Annual Report 2006

Revenue

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The Press and Public Relations Unit
Office of the Revenue Commissioners
Dublin Castle
Dublin 2
Ireland

Tel: 01 702 4113
Fax: 01 679 2035
E-mail: revpress@revenue.ie

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Dublin Castle
May 2007

Our Mission

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

Annual Report 2006

Eighty-fourth Annual Report of the Revenue Commissioners for the year ended 31 December 2006, 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 2007

Revenue

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Foreword

Tax Collection Performance: €3.7 Billion Ahead of Target

Revenue performance in 2006 was very strong in all of its business areas. Tax collection performance was exceptional. Net receipts amounted to over €45.5 billion, some €6 billion above the corresponding figure for 2005 and almost €3.7 billion above the Budget estimate (Table 2). The strongest performers were Capital Gains Tax and Stamp Duty – which between them accounted for 54% of total excess tax receipts. The overall yield from the ongoing special investigations reached almost €2.3 billion by the end of 2006. Of the €119 million collected in 2006, Offshore Assets and Single Premium Insurance Policies contributed €55.3 million and €33 million respectively. Revenue Audit and Assurance interventions contributed a further €692 million.

Customer Service Initiatives

To meet the demands of a rapidly growing and increasingly diverse customer base, Revenue launched a number of customer service initiatives during 2006. Chief among these was the roll-out of a range of online and telephony self-service options for PAYE taxpayers. These services offer all of our 2.2 million PAYE customers greater access to and interaction with their tax files and effectively allow for "self-management" of their personal tax affairs.

In tandem with the new services we ran a month-long, nationwide publicity campaign to highlight the availability of a wide range of tax reliefs and credits and to encourage those entitled to claim to do so.

We also brought proposals to the Minister for Finance in connection with the automatic granting of certain tax credits and refunds, such as health expenses, based on third party information. Enabling legislation to cover these measures is contained in Finance Act 2007.

Also in 2006 we undertook a postal survey of 2,000 small and medium-sized businesses to assess their experience of dealing with Revenue. The results of the survey were extremely encouraging. Customer satisfaction with service delivery both overall and in relation to specific communication channels is high – 84% of respondents are satisfied with our services. Two thirds of respondents also agreed that Revenue is fair, efficient and effective in dealing with tax evasion and that public confidence in Revenue is justified. We will use the information provided from the survey to refine services and meet the needs of our business customers.

Sectoral Projects and Risk Analysis

Our primary goal as an organisation is to ensure that everyone complies with their tax and Customs responsibilities. During 2006, we carried out a series of National and Regional projects to quantify and address the extent of non-compliance in a number of business sectors. The main focus of our attention, with the deployment of 25% of our audit and compliance resources, was the construction sector. The purpose of these campaigns was to bring a concerted focus on a number of taxation, compliance and customer service issues in the sectors concerned that required systematic Revenue intervention. The results of these sectoral projects are outlined in this Report.

2006 also saw the national roll-out of our new computer-based Risk Evaluation Analysis and Profiling System (REAP). The REAP system enables us identify, measure and prioritise non-compliant cases which pose the most risk to Exchequer returns.

Prosecutions

Revenue continues to devote considerable resources to identifying and preparing cases of serious tax and duty evasion for prosecution. In 2006, there were seven convictions. While the number of prosecutions for serious tax and duty evasion was down on 2005, the number of cases in the Court process at year end rose from 15 to 22. A further 515 convictions were obtained for summary offences, such as cigarette smuggling, unlicensed trading, Marked Mineral Oil offences and oil laundering, and there were 1,295 convictions for non-filing of tax returns.

Protecting Society

During 2006, Revenue again played a key role in protecting society from illegal drugs, contraband and other forms of criminality. Our Customs Service made 1,523 seizures of drugs with an estimated street value of €8.6 million. 2006 saw a significant increase in the number of seizures of counterfeit and pirated goods, up by 15% to 455. Revenue continued to provide information and support to the Criminal Assets Bureau. 10 Revenue officials worked full-time with the Bureau in 2006. A total of €19.2 million in tax receipts was paid over to Revenue by the CAB in 2006.

Decentralisation

We are driving ahead with our Decentralisation Programme. We asked and received Government agreement to move Meath Revenue District with about 100 jobs from Dublin to Navan. In 2006, planning also got underway for locating an advance party of 100 staff in Athy. Plans for our 3 early moving mid-West locations are at an advanced stage; we will complete our decentralisation to Kilrush and Listowel in mid 2007 and to Newcastle West early in 2008. Revenue held an Open Day in April 2006 to provide information on Revenue for staff from other departments seeking to redeploy to other Dublin based offices.

High Level Training

In September 2006, Revenue and the University of Limerick (UL) signed a service level agreement for the delivery of a 4th and final year of a BA (Hons.) course in Applied Taxation. This is the cap-stone to the innovative academic relationship between UL and Revenue that began in 2004. In December 2006, 43 Revenue staff graduated with Diplomas in Applied Taxation, which brings to 156 the total number of Diploma graduates to date. A further 45 students have enrolled for the 2007 Diploma course while 22 graduates have enrolled for the 2007 Degree course. This stream of professionally qualified personnel is contributing to the development of a culture of professional excellence throughout Revenue.

Thank You

Revenue occupies a unique position in Irish civic life. The functions we carry out and the services we provide are essential to the economic and social well-being of every citizen in the State. Every day, in over 130 offices around the country, Revenue staff carry out an extensive range of activities - from dealing with individual taxpayers to detecting and seizing illicit drugs to managing the largest computer system in Ireland. Our staff do their work with good humour, flair, courtesy and common sense. In particular they do so with a dedication to duty that is second to none in the public service. We would like to say thanks to everyone in Revenue for their hard work during 2006. We are a huge organisation by Irish Public Service standards and the volume of our business challenges us every day to make sure we get everything right. In the nature of things, we sometimes achieve less than we would aspire to – but we never stop trying. Others, at home and abroad, have been kind enough to acknowledge our achievements as an effective, modern organisation and as a benchmark for service, innovation, planning and delivery. Above all they have acknowledged us as being fair. We thank people for such confidence and commit to further improvement in the year ahead.

Frank M. Daly *Chairman*

Josephine Feehily *Commissioner*

Michael O'Grady *Commissioner*

Main Achievements and Initiatives in 2006

Collection

- Net receipts amounted to over €45.5 billion, some €6 billion above the corresponding figure for 2005 and €3.7 billion above the Budget estimate.

- Over €8.7 billion was collected on behalf of other agencies. (PRSI & Health Contributions €8,518 million; Environmental Levy €18.7 million; Tobacco Levy €168 million).

- Arrears as a % of total gross receipts now stand at an historic low of 1.8% – one of the lowest of any tax administration worldwide. We have surpassed our Statement of Strategy 2005 - 2007 goal of reducing debt to 2.5% of gross collection by 2007.

Customer Service

- 2006 saw the national rollout of a range of on-line and telephony self-service options for PAYE taxpayers. Our 2.2 million PAYE customers can now view their tax records, claim a wide range of tax credits, apply for repayments, request a tax review and change personal details – all on-line. In addition, customers can use their mobile phones or touch-tone phones to change personal details, track progress of correspondence with us, claim certain tax credits and request forms and leaflets.

- To help ease the regulatory burden on business, less frequent filing of PAYE/PRSI returns was introduced for Small and Medium Enterprises in 2006. This is being extended to VAT in 2007.

- The Revenue On-Line Service (ROS) continued its strong growth in 2006. The number of payment transactions made via ROS increased by 40.48% to 408,575 while the value of the payments made via ROS increased by 37.19% to €16.6 billion. 300,055 or 70% of income tax self-assessment returns were made through ROS.

- Our simplification programme made significant progress in 2006 when we developed a series of proposals for the automatic granting of certain tax credits and refunds based on third party information. Legislation to facilitate these measures is contained in the Finance Act 2007.

Compliance

- During 2006, the cumulative total yield from the major legacy investigation projects (Single Premium Insurance Policy, Offshore Assets, Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries) reached €2.28 billion. The follow-up work to identify taxpayers who had not already come forward continued to be the main focus of our investigation activity during the year. €119.6 million was collected in 2006 and, of this, the Offshore Assets and the Single Premium Insurance Policy Investigations accounted for €88.3 million.

- In 2006 we continued our policy of targeting evasion on a sectoral basis. New projects initiated included the construction sector, publicans, computer consultants, coffee shops, restaurants and take-aways, hotels and rental income. 25% of our national audit and compliance staff were devoted to the construction sector project alone, which yielded €125 million in tax, interest and penalties.

- Total audit and assurance check activity yielded €691.8 million.

- We published the names of 601 tax defaulters, in connection with audit settlements amounting to €154 million.

- Seven convictions for serious tax and duty evasion were obtained in 2006, including one case to be sentenced in 2007. In addition, 25 cases were referred to the DPP, directions were given in 18 cases and summonses were issued in 16 cases. By year-end, there were 22 cases before the Courts, the DPP had given directions to prosecute in another 12 cases and was considering a further 11 cases that had been referred to him. Another 55 cases were the subject of ongoing criminal investigations. In all, at 31 December 2006, there were 100 cases of serious tax and duty evasion in the criminal investigation/Court process.

- A further 515 convictions were obtained for summary offences, such as cigarette smuggling, unlicensed trading, Marked Mineral Oil offences and oil laundering, and there were 1,295 convictions for non-filing of tax returns.

- 145 convictions were obtained for summary offences in connection with cigarette smuggling and breaches of tax stamp legislation, and suspended sentences were imposed in two cases. There were 9 convictions for alcohol smuggling, 132 convictions for unlicensed trading, 199 for marked mineral oil offences and 8 for VRT offences. 22 individuals were convicted for offences connected with oil laundering.

- Collection enforcement through solicitors, sheriffs and Attachment Orders yielded €347.4 million from almost 55,000 enforcement actions.

Customs

- Drugs with an estimated street value of €8.6 million were seized, and almost €725,000 of suspected criminal cash was detained.

- 52.3 million cigarettes and 2 tonnes of tobacco, with a value of €17.9 million and €591,000 respectively, were seized by our Customs Service.

- One oil laundry was detected, 164,157 litres of laundered oil seized, and 73 retail outlets/bus operators detected selling/using laundered oil.

Efficiency and Effectiveness

- The cost of administration as a percentage of Gross Receipts fell to 0.77% in 2006, down from 0.81% in the previous year. This figure, which is now at a record low and which compares very favourably with other Tax and Customs Administrations worldwide, is a useful measure of administrative efficiency and clearly demonstrates Revenue's commitment to delivering value for money and maximising benefits from new technology.

- The second group of Revenue staff to graduate from the University of Limerick (UL) was awarded Diplomas in Applied Taxation. The 43 Graduates bring to 156 the number of Revenue staff who have graduated with Diplomas to date under the groundbreaking academic partnership between Revenue and UL. In September, Revenue and UL signed a Service Level Agreement for the delivery of a 4th and final year of a BA (Hons.) programme in Applied Taxation.

- Revenue continued to invest in training and development in 2006. Total training expenditure of €11.83 million for the year represented 3.96% of payroll costs.

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 facilitate taxpayers in meeting their obligations by providing a quality customer service. We provide a sharp and focused response to those who fail to meet their obligations. Our approach is 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 our interventions on the issues and cases that present genuine risk to revenues. 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 €62.3 billion in 2006, some €8.17 billion ahead of 2005 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 €45.5 billion, €6 billion above the corresponding figure for 2005 and some €3.7 billion above the Budget estimate (Table 2). All taxes and duties exceeded budget targets with the strongest performances coming from Capital Gains Tax, Stamp Duties, Corporation Tax and Income Tax.

Table 1: Total Amount Collected/Gross Receipts

	2006 €m	2005 €m
Duties, Taxes and Levies		
Value Added Tax	17,809	15,591
Income Tax	15,450	14,177
PRSI and Health Contributions and Employment and Training Levy	8,518	7,610
Corporation Tax	7,271	6,003
Excise	5,834	5,549
Stamp Duties	3,675	2,693
Capital Gains Tax	3,134	2,016
Capital Acquisitions Tax	355	261
Customs	261	234
Environmental Levy	19	18
Total	**62,325**	**54,152**

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

Table 2: Total Revenue/Net Receipts

Duties, Taxes and Levies	2006 Net Receipts €m	2006 Budget estimates €m	2006 Net Receipts + or - Budget estimates €m	2005 Net Receipts €m
Value Added Tax[1]	13,451	13,095	356	12,125
Income Tax:				
PAYE	9,389	9,234	155	8,637
Income Tax from Self-Employed and certain other non-PAYE sources[2]:				
Direct Payments	2,163	1,931	232	2,074
Less other non-PAYE Repayments	-116	-118	2	-112
Net Yield	2,047	1,813	234	1,961
(See footnotes)				
Deposit Interest Retention Tax[3]	254	180	74	167
Withholding Tax (fees)[4]	400	346	54	342
Dividend Withholding Tax[5]	285	237	48	232
Income Tax Total	12,375	11,810	565	11,339
Corporation Tax	6,685	6,030	655	5,503
Excise[6]	5,696	5,658	38	5,391
Stamp Duties	3,632	2,685	947	2,673
Capital Gains Tax	3,099	2,035	1,064	1,982
Capital Acquisitions Tax	343	260	83	249
Customs[7]	255	240	15	226
Total	**45,536**	**41,813**	**3,723**	**39,490**

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

1 The VAT receipts in 2006 are composed of €16,320 million of internal VAT and €1,489 million collected on imports, less refunds of €4,358 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 Health Service Executive, 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 2006 Net Receipts in Table 2 are some €167 million lower than the comparable figure for Tax Revenue receipts published in the end-2006 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 for 2006 amounted to €13,451 million (Table 2). This figure was substantially up on the 2005 yield by €1,326 million (10.9%) and exceeded the Budget estimate by €356 million (2.7%), reflecting continuing strong consumption buoyancy.

Income Tax

Total net receipts of Income Tax in 2006 amounted to €12,375 million (Table 2), €565 million (4.8%) over Budget estimate and an increase of €1,036 million (9.1%) on the 2005 outturn.

A €155 million (1.7%) excess over Budget target in PAYE net receipts is mainly attributable to ongoing growth in employment. The yield of €254 million from Deposit Interest Retention Tax accounted for a surplus over target of €74 million, reflecting increases in underlying deposit interest rates. An unexpected excess of €336 million over Budget target in the yield from the self-employed and other non-PAYE sources is due in the main to higher than expected underlying profits in the self employed sector. Tax receipts of €104 million were attributable to once-off monies from the ongoing Revenue Special Investigations into the offshore accounts, bogus non-residents accounts and the holders of single premium insurance policies.

Corporation Tax

At €6,685 million, the Corporation Tax net receipt in 2006 was €655 million (10.9%) higher than the Budget estimate and €1,182 million (21.5%) higher than the corresponding receipt in 2005 (Table 2). The surplus over the Budget estimate was mainly due to some unexpectedly high payments from a small number of large companies and also partially due to some new companies paying significant tax for the first time.

Excise

Excise receipts in 2006 totalled €5,696 million (Table 2), €38 million (0.7%) above the Budget estimate and some €305 million (5.7%) more than in 2005. This reflects an anticipated rise in the value of consumer spending on excisable items.

At the itemised level, Oils and Alcohols were ahead of target while VRT and Tobacco fell just short of expectations. The Oils sector, with receipts of €2,143 million, was ahead of target by €46 million and exceeded the corresponding yield in 2005 by €95 million. Alcohols receipts were €1,078 million, exceeding target by €14 million, and €40 million ahead of receipts in 2005. VRT, with receipts of €1,287 million, was €20 million (1.6%) below target and exceeded the yield in 2005 by €139 million. Total new car registrations in 2006 numbered over 178,000, which was almost 6,400 (3.7%) more than 2005. The Tobacco sector, with receipts of €1,103 million, yielded €8 million less than expected and €24 million more than in 2005.

Stamp Duties

The total surplus of €947 million (35%) over the Budget estimate (Table 2) was mainly due to exceptional buoyancy in the property market with the surplus from property transactions alone amounting to some €849 million. The remaining surplus of €98 million is accounted for by share transfers (€79 million) and other stamp duties.

Capital Gains Tax

The 2006 Capital Gains Tax yield of €3,099 million was €1,064 million (52.3%) ahead of the Budget estimate (Table2). This surplus reflects a continuation of the very strong performances in the previous three years attributed to the exceptional buoyancy in the property market and share transfers.

Capital Acquisitions Tax

The €83 million surplus on the Budget estimate for Capital Acquisitions Tax (Table 2) is due to a higher than expected underlying yield from Inheritance Tax driven by a general growth in property values.

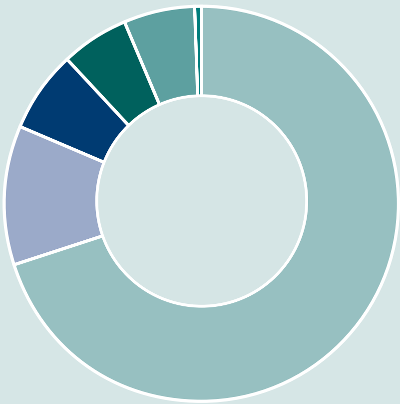
Customs Duties and CAP Import Charges

Customs Duties and Common Agricultural Policy (CAP) import charges are collected on a wide range of goods imported from non-European Union countries. In 2006, the amount collected on Customs Duties and CAP import charges was €255 million. This exceeded the Budget estimate by €15 million (6.2%) and was €29 million more than the yield in 2005 (Table 2).

The increase in Customs duty reflects the continued buoyancy of the economy and greater volume of imports from outside the European Union. It includes €44 million collected on behalf of the United Kingdom under a Single European Authorisation. This is a recent 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.

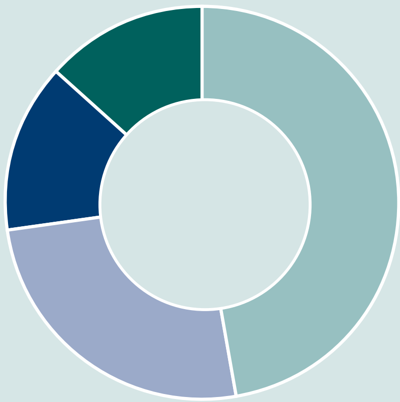
Chart 1: Indirect Tax Net Receipts



A total of €19,147 million was collected in net VAT and Excise receipts in 2006.

- VAT €13,451 million
- Hydrocarbons €2,143 million
- Motor Vehicles €1,287 million
- Alcoholic Drinks €1,078 million
- Tobacco €1,103 million
- Others €84 million

Chart 2: Direct & Capital Taxes Receipts



A total of €26,134 million was collected in Direct and Capital Taxes receipts in 2006

- Income Tax €12,375 million[1]
- Corporation Tax €6,685 million
- Stamp Duties €3,632 million
- Capital Taxes €3,442 million[2]

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

[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 2006

Largest amount lodged in a single day:	€1,729 million
Average daily lodgement:	€198.88 million
Number of payment items:	
2006	4,559,434*
2005	4,656,056
Highest number of items processed in a single day:	72,505
Summary of Collection and Debt, 2006:	**Collection €62,325 million/Debt €1,107 million**

** First year in which employers P30 Quarterly filing was introduced. This allows employers with an annual liability of €30,000 or less to submit 4 returns/payments annually instead of 13 as heretofore.*

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 2006.

- "Finnegans Wake" by James Joyce valued at €1,170,694.86
- "Children in a Wood 1" by Louis le Brocquy, valued at €500,000
- Three paintings by Francis Bacon, valued at €2,000,000
  Untitled (Kneeling Figure, Back View) c.1980
  Untitled (Seated Figure Sketch) c.1990
  Untitled (Three Figure Sketch) c. 1981
- "Outskirts" by Philip Guston valued at €1,600,000
- "Black Relief over Yellow and Orange" by Ellsworth Kelly valued at €450,000

Table 4: Volume of Business 2006

	Volume in 2006	% +/- 2005/2006
PAYE Employments	2,504,774	+5%
Self Assessment (Income Tax)	542,610	+8%
Companies	140,608	+8%
VAT Registrations	273,825	+8%
Contacts		
Personal Callers	922,995	+17%
Telephone Callers	6,802,163	+29%
Visits to the Revenue website (www.revenue.ie)	11,315,753	+59%
Items processed		
Correspondence	3,556,234	+14%
PAYE Employee Reviews	1,032,472	+87%
PAYE Returns	90,815	+11%
Income Tax Returns	458,653	+6%
Income Tax Repayments	190,867	+3%
Corporation Tax Returns	118,187	+4%
Corporation Tax Repayments	26,709	-1%
VAT claims received	315,972	+7%
Payment items received by Collector General	4,559,434	-2%
P35 Returns	193,885	+4%
VAT3 Returns	1,310,495	+9%
RCT30 Returns	484,502	+14%

Table 4: Volume of Business 2006 (CTD.)	Volume in 2006	% +/- 2005/2006
Capital Gains Tax Returns	43,951	+2%
Environmental Levy Returns*	21,242	-37%
CG50s (Applications for Clearance Certificates)	15,929	+9%
C2s (Sub-contractor certificates) issued	25,771	+5%
Relevant Contracts Tax (RCT) Repayments	170,096	+39%
RCT47s (Payment card authorisations) issued	261,412	+11%
Dividend Withholding Tax (DWT) Returns	965,783	+2%
Tax Clearance Certificates issued	137,000	+20%
Claims repaid to non-residents	18,580	-9%
Exemptions granted to charitable/sporting bodies	503	+7%
Single Administrative Documents (Customs Declarations)	969,057	+5%
INTRASTAT declarations	111,661	+3%
VIES declarations	42,811	+1%
New vehicles registered	236,818	+6%
Second-hand vehicles registered	87,894	+28%
Inland Revenue affidavits	22,225	+2%
Gift/Inheritance and Discretionary Tax Returns	22,954	+17%
Capital Acquisition Tax Certificates of Discharge	27,928	+5%
Returns in relation to Companies Capital Duty and Composition Duty and Levies	3,886	-52%
Instruments presented for marking and stamping	385,801	+18%
CREST refund claims received	56,981	+152%

**Decrease in returns due to (1) significant number of traders de-registering as they no longer issue plastic bags (2) 2005 compliance campaign.*

Timely Compliance Rates

Table 5: Average Percentage of Tax Collected by the Due Date	2006	2005
PAYE/PRSI	94%	93%
VAT	88%	84%
Preliminary Income Tax (Non PAYE)	98%	97%
Capital Gains Tax	97%	95%
Corporation Tax	90%	90%
Relevant Contracts Tax	74%	70%

Table 6 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

	2006	2005
Biggest Cases*	93%	92%
Medium Cases*	88%	88%
All Other Cases	83%	80%

* *Definition of Terms*

Biggest Cases: Customers paying more than €300,000 per annum for Employers PAYE/PRSI, RCT OR VAT; €200,000 per annum for IT and CT.

Medium Cases: Customers paying more than €120,000 per annum for Employers PAYE/PRSI or RCT; €108,000 per annum for VAT; €90,000 per annum for IT and CT.

Table 7: Debt Reduction Programme

	2006	2005
Overall Debt	€1,107m	€1,085m
Debt as % of gross collection	1.8%	2%
Debt over 5 years old	€333m	€336m

The debt, at 1.8% of gross collection, is now well below our Statement of Strategy 2005–2007 goal of 2.5%. We continue to focus on collecting new debt as well as eliminating old debt. In this regard, over 99% of all debt is collected within 1 year.

We are still largely on target to achieve our goal of eliminating all debt over 5 years old, unless that debt is the subject of active enforcement or Court proceedings.

Debt over 5 years old now stands at €333m, of which €296m is the subject of active enforcement, Court proceedings or under control, where a phased payment arrangement is in place. The remaining €37m is under active collection.

Chart 3(a): Total Gross Receipts

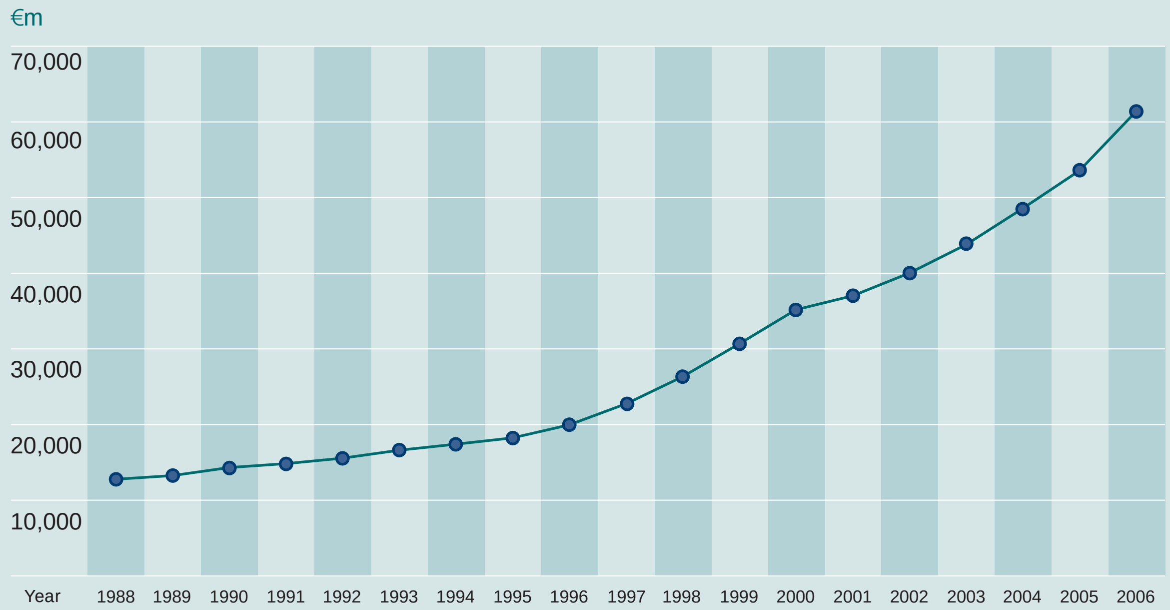
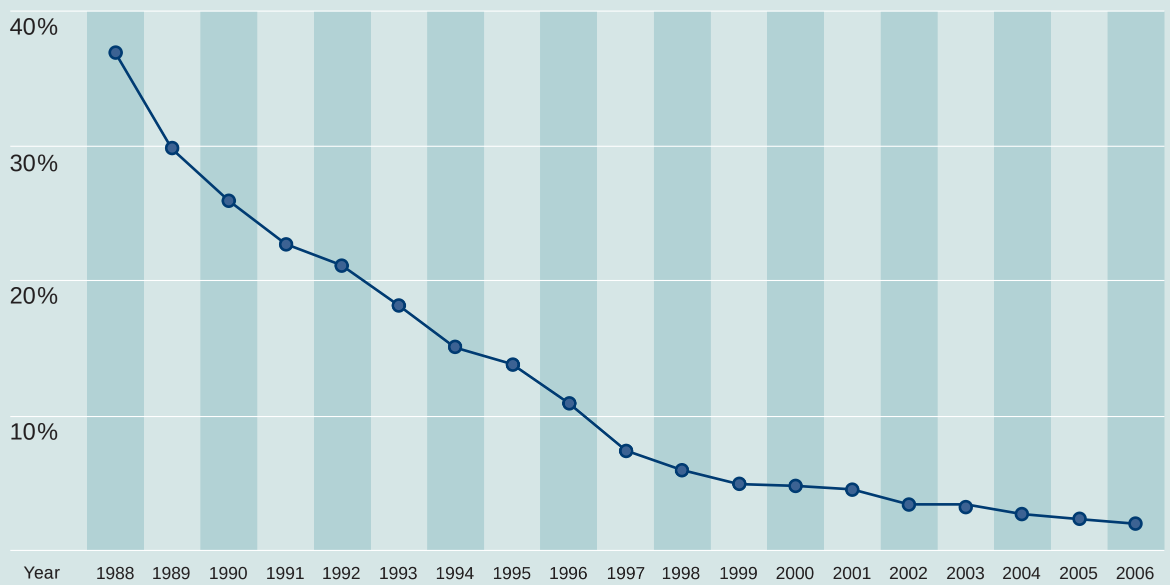


Chart 3(b): Total Debt as a Percentage of Total Gross Receipts



Cooperative Compliance Approach

Revenue's Large Cases Division continued to promote the cooperative compliance approach to doing business with large business enterprises. By end year, 46 businesses were participating with another 20 at an advanced stage of discussions. Similar programmes are being developed in other advanced tax administrations and focus on supporting participative approaches to tax risk management by business. It involves Revenue committing to providing technical support and to minimising the cost of its interventions in return for a commitment by the management of large business enterprises to adopt transparent approaches to tax planning and to put in place systems which underpin high tax compliance.

Customer Service Delivery

PAYE Self Service Facilities

The Revenue On-line Service (ROS) that allows self-employed taxpayers to file their returns on-line has been one of our greatest successes in recent years. Over 70% of self-employed returns are now filed electronically. ROS has won numerous awards and we receive continuous positive feedback from our customers who use this free 24/7 service.

In June 2006, we greatly extended the scope of our on-line services by launching a comprehensive range of PAYE options. PAYE On-line offers our PAYE customers greater access to and interaction with their tax files. In the course of five months we issued 2.2 million individual letters to our PAYE customers providing them with a PIN that is required for the new service. Although the service is still in the very early days of its operation, almost 100,000 people have already registered with Reachservices (an essential requirement for new users of the system) and a significant proportion have carried out transactions on PAYE On-line. This is an encouraging start.

In addition to the launch of the flagship ROS PAYE On-line service, PAYE taxpayers who prefer to use non-web based channels of contact were catered for by a range of enhanced self-service facilities by mobile phone and through touchtone telephone.

Major Promotional Campaign to Encourage Taxpayers to Claim Their Entitlements

In August and September 2006, we mounted a major informational and promotional campaign to encourage taxpayers to claim their entitlements. The campaign consisted of a major advertising drive using newspaper, radio and outdoor channels including bus, train and Luas spaces. It also involved the provision of dedicated pages on our website as well as several pages of information on Aertel.

Specially designed, easy to complete claim forms for Health Expenses were made available in our offices and at health centres, GP surgeries and pharmacies throughout the country. Wide scale media coverage of the campaign incorporated interviews with Revenue officials and coverage on TV, local and national radio as well as the print media.

The response to the campaign was very encouraging with a huge increase in claims and contacts from the public. In particular, the number of PAYE annual reviews (P21 balancing statements), which are sought by taxpayers claiming additional allowances, trebled in the period September to November 2006 compared to the same period in 2005.

The national public relations campaign which supported the advertising was also very successful as evidenced by independent analysis. This showed that it reached 73% of all Irish adults, or 1.2 million people.

In 2007, we plan to conduct similar campaigns to highlight reliefs, promote our new contact channels and showcase our ongoing efforts to simplify the process of doing business with Revenue.

Improved Service to PAYE Telephone Callers

The performance of our lo-call telephone service to PAYE callers continued to improve in 2006. During the second half of the year we were consistently answering 90% of callers first time, with a small number having to call a second time.

Simplification Measures

Following proposals which we put to the Minister for Finance, he announced in the Budget statement in December that Revenue would undertake a series of simplification measures to make the process of claiming reliefs as easy as possible in as many areas as possible.

Our plans include the operation of DIRT – free accounts for people aged over 65 and the permanently incapacitated (subject to income limits in both cases); the granting of relief for Trade Union subscriptions automatically (based on returns received from Trade Unions); the use of birth details from the Department of Social & Family Affairs records in order to grant age credit to any person on our records over 65 years of age.

We also aim to obtain details of medical expenditure from the Health Services Executive and from private medical insurers to grant repayments to taxpayers for any relevant medical expenditure incurred by them. A similar plan is in place to give tax relief on the non-refundable minimum monthly payments people make under the drugs refund scheme.

These measures will, in some cases, require the active cooperation of third parties. Initial exploratory discussions suggest that such cooperation will be forthcoming and we are confident of considerable progress in this area. Our ultimate aim is to reduce the burden on customers wherever possible. We are determined to continue our efforts to introduce initiatives that will simplify the granting of reliefs and the provision of information.

Reduction In Administrative Burden

During 2006, Revenue introduced a new simplified return/payment arrangement to allow employers whose annual PAYE/PRSI liability was €30,000 or less to file and pay on a quarterly basis rather than monthly. This customer service initiative, part of Revenue's ongoing simplification commitment, reduced the filing burden for 76,000 small and medium employers.

Improvements to our largest Information Office

Revenue's information centres in Dublin city centre and Tallaght have seen substantial growth in the number of personal callers in recent years. Our city centre office dealt with 302,252 customers in 2006, up 26% on the previous year. This rapid growth in customer numbers places considerable pressure on the existing facilities.

During 2006, we undertook an extensive refurbishment programme of the city centre office to respond to this growth in demand. The refurbished office, scheduled to open in 2007, will feature state of the art facilities, including an internet style café, enabling us to provide a more efficient service to personal callers.

On-line Business

Electronic Return Filing

Use of the Revenue On-Line Service (ROS) once again grew significantly during 2006. Returns submitted via ROS increased by almost 24% to 2.6 million, while the value of payments increased by 37.19% to €16.6 billion.

Table 8: Electronic Returns 2006 v 2005

	2006	2005	% Increase
V.A.T. 3	350,861	234,288	49.76%
Employers' Monthly PAYE Returns – Form P30	263,624	211,924	24.4%
Employers' Annual PAYE Returns – Form P35	65,516	42,201	55.25%
Cessation Certificate – Form P45	308,352	187,773	64.22%
Income Tax Self Assessment Returns – Form 11	300,055	248,967	20.52%
Corporation Tax Self Assessment Returns – Form CT1	69,402	49,992	38.83%
Vehicle Registration Tax (VRT) Registrations	217,759	194,045	12.22%
Relevant Contracts Tax – Form C30	110,596	67,185	64.61%
Relevant Contracts Tax – Form C35	8,678	4,603	88.53%
Customs Declarations	912,807	859,232	6.24%
Total No of all ROS Returns	**2,607,650**	**2,100,210**	**24.16%**

Chart 4: E-Filing v Total Filing in 2006

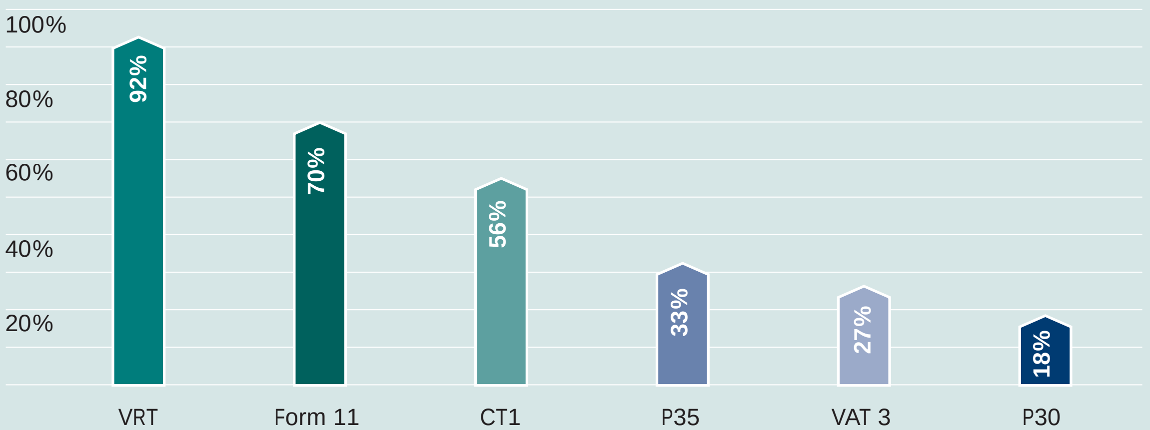


Table 9: Payment Transactions In ROS

	2006	2005	% Increase
No of Payment Transactions	408,575	290,842	40.48%
Value of ROS Payments	16.6 billion	12.1 billion	37.19%

Provision of Information to our Customers

Revenue's widely used website www.revenue.ie, with 11 million visits in 2006, provides an extensive range of information on all aspects of tax and Customs to our customers. A key feature of the website is the menu of on-line services. 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 2006, 70 leaflets/booklets covering a broad range of Revenue topics were updated.

Notes for Guidance published on the website provide a comprehensive section-by-section commentary on the provisions of the Finance Act 2006, the Taxes Consolidation Act 1997, the Stamp Duties Consolidation Act 1999, and the Capital Acquisitions Tax Consolidation Act 2003, reflecting all changes by subsequent Acts, up to and including the Finance Act 2006.

We also used extensive publicity campaigns during 2006 to make customers aware of important items including filing deadlines, our extended communications channels and the importance of ensuring that customers had claimed all their tax reliefs.

Irish Language Information

During 2006, we addressed several of the targets set out in "Scheme 2005-2008" under section 11 of the Official Languages Act, 2003 and we received a favourable report from Oifig an Choiminiséara Teanga during the year on our progress in implementing the Scheme.

Information for Immigrants

The *Moving to Ireland Guide* (a simple guide to the Irish tax system) is available on our website in the following languages: Cantonese, Czech, French, German, Lithuanian, Mandarin, Polish, Portuguese, Russian, Slovakian and Spanish. These languages were chosen based on the numbers of nationals from these countries who have been issued with Personal Public Service Numbers by the Department of Social and Family Affairs.

A range of forms and leaflets were also translated into these languages in 2006 and published to the website.

Among the forms translated were the main registration forms for PAYE and businesses. The leaflets translated included the IT1 (information on income tax credits, reliefs and rates), and VRT1 (summary information on vehicle registration tax issues).

As part of the launch of the PAYE On-line Service, the PAYE leaflet which issued to all taxpayers in English or Irish was translated and is available on the website in four languages (Cantonese, Mandarin, Lithuanian and Polish).

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 2006 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 2006	Results 2005
Complaints	Processed impartially within 20 working days	100%	100%
Telephone Service	PAYE 1890 Calls (answered) Other calls answered within 30 seconds	65% 78%	47% 79%
Registrations	VAT 100% within 10 working days Other 100% within 5 working days	91% 79%	86% 87%
Returns, declarations Applications	ROS 100% within 5 working days	93%	91%
	Non ROS 80% processed within 10 working days	IT 37% CT 40% Other 96%	IT 36% CT 32% Other 91%
	Non ROS 100% processed within 20 working days	IT 64% CT 71% Other 97%	IT 54% CT 67% Other 97%
	AEP Immediate Response	Immediate Response	Immediate Response
Repayments – NON ROS	80% processed within 10 working days	76%	76%
	100% processed within 20 working days	90%	88%
Repayments – ROS	100% within 5 working days	IT 79% CT 68%	IT 79% CT 68%
Correspondence, e-mail, fax	80% processed within 20 working days	82%	82%
Applications for Tax Clearance Certificates	100% processed within 6 working days	90%	86%

Customer Service Standards – Record Volumes of Business in 2006

2006 saw an overall improvement in performance compared to 2005 - against the background of a continuously growing customer base. We now have over two and a half million PAYE employments on record, up 5.2% on 2005 and 25% (500,000) on the number on record just five years ago. During the year the number of self-employed registrations grew by 7.9% to 542,610, while Corporate Tax registrations saw an increase of 7.6% to 140,608. Consequently, the volume of registrations, correspondence, telephone and personal callers we had to deal with reached record levels in 2006.

Our performance in answering telephone calls first time, particularly on our PAYE 1890 service at 65%, was below our standard of 80%. However, the second half of 2006 saw a significant improvement, with over 90% of calls being answered first time on a consistent basis. We are confident that we will maintain this level of performance into 2007.

Consultation with Groups Representing our Customers

Tax Administration Liaison Committee (TALC)

The Tax Administration Liaison Committee (TALC) provides a forum for Revenue and organisations representing tax practitioners to meet and discuss issues relating to the administration of the tax system. Five meetings of the group were held throughout the year and many topics were dealt with. Major items discussed during the year included:

- Taxpayer Service Initiative
- Finance Bill
- Revenue's On-Line Service (ROS)
- PAYE On-line service
- Accounts menus

The work of TALC is augmented by six sub-groups, which deal with specific areas of tax administration: Audit, Collection, Capital Taxes, Indirect Taxes, Direct Taxes Technical and Simplification.

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 three times in 2006. The views of the Committee were sought on a number of important issues, including Transit, the modernisation of the Community Customs Code, the Authorised Economic Operator programme, the Electronic Customs Programme and the redevelopment of Revenue's Customs Automated Entry Processing system.

National Construction Sector Project 2006

Following the completion of a Risk Evaluation Report on the operation of Relevant Contracts Tax (RCT) in 2005, Revenue initiated a nationwide focus on compliance in the construction sector supplemented by intensive customer service activity. We committed 25% of the national audit and compliance resource to the project.

Compliance Activities & Results

A number of legislative amendments were introduced in the Finance Act 2006 to tighten controls and discourage fraud.

The compliance management and control for all non-resident contractors has been centralised in a single location.

A full time national RCT monitoring group was established to monitor suspect cases and disseminate information. Its primary objective is to disrupt the activities of rogue contractors.

Site Visits

In total 1,615 site visits were made. They resulted in the identification of 1,188 individuals who were not registered with Revenue at all, and a further 447 who were re-classified from subcontractors to employees.

Other cases had not registered for VAT or as an employer and 2,479 additional registrations ensued from these enquiries.

Audits

Outcomes from the 2006 audit programme which yielded a total of €125 million, are set out in Table 11.

Assurance Checks

45,423 assurance checks yielded €21 million. These checks involved tests, verification checks, desk examinations, visits and telephone contacts for supporting documentation. New cases and non-compliant subcontractors were targeted. Sub-contractor certificates of authorisation (C2s) were withdrawn or refused in 1,168 cases.

Payment & Returns Compliance

Over the course of 2006, compliance in the sector increased. Timely payment compliance for the monthly Forms RCT 30 increased for all case sizes. The final due month filing rate in 2006 for big cases was 88%.

Returns compliance for the annual return Form RCT35 has also improved, both in terms of volumes and timeliness. At the end of the first quarter of 2006, returns compliance had increased by 7% to 58%. By the end of the year it was 87.58%, as compared to 80.88% at end 2005.

We also continued or initiated compliance projects in several other business sectors during 2006. These are detailed on pages 28 to 29.

Customer Service Activities and Events

Four open forums were held in March, in conjunction with the Irish Taxation Institute, for over 1,000 practitioners.

A series of explanatory articles was published in 'Construction' magazine.

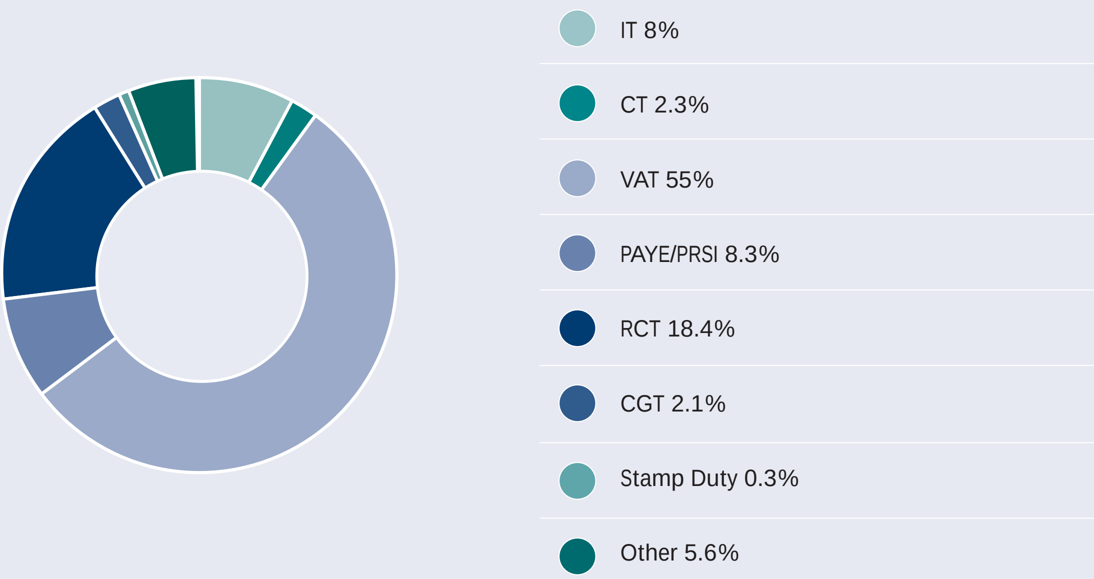
A Tax Briefing supplement devoted to the construction industry was published.

A dedicated page was published on our website. It attracted almost 14,000 visits per month.

Table 11: Construction Sector Project – Outcomes from Audit Programme

No. of audits completed	3,872
Total Tax Underdeclared	€93m
Interest and Penalties Collected	€23m
Sub total	€116m
Arrears of tax collected	€9m
Grand Total from Audits	€125m
Cases referred to Investigations & Prosecution Division	55
Cases referred to Avoidance Unit	6

Chart 5: Construction Sector Project – Source of Audit Yield



Strategy 1.2

Confront and Reduce Evasion, Avoidance and Non-Compliance

Audit

It is a key part of Revenue's ongoing work to identify and focus interventions on the riskiest cases and sectors. There have been some significant changes to Revenue's approach to countering tax evasion and avoidance in recent years.

Cases are selected for intervention, based on the presence of various risk indicators and other available information, with the aid of our computerised Risk Evaluation Analysis and Profiling (REAP) system. The type of intervention to be undertaken is the one considered to be the most appropriate to address the specific risk identified. In many cases, this may lead to a single tax head, multi tax head or single-issue audit rather than a comprehensive audit. This approach is reflected in the number of audits settled in 2006 under the various categories.

Computer-Based Risk-Analysis (REAP)

Following its successful pilot in 2005, REAP was introduced into all Districts in mid-2006 to support audit and compliance programmes. The REAP system scans information from Revenue's registration, returns and payments processing systems and assigns scores based on the track record, and consequently the level of risk, posed by each case. The cases are then prioritised for a range of intervention measures. The taxes currently covered by the system include VAT, Employer PAYE/PRSI, Income Tax, Corporation Tax, Capital Gains Tax and Relevant Contracts Tax. Capital Taxes, Customs and Excise duties and Vehicle Registration Tax will be added to the system in due course.

REAP takes into account third party information from a number of Government Departments (e.g. payments made by the Department of Agriculture and Food). Data from transactions incurring Stamp Duty and Capital Gains Tax is also scanned by the system, as is information from the Relevant Contracts Tax (RCT) C35 form – the annual return by principal contractors of payments made to subcontractors. Other third party information, for example data provided in accordance with the Savings Directive, will be included in the system in 2007.

During 2006, the system was used to support Revenue's compliance activity, including the identification of cases for sectoral projects – e.g. the national construction project. It also supported Revenue's traditional audit, returns filing and debt management programmes.

REAP has benefits for both Revenue and our customers. For Revenue, REAP enables us to make better-focused interventions based on sophisticated and evolving risk criteria. For customers, those who comply can expect fewer contacts from us.

National Audit Programme 2006

During 2006, Revenue auditors completed a total of 13,626 audits under the various audit programmes, including 54 investigations carried out by our Investigations and Prosecutions Division. A range of assurance checks also supplemented general audit activity. A total of 176,064 Assurance Checks were carried out, yielding €42.09m.

The total yield from audit interventions and assurance checks was €691.8 million (compared to a yield of €575.37 in 2005). The amount collected by auditors in Revenue's Investigations & Prosecutions Division in 2006 was €64.08 million. The increased yield from a marginally smaller number of audits would indicate that Revenue is successfully developing our capacity to identify the riskiest cases.

Audits: Overall Results

The overall results for audits completed in 2006 and associated yield are shown in the table below:

Table 12: Audit and Assurance Activity 2006

Audit Type	2006 Audits Completed	Yield €m	2005 Audits Completed	Yield €m
Comprehensive (All taxheads)	4,127	436.2	5,077	323.25
Multi Tax/Duty Audits	1,757	56.2	1,220	52.33
Single Tax/Duty Audits	6,305	133.5	6,173	122.80
Single Issue/Transaction Audits	1,437	23.8	1,744	26.58
Total Audits	**13,626**	**649.7**	**14,214**	**524.96**
	Assurance Checks	**Yield €m**	**Assurance Checks**	**Yield €m**
Assurance Checks	176,064	42.1	98,981	50.41
Total Interventions	**189,690**	**691.8**	**113,195**	**575.37**

Computer Audit

Much of the information of interest to Revenue auditors is now stored electronically. We have developed our capacity to access and interrogate computer-based information using sophisticated system-audit software. During 2006, system auditors provided vital support in 35 large case audits.

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 2005 to June 2006, the commercial records of 21 selected CAP beneficiaries were examined. The traders selected for audit had received CAP export refunds amounting to €202.3 million in the period audited, representing approximately 91% 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 2006, the implementation of CAP instructions was inspected in 6 Customs offices.

Sectoral Compliance

In 2006, Revenue continued its policy of targeting evasion on a sectoral basis. Some sectoral projects - such as the fishing, motor, security, guesthouse and fast food sectors - were carried over from 2005. New projects initiated in 2006 included publicans, computer consultants, coffee shops, restaurants and take-aways, hotels and rental income. We also expanded a compliance project on the construction sector across the country. Given its scale and the number of people involved, this project received the bulk of our attention in 2006, with 25% of our audit and compliance staff devoted to it alone (see feature on pages 24 and 25).

Revenue's sectoral approach is progressive. Audits or enquiries are initially carried out on a limited number of cases. Specific features or practices are examined to determine if tax evasion is evident. The results are extrapolated to the sector as a whole, and a decision taken as to the merits of extending the project.

As part of most of these projects, Revenue engages with a sector through its representative bodies and tax advisors. This helps to raise the awareness of Revenue's compliance operations in the sector.

The methodology of each project is tailored to meet specific Revenue requirements and can range from unannounced compliance visits to full comprehensive audits. In many instances, Revenue will have gathered intelligence on a sector in advance from a number of sources, including our Risk Analysis, Evaluation and Profiling (REAP) system, results from other enquiries and audits in the sector, local knowledge, or information from third parties, including suppliers. Covert surveillance may also be used. A project may simply focus on all businesses in one geographic location.

In some instances, taxpayers in a sector will be asked to "self-review" prior to receiving an audit notification. They are asked to review their returns, paying particular attention to certain areas of risk that Revenue has identified. In other instances, audits may be commenced without the offer of a period of self-review in advance.

The specific outcomes of the sectoral compliance projects are included in the various audit and compliance results in this report. The sectoral approach is proving to be a productive tool as part of Revenue's programmes to combat tax evasion and improve compliance – as shown in the following examples:

Security Industry

Revenue had a number of meetings with the Private Security Authority. Compliance programmes were carried out in the sector, focusing on specific risks such as cash payments, employment status, phoenix companies, shadow directors, identity fraud and general tax compliance.

In one Revenue District, 45 audits on the sector over 18 months yielded an additional €1.6 million in tax. 60 new employees were identified and 1 new company was registered. In a second District, 100 pubs and nightclubs were visited specifically in relation to their security arrangements. Issues identified mainly related to VAT irregularities (including the use of false invoices), non-deduction of PAYE/PRSI, and tax registration issues.

Arising from the 2006 cases, files are being prepared for the Director of Public Prosecutions in 2 cases, and Revenue's Investigations and Prosecutions Division are examining possible prosecution in 3 other cases.

Fast Food Sector

62 cases in the sector were selected for audit in one Revenue District. Officials carried out surveillance, including out of hours, on a number of outlets to gather intelligence on the sector before the project began. The main issues of concern identified were cash payments, non-recording of business receipts, inaccurate purchases records, including cash purchases, undisclosed bank accounts and transfer overseas of income from the business.

29 audits were completed generating additional tax liability of €1.8 million. In addition, €718,463 was paid on account by the cases still open at the end of 2006.

Operation Viking

Established in 2005, a joint team from the Dublin Region and Investigations & Prosecutions Division continued to counter suspected evasion of Vehicle Registration Tax (VRT) and VAT on the 'importation' of new, high value cars into the State, during 2006. The amount of tax at risk on each car was very significant.

The team comprised a multi-disciplinary group of auditors, investigators and enforcement officers with the expertise to pursue issues relating to Income Tax, Corporation Tax and Employers' PAYE/PRSI – in addition to VAT and VRT. The investigation extended to a number of business ventures and property developments involving people whose cars had been seized. Evasion of road tax was also encountered and notified to the appropriate authorities.

The investigation was greatly assisted by information received from the UK authorities under Mutual Assistance in relation to 81 vehicles supplied VAT-free to both dealers and individuals in this State.

To date, the operation has resulted in the seizure of 160 vehicles, almost 80 of which were in the high value category, with a combined value of €5.5 million. 60 of these high value vehicles were released on payment of almost €1.5 million in outstanding VRT and VAT, including penalties and interest. A number of garages/dealers were suspected of facilitating the importation and sale of new cars on which VAT had not been paid and these were targeted for investigation/audit.

Details of the VRT and VAT abuses uncovered during Operation Viking have been disseminated to all other Revenue Regions to assist them in carrying out similar exercises. The whole case management approach that underpinned Operation Viking will be used as a template for these Regional projects.

Tax Compliance Testing Programme

To ensure a balance between risk and coverage of the taxpayer base, and to validate our risk-based approach, Revenue, in 2006, conducted a comprehensive random audit programme based on accounting periods ending in the calendar year 2004. 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 2006, we selected 402 cases for this programme and, of these, 187 cases have been finalised as at 31st March 2007, resulting in a yield of €293,475. An additional €78,409 was recovered for accounting periods other than those ending in the calendar year 2004.

Table 13: Tax Compliance Testing Programme Results

Yield Band	No. of Cases	% of Finalised Cases
Nil	137	73.26
<€2,000	24	12.83
€2,001 to €5,000	13	6.95
€5,001 to €10,000	7	3.74
€10,001 to €20,000	4	2.14
€20,001 to €50,000	1	0.54
> €50,001	1	0.54
Total	**187**	**100**

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

Interest Charges

The charging of interest on late payment of tax is the primary method used to improve timely payment compliance. The amount of interest collected in 2006 was €71 million, a decrease of €10 million over the previous year attributable to improved payment compliance levels. This is entirely separate from interest charged and collected as a result of Revenue audits and investigations.

Prosecutions for Failure to File Returns

In 2006, the pursuit of Income Tax and Corporation Tax non-filers continued. Legal proceedings were instituted in 2,754 cases, an increase of 26% over the previous year, and 1,223 convictions were secured. Fines totalling €2.1 million were imposed.

Revenue also pursues a prosecution and penalty programme for the non-filing of VAT returns and P35's. In 2006, 210 cases were referred for prosecution. 72 convictions were obtained resulting in fines totalling €0.289 million being imposed and one individual was committed to prison for non-payment of a fine. In addition, civil penalties were incurred by 728 employers for late filing of their P35 returns. Judgements were pursued in 47 of these cases resulting in penalties of €0.119 million being imposed. A number of cases are still ongoing.

Table 14: Prosecutions for the Non-Filing of Income Tax and Corporation Tax Returns

	Tax	2006	2005
Revenue Solicitor warning letters issued	IT	17,027	17,432
	CT	919	1,376
Cases referred for the institution of legal proceedings	IT	2,548	2,135
	CT	206	45
Convictions	IT	1,205	1,090
	CT	18	25

Table 15: Collection Enforcement Programmes

		Results 2006	Results 2005
Solicitor	Number of Referrals	7,018	6,485
	Value of Referrals	€205.3m	€161.4m
	Payments Received	€70.9m	€59.6m
Sheriff	Number of Referrals	45,444	42,239
	Value of Referrals	€530.6m	€481.4m
	Payments Received	*€242.8m	€139.6m
Attachment of Assets	Number of Attachment Orders	2,253	2,253
	Value of Attachment Orders Issued	€131.4m	€121.2m
	Payments received	€33.7m	€27.2m

* *Note: Amount collected in 2006 includes payments totalling €91m made to Revenue in addition to payments made directly to Sheriffs. This figure for payments to Revenue was not available in previous years.*

Collection Enforcement

In 2006, we again demonstrated our determination to confront non-compliant taxpayers by taking effective collection enforcement action where necessary. We continue to develop our strategies to quickly impose strong sanctions against taxpayers who purposely default in their tax payment obligations.

Overall, there was an increase of 8% in the number of cases referred to sheriffs, and a 10% increase in the value of tax and interest referred for collection. In the case of external solicitors, 2006 saw an increase of 8% in the number of cases referred, and a 27% increase in value. The number of attachment orders remained at the 2005 level but the value of these orders showed an increase of €10m.

The results, in the context of the 8% increase in the relevant taxpayer base, are an indication of the success of our strategy of promoting timely payment.

We also strengthened our data exchange systems with sheriffs through the introduction of an enhanced web-based facility. This enables quicker on-line data verification by sheriffs and utilises up-to-date technology to deliver a more efficient service.

Revenue actively pursues serious non-compliance cases that do not respond to standard enforcement collection measures through the use of exemplary enforcement action.

During 2006, such action resulted in the collection of €6.9m. In addition, two individuals were declared bankrupt, bankruptcy proceedings were commenced against a further two individuals and three forced sales of property were commenced.

Table 16: 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%
2006	120	62,325	0.19%
Average			**0.32%**

Insolvency

As part of our overall approach to debt collection and enforcement, we have a policy of being actively involved in company liquidations, receiverships and examinerships. During 2006, we petitioned the High Court for the appointment of liquidators to wind up creditor companies. 27 such Revenue petitions were brought before the Courts following the issue of 55 notices under Section 214 of the Companies Act 1963. Revenue attended 157 creditor meetings and continued its active role in Committees of Inspection.

Where necessary, Revenue is financially supportive to insolvency practitioners in investigating insolvent companies with large deficits and in pursuing rogue directors. Close liaison continues with the Office of the Director of Corporate Enforcement.

Phoenix Cases/Commonality Cases

Revenue has two well-established programmes that focus on the abuse of limited liability. One programme exclusively targets "phoenix syndrome", where 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. The second programme concentrates on clusters of separate businesses controlled by the same individual(s) where the businesses systematically accumulate tax liabilities before ceasing to trade. A total of 2,767 companies were monitored under the two programmes during 2006.

Write Off

Despite best efforts there will always be a small proportion of debt that is uncollectible for a range of reasons, including hardship. In 2006, a total of €120 million was deemed to be uncollectible and was written off the Revenue debt. This represented 0.19% of gross receipts and was the lowest ratio of write off to gross receipts in the last six years.

Investigation and Prosecution of Tax Evasion and Fraudulent Activity

Special Investigations

During 2006, the cumulative total from the major "legacy" investigation projects (Single Premium Insurance Policy, Offshore Assets, Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries) reached €2.28 billion. The follow-up work to identify taxpayers who had not already come forward continued to be a significant focus of our investigation activity. €119.6 million was collected in 2006 and, of this, the Offshore Assets and the Single Premium Insurance Policy Investigations accounted for €88.3 million.

Offshore Assets (OAG) Investigation

The Offshore Assets Investigation, which focused on the use of offshore facilities by Irish resident taxpayers to evade tax, continued during 2006. A further €55.3 million was collected in the investigation to identify and pursue those persons who failed to make a voluntary disclosure, bringing the total yield from the investigation to €852 million. This work was facilitated by the information accessed as a result of obtaining High Court Orders in relation to the movements of funds to and from the State. Further High Court Orders will be sought in 2007. As at 31 December 2006, the Offshore Investigation had secured the largest sum of all "legacy" investigations.

Ansbacher Investigation

The Ansbacher Investigation is continuing and 237 of the 289 cases originally identified were finalised by the end of 2006. The investigation, which required the extensive use of legislative powers, is examining the tax position of the cases under enquiry. A further €10.67 million was collected in 2006, bringing the total yield from the investigation to €66.4 million.

By year-end, 13 successful applications were made to the High Court for Orders requiring the production by financial institutions and other third parties of books, records and documentation that are relevant to the liabilities of the Ansbacher account holders. Further associated High Court applications will be made during 2007.

Table 17: Offshore Assets Investigation – Progress to end 2006

Financial Institution	Number of Cases			Payments €m
Jersey Subsidiary	254			105.2
Isle of Man Subsidiary	1,250			46
Other	12,727			700.8
		Tax	389.4	
		Interest and Penalties	462.6	
Total	**14,231**			**852.0**

Table 18: Ansbacher Investigation – Progress to end 2006		
		Payments €m
Number of cases	289	
Total number of cases finalised	237	
Tax		20.22
Interest and Penalties		33.58
Other*		12.62
Total		**66.42**

** Includes payments on account.*

Table 19: Bogus Non-Resident Accounts (BNR) – Progress to end 2006			
			Payments €m
DIRT Audits			225
Voluntary Disclosures			227.2
Follow-up Investigations			397.5
	Tax	335.2	
	Interest and Penalties	514.5	
Total			**849.7**

Bogus Non-Resident Accounts (BNR)

The yield for 2006 from the Bogus Non-Resident Accounts Investigation was €15.5 million, bringing the total yield at the end of 2006 to €849.7 million. This investigation is nearing completion with more than 99% of cases finalised by the year-end.

Undisclosed Funds – Life Assurance Products

The voluntary disclosure phase of this investigation, which focused on the tax affairs of policyholders who used life assurance investment products to evade tax, commenced during 2005. This stage was successfully completed and, to date, 5,150 individuals have made payments amounting to €410 million to Revenue.

The follow-up phase commenced in May 2005. This is now well progressed with 11 High Court Orders sought and granted during 2006. As a result, in the latter part of 2006, the relevant insurance companies provided Revenue with certain financial details relating to policy-holders. The approach adopted has enabled us to be more focused in the course of the follow-up phase of this investigation. During 2006 the total yield from this investigation was €33 million.

Table 20: Undisclosed Funds – Life Assurance Products – Progress to End 2006

	No. of cases		Payments €m
Voluntary Disclosures	5,150		410
Follow up Investigations	59		5
Tax (Estimated)		133	
Interest and Penalties (Estimated)		282	
Total	**5,209**		**415**

Table 21: Clerical Medical Insurance (CMI) – National Irish Bank Scheme

		Payments €m
Cases identified for investigation	465	
Investigations concluded by end 2006	432	
Cases subject to ongoing investigation (Payments on account amounting to €3 million paid)	33	
Tax		26.3
Interest and Penalties		29.5
Payments on account		3.0
Total [1]		**58.8**

[1] *The total of €58.8 million includes €3.4 million in respect of Capital Gains Tax, collected in respect of 164 cases in which compensation was paid by NIB to investors.*

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

This investigation continued throughout 2006 and a further €1.9 million was collected, bringing total yield to €58.8 million. Almost 93% of the cases identified for investigation have now been finalised.

Tribunals

Revenue continued to monitor the activities of the Moriarty and the Mahon Tribunals. Investigations are progressing in relation to certain cases. The yield for 2006 was €3.21 million, bringing the cumulative yield up to 31 December 2006 to €39.4 million.

Table 22: Prosecutions and Referrals for Prosecution in 2006

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
3	4	20	5	1,295	515

[1] *Cases investigated with a view to securing indictments are termed 'serious' cases.*

Prosecution of Cases of Serious Tax and Duty Evasion

At 31 December 2006, seven serious tax and duty cases had been concluded. These resulted in seven convictions, including one case to be sentenced in 2007. Three suspended sentences, one of two years and two of six months, and fines totalling €41,021.71 were imposed.

In addition, 25 cases were referred to the DPP, directions were given in 18 cases and summonses were issued in 16 cases. By year-end, there were 22 cases before the Courts, the DPP had given directions to prosecute in another 12 cases and was considering a further 11 cases. Another 55 cases were the subject of ongoing criminal investigations. In all, at 31 December 2006, there were 100 cases of serious tax and duty evasion in the criminal investigation/Court process.

Customs and Excise Enforcement and Prosecution

Seizures of Controlled Substances

2006 saw continued vigorous activity in the detection of controlled drugs. The number of detections made increased by 25%, although the value of the drugs seized decreased. Among the most significant drug seizures were 26kg of cocaine concealed within packing crate frames, 10kg of liquid containing the hallucinogen Dimethyltryptamine (DMT) – the first detection of this drug in the State and one of the first in Europe. Other drug seizures included LSD Microdots, as well as large quantities of prescription medicines and steroids.

Aside from drugs, we also look for associated products such as cutting and mixing agents for illicit drugs, cocaine presses, tablet making machines and other items essential for the production, sale or supply of illicit drugs. In this regard, we have initiated a number of operations targeting the commercial importation of products such as lidocaine, mannitol and other substitute cutting agents. We have also been involved in joint operations with our Garda colleagues in monitoring the movement of such products in the State, which has resulted in:

- Identifying links to the major cocaine organised crime groups
- Establishing retrospective links to major cocaine seizures in the past two years
- Identifying non-tax compliant individuals who are amassing considerable wealth from these activities
- Increasing potential to produce major drug seizures for Law Enforcement.

We continue to monitor such commercial movements of products and liaise with the Criminal Assets Bureau regarding the financial aspects of those engaged in this activity.

The following tables summarise Customs and Excise seizures over a wide range of enforcement activities during 2006.

Firearm Seizures Made by Revenue's Customs Service in 2006

During 2006, as part of the fight against criminality, Revenue's Customs Service made 26 seizures of firearms, including 14 stun guns, 19 airguns, 2 cross-bows, component parts and various quantities of ammunition. 53 knives and swords and noxious gas aerosol sprays were also seized. These seizures include some joint operations with An Garda Síochána.

Table 23: Drugs Seizures in 2006

Type of Drug	Number of Seizures	Quantity	Value €
Herbal Cannabis	1,006	131.013 kg	260,000
Cannabis Resin	375	25.560 kg	176,000
Ecstasy	8	0.338 kg	13,000
Heroin	4	0.560 kg	51,000
Cocaine	60	61.081 kg	6,001,000
Khat	11	473 kg	905,000
LSD	2	1528 microdots 0.001 kg	15,000
Other*	57	1,335 Tablets 60.275 kg	1,214,000
Total	**1,523**		**8,635,000**

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

Table 24: Excisable Products Seized in 2006

Product	Number of Seizures	Quantity	Value €m
Beer	30	21,369 litres	0.115
Spirits	138	2,903 litres	0.103
Wine	48	33,482 litres	0.400
Cigarettes	17,266	52,343,493	17.98
Tobacco	640	2,068 kg	0.591
Oil	35	164,157 litres[1]	See below[2]
Other[3]	1,081		

[1] *Includes laundered, smuggled and marked mineral oil.*

[2] *One oil laundry was detected.*

[3] *Other seizures refer to non-Excisable commodities such as counterfeit goods and pornography.*

Cigarette and Tobacco Smuggling

The overall volume of cigarettes seized in 2006, amounting to 52.3 million, increased slightly from the previous year. Several significant seizures were detected in maritime freight. However, there was a noticeable increase in seizures of cigarettes imported by air, especially through Dublin Airport, where 1,951 seizures were made comprising 22.7 million cigarettes and 269 kg of tobacco.

This organised trafficking was tackled by a combination of seizure and prosecution. Overall prosecutions for cigarette smuggling resulted in 139 convictions during 2006 with fines of €55,525 being imposed by the Courts and suspended prison sentences in two cases. Meanwhile, 38 other cases were before the Courts awaiting hearing in 2007 while a further 56 cases were being processed for prosecution.

Mineral Oil Fraud

During the year, the total number of detections recorded in relation to Mineral Oil offences in fuel tanks was 1,223 – a slight downturn on the previous year. Among these were 23 detections relating to laundered diesel. There were 199 convictions for use of Marked Mineral Oil, showing an increase of 15% on the previous year. Fines imposed amounted to

Table 25: Customs, Excise and VRT Prosecutions and Convictions

	Proceedings Instituted		Numbers Convicted		Fines Imposed €	
	2006	2005	2006	2005	2006	2005
Illegal Selling	3	8	6	3	5,775	2,235
Tobacco Smuggling	176	151	139*	102	55,525	40,650
Alcohol Smuggling	8	17	9	17	6,900	47,000
Laundered Oil (Commercial Detections from Retailers & Hauliers)	39	11	22	13	72,397	25,950
Oil Smuggling	0	1	0	1	0	1,900
Other Customs Fraud (Counterfeit Spirits)	0	7	0	3	0	8,650
VRT Offences	57	45	8	23	11,440	19,726
Marked Mineral Oil	294	316	199	173	217,545	175,704
Unlicensed Trading						
Liquor	126	195	112	108	85,442	82,481
Hydrocarbon Oil Vendors	14	31	16	17	17,510	18,470
Gaming/Amusement Machines	1	12	2	12	2,065	12,111
Auctioneers/House Agents	2	5	1	2	700	915
Betting	2	2	1	1	3,800	1,900
Total	**722**	**801**	**515**	**475**	**479,099**	**437,692**

**Includes one indictible conviction*

€217,545 (Table 25). Compromise penalties totalling €692,965 were paid in a further 802 cases and 211 vehicles were seized in connection with oil offences.

In addition, 22 convictions for commercial detections of retailers and/or hauliers, for laundered oil offences were secured. In the course of these operations, 141,000 litres of laundered oil were seized.

A special nationwide investigation to establish whether laundered fuel was being sold through retail outlets or used by hauliers and bus operators, was also carried out during the year. Of the total 4,600 samples drawn under this investigation, there were 73 detections of laundered fuel.

Cash Seizures at Ports and Airports

Revenue officials made 11 seizures of suspected criminal cash amounting to €724,894 in 2006. This was the first full year of operation of the Proceeds of Crime (Amendment) Act 2005 which extended the scope of the legislation (covering seizure of suspected drugs-linked cash under the Criminal Justice Act 1994) to cash suspected to be the proceeds of crime or intended for use in criminal conduct.

Seven of the seizures were made at airports, three at ferryports and one was made while searching a premises for contraband cigarettes. Cash seized in the course of being exported or imported, involved passengers travelling between Ireland and the Netherlands, Spain, Latvia, Nigeria, Poland and the UK. The suspected criminality included drug trafficking, cigarette smuggling and tax evasion.

Two Forfeiture Orders amounting to €25,266 were issued by the Courts during 2006. A further five cases are before the Circuit Court awaiting hearing/ decision. Seven other cases were approved by the DPP for application to the Courts following investigation and the gathering of evidence.

Counterfeit and Pirated Goods

The importation and sale of counterfeit goods not only impacts on tax collection but is closely linked to organised crime and continues to pose a significant threat to global trade, consumer health and safety and national economic wealth. Overall, the number of seizures increased by 15% over the previous year.

A total of 455 seizures were made during the year comprising 18,785 items with a value of almost €1.2 million. While these included the usual variety of luxury branded goods such as clothing, footwear, handbags etc., 11,175 counterfeit DVDs in 326 seizures made up the major portion of the overall goods seized.

2006 also saw an increase of 27% in the number of applications from Right Holders who apply to Revenue for Customs action to detect and seize goods suspected of infringing their Intellectual Property Rights.

A further development in 2006 was the establishment of an inter-departmental committee to co-ordinate measures to tackle DVD piracy. This committee, chaired by the Department of Justice, Equality and Law Reform, includes a representative from Revenue along with An Garda Síochána and other Government Departments concerned. The committee, which has requested and received submissions from interested third parties, is due to publish its report in 2007.

Table 26: Counterfeit and Pirated Goods

	2006	2005
Number of Seizures	455	397
Number of Items Seized	18,785	622,120
Estimated Value of Items Seized	€1.2m	€2.03m

Money Laundering and Suspicious Transactions Reports

During 2006, 12,470 reports were received from the various designated bodies including solicitors, accountants, auditors, estate agents, tax advisors and dealers in high value goods. These reports are evaluated with a view to use in audits and investigations, including criminal investigations. Revenue and the Garda Bureau of Fraud Investigation liaise closely to ensure co-ordination of follow-up activity between both agencies.

Criminal Assets Bureau (CAB)

Ten Revenue officials work full-time in the CAB and a total of €19.19 million in tax receipts was paid over to Revenue by the CAB in 2006.

VRT Operations

VRT operations consist of routine enforcement activities carried out on a daily basis, as well as VRT blitz style operations, which are mounted periodically to provide an indication of overall levels of compliance at particular times.

As a result of the detections made and the seizure of vehicles, there was a recovery of €7,976,296 in VRT and penalties of €709,147 were imposed for the release of seized vehicles. A total of 993 vehicles were seized in the course of the year.

Particular attention was paid to luxury passenger jeeps and Sports Utility Vehicles (SUVs). As a result, a further €1.1 million of evaded tax was identified, most of which has been recovered.

Table 25 details cases prosecuted through the Courts.

VAT on Yachts and Boats

Operation Trawl

This is an ongoing operation to ensure compliance with Community VAT Law governing payment of VAT on new yachts and boats acquired by State residents and imported into the State. The operation involves visits by Revenue Enforcement officials to ports, yacht clubs and marinas to ensure that VAT has been paid on all of the vessels concerned.

During 2006, a total of 89 vessels were challenged by staff at Bantry, Cork, Dublin, Limerick, Tralee and Waterford. This resulted in the recovery of €998,770 in VAT and penalties – an increase of 66% on the previous year.

Claims for Repayment of VAT on Fuel Under the 8th VAT Directive

The initiative to detect fraudulent claims lodged by foreign hauliers for repayment of VAT on fuel, continued in 2006. Of the 67 claims selected for verification by Enforcement officials, 17 were refused outright and the amount reclaimed was reduced in a further 18 cases. Relevant information was advised to other jurisdictions.

Increase in Dog Units

In 2006, the number of Customs Dog Units was increased to 12, with the introduction of an additional unit for Cork. A major move has taken place in the deployment of Multi Purpose Passive Response dogs. These can be used to a high degree of effectiveness in detecting controlled drugs in freight, vehicles, baggage and passengers. Seizures detected by these units increased significantly in 2006 where a focus on parcel and mail depots proved successful.

Multi-Agency Checkpoints

This programme, intended to promote co-operation between State Agencies responsible for enforcement in connection with the haulage industry, has been in operation for several years. It includes officials from Revenue, An Garda Síochána, Department of the Environment, Department of Transport and the Health and Safety Authority. During 2006, 54 Multi-Agency Checkpoints were mounted throughout the country. 269 detections relating to Marked Mineral Oil and VRT were made. 78 of these involving oil detections were reported for prosecution. 36 vehicles seized for VRT offences were released on payment of fines totalling €49,089.

INTRASTAT & VIES Declarations

Intrastat declarations are required under Statutory Instrument 136/1993 for the purposes of internal EU trade statistics, which are published by the Central Statistics Office. VAT Information Exchange System (VIES) statements are required by paragraph 19A of the VAT Act 1972 (as amended) to facilitate the exchange of information between EU Member States required by Council Regulation 1798/2003.

In 2006, of the 121 cases sent forward for prosecution for failure to file INTRASTAT returns, 21 were convicted by the Courts. Fines totalling €46,805 were imposed. 45 other traders arrived at settlements and penalties of €62,297 were collected.

Civil proceedings for failure to submit VIES statements were initiated in 99 cases. There were compromise settlements in 60 cases. Penalties totalling €117,116 were collected.

Identify and Neutralise Tax Avoidance and Promote Effective Compliance

Anti-avoidance capability was further developed in 2006 with awareness programmes for operational staff and the establishment of stronger links between the specialist anti-avoidance units and Revenue auditors.

The Anti-Avoidance units liaise closely with the policy divisions to assist in the development of legislative proposals to counter avoidance.

During 2006, Revenue gave advice on relevant legislative issues to the Department of Finance and the following legislative changes were made:

- An anti-avoidance provision was introduced to provide for a change in the VAT grouping rules. It provided that Revenue may, for VAT purposes, group closely connected parties where satisfied that it is necessary or appropriate to do so for the purpose of efficient and effective administration and collection;
- A legislative amendment was introduced into section 817 of the Taxes Consolidation Act 1997 in relation to arrangements to convert income into gains to access a lower rate of tax. This amendment reinforced the focus of the provision in taking account of particular arrangements that had recently come to light;
- The general anti-avoidance measure, section 811 of the Taxes Consolidation Act 1997, was complemented by the provision for the charging of interest, as well as a 10% surcharge where tax avoidance is established. Where such interest and surcharge could arise, the taxpayer has the option of making a Protective Notification to Revenue, to obtain protection from the possibility of such interest or surcharge in the event that the transaction were found to be a tax avoidance transaction;
- Changes were made to the "look through" provisions attaching to the issuing of certificates of authorisation for Relevant Contracts Tax (RCT) purposes to subcontractors in the construction, meat processing and forestry industries to tackle RCT fraud involving "Phoenix" type arrangements. The changes bring the "look through" provisions for RCT into line with those applying to Tax Clearance Certificates generally; and
- Changes were also made to strengthen provisions intended to prevent the avoidance of tax on Capital Gains by arrangements that could include the disposal of the asset concerned during a temporary period of residence outside the State.

Progress with Challenges to Avoidance Schemes/Issues

At the end of 2006, there were 14 schemes involving 83 cases under challenge in relation to VAT avoidance and 28 schemes involving circa 2,000 cases in respect of possible direct tax avoidance.

Good progress was made on these challenges and by the year-end, 17 cases had reached Appeals Commissioner stage, 1 had reached Circuit Court stage, and 6 had reached High Court stage.

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

The total training expenditure for 2006 amounted to €11.83 million, or 3.96% of payroll costs.

On 20th September 2006, a special milestone in the ongoing development of the unique partnership between Revenue and the University of Limerick was reached when a Service Level Agreement was signed for the delivery of the Fourth and Final Year of a BA (Hons) in Applied Taxation. Forty Revenue personnel are now participating in this degree programme. In December 2006, forty-three Revenue students graduated with the Diploma in Applied Taxation.

Since the original agreement was signed in September 2004, a growing number of our staff have acquired the skills and expertise to tackle the rapidly changing business environment and increasingly complex taxation challenges.

Business Technical Training

Technical tax and Customs training represented a large volume of our training in 2006. Approximately 240 new staff members were assigned to Customer Service areas during the year. These staff members receive their training in a modular programme spread over six weekly sessions.

Four classes commenced the two-year Modular Technical Tax Training Programme for auditors during 2006, bringing the total number of trainees on the programme to 160. Most of this training is provided by Revenue personnel, however some specialist law and accountancy training is outsourced to private sector providers.

Customs and Excise technical training continued throughout the year and included the development and delivery of two new courses – Search of Premises and Detection and Prosecution of Unlicensed Trading. We redeveloped our intelligence gathering and dissemination course to reflect current best practice and a number of courses were delivered.

Irish Language Awareness Training

Arising from our commitments under the provisions of the Official Languages Act 2003, an Irish Language Awareness module has been incorporated into the Induction Training Programme for new employees. This module covers topics such as history of the Irish language, awareness of minority languages, Revenue customer service provisions and legislative requirements.

Performance Management and Development System (PMDS)

2006 was a familiarisation year in Revenue for the new Integrated PMDS model. We participated in the inter-Departmental PMDS Network, which co-ordinated the introduction of Integrated PMDS across the Civil Service. Information sessions were provided for all staff members to raise awareness of the new rating system and the links to HR Policies and Processes including increments, promotion, higher scale and probation.

A seminar on Quality Assurance for PMDS took place in early December to reinforce the important role that Quality Assurance continues to play in the evolution and successful implementation of PMDS in Revenue. Officials of all grades and Divisions/Regions attended the seminars.

Continuing Education

Active support and encouragement to staff partaking of further education, in their own time, helps build the organisation's skills and competencies profile. In 2006, a total of €180,868 in academic fees was refunded to 114 staff. Financial support of €116,741 was also provided to staff in their individual and corporate membership of professional bodies in respect of their professional qualifications.

Long Service Awards

Our second Long Service Awards ceremony took place in February 2006. These awards paid tribute to the commitment and dedication of 77 staff members who had given 40 or more years of dedicated service to Revenue and to the State.

Open Recruitment/Specialist Skills

Revenue used its recruitment license for the first time during 2006 to recruit temporary clerical officers and a small number of specialist staff. We also recruited Polish speakers for the Central Revenue Information Office. The Public Appointments Service held a dedicated campaign aimed specifically at attracting graduates into our audit and ICT areas.

Policies on Gender Equality and Diversity

The challenging revised targets set down in the Statement of Strategy 2005-2007 have almost been achieved for female representation in senior grades.

Human Resources Division completed a major review of a number of promotional competitions in 2006. The review showed that the pro-rata participation rate of females continues to be lower than the male participation rate. One action taken as a result was the issue of an all staff survey aimed at identifying obstacles to participation and inviting suggestions to overcome these.

A number of changes have been put in place as a result of the survey and Revenue will continue to be pro-active in coming up with measures to improve participation rates and keeping a firm focus on achieving our Gender Balance targets.

Diversity Policy

In 2006, Revenue finalised a Diversity Policy. This policy confirms Revenue's commitment to creating an environment where individuality is appreciated and differences are not only respected but also valued. Our aim is to generate an atmosphere of equality and respect for all our staff and to promote a work environment free from discrimination.

To enhance the provision of service to our customers, Revenue has developed a Disability Equality Training course. The course explores and examines disability in an equality context and covers areas such as defining disability, attitudes, equality, legislation and participation in practical exercises.

Table 27: Targets for Gender Balance

Grades	Target % posts to be held by women by 2007*	% of posts held by women at end 2006
Higher Executive Officer (HEO)/Administrative Officer (AO)	47%	41%
Assistant Principal (AP)	27%	23%
Principal Officer (PO)	17%	16%

**Source: Statement of Strategy 2005 – 2007*

Decentralisation

As part of the Government's Decentralisation Programme, Revenue is due to relocate 880 posts from Dublin to Kilrush, Newcastle West, Listowel, Athy, Kildare and Navan. We successfully secured Government agreement in 2006 for Navan as an additional location. Meath Revenue District, with circa 100 posts, will relocate there. We also secured agreement to move an advance party of 100 staff to Athy. Plans for our 3 early moving mid-West locations are at an advanced stage; we will complete our Decentralisation to Kilrush and Listowel in mid 2007 and to Newcastle West early in 2008.

In the case of Newcastle West, a suitable site was acquired and OPW have indicated that the new premises should be ready for occupation early in 2008. As part of the decentralisation process, the bulk of the Insolvency Unit, based in Dublin, was successfully decentralised to Limerick in July 2006.

Revenue ran a very successful open day on April 27th 2006 designed to provide information on the organisation to those staff from other Departments seeking to redeploy to Dublin based offices.

Health & Safety

Revenue has a positive health and safety record. This is supported by a very low level of accidents occurring in the workplace. The total number of reported accidents in 2006 was 21 involving some 0.3% of Revenue personnel.

An extensive education programme for senior managers, safety advisors and safety representatives was carried out during 2006, to brief people on the significant changes resulting from the Safety, Health and Welfare at Work Act, 2005.

Revenue's overall Safety Policy has also been updated following extensive consultation with relevant stakeholders.

A programme of radon testing in Revenue-occupied buildings is nearing completion. The programme for high-risk buildings was completed in 2005, with medium and low-risk areas being tested in 2006. All our buildings will be tested by mid-2007.

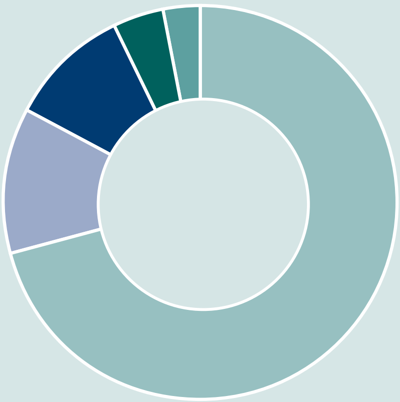
Strategy 2.2

Improve our Organisation

Table 28: Cost of Administration as a Percentage of Gross Receipts

2006	2005	2004	2003
0.77%	0.81%	0.86%	0.91%

Chart 6: Expenditure by Revenue In 2006



Total expenditure was €420,142,000 broken down as follows:

- 71% Salaries
- 12% Information Technology
- 10% Other (including Legal Charges, Travel Expenses, etc.)
- 4% Postage & Telecommunications
- 3% Office Accommodation

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

New Human Resources Management Model Approved

Work continued during 2006 on the HR Project designed to devolve HR responsibilities to line managers and restructure central HR operations. Phase 2 of this programme is now in operation across 95% of the organisation. Planning is at an advanced stage for the final phases of the project.

Partnership

The partnership between management, staff and unions continues to play a very important role in developing innovative solutions in a co-operative and consultative way and in implementing Revenue's modernisation programme.

The second Revenue Partnership Seminar, with the theme "Towards 2008", was held in November 2006 for members of Revenue's Partnership Committee and Partnership Groups. A key feature of the seminar was the recognition that Partnership has developed and matured well in Revenue. We will continue to develop Partnership and ensure it is embedded in our core business by linking it to organisation change and to our strategies and goals.

Revenue's Action Plan under the new social partnership agreement "Towards 2016" was considered and agreed at Partnership, the Management Advisory Committee (MAC) and the Revenue Board. The agreed Action Plan outlines the specific actions that we will undertake to progress modernisation within the organisation during the lifetime of the Agreement. The Civil Service Performance Verification Group has approved this.

Civil Service Modernisation

Revenue's Action Plans under the 'Sustaining Progress' and 'Towards 2016' national social partnership agreements set out specific actions to be undertaken to progress modernisation within Revenue. In 2006, the Civil Service Performance Verification Group considered Revenue's progress reports on the implementation of the Action Plans. The Performance Verification 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 2006.

The Verification Group noted that strong progress continued to be achieved by Revenue in all of our priority areas, including in particular the introduction of a range of on-line customer services through the 'PAYE On-line' facility for PAYE taxpayers and the implementation of other new technologies with, for example, the rollout of the new VoIP telephony system. In his comments on progress across the Civil Service, the Chairperson of the Verification Group noted that the application of technology greatly contributed to improved customer service and cited Revenue's On-line Service ROS as an example of this.

Banking and Accounting Procedures

Revenue operates 62 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 2006 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 2006 were made by the prescribed payment dates, with the exception of a very small number of cases (details of which are given in Table 29), 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.

Table 29: Payment of Accounts Statistics, 2006

Total value of all payments	€102,793,018.52
Total value of all late payments (including those under €317)	€918,201.31
Value of late payments in excess of €317	€918,201.31
Value of total late payments as a percentage of total payments	0.89%
Number of late payments in excess of €317 (Invoice Value)	68
Amount of interest paid on all late payments	€1,636.72
Amount of interest on all late payments as a percentage of total payments	0.0015%
Average delay in days (Invoices in excess of €317)	22

Internal Audit

In the performance of the wide range of functions for which Revenue is responsible, it is essential that proper systems, processes and procedures are in place. While Regional and Divisional management have primary responsibility for ensuring that effective internal controls underpin day-to-day operations, the Board places a high degree of importance on having these systems independently audited by Revenue's internal audit function. The Director of Internal Audit reports directly to the Chairman, as Accounting Officer, while Internal Audit's ongoing activities are overseen by an Audit Committee, four of whose five members, including the chairperson and deputy chairperson, are from outside Revenue. 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 2006.

Value for Money and Policy Review Programme

A Value for Money and Policy Review (VFM) of Revenue's Data Capture Outsourcing Programme was completed in 2006. The aim of the VFM programme, previously titled the "Expenditure Review Initiative", is to provide a systematic analysis of what has actually been achieved by the expenditure on each area reviewed and to provide a basis on which informed decisions can be made on priorities within and between expenditure programmes. The Review concluded that the use of outsourced service providers to support forms and returns processing has been successful both in achieving administrative efficiencies and in improving Revenue's service delivery. The Review also identified areas for improvement in order to maximise the benefits gained from future outsourcing initiatives.

Copies of the Review were lodged in the Oireachtas Library and forwarded to the Joint Committee on Finance and the Public Service.

Risk Management

Revenue's Risk Management programme became more established in 2006. The periods used in the risk management programme were more closely aligned with the business planning cycle. The IT system used to record, track and report on business level risks was further developed to enhance reporting functionality. The Risk Management Committee met on four occasions in 2006 to monitor the programme and presented periodic reports to our Management Advisory Committee. Revenue's Audit Committee continued to take a close interest in the progress of the programme.

Strategy 2.3

Enhance our Capability through Technology

Information Communications Technology Strategy 2006-2008

Revenue is generally regarded as one of the most successful public sector organisations in exploiting technology. We use technology to provide enhanced services to citizens and businesses, to ensure effective compliance programmes and maximise revenue collection. In 2006, we launched our ICT Strategy for 2006-2008. This will be the blueprint for the delivery of future Revenue services as determined by our business Statement of Strategy. The document sets out how our ICT and eBusiness strategies will help Revenue to minimise customer contacts, provide effective self-service and electronic options for those who do need to interact with us, and support our business Divisions with an appropriate and evolving set of tax administration applications and productivity tools.

PAYE Self-Service

In June 2006, a comprehensive range of on-line self-service facilities was launched for our 2.2 million PAYE customers. This service allows customers to check their tax on-line and to claim certain tax credits and reliefs in a confidential and secure manner.

PAYE customers can opt to receive correspondence electronically including Tax Credit Certificates and PAYE Balancing Statements.

A number of services are also available to our customers by SMS text messaging and by an Interactive Voice Recognition service. Customers can also order a wide range of forms and leaflets through these channels.

The Electronic Customs Programme

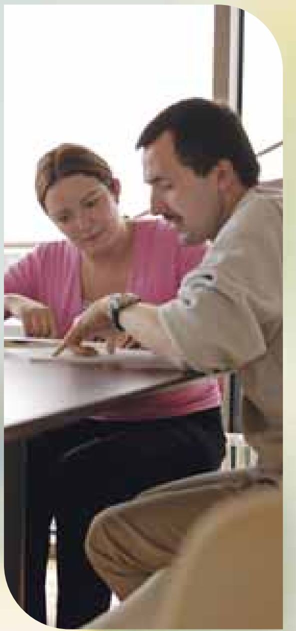
The eCustoms Programme is part of an EU programme which seeks to improve the effectiveness of Customs and Excise services throughout the EU through the use of common computerised procedures and the more uniform application of Community regulations. During 2006, significant progress was made on a number of projects under this broad umbrella including a revised Automated Entry Processing system, due for release in mid-2007. This will allow traders direct access to the AEP system via a Revenue On-Line Service gateway. Work is continuing on a number of related projects including a new Export Control System and the establishment of an EU-wide Authorised Economic Operator database.

System for Exchange of Excise Data

All traders involved in the movement of duty-suspended excisable products within the EU must be authorised. Each EU Member State must maintain its own computerised register of Authorised Economic Operators and warehouses in that Member State. A computer-based system to support this programme, the System for Exchange of Excise Data (SEED) was implemented during 2006. Each Member State has access to the information on the registers of all other Member States. SEED is the first phase of the larger Excise Movement Control System that will facilitate the tracking of duty-suspended excisable goods moving within the EU. This enhanced version is expected to become fully operational by June 2009.

Employees Tax Credit Certificates

Until recently, copies of employees' Tax Credit Certificates were delivered on the Revenue On-Line Service to the employer only. However, from October 2006, agents have direct access to their employer/client copies of tax credit certificates.



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 the following range of measures contained in the Finance Act 2006, including:

- Significant amendments were made to the legislation on tax relief for pension provisions. These set a maximum allowable pension fund for tax purposes and a limit on the maximum tax-free lump sum that can be taken from a pension product.
- A new taxation regime was introduced for Approved Retirement Funds (ARFs) with effect from 2007.
- The remittance basis of assessment in respect of employment income was discontinued where the income relates to the performance in the State of duties of the employment.
- Provisions were also included to ensure collection of PAYE where the person with the primary responsibility to deduct and account for the tax does not do so.
- EU Directive 2005/19/EC, which amended the 1990 EU Merger Directive, was transposed into Irish law. The Merger Directive is concerned with applying tax-neutral treatment to cross-border mergers and other restructurings.
- Certain Capital Gains Tax exemptions and Stamp Duty reliefs available in relation to transactions between parents and their natural or adopted children were extended to such transactions with foster children.
- Amendments to the taxable amounts for VAT purposes in respect of the supply of services relating to the private use of business assets, and the supply of services diverted by a business to a non-deductible business use.
- Ireland's legislation on VAT in relation to two or more elements of a 'package' which attract VAT at different rates was brought into line with the Sixth VAT Directive as interpreted by the European Court of Justice (ECJ).
- The ongoing programme of consolidating VAT legislation continued in 2006, resulting in the Regulations being consolidated into one comprehensive Statutory Instrument that came into effect on 1 November 2006.

The Tobacco Products Tax Regulations 2006 (SI No. 261 of 2006), which came into operation on 1 June 2006, completed the process of consolidating and modernising the law on tobacco taxation.

The findings of a review of the operation of shipping-related profits of companies covered by the "tonnage tax" regime were implemented.

VAT on Property Review Project

The objective of this review by Revenue was to consider the current treatment of VAT on property transactions and to recommend changes leading to a simpler but more robust system. The review, completed in 2006, resulted in a consultation paper from the Minister for Finance inviting interested parties to make submissions regarding the proposed revision to the current system. It is anticipated that the results of the review and the consultation exercise will be considered in the context of the Finance Bill 2008.

Evaluation of Incentive Reliefs and Exemptions

Following the review of various tax incentives in 2005, Revenue provided input and advice to the Department of Finance regarding the changes to be made to the various schemes. The legislation implementing the agreed changes was included in the Finance Act 2006. These schemes included:

- Area-based schemes such as Urban Renewal, Living over the Shop, Rural Renewal and Town Renewal;
- Education-related schemes, including student accommodation facilities and buildings used for third level education purposes;
- Property-based schemes such as hotels, multi-storey car parks, park-and-ride facilities and childcare facilities;
- Medically related schemes including private hospitals, nursing homes and sports injuries clinics.

Legislation was also included in the Finance Act 2006 in relation to a new scheme of capital allowances for expenditure incurred on the construction and refurbishment of qualifying mental health centres.

Restriction on Excessive Use of Tax Reliefs

Revenue provided advice and support to the Department of Finance in the development of the measure in the Finance Act 2006 designed to limit the use of certain tax reliefs and exemptions. The measure relates to a small number of individuals with high incomes who, mainly through the cumulative use of various tax incentive schemes, reduce their Income Tax liability to very low levels or zero. It addresses the need for greater equity in the taxation of such cases while, at the same time, maintaining the intended incentive effect of the tax schemes concerned.

Special Savings Incentive Account (SSIA) Scheme Compliance

There are 329 Financial Institutions managing SSIA accounts, including banks, building societies, insurance companies and credit unions. A total of 1.1 million individuals participated in the SSIA scheme. Subscriptions during 2006 amounted to €2,255.9 million and the Exchequer contributed €564.1 million.

The SSIA maturity process, which commenced in May 2006, has been progressing satisfactorily. By December 2006, 30% of SSIA holders had successfully matured their SSIAs. The maturity tax paid in 2006 was €131 million. The co-operation of the Financial Institutions has ensured a smooth and timely maturity process.

Pensions Incentive Tax Credits (PITC) Scheme

In June 2006, a new incentive was introduced to encourage those on lower incomes with a maturing SSIA to invest some or all of their SSIA proceeds in an approved pension product and to continue with regular savings into a pension. The new incentive involves a tax credit of €1 for every €3 invested, up to a maximum of €2,500, along with a proportion of the tax deducted from the SSIA at maturity.

Prior to the introduction of the scheme, Revenue engaged in an extensive consultation process with pension administrators. Guidance notes were issued to assist administrators in complying with their statutory obligations in relation to the management of the PITC scheme. A total of 5,417 SSIA account-holders availed of this incentive in 2006.

eBusiness Initiatives

Revenue continues to play an active role in the Department of Social and Family Affairs – led Standard Authentication Framework Environment programme and Department of Finance led Identity Management studies. These programmes are examining the area of identity management in public services.

National Drugs Strategy

The goals of the Government's National Drugs Strategy 2001–2008 continued to be an important influence on Revenue's drugs enforcement policy in 2006. Revenue is represented on the Interdepartmental Group, chaired by the Minister of State in the Department of Community, Rural and Gaeltacht Affairs. In keeping with the goals of the Strategy, Revenue has during the past year:

- continued to work closely with An Garda Síochána, The Naval Service and other international revenue jurisdictions to combat the importation of illegal drugs,
- increased the number of Revenue's Customs Dog Units to 12,
- deployed our mobile X-Ray scanner for screening freight containers.

The Revenue Customs Cutter, *Suirbhéir*, continues to fulfil its role in patrolling the State's territorial waters and taking part in national and international drug maritime operations. With An Garda Síochána and The Naval Service, Revenue contributed towards the establishment of a Maritime Analysis and Operational Centre – Narcotics (MAOC-N) in Lisbon.

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. The amounts collected and paid over by Revenue to those Departments in 2006 were:

- Net PRSI and Health Contributions from employers/employees – €8.01 billion,
- Net PRSI and Health Contributions from self employed – €428 million.

PRSI contribution data in respect of all PAYE employments was also captured by Revenue during 2006. This data is essential in determining entitlement to social welfare benefits.

Tobacco Levy

A tobacco levy of €168 million per annum is paid directly by Revenue to the Health Service Executive.

Environmental Levy

Revenue is the collection agent, on behalf of the Department of the Environment and Local Government, for the Environmental Levy on the supply of plastic bags by retailers to their customers at point of sale. The amount collected during 2006 was over €18.7 million.

Strategy 3.2

Play our Part Internationally

During 2006, Revenue played an active role in influencing the shape and content of EU legislation.

Customs

Revenue officials participated in discussions at the EU Customs Code Committee on the implementing provisions for EU Council Regulation (EC) No. 648/2005 of 13 April 2005, which aims to strengthen supply chain security. The implementing provisions were agreed and Commission Regulation (EC) No. 1875/2006 of 18 December 2006 provides for an EU-level Authorised Economic Operator (AEO) programme with effect from 1 January 2008. This significant development will allow businesses which meet certain qualifying criteria to benefit from a number of Customs facilitations and simplifications.

Revenue officials are also participating in ongoing discussions on a proposal for a Regulation of the European Parliament and of the Council laying down the Community Customs Code (Modernised Customs Code) and a proposal for a decision of the European Parliament and of the Council on a paperless environment for Customs and trade. Each of these provisions is intended to improve the regulatory environment for business.

VAT

Revenue contributed to the ongoing EU VAT modernisation agenda during 2006. Among the issues finalised during the year were:

- Recast of the Sixth VAT Directive and adoption of Council Directive No. 2006/112/EC;
- Anti-avoidance and simplification measures adopted by Directive 2006/69/EC, by means of which specific derogations, already granted to individual Member States, were made available to all Member States.

Proposals on further VAT-related matters, which are still under discussion, include:

- Changes to rules regarding the place of taxation of services, with a view to enabling services supplied across frontiers to be taxed in the place of consumption;
- The development of a 'one-stop' system for a taxpayer to comply with VAT obligations arising in more than one Member State;
- Modernisation of the Eighth VAT Directive refund mechanism in order to allow businesses to claim, by electronic means, refunds of VAT incurred in other Member States; and
- The development of an anti tax-fraud strategy and, in particular, discussions on the introduction of a reverse charge mechanism for VAT.

Excise

Excise-related matters on which Revenue officials contributed included proposals for amendment of Directive 92/12 on movement and control of excisable products, for revisions to the minimum excise duty rates on alcoholic beverages, and for the duty-free allowances to apply to goods carried by persons entering the EU from third countries.

The Savings Directive – EU Council Directive 2003/48/EC

The purpose of the EU Savings 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. Under this Directive, Member States exchange information to the tax authorities in which the beneficial owner resides. The Savings Tax scheme also extends to certain dependent or associated territories of Member States.

In addition, the EU has entered into agreements on savings income with certain third countries, namely, Andorra, Liechtenstein, Monaco, San Marino and Switzerland.

Austria, Belgium and Luxembourg, some of the dependent or associated territories as well as the third countries have opted to apply withholding tax to interest payments instead of exchanging information and to pay 75 per cent of this tax to the country of residence.

The first returns of interest paid to Irish residents were received by Revenue in 2006 for the period 1st July – 31st December 2005. These consisted of 143,224 records with interest payments valued at €2.9 billion. Withholding tax received by Ireland amounted to €1.2 million for the same period. Revenue sent information on 75,056 records relating to €1.4 billion interest paid on savings in Ireland.

OECD

Revenue continues to participate in the Committee on Fiscal Affairs (CFA) of the OECD. Revenue and Department of Finance officials serve as delegates to the various CFA working groups. The Assistant Secretary in charge of Revenue's Direct Taxes Interpretation and International Division is also the Irish delegate on the UN Committee of Experts on International Co-operation in Tax Matters.

EU Heads of Tax Administrations Meeting

Revenue participated in the G25 Meeting of EU Heads of Tax Administrations on fighting tax frauds, held in Rome in July 2006. The conference focused on ways of enhancing cooperation between Member States, and with Third Countries, through reinforcement of existing legislation, improved risk management and development of external aspects of administrative cooperation.

OECD Heads of Tax Administrations Conference

Revenue Chairman Frank Daly represented Ireland at a meeting of Heads of Tax Administrations from thirty-five countries, which took place in Seoul in September 2006 under the auspices of the OECD's Forum on Tax Administration. The conference focused on two of the major challenges facing revenue organisations in the 21st century, namely 'Organisational Developments and Reforms for More Effective Tax Administration' and 'Confronting Non-Compliance with the Tax Laws in an International Context'.

Double Taxation Treaties

At the end of 2006, there were comprehensive double taxation agreements in force with 44 countries.

Expansion of the tax treaty network continues to be a priority for Revenue and new Treaties are being negotiated with Argentina, Egypt, Kuwait, Malta, Morocco, Singapore, Tunisia, Turkey, Ukraine and Vietnam. Existing treaties with Cyprus, France and Italy are in the process of re-negotiation. Plans are in place to commence negotiations with several other countries.

Revenue is continuing to progress negotiations for Tax Information Exchange Agreements with the Isle of Man, Jersey, Guernsey, the Cayman Islands and the British Virgin Islands.

World Customs Organisation (WCO)

During 2006, Ireland (a founder member) continued to participate fully in the activities of the WCO, which now has a membership of 171 countries worldwide. Membership has presented Revenue with opportunities to engage in international co-operation, influence change and co-ordinate actions aimed at controlling our borders effectively. In December 2006, Ireland became a member of the WCO Policy Commission, which oversees policy direction. This has given Revenue the welcome opportunity to exert a greater influence on shaping global policy matters during our two-year tenure on the Policy Commission.

Table 30: Mutual Assistance Requests

Number of Mutual Assistance Requests	Received 2006	Received 2005	Sent 2006	Sent 2005
From/to other EU Member States	1,797	1,274	369	484
From/to other countries	45	32	5	9
Total	**1,842**	**1,306**	**374**	**493**

International Co-Operation

In tackling drug-smuggling and trans-national crime, Revenue works in close partnership with law enforcement agencies abroad. This is essential in an environment in which criminals, seeking to profit from the free movement of goods within the EU, are becoming increasingly sophisticated in their operations. Revenue's Customs service continues to engage in international and European-wide surveillance exercises and joint operations in tackling international drug trafficking. A Revenue official is assigned to the Europol National Office.

Fiscalis Seminar on Merger Directive

In March 2006, Revenue hosted a very successful seminar in Dublin Castle under the EU Fiscalis programme. The overall objective of Fiscalis is to improve the proper functioning of the taxation systems in the internal market by increasing co-operation between participating countries, their administrations and officials. While the programme has been in operation for over 15 years, the 2006 event was significant as the first seminar on corporation tax held under the aegis of Fiscalis.

The topic of the seminar was the Merger Directive 90/434/EEC of 23 July 1990, as amended on 17 February 2005 (Directive 2005/19/EC). This Directive provides tax neutrality for cross-border company restructurings carried out in the form of mergers, divisions, transfers of assets or exchanges of shares. Over the course of the two-day meeting, 80 delegates from EU Member States, the EU Commission and the business community gave expert presentations, exchanged experiences and clarified issues relating to this complex subject.

Mutual Assistance

International co-operation plays a vital 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 2006, a total of 26 communications were received from the European Anti-Fraud Office, OLAF, under Council Regulation No. 515/97, in connection with detections in other Member States of frauds involving Community's Own Resources.

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 2006, 365 requests for recovery were received and a total of €818,964 was recovered as a result of action taken under the programme.

Mutual Legal Assistance

Revenue deals with Mutual Legal Assistance requests, under the 1959 Convention on Mutual Assistance in Criminal Matters, received from the Department of Justice Equality and Law Reform. During 2006, 13 requests on fiscal matters were received; VAT carousel fraud, money laundering, mineral oil fraud, cigarette smuggling and tax evasion were among the issues under investigation. The countries concerned were Germany, Italy, Poland, France, Belgium, Netherlands and the UK.

In addition, two Mutual Legal Assistance requests were forwarded to the UK in relation to a VAT fraud case.

VAT Carousel Fraud

Intra-EU VAT fraud by means of carousel trade has long been identified as a serious threat across the European Union and methods of combating such fraud are kept continually under review. Revenue's VAT Carousel Fraud Team (CFT) plays an important role in protecting the Exchequer and combating the fraud at EU level. The team's objective is the early detection of any attempt to defraud the Irish Exchequer and continued participation in the EU-wide fight against carousel fraud. Timely exchange of information is one of the most important weapons in the fight against this type of fraud and the team is a designated Liaison Department for this purpose under Council Regulation (EC) 1798/2003.

In 2006, the CFT hosted a meeting of the EUROCANET group in Dublin. The EUROCANET project is an exchange matrix, which facilitates enhanced exchanges of information for the purpose of early identification of high-risk cases. Representatives from 12 Member States and OLAF attended the Dublin meeting. Revenue officials also attended a Europol VAT Carousel Fraud meeting, aimed at improving international co-operation, held in The Hague in December 2006.

Visiting Delegations

Apart from the EU-sponsored exchanges of officials under the Fiscalis and Customs 2007 Programmes, Revenue hosted 15 separate foreign delegations from Revenue and Government offices, and a group comprised of 12 tax practitioners from Japan. Countries represented among the visiting delegations included Lithuania, Estonia, Turkey, Rwanda, India, Territory of Bizkia (Northern Spain), Russia, Australia, Japan, China, France, Kenya, South Africa, Malta and New Zealand. The purpose of the visits was to examine Revenue's systems in the areas of policy, procedures and operation of revenue collection and protection. A number of visits focused on the Revenue On-line Service (ROS) and other initiatives in the use of modern technology.

Customs 2007 Programme

The Customs 2007 Programme promotes intra-Community exchanges of Customs personnel and arranges seminars and conferences for officials from EU Member States. Ireland continues to participate actively in the programme and, during 2006, visits by 18 officials from 8 EU Member States were hosted by Revenue. A total of 9 Irish Revenue officials made visits to 5 Member States (Denmark, Luxembourg, Portugal, Italy, Czech Republic) to examine their systems and determine best practice in export control, tariff classification, security amendment and many other topics. 27 Revenue officials attended training courses sponsored by the programme during the year.

Fiscalis

The Fiscalis Programme for officials engaged in non-Customs aspects of taxation is comparable in its operation to the Customs 2007 Programme and promotes staff exchanges and seminars on VAT, Direct Taxes and Excise. During 2006, 28 Revenue officials availed of exchanges with counterparts in Portugal, Denmark, Bulgaria, Finland, Germany, Sweden, France, Greece, Lithuania, Hungary, Spain, Slovenia, Italy, Malta and Austria. 34 officials from those - and other – countries made visits to Revenue offices. In addition, 3 groups (from Austria, Belgium and the United Kingdom) paid study visits to Revenue under the aegis of the programme. A total of 18 study visits by Revenue officials to 6 EU Member States also took place.

International Association of Customs/Taxation Museums

The Annual Conference and General Assembly of the International Association of Customs/Taxation Museums, chaired by Ireland, took place in Oslo in September. The Association, with 16 member countries, is the global body for the preservation and display of documents and artifacts drawn from the long heritage of revenue collection and protection.

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. 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 (2005) includes international aspects of Revenue operations, VAT, e-Commerce, assessment and collection of Capital Gains Tax and the management of Tax Appeals.

Committee of Public Accounts

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

Other Committees of the Houses of the Oireachtas

The Chairman and Revenue officials attend 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 official or by an External Reviewer acting in conjunction with a senior Revenue official. The number of taxpayers requesting joint and internal reviews in 2006 is set out in Table 31.

The Ombudsman

In 2006, the Ombudsman received 156 complaints relating to Revenue. During the year, the Ombudsman finalised 165 complaints. Tables 32 and 33 provide further summary information.

Data Protection

Of the 10 access requests received in 2006 under the Data Protection Acts, 7 were granted in full, 1 withdrawn and 2 were refused.

Freedom of Information (FOI)

Revenue's Freedom of Information publications under Section 15 of the FoI 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 our website.

Table 31: Internal Reviews In 2006

Reviews	Internal	Joint	2006 Total	Internal	Joint	2005 Total
Number Received	13	40	53	8	24	32
Number Finalised	13	37	50	6	22	28
Decision Upheld	12	35	47	4	20	24
Decision Revised/ Partly Revised	1	1	2	2	1	3
Withdrawn or agreed prior to being sent to Reviewers	0	1	1	0	1	1

Table 32: Complaints Relating to Revenue Made to the Ombudsman in 2006

Total Received and Subject	Number of Complaints
Income Tax	116
VAT/Inheritance Tax/CGT	14
Customs & Excise	2
Stamp Duty	0
Delay/no response to Correspondence	4
Miscellaneous	20
Total	**156**

Table 33: Complaints Relating to Revenue Completed by the Ombudsman in 2006

Total Completed and Outcome	Number of Complaints
Not Upheld	47
Withdrawn	3
Discontinued	57
Assistance Provided	20
Partially Resolved	1
Resolved	37
Total	**165**

Note: Figures provisional pending publication of the Ombudsman's Annual Report for 2006.

Table 34: FoI Requests

FOI Requests	2006	2005	2004
Received	130	114	111
Released in Full	26	31	33
Released in Part	36	44	40
Refused	21	17	10
Dealt with outside of FoI/Withdrawn/Transferred	41	33	28
Requests for Internal Review	10	7	12
Appeals to the Information Commissioner	9	1	6

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.

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.

Civil Service Code of Standards and Behaviour

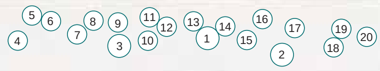
The Code forms part of the terms and conditions of service of all Civil Servants. It underpins the existing rules in many areas, including Revenue's own Code of Ethics, and sets out the main principles, standards and values that the Civil Service espouses and upholds.

Appropriate opportunities are used to actively reinforce values of integrity and honesty e.g. annual Circular to remind staff of their obligations under the Ethics Acts, publication of information on Revenue's internal Internet system, publication during 2006 of Revenue's revised Internet and E-mail Policy and also the Revenue Security and Confidentiality Policy.

The Civil Service Regulation (Amendment) Act

The Civil Service Regulation (Amendment) Act 2005 gives each Secretary General/Head of Scheduled Office, as appropriate authority, responsibility for managing all matters relating to performance, conduct and discipline of civil servants below Principal Officer level. (Ministers and Government continue to be the appropriate authority for these matters in relation to civil servants at or above Principal level). The Act (which also gives Secretaries General/Heads of Scheduled Offices powers of dismissal for staff below Principal level) and the revised Civil Service Disciplinary Code came into effect on 4th July 2006. These Regulations and the Code apply across the Civil Service. In Revenue, centralised procedures are in place to deal with any issues that may arise. Conduct management guidelines to underpin the Code are being prepared to facilitate local management and staff and these guidelines are expected to be rolled-out during 2007. These guidelines will support the devolution of aspects of human resources functions to local line management and contribute to the modernisation of the human resource practice in Revenue.

Management Advisory Committee (MAC)



1 **Frank Daly**
Chairman

2 **Josephine Feehily**
Commissioner

3 **Michael O'Grady**
Commissioner

4 **Niamh O'Donoghue**
Assistant Secretary
Human Resources

5 **Niall Cody**
Assistant Secretary
Indirect Taxes

6 **Denis Graham**
Assistant Secretary
East & South East

7 **Eamonn O'Dea**
Assistant Secretary
Direct Taxes Policy
and Legislation

8 **Bobby Harrington**
Assistant Secretary
Border Midlands West

9 **Liam Ryan**
Assistant Secretary
Information,
Communications
Technology & eBusiness

10 **Norman Gillanders**
Assistant Secretary
Operations Policy &
Evaluation

11 **Gerard Harrahill**
Assistant Secretary
Collector General

12 **Tony Buckley**
Assistant Secretary
South West

13 **John Leamy**
Assistant Secretary
Dublin

14 **Paddy Donnelly**
Assistant Secretary
Investigations and
Prosecutions

15 **Sean Moriarty**
Assistant Secretary
Large Cases

16 **Frank Mullen**
Assistant Secretary
Direct Taxes
Interpretation
and International

17 **Liam Irwin**
Deputy Secretary
Strategic Planning

18 **Frances Cooke**
Revenue Solicitor

19 **Liam Hennessy**
Assistant Secretary
Legislation Project

20 **Eamonn Fitzpatrick**
Assistant Secretary
Customs

Senior Management Changes

Following a Top Level Appointments Commission (TLAC) competition, the Minister for Finance appointed Niall Cody as Assistant Secretary on 1st May 2007. The Revenue Board has assigned Mr Cody to Indirect Taxes Division.

Appendix

Statistical Tables

Table TR1: Gross Receipts and Disposal, Year 2006

Gross Receipts	**€**	**€**
Balance on 1 January 2006		*-243,884,992*
Gross Receipts of Duties:		
Customs (including €770,280.47 Agricultural Levies)	260,739,312	
Excise	5,833,978,412	
Capital Acquisitions Tax	354,817,898	
Capital Gains Tax	3,134,122,710	
Stamp Duties	3,674,511,310	
Residential Property Tax	228,278	
Income Tax	15,449,609,156	
Corporation Tax	7,270,703,534	
Value Added Tax	17,808,990,522	53,787,701,133
Gross Receipts of Moneys received and collected on behalf of other Departments (including Fee Stamps, €622,339)		8,542,236,958
		62,086,053,099

Table TR1: Gross Receipts and Disposal, Year 2006 (CTD.)

Disposal	€	€
Repayments		
Customs	5,979,822	
Excise	137,570,797	
Capital Acquisitions Tax	11,607,185	
Capital Gains Tax	34,891,005	
Stamp Duties	42,446,601	
Residential Property Tax	264,372	
Income Tax	3,074,848,970	
Corporation Tax	586,091,751	
Value Added Tax	4,357,582,632	8,251,283,135
Payments to the Exchequer		
Customs	256,829,000	
Excise	5,588,897,000	
Capital Acquisitions Tax	352,696,000	
Capital Gains Tax	3,099,933,000	
Stamp Duties	3,716,501,000	
Residential Property Tax	-36,000	
Income Tax	12,389,939,000	
Corporation Tax	6,683,247,000	
Value Added Tax	13,447,991,000	45,535,997,000
Payments to and on behalf of other Departments in respect of Moneys collected on their behalf (including €646,830 to Exchequer in respect of Fee Stamps & €167,605,000 Tobacco Levy) and rounding €1		8,702,690,342
Balance 31 December, 2006		-403,917,377
		62,086,053,099

Table TR2: Net Receipts 2006

Year	2006 €	2005 €	2004 €	2003 €
Customs	253,989,209	225,518,291	173,458,071	136,078,046
Excise	5,696,407,616	5,390,982,592	5,066,364,601	4,735,958,026
Capital Acquisitions Tax	343,210,713	249,137,659	190,058,657	213,335,365
Capital Gains Tax	3,099,231,705	1,981,975,984	1,527,784,587	1,435,682,894
Stamps	3,632,064,709	2,673,184,913	2,069,673,116	1,664,394,332
Residential Property Tax	-36,094	360,520	381,641	403,871
Income Tax	12,374,760,186	11,339,493,828	10,695,063,533	9,156,189,902
Corporation Tax	6,684,611,784	5,503,243,749	5,335,003,555	5,155,445,935
Value Added Tax	13,451,407,890	12,125,442,904	10,716,801,471	9,715,565,146
Agricultural Levies	770,280	721,613	886,093	773,697
Total	**45,536,417,999**	**39,490,062,053**	**35,775,475,325**	**32,213,827,214**

Net Receipts 2006

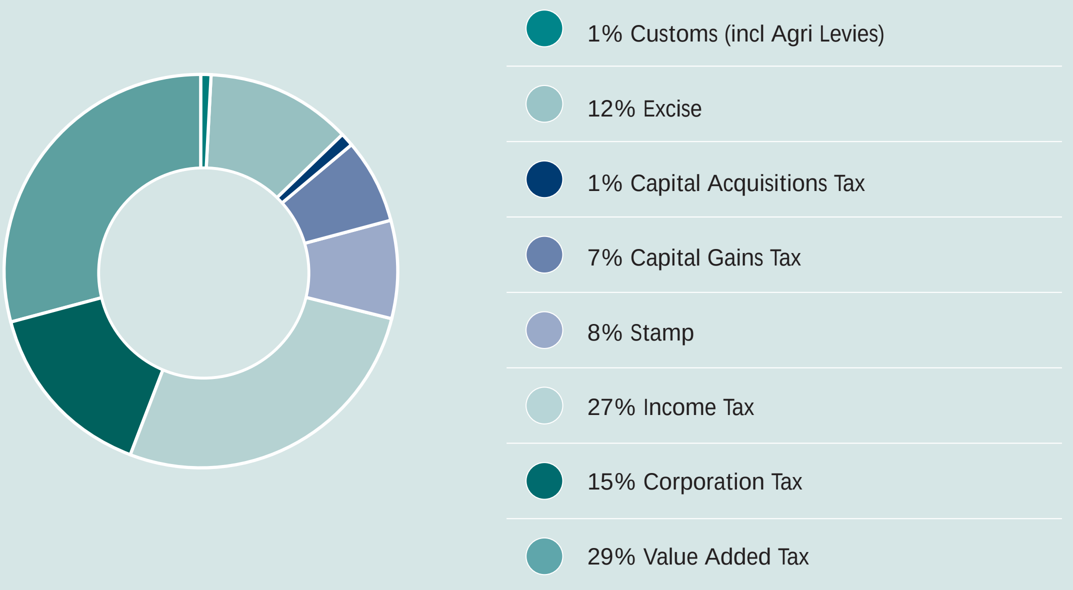


Table TR3: Net Receipts as a percentage of GDP

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%
2006	175,795,000,000	45,535,649,000	25.9%

* *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%
2006	53,787.9	416.5	0.77%

Cost of Administration as % of Gross Receipts 0.77%

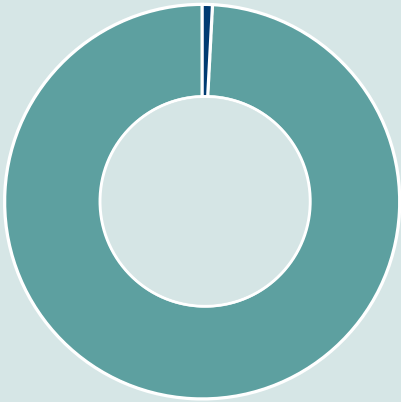


Table TR5: Cost of Administration (main elements) 2006

Services	€'000
Salaries, Wages & Allowances	261,363
Computer & Office Equipment	25,751
Postal & Telecommunications	12,740
Superannuation Costs	39,265
Services provided by the Office of Public Works	26,566
Miscellaneous	50,803
Total	**416,488**

Table IT2: Income Tax[1] – Exchequer Receipt and Net Receipt 2001-2006

Year	Exchequer Receipt €	Net Receipt €
2001	9,346,872,127	9,318,771,248
2002	9,074,601,000	8,978,899,850
2003	9,161,767,000	9,156,189,902
2004	10,650,541,000	10,695,063,533
2005	11,266,298,000	11,339,493,828
2006	12,389,939,000	12,374,760,186

[1] Includes Income Levy

Chart IT2: Net Receipt – Income Tax and Income Levy

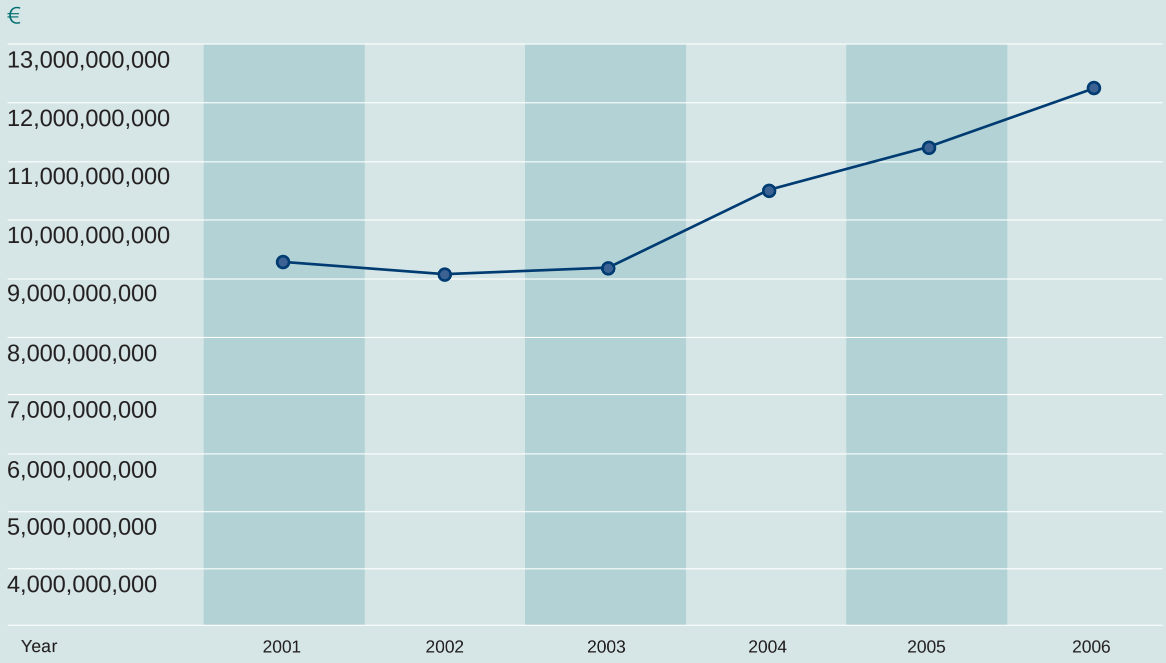


Table IT3: Pay As You Earn[1] - Gross Receipts and Net Receipts 2001-2006

Year	Gross Receipts (PAYE) €	Net Receipt (PAYE) €
2001	7,666,663,392	7,280,139,238
2002	7,647,987,300	6,725,344,708
2003	8,302,875,508	7,209,281,704
2004	9,297,933,457	8,111,015,654
2005	9,967,146,923	8,637,443,677
2006	10,777,020,204	9,388,546,767

[1] A small amount of Schedule E tax (about €153 million in year 2004) is paid otherwise than through Pay As You Earn. Precise particulars of the amount are not available.

Chart IT3: Net Receipt: PAYE

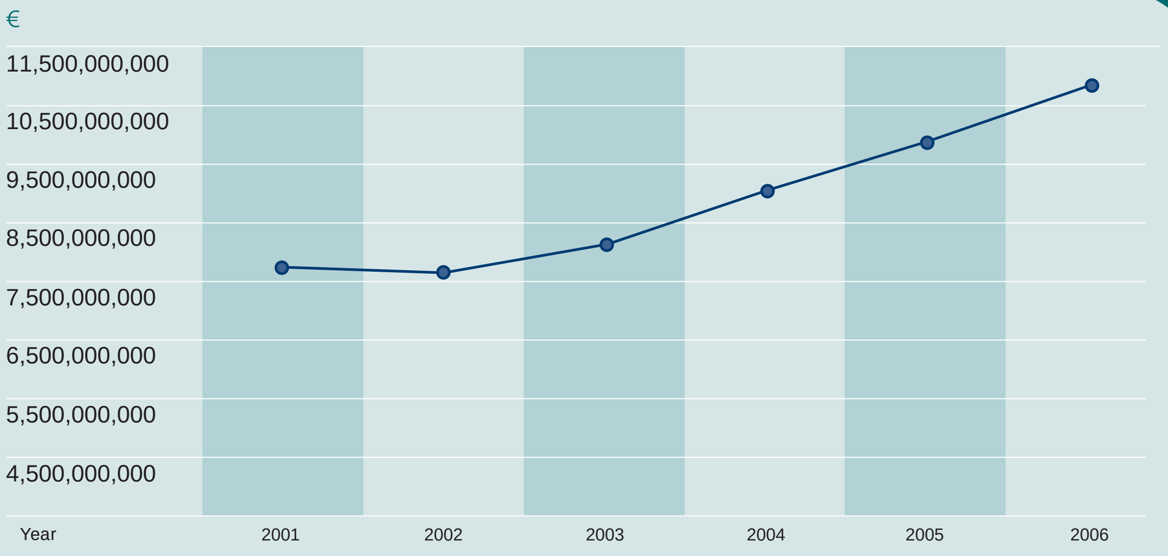


Table CT1: Corporation Tax – Exchequer Receipt and Net Receipt 2001-2006

Year	Exchequer Receipt €	Net Receipt €
2001	4,156,049,540	4,143,902,915
2002	4,803,465,000	4,803,749,448
2003	5,161,370,000	5,155,445,935
2004	5,331,596,000	5,335,003,555
2005	5,491,687,000	5,503,243,749
2006	6,683,247,000	6,684,611,784

Chart CT1: Net Receipt – Corporation Tax

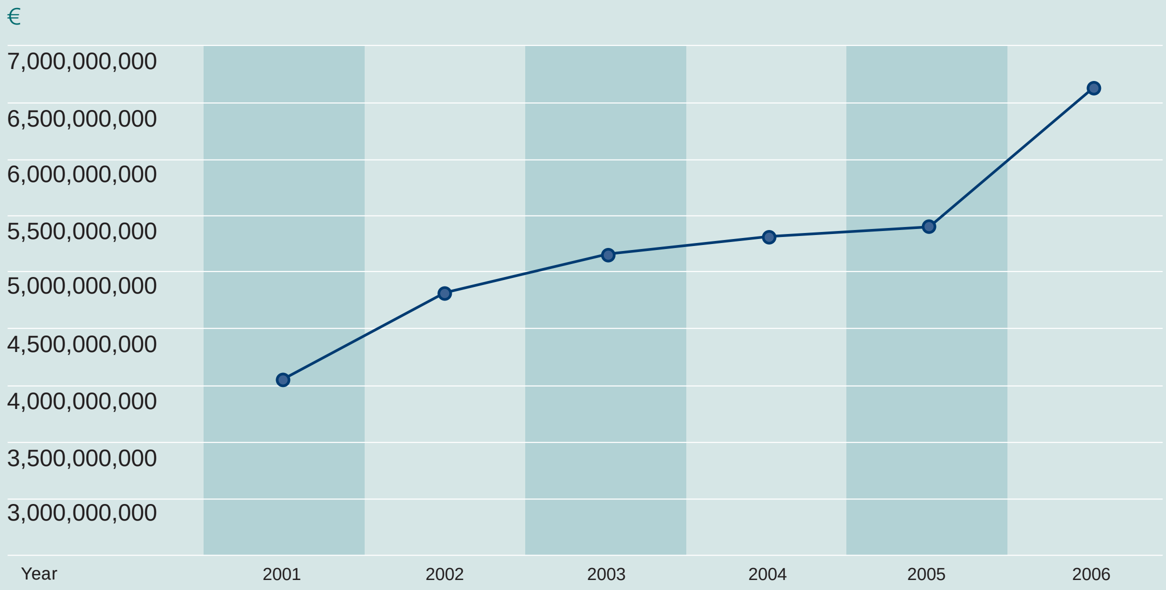


Table CGT1: Capital Gains Tax – Exchequer Receipt and Net Receipt 2001-2006

Year	Exchequer Receipt €	Net Receipt €
2001	880,338,614	875,579,814
2002	627,340,000	618,986,101
2003	1,442,820,000	1,435,682,894
2004	1,515,555,000	1,527,784,587
2005	1,959,659,000	1,981,975,984
2006	3,099,933,000	3,099,231,705

Chart CGT1: Net Receipt – Captial Gains Tax

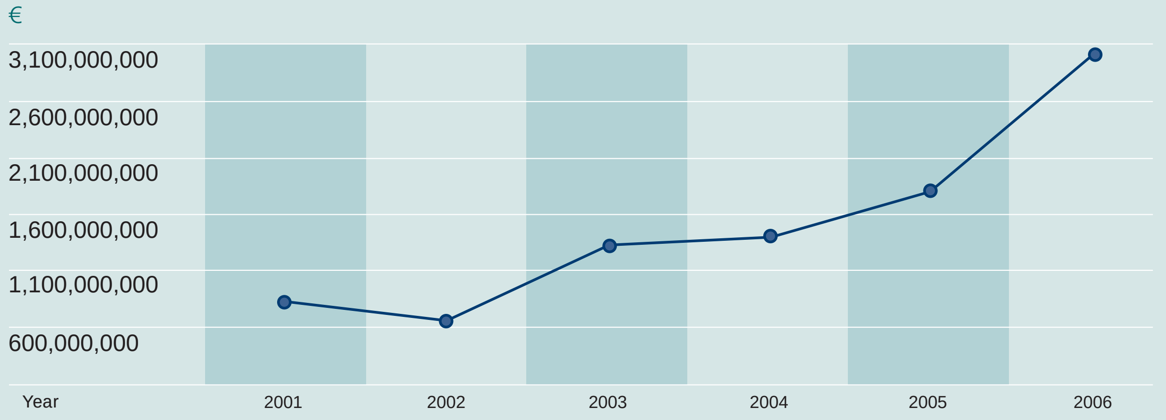


Table CAT1: Capital Acquisitions Tax – Exchequer Receipt and Net Receipt 2001-2006

Year	Gross Receipts €	Net Receipt €
2001	168,767,237	167,758,371
2002	150,206,000	150,889,067
2003	214,167,000	213,335,365
2004	190,064,000	190,058,657
2005	248,912,000	249,137,659
2006	352,696,000	343,210,713

Chart CAT1: Net Receipt – Capital Acquisitions Tax 2001-2006

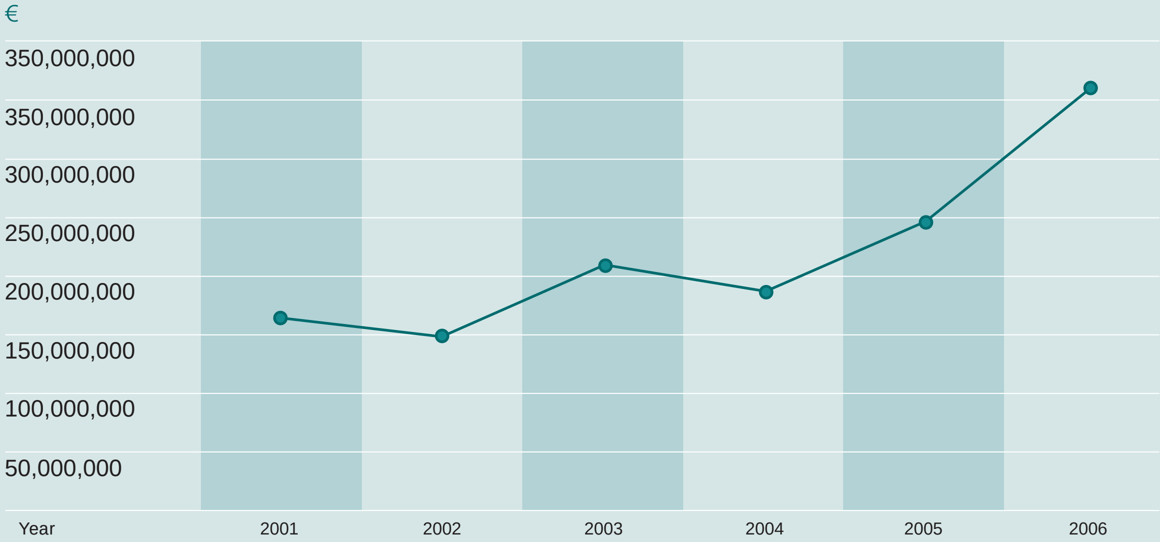


Table SD1: Classification of Net Receipt in 2006

	2006 €
Land & Property	2,989,442,013
Stocks, Shares etc	406,188,902
Companies Capital Duty	5,927,854
Cheques, bills of exchange etc	120,749,893
Insurance & misc	109,756,047
Bank Levy	-
Total	**3,632,064,709**

Table SD2: Other statistics relating to Stamp Duty in the six years ended 2006

	2001	2002	2003	2004	2005	2006
Number of Adjudication stamps impressed Sales and Leases of Land	30,650	29,306	31,342	30,660	32,890	34,165
Number of Particulars Delivered stamps impressed	125,428	128,419	151,185	169,060	183,879	202,632

Table SD3: Net Receipts of Fees Collected by Means of Stamps

	2006 €
Companies Registration	20,731
Official Arbitration	46,435
Registration of Deeds	555,024
Total	**622,191**