

Office of the Revenue Commissioners

Revenue



Cáin agus Custaim na hÉireann
Irish Tax and Customs

Comprehensive Expenditure Review

2011

Office of the Revenue Commissioners

Comprehensive Review of Expenditure 2011

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1 Introduction and Summary

1.1 Revenue Matters

- The Office of the Revenue Commissioners collects taxes and protects the border.¹ The EU/IMF Programme of Support foresees annual revenues of some €42 billion by 2014. The Revenue Commissioners are tasked with collecting more than 90 per cent of this money.
- Securing this revenue requires an efficient and effective tax administration, adequately resourced with people with the right skills and with good IT support. The IMF, in their Irish Country Report of December 2010², state that *“It will be critical that the tax administration has continued adequate funding and technical capacity to effectively implement the planned tax policy changes and to counteract lower compliance pressures due to the recession.”*
- While the Comprehensive Review of Expenditure is focussed on cost reduction, fiscal consolidation is of course also dependent on the revenue side of the equation. That is why this paper reviews Revenue’s strategies not just from a cost reduction standpoint but also considers opportunities for revenue raising – that is where we feel we can make our biggest contribution to the Government’s objective of achieving sustainable public finances.
- This review also emphasises the critical need for Revenue to give attention to recession specific risks to prevent base erosion, fraud and evasion, smuggling and tax debt default. Such risks include growth in the shadow/cash economy, tobacco smuggling and oil laundering, extraction fraud/false repayment or losses claims, deliberate under-declaration of income and profits and complex aggressive tax planning structures being offered by practitioners in pursuit of business. These risks have the potential to become entrenched, if not adequately controlled.

1.2 What Revenue can deliver

- Revenue is playing and can continue to play its part and more in the Programme commitments – we have already reduced our administrative costs by almost 20% since 2008 and this year’s ECF puts Revenue’s staffing back at the level it was in 1976 – but our contribution will principally be on the revenue collection side of the equation.
- Ensuring that the revenues of the State continue to be optimised is paramount. In addition, specific proposals to increase cash flow, reduce transactions and improve compliance – as well as contributing to public sector shared services – are set out in this paper, and summarised (with an estimate of the expected financial benefits) in Table 1.

¹ Insofar as it relates to fiscal risks, border protection is effectively a subset of tax and duty collection. However, in recent years there is a very strong emphasis on trade and supply chain security safety, which is important for Irish trade.

² Paragraph 32 of Report no. 10/366

1.3 What Revenue needs

- First, in relation to ECF allocations, Revenue needs some latitude on reaching the existing ECF allocations for 2014. ISER, normal retirement and the upcoming departures before February 2012 has had the effect of taking key experience and skills from Revenue at far too fast a pace. Some of these skills must be replaced as a matter of urgency. Staffing has reduced by 655 since 2008 and we estimate that a further 560 staff will retire by 2014.

- We consider that our ECF of 5,678 foreseen for 2014 is already risky, and too steep a reduction in the context of the real risks to compliance. *Further ECF reductions make that risk much closer to a certainty.* Increased non-compliance would more than outweigh any savings on staff and, in fact, many revenue administrations recruit additional staff in a recession because of the increased risks.

- Revenue can deliver on the numbers proposed of 5,678 but can do so only over a slightly longer period – by around 2015/16 – and on the following basis:
 - That we get sanction to recruit openly and from within to replace critical skills *at the same time as we are reducing numbers;*
 - That we get sanction to replace expensive IT consultants with graduate recruits in a “spend-to-save” proposal already submitted to the Department of Public Expenditure and Reform in May 2011 - this involves further tolerance in our headcount number.

- Second, in the area on non-pay expenditure, Revenue needs an ongoing adequate IT budget to enable us to continue to take transactions out of the system, thereby releasing staff for compliance work, and to enable us to keep improving our risk analysis so that we can target non-compliance more efficiently.

1.4 Opportunities to reduce costs and raise revenues

Table 1: Summary of revenue raising and cost saving opportunities

Proposal	Est. benefit	Est. cost
<p><i>Improve Exchequer yield/cash flow</i></p> <ul style="list-style-type: none"> ○ Accelerate tax debt collection by reallocating additional resource to debt management area ○ Change USC to a “cumulative” system so that end-year underpayments are minimised ○ Widen certain withholding taxes ○ Advance certain filing dates ○ Overlap between tax expenditure and other supports 	<p>€255m c/flow</p> <p>€50m p.a.</p> <p>€100m mainly c/flow</p> <p>€50m c/flow</p> <p>€21m p.a.</p>	<p>€1.25m (already budgeted)</p> <p>€2m (already budgeted)</p> <p>€2m (mainly IT - not budgeted)</p> <p>Nil (net saving)</p> <p>Nil (net saving)</p>
<p><i>Spend to save</i></p> <ul style="list-style-type: none"> ○ Recruit ICT specialists to replace external consultants ○ Increase Audit/Investigation/Anti-avoidance resource 	<p>€4m p.a.</p> <p>€100m p.a.</p>	<p>Nil (net saving)</p> <p>€6.5m p.a.</p>
<p><i>Reduce/improve transactional processing</i></p> <ul style="list-style-type: none"> ○ Full implementation of mandatory e-filing and removal of cheque payments/repayments ○ Increase pre-population of tax returns ○ Improve tax clearance arrangements ○ Wider tax-relief-at-source arrangements ○ Reduce PAYE contacts; facilitate agent mediation 	<p>Up to 100 staff redeployed to compliance work</p>	<p>Delivery dependent on adequate IT budget</p>
<p><i>Compliance improvement</i></p> <ul style="list-style-type: none"> ○ Widen/improve real-time withholding taxes ○ More 3rd party reporting: ○ Financial accounts to be filed electronically¹ (XBRL) ○ Risk evaluation/analytics to be greatly extended 	<p>Better targeting to deliver significant additional yield</p>	<p>Delivery dependent on adequate IT budget</p>
<p><i>Reducing/eliminating non-core activities</i></p> <ul style="list-style-type: none"> ○ Review vehicle licensing arrangements ○ Review overlap between tax expenditures and other State supports 	<p>Up to 30 staff redeployed to compliance work</p>	<p>Delivery dependent on policy decisions</p>
<p><i>Wider shared service provision</i></p> <ul style="list-style-type: none"> ○ Expand IT service provision for Govt agencies ○ Rationalise Govt agency port/airport controls ○ Expand print/mail service for Govt agencies ○ Rationalise trade statistics processes with CSO ○ Explore debt collection for Govt agencies 	<p>Significant potential savings for other Agencies</p>	<p>Delivery dependant on adequate IT budget</p>

¹ XBRL stands for eXtensible Business Reporting Language.

2 Revenue Overview

2.1 Rationale of a Tax and Customs Administration

The Office of the Revenue Commissioners' core business is to improve tax and customs compliance across all sectors of society and protect the frontier. It is the main revenue collection agency in the state, expected to collect a net €35bn in taxes and duties in 2011, c.95% of Central Fund Receipts. Revenue is therefore essential to the economic and social well-being of the State.

Revenue's key role in fiscal consolidation is recognised by the IMF/EU/ECB Agreement. In the Irish Country Report no. 10/366, December 2010, paragraph 32, the IMF note *"It will be critical that the tax administration has continued adequate funding and technical capacity to effectively implement the planned tax policy changes and to counteract lower compliance pressures due to the recession."*

2.2 Mission and Strategic Outcome

Revenue's Mission is *"To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls"*. It is a decentralised, integrated tax and customs administration with a nationwide presence providing frontline services necessary to the economic and social well being of everyone in the State. Its overall priority is to maintain and improve levels of tax and duty compliance, and for society to have the highest possible level of trust and confidence in the integrity, quality and efficiency of its operations and in its contribution to economic and social development. Revenue's overall strategic outcome is for ***"A more tax and customs compliant society and a Revenue administration that fosters economic recovery and development."*** To achieve this outcome Revenue has four key strategies:



The effective achievement of these strategies and their implementing actions requires the strong support, co-operation and continued innovation of our people, structures, technology, processes and governance mechanisms.

2.3 Business Risks

In the current economic environment Revenue faces significant challenges. These include:

- *Pressure on collection:* Many businesses continue to have tax payment difficulties. Maintaining levels of timely tax payment and reducing debt, while supporting viable businesses, continues to be a challenge.
- *Shadow economy:* There are indications of shadow economy growth since the start of the economic difficulties.
- *Smuggling:* Continuing fiscal and safety threats from smuggling including drugs, tobacco, oils, alcohol and other emerging risks.
- *Compliance costs:* A difficult business environment puts an increased focus on reducing red tape and the costs of complying with tax and customs obligations.
- *Tax reform:* Public finance stabilising mechanisms that involve changes to the tax system will result in implementation challenges for Revenue.
- *Loss of skills and experience:* Due to the profile of our staff, we expect to lose further significant numbers of experienced and knowledgeable staff to retirement.
- *Complexity of business entities:* Due to the current economic conditions, the ownership and relationships with business are often more complex, e.g. increased receiverships, examinerships and liquidations.
- *International developments:* In order to regain our international reputation and contribute to economic development EU tax and customs proposals require careful and full consideration from policy and implementation perspectives. In Ireland's EU Presidency in 2013, Revenue will play a positive role.

3 Overview of Expenditure

3.1 Staffing Trends

Up until the recent economic crisis Revenue's customer base (PAYE employees, self assessed income tax payers and companies) had been steadily growing. To respond to this growth (35% from 2001 – 2008), Revenue increased its staff allocation by 2.9% from 6,407 staff in 2001 to 6,592 in 2008. Over this period investments in IT infrastructure and improved processes led to a 31.5% increase in the total number of customers per head of staff. Since 2008 the total customer base declined by 1%. Since 2008 the reduction in the number of taxpayers and the 9.8% decline in staff numbers has resulted in an 11% increase in the ratio of taxpayers per head of revenue staff.

Chart 1: Customer Base 2001-2011

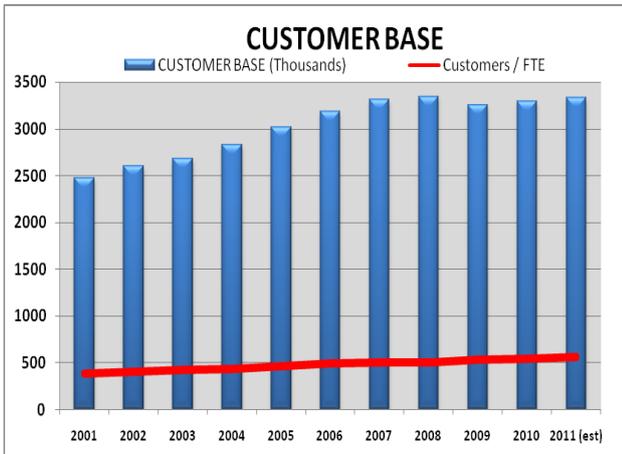
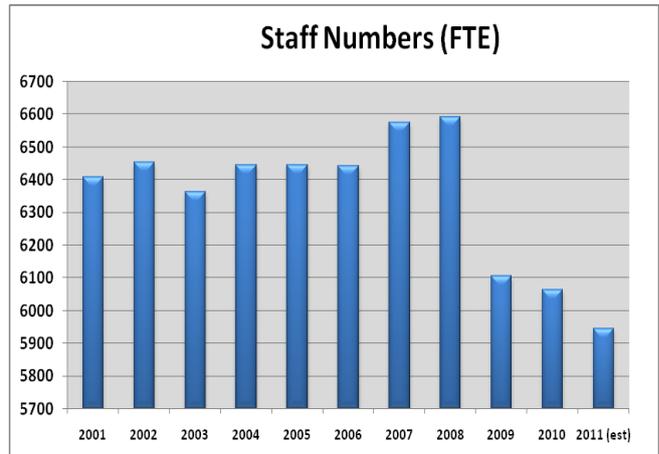


Chart 2 Staff Numbers (FTE) 2001-2011



Revenue's voted expenditure per head of population (Chart 3) provides an alternative view of the growth in Revenue's customers and the levels of public expenditure required to service this base. Since 2008 Revenue's expenditure per head of population has fallen by 28% and is now at 2002 levels.

Chart 3: Revenue expenditure per head of population

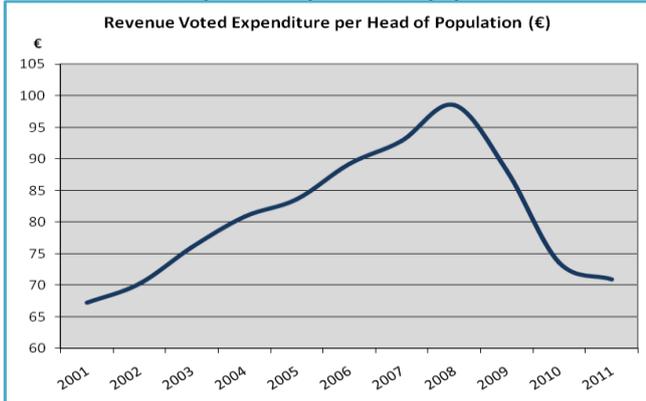


Chart 4: Volume of business 2002-2011

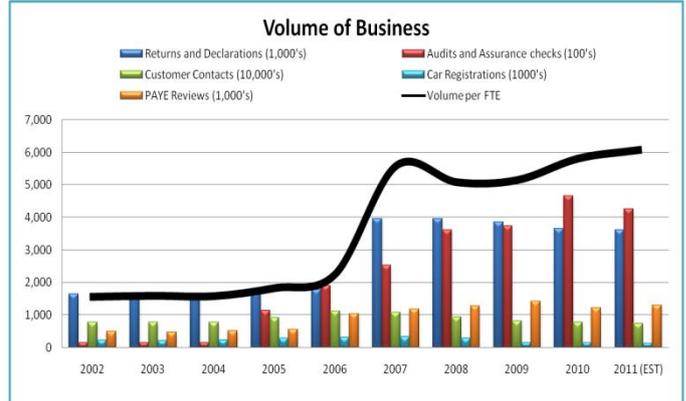
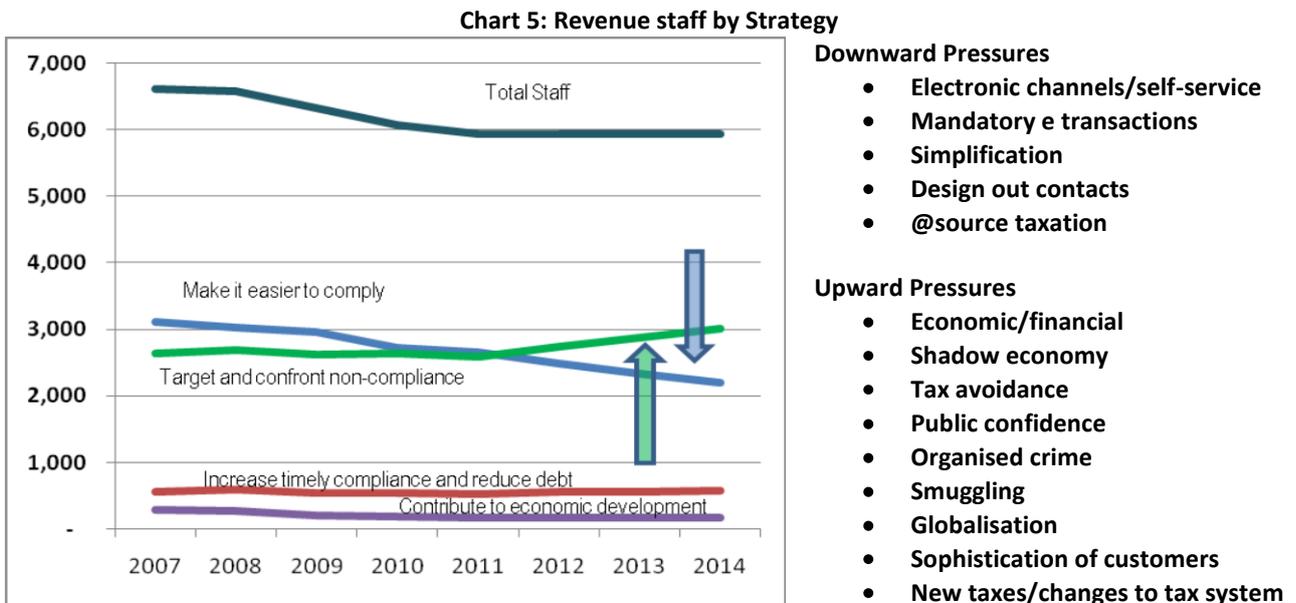


Chart 4 shows a perspective of the growth in business undertaken by Revenue. The volumes (chart 4) represent a significant part of Revenue's activities and indicate the increases in business items and contacts handled by Revenue staff.

3.2 Changing shape

As the number of Revenue staff has decreased by over 650 since 2008, the deployment of staff to relevant strategies has changed. The number of staff on activities related to the strategy to “Make it easier and less costly to comply” has reduced by 450 and the number of staff engaged on the strategy to “Target and confront those who do not comply” has reduced by a lesser amount, 60. Staff engaged on the strategy to “Increase timely compliance and reduce debt” has increased by 60. This change in the deployment of staff is a result of the downward pressure on resources due to improvements in processes and technology and upward pressure on demands due to increasing compliance risks.



The shifting of resource deployment from customer service and transactional processing to tackling compliance issues requires a different mix of grades, skills and capability. This shift presents challenges in relation to the sourcing of suitable staff to tackle the more complex cases in relation to debt management, audit and investigation and anti-avoidance. This challenge was met in 2010 by replacing key skills, through a mixture of open recruitment, redeployment and internal competitions. The ongoing development of Revenue staff is also critical to meeting skills needs. As customer contact is reduced, electronic service delivery becomes a norm and available resources are moved to tackle non-compliance, the shape of the organisation will continue to evolve.

3.3 Retirement projections

By the end of 2014 it is projected that at least a further 560 Revenue personnel will retire.

Table 2: Projected Retirements 2011-2014 (Head Count)¹

From 1 st July 2011	2012	2013	2014	Total
65	141	171	183	560

The majority of staff due to retire are HEO grade or higher and many are engaged on activities requiring specific technical skills. The loss of key skills will impact on Revenue’s capacity to service complex technical

¹ This table presents the number of personnel expected to retire from 1st July 2011 to end 2014. The data is based on all staff retiring on reaching 65 years (excluding those who joined post 2004) and estimated % retirements of the 55-59 and 60-64 age groups. It does not include any staff in the 50-54 age bracket that may avail of CNER or take account of incentives to retire before Feb 2012.

advice required by FDI companies, to identify and challenge complex avoidance schemes and undertake in-depth audits and investigations. It will also impact on the technical and IT skills required to implement changes to the tax system. Revenue needs the flexibility to replace key skills required to deliver its objectives.

3.4 Gross Expenditure

Revenue's overall Administrative Budget has been cut by almost twice as much as the rest of the civil service (19% v 10%). The cut of 19% is also significantly higher than the 6% cut recommended by the McCarthy Group Report.

Table 3: Comparison of Revenue Cuts versus Rest of Civil Service

	Civil Service (Net of Revenue) €'000	Decrease Over Previous Year	Revenue €'000	Decrease Over Previous Year
2008 Outturn	1,785,512		484,883	
2009 Outturn	1,678,842	-6.0%	460,173	-5.1%
2010 Outturn	1,542,863	-8.1%	401,763	-12.7%
2011 Estimate	1,607,904	4.2%	392,859	-2.2%
Total		-10.0%		-19.0%

3.5 Non-Pay Revenue Requirements

Revenue has carried out a thorough examination of its non-pay expenditure requirements in the context of the current Expenditure Review. Revenue non-pay resources have declined significantly since the commencement of expenditure cutbacks, 36% since 2008. Table 4 below shows the scale of these cuts.

Table 4: Non-Pay Expenditure (Current & Capital)

2008	2009	2010	2011	2008 - 2011
€153m	€130m	€110m	€98m	-€55m/36%

Revenue has received significant cuts on the non-pay front. Despite the fiscal consolidation role of Revenue, it received the highest cut proportionately of all 41 Votes in 2010. The majority of the non-pay expenditure is accounted for by IT services and equipment, enforcement related legal expenses, maintenance of our high technology anti-smuggling equipment (cutters, scanners and vehicles) and essential services (post, phones and office expenses, etc.). Our review shows that we are now at a point where it is difficult to cut any further without serious risk to the collection process.

3.6 Report of the Special Group on Public Service Numbers and Expenditure Programme (McCarthy)

The McCarthy Report noted that it was possible to reduce Revenue staffing by 350 (from 6,599 to 6,249) while maintaining effective service and make €26.6m expenditure savings. Revenue has delivered and exceeded the savings identified.

Table 5: Savings measures identified in McCarthy Report

Measures identified	Annual Saving	Status
Examine scope for further efficiencies	€10m	Delivered
IT Efficiencies	€8.6	Delivered
Efficient use of consumables	€5m	Delivered
Savings on legal services	€1m	Delivered
Review the number of regional office locations	€2m	Delivered
Total Current Savings	€26.6m	
Associated staffing reductions	350	Delivered

3.7 Public Service Agreement

Revenue's contribution to the Public Service Agreement 2010-2014 ('Croke Park Agreement') is designed to support the continued delivery and maintenance of high quality public services against a backdrop of reducing resources and staff numbers and to ensure that public service continues its contribution to the return of economic growth. A summary of the changes delivered by Revenue in the first 12 months of this agreement is noted in table 6.

Table 6: Croke Park Changes to March 2011

Changes Delivered	Note
Introduce e-Stamping	54 staff saving
Modernised CAT	25 staff saving
Redesigned VRT	22 staff saving
Open recruitment of specific skills	PO's for Large Cases, AP's with Audit and Investigation skills and economist recruited
Flexible deployment, e.g. compliance team working	Ongoing flexibility
Developing IT Shared service	Shared services provided for more than 15 Departments/Agencies

Revenue has achieved a saving in staff of 101 and estimated annual expenditure savings of €6.5m in the first year of the Croke Park Agreement.

3.8 Spend to Save – ICT External Recruitment

One initiative currently planned to strengthen Revenue's Information and Communications Technology capability while reducing overall ICT costs is to recruit 40 ICT specialists at EO and AO level. This will allow Revenue to progressively reduce reliance on external resources. This will deliver net savings of €4m per annum when training and integration of recruits is completed. Sanction to proceed with this proposal is being considered by the Department of Public Expenditure and Reform.

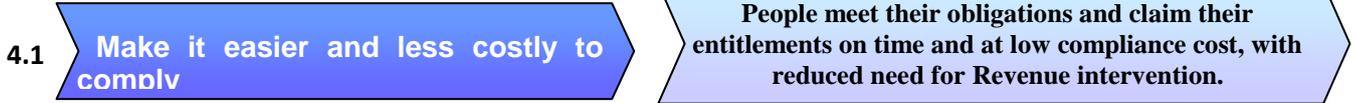
3.9 Accommodation rationalisation

Revenue is currently reviewing the effectiveness of smaller offices and also the rationalisation of accommodation. The reduction in the number of smaller offices under the McCarthy report has already delivered savings of €2m. However, rationalisation may require an initial investment in refurbishment of other accommodation. This investment should be recovered in the savings on rent from vacated buildings.

4 Evaluation of Revenue Strategies

Strategies and Intermediate Outcomes

To achieve its strategic outcome Revenue has adopted four core corporate strategies.



4.1.1 Rationale

Revenue is responsible for administering and collecting billions of Euros in taxes, duties and levies annually for the economic and social well being of the Irish people and businesses. To support this role Revenue provides effective mechanisms and processes for the submission of returns, the collection and accounting of taxes, duties and levies at a reduced cost for the taxpayer. Revenue will also supply high quality information, communications and provide contact facilities and channels so that taxpayers, importers, international passengers, etc. are aware of not only their obligations and entitlements but also of the most effective means of paying taxes or claiming reliefs. This strategy focuses on building services to make compliance easier and building trust to promote compliance. In a self-assessment tax system the value of high quality services in fostering compliance is internationally recognised. Effective service delivery channels make it easier for taxpayers to comply with their obligations and simplifications allow Revenue to reduce administrative barriers to compliance. Where society believes that the Revenue administrations can be trusted to be fair, efficient and impartial a culture of voluntary and accurate tax and customs compliance is developed. As a consequence intensive Revenue interventions can be reduced.

4.1.2 Objectives

The key objectives of this strategy include:

- To collect budgeted revenue
- To increase taxpayers awareness of entitlements and obligations
- To improve Revenue's understanding of compliance behaviour
- To reduce taxpayers compliance costs
- To establish electronic channels as the norm
- To design and deliver high quality Revenue services
- To achieve service and trade facilitation standards

Revenue wants to remove, as much as possible, complexities and costs in complying with tax and customs obligations. The focus is on: greatly increasing the use of electronic channels; better understanding and improving compliance behaviour across particular sectors; providing better communication and information where it is most needed; and generally improving the design, quality and timeliness of customer services.

4.1.3 Intermediate Outcome

The medium term societal impact or 'intermediate outcome' sought from this voluntary compliance strategy is that taxpayers, businesses and international passengers will meet their obligations and claim their entitlements on time and at low compliance cost, thereby reducing Revenue interventions.

4.1.4 Performance Indicators

Table 7: Inputs for Strategy “Make it easier and less costly to comply”

	2007	2008	2009	2010	2011
Total Expenditure €m	203.8	193.9	181.3	150.4	148.3
of which – Exchequer Pay €m	139.0	141.5	142.7	119.6	121.0
No. of Employees	3,109	3,030	2,952	2,711	2,652

Table 8: Outputs for Strategy “Make it easier and less costly to comply”

	2007	2008	2009	2010	2011 (E)
Gross Collection €m	€66,143	€60,061	€50,743	€46,793	€50,465
Gross Collection / FTE €m	€21.3 m	€19.8 m	€17.2m	€17.3m	€19m
Gross Collection / € spent	€324.5	€309.8	€279.9	€311.1	€345
Net Collection €m	€47,502	€41,073	€33,279	€31,918	€35,068
Net Collection / FTE	€15.3m	€13.6m	€11.3m	€11.8m	€13.2m
Net Collection / € spent	€233.1	€211.8	€183.6	€212.2	€239.9
Total Items Processed (millions)	16.1	16.0	14.4	13.5	13.4
Total Items Processed / FTE	5,174	5,264	4,867	4,998	5,041
€ spent per item processed	€5.07	€4.86	€5.05	€4.44	€4.37
Total contacts Handled (millions)	20.3	17.2	16.7	21.2	22.7
Total contacts Handled/FTE	6,545	5,672	5,650	7,814	8,554
€ spent per contact handled	€6.01	€6.77	€6.52	€4.26	€3.87
Customer Service Standards					
Phone ¹	-	88.1%	88.3%	89.5%	85%
Correspondence ²	85%	92%	87%	81%	81%
Customer Satisfaction Surveys	88% ³	84% ⁴	91% ⁵	91%	-
Electronic channel usage	49%	53%	55%	59.5%	63%

Chart 6: Comparison of revenue collected and projected

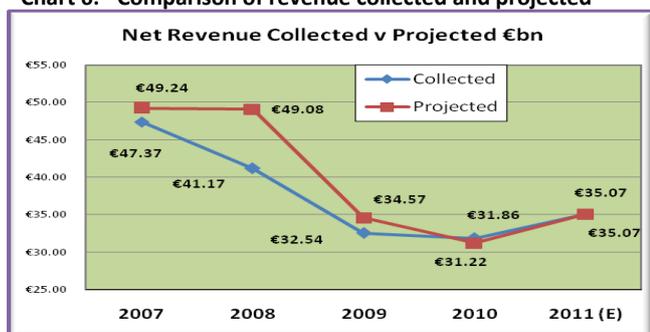


Chart 7: Gross Revenue receipts by FTE

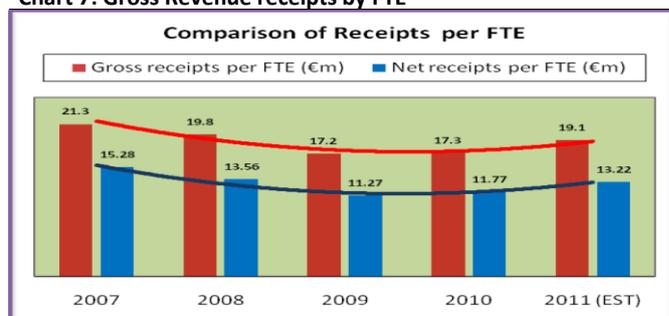


Chart 8 Gross and net receipts per € expenditure

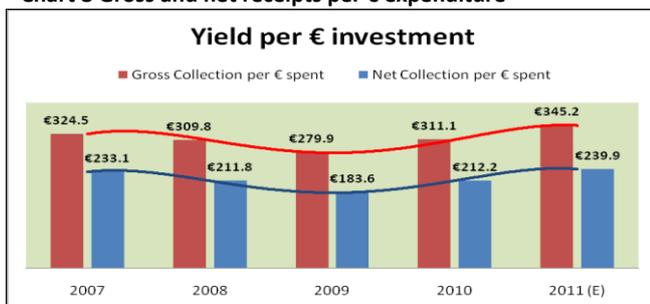
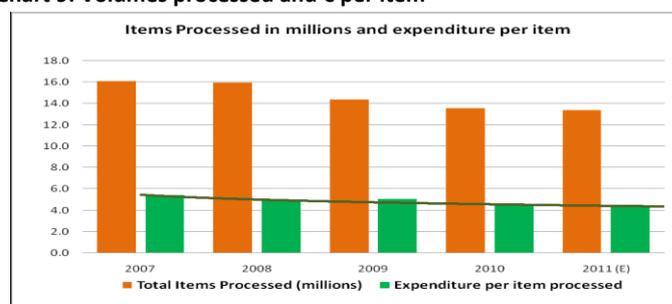


Chart 9: Volumes processed and € per item



¹ % Answered within 3 minutes – target 85%

² % Dealt with within 20 days – target 85%

³ PAYE Customer Survey, 2007

⁴ SME Business Customers, 2008

⁵ PAYE Customer Survey, 2009-2010

4.1.5 Assessment of effectiveness of strategy

Revenue continues to encourage taxpayers to voluntarily comply by offering a range of customer service channels and delivering excellent service through those channels. The staff resource assigned to this strategy has reduced by 17% since 2007, reflecting the increasing range and quality of on-line services, simplification and reduced level of contact through the traditional channels. Despite this staff reduction Revenue has maintained its focus on maximising the collection of receipts (charts 6, 7) and increasing the level of collection for each € invested (chart 8). Revenue also adopts a cooperative compliance approach to its larger cases. Large Cases Division brought in €14.b in tax in 2010. This cooperative compliance approach is leading international practice. The provision of high quality information and assistance through a range of customer service channels is internationally recognised as key to the maintenance and encouragement of voluntary compliance. In Ireland high levels of timely filing and payment compliance levels support this case. Furthermore, the cost of processing each item is continuing to reduce (chart 9). Electronic service channels continue to generate savings in frontline staff numbers. These resource savings have been deployed directly to other core frontline areas that have suffered resource deficits, such as debt management and compliance interventions. To gain these resource savings increased specialised Information and Technology resources to develop, maintain and update these channels was required. Finally, satisfaction with Revenue remains positive, with 91% of survey respondents satisfied or very satisfied.

4.1.6 Opportunities for more cost effective delivery of strategy

Payments by Government Departments and Agencies

Integration of the tax collection system with all payments made from Central Funds could improve cash flow, increase tax receipts and reduce compliance and administrative costs. The new model being developed of a real-time withholding tax for Relevant Contracts Tax could be extended to all payments made from Central Funds.

This would need to be phased in and appropriate rates would need to be determined.

Pre-population of returns

Improving the sources, timeliness and quality of third party data could allow increased pre-population of Income Tax returns. This would enhance levels of compliance and reduce the administrative burden. Other tax administrations operating 'pre-population' have experienced revenue uplifts of up to 5% and improved voluntary compliance levels. Given the scale and complexity of the data requirements, this would need to be phased in over time. It may need legislation and adequate ICT resources would be required.

Universal Social Charge (USC)

The USC was introduced in 2011 and is currently administered on a “week 1” basis. Moving to a cumulative basis of collection could improve receipts by c. €50m per annum. With supporting legislation and adequate ICT resources, this could be in place by 2012. For an employer such a move would mirror PAYE arrangements and provide a platform for further reducing their compliance burden. The IT cost of development is €2.2m.

Overlap between tax expenditure and other supports

An integrated review of the effectiveness and interaction of various economic and social supports and tax expenditures could lead to improved support delivery and reduced exchequer costs. Potential areas include:

- Cultural support
- Excise reliefs
- Disabled driver support
- Family support
- Housing support
- Health related cost supports

Tax Clearance Requirements

Most Government Departments and Agencies have requirements for tax clearance or Revenue confirmed income. The requirements range from education grants to taxi licences. The widening of facilities and authority to provide on-line clearance would simplify and speed up the administrative process. The taxpayer confidentiality and data protection issues would need to be considered as part of such developments.

Mandatory Electronic Filing and electronic payments/repayments

A wide spread mandatory electronic filing of returns and payments regime has been provided in recent Finance Acts. This new approach is currently in mid stage and will be fully implemented by 2014. Once fully utilised, Revenue’s costs will be reduced in terms of the generation and processing of paper returns. Staff savings in data processing centres should be available to undertake core compliance checking and verification work. However, a significant investment in the development, maintenance and evolution of supporting IT platforms replacing the staff resources and paper data processing systems must be sustained. Moving to electronic payments by Revenue, including repayments, would also reduce costs.

Electronic filing of financial accounts using XBRL

Revenue is developing an on-line protocol for the capture of accounts information, using XBRL¹, an international system for receiving financial statements and computations. This initiative will deliver benefits in terms of reduced administrative burden on business and allow better risk analysis and intervention targeting for individual tax entities across industry sectors. It is proposed to adopt a phased implementation

¹ XBRL stands for eXtensible Business Reporting Language.

programme of mandatory submission of financial statements starting 2012, to all business taxpayers who are required to electronically pay and file with Revenue. XBRL would also allow better exchange of information between Revenue, the Companies Registration Office and the Central Statistics Office. The IT cost for developing XBRL is estimated at €1.4m.

Customer Contact Reduction Project

Revenue has commenced a Customer Contact Reduction Project focussing initially on PAYE customer contacts. The objective of the project is to ensure taxpayers understand their tax entitlements and obligations and that unnecessary contacts are eliminated or re-directed to our self-service channels (e.g. PAYE Anytime). Over time this will allow for staff currently providing frontline customer service functions to be reassigned to compliance verification work and interventions.

PAYE Agent Mediated Services

Revenue is facilitating the provision of PAYE agent mediated services using PAYE Anytime for those taxpayers who are unable or unwilling to use our range of services. The services carried out by these agents through PAYE Anytime reduce the level of customer contacts that are dealt with by our staff. PAYE agent mediated services has the potential to reduce the levels of staffing currently engaged on the customer service function. However, there are increased IT requirements to maintain and develop PAYE Anytime.

Widen Tax Relief at Source Provisions

Tax relief at source is currently provided for mortgage interest relief and health insurance. Widening tax relief at source provisions to include other expenditure based tax reliefs would reduce contact with Revenue and ensure that taxpayers get the correct relief at the time of payment.

Bring forward certain return filing dates

Bringing forward the certain filing dates for tax and duties would improve revenue cash flow. To allow agents to prepare for such a change significant advance notice would be required. It probably could not be implemented earlier than 2013.

4.2.1 Rationale

The majority of Irish individuals and businesses comply with their tax and customs requirements. Nevertheless Revenue continues to see a growth in those taxpayers who fail to meet their filing and payment obligations and deadlines and as a result allow their tax liabilities to become tax debts. Revenue's focus is on promoting voluntary high levels of timely filing of returns and accompanying payments. In response to the new economic operating environment Revenue has developed a three-pillared approach to tax debt. The first stage is to maintain taxpayers' voluntary compliance in the areas of filing and payment. As taxpayers file and pay on time they do not become a debt burden and require minimal levels of Revenue intervention. The second pillar calls for the continuation of strong efforts to manage and reduce debt using all available means including legal enforcement. The final pillar recognises the financial difficulties facing businesses and provides limited rescheduling and payment facilities for viable businesses that engage early and positively with Revenue.

4.2.2 Objectives

The primary objectives of this debt reduction strategy are as follows:

- Achieve improved timely filing and payment compliance
- Reduce the levels of tax debt, and
- Facilitate viable businesses that engage positively with Revenue

For the foreseeable future Revenue expects that many businesses will continue to experience tax payment difficulties. Our strategy of balancing debt enforcement with limited debt rescheduling for viable businesses will be continuously managed to ensure that collectible tax debt is reduced and there is no slippage in timely payment rates.

4.2.3 Intermediate Outcome

The impact or outcome sought from this strategy, in the medium term on society, individuals and taxpayers is that they meet their filing and payment obligations on time and overall debt is reduced. The achievement of this outcome builds on the principles of self-assessment and strengthens, as well as, supports the first strategy on voluntary compliance. With improved filing and payment compliance and reduced tax debt the Exchequer's revenue base is protected and increased funds are available to support Government policies.

4.2.4 Performance Indicators

Table 9: Inputs for Strategy “Increase timely compliance and reduce debt”

Inputs	2007	2008	2009	2010	2011 (E)
Total Expenditure €m	61.4	73.8	70.6	58.6	54.7
of which – Exchequer Pay €m	24.5	28.0	23.6	21.5	21.7
No. of Employees	567	591	545	542	530

Table 10: Outputs for Strategy “Increase timely compliance and reduce debt”

Outputs	2007	2008	2009	2010	2011 (E)	
Total Debt €m	1,139	1,590	1,939	1,962	1,960	
Debt Management per FTE €m	2.3	2.7	3.6	3.6	3.7	
Total Debt available for Collection	895	1,233	1,443	1,389	1,200	
Debt under appeal €m	347	564	587	640	690	
Debt in enforcement €m	202	260	353	385	400	
Debt under Instalment Arrangements €m	54	79	119	121	120	
Debt written off €m	118	128	222	300	350	
Total Debt as % of GDP	0.61%	0.87%	1.2%	1.2%	1.2%	
Total Debt as % of Gross Collection	2.0%	2.65%	3.8%	4.1%	3.9%	
Total Debt as % of Net Collection	2.4%	3.87%	5.8%	6.1%	5.6%	
Compliance Rates by Case Size ¹	Large	96%	97%	96%	97%	97%
	Medium	93%	94%	93%	94%	94%
	Other	82%	81%	83%	83%	84%

Chart 10: Rates of timely filing and payments

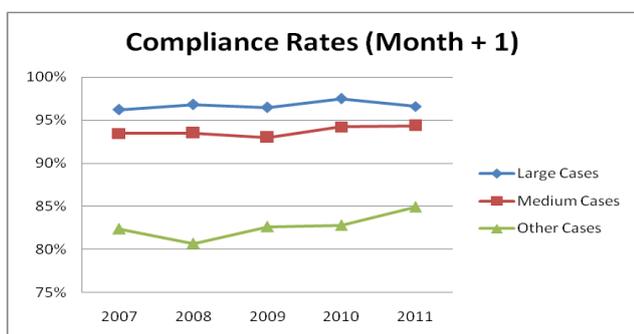


Chart 11: Comparison of debt to GDP, Gross and Net Receipts

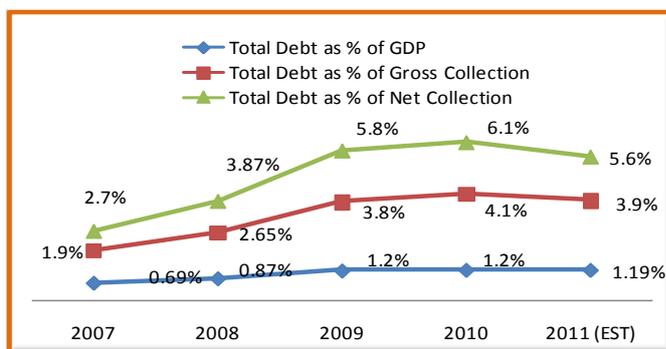


Chart 12: Comparison of Revenue Collected as % of GDP

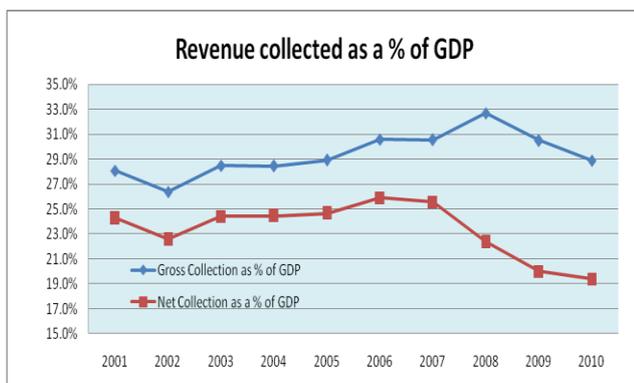


Chart 13: Debt (€m) being managed per FTE



¹ The compliance rates for timely filing or payment shown include returns and payments received one month after deadlines have passed. (Month +1)

4.2.5 Assessment of effectiveness of strategy

Staff resources applied to this strategy have increased by 13% since 2007, reflecting Revenue's commitment to tackle rising levels of tax debts and reluctance or inability to pay. Despite the severe economic difficulties the rate of timely compliance has been maintained (chart 10). Total outstanding debt and debt available for collection, while high, have stabilised (chart 11). A major initiative was the introduction of sustainable debt management arrangements for viable businesses with previously high levels of satisfactory compliance who engaged early with Revenue regarding their liabilities. Using this framework tax liabilities were placed under payment arrangements and avoided becoming tax debts. An additional benefit is that recognised compliant taxpayers were encouraged to remain viable and in business, thereby aiding economic recovery. Furthermore, considerable attention is being focused on both reducing the age of tax debt and, where necessary after providing scope to pay, applying stringent enforcement procedures.

4.2.6 Opportunities for more cost effective delivery of strategy

Re-deploy resources to reduce debt

Revenue is currently planning to re-deploy 30 staff, mainly engaged on the strategy "Make it easier and less costly to comply", to a targeted project on debt reduction. Once fully operational, this project team will target the control of €425m of debt. The forecast is to collect an additional €255m of debt, write off €85m of bad debt and bring a further €85m either within agreed payment arrangements or make it the focus of active enforcement. The cost of this project is estimated at €1.25m.

Electronic Relevant Contracts Tax Project

The current Relevant Contracts Tax system is undergoing radical reform. The aim is to (i) streamline and modernise the scheme, (ii) reduce the administrative burden on business and Revenue, (iii) enhance compliance, (iv) reduce the opportunities for fraud, and (v) improve cash flow for tax compliant subcontractors. A new IT platform is being developed to facilitate this project. The new RCT system will result in savings of over 100 processing resources over a two-year period at an ICT cost estimated at €3.8m.

Development of risk analysis framework for debt management

The ongoing development of analytics within Revenue has the potential to improve the targeting of the riskiest cases. Work is ongoing to develop a risk analysis framework focusing on earlier identification of cases with behaviours or traits that show higher potential for increased debt delinquency and risk of liquidation. Earlier identification of the riskiest cases should allow interventions that prevent increases in Revenue debt.

4.3.1 Rationale

There are clear indications that shadow economy activity has increased since the start of the economic slowdown. Contributory factors include increased unemployment, higher marginal taxes/levies on income and high financial rewards from selling smuggled fiscal products (cigarettes, oils, alcohol) and other contraband. Drugs smuggling remains an ongoing serious threat. In addition, abusive tax avoidance schemes continue to erode the tax system and require vigilance from Revenue so that they can be detected and challenged at an early stage. Revenue is confronting these threats to society and the exchequer by deploying available resources to this area; more on-the-ground presence and visibility in the main risk sectors; closer cooperation with other State and International agencies; greater use of intelligence, data matching and analytics and an intensified range of risk focused compliance and audit interventions. Where fraud, smuggling and other offences are suspected Revenue will investigate and prosecute.

In targeting non-compliance Revenue utilises risk management and analytics to identify those cases and areas posing the greatest risk. In this way the most appropriate intervention can be targeted at each case.

4.3.2 Objectives

The objectives of this multi-faceted strategy to tackle non-compliance include:

- Increasing Revenue's focus on shadow economy risk sectors
- Improving Revenue's targeting of smuggling, especially drugs, tobacco, oil and alcohol
- Improving the early detection of highest risk evasion
- Improving the coverage of risks in PAYE and non-self assessment cases
- Prosecuting serious evasion and fraud, and
- Detect and challenge abusive tax avoidance

4.3.3 Intermediate Outcome

The objectives and supporting Revenue's actions arising from this strategy aims at deterring people from filing inaccurate returns and declarations and from engaging in shadow economy activity and smuggling. Unlike other strategies, confronting and tackling non-compliance displays the harder face of Revenue but through its actions and successes resulting publicity and awareness will act as a deterrent to those in society who may be on the verge of undertaking an illicit or non-complaint activity.

4.3.4 Performance Indicators

Table 11: Inputs for Strategy “Target and confront those who do not comply”

Inputs	2007	2008	2009	2010	2011 (E)
Total Expenditure €m	163.0	194.4	191.2	179.7	176.9
of which – Exchequer Pay €m	138.4	144.7	152.1	139.9	141.5
No. of Employees	2,649	2,689	2,629	2,643	2,585

Table 12: Outputs for Strategy “Target and confront those who do not comply”

Outputs	2007	2008	2009	2010	2011 (E)
Audits conducted	14,308	13,414	12,419	11,008	11,100
Audit Yield €m	687.6	569.2	601.8	434.7	440.0
Audit yield per Auditor €m	1.43	1.07	1.24	0.83	0.84
Audit hit rate	-	65%	71.5%	71.8%	75.1%
Assurance checks conducted	237,626	347,445	361,299	454,796	437,000
Assurance Check Yield €m	46.22	63.1	68.5	58.0	51.0
Assurance Check hit rate	-	-	9.9%	9.7%	9.3%
Number of Drug seizures	2,758	6,667	8,215	6,735	7,700
Number of other seizures	17,669	13,202	14,082	12,757	15,300
Value of drugs seized €m	138.6	152.3	39.0	9.02	15.0
Volumes of seizures					
Tobacco kilos	1,546	3,083	10,451	3,367	4,000
Cigarettes m	74.5	135.2	218.5	178.4	170
Alcohol litres	22,820	83,037	96,759	44,276	45,000
Drugs kilos	4,363.01 ¹	5,397.92 ²	3,936.88	531.24	2,500
All seizures / Anti smuggling FTE	50.64	45.04	52.92	47.61	57.44
Value of all seizures per € spent	€7.4	€7.0	€4.3	€3.0	€3.19
Number serious prosecutions	14	20	15	13	25
Number summary prosecutions	1,727	1,713	2,161	2,548	2,700
Anti Avoidance Schemes under challenge (end of year)	47	49	45	48	50

Chart 14: Audit Yield (€m) / FTE and Audit Hit Rate

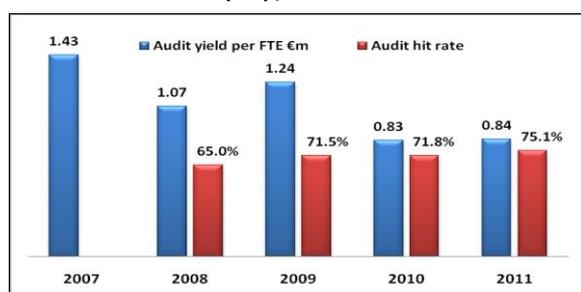


Chart 15: Number of seizures (hundreds) and Value (€m)

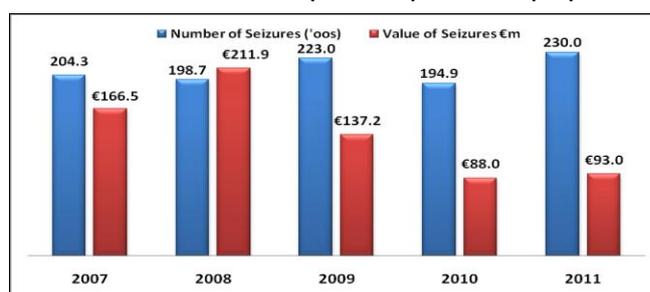
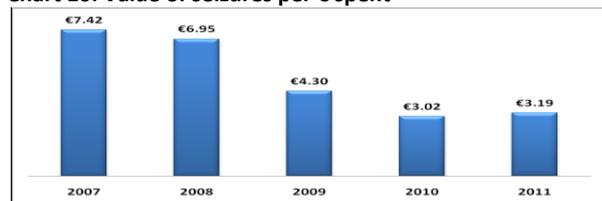


Chart 16: Value of seizures per € spent



¹ Includes 1,550kg from attempted landing at Dunlough Bay, Cork in July 2007

² Includes Operation Sea Bight in November 2008

4.3.5 Assessment of effectiveness of strategy

The number of staff engaged on compliance activities has remained at similar levels until 2011. However, this has only been achieved by implementing the 2010 Department of Finance sanction to replace 200 staff retiring by open recruitment and internal promotion and redeployment of staff from other strategies. The sanction included open recruitment of 4 Principal Officers and 22 Assistant Principal Officers with specific audit and investigation skills. Many of the internal appointments are currently undergoing audit training and will not become fully effective until completion of their training in 2012. The loss of experienced officers has impacted on the audit results in 2010. Results have also been affected by payment difficulties faced by taxpayers due to the current economic and financial situation. To maximise the effectiveness of any future assignments to essential frontline areas Revenue needs to put in place a robust and sustainable succession plan which allows expected losses to be replaced in a timely fashion by trained and capable staff.

A key objective of this strategy is the protection of society from dangerous goods and the protection of the exchequer from fiscal smuggling. Dedicated resources and technology are focussing on prevention, by the detection, investigation and seizure of smuggled goods. This requires a 24 hour/7 day a week resource capacity. The diverse range of these goods impacts both on the health of society (drugs) and the yield to the exchequer (e.g. in the case of tobacco products the loss to the exchequer is €6.50 per pack of 20 cigarettes smuggled, with an estimated 14% of the market smuggled, a potential exchequer loss of €200m per year). Revenue has been in the frontline in confronting organised criminal activities in these areas.

Economic downturns create an environment for the creation and societal acceptance of shadow economy activities. High visibility and targeted operations to reduce these activities and to detect and prosecute those who are already practising in this area are in place. There is increased cross agency cooperation with other agencies to tackle fraud, for example the Joint Inspection Units with the Department of Social Protection. Special projects using risk analysis, intelligence collation and assurance checks are focussing on specific high-risk sectors such as cash businesses. These projects provide support to more publicly visible operations such as 'streetscapes' and visits to fairs and markets. These checks are resource intensive and provide wider coverage of possible risk. However, they do not have the same revenue yield as more intensive audit and investigation interventions.

Prosecutions for non-compliance have the capacity to discourage non-compliant behaviour. Already in 2011 the level of prosecutions for serious cases of tax and customs offences has exceeded previous levels. Achieving a successful prosecution requires intensive and detailed investigation and evidence. In addition, summary prosecutions have proved and continue to be a strong weapon in Revenue's armoury to deter non-compliance.

4.3.6 Opportunities for more cost effective delivery of strategy

Prioritise resources to tackle non-compliance

Given the ongoing risks presented by the economic downturn, with difficulties in obtaining finance, increased shadow economy and smuggling activity, additional resources applied to this strategy are essential to avoid slippage in compliance. However, this strategy area is expected to lose a further 40 staff due to retirement

within the next twelve months - a significant loss of technical capacity to tackle non-compliance. Given Revenue's demographic profile, this area is likely to face accelerated losses of experience and key skills over the next 4 years.

Revenue is committed to mobilising all available resources to confront the threat to the exchequer posed by non-compliance in all its forms. To meet this commitment, it is essential that Revenue has the capacity to replace skills loss and increase resources tackling non-compliance. This will require sanction to adjust Revenue's Employment Control Framework limits and to fill critical posts from appropriate sources including targeted redeployment, internal promotion and open recruitment. Each additional trained auditor has the capacity to bring in an average of €0.8m in audit yield, a return on investment of between 12 and 15 to one. By increasing audit, investigation and compliance resources by c.125 staff an additional yield of €100m per annum could be achieved. In addition to collected audit yield, there is a significant deterrent and voluntary compliance effect on behaviour of an effective, risk-based compliance programme. Conversely there is a risk of increased non-compliance and a risk to audit and compliance yield if existing staff are not replaced.

Real-time risk framework

Revenue has recently developed a real-time risk framework for the PAYE employee system. The system applies innovative analytics to transactions in real-time. This should speed up the processing of transactions and reduce the risk of fraud. The initial IT development cost was €1.2m. This cost should be fully recovered by the increased detection of fraud.

It is proposed to extend this real-time risk framework to other tax-heads, starting with VAT. However, this will require additional expenditure on IT, estimated at €0.8 – €1.1m per annum.

Developing risk evaluation systems (e.g. REAP)

Revenue's Risk Evaluation Analysis and Profiling (REAP) system links Revenue's expert knowledge with data returned by customers and received from third parties. The system analyses the customer base and identifies the cases posing the greatest risk. REAP reduces the possibility of Revenue intruding on compliant businesses and unnecessarily imposing the costs and burden of a tax audit and allows Revenue to deploy resources far more effectively. However as risks are constantly changing so must any risk assessment and management system evolve and grow. Planned enhancements of REAP involving more extensive use of 3rd party data and predictive modelling and analytics to improve target selection is ongoing. Revenue recently participated in an international benchmarking exercise with 10 other leading tax administrations. Preliminary results indicate that Revenue compares well to its peers. Revenue's risk evaluation system is noted as an example of best practice and genuinely effective risk assessment.

Widen 3rd party reporting arrangements

Revenue currently receives reports from a wide range of financial institutions. Widening the reporting requirements would provide information to improve risk identification and reduce unnecessary contact with compliant taxpayers.

4.4.1 Rationale

Revenue's largest contribution to Ireland's economic development, besides effectively collecting Exchequer funding, is the provision of high quality advice, with clear and unequivocal legislation, on the optimum tax and customs policies to be deployed. The Programme for Government provides for significant tax changes and reforms. High quality policy advice to Government and decision makers on optimum measures and administrative mechanisms is essential to ensure that changes have the maximum and desired impact. Revenue works closely with the Department of Finance in the development of the Budget and the Finance Acts. Advice, legislation and interpretation on the management of each tax, duty and levy must be focussed on achieving the maximum fiscal and financial impact while being efficiently administered, as well as being low in cost to comply. In this way low cost voluntary compliance is promoted and facilitated and the collection of the tax is undertaken in an effective manner. Compliance can be encouraged through better engagement with intermediaries and other stakeholders. The Tax Administration Liaison and the Customs Consultative Committees are key consultation fora for Revenue. There are well developed national, regional and local consultative arrangements with the Institute of Taxation in Ireland. Revenue continues to negotiate double taxation and other international agreements that facilitate investment, international trade and support the fight against tax evasion and other trans-national crime. High-level stakeholder consultative groups are used by Revenue to constantly stay engaged with business. Such engagement ensures that Revenue's tax and customs environment remains constantly attractive to the continuation of business, in particular foreign direct investment, and exports. Revenue plays an active role in the development of tax and customs policies and legislation at the EU, the OECD and the World Customs Organisation. Revenue also has staff working with the Maritime Analysis and Operations Centre –Narcotics, Lisbon and Europol, The Hague, to assist in the fight against drug trafficking and organised crime. Through its participation in international fora and organisations Revenue is well placed to positively influence the advancement of international medium and long term tax and customs proposals and practices.

4.4.2 Objectives

The objectives of this strategy include:

- Providing high quality policy advice and legislation
- Extending Ireland's tax treaty network
- Advancing Ireland's tax and customs policy agenda at EU, OECD, WCO and other international fora
- Stakeholder engagement
- Contributing to successful EU Presidency in 2013

4.4.3 Intermediate Outcome

If Revenue is a successful and modern tax and customs administration its advice, policies, processes and mechanisms will strengthen and improve society's behaviour and attitudes to taxation and as a consequence positive and actively contribute to Ireland's economic recovery.

4.4.4 Performance Indicators

Table 13: Inputs for Strategy “Contribute to Ireland’s economic development”

	2007	2008	2009	2010	2011
Total Expenditure €m	20.1	22.8	17.1	13.1	13.0
of which – Exchequer Pay €m	18.5	17.7	11.4	10.9	11.0
No. of Employees	293	282	201	181	177

Table 14: Outputs for Strategy “Contribute to Ireland’s economic development”

	2007	2008	2009	2010	2011 to date
Advice to D/Finance	Achieved	Achieved	Achieved	Achieved	Ongoing
Advice to other Revenue Divisions	Achieved	Achieved	Achieved	Achieved	Ongoing
Finance Acts passed	2	2	1	1	3
Other Acts and Statutory Instruments	9	13	15	13 ¹	8
Ease of doing business (EU ranking)	1	1	1	1	-
Foreign Direct Investment €m	138,362	138,859	169,327	183,953	-
Value of Imports facilitated €m	100,945	93,225	73,878	74,629	-
Value of Exports facilitated €m	157,304	151,407	149,065	157,261	-

4.4.5 Assessment of effectiveness of strategy

In 2010 advice was provided in areas such as a new carbon tax, transfer pricing, VRT scrappage scheme, new regime for Islamic finance and amendments to existing schemes. In 2011, this area has provided advice on three Finance Bills.

Revenue’s direct contribution to Ireland’s economic development can be measured by the ease a business has in paying its taxes. International studies have found that Ireland ranks first amongst EU countries on the ease of paying taxes and achieves this at a relatively low cost.

Improvements and simplifications to tax legislation and their supporting rules, regulations and codes are effective mechanisms to maintain business and direct investment in Ireland. The Central Bank in 2009 stated, “A 10% reduction in tax complexity is approximately comparable to a one percentage point reduction in the effective corporate tax rate”².

In 2010, the Global Forum on Transparency and Exchange of information for Tax Purposes reviewed the system for the delivery of exchange of information for tax purposes. This review found that Ireland has an effective system and the simplification measures in place diminish the compliance burden for SMEs.

Other means of contributing to economic growth and remaining attractive for Foreign Direct Investment is the continuation of trade facilitation based customs systems. Such systems allow compliant importers and exporters to move their goods across the frontier with minimum Revenue intervention and resulting in lower compliance burdens and speedier production times.

Tax and customs issues are a focus at a number of international fora and institutions. Revenue is a major supporter of a Modernised Customs Code, which along with its implementing provisions will integrate

¹ Includes the VAT Consolidation Act, 2010

² Lawless, 2009, Central Bank Research Technical Paper

European customs and will result in easier flow of goods for imports and exports. Revenue's continual presence at OECD and EU tax forums provides a consistent defence of fair tax competition to increase Ireland's and Europe's share of global investment. Revenue's attendance and active participation at meetings, fora and seminars provides a solid base to regain our national reputation as well as protect national policies on tax and customs issues.

4.4.6 Opportunities for more cost effective delivery of strategy

Given the reduction in staffing in this area and the ongoing need to deliver the Government's tax reform programme, there is no further scope for staff savings in this area.

Simplification of legislation

Simplification of tax and customs legislation, the modernisation and harmonisation of administrative provisions of the tax-head model and the removal of tax expenditures, etc, from tax systems, have the potential to improve the cost effective delivery of Revenue administration.

Air Travel Tax

The Air Travel Tax is currently collected from passengers, departing from Irish airports, by airline operators. In certain circumstances the airline operator's ground handling supplier may be liable. A simplified system based on collection by the Airport operator, together with airport charges, would be more effective and less costly to administer.

National Vehicle Licensing

Revenue has responsibility for the registration of vehicles and the collection of the VRT in the State. It has limited input into the approval of vehicles in Ireland with emissions standards, vehicle construction standards, etc, all outside of Revenue's area of competence. Now that VRT operations are delivered by an external service provider it may also be more effective to transfer the actual vehicle registration functions to another body.

5 International and Strategic Performance Indicators

5.1 General international performance indicators for Revenue Administrations

Table 15: International Performance Indicators

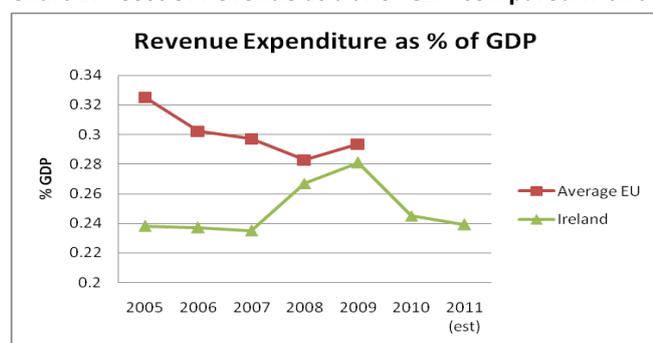
	2008	2009	2010	2011(E)
1 Gross Revenue collected as % of GDP	32.7%	30.5%	28.9%	29%
2 Ratio of debt available for collection as % of total gross receipts	2.1%	2.8%	2.7%	2.6%
3 Returns and Filing compliance - Due Month + 1 Large sized cases	97%	96.2%	96.9%	97%
Medium sized cases	93%	92.4%	93.7%	94%
Other cases	81%	79.9%	80.1%	85%
4 Risk based Audits (Yield / % yielding)	€569.2m / 63.3%	€601.8m / 70.5%	€434.7m / 72.5%	€440m / 74%
5 PAYE and Business Tax Correspondence dealt with	3.1m	2.8m	2.5m	2.4m
6 % Correspondence dealt with within 20 working days (target 85%)	-	86.2%	86.7%	84%
7 Call centre telephone calls answered	2.3m	2.0m	1.7m	1.8m
8 % Telephone calls answered	88.1%	88.3%	89.5%	85%
9 Administration costs as % of gross collection	0.96%	1.09%	0.98%	0.95%
10 Ease of Paying Taxes - World Bank rank: EU countries*	1	1	1	-

*The World Bank “Doing Business 2011 Making a Difference for Entrepreneurs” shows Ireland number 7 in the world and No 1 in the EU for ease of paying taxes. Performance is assessed from a user perspective based on the number of payments per year, hours per year and total tax rate.

5.2 OECD - Comparative Information Series on Tax Administration

The OECD produces a periodic Comparative Information Series on Tax Administration. In the most recent publication (2010) the comparison of aggregate administrative costs to net revenue collections, Ireland’s cost per 100 units of revenue was 0.79 in 2007, significantly below the OECD average. As a result of lower revenue collections in the last 3 years, Ireland’s current cost of collection is 0.98%. This rate is on par with the OECD average and approximately 4.3% below the EU average.

Chart 17: Cost of Revenue as a % of GDP compared with the EU average for tax administrations



In a comparison of Revenue bodies' aggregate administrative cost as a percentage of GDP, in 2009 Ireland was below the EU average. Since then Revenue has further improved this indicator to fall below the OECD average and return to pre 2008 levels of c. 0.24%.

5.3 Comparative Staffing Levels

Comparing relative staffing levels between Revenue administrations can be difficult due the differences in taxation, economic conditions, cultures, state of technology, and political and legal systems. The range of responsibilities also varies between administrations, for example not all have integrated tax and customs functions. Scale is also a factor. The Irish Revenue service is relatively small by international standards, with c. 6,000 full time equivalent staff, reflecting the population size and number of taxpayers. This compares to over 88,000 FTE's in the UK Revenue and Customs. Notwithstanding the smaller scale, Revenue still needs to provide Information and Communications Technology support and maintain national office functions, such as policy development, planning, and other corporate services. There are diseconomies of scale to provide such essential support in a smaller, highly decentralised Revenue administration.

Table 16: Comparison of Population and Labour Force ratios for one Full Time Equivalent Revenue resource

Country	Population	Labour Force	FTE (tax & customs)	Population per FTE	Labour force per FTE	Factors
Denmark	5,520,000	2,920,000	8,643	684	362	Integrated tax & customs
Finland	5,340,000	2,700,000	8,033	665	336	Incl. separate Customs 2,370
Ireland	4,581,000	2,200,000	6,030	759	365	Integrated tax & customs
Netherlands	16,450,000	8,780,000	33,072	497	265	Integrated tax & customs
Norway	4,320,000	2,320,000	8,386	515	277	Incl. separate Customs 1,952
New Zealand	4,830,000	2,590,000	7,338	658	353	Incl. separate Customs 1,300
UK	60,930,000	31,240,000	88,630	687	352	Excludes separate Border Agency

In the comparative countries identified in table 16, Revenue has the highest ratio of population to whole time equivalent Revenue staff, indicating that Revenue has relatively fewer staff than comparable administrations.

5.4 Managing tax collection in a recession

The IMF paper "Collecting Taxes During an Economic Crisis: Challenges and Policy Options" (2009) notes that the global financial and economic crisis presents major challenges for tax administration. The paper notes that theoretical and empirical studies suggest that taxpayer compliance worsens in an economic downturn. It states *"tolerating non-compliance is not an appropriate response to the crisis because it is distortionary, inequitable, and, perhaps most importantly, hampers the rebuilding of tax bases over the medium term."* Measures identified include refocusing enforcement on the highest revenue risks. This view is also supported by the OECD.

The response of many Governments to the current economic crisis, including the UK and the US, is to allocate additional resources to their tax administration to tackle specific compliance difficulties, such as staff for debt reduction and audit and compliance activities. In the US, the IRS has had a 6% increase in resources since 2010 and 11% since 2008. Staffing on IRS Enforcement has increased 20% over 2008.

6 Cross Cutting Activities – Current and Potential

6.1 Shared Services and cross cutting activities provided by Revenue

Along with ensuring, as far as possible, that everyone complies with their tax and customs responsibilities, Revenue carries out a range of other activities and provides a range of services to other Departments and Agencies. These include collecting PRSI and Health contributions, implementation of aspects of the Common Agricultural Policy, preventing the importation of prohibited, restricted or counterfeit goods, collecting contributions to nursing home costs under “Fair Deal”, collecting the environmental levy, providing daily print and mail services to the Department of Social Protection, and providing computer hosting services on behalf of other Government Departments and agencies. Revenue may have the potential to provide further efficiency improvements and savings through its shared service capacity. This would be subject to adequate resourcing to cover additional activities.

6.2 Collection

Customs duties: In 2010, Revenue collected €230m customs duties. 75% of this amount 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.

PRSI & Health Contributions: Revenue collects PRSI on behalf of the Department of Social Protection and health contributions on behalf of the Department of Health & Children. Revenue collected €9.1bn in PRSI and Health contributions in 2010. Revenue received €37m as Appropriations in Aid to cover the cost of collection of PRSI, an administrative cost of c.0.4%.

Tobacco Levy: Revenue collects a tobacco levy on behalf of the Health Service Executive. Revenue collected €168m in tobacco levies in 2010.

Health Insurance Levy: Revenue collects a health insurance levy on behalf of the Department of Health. Revenue collected €26m in health insurance levies in 2010.

Environmental Levy: Revenue collects an environmental levy on plastic bags on behalf of the Department of Environment, Community & Local Government. Revenue collected €19.2m in environmental levies in 2010. Revenue received €400k as Appropriations in Aid to cover the cost of collection the Environmental Levy, an administrative cost of c.2%

Nursing Home Costs (“Fair Deal”): Revenue is responsible for collection and recovery of monies advanced by way of State support for long term nursing care.

Fee Stamps: Revenue collects fee stamps in respect of Registry of Deeds, Arbitration Fees and Fees stamps in respect of Companies Registration fees.

Light dues: Revenue collects light dues on behalf of the Commissioners of Irish Lights. Revenue collected €3m in light dues in 2010.

Marine Fees: Revenue collects marine fees on behalf of the Department of Transport, Tourism & Sport. Revenue collected €1m in marine fees in 2010.

Further potential: Revenue has a very effective money collection system. Subject to congruence with Revenue systems and appropriate resourcing, further collection agency services could be considered. Discussions have commenced with the Department of Justice on debt recovery support for the Criminal Assets Bureau.

6.3 Border protection

Revenue currently has a front-line frontier protection role in relation to import and export controls, collection of customs and other duties and fees, preventing the import of prohibited, restricted or counterfeit goods, frontier control of drug smuggling, and other fiscal goods (cigarettes, oils, and alcohol). This role involves interaction with, and agency work on behalf of, a wide range of Government Departments and Agencies (Appendix 1). More recently, Revenue's role was expanded to include safety and security checks in the context of ensuring supply chain security. There may be scope to review Government Departments and Agencies to rationalise State controls of goods at ports and airports, and to reduce potential for duplication and unnecessary tasks.

6.4 Identity Management

Revenue currently provides an electronic identity service for the Department of Transport, Tourism & Sport with very secure ID management using Public Key Infrastructure (PKI) and Digital Certificate authentication. This service is estimated to save the Department €100k per annum. Revenue also provides an electronic identity authentication service for the Companies Registration Office (CRO). This has allowed the CRO to widen its base of entities that can sign and submit documentation electronically and reduces the administrative burden by eliminating the need to post paper to the CRO and by enabling real time registration of changes of company details. The system could be extended to other public agencies that require very secure and validated ID management and authentication. This would reduce further development costs for other public agencies and provide customers with a single process to enable online transactions with public bodies. As Revenue has achieved ISO 27001 certification, the PKI Certification Authority function will now be hosted internally rather than externally as at present which will save an additional €80K per annum. It may be possible for other state agencies and bodies to use Revenue as their certification authority.

6.5 IT Shared Services

Revenue provides a range of Information Technology shared services to other agencies (Appendix 2). These services include providing infrastructure (sharing secure accommodation space for IT equipment), platform (sharing space and some technical support) and software as a service (security infrastructure). In some cases this had led to savings of up to €500K for the hosted department or agency. Revenue has a state of the art data centre facility that already hosts services and equipment for a number of departments and agencies saving considerable external hosting costs. The Revenue Data Centre has capacity to host c.100 racks of equipment, with full power supply and redundancy, security, air-conditioning and fire suppression facilities. In 2010, Revenue received the ISO 27001 Information Security Standard and BS 25999 Business Continuity Standard, the first organisation in Ireland to achieve this standard. Revenue could consider further "platform"

shared services, hosting with additional services such as software patching, operations support, backup and systems monitoring. Developing this shared service would require additional resources for Revenue but could increase the potential savings to the hosted agencies.

6.6 Printing & Mailing

Revenue provides a printing and mailing service for the Department of Social Protection. In 2010, Revenue printed and mailed c.1.2 million items on behalf of the Department of Social Protection. In addition to ongoing savings for operational print staff and software upgrades, this shared service is estimated to have saved the Department of Social Protection €250,000 in initial outlay for printers. The Revenue Print Centre provides print media design and production services to a number of agencies including, but not limited to, the Department of Defence, the Department of Transport, the Public Appointments Service, the Central Statistics Office, the Department of Social Protection and the Department of Finance. This is done on the basis of material only costs for the supported agency or organisation. With increases in on-line activity with Revenue, there is capacity to share this printing and mailing service with other agencies. This would be subject to the hosted agency covering the costs of paper, envelopes and postage. Negotiations are already underway with the Department of Justice and the Department of Education, Training and Skills to provide shared printing and mailing services.

6.7 Data Sharing with CSO

Revenue provides tax and trade data to the CSO (using secure data transfer methods). This reduces the administrative burden on business, in particular with regard to eliminating duplication in data submission. A joint Revenue/CSO Lean Six Sigma review of the compilation of trade statistics, delivered savings of €400k per annum. A further phase of improvements has been identified that could lead to a further €400k annual saving for the CSO. This is subject to an initial investment of c.150 days of IT development at a cost of €600k.

6.8 Analytics and Risk Evaluation

Revenue has participated in a cross-departmental Risk-Based Enforcement Working Group to deliver a more efficient inspection regime based on risk assessment. The Group has recommended improved data sharing across government departments and agencies, and the use of a common business identifier to assist this data exchange. Revenue is continuing to develop its expertise in analytics and risk evaluation. There is potential to share this expertise with other Departments and Agencies focussed on risk, such as the Department of Social Protection.

6.9 Administrative Burden Reduction Project

Revenue is actively involved in the national project to reduce the administrative burden on business. Revenue has identified the major burdens on business and a number of simplification initiatives have already delivered.

Appendix 1

List of Departments/Agencies requiring Revenue to provide controls at frontier

Department/Agency	Interaction
Foreign Affairs and Trade	UN sanctions. Dual use, quotas, import/export licences, product safety export licenses, surveillance, restrictions, etc
Health	Precursors, other drugs & medicines
Arts, Heritage & Gaeltacht	Culture goods
Agriculture, Fisheries & Food	Export of CAP products, import of prohibited/restricted goods
Justice, Equality & Defence	Import prohibitions & restrictions, inc. firearms, fireworks, pornography. Importation under End-use provisions, export licences
Environment, Community & Local Government	CITES Convention, radioactive substances, nuclear devices, ozone depleting substances
Communications, Energy & Natural Resources	Kimberley Diamonds
National Museum	Archaeological items
National Library	Cultural goods, manuscripts
National Gallery	Export of cultural goods
Assay Office	Importation of precious metals
Radiological Protection Institute	Import/export of radioactive substances, prevention of radiological and nuclear terrorism
Central Bank & FSAI	Imports of counterfeit money
Food Safety Authority	Foods of non-animal origin
Environmental Protection Agency	Ozone depleting substances
Health & Safety Authority	Dangerous chemicals/product safety
National Consumer Agency	Product safety – consumer products
Irish Medicines Board	Medicines
National TFS Waste Office	Export of waste
Sea Fisheries Protection Agency	Fish products
Forestry Service	Forestry /wood products
National Parks & Wildlife	CITES
Irish Film Censor's Office	Prohibited DVD's, etc

Appendix 2

List of Shared Services provided by Revenue to other agencies

Shared Service	Hosted Department or Agency
Infrastructure (co-location)	City of Dublin VEC Courts Service Departments: <ul style="list-style-type: none"> • Jobs, Enterprise, & Innovation • Environment, Community & Local Government • Foreign Affairs & Trade • Health Houses of the Oireachtas Pensions Board Prison Service Public Appointments Service
Platform (co-location & some technical support)	Department of Finance –Central HRMS Department of Education & Skills
Software	Department of Transport - vehicle registration security Department of Agriculture, Fisheries & Food– secure connectivity to EU