236 ceased trading.

Write Off

Despite best efforts there will always be a small proportion of arrears that is uncollectible for a range of reasons, including hardship and insolvency. In 2005, a total of €143 million was deemed to be uncollectible and was written off the Revenue debt. This represented 0.26% of gross receipts and was the lowest ratio of write off to gross receipts in the last five years.

Special Savings Incentive Account (SSIA) Scheme Compliance

1.1 million individuals were participating in the SSIA scheme on 31st December 2005. Subscriptions during the year amounted to €2,460.9 million and the Exchequer contributed €597 million.

SSIA maturity guidelines issued to all financial institutions managing Special Savings Incentive Accounts in September 2005. The purpose of the guidelines was to set out practical arrangements to be followed by financial institutions to ensure that SSIA's are matured in accordance with the legal requirements. Prior to issuing the guidelines, extensive consultations took place with the Irish Bankers Federation, the Irish Insurance Federation, the Irish League of Credit Unions, Credit Union Service Providers and the Department of Finance.

There is an active compliance programme to ensure that both savings institutions and individual savers comply with the terms and conditions of the scheme.

Investigation and Prosecution of Tax Evasion and Fraudulent Activity

Special Investigations

During 2005, we progressed the major "legacy" investigation projects (Offshore Assets, Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries) and we commenced an investigation into the use of insurance-based investment products. At the end of 2005 the investigation into holders of bogus non-resident accounts was near completion with over 98% of cases finalised.

The cumulative total from these investigations has now reached €2.2 billion. €536.8 million was collected in 2005 and of this €382 million resulted from the Single Premium Insurance Policy Investigation.

Offshore Assets (OAG) Investigation

In 2005, the OAG Investigation yielded a further €83.5 million bringing the total yield from this investigation to date to €796.7 million. We also obtained a number of High Court Orders requiring financial institutions to give information regarding persons who were involved in certain offshore transactions. This information is currently being received and further Orders will be obtained during 2006. The campaign to follow up on persons who did not make disclosures has commenced and will be significantly scaled up in 2006.

Ansbacher Investigation

The Ansbacher investigation is continuing and 201 of the 289 cases identified have been finalised. In the course of the investigation, ten successful applications have been made to the High Court for Orders requiring the production by financial institutions and third parties of books, records and other documentation that are relevant to the liabilities of Ansbacher account holders. Over 200,000 documents have already been received and information continues to be provided under the terms of the High Court Orders. This information has proved particularly important in progressing the investigations into individual cases and it is expected that further High Court applications will be made during 2006.

Bogus Non-Resident Accounts (BNR)

The yield for 2005 from the Bogus Non-Resident Accounts investigation was €47 million, bringing the total yield at the end of 2005 to €834.2 million. More than 98% of cases were finalised by the year-end.

TABLE 16: OFFSHORE ASSETS INVESTIGATION – PROGRESS TO END 2005

Financial Institution	Number of Cases		Payments €m
Jersey Subsidiary	254		105.2
Isle of Man Subsidiary	1,250		46
Other	12,147		645.5
		Tax	368.3
		Interest and Penalties	428.4
Total	13,651		796.7

TABLE 17: ANSBACHER INVESTIGATION – PROGRESS TO END 2005

		Payments €m
Number of cases	289	
Total number of cases finalised	201	
Tax		14.3
Interest and Penalties		23.1
Other*		18.4
Total		55.8

* Includes payments on account.

TABLE 18: BOGUS NON-RESIDENT ACCOUNTS (BNR) – PROGRESS TO END 2005

		Payments €m
DIRT Audits		225
Voluntary Disclosures		227.2
Follow-up Investigations		382
	Tax	329.9
	Interest and Penalties	504.3
Total		834.2

Undisclosed Funds – Life Assurance Products

In the voluntary phase of the Single Premium Insurance Policy Investigation, around 10,000 individuals indicated initially that they might have a tax issue in connection with an insurance investment. Over 5,000 of those individuals have paid €382 million. 4,000 others subsequently indicated that no liability arose and the remainder were the subject of further

enquiries at year-end. By the end of 2005, using powers under Section 140 of the Finance Act 2005, a sampling exercise had commenced in advance of making applications to the High Court seeking Orders to enable Revenue identify individuals who evaded taxes through the use of life insurance based investments and who did not come forward in the voluntary phase. It is expected that the first of these High Court Orders will be sought by June 2006.

TABLE 19: UNDISCLOSED FUNDS – LIFE ASSURANCE PRODUCTS – PROGRESS TO END 2005

		Payments €m
Number of cases	5,150	
Tax (Estimated)		122
Interest and Penalties (Estimated)		260
Total		382

TABLE 20: CLERICAL MEDICAL INSURANCE (CMI) – NATIONAL IRISH BANK SCHEME

		Payments €m
Cases originally targeted for investigation	452	
Additional cases added in 2005	13	
Total no. of cases	465	
Investigations concluded by end 2005 ¹	427	
Cases subject to ongoing investigation ² (Payments on account amounting to €4.8 million paid)	38	
Tax		25.2
Interest and Penalties		28.5
Payments on account		3.2
Total ³		56.9

¹ 306 cases settled and tax paid – 121 cases finalised with no extra liability.

² One case is currently under investigation with a view to prosecution.

³ The total of €56.9 million includes €2.8 million in respect of Capital Gains Tax collected in respect of 143 cases in which compensation was paid by NIB to investors.

TABLE 21: PROSECUTIONS AND REFERRALS FOR PROSECUTION IN 2005

Convictions for Serious Evasion ¹		Serious Cases of Tax and Duty Evasion Referred to DPP		Convictions for Summary Cases	
Tax	Duty	Tax	Duty	Tax	Duty
12	12	14	4	1,208	475

¹ Cases investigated by our Investigations and Prosecutions Division with a view to securing indictments are termed 'serious' cases.

Clerical Medical Insurance/National Irish Bank Scheme (CMI/NIB)

This investigation continued throughout 2005. The majority of cases involved have now been finalised.

Tribunals

Investigations were progressed into certain cases arising from the Moriarty Tribunal and the Mahon Tribunal. Enquiries are ongoing. The yield up to 31 December 2005 was €36.2 million.

Prosecution of Cases of Serious Tax and Duty Evasion

Revenue has enhanced its capacity to quickly identify, investigate and prosecute tax and duty evasion. The establishment of a dedicated Investigations and Prosecutions Division with a clear mandate to bring increased numbers of criminal prosecutions for tax and duty evasion is now bearing fruit with 99 cases in the prosecution pipeline.

During 2005, 24 convictions for serious tax and duty offences were obtained, 18 cases were referred to the DPP, directions were given in 17 cases and summonses were issued in 30 cases.

At 31st December 2005, 66 cases of serious tax and duty evasion were under investigation for potential prosecution, the DPP was considering 8 cases and had given directions to prosecute in another 10. Fifteen cases were in the Court process.

The figures for the year reflect both the highest ever number of prosecutions and the highest number of cases under investigation with a view to prosecution. This emphasises both the commitment and progress being made by Revenue in these difficult and complex areas of work.

In 2005, Revenue began publishing details of significant tax and duty cases on the Revenue website.

TABLE 22: PROSECUTIONS FOR SERIOUS TAX EVASION CASES 1997-2005

Year	No. of Cases	No. of Convictions	No. of Acquittals	Fines Imposed (Total)	No. of Custodial Sentences	Details of Custodial Sentence (S) = Suspended
1997	1*	1		€635	Nil	
1998	2* 4	3 5		€42,854	2	- 6 months (S) - 2 years (S)
1999	1* 1*	1	1	€19,046	Nil	
2000	3	3		€952	2	- 2 years (18mths on appeal) - 12 months (S)
2001	4	4		€14,284	4	- 12 months - 6 months (S) - 6 months (S) - 3 months
2002	3	3		€5,540	1	6 months
2003	6	7		€29,365	1	2 years (S)
2004	1	1		€5,000	1	3 months (S) 180 hours community service in lieu
2005	8 (10 including 2 guilty pleas not sentenced as at 31/12)	10 (12 including 2 guilty pleas not sentenced as at 31/12)		€199,287	5	- 3 months - 3 months - 2 years (S) - 6 months (S) 240 hours community service in lieu - 3 months (S) 120 hours community service in lieu

* Denotes Garda case (investigation commenced in earlier years)

Customs and Excise Enforcement and Prosecution

Deployment of Revenue's Mobile Container Scanner

In October 2005, Revenue took delivery of a €3 million mobile x-ray container scanner, commissioned by An Taoiseach, Mr. Bertie Ahern, TD on 13 February 2006 at the New Custom House, Dublin Port. This is the most powerful mobile container scanner currently available on the market and will enable Customs to inspect increasing numbers of containers and commercial vehicles. The scanner is capable of detecting

drugs, contraband such as cigarettes, alcohol, explosives, firearms and stowaways.

The following tables contain details of Customs and Excise enforcement and prosecution activities during 2005.

TABLE 23: DRUGS SEIZURES IN 2005

Type of Drug	Number of Seizures	Quantity	Value €m
Herbal Cannabis	715	179.981 kg	.36
Cannabis Resin	362	3,783.941 kg	28.1
Ecstasy	16	23.763 kg	2.4
Heroin	2	0.009 kg	.0017
Cocaine	46	63.341 kg	4.4
Khat	10	373.02 kg	.75
LSD	1	65,408 tablets	.65
Other*	71	13,579 Tablets 91.963 kg	.42
Total	1,223		37.08

*'Other' includes Amphetamines, Precursor Chemicals, Magic Mushrooms (78.21 kg), Steroids & assorted prescription medicines. The above figures include seizures made during joint operations with An Garda Síochána

TABLE 24: EXCISABLE PRODUCTS SEIZED IN 2005

Product	Number of Seizures	Quantity	Value €m
Beer	24	279,355 litres	1.64
Spirits	281	7,100 litres	.187
Wine	51	42,194 litres	.427
Cigarettes	13,397	51,286,730	15.642
Tobacco	497	1,108 kg	.314
Oil	88	466,180 litres ¹	See below ²
Other ³	894		

¹ Includes laundered, smuggled and marked mineral oil

² Two oil laundries were detected

³ Other seizures refer to non-Excisable commodities such as counterfeit goods and pornography

Firearm Seizures Made by Revenue's Customs Service in 2005

As part of our role in protecting society, Revenue's Customs Service seized the following firearms in 2005: 28 Airguns, 2 Stun-guns, 1 Crossbow, 2 "Other" guns, 1 Rifle, a 19mm Pistol, 1 Sub-machine gun, 2 Automatic Rifle bolts, 1 Electronic Light Amplification Riflescope, assorted rifle & pistol magazines, component parts, and various quantities of ammunition.

Cigarette and Tobacco Smuggling

During 2005, a total of 51.28 million cigarettes and 1.1 tonnes of tobacco were seized, of which a total of 20 million cigarettes involving ten seizures were discovered in maritime freight. A variety of "cover loads" were used to hide the cigarettes. These included frozen and fresh vegetables, men's shirts, tiles/ceramics and wooden panels.

A new development in 2005 was the detection of bogus Irish tax stamps affixed to packs of cigarettes in two separate consignments, consisting of 4.8 million cigarettes smuggled from Ukraine and 1.85 million cigarettes smuggled from China. The tax stamps in question were expertly reproduced. A new tax stamp with additional security features was developed for use in early 2006.

Mineral Oil Fraud

Oil laundering and the sale and use of laundered oil posed a threat to oil revenues in 2005 during which efforts continued to detect and deter the production, sale and use of laundered oil.

Two commercial laundries were detected in 2005, both in County Monaghan. In one case, almost 9,000 litres of laundered oil was seized along with plant and equipment including 3 large storage tanks. Following receipt of a report on the case, the DPP issued directions to proceed with a prosecution in the case, which is pending.

The programme of testing retail outlets continued in 2005. Of the 808 outlets sampled, 20 were detected selling laundered oil.

In addition, a total of 4,551 samples were drawn from hauliers and other users resulting in 107 detections of laundered oil. Penalties in excess of €150,000 were imposed on NI hauliers detected using laundered oil.

TABLE 25: CUSTOMS, EXCISE AND VRT PROSECUTIONS AND CONVICTIONS

	Proceedings Instituted		Numbers Convicted		Fines Imposed €	
	2005	2004	2005	2004	2005	2004
Illegal Selling	8	2	3	2	2,235	1,000
Tobacco Smuggling	151	54	102	49	40,650	23,970
Alcohol Smuggling	17	15	17	4	47,000	2,900
Laundered Oil	11	0	13	0	25,950	0
Oil Smuggling	1	3	1	6	1,900	5,700
Other Customs Fraud (Counterfeit Spirits)	7	29	3	21	8,650	28,865
VRT Offences	45	25	23	9	19,726	10,916
Marked Mineral Oil	316	257	173	149	175,704	170,800
<i>Unlicensed Trading</i>						
Liquor	195	155	108	133	82,481	104,225
Hydrocarbon Oil Vendors	31	28	17	31	18,470	33,900
Gaming/Amusement Machines	12	28	12	9	12,111	33,684
Auctioneers/House Agents	5	10	2	5	915	2,205
Betting	2	2	1	2	1,900	8,600
Total	801	608	475	420	437,692	426,765

Customs Prosecutions

There were 102 convictions for cigarette smuggling in 2005. Total fines in excess of €40,000 were imposed with custodial (suspended) sentences being imposed in two cases.

Five of the cigarette smuggling cases proceeded on indictment. These involved a total of seven offenders detected evading duty on almost 13 million cigarettes in total. Convictions were obtained in the case of five offenders, of which four received suspended prison sentences of between two and four years along with monetary fines. The fifth received a monetary fine only.

In the case of oil fraud prosecutions, 13 cases involving retail outlets and hauliers resulted in convictions including one case in which an oil distributor involved

in selling laundered oil received a custodial sentence of 3 months along with a monetary fine of €11,400 for evasion of excise duty, submission of incorrect VAT returns and failure to keep proper records for tax purposes.

In addition to the cases convicted for Mineral Oil offences during 2005, compromise penalties totalling €986,720 were paid in a further 1,326 cases. The number of vehicles seized in connection with oil offences was 214.

The number of indictable cases disposed of summarily on direction of the Director of Public Prosecutions in 2005 was 121.

TABLE 26: COUNTERFEIT AND PIRATED GOODS

	2005	2004	Difference
Number of Seizures	397	886	- 63.2%
Number of Items Seized	622,120	51,994	+ 1,196.5%
Estimated Value of Items Seized	€2,035,295	€2,297,418	- 11.4%

Cash Seizures at Ports and Airports

For many years Revenue officers have been empowered to seize cash at entry and exit points from the State when they believe it to be derived from or intended to be used for drug trafficking purposes.

The Proceeds of Crime (Amendment) Act, 2005, which took effect from 12 February 2005, introduced an important change in cash seizure legislation in that its scope was extended to cover cash suspected to be the proceeds of crime or intended for criminal conduct in general.

A total of fifteen seizures of suspected criminal cash were made by Customs at airports and seaports amounting to €515,794 in 2005. In addition, Forfeiture Orders were obtained from the Courts in the case of eight previous seizures amounting to €461,161. In 2004, eight seizures of cash were made with a total value of €366,304 and five Forfeiture Orders were obtained.

Eleven detector dog teams are deployed at strategic locations throughout the State concentrating primarily on drugs. Revenue has now deployed a detector dog team trained specifically to detect currency.

This initiative is in response to the increased role and powers provided to Revenue officers in the Proceeds of Crime (Amendment) Act 2005.

Counterfeit and Pirated Goods

2005 saw a significant increase in the number of items seized. Seizures included a wide variety of goods including DVDs, clothing and medicine. Counterfeit medicines constitute a particular risk to society.

In 2005 there were 177 applications, up 224% from 2004, from Right Holders who apply to Revenue for customs action to detect goods suspected of infringing their Intellectual Property Rights.

Money Laundering and Suspicious Transactions Reports

Since 1 May 2003, certain designated bodies are obliged to report suspicious transactions to Revenue. Previously such reports were only made to An Garda Síochána. 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. During 2005, 12,294 reports were received from the various designated bodies, up from 5,226 reports received in 2004.

These reports are evaluated with a view to their use in audit investigation, including criminal investigation. Revenue and the Garda Bureau of Fraud Investigation liaise closely to ensure co-ordination of follow-up activity between the two agencies.

Criminal Assets Bureau

Revenue continued to work closely with the Criminal Assets Bureau, providing information and support when requested. Nine Revenue officials work full-time with the CAB. A total of €16.4 million in tax receipts was paid over to Revenue by the CAB in 2005.

INTRASTAT Intra-Community Trade Returns

In 2005, 119 cases were sent forward for prosecution. 56 traders were prosecuted and convicted for failure to file INTRASTAT returns, and fines totalling €85,564.50 were imposed. 35 other traders arrived at settlements and penalties of €49,105.50 were collected.

VIES (VAT Information Exchange System)

Civil proceedings were initiated in 114 cases. There were compromise settlements in 65 cases for failure to submit VIES statements and penalties totalling €100,273.77 were collected.

VRT Operations

Revenue undertakes national operations from time to time to gauge the level of VRT compliance. In one operation mounted over a one week period in December 2005, 19 vehicles were seized for failure to register/pay VRT, over €24,000 was collected in penalties and more than €401,000 was collected in VRT on unregistered vehicles detected.

VAT on Yachts and Boats

Revenue officers carry out general checks to ensure that VAT is paid on yachts and boats. During 2005, checks were carried out on 48 vessels at Waterford, Tralee, Cork and Dublin, resulting in the collection of almost €600,000 in VAT and penalties.

8th VAT Directive Repayment Claims

The initiative to detect fraudulent claims lodged by foreign hauliers for repayment of VAT on fuel continued in 2005. During the year a total of 88 claims were selected on a risk basis for verification by Enforcement Officers and of these, 25 claims were refused outright while the amount of VAT claimed in respect of 26 claims was reduced.

Identify and Neutralise Tax Avoidance and Promote Effective Compliance

The Finance Act 2005 contained a number of anti-avoidance measures to:

- Refine and strengthen the provisions to counter schemes which enable profits of closely held companies to be transferred to shareholders by way of gains on disposals of shares without any significant reduction in ownership.
- Ensure that the limited partnership rules apply to individuals in limited partnerships or similar arrangements that are registered under, or governed by, the laws of any territory outside the State.
- Counter a scheme involving the use of a non-marketable security in a particular manner as consideration for the transfer of property in order to attempt to avoid stamp duty on the transfer of that property.
- Counter a scheme whereby a house or apartment was purchased by more than one purchaser, where each purchaser took a separate conveyance of their own interest in the house or apartment in order to avail of lower stamp duty rates.
- Provide for a change in the rules regarding the VAT treatment of certain property transactions. It provided that where a property on which deductibility has been claimed is diverted into exempt short-term letting, an adjustment of that deductibility arises when the letting commences.

Progress with Challenges to Avoidance Schemes/Issues

At the end of 2005, there were 90 cases involving 13 schemes under challenge in relation to VAT Avoidance and 40 individual cases and 5 schemes under challenge involving possible direct tax avoidance.

Good progress was made on these challenges and by end-2005, twenty-seven cases had reached Appeals Commissioner stage, one had reached Circuit Court stage, and seven had reached High Court stage.

A legislative amendment was introduced in Section 481, Taxes Consolidation Act, 1997 in relation to Film Relief to counter identified tax avoidance in this area.



GOAL 2

Be a Capable, Flexible, Results-Oriented Organisation

Effectively managing tax and duty compliance is our key measure of success. Our organisation must continually adapt and develop in support of this goal.

Our people, whose commitment and dedication have brought us successfully through major changes, must continue to develop the range and depth of skills necessary to meet the challenge of new ways of working.

Our organisational structures must continue to evolve to support our strategies and respond to changing demands.

Our systems must support quality customer services and sharply focused compliance programmes and must release resources from administrative and processing work to support compliance activity.

Strategy 2.1 Develop our People

Training Investment

Total training expenditure of €10.38 million for the year amounted to 4.07% of payroll costs, exceeding the target of 4% set out in our Statement of Strategy and in the National Sustaining Progress agreement. This expenditure on training demonstrates our commitment to developing our staff across all of the disciplines that support our business goals.

Management and Interpersonal Skills Training

In 2005, the Management Development Programme for Higher Executive Officer and Executive Officer level grades drew to a conclusion. The programme, which began in 2003, was one of the largest ever undertaken within the Irish Civil Service. In all, a total of 3,360 staff at the appropriate grades received training during the lifetime of the programme.

Business Technical Training

Technical tax and Customs training represented the lion's share of our training interventions in 2005. Specially developed training programmes for our customer service and audit staff were delivered throughout the year. For the modernisation of our PAYE System in late 2005, a total of 900 PAYE staff received comprehensive training on the system and a further 4,000 non-PAYE staff throughout the Office attended briefing sessions.

In 2005, Large Cases Division continued to source niche training to fill skills gaps identified in operations. A specialist "property law" barrister was engaged to provide customised training in property law to the VAT Anti-Avoidance Unit.

Customs and Excise technical training included the development, delivery and evaluation of two new courses – a Rural Surveillance course (with the Department of Defence) and a course on the Proceeds of Crime Act 2005.

Training commenced on the redeveloped Customs network system known as C-Net. Health and Safety played an important part in training programmes with courses on confined spaces, shipboard familiarisation and handling of hazardous chemicals being delivered.

First Revenue Students Receive Diplomas at University of Limerick

In December 2005, the University of Limerick conferred the first class of 113 students from Revenue with Diplomas in Applied Taxation. These students were the first to graduate from the groundbreaking course, which arises from the academic partnership between Revenue and the University.

Under an agreement signed in September 2004, UL provides quality assurance, validation of examinations and third level accreditation of Revenue's technical tax training programme. The training of our staff now achieves formal academic recognition by a distinguished learning institution, enhancing the professionalism, effectiveness and reputation of staff and the organisation.

Substantial progress has been made in relation to the development and implementation of a final year of the degree programme, which will significantly address Revenue's advanced technical training needs, and provide a further level of accreditation at degree level for Revenue staff.

Performance Management and Development System (PMDS)

We continued to develop PMDS within Revenue. Training for PMDS "Upward Feedback" was delivered throughout the Organisation prior to its introduction in 2005.

Following the adoption of General Council agreement No. 1452 on the introduction of Integrated PMDS in June 2005, an awareness-raising campaign, to inform all staff in Revenue, was devised. Integrated PMDS links PMDS with HR Policies and Processes. The Integrated Model introduces a new rating system, which impacts on the job holder in relation to promotion, higher scale, increments and probation. This campaign focused on the change of culture required within the organisation and the impact that this will have on all staff. The familiarisation cycle commenced on 1st January 2006. 1st January 2007 will see the start of the live system.

Continuing Education

We continue to actively support and encourage staff who partake in further education, in their own time, which helps build the organisation's skills and competencies profile. In 2005, we refunded a total of €190,248 in academic fees to 126 staff. In addition, we provided financial support of €145,795 to staff in their individual and corporate membership of professional bodies in respect of their professional qualifications.

Long Service Awards

Revenue held an inaugural Long Service Award ceremony in March 2005 to recognise the commitment and dedication of 123 staff members who had given 40 or more years of dedicated service to Revenue and to the State.

Internal Promotions Review

A review of internal Revenue promotion methods was completed in partnership with the Public Appointments Service during 2005 to ensure that the methodologies employed are capable of securing the future effectiveness of the organisation. The second phase of this project implementing the recommendations from this review will take place on a phased basis during 2006 and 2007.

Health Screening Initiative

In 2005 Revenue subsidised the cost of providing a comprehensive Health Screening Service for staff. A number of different screening options were available and 45% of staff availed of the service.

TABLE 27: TARGETS FOR GENDER BALANCE

Grades	Original target % posts to be held by women by 2005*	% of posts held by women at end 2005	Results
Higher Executive Officer (HEO)/Administrative Officer (AO)	30%	38%	Exceeded
Assistant Principal (AP)	23%	22%	Largely Achieved
Principal Officer (PO)	15%	15%	Achieved
HEO (former Inspector of Taxes)	45%	49%	Exceeded
AP (former Higher Grade Inspector)	25%	24%	Largely Achieved
PO (former Senior/Principal Inspector)	12%	14%	Exceeded

* Source: Statement of Strategy 2003 – 2005

Policies on Gender Equality and Diversity

An action plan to promote Equality and Diversity was agreed in 2004. By the end of 2005, the targets to increase female representation in senior grades had been largely achieved and in some cases exceeded.

Revenue's Statement of Strategy for 2005-2007 contains new targets, to help ensure an increase in the level of female representation in senior grades, in accordance with Government policy. The target percentages of posts to be held by women by the end of 2007 are:

All HEOs/AOs - 47%

All APs - 27%

All POs - 17%

Decentralisation

As part of the Government's Decentralisation Programme, Revenue is due to relocate 780 posts from Dublin to Kilrush, Newcastlewest, Listowel, Athy and Kildare. Detailed implementation plans for all Revenue locations have been submitted to the Decentralisation Implementation Group. Our early move locations – Kilrush, Listowel and Newcastlewest are on target with formal offers accepted for the majority of the 150 posts involved.

Details of all staff indicating interest in decentralising to other Departments have been issued to the relevant Divisions to assist in transition planning. In addition, we are developing training strategies and supporting staff moving within Revenue and into Revenue as a result of decentralisation.

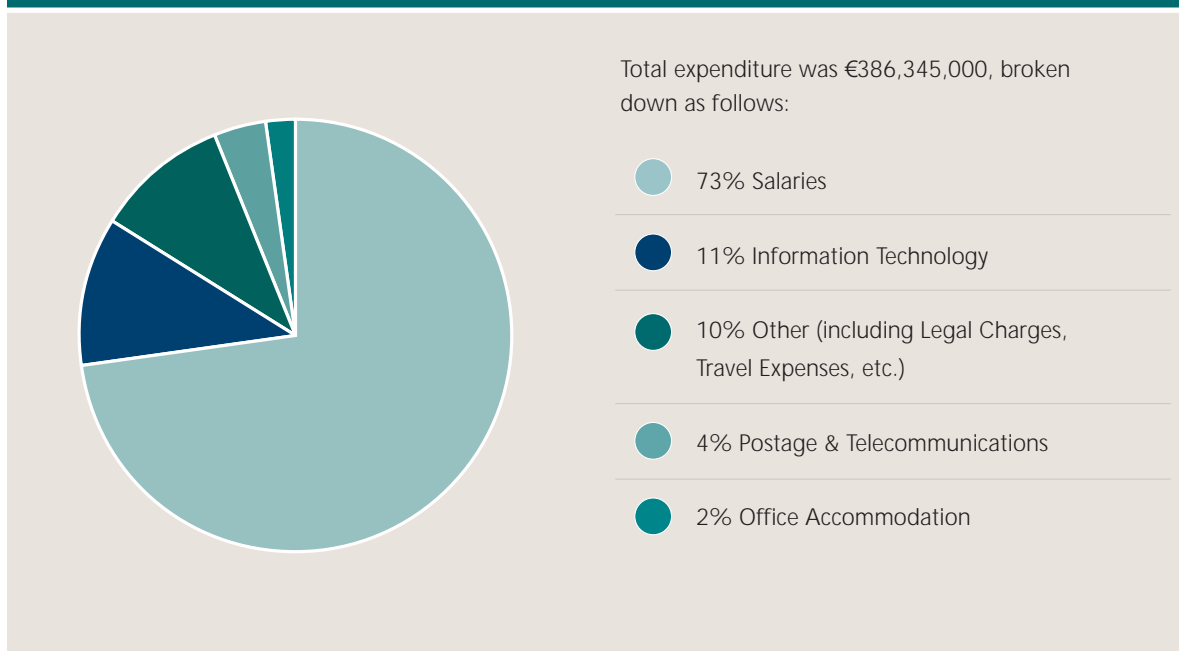
Strategy 2.2 Improve our Organisation

TABLE 28: COST OF ADMINISTRATION AS A PERCENTAGE OF GROSS RECEIPTS

2005	2004	2003	2002
0.81%	0.86%	0.91%	0.95%

Despite significant business volume increases, cost of administration continued to decrease. This demonstrates our commitment to delivering value for money and maximising the benefits of new technology.

CHART 5: EXPENDITURE BY REVENUE IN 2005



New Human Resources Management Model Approved

In 2005, the Management Advisory Committee (MAC) re-affirmed its commitment to the devolution of HR responsibilities to line managers and agreed on a model for the delivery of HR services. The new model is based on a modern approach to the assignment of HR responsibility.

Partnership

In Revenue, the partnership between management, staff and unions plays a very important role in developing innovative solutions in a co-operative and consultative way and in implementing Revenue's modernisation programme.

Partnership structures have continued to evolve throughout the organisation, with partnership groups established on a regional/divisional basis and intensive groups focusing on core business issues.

Civil Service Modernisation

Revenue's Action Plan under 'Sustaining Progress' set out the specific actions to be undertaken to progress modernisation within Revenue. In 2005, the Civil Service Performance Verification Group considered Revenue's progress reports on the implementation of the Action Plan. The Group 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 in June and December 2005. The Verification Group noted in particular that there had been strong progress in the continued development of ICT systems and the use of new technologies, the continued focus on improving customer services, the efficient use of resources through the use of the Management Information Framework and the enhancement of

financial systems, and the implementation of the Revenue Performance Scorecard. The Group also noted the steady progress made in the consolidation and modernisation of primary and secondary legislation, the enhancement of online services for taxpayers and the implementation of e-service facilities for our staff.

Business Planning Process

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

Revenue's Statement of Strategy 2005-2007

The Public Service Management Act, 1997, requires Government Departments and Offices to submit a Statement of Strategy to their Minister within 6 months of the Minister's appointment. The Minister for Finance, Mr. Brian Cowen, TD was appointed in September 2004.

A special Project Group, with membership drawn from throughout Revenue, was set up to prepare a new Statement of Strategy; and Revenue staff, Revenue's Partnership Committees and external stakeholders were consulted. The new Statement of Strategy was approved by the Minister for Finance, Mr. Brian Cowen, TD in February 2005, and was formally launched on 30 March 2005.

TABLE 29: PAYMENT OF ACCOUNTS STATISTICS, 2005

Total value of all payments	€97,584,355
Total value of all late payments (including those under €317)	€2,156,238
Value of late payments in excess of €317	€2,156,238
Value of total late payments as a percentage of total payments	2.209%
Number of late payments in excess of €317 (Invoice Value)	113
Amount of interest paid on all late payments	€4,069
Amount of interest on all late payments as a percentage of total payments	0.00416%
Average delay in days (Invoices in excess of €317)	18.5

Banking and Accounting Procedures

Revenue operates 63 bank accounts in the commercial banks and the Central Bank and Financial Services Authority of Ireland, 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 2005 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. Penalty interest is payable if payments for commercial transactions are not met within 30 days, unless otherwise specified in a contract or agreement.

Payments for goods and services in 2005 were made by the prescribed payment dates, with the exception of a very small proportion of cases (details of which are given above), where interest penalties were paid in accordance with the legislation.

The information presented in Table 29 is in accordance with the reporting guidelines published by the Department of Enterprise, Trade and Employment.

Internal Audit

In the performance of the many functions for which Revenue is responsible, it is essential that appropriate systems of internal control are in place. While it is the function of management to put in place the necessary systems, processes and procedures required to deliver on Revenue's business objectives, the Board places a high degree of importance on having such systems and processes independently examined and assessed by Revenue's internal audit function. The Director of Internal Audit reports directly to the Chairman, as Accounting Officer. An Audit Committee – four of whose five members, including the chairperson and deputy chairperson, are from outside Revenue – oversees Internal Audit's day-to-day activities. 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 2005.

Risk Management

Further progress was made in 2005 with the rollout of a structured risk management programme for Revenue including supporting structures and reporting mechanisms. The risk management programme is designed to ensure that corporate and business level risks are identified and assessed, that mitigation strategies are put in place and that risks are monitored on an ongoing basis. An IT system for recording, tracking and reporting on business risks was also put into operation on a phased basis during 2005 and further developments to this system will continue during 2006.

The Risk Management Committee comprised of senior managers met on four occasions in 2005 to monitor the management of the Risk Management Programme throughout Revenue and presented periodic reports to our Management Advisory Committee.

Strategy 2.3 Enhance our Capability through Technology

Computerisation of Capital Gains Tax Returns

A computerised system to process Capital Gains Tax (CGT) returns and issue assessments was implemented in the Integrated Taxation Services (ITS) system. This replaced a previous manual system and caters for both self-assessment and PAYE customers who file returns either through ROS or on paper. The new CGT system allows for the provision of an efficient service to an ever-increasing CGT customer base.

Electronic Funds Transfer for Staff and Suppliers

92% of Revenue staff have their salaries paid by electronic funds transfer and also have their pay slips made available on-line. 90% of travel and subsistence payments to staff are made by electronic funds transfer; and, following the introduction of a new facility, Revenue suppliers can also opt to be paid by electronic funds transfer and to have their remittance slips made available on-line.

PAYE Redesign

During 2005, we extended our Integrated Taxation Services applications to support an additional 2 million customers who pay Income Tax under the PAYE system. The project was completed on schedule in October 2005, and the re-designed PAYE system is now used daily by approximately 1,000 Revenue staff in their customer service and compliance activities.

Other improvements during 2005 included the migration of our Common Registration System to a modern computer platform in line with other Integrated Taxation Services applications; the inclusion of Employer P35 returns within the same suite; as well as numerous Business Tax enhancements.

Technology Awards

Our website, www.revenue.ie and our on-line service (ROS) won a number of awards in 2005, including:

- A major eGovernment award for ROS at the pan European Ministerial eGovernment conference in Manchester in November 2005. The *eEurope Award* in the 'Impact' category measured the impact on and benefits to citizens, businesses and Government. ROS was praised for not only providing businesses and citizens with an easy to use facility but also for enabling Revenue to redeploy staff to important compliance and investigative work.
- 'Best Public Sector Website, National Government' category at the *eircom.net Golden Spiders, Irish Internet Awards*. This award recognised the best use of the web by a Public Sector organisation.
- Top award in the 'Best Partnership category' at the *2005 Innovation Through Technology Awards*. This was in recognition of Revenue's link with the Department of Agriculture to facilitate CAP DTI transactions.

Revenue's Intranet – RevNet

There was continued development of our in-house intranet (RevNet) during the course of 2005. It provides staff with access to all tax and duty instructions. RevNet was voted 'Best Intranet' at the *Irish eGovernment Awards* and 'Best Business to Business Information Site' at the *Digital Media Awards* in February 2006.

Audit Case Management

The Audit Case Management (ACM) system was implemented on a countrywide basis during 2005. This is a sophisticated case management and workflow application that supports all phases of the audit process. It provides full automation for the planning, management and execution of audits, and for the production of management reports and statistical analyses. Auditors are stepped through the stages and activities that have to be carried out during the course of an audit, thus ensuring a consistency of approach across the Office. ACM is fully integrated with Revenue's computer-based Risk Analysis processes and is also capable of mobile or wireless operation.

Prosecution Case Management

Prosecution Case Management (PCM) is another new application that tracks the progress of cases for which prosecutions are being undertaken through all stages of the process from initial evaluation to possible court proceedings. Its operational and management functionality is similar to that for ACM, and it also operates on the basis of a prescriptive number of stages and activities that are carried out and recorded by case-workers.



GOAL 3

Play our Part Nationally and Internationally

Revenue is an integral part of Ireland's system of government and administration. A fair and efficient tax administration, alert to the impact of taxation on its customers, is a key component in economic success and international competitiveness.

We play important roles in cross-departmental programmes and initiatives, improving the overall quality of public service and working to shape and influence key policy areas nationally and internationally.

Mobility of wealth and economic activity, the heightened security environment, drug trafficking and organised crime are all issues which drive the need for international co-operation between Tax and Customs administrations. Revenue plays an active part in this area as a member of the worldwide network of tax and Customs administrations.

Strategy 3.1 Play our Part in Government Programmes

Legislation

Revenue provided advice and support to the Department of Finance on a broad range of measures which were contained in the Finance Act 2005, including:

- Significant changes in the area of pensions.
- Changes to facilitate the use of accounts prepared in accordance with International Financial Reporting Standards for calculating the tax liability of a company.
- The completion of a major programme of consolidation of excise legislation. The final phase consisted of the modernisation of the law on tobacco taxation. This followed on earlier similar measures concerning mineral oil taxation, general excise law and alcohol taxation.
- Amendments to clarify that, subject to transitional arrangements, a 'hotel-keeping' building must be registered in the Register of Hotels for it to qualify for capital allowances.
- The introduction of a new power to assist Revenue investigations into certain life assurance products that may have attracted untaxed funds.
- Significant amendments to the various actions and failures that constitute a revenue offence, and the liability of a person who is convicted of the commission of such an offence.

The Finance Act also contained a provision that strengthened Revenue's capacity to successfully prosecute those concerned in tax evasion. It is now an offence to be knowingly concerned in the fraudulent evasion of tax, whether for one's own benefit, or for the benefit of any other person.

VAT on Property Review Project

Revenue established a VAT on Property Review Project in 2005 with the remit to carry out a comprehensive review of the existing VAT treatment of property transactions and to make proposals with a view to simplifying the application of VAT to such transactions. A special Indirect Taxes sub group of the Tax Administration Liaison Committee (TALC) has been established for the purpose of pursuing a dialogue between the VAT on Property Review Project team and various interested parties.

Evaluation of Incentive Reliefs and Exemptions

A major review of various tax incentive schemes was undertaken in 2005 on foot of an announcement to this effect by the Minister for Finance, Mr. Brian Cowen, TD in his Budget 2005 Statement. The review process involved internal reviews conducted by officials in the Department of Finance and the Office of the Revenue Commissioners as well as reviews conducted by external consultants.

The following reliefs were reviewed by officials of Revenue and Finance:

- Tax Relief for Profits or Gains from Commercially-Managed Woodlands
- Tax Relief for Donations to Charities and Approved Bodies, including Sporting Bodies
- Tax Relief for Expenditure on Significant Buildings and Gardens
- Tax Relief for Interest on Certain Investment Loans
- Tax Relief for Certain Earnings of Writers, Composers and Artists
- Tax Relief for Greyhound Stud Fees
- Tax Relief for Pensions Provision
- Patent Royalty Exemption Scheme
- Tonnage Tax Scheme

In addition, Revenue officials participated in the Steering Group overseeing the work of the external consultants, and were available to provide advice and assistance to the external consultants during the course of their work.

In December 2005, the Minister for Finance in his Budget 2006 Statement announced a range of specific measures designed to ensure that everybody pays an appropriate amount of income tax relative to their ability to do so, while at the same time balancing this with effective tax reliefs designed to incentivise work, effort and enterprise so as to stimulate economic and

social development. The measures announced by the Minister reflected the recommendations arising out of the reviews of tax schemes undertaken by both the external consultants and officials of the Department of Finance and Revenue.

eBusiness Initiatives

Revenue maintains a leading position in the development and provision of on-line eGovernment solutions, complementing the Information Society Action Plan and the Government's strategy of making Ireland a leading country in the provision of electronic services. This encompasses the development of the Revenue website and the Revenue On-Line Service (ROS) that has continued during 2005. Both the Revenue website and ROS received a number of awards in 2005.

Revenue plays an active role in the Department of Social and Family Affairs led Standard Authentication Framework Environment (SAFE) programme. This programme is examining the whole area of identity management in public services.

During 2005, we continued to participate in the Reach work programme and have incorporated the Government eBroker into our architecture to support the ROS/ITP CAP projects. We have also progressed the introduction of the use of Reach Level 1 authentication for providing on-line services for certain ROS customers. These will be used to provide access for PAYE taxpayers to view and amend their personal details and tax credits.

National Drugs Strategy

Revenue is committed to delivering on key action plans set out in the Government's National Drugs Strategy 2001-2008. We work closely with other law enforcement agencies, both nationally and internationally.

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 continues to focus on delivering the seizure targets set for the period 2001-2008.

PRSI and Health Contributions

Revenue collects PRSI and Health Contributions on behalf of the Department of Social and Family Affairs and the Department of Health and Children respectively. In 2005, Revenue paid over the following amounts:

- Net PRSI and Health Contributions from employers/ employees – €7.16 billion
- Net PRSI and Health Contributions from the self-employed – €392 million

In addition to the collection and pay-over of PRSI and Health Contributions, Revenue also captured PRSI contribution data in respect of all PAYE employments in 2005. This data is important in determining entitlement to social welfare benefits.

Tobacco Levy

A tobacco levy of €168 million per annum is paid directly by Revenue to the Department of Health and Children.

Environmental Levy

Revenue is the collection agent for the Environmental Levy. In 2005, more than €17.5 million was collected on behalf of the Department of the Environment and Local Government. These proceeds have been lodged to a special fund, the 'Environmental Fund', established under the Waste Management (Amendment) Act 2001.

Strategy 3.2 Play our Part Internationally

During the year, Revenue officials were active in influencing the shape and content of EU legislation. This included EU Council Regulation (EC) No. 648/2005 of 13 April 2005 amending the Community Customs Code. Its purpose is to strengthen supply chain security and provide for an EU-level authorised economic operator scheme that will allow businesses that meet certain criteria to benefit from various Customs facilitations. Revenue officials are currently involved in discussions at the EU Customs Code Committee on the implementing provisions related to this amendment. They are also involved in the ongoing discussions on a proposal for a decision of the European Parliament and of the Council on a paperless environment for Customs and trade. The objective of both is to implement the Community's Lisbon programme and improve the regulatory environment for business.

Counterfeit Goods

Enhanced measures and improved procedures for tackling counterfeit goods were introduced in 2005 when Regulations entitled "European Communities (Customs Action against Goods suspected of infringing certain Intellectual Property Rights) Regulations" were made in order to give effect to Council Regulation 1383/2003 and Commission Regulation 1891/2004.

These procedures included the appointment of a national Intellectual Property Rights (IPR) Co-ordinator with responsibility for promoting a more proactive approach towards tackling counterfeit goods and developing IPR risk profiles.

Philip Morris Agreement

The Philip Morris Agreement is a unique international anti-contraband and anti-counterfeit agreement that was signed on 9 July 2004 between Philip Morris International (PMI) and the European Commission along with 10 Member States.

Following discussions between the Department of Finance, Revenue and the Attorney General and subsequent Government approval, the agreement was signed by Ireland on 19 April 2005.

The agreement is designed to tackle both counterfeiting and cigarette smuggling through co-operation between PMI, the European Commission represented by OLAF, and the Customs Services of the participating Member States. This, and similar agreements to be negotiated with other manufacturers, are expected to have a positive effect on reducing levels of contraband smuggling and counterfeiting.

VAT

Revenue contributed to the on-going EU VAT modernisation agenda. The main VAT issues on which Revenue contributed to the development of proposals were:

- Changes to the place of supply of services rules to establish a general principle that the place of taxation of services supplied across frontiers is the place of consumption;
- Recast of the Sixth VAT Directive involving significant structural changes to the Directive to improve clarity and accessibility of VAT legislation for taxpayers, administrations and practitioners;
- One stop system for a taxpayer to comply with his/her VAT obligations arising in more than one Member State;
- Modernisation of the Eighth VAT Directive refund mechanism;
- Anti-avoidance and simplification measures and the repealing of certain Derogations.

In addition, Revenue played a key role in recommending and directing interventions by Ireland in certain VAT cases referred by other Member States to the European Court of Justice (ECJ) for preliminary rulings. Revenue actively participated in the VAT, SCAC and Fiscalis Committees.

The Savings Directive

The EU Savings Directive was transposed into Irish law as Chapter 3A of Part 38 of the Taxes Consolidation Act 1997. The purpose of the Directive is to ensure that individuals resident in an EU Member State who receive savings income in the form of interest payments from another Member State, are taxed in the Member State in which they are resident for tax purposes.

The first reportable year started on 1st July 2005 and ended 31st December 2005. Reportable years are on a January – December annual basis thereafter. Member States will exchange information for the first reportable year to the tax authorities in which the beneficial owner resides except in respect of interest payments made in Austria, Belgium and Luxembourg and dependent territories – Netherlands Antilles, Jersey, Guernsey, Isle of Man, British Virgin Islands and Turks and Caicos Islands and certain third countries, namely, Andorra, Liechtenstein, Monaco, San Marino and Switzerland which have opted to apply withholding tax instead of exchanging information.

Revenue On-Line Service – Savings Directive Data Entry Package (ROS-SDEP) is a free software package for paying agents to make electronic returns to Revenue.

World Customs Organisation (WCO)

A founder member of the WCO, Ireland continues to be active in that organisation's activities. The 14th Meeting of the Heads of European Customs Investigation and Intelligence Services, organised annually by the WCO, was hosted by Revenue in Kinsale, Co. Cork, from 3rd to 5th October 2005 and opened by Revenue Chairman, Frank Daly.

A total of 33 Customs Administrations were represented, along with representatives from Europol, Interpol, Office Européen De Lutte Anti Fraude (OLAF), South East European Cooperative Initiative (SECI) and the WCO. The meeting, focusing on the current threats faced by European Customs Services,

discussed and endorsed best practices for tackling them. There was special emphasis on the need for international and inter-agency co-operation to deal with all forms of trans-national crime.

OECD

Revenue continues to play a prominent role in the Committee on Fiscal Affairs (CFA) of the OECD. The Assistant Secretary in charge of Revenue's Direct Taxes Interpretation & International Division serves as Deputy Chairman and is part of the five-member group charged with managing the work of the Committee. Revenue and Department of Finance officials also serve as delegates to the various CFA working groups. The Assistant Secretary is also the Irish delegate on the UN Committee of Experts on International Co-operation in Tax Matters.

In June 2005, Revenue hosted the second meeting of the OECD Forum on Tax Administration in Dublin Castle. Opened by the Minister for Finance, Mr. Brian Cowen, TD and Revenue Chairman, Frank Daly, the two-day meeting was attended by the heads of tax administrations from OECD and non-OECD countries, along with representatives from international organisations. Established in 2002, the Forum on Tax Administration aims to promote dialogue on strategic tax administration issues and to facilitate the exchange of best practice.

The meeting's main themes were:

- Successful strategies for striking the balance between service and enforcement activities; and
- Dealing with tax professionals to achieve improved compliance with the laws.

Among the presentations was one by Revenue on the issue of improving compliance through dealing with tax professionals.

Double Taxation Treaties

At the end of 2005, there were comprehensive double taxation agreements in force with 44 countries.

A new treaty between Ireland and Canada, to replace an existing treaty, which was in place since 1967, entered into force on 12th April 2005. The revised agreement applies from 1st January 2006.

Parliamentary procedures to bring into force a new treaty with Chile and a Protocol amending the existing treaty with Portugal were completed by Ireland in December 2005. If, as expected, the necessary parliamentary procedures are completed by Chile and Portugal in 2006, they will become effective for tax periods in 2007. New treaties are being negotiated with Argentina, Egypt, Kuwait, Malta, Morocco, Singapore, Tunisia, Turkey and Ukraine. Existing treaties with Cyprus, France and Italy are in the process of re-negotiation.

Revenue is continuing to identify new treaty partners to further expand Ireland's tax treaty base, in liaison with relevant business sectors and other Government Departments.

Tax Information Exchange Agreements

Revenue is engaged in concluding Tax Information Exchange Agreements (TIEAs) with jurisdictions co-operating with the OECD work on combating tax evasion. These TIEAs, based on an OECD Model Agreement on Exchange of Information, will require the jurisdictions to exchange bank information on request, as well as information regarding the beneficial ownership of companies, partnerships and trusts. Revenue is currently in the process of negotiating TIEAs with the Isle of Man, Jersey, Guernsey, the Cayman Islands and the British Virgin Islands. The need for TIEAs with other jurisdictions is being kept under review.

Revenue and Department of Finance officials serve on the steering group of the OECD project dealing with this work and related issues on international co-operation in tax matters, along with officials from France, Japan and the United States.

International Co-Operation

It would not be possible for Revenue to fulfil its role in tackling drug smuggling and trans-national crime without the support of our partner law enforcement agencies abroad. Criminals are becoming increasingly sophisticated in how they operate and seek to take advantage of the free movement of goods within the EU. Customs agencies must work very closely together to play their part in tackling this crime.

Revenue's Customs Service engages in international and European-wide surveillance exercises and joint operations in tackling international drug trafficking and a Revenue official is assigned to the Europol National Office.

TABLE 30: MUTUAL ASSISTANCE REQUESTS

Number of Mutual Assistance Requests	Received 2005	Received 2004	Sent 2005	Sent 2004
From/to other EU Member States	1,274	227	484	125
From/to other countries	32	9	9	6
Total	1,306	236	493	131

Mutual Assistance

International co-operation plays an important role in fiscal investigations involving cross-border fraud. Details of requests received and sent under the various Mutual Assistance Conventions, Directives, Protocols and Regulations are shown above.

During 2005, a total of 23 communications were received from the European Anti-Fraud Office, OLAF, under Council Regulation 515/97.

In addition, under EU Council Directive 76/308, Revenue is charged with pursuing the collection of taxes from taxpayers resident in Ireland and due to the tax authorities in other Member States. In 2005, 483 requests for recovery were received and a total of €689,000 was recovered as a result of action taken under the programme.

Mutual Legal Assistance

In the case of Mutual Legal Assistance, requests are received by the Department of Justice, Equality and Law Reform for assistance under the 1959 Convention on Mutual Assistance in Criminal Matters. Revenue deals with those requests relating to fiscal matters such as cigarette smuggling, VAT Carousel fraud and Mineral Oil fraud. During 2005, 12 requests were received and dealt with. The countries concerned were UK, France and Poland.

VAT Carousel Fraud

Intra-EU VAT fraud by means of carousel trade continues to pose a serious threat across the European Union. Measures to combat the fraud are constantly under review because of the fraudsters' ability to adapt quickly to new methodologies. Revenue's VAT Carousel Fraud Team continues to play an important role in combating the fraud at EU level.

Under Council Regulation (EC) 1798/2003, the Irish Carousel Fraud Team (CFT) engages regularly in the direct exchanges of information with similarly designated units in other Member States. In 2005, the CFT concluded arrangements for direct exchanges with all Member States and was granted access to a secure encrypted mail system for this purpose.

The CFT joined the EUROCANET project in 2005. This project is an exchange matrix in which 11 Member States currently participate and engage in regular spontaneous exchange of information. Approximately a year old, the project has developed an enhanced exchange system and has already been responsible for the early identification of high-risk cases in a number of Member States, including Ireland.

Technical Assistance

Revenue's Customs Service held the chair of the Policy Board of Eurocustoms from 2003-2005. Eurocustoms is a consortium of all Customs Services of the Member States of the EU whose role is to provide technical Customs assistance to EU neighbouring states in Eastern Europe, the former USSR and in Mediterranean countries of North Africa. During 2005, Ireland sent Customs experts through Eurocustoms to deliver technical assistance in Malta, Lithuania and Estonia.

Under the Taiex programme, Customs hosted a delegation from Bulgaria who wished to study our implementation of EU intellectual property legislation in relation to Customs controls on pirated and counterfeit goods.

Visiting Delegations

During 2005, Revenue hosted fourteen separate delegations from Revenue and Government bodies all over the world. Their purpose was to learn more about this country's procedures and policies for different aspects of revenue collection and protection. Visitors were from France, Poland, Singapore, Sweden, Bulgaria, Greece, Israel, China, Rwanda, Russia and Lebanon. Their areas of interest ranged from audit to risk analysis and legislation.

OSLO Group Meeting

The OSLO Group, comprising the heads of planning functions from a number of Revenue authorities, met in Dublin during the year to discuss a number of initiatives to improve tax administration. Representatives from Denmark, Norway, New Zealand, Singapore and Ireland were in attendance.

International Association of Customs/Taxation Museums

The Annual General Meeting and General Assembly of the International Association of Customs/Taxation Museums took place in Dublin Castle at the end of September 2005. Hosted by Revenue, the meeting discussed preservation of the history and heritage of Customs and Revenue administrations that, in most countries, stretches back more than a thousand years. Delegates attended from thirteen countries.

Accounting for our Performance

Comptroller and Auditor General

Revenue is subject to annual audit examination by the Office of the Comptroller and Auditor General. The findings of this audit are 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 tax collected, expenditure, systems, procedures and practices. It also includes in-depth examination of selected Revenue activities. The most recently published Annual Report (2004) includes special examinations on 'Relevant Contracts Tax', 'Special Savings Incentive Account Scheme' and 'Stamp Duty on Electronic Share Transactions'.

Committee of Public Accounts

As Accounting Officer, the Chairman appeared 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.

Other Committees of the Houses of the Oireachtas

The Chairman and Revenue officials attended other Oireachtas committees, such as the Committee on Finance and the Public Service, as required.

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 2005 is set out in Table 31.

The Ombudsman

In 2005, the Ombudsman received 124 complaints relating to Revenue. During the year, the Ombudsman finalised 102 complaints. Tables 32 and 33 provide further summary information.

Data Protection

In 2005, six access requests were received under the Data Protection Acts. Of the six received, four were granted in full, one was withdrawn and one was refused.

Freedom of Information (FOI)

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

TABLE 31: INTERNAL REVIEWS IN 2005

Reviews	2005			2004		
	Internal	Joint	Total	Internal	Joint	Total
Number Received	8	24	32	3	25	28
Number Finalised	6	22	28	3	25	28
Decision Upheld	4	20	24	3	19	22
Decision Revised/ Partly Revised	2	1	3	0	2	2
Withdrawn or agreed prior to being sent to Reviewers	0	1	1	0	4	4

TABLE 32: COMPLAINTS RELATING TO REVENUE MADE TO THE OMBUDSMAN IN 2005

Total Received and Subject	Number of Complaints
Income Tax	93
VAT/Inheritance Tax/CGT	14
Customs & Excise	8
Stamp Duty	2
Delay/no response to Correspondence	6
Miscellaneous	1
Total	124

TABLE 33: COMPLAINTS RELATING TO REVENUE COMPLETED BY THE OMBUDSMAN IN 2005

Total Completed and Outcome	Number of Complaints
Not Upheld	21
Withdrawn	2
Discontinued	25
Assistance Provided	21
Partially Resolved	2
Resolved	31
Total	102

TABLE 34: FOI REQUESTS

FOI Requests	2005	2004	2003
Received	114	111	190
Released in Full	31	33	40
Released in Part	44	40	59
Refused	17	10	32
Dealt with outside of FoI/Withdrawn/Transferred	33	28	60
Requests for Internal Review	7	12	26
Appeals to Information Commissioner	1	6	10

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 Acts, the Freedom of Information Acts and the Prompt Payment of Accounts legislation.

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

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.

Civil Service Code of Standards and Behaviour

The Code was introduced with effect from 9th September 2004, and forms part of the terms and conditions of service of all Civil Servants. It underpins the existing rules in many areas, including Revenue's own Code of Ethics, and introduces new rules governing gifts, hospitality and the acceptance of appointments outside the Civil Service. The Code sets out the main principles, standards and values that the Civil Service wishes to espouse.

Ethics in Public Office Acts 1995 and 2001

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

Senior Management Changes

Mr. Sean Connolly, Assistant Secretary, retired on 2nd July 2005 after 42 years service in Revenue.

Following Top Level Appointments Commission (TLAC) competitions, the Minister for Finance appointed

- Liam Ryan as Assistant Secretary on 21st July 2005.

The Revenue Board assigned him to Information, Communications Technology & eBusiness Division.

MANAGEMENT ADVISORY COMMITTEE (MAC)



1 Frank Daly
Chairman

2 Josephine Feehily
Commissioner

3 Michael O'Grady
Commissioner



4 Eamonn Fitzpatrick
Assistant Secretary
Customs

8 Frances Cooke
Revenue Solicitor

12 Sean Moriarty
Assistant Secretary
Large Cases

16 Liam Irwin
Deputy Secretary
Strategic Planning

5 Paddy Donnelly
Assistant Secretary
Investigations and
Prosecutions

9 Denis Graham
Assistant Secretary
East & South East

13 Gerard Harrahill
Assistant Secretary
Collector General

17 Norman Gillanders
Assistant Secretary
Operations Policy &
Evaluation

6 Bobby Harrington
Assistant Secretary
Border Midlands West

10 Liam Ryan
Assistant Secretary
Information,
Communications
Technology & eBusiness

14 John Leamy
Assistant Secretary
Dublin

18 Niamh O'Donoghue
Assistant Secretary
Human Resources

7 Frank Mullen
Assistant Secretary
Direct Taxes
Interpretation
and International

11 Eamonn O'Dea
Assistant Secretary
Direct Taxes Policy
and Legislation

15 Liam Hennessy
Assistant Secretary
Indirect Taxes

19 Tony Buckley
Assistant Secretary
South West

Appendix Statistical Tables TR1 – TR5

TABLE TR1: GROSS RECEIPTS AND DISPOSAL, YEAR 2005

Gross Receipts	€	€
Balance on 1 January 2005		-325,503,509
Gross Receipts of Duties:		
Customs (including €721,613 Agricultural Levies)	233,911,108	
Excise	5,549,243,334	
Capital Acquisitions Tax	260,913,381	
Capital Gains Tax	2,015,544,815	
Stamp Duties	2,692,718,584	
Residential Property Tax	398,776	
Income Tax	14,176,801,078	
Corporation Tax	6,003,225,853	
Value Added Tax	15,591,383,270	46,524,140,199
		7,633,209,303
Gross Receipts of Moneys received and collected on behalf of other Departments (including Fee Stamps, €746,374.66)		53,831,845,993

TABLE TR1: GROSS RECEIPTS AND DISPOSAL, YEAR 2005 (CTD.)

Disposal	€	€
Repayments		
Customs	7,671,204	
Excise	158,260,742	
Capital Acquisitions Tax	11,775,722	
Capital Gains Tax	33,568,831	
Stamp Duties	19,533,671	
Residential Property Tax	38,256	
Income Tax	2,837,307,250	
Corporation Tax	499,982,104	
Value Added Tax	3,465,940,366	7,034,078,146
Payments to the Exchequer		
Customs	226,851,000	
Excise	5,232,669,000	
Capital Acquisitions Tax	248,912,000	
Capital Gains Tax	1,959,659,000	
Stamp Duties	2,725,210,000	
Residential Property Tax	360,000	
Income Tax	11,266,298,000	
Corporation Tax	5,491,687,000	
Value Added Tax	12,089,070,000	39,240,716,000
Payments to and on behalf of other Departments in respect of Moneys collected on their behalf (including €684,624 to Exchequer in respect of Fee Stamps & €167,605,426 Tobacco Levy) and rounding €1		7,800,936,839
Balance 31 December, 2005		-243,884,992
		53,831,845,993

TABLE TR2: NET RECEIPTS 2005

Year	2002 €	2003 €	2004 €	2005 €
Customs	133,014,420	136,078,046	173,458,071	225,518,291
Excise	4,595,329,785	4,735,958,026	5,066,364,601	5,390,982,592
Capital Acquisitions Tax	150,889,067	213,335,365	190,058,657	249,137,659
Capital Gains Tax	618,986,101	1,435,682,894	1,527,784,587	1,981,975,984
Stamps	1,138,997,619	1,664,394,332	2,069,673,116	2,673,184,913
Residential Property Tax	827,139	403,871	381,641	360,520
Income Tax	8,978,899,850	9,156,189,902	10,695,063,533	11,339,493,828
Corporation Tax	4,803,749,448	5,155,445,935	5,335,003,555	5,503,243,749
Value Added Tax	8,843,816,949	9,715,565,146	10,716,801,471	12,125,442,904
Agricultural Levies	777,911	773,697	886,093	721,613
Total	29,265,288,289	32,213,827,214	35,775,475,325	39,490,062,053

NET RECEIPTS 2005

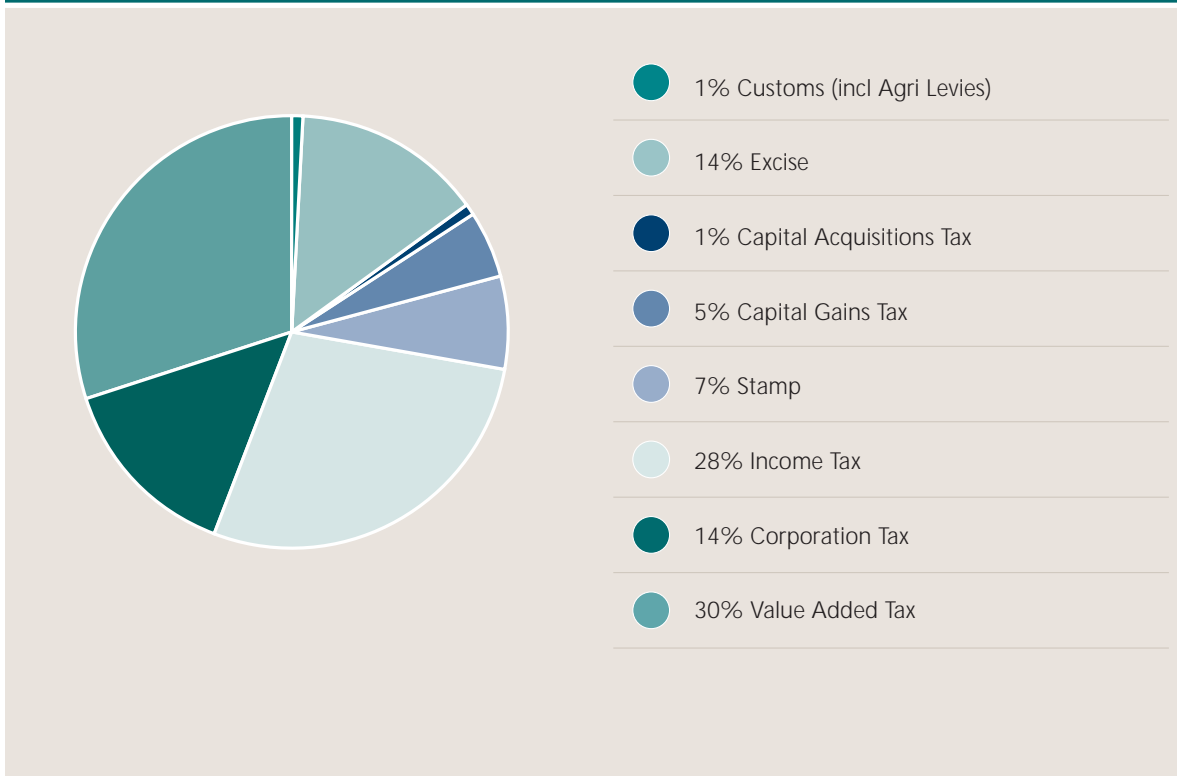


TABLE TR3: NET RECEIPTS AS A PERCENTAGE OF GDP

Year	GDP* €	Net Receipts €	Net Receipts as % of GDP
1998	75,723,369,783	20,185,678,455	26.7%
1999	87,677,953,792	23,448,785,633	26.7%
2000	102,911,001,519	27,215,040,642	26.4%
2001	115,437,000,000	28,002,880,400	24.3%
2002	129,692,000,000	29,265,288,289	22.6%
2003	131,922,000,000	32,213,827,214	24.4%
2004	146,279,000,000	35,775,475,325	24.5%
2005	160,322,000,000	39,490,062,053	24.6%

* Source: CSO, Department of Finance. GDP figure as reported in the relevant year.

TABLE TR4: GROSS REVENUE RECEIPTS AND COST OF ADMINISTRATION

Year	Gross Receipts €m	Cost of Administration €m	Cost as Percentage of Gross Receipts
1998	22,813.1	223.1	0.98%
1999	26,532.5	233.0	0.88%
2000	30,740.7	250.1	0.81%
2001	32,422.8	290.4	0.90%
2002	34,207.6	325.6	0.95%
2003	37,579.7	341.8	0.91%
2004	41,629.2	358.6	0.86%
2005	45,523.4	378.9	0.81%

COST OF ADMINISTRATION AS % OF GROSS RECEIPTS 0.81%

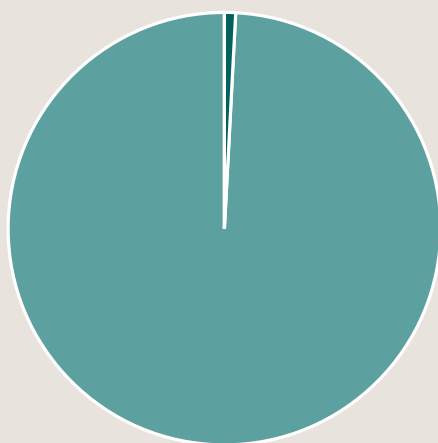


TABLE TR5: COST OF ADMINISTRATION (MAIN ELEMENTS)

Services	€'000
Salaries, Wages & Allowances	248,277
Computer & Office Equipment	21,966
Postal & Telecommunications	12,280
Superannuation Costs	35,671
Services provided by the Office of Public Works	19,215
Miscellaneous	41,516
Total	378,925