

2004

ANNUAL REPORT



Our Mission



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

ANNUAL REPORT 2004

Eighty-second Annual Report of the Revenue Commissioners for the year ended 31 December 2004, 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.

June 2005

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Foreword

Tax Collection Performance: €2.2 billion ahead of target

Tax collection performance in 2004 was exceptionally strong. Net receipts came in at almost €35.8 billion – some €2.2 billion ahead of the Budget estimate and €3.5 billion ahead of the 2003 outturn. Almost one-third of the increase over the Budget figure is down to the special “legacy” investigations, particularly the remarkable success of the voluntary disclosure phase of our investigation into offshore-related tax evasion. Exceptionally strong yields also came from Capital Gains Tax, Stamp Duties and VAT.

Special Investigations: €585 million collected from offshore campaign

Special investigations yielded a total of €697 million in 2004, of which €585 million came from offshore-related investigations. By end-2004, the cumulative yield from special investigations underway in Revenue came to €1,625 million. The offshore investigation has now moved into the follow-up phase of identifying those who did not make a voluntary disclosure – using High Court orders and all available Revenue powers, including exchange of information facilities with certain foreign jurisdictions.

The investigation into holders of bogus non-resident accounts is near completion with over 90% of cases finalised by end-2004. During the year, we also carried out preparatory work on a further “legacy” investigation: into the use of investment-related life assurance products to hide undisclosed income. This investigation started in 2005.

Consolidating our new structure and developing new approaches

2004 saw the consolidation of our new structure, the achievement of greater flexibility within the organisation and the development of new approaches to how we go about our business. One example of how an increased focus on risk has influenced the shape of the organisation is the adoption by our Large Cases Division of a new strategy of proactive engagement with large companies so as positively to influence corporate compliance behaviour. This new “Co-operative Compliance Framework” is founded on the premise of Revenue and business working in partnership to promote a high tax compliance ethic. Another example is the Special Compliance Districts, which are now up and running in each of our Regions, and advancing the campaign against non-compliance through identifying risk, developing intelligence and using appropriate techniques to tackle fraud and evasion.

The early days of the new structure were not without their challenges, however, and there were some interruptions to our normal standards of service. We have worked hard to alleviate any problems, and consulted with staff and practitioner representatives in our efforts to achieve this as quickly as possible. A significant investment in training and re-skilling programmes as well as working with practitioners to promote awareness of the new shape of our organisation helped us to make significant progress towards meeting this challenge in the course of the year.

Technology and e-Government

The implementation of our new organisational structure and reassignment of staff to new duties has been accompanied and enabled by our investment in new technologies. Our focus in recent times has been on the redesign and redevelopment of our communications and information technology systems to expand and improve the way we interact with our customers. The use of the most advanced technology is core to the customer-centred focus of our operations and services.

Our IT applications and on-line services are widely acknowledged as being in the forefront of the e-Government project. We remain committed to working with the Civil Service wide e-Broker project, in full co-operation with the REACH project timetable.

Take-up of our Revenue On-Line Service (ROS) increased substantially last year, with 53% of Income Tax self-assessment returns filed on-line (up from 40% in 2003). In addition, significant progress has been made in our PAYE Redesign project, which will represent a leap forward in service to our PAYE customers. Among other benefits, it will allow them to interact with Revenue over the Internet. Already, we have introduced the facility to do so for claims for certain tax credits and reliefs.

Decentralisation

In December 2003, the Minister for Finance announced the decentralisation of some 400 Revenue posts to Athy, Kilrush, Listowel and Newcastle West. In July 2004, he also announced the decentralisation of some 380 Revenue Information Technology posts to Kildare. The successful implementation of decentralisation is a strategic output for Revenue. These moves will create significant challenges for Revenue. In particular, it will be necessary to manage risks to performance effectively throughout the decentralisation process. It will also be important to provide effective support, training opportunities and deployment options to staff whose work is being transferred.

Accreditation of Training

In 2004, we entered into an innovative agreement with the University of Limerick, under which the University will accredit our in-house technical tax training programmes with a Diploma in Applied Taxation. In addition, we are working with the University of Limerick to design a further year of study, which will lead to a Bachelor of Arts Degree in Applied Taxation. This agreement signals the establishment of a unique partnership between Revenue and the University of Limerick in training, education and research in the taxation area.

The benefits for Revenue are enormous. The qualifications, which many of our staff will acquire, will not just be an internal mark of our confidence but will also be a very clear signal to our customers of our commitment to high standards.

Our Staff

If 2004 has been an interesting and challenging year for the organisation, it has been especially so for our staff. We are glad to have this opportunity to publicly acknowledge their hard work, drive and commitment. This has been critical to the successful navigation of the restructuring programme, and it is to their credit that, despite some setbacks, 2004 saw major improvements in how we do our business.



Frank M. Daly *Chairman*



Josephine Feehily *Commissioner*



Michael O'Grady *Commissioner*

Main Achievements and Initiatives in 2004

- Net tax and duty receipts reached €35.78 billion, €2.21 billion ahead of budget, and an increase of €3.57 billion on 2003.
- Almost €6.9 billion was collected on behalf of other agencies.
- Arrears of debt for 2004 amounted to €1.217 billion, or 2.5% of gross receipts of €48.525 billion – down from 3.1% in 2003.
- During 2004, we successfully challenged ten tax avoidance transactions, with a yield of €7 million. Proposals for legislative amendment to close off tax avoidance loopholes were adopted and implemented in four instances.
- The cumulative total from special investigations (Offshore Assets, Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries) reached €1,625 million, of which €697.8 million was collected in 2004 (€585 million from offshore-related investigations).
- Collection enforcement through solicitors, sheriffs and Attachment Orders yielded €202 million from more than 46,000 cases.
- Drugs with an estimated street value of over €12 million were seized, and almost €370,000 of suspected drug-related cash was detained.
- Seizures of cigarettes and tobacco amounted to 60.9 million cigarettes and 2.5 tonnes of tobacco, with a value of €18.6 million and €0.7 million respectively.
- Four oil laundries were detected, 270,000 litres of laundered oil seized, and 14 retail outlets detected selling laundered oil.
- Total audit activity yielded €549.64 million.
- Revenue published the names of 884 tax defaulters, in connection with audit settlements amounting to €143.79 million.
- While only one conviction for serious tax evasion was obtained in 2004, at the end of the year there were seven cases in the Court process, directions had been issued by the DPP in a further six cases and the DPP was considering another seven cases. Bench warrants issued in two cases for failure to attend Court, and in one of these cases extradition proceedings were initiated. There were a further 44 cases under investigation for potential prosecution. This is the highest combined figure to date.

- 82 convictions were obtained for summary offences in connection with cigarette smuggling and breaches of tax stamp legislation, and custodial sentences were imposed in seven cases. There were 180 convictions for unlicensed trading, 149 for Marked Mineral Oil offences and nine for VRT offences. Five individuals were convicted for offences connected with oil laundering, and six retailers and two hauliers were convicted of related offences.
- Revenue played its part in Ireland's Presidency of the EU in the first half of 2004, and successfully hosted a number of high-profile EU conferences in Dublin Castle.
- The Revenue Customs Cutter, *Suirbhéir*, was launched on 28 June 2004, and is now patrolling and monitoring internal waters, territorial seas and adjacent waters.
- The total amount of tax and duties paid electronically, via the Revenue On-Line Service (ROS), Automated Entry Processing (AEP) System, Direct Debit and Single Debit Authority, exceeded €20 billion in 2004, or approximately 42% of tax and duty collection overall. Some €8.3 billion was paid electronically using ROS.
- Over half of income tax self-assessment returns were made through ROS.
- In 2004, Revenue and the University of Limerick entered into a unique and innovative partnership agreement for third-level accreditation of Revenue's in-house technical tax training programme.
- Revenue continued to increase its investment in training and development. Total expenditure increased to 4.18% of annual payroll.
- Substantial progress was made on the introduction of a Risk Management programme for Revenue. The system is being rolled out in 2005, in line with the Mullarkey Report's recommendations.
- The Civil Service Performance Verification Group concluded that Revenue had made very good progress in implementing the modernisation agenda in 'Sustaining Progress'.

GOAL 1

Maximum Compliance with Tax and Customs Legislation



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

REVENUE'S MARITIME UNIT AND THE REVENUE CUSTOMS CUTTER SUIRBHÉIR

In 2004, Revenue strengthened its ability to protect the State against drug trafficking by sea. The Revenue Customs Cutter Suirbhéir, which was launched on 28 June 2004, is now patrolling and monitoring internal waters, territorial seas and adjacent waters. Her objective is prevention, detection, interception and seizure of controlled drugs, fiscal goods, arms/ammunition/explosives, and prohibited and restricted goods, smuggled or illegally imported into or intended to be exported out of the State or the European Union.

From her home port of Cork harbour, RCC Suirbhéir provides greater cover of our coastline/EU external frontier, and gives a visible maritime presence to the Irish Revenue Customs Service. The introduction of this new vessel and patrol capability has enjoyed a high level of support from coastal communities, and is regarded as an essential element of the Customs Drugs Watch Programme. Revenue has been assisted by the Naval Service, through the provision of an interim Commander for the first twelve months of operation.

RCC Suirbhéir is a purpose-built patrol vessel, using a proven hull design and an integrated stern ramp launching system for the six metre rigid inflatable daughter craft. Joint anti-smuggling operations with the Irish Naval Service and with other Customs Agencies are a feature of RCC Suirbhéir's operation.

RCC Suirbhéir has been involved in a number of surveillance operations, as well as a drugs operation involving a seabed recovery of a significant quantity of cannabis resin over seventy miles off the south coast of Ireland.

Strategy 1.1 Maximise collection compliance

1.1.1 – YIELD FROM TAX AND DUTY COLLECTION

Gross receipts were €48.53 billion in 2004, some €4.76 billion ahead of 2003 receipts (Table 1). When repayments to business and individuals as well as PRSI transfers to the Department of Social and Family Affairs are taken into account, net receipts amounted to almost €35.8 billion, some €3.5 billion above the corresponding figure for 2003 and some €2.2 billion

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

Table 1: Total Amount Collected/Gross Receipts

	2004 €m	2003 €m
Duties, Taxes and Levies		
Value Added Tax	13,635	12,321
Income Tax	13,189	11,471
PRSI and Health Contributions and Employment and Training Levy	6,881	6,177
Corporation Tax	5,707	5,537
Excise	5,066	4,736
Stamp Duties	2,106	1,696
Capital Gains Tax	1,548	1,449
Capital Acquisitions Tax	201	223
Customs	178	148
Environmental Levy	14	13
Total	48,525	43,770

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

Table 2: Total Revenue/Net Receipts

Duties, Taxes and Levies	2004 Net Receipts €m	2004 Budget estimates €m	2004 Net Receipts + or – Budget estimates €m	2003 Net Receipts €m
Value Added Tax ¹	10,717	10,368	349	9,716
Income Tax:				
PAYE	8,111	7,905	206	7,209
Income Tax from Self-Employed and certain other non-PAYE sources ² :				
Direct Payments	1,996	1,633	363	1,458
Less other non-PAYE Repayments	<u>-104</u>	<u>-90</u>	<u>-14</u>	<u>-116</u>
Net Yield	1,892	1,543	349	1,342
(See footnotes)				
Deposit Interest Retention Tax ³	144	160	-16	153
Withholding Tax (fees) ⁴	323	274	49	255
Dividend Withholding Tax ⁵	225	195	30	196
Income Tax Total	10,695	10,077	618	9,156
Corporation Tax	5,335	5,348	-13	5,155
Excise ⁶	5,066	5,032	34	4,736
Stamp Duties	2,070	1,600	470	1,664
Capital Gains Tax	1,528	851	677	1,436
Capital Acquisitions Tax	190	150	40	214
Customs	174	137	37	137
Total	35,775	33,563	2,212	32,214

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

¹ The VAT receipts in 2004 are composed of €12,598 million of internal VAT and €1,037 million collected on imports, less refunds of €2,918 million.

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

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

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

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

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

The figures for 2004 Net Receipts in Table 2 are some €36 million higher than the comparable figure for Tax Revenue receipts published in the end-2004 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 2004 amounted to €10,717 million (Table 2). This figure was substantially up on the 2003 yield by €1,001 million (10.3%) and exceeded the Budget estimate by €349 million (3.4%), reflecting continuing strong consumption buoyancy.

Income Tax

Total net receipts of Income Tax in 2004 amounted to €10,695 million, an increase of €1,539 million (16.8%) on the 2003 outturn and €618 million (6.1%) above Budget estimate (Table 2). Tax receipts of €697 million were due to once-off monies from Revenue Special Investigations. The primary source of this yield was a major investigation into holders of off-shore accounts and investments, which yielded €585 million, some €485 million ahead of Budget target, with over 92% classified as Income Tax. Ongoing yield from the bogus non-residents investigation accounted for a further €84 million, some €34 million above Budget target. PAYE yield of €8,111 million in 2004 reflected an excess of €206 million (2.6%) over Budget target, which is most likely due to labour market conditions being more favourable than expected, and more efficient collection of benefit in kind taxation through employers.

Corporation Tax

At €5,335 million, the Corporation Tax net receipt in 2004 came in very close to the Budget estimate and was €180 million (3.5%) higher than the corresponding receipt in 2003 (Table 2).

Excise

Excise receipts in 2004 totalled €5,066 million, some €330 million (7%) more than in 2003 and €34 million (0.7%) above the Budget estimate (Table 2). This reflects a close-to-expected rise in the value of consumer spending on excisable items, taking account also of the impact of the Budget increases in duty on tobacco, petrol and auto-diesel.

At the itemised level, all sectors with the exception of Tobacco were ahead of target. Vehicle Registration Tax (VRT) was very buoyant and exceeded forecast by €80 million (9.3%). Total new car registrations in 2004 (before taking account of exemptions) numbered over 154,000, which was over 9,000 more than 2003. The Alcohol and Oils categories exceeded target by €23 million and €29 million respectively. The Tobacco sector, with receipts of €1,059 million, yielded €99 million less than expected. This shortfall reflected changes in smoking patterns, which were affected by, amongst other things, the introduction of the smoke-free workplace legislation on 29th March 2004.

Stamp Duties

Some €461 million of the total surplus of €470 million over the Budget estimate (Table 2) is attributable to a significantly higher than anticipated yield from property transactions. The yield from share transfers was €261 million, a shortfall of under €7 million on the Budget estimate, which was more than offset by a surplus of over €15 million on the expected yield from other (non-property related) Stamp Duties.

Capital Gains Tax

The 2004 Capital Gains Tax yield of €1,528 million was €677 million (79.6%) ahead of the Budget estimate. This surplus is a continuation of the very strong performance which underpinned the 2003 receipt, and appears to be attributable to high rates of asset value growth and a higher than expected increase in activity in the property market.

Capital Acquisitions Tax

The €40 million surplus on the Budget estimate (Table 2) can all be attributed to a larger than expected yield from inheritance tax, which includes some atypically large payments. A yield of €0.4 million from Residential Property Tax is also included.

Customs Duties and CAP Import Charges

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

In 2004 the amount collected on Customs Duties and CAP import charges was €174 million, compared to €137 million in 2003 and a Budget estimate of €137 million (Table 2). The higher amount collected was due to imports from outside the EU being far more buoyant than expected, particularly in the electrical/computers and motor vehicle sectors.

Chart 1: Indirect Tax Net Receipts



A total of €15,783 million was collected in net VAT and Excise receipts in 2004.

■	VAT €10,717 million
■	Hydrocarbons €1,963 million
■	Motor Vehicles €946 million
■	Alcoholic Drinks €1,022 million
■	Tobacco €1,059 million
■	Others €76 million

Chart 2: Direct & Capital Taxes Receipts



A total of €19,818 million was collected in Direct and Capital Taxes receipts in 2004.

■	Income Tax €10,695 million ¹
■	Corporation Tax €5,335 million
■	Stamp Duties €2,070 million
■	Capital Taxes €1,718 million ²

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

² Capital Taxes include receipts from Capital Acquisitions Tax (including Residential Property Tax) and Capital Gains Tax.

Table 3: Payment items to the Collector General in 2004

Largest amount lodged in a single day:	€1,302.00 million
Average daily lodgement:	€159.27 million
Number of payment items:	
2004	4,234,674
2003	3,670,479
Highest number of items processed in a single day:	86,446
Summary of Collection and Debt, 2004:	Collection €48,525 million/Debt €1,217 million

Donation of Heritage Items

Section 1003 of the Taxes Consolidation Act 1997 provides for a full credit against tax liability where a taxpayer donates certain heritage items to the national collections. The following items were donated in 2004.

- The Joyce Papers (Part 1) Selected Items, valued at €2,984,877.40*

- The Joyce Papers (Part 2) Selected Items, valued at €2,796,000
- A selection of 89 art works from the McClelland Collection, valued at €2,147,000
- A collection of works by Hughie O'Donoghue, valued at €208,000

*Donated in 2003

Table 4: Cost Of Administration as a Percentage of Gross Receipts

2004	2003	2002	2001	2000	1999
0.85%	0.90%	0.95%	0.90%	0.81%	0.88%

Chart 3: Expenditure by Revenue in 2004



Total expenditure was €365,313,000, broken down as follows:

- 73% Salaries
- 11% Information Technology
- 8% Other (including Legal Charges, Travel Expenses, Etc.)
- 5% Postage & Telecommunications
- 3% Office Accommodation

Table 5: Volume of Business 2004

	Volume in 2004	% +/- 2003/2004
Number of Revenue Posts	6,404	+0.6%
Number of Taxpayers		
PAYE Taxpayers	1,669,600	+1.2%
PAYE Employments	2,247,036	+5%
Self Assessment (Income Tax)	455,888	+10%
Companies	126,416	+4%
Items processed		
All Taxes and Duties		
Correspondence	2,808,073	- 2%
Personal Callers	695,159	+6%
Telephone Callers	4,325,986	- 0.2%
Visits to the Revenue website (www.revenue.ie)	3,945,378	+35%
Collector General		
Number of payment items received	4.2m	+14%
Value of payment items received	€40bn	+11%
Returns processed ¹	1,661,273	+9%
Accountant General		
Number of VAT claims received	277,527	+ 6%
Value of VAT claims repaid	€2,742m	+12%
Tax Clearance		
Number of tax clearance certificates issued	87,400	+9%
Income Tax		
Income Tax Self Assessment		
Returns	393,745	+7%
Repayments	170,751	-12%
P35 Returns		
Employers	179,405	+3%
Employments	2.9m	+4%
Number of Repayments/Offsets	44,403	+4%
Value of Repayments/Offsets	€244m	+37%
PAYE		
Employee Reviews	522,004	+8%
Returns ²	64,290	-33%
Corporation Tax		
Returns	111,096	+1%
Repayments	25,074	+9%

Capital Gains Tax		
Returns	41,247	+21%
CG50s (Applications for Clearance Certificates)	9,860	+37%
Relevant Contracts Tax		
C2s (Sub-contractor's certificates) issued ³	21,915	-13%
Repayments	99,528	+32%
RCT47s (Payment card authorisations) issued	245,173	-1%
Dividend Withholding Tax & International Claims		
DWT Returns from paying companies	5,056	-3%
DWT Returns-distributions to individual shareholders	968,547	-16%
Number of claims repaid to non-residents ⁴	18,419	
Value of repayments to non-residents	€106m	-11%
Number of exemptions granted to charitable/sporting bodies	641	-31%
New Business Registrations		
Income Tax	51,571	+36%
VAT	40,661	+18%
PAYE and PRSI	26,108	+12%
Corporation Tax	14,866	+2%
Relevant Contracts Tax	1,713	+2%
Customs and Excise Declarations		
Number of Single Administrative Documents processed	912,977	-0.01%
Number of INTRASTAT declarations processed	100,019	+1%
Number of VIES declarations processed	46,356	+1%
Inward Transit declarations processed ⁵	22,940	-35%
Outward Transit declarations processed ⁵	5,334	-67%
Vehicle Registration Tax		
Number of new vehicles registered	199,086	+5%
Number of second-hand vehicles registered	44,152	+35%
Capital Taxes		
Inland Revenue affidavits	15,039	+5%
Gift/Inheritance and Discretionary Tax Returns	15,054	+29%
Capital Acquisition Tax Certificates of Discharge	12,152	-2%
Returns in relation to Companies Capital Duty and Composition Duty and Levies	7,596	+13%
Instruments presented for marking and stamping	266,647	+22%
Number of CREST refund claims received	19,025	-13%
Value of CREST refund claims repaid	€34.81m	+25%

¹ This figure includes the following: VAT3 Returns; P35's; RCT 30's; Minor Taxes; and E-Levy.

² The decrease in 2004 was caused by a reduction in the number of cases selected for submission of returns.

³ The decrease arose because of a more stringent approach to the issue of C2's, as well as the phased introduction of certificates valid for two years from October 2003.

⁴ No comparative figure is available for 2003.

⁵ Decrease due to introduction of New Computerised Transit System.

1.1.2 – TAXES AND DUTIES CORRECTLY PAID BY DUE DATES

We continued to improve the timeliness of tax payments in 2004 through collection caseworking, including the imposition of interest charges on late payment and enforced collection where necessary.

VAT, Employers' PAYE/PRSI and Relevant Contracts Tax receive particular attention, because of the frequency with which they arise, and the increased risk of accumulating significant levels of debt in a short period. Corporation Tax and Income Tax returns are subject to separately tailored annual compliance programmes.

Table 6: Average Percentage Of Tax Collected In The Due Month

	2004	2003
PAYE/PRSI	93%	93%
VAT	85%	84%
Preliminary Income Tax (non-PAYE)	97%	95%
Capital Gains Tax	98%	94%
Corporation Tax	90%	81%

Table 7 below outlines the taxpayer compliance rates for the Large and Medium Case size range for PAYE/PRSI and VAT.

Table 7: VAT and PAYE/PRSI Return Compliance, Within Due Month

	2004	2003	2002
PAYE/PRSI			
Large Cases*	92%	91%	90%
Medium Cases**	86%	85%	84%
VAT			
Large Cases*	88%	88%	85%
Medium Cases**	78%	77%	74%

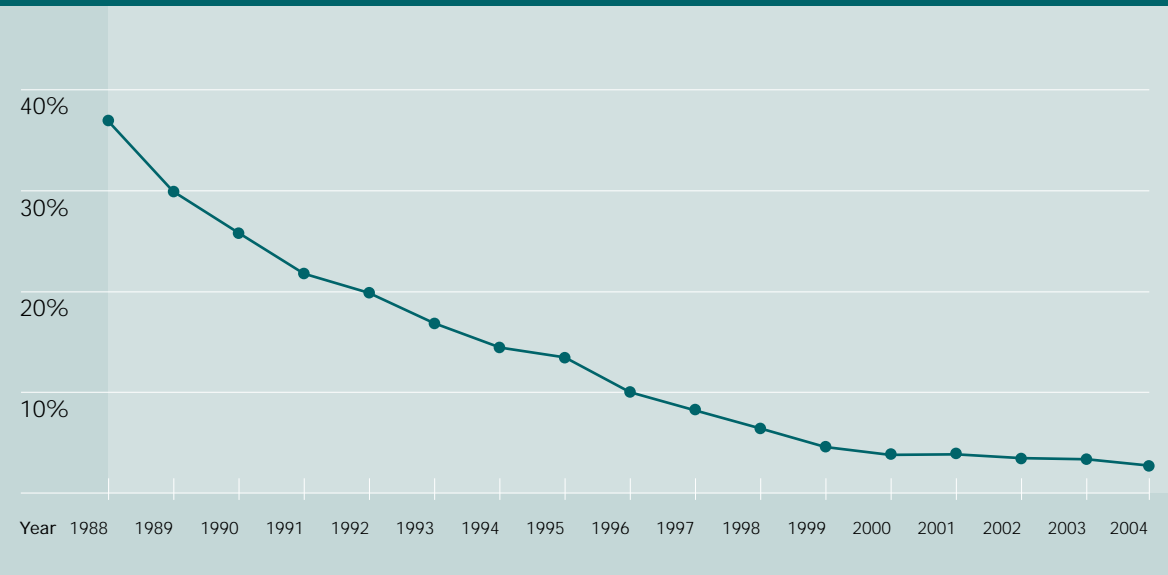
*Large Cases – taxpayers who pay on average more than €25,000 PAYE/PRSI or €50,000 VAT per tax period.

**Medium Cases – taxpayers who are below the Large Case level of payments, but who pay on average more than €6,000 per tax period.

Chart 4(a): Total Gross Receipts



Chart 4(b): Total Arrears as a Percentage of Total Gross Receipts



1.1.3 – TIMELY AND ROBUST ACTION AGAINST LATE PAYMENT OR NON-PAYMENT OF TAX

Revenue debt decreased by €146 million or 11% over the year. The achievements in increasing payment timeliness, as well as taking early and effective action in respect of current outstanding liabilities, have had the effect of preventing the accumulation of new debt. Less than 1% of new tax charges in 2004 remain uncollected. Good progress was also made in eliminating old uncollectible debt and pursuing enforcement activity to finality against the remainder. The success of the debt reduction programme has resulted in a further reduction in the overall debt as a percentage of total gross receipts. The results, as illustrated in Table 8, compare very well internationally.

Write Off

Although the write off of uncollectible debt increased to €173m in 2004 from €119m in 2003, this was primarily due to a review of old insolvency debt on record for all years prior to 2004. Automated write off decreased significantly to €3.3m and consisted of very small balances that were uneconomic to pursue.

Collection Enforcement

Revenue is determined to effectively utilise all available enforcement options to help achieve our major strategic objective of maximising tax compliance.

These options include referral of cases to a sheriff or solicitor for enforcement of outstanding Revenue debts, or the attachment of monies due to non-compliant customers by third parties. Table 9 underlines the overall increase in the level of mainstream enforcement actions taken by Revenue in 2004.

Revenue introduced a new on-line system for the referral of cases to the sheriffs during 2004. This innovative system has delivered significant efficiency improvements in the sheriff enforcement process and will be extended to the solicitor enforcement process in 2005.

Table 8: Debt Reduction Programme

	2004	2003
Overall Debt	€1,217m	€1,363 m
Debt as % of gross collection	2.5%	3.1%
Debt over 6 years old	€228m	€237m

Table 9: Collection Enforcement Programmes

		2004	2003
Solicitor	Number of Referrals	6,723	8,079
	Payments received	€65.9m	€67.5m
Sheriff	Number of Referrals	38,682	34,677
	Payments received	€125.2m	€119.8m
Attachment of Assets	Number of Attachment Orders	949	512
	Yield from attachment	€10.9m	€7.76m

Exemplary Enforcement

Revenue actively pursues serious cases of non-compliance through the courts. In 2004, we took exemplary enforcement action to recover outstanding tax debt in the following number of cases:

Examination of Means	51
Forced Sales	3
Committal Orders	3
Bankruptcy	1
Citation of Executor	1

Insolvency

Revenue continued its policy of being actively involved in company liquidations, receiverships and examinerships. In 2004, notices under Section 214 of the Companies Act 1963 issued in 65 cases. In a number of these cases, the companies either entered into arrangements to pay outstanding taxes or were voluntarily wound up.

Revenue petitioned the High Court for the appointment of a liquidator to wind up companies on 31 occasions, under Section 214 of the Companies Act 1963. Revenue was also represented at 148 creditor meetings during the year, and continued an active role by participating in Committees of Inspection where relevant, and by attending final meetings, where appropriate. Revenue officials actively participated in High Court hearings of petitions for the appointment of an examiner (6 cases in 2004) and voted on the acceptance of Schemes of Arrangements subsequently proposed by examiners.

1.1.4 – TIMELY AND ROBUST ACTION AGAINST THE ABUSE OF LIMITED LIABILITY, INCLUDING “PHOENIX SYNDROME” CASES

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

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

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

In 2004, 1,057 companies were examined under the two programmes. Following intensive case-working by dedicated teams, 403 were adjudged compliant while 33 ceased trading and five liquidated.

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

1.2.1 – INCREASED DETECTION AND PROSECUTION OF TAX EVASION, FRAUDULENT ACTIVITY, SMUGGLING AND ILLICIT DRUGS

Special Investigations

During 2004, we continued to progress the major “legacy” investigation projects (Offshore Assets, Ansbacher, Bogus Non-Resident Accounts, the Clerical Medical Insurance/National Irish Bank Scheme and Tribunal-related enquiries) and also began research into the area of insurance-based investment products, with a view to commencing an investigation in 2005. At the end of 2004, the cumulative total from all these investigations reached €1,625 million, of which €697.8 million was collected in 2004. The response to these initiatives indicates that there is now a growing recognition that Revenue is focused and determined in pursuing outstanding tax liabilities.

Offshore Assets Investigation

In 2003, Revenue initiated an investigation into trusts held in a Jersey-based subsidiary of an Irish financial institution. A further investigation in 2003 focused on accounts held in an Isle of Man-based subsidiary of an Irish financial institution.

Following these investigations, and following a series of meetings between the Revenue Chairman and the ten major Irish Financial Institutions with offshore branches or subsidiaries, Revenue announced that an investigation would be launched into holders of offshore accounts who had not previously declared underlying funds for tax purposes. Holders of offshore accounts were given a deadline of 29 March 2004 to indicate whether or not they had a disclosure to make and a further deadline of 28 May 2004 to forward payments and submissions. The latter deadline was extended to 10 June 2004.

During 2004, €585.4 million was collected as a result of this Revenue initiative and the 2003 investigations referred to above. In total, €713.2 million had been collected at the end of 2004 as a result of the work of the Offshore Assets Group.

Those individuals who failed to avail of the voluntary disclosure scheme are now the focus of our attention. Preparatory work to secure High Court orders to identify other individuals who failed to make a voluntary disclosure was brought to an advanced stage in 2004, with one related order already successfully obtained. In this context, those individuals who did not make a voluntary disclosure of their Jersey-based trusts have since been identified and some are now being investigated with a view to prosecution.

Table 10: Offshore Assets Investigation – Progress to end 2004

Financial Institution	Number of Cases		Payments €m
Jersey Subsidiary	254		105.2
Isle of Man Subsidiary	1,250		46
Other	11,500		562
		Tax	325.7
		Interest and Penalties	387.5
Total	13,004		713.2

Ansbacher Investigation

The Ansbacher investigation has essentially two elements, namely, cases directly involving Ansbacher-type arrangements and cases involving offshore funds and deposits. Revenue has enquired into 289 cases and 108 of these have been finalised to date. There are some 700 entities connected to the cases under examination and these also form part of the investigation.

To date in the course of the investigation it has been necessary to make six applications to the High Court for orders requiring the production by financial institutions and third parties of books, records and other documentation that are relevant to the liabilities of Ansbacher account holders. Some 200,000 documents have been received under the terms of the High Court orders. Advanced investigative computer software is used in collating, interrogating and managing the documentation. It is expected that further High Court applications will be made during 2005.

Following the receipt in July 2002 of the High Court Inspectors' Report into the Affairs of Ansbacher (Cayman) Limited, an application was made to the High Court for access to the supporting papers to the Report. The High Court order was granted in June 2004, allowing for access to certain documentation. Revenue has applied, on foot of the order, for such access in a number of cases.

Bogus Non-Resident Accounts (BNR)

The first phase of this enquiry ended with the 15 November 2001 deadline for voluntary disclosures. In the second phase, Revenue sought information from financial institutions by way of High Court orders and then followed up by writing to all those identified. In January 2004, the final 28,000 general enquiry letters issued. The yield for 2004 from this investigation and a related DIRT Audit was €87.2 million, bringing the total yield at the end of 2004 for the Bogus Non-Resident enquiries to €787.2 million. More than 90% of cases have now been finalised.

Table 11: Ansbacher Investigation – Progress to end 2004

		Payments €m
Number of cases	289	
Total number of cases finalised	108	
Tax		10.9
Interest and Penalties		17.1
Other*		17.4
Total		45.4

* Includes payments on account, together with a €7.5 million composite payment.

Table 12: Bogus Non-Resident Accounts (BNR) – Progress to end 2004

		Payments €m
DIRT Audits		225
Voluntary Disclosures		227.2
Follow-up Investigations		335
	Tax	314.9
	Interest and Penalties	472.3
Total		787.2

Table 13: Clerical Medical Insurance (CMI) – National Irish Bank Scheme 2004

		Payments €m
Cases originally targeted for investigation	452	
Investigations concluded by end 2004 ¹	412	
Cases subject to ongoing investigation ² (Payments on account amounting to €4.8 million paid)	40	
Tax		22.7
Interest and Penalties		26.0
Payments on account		4.8
Total ³		53.5

¹ 296 cases settled and tax paid – 116 cases finalised with no extra liability.

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

³ The total of €53.5 million includes €1.9 million in respect of Capital Gains Tax, collected in respect of 104 cases in which compensation was paid by NIB to investors.

Undisclosed Funds – Life Assurance Products

During 2004, Revenue's Special Projects Team carried out research into the use by taxpayers of investment-related life assurance products to hide income or gains not previously disclosed for tax purposes. Preliminary meetings were held with the Insurance Industry Federation, to seek the co-operation of the insurance industry to progress the investigation. In April 2005, Revenue announced that it would begin a major investigation after 23 May 2005 into undisclosed liabilities that relate to funds invested in life assurance products. Taxpayers were provided with an opportunity to indicate their intention of making a qualifying disclosure before that date.

Money Laundering and Suspicious Transaction Reports

Since 1 May 2003, certain designated bodies are obliged to report suspicious transactions to Revenue. Previously such reports were only made to An Garda Síochána. On 15 September 2003, the classes of persons designated to file suspicious transaction reports was broadened to include solicitors, accountants, auditors, estate agents, tax advisors and dealers in high value goods.

During 2004, 5,226 reports were received from the various designated bodies. Some of these reports have resulted in cases being targeted for tax audits and investigations and have also resulted in cases being selected for investigation with a view to prosecution. Revenue and the Garda Bureau of Fraud Investigation liaise closely to ensure co-ordination of follow-up activity between the two agencies.

Tribunals

Investigations were progressed into certain cases arising from the Moriarty Tribunal and the Mahon Tribunal. Enquiries are ongoing. The yield up to 31 December 2004 was €25.7 million.

Prosecution of Serious Cases

Revenue has a clear policy of prosecuting cases of serious tax and customs and excise offences. The Investigations and Prosecutions Division has responsibility for this programme. It has a remit to co-ordinate all Revenue prosecution work and, in particular, to increase the number of criminal investigations for serious offences, and ultimately to increase the number of prosecutions. Recent figures indicate that this approach is proving successful.

Tax Cases

At the end of 2004, there were seven cases in the Court process, directions were issued by the DPP in a further six cases which are awaiting the issuing of summonses, and the DPP was considering another seven cases. Bench warrants were issued in two cases for failure to attend court, and in one of these cases extradition proceedings were initiated. There were a further 44 cases under investigation for potential prosecution. This is the highest combined figure to date and vindicates the decision to concentrate Revenue's prosecution resources in one area. Since the beginning of 2005, there have been four further convictions for serious tax offences.

Customs and Excise Cases

At the end of 2004, there were six indictable cigarette smuggling cases before the Courts awaiting trial. These involved the smuggling of a total of 16 million cigarettes. Other cases before the Courts included oil laundering and the distribution and sale of laundered oil. Meanwhile, investigations were completed in six other serious cases, which included mineral oil fraud and also VRT/VAT evasion and excise movement fraud. These were reported to the DPP and were awaiting directions.

Prosecutions

The process of bringing prosecutions for serious tax evasion into Court can be a lengthy one and involves other agencies. The number of cases prosecuted in one year is not necessarily a reflection of the volume of investigation activity carried out in that year. The position for 2004 should be viewed in the context of both the 44 cases under active investigation and the 22 cases that are now either in Court, passed by the DPP, with the DPP for directions or where Bench Warrants have issued, and which are largely outside the influence of Revenue in relation to the speed of progress through the Court system. It is expected that there will have been a significant increase in the number of prosecutions by the end of 2005.

Table 14: Prosecutions and Referrals for Prosecution in 2004

Convictions for Serious Evasion		Serious Cases of Tax and Duty Evasion Referred to DPP	Summary Cases Referred to Revenue Solicitor or State Solicitors
Tax	Duty		
1	6	23	538

Customs and Excise Enforcement and Prosecution

The following Tables contain details of customs and excise enforcement and prosecution activities during 2004.

Table 15: Drugs Seizures in 2004

Type of Drug	Number of Seizures	Quantity	Value €m
Herbal Cannabis	807	285.849 kg	0.514
Cannabis Resin	497	1,021.911 kg	7.060
Ecstasy	19	1.903 kg	0.074
Heroin	6	0.167 kg	0.013
Cocaine	67	47.552 kg	3.522
Khat	7	352 kg	0.894
LSD	6	418 Tabs	0.004
MDMA	1	2 kg	0.200
Cash Seizures	8	-	0.366
Other*	45	165.361 kg	0.163
Total	1,463		12.810

Other includes Amphetamines, Phsyseptone, Ephedrine tablets, Precursor Chemicals, and Magic Mushrooms.

Cash Seizures at Ports and Airports

Revenue officers are empowered to seize cash at entry and exit points from the State where they believe it to be derived from or intended to be used for drug trafficking purposes. During 2004, a total of eight seizures were made, amounting to €366,304, and proceedings for its forfeiture were instituted in the Courts. Five forfeiture orders were made under the provisions of the Criminal Justice Act 1994. The total cash forfeited in 2004 was €198,369.

Table 16: Excisable Products Seized in 2004

Product	Number of Seizures	Quantity	Value €m
Beer	30	34,500 litres	0.202
Spirits	84	22,090 litres	0.583
Wine	42	23,003 litres	0.232
Cigarettes ¹	4,198	60,874,840	18.566
Tobacco	316	2,454 kg	0.692
Oil	64	409,916 litres	See below ²
Other ³	1,593		

¹ As in previous years, the brands of cigarettes seized and the circumstances in which seizures took place suggested that the majority of cigarettes seized in 2004 were intended for the UK market.

² Four oil laundries were detected, two in County Monaghan and two in County Donegal. The average laundry detected was capable of processing up to 30,000 litres of oil per week. Each laundry could have cost the Exchequer up to €1 million per year in lost revenue had it remained undetected and the laundered oil produced been sold on the domestic market as auto diesel. Investigations are continuing in all cases, with a view to prosecution.

³ Other seizures refer principally to counterfeit goods.

Table 17: Customs & Excise and VRT Anti-Fraud Prosecutions

	Proceedings Instituted		Numbers Convicted ¹		Fines Imposed (€)	
	2004	2003	2004	2003	2004	2003
Illegal Selling	2	4	2	8	1,000	7,500
Tobacco Smuggling	54	79	49	54	23,970	23,799
Alcohol Smuggling	15	8	4	4	2,900	2,732
Hydrocarbon Oil Smuggling	3	8	6	7	5,700	8,802
Other Customs Fraud (Counterfeit Spirits)	29	2	21	3	28,865	1,967
VRT Offences	25	24	9	7	10,916	5,736

¹ Custodial sentences were imposed in 7 cases involving tobacco smuggling and breaches of tax stamp legislation.

Table 18: Unlicensed Trading

Licence Type	Proceedings Instituted		Numbers Convicted		Fines Imposed (€)	
	2004	2003	2004	2003	2004	2003
Liquor	155	214	133	129	104,225	93,586
Hydrocarbon Oil Vendors	28	44	31	25	33,900	26,907
Gaming/Amusement Machines	28	8	9	12	33,684	18,013
Auctioneers/House Agents	10	5	5	3	2,205	1,756
Betting	2	Nil	2	Nil	8,600	Nil

Table 19: Marked Mineral Oil

Proceedings Instituted		Numbers Convicted		Fines Imposed (€)	
2004	2003	2004	2003	2004	2003
257	198	149	145	170,800	169,647

In addition to the cases convicted for Marked Mineral Oil offences, compromise penalties totalling €470,930 were paid in a further 719 cases. Also, 140 vehicles were seized for Mineral Oil Tax offences during 2004.

INTRASTAT Intra-Community Trade Returns

Eighty-one cases were sent forward for prosecution. 29 traders were prosecuted and convicted for failure to file INTRASTAT returns, and fines totalling €64,550 were imposed. Thirteen other traders compromised and compromise penalties of €21,550 were collected.

VIES (Vat Information Exchange System)

Civil proceedings were initiated in 107 cases. Compromise settlements against 22 traders for failure to submit VIES statements and penalties totalling €26,898.33 were collected.

Criminal Assets Bureau (CAB)

Revenue continued to work closely with the Criminal Assets Bureau, providing information and support when requested. During the year, nine Revenue officials worked full time with the CAB. A total of €16.4 million in tax receipts was paid by the CAB to Revenue in 2004.

Multi-Agency Checkpoints

The Multi-Agency Checkpoint (MAC) programme involves Revenue, An Garda Síochána, the Department of the Environment and Local Government, the Department of Transport and the Health & Safety Authority. 54 checkpoints were mounted nationwide during 2004. The Revenue results from the checkpoints were as follows:

- 418 detections were made, as follows:
 - 257 marked gas oil/laundered oil detections were made
 - 18 vehicles were seized for VRT offences
 - 82 warnings were issued in respect of unregistered vehicles
 - 28 illegal plates were detected
 - 33 cases were referred for further tax investigation
- 149 detections were reported for prosecution
- 115 cases were finalised on payment of compromise settlements

VRT Operations

Revenue undertakes national operations from time to time, to gauge the level of VRT compliance. In one such operation, 80 vehicles were seized for failure to register/pay VRT, over €50,000 was collected in penalties, more than €800,000 was collected in VRT on unregistered vehicles detected, and 397 vehicles were detected with illegal registration plates.

VAT on Yachts and Boats

This is an ongoing operation, involving checks by Revenue officers to ensure that VAT is paid on yachts and boats. During 2004, checks were carried out on 61 vessels at Waterford, Bantry, Tralee and Dublin, resulting in the collection of over €600,000 in VAT and penalties.

8th VAT Directive Repayment Claims

Claims by non-residents for repayment of VAT on fuel under the 8th VAT Directive are the subject of an ongoing initiative to detect fraudulent claims. During 2004, 100 claims were targeted for verification by Revenue officers, and of these 34 were found to be irregular or bogus and were refused. These are subject to ongoing investigation, in conjunction with the authorities in Northern Ireland.

Mobile Container Scanner Project

Following a tendering process, NUCTECH Company Ltd. of Beijing was selected for the supply and maintenance of a 4MeV Mobile Container Scanner. The contract was signed at Dublin Castle on 15 December 2004, and the scanner will arrive in Ireland in October 2005.

The scanner will play a vital role in Revenue's fight against smuggling, not only in the context of national border protection but also from the point of view of meeting our EU border protection obligations (including those arising under the Container Security Initiative). It can scan up to twenty-five (40 ft.) containers per hour. With a set up time of less than thirty minutes, it is highly mobile, allowing it to be speedily deployed at container ports and ferry ports nationwide.

Revenue Powers Group Report

The report of the Revenue Powers Group, set up by the Minister for Finance under the chairmanship of Mr. Justice Francis Murphy, was published on 4 February 2004. The group's main recommendations included some new powers for Revenue, reform of the interest, penalties and voluntary disclosure regime,

extension of rights of appeal, reduction in interest rates, improved safeguards for use of powers, and increase in publication limits for settlements.

Section 87 of the Finance Act 2004 was enacted to enable Revenue to seek information held by offshore entities under the control of a domestic financial institution. This is now being used in the latest phase of the Offshore Assets Investigation.

Following further consideration, the process of responding to the Group's report has continued with certain non-legislative changes and with the inclusion of a number of provisions in the Finance Act 2005 representing a balanced package of measures based on the Group's report. These included a reduction in the interest rate charged on unpaid tax and an increase to the limit at which publication of tax offenders occurs, as well as new powers for Revenue to access records relating to life assurance policies.

Law Reform Commission Report

On 31 January 2005, the Law Reform Commission published its final report on "A Fiscal Prosecutor and a Revenue Court". The Commission did not recommend the establishment of a separate office of Fiscal Prosecutor or of a Revenue Court. It considered that, as a matter of principle, it is important that revenue offences, like other "white collar" crimes, be seen for what they are, namely ordinary criminal offences. Therefore, it concluded that they should be dealt with in the ordinary criminal justice system, rather than in a separate Revenue Court, where a conviction might be perceived as having a lesser criminal stigma.

Similarly, the Commission concluded that a separate civil Revenue Court should not be set up.

The Commission made far-reaching recommendations about the Office of the Appeal Commissioners and the whole system of tax appeals. It also made detailed recommendations in relation to Revenue enforcement activities, offences and prosecutions.

Exchange of Information

Under the auspices of the OECD Forum on Harmful Tax Practices, work has continued at a multilateral level to promote international co-operation in tax matters through transparency and exchange of information. Revenue officials, along with officials from the Department of Finance, serve on the four-country steering group of the OECD Forum, together with Government representatives of France, Japan and the United States.

At a bilateral level, Revenue is engaged in concluding Tax Information Exchange Agreements (TIEAs) with jurisdictions cooperating with the OECD work. These bilateral TIEAs are based on an OECD Model Agreement on Exchange of Information in Tax Matters, under which the parties are required to exchange, upon request, information concerning the beneficial ownership of companies, partnerships and trusts, as well as information on bank and other financial institution accounts. Currently, Revenue is engaged in negotiations for TIEAs with the Isle of Man, Jersey, Guernsey, the Cayman Islands and the British Virgin Islands. The need for TIEAs with other jurisdictions remains under review.

Within the EU, exchange of information is also facilitated by the Mutual Assistance Directive.

1.2.2 – DEFAULTERS WITH LIABILITY DETECTED AND REGISTERED

Special Compliance Districts

A key component of our restructuring project was a sharper focus within our compliance and audit programmes on identifying and tackling risk areas and sectors. Special Compliance Districts were established in each Revenue Region to identify and analyse risks, to develop intelligence and profiling methodologies and to use appropriate techniques and interventions to counter fraud and evasion.

In 2004, Special Compliance Districts initiated a number of key projects aimed at tackling tax evasion. For example:

- Investigations into the fishing industry resulted in significant monetary settlements related to fictitious invoices and the payment of wages in cash.
- Surveillance of significant cash businesses resulted in some major audit settlements, in cases where Revenue could prove that the recorded receipts were significantly out of line with the number of observed customers.
- Surveillance of construction sites allowed us to develop a profile of those engaged on the sites, and to use this information to carry out site visits where risks were identified. These site visits led to cases being referred for possible prosecution.

Special Compliance Districts were active in 2004 in monitoring and regularising the compliance position of those involved in the organisation of entertainment events and trade shows. These Districts also took cognisance (from a tax viewpoint) of the flow of funds through major infrastructural projects. These projects provided important intelligence and insights into areas of tax evasion and these will be used to inform the selection of cases for future audits and investigations.

869 defaulters with tax liability were detected and registered during the year.

Hidden Economy Working Group

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

Strategy 1.3 Maintain effective compliance programmes, including audit

1.3.1 – INCREASED LEVELS OF YIELD AND COMPLIANCE

Interest Charges

The primary method used to improve timely payment compliance is to charge interest on late payment of tax in appropriate cases. The amount of interest collected in 2004 in respect of collection caseworking (as opposed to interest charges in respect of liabilities which arose from Revenue audits and investigations) was €71 million, which was an increase of €2 million over 2003.

Tax Avoidance

During 2004, ten tax avoidance transactions were successfully challenged, with a yield of €7 million. Proposals for legislative amendment to close off tax avoidance loopholes were adopted and implemented in four instances. An appeal against a Notice of Opinion under Section 811 of the Taxes Consolidation Act 1997 (the general anti-avoidance provision) was heard at the Circuit Court. The Judge ruled that the transaction was a tax avoidance transaction as defined in the legislation and this ruling has been appealed to the High Court. At the end of 2004, six schemes involving a substantial number of individuals and 35 transactions were under investigation in the Anti-Avoidance (Direct Taxes) Business Unit and 14 schemes/issues involving 60 cases in the Anti-Avoidance (VAT) Business Unit.

The Finance Act 2004 contained a number of anti-avoidance measures to:

- Address certain abuses of the scheme of Film Relief.
- Close off a loophole relating to relief available to individuals in respect of interest paid on money borrowed for the purposes of acquiring an equity stake in, or lending to, a company.

- Deal with an unacceptable interpretation of VAT legislation concerning the sale of developed sites.
- Counter a scheme involving ‘sub-sale relief’ followed by using the relief from stamp duty for certain reconstructions or amalgamations of companies in order to avoid stamp duty on the transfer of property.

1.3.2 – AN EFFECTIVE RISK-BASED CASE SELECTION PROGRAMME

National Audit Programme

Revenue’s auditing function involves the examination of the accuracy of information returned to ensure the true reporting of the tax base. It is an important part of Revenue’s overall compliance strategy to tackle evasion and improve taxpayer voluntary compliance. Its primary function is to foster correct self-reporting by taxpayers.

A significant feature of the National Audit Programme for 2004 was the number of Bogus Non-Resident Account cases audited. 2,062 settlements were made with Bogus Non-Resident Account holders, with an associated yield of €113.80 million. This figure includes €25.77 million in respect of statutory interest and €36.92 million in respect of penalties.

Approximately 6,500 audits were in progress at the end of 2004, in respect of which €36.97 million was paid on account. In addition, €9.59 million in arrears was collected during the course of audits.

Settlements were achieved in 56 cases where liabilities (tax, interest and penalties) exceeded €1 million.

884 cases with a yield of approximately €143.79 million have been published in *Iris Oifigiúil*, under the provisions of Section 1086 of the Taxes Consolidation Act 1997.

In the course of the 2004 National Audit Programme, 73 cases were identified for possible investigation with a view to prosecution.

During 2004, Revenue reconsidered the effectiveness and objectives of its Random Audit programme and has adopted a more effective Random Audit approach for 2005.

A summary of audit activity in 2004, with comparisons for 2003, is contained in Table 20.

Table 20: Audit Activity 2003–2004

Audit Type	2004 Audits Completed	Yield €m ¹	2003 Audits Completed	Yield €m ¹
Comprehensive (All taxhead)	4,058	382.32	4,359	226.32
VAT	2,776	49.99	3,951	76.37
Employers' PAYE/PRSI	517	5.11	874	18.05
Relevant Contracts Tax (RCT)	439	6.98	231	1.61
Combined VAT, RCT & PAYE/PRSI	848	18.35	544	13.17
Verification Audits	6,103	76.18	5,695	86.79
CAT ²	1,324	6.53	112	5.61
Customs Audits & Excise Audits	187	2.46	259	0.52
Environmental Levy Audits	59	0.13	-	-
Powers of Inspection Audits	10	1.59	-	-
Other Audits	N/A	N/A	4	0.73
Totals	16,321	549.64	16,029	429.17
Arrears Collected ³		9.59		10.11
Payments on Account ⁴		36.97		40.43

¹ The yield figures for the year to 31 December 2004 include €2.88 million that has been referred for collection enforcement action in cases where the liability was not settled with the audit officer. The equivalent figure for the year 2003 is €2.55 million and for the year 2002 is €1.66 million.

It also includes €19.11 million (Income Tax and Corporation Tax), which is yield expected in future years as a result of audits settled by way of restriction of losses carried forward and reliefs overclaimed. The equivalent amount for the year 2003 is €18.24 million and for the year 2002 is €9.2 million.

² During 2004, a special project of verification audits was undertaken. The increased number of audits reflects the increased

number of verification audits. Returns were examined with a view to verifying the accuracy of the return and to identify risk factors for future selection purposes.

³ In the course of finalising taxpayers' affairs, auditors collect arrears of tax for periods other than the period audited. Auditors collected arrears of €9.59 million in the year to 31 December 2004, €10.11 million in 2003 and €17.27 million in 2002.

⁴ This is the amount of payment on account by taxpayers, where the final settlement is not agreed between the taxpayer and the auditor. These payments are generally made to avoid further interest charges accruing. Payments on account on hands at the end of December 2004 totalled €36.97 million.

Computer-Based Risk-Assessment

A new Revenue Risk Analysis system to support audit and compliance programmes was delivered in 2004, to coincide with the capture of data from Income Tax and Corporation Tax returns. The system is now being actively used in pilot areas across Revenue. The Risk system is being extended to include data from an extensive range of sources. Following its proposed wider implementation, it will form a significant part of Revenue's continuing focus on improving compliance behaviour.

The Risk system is complemented by the introduction of an Integrated Business Intelligence system to provide a single point of access to reports, and analytical and data-mining tools associated with the Revenue data warehouse, while also delivering a comprehensive view of the information available for a specific customer whether sourced internally or externally.

Special Savings Investment Account (SSIA) Scheme Compliance

SSIA subscriptions by 1.1 million individuals during 2004 amounted to €2,265 million and the Exchequer contributed €548 million in tax credits. The first SSIA's will reach maturity in May 2006, and consultations have already begun between Revenue and representatives of the 330 savings institutions involved in administering the scheme, regarding the procedures that will have to be implemented in connection with the maturity process.

A compliance programme to ensure that both savings institutions and individual savers comply with the terms and conditions of the scheme continued to operate during 2004.

Tax Relief at Source (TRS) for Mortgage Interest and Medical/Dental Insurance

The TRS schemes for mortgage interest and medical insurance continued to operate during 2004 and were extended to cover premiums for non-routine dental insurance. A new electronic service, which allows mortgage holders to apply for TRS on-line via the Revenue website, was also introduced during the year.

A compliance programme, to ensure that lenders, medical and dental insurers and individuals claiming the relief are complying with all of the terms and conditions of the scheme, continued to operate during 2004.

FEOGA Audit

During the scrutiny period July 2003 to June 2004, the FEOGA Audit Unit in Revenue audited the commercial records of 21 traders who had received export refund payments amounting to €173 million in respect of agricultural exports during the period audited. The amount represents approximately 91% of the total export refunds paid by the Department of Agriculture and Food during that period.

Audit of CAP Exports

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

1.3.3 – INCREASE IN THE NUMBER OF RETURNS AND DECLARATIONS FILED CORRECTLY AND ON TIME

Revenue's compliance programme for tax returns aims to improve voluntary and timely compliance and focuses on the pursuit of late filers and persistent non-filers of returns. The early response campaign to tackle late filers and persistent non-filers continued in 2004.

Table 21: Cases Reviewed under the 2004 Returns Compliance Programme

	Income Tax	Corporation Tax	Totals
Cases settled by receipt of return(s)	26,122	2,680	28,802
Cases ceased, dormant, dissolved or deemed to have no liability	4,964	1,480	6,444
Total Settled	31,086	4,160	35,246

Chart 5: Income Tax Returns Compliance

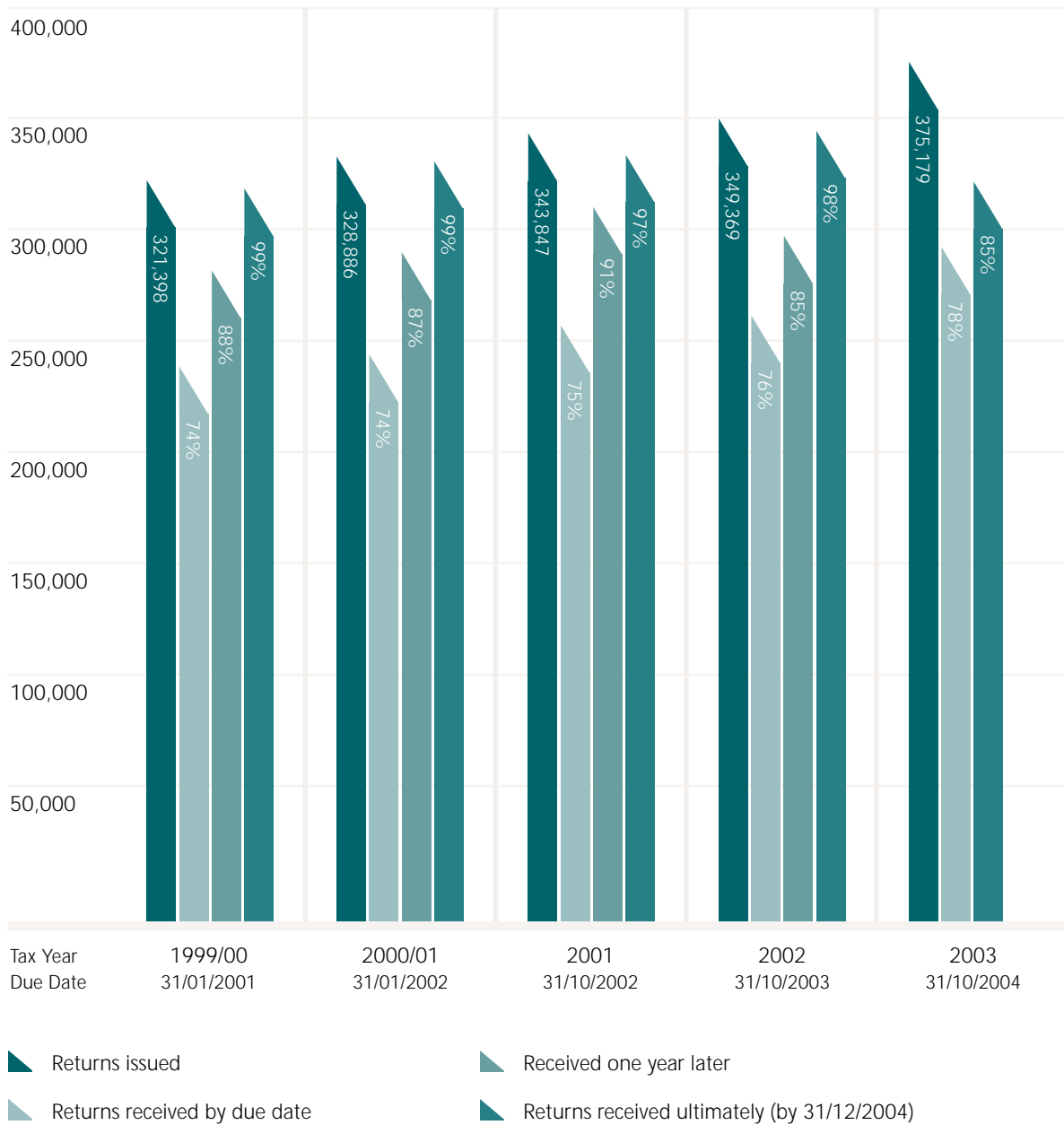
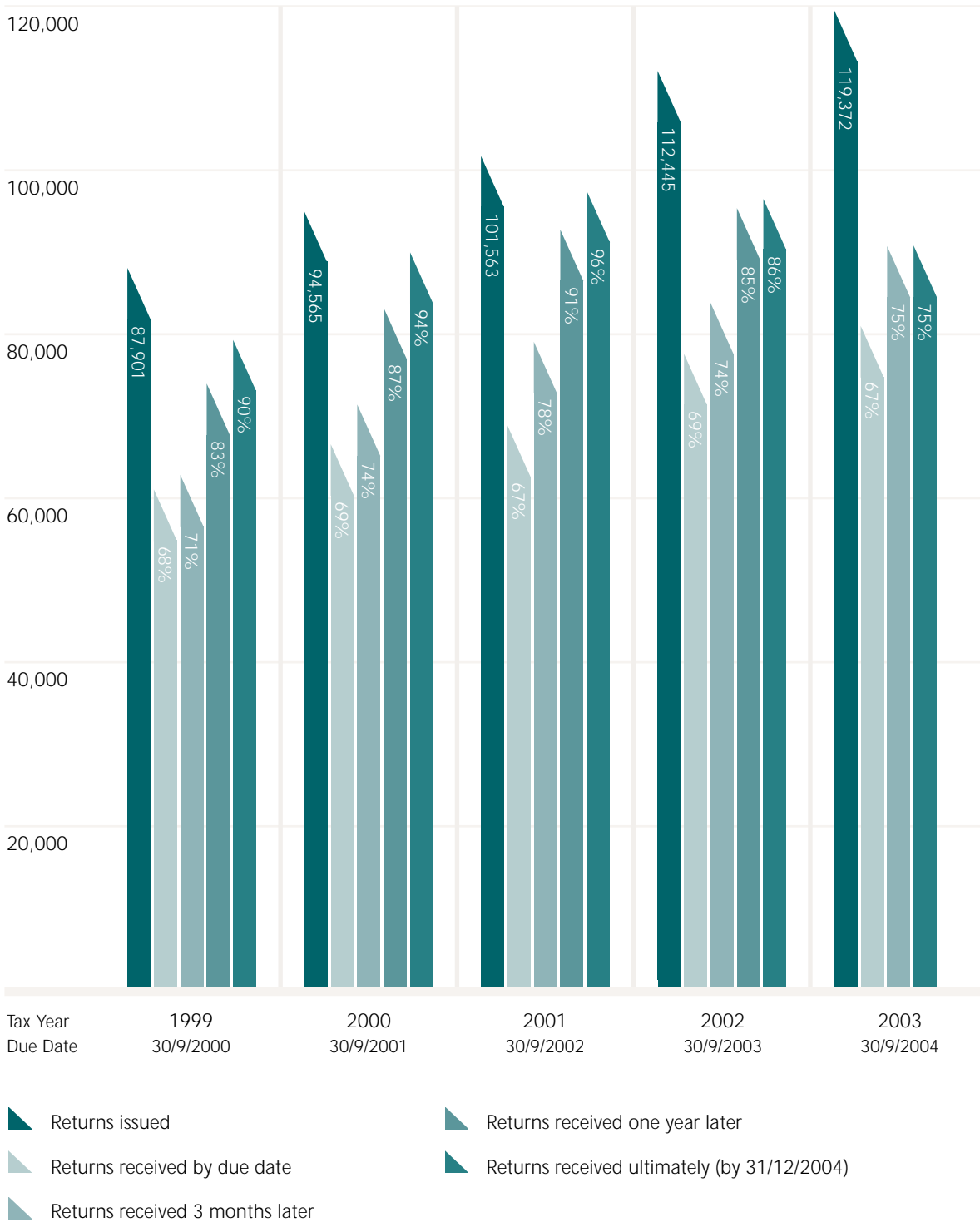


Chart 6: Corporation Tax Returns Compliance



Prosecution For Failure To File Returns

In 2004, the prosecution of non-filers continued. Legal proceedings were instituted in over 3,300 cases and convictions were secured in 592 cases.

P35 Returns Compliance

82% of PAYE/PRSI annual P35 returns for the 2003 tax year were received within the due month, which was in line with the number received for the 2002 tax year. At the end of 2004, 95% of the 2003 returns had been received. Revenue continues to vigorously pursue non-compliant employers, as outlined in Table 23.

Table 22: Prosecutions for the Non-Filing of Income Tax and Corporation Tax Returns

	Tax	2004	2003
Revenue Solicitor warning letters issued	IT	12,637	12,357
	CT	766	1,290
Cases referred for the institution of legal proceedings	IT	3,257	1,908
	CT	97	23
Convictions	IT	576	575
	CT	16	52

Table 23: Prosecutions for the Non-Filing of P35 Returns

	2004	2003
Penalties imposed for late filing of P35 Returns	466	455
Cases referred for civil proceedings	297	313
Judgements obtained to date against employers (<i>some cases ongoing</i>)	80	85

1.3.4 – THE CLOSE MONITORING OF TAX-PAYERS WHO POSE THE GREATEST RISK TO THE EXCHEQUER

Revenue's Large Cases Division (LCD) was established to deal with the largest corporate cases and wealthiest individuals. 2004 was its first full year of operations and a substantial programme of engagement with the case-base was undertaken.

Some 70% of corporate cases were profiled, and introductory visits were made to senior management in those companies, focussing on the risk-based approach to large cases. These visits also laid the foundations for the co-operative compliance approach, which envisages Revenue and businesses working in partnership to ensure that businesses foster a high compliance culture and that this is reciprocated with tailored Revenue responses. This foundation work is intended to lead to compliance framework agreements in 2005 between Revenue and a number of large businesses. The LCD audit programme began during the year and addressed a broad range of risks across a range of business sectors.

During the year, all of the high wealth individuals dealt with in LCD were profiled; their advisors were briefed on the risk-based approach to be taken and on the first risks being tackled; and the first audits of these cases commenced in mid-year. In both the large corporate and high wealth areas, a number of issues emerging from the growing understanding of tax planning were fed back to Revenue's policy and legislation areas, highlighting issues that required policy responses or legislative amendments.

Revenue has also set up specialist Districts in the Dublin and the South West Regions, to monitor the compliance of the "Second Tier" largest corporate cases and wealthy individuals in those regions. Although these cases are not dealt with in LCD, they also have substantial income, turnover or tax liabilities. They have been profiled, their compliance is being monitored and audits and other types of compliance interventions are being carried out where appropriate.

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

1.4.1 – CUSTOMER SATISFACTION WITH REVENUE SERVICES

Revised Customer Service Charter

In April 2004, Revenue published its Customer Service Charter, which updated and replaced the Charter of Rights that had been in place since 1989. This was done in response to the Taoiseach's launch in December 2002 of a Customer Charter initiative for all Government Departments and Offices. The published document was produced in accordance with Guidelines drawn up by the interdepartmental Quality Customer Service Working Group. The new Charter is intended to reflect the mutual expectations of Revenue and its customers, and to ensure that as an

organisation we conform to the highest principles of professional public service, thus allowing us to maintain the respect and support of the community we serve. Simultaneously, Revenue issued an updated information leaflet, which sets out revised procedures for the processing of complaints, internal reviews and appeals, reflecting the new organisational structure.

Together with our new Customer Service Standards, which we published in December 2003, the two documents referred to above complete our suite of customer service publications.

Table 24: Customer Service Standards And Results

Service	Standard	Result 2004*
Complaints	Processed impartially within 20 working days	100%
Telephone service	Calls responded to within 30 seconds	75%
Registrations	VAT: 100% within 10 working days	69%
	Other: 100% within 5 working days	68%
Returns, declarations and applications	ROS: 100% within 5 working days	97%
	Non-ROS: 80% processed within 10 working days	IT 29% CT 20% Other 96%
	Non-ROS: 100% processed within 20 working days	IT 56% CT 56% Other 97%
	AEP: Immediate response	Immediate response
Repayments	80% processed within 10 working days	68%
	100% processed within 20 working days	83%
Correspondence/E-mail/Fax	80% of items replied to within 20 working days	96%
Applications for Tax Clearance Certificates	100% processed within 6 working days	81%

* Comparable figures not available for 2003, as new standards were introduced in 2004.

Customer service standards generally were not met in the early part of 2004. This was most evident in the PAYE area and was due to a combination of business growth, the annual peak period and the transitional difficulties arising from restructuring. The results reflected in the above table are the average for the full year. This situation was acknowledged by Revenue and measures were introduced to address the problems in the immediate and longer term.

The specific measures included the following:

- The rolling out of a scanning and imaging system to streamline the processing of claims, which should introduce significant efficiencies in 2005.
- The introduction of new self-service channels, primarily for PAYE customers, and again scanning and imaging technology to address correspondence customer service issues. The self-service channels allow customers to request PAYE forms and leaflets and make certain PAYE tax credit claims electronically by logging on to the Internet, by sending a text message from a mobile phone or through a touch tone phone. These measures were introduced in the first quarter of 2005.
- To address telephony issues, a major overhaul of the 1890 telephone system was undertaken, which should help us to achieve the published customer service standards in 2005. The new system, when introduced, will dramatically reduce the number of unanswered calls.

The overall strategic approach to managing customer contacts is to provide appropriate contact channels for the various segments of the customer base, so that, to the greatest extent possible, a self-service culture is built in dealing with customers. In this context, there are a number of major projects being advanced at present, such as:

- PAYE Redesign, incorporating a wide range of Internet-based transactional facilities for employees.
- Ongoing design of the website, to enable easy access to information across the range of Revenue activities, including the building of more interactive self-service facilities.
- Self-service initiatives, eg texting.
- Ongoing development of the ROS system.

Customer Surveys

One of our busiest contact channels is the PAYE LoCall Telephone service, which handled approximately 1.7 million calls in 2004.

In the last quarter of 2004, we commissioned an independent Customer Satisfaction Survey, which was carried out by Business & Market Research Ltd. This survey was intended to provide a picture of customers' experience when they contacted the service with a query. It also sought to measure satisfaction levels with the service received. While the results were very encouraging, indicating, for example, that 78% of customers were satisfied or more than satisfied with the contact, other results were less satisfactory. For example, 49% of people had difficulty getting through at first attempt. The survey provided a wealth of information, which we are now acting upon, and which should improve our service levels in the future.

Provision of Information to our Customers

We provide information to our customers on various taxes and duties and we continued to expand our range of information in 2004.

One initiative, carried out in collaboration with the sector involved, was the production of a booklet on "Taxation Issues for Milk Production Partnerships", which explains the principal features of the Irish tax system as it relates to farmers establishing and registering a Milk Production Partnership under Regulation 8 of the European Communities (Milk Quota) Regulations 2000.

Continued Consultation with Groups Representing our Customer Base

The Tax Administration Liaison Committee (TALC) is a forum where Revenue and organisations representing tax practitioners discuss issues of mutual interest affecting tax compliance. Revenue assumed the chairmanship of TALC for 2004. In partnership with the various practitioner bodies represented on TALC, we worked to deliver improved services across a range of activities. Significant progress was achieved in the following areas:

- Customer Services – various innovations were introduced to enhance the quality of our overall customer service, particularly in relation to our call centre and website services.
- ROS – solutions were agreed and are being developed for the Corporation Tax payment facility for multinational companies and to address some issues surrounding Capital Acquisitions Tax payments. These solutions will facilitate further take-up of ROS for both taxes.

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 3 times in 2004. The views of the Committee were sought on a number of important issues, including Revenue's CAP-DTI project and the modernisation of the Community Customs Code. In addition, three separate Trade Contact Group meetings were held, to discuss the redevelopment of Revenue's Customs Automated Entry Processing system.

Electronic Services and the Revenue Website (www.revenue.ie)

The second-generation Revenue website was launched in 2004. It was enhanced during the year to include additional electronic services. Customers can locate the most appropriate Revenue contact point, calculate VRT and apply for Tax Clearance or Mortgage Interest Relief directly from the website.

Since January 2005, as part of Revenue's Customer Contact programme, PAYE customers can claim certain tax credits and reliefs, such as Age Credit, Refuse Charges, and Trade Union Subscriptions, not only via the website but also by SMS (Short Messaging Service) text messages and Interactive Voice Response on the telephone. The most popular forms and leaflets can also be requested via these same self-service channels.

Awards

ROS and the Revenue website www.revenue.ie received a number of awards in 2004 including the following:

- Top award in recognition of on-line service as a leading innovator in digital media in the "Business to Business" category at the O2 Digital Media Awards.
- A Computer Honours Laureate for visionary use in "Information Technology in Government Non-Profit Organisations" in Virginia, USA.
- The Third Quality Conference Public Services Excellence award for the Vehicle Registration Tax initiative.
- The "European Information Security Award 2004" for Excellence in Implementation.
- The Best eGovernment Award at the Irish Internet Association & MSN – Net Visionary Awards.
- "Business to Consumer" award and "Most Useful Web Resource" award at the Digital Media Awards ceremony in February 2005.

eGovernment

During 2004, work was completed with the Reach agency and the Department of Agriculture and Food on the use of the Public Service Broker (eBroker) as the communications channel for a Common Agricultural Programme repayment certification project. This project was facilitated by the introduction of a secure real-time link – the Revenue Integration Service – between our public-facing Revenue On-Line Service (ROS), our back office Integrated Taxation Processing application and Reach.

Revenue e-Brief

A new electronic information service for practitioners/consultants and other interested parties was introduced in January 2004. Issued periodically to registered subscribers, the focus of Revenue e-Brief is on time-critical issues, forthcoming deadlines, urgent news and any other relevant developments. 47 e-Briefs were issued on diverse Revenue subjects, and during the year the subscriber list increased to 2,500.

1.4.2 – COMPLIANCE COSTS KEPT AS LOW AS POSSIBLE FOR REVENUE CUSTOMERS

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

repayments, greater accuracy, reduction in postal and telephone costs, timely payment, and the reduction or elimination of paperwork.

In 2004, ROS enabled 9,500 employers to receive their employees' Tax Certificates on-line. This represented approximately 25% (547,247) of employees.

Simplified Customs Procedures for Import/Export Traffic

Revenue's new electronic customs web-based system to replace the presentation of paper-based manifests by express carriers went live in 2004. This web-based application also facilitates the acceptance of simplified declarations for certain categories of imports by express carriers. Use of the system for local clearance pilot projects continued in 2004, resulting in major facilitation being granted to traders.

1.4.3 – INCREASED LEVEL OF ON-LINE BUSINESS

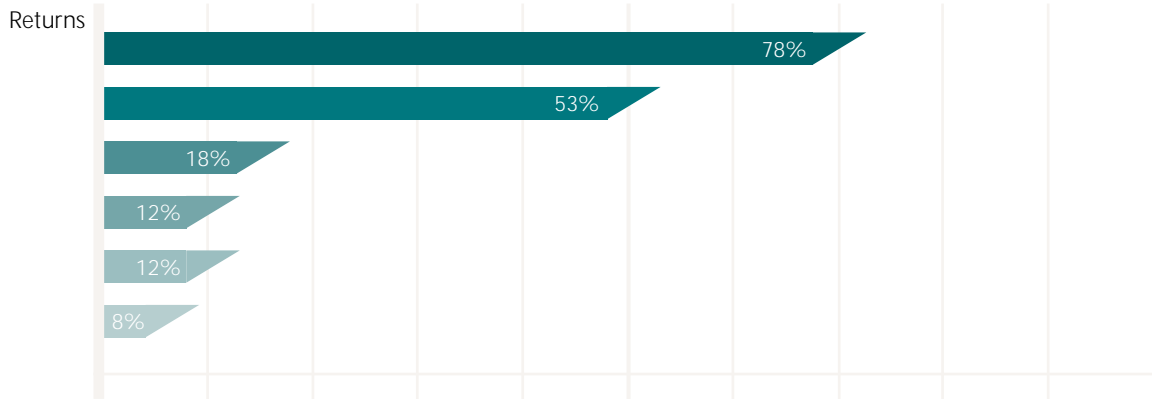
The take-up of the Income Tax Returns filing service on ROS grew significantly again in 2004. In 2002, 9% of all timely returns were filed on ROS. As accountants became familiar with ROS with the assistance of the nationwide network of ROS liaison officers, this increased substantially to 40% in 2003 and 53% in 2004, representing over 157,000 returns.

Over 91% of Customs declarations are filed electronically through the Automated Entry Processing (AEP) System, and at year-end 78% of Vehicle Registration Tax (VRT) registrations were being filed electronically.

Table 25: Payments Filed Electronically

	Total Payments Received in 2004	% Received Electronically in 2004
Gross Receipts	€48.52bn	42%

Chart 8: ROS Filing v Total Filing in 2004



- Vehicle Registration Tax (VRT) Registrations
- Value Added Tax Returns – Form VAT3
- Income Tax Self Assessment Returns – Form 11*
- Employers' Annual PAYE Returns – Form P35
- Corporation Tax Self Assessment Returns – Form CT1
- Employers' Monthly PAYE Returns – Form P30

* 2003

Chart 9: Total ROS Returns (By Month)



GOAL 2

Fulfilment of our External Obligations



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

IRELAND'S PRESIDENCY OF THE EU

The overarching priority objectives of the Irish Presidency were:

- A successful enlargement and new neighbours.
- Working together for growth.
- A Safer Union – Strengthening the Area of Freedom, Security and Justice.
- Global Enlargement – The European Union and the Wider World.

Revenue's contribution to achieving these objectives included hosting of a number of EU conferences at which considerable progress was made.

In January 2004, Revenue hosted a two-day seminar in Dublin Castle targeted specifically at the then Accession States. The seminar, which dealt with "Cross Pillar Co-operation in the Customs Area", was organised and funded by the European Commission Technical Assistance Information Exchange (TAIEX) Office.

In February 2004, Revenue hosted a conference of the Directors General of the Customs Services of the 15 Member States, the then Accession States, and candidate countries, as well as senior officials of the relevant Commission services. The theme was "The Challenge for Customs in Balancing Trade Facilitation and Security Demands". Throughout the Irish Presidency, the challenge of maintaining an appropriate balance between facilitation and security featured

as a recurring theme in the EU and other international forums. The format and structure of this meeting have become a template followed by each succeeding Presidency to date and the theme addressed in Dublin has been developed into one where the whole role and structure of the EU Customs Services are being scrutinised.

In April 2004, Revenue hosted the first meeting of the G25 Heads of Tax Administrations of the European Union, the then Accession States and the European Commission in Dublin Castle. The theme of the conference was "Influencing Taxpayer Behaviour to Influence Taxpayer Compliance". The meeting was seen as a unique opportunity to build co-operation among the 25 Tax Administrations of an enlarged European Union at a time when all were making new efforts to simplify their tax systems and to work together to fight tax evasion.

On 22 April 2004, Mr Charlie McCreevy TD, Minister for Finance, in his capacity as President of the European Council and Mr Tom Ridge, Secretary of the Department of Homeland Security, United States of America, signed an important EU-US Customs Agreement in relation to sea container security.

Strategy 2.1 Provide quality input to legislative development

2.1.1 – TIMELY HIGH QUALITY ADVICE SUPPORTED BY ACCURATE STATISTICS AND FORECASTS

Revenue provided advice and support to the Department of Finance on a broad range of measures which were contained in the Finance Act 2004, including:

- Significant amendments to address certain abuses of the scheme of film relief.
- Provision for the exemption from income tax of compensatory awards made where an employee's rights and entitlements under employment law have been infringed or breached.
- Measures to remove barriers to the location of holding companies and headquarter companies in Ireland.
- A new incentive scheme to encourage companies to carry out research and development.
- A package of measures concerning the rules on the place of supply of gas and electricity.
- The accession of the new Member States had the effect of abolishing VAT at the point of entry to goods from accession countries entering the existing Community. Legislation was enacted to provide transitional measures to address the tax position of goods in transit.

Costing of Tax Expenditures

In order to improve the information available to assist in ongoing reviews of tax expenditures, following preliminary exploratory work, a senior level group, chaired by an Assistant Secretary in the Department of Finance, convened in 2003 to discuss the possibilities of additional data capture via tax returns. On foot of this work, Revenue has introduced a number of changes to tax returns for the self-employed, companies and the PAYE sector in respect of 2004 and to the P35 form – which is returned to Revenue at end year with totals for earnings and deductions for each employee – in respect of the tax year 2005. These changes to these returns will, over time, yield additional information regarding the cost of various tax reliefs. The necessity to include this information in tax returns was underpinned by legislative changes made in the Finance Act 2004.

VAT on the Sale of Developed Sites

The Finance Act also confirmed the Financial Resolution which was introduced on Budget night, 3 December 2003, to ensure that all developers account correctly for VAT on the sale of developed sites in situations where properties are sold under separate contracts for the sale of the sites and construction services.

Guide to the Legislative Process

In November, Revenue Legislation Services updated their "Guide to the Legislative Process" which is used for the training and development of Revenue staff who work in the areas of policy, legislation and legal interpretation.

2.1.2 – PRECISE AND ROBUST LEGISLATION SUPPORTED BY COMPREHENSIVE BRIEFING MATERIAL

Consolidation of Legislation

Notes for Guidance on the Stamp Duties Consolidation Act 1999, reflecting all changes to the Act made by subsequent legislation, up to and including the Finance Act 2004, were made available on the Revenue website.

In keeping with the principles of regulatory reform in the White Paper, "Regulating Better", and the pre-1922 statute law reform initiative launched by the Taoiseach in April 2004, Revenue is undertaking a programme to modernise and consolidate Customs legislation. The first step involved the research, analysis and production by the end of 2004 of an initial draft non-statutory consolidation of extant Customs-related legislation, much of which dates back almost 130 years.

The work on the draft instrument containing the modernisation and consolidation of all VAT regulations advanced significantly during 2004. The work has been developed to the stage where it was suitable to seek Parliamentary Counsel guidance concerning the structure of the new instrument.

2.1.3 – ASSESSMENT OF THE IMPACT OF TAX AND CUSTOMS LAW ON BUSINESS DECISIONS AFFECTING REVENUE YIELD

The Government White Paper, "Regulating Better", made a commitment to mainstream within the Civil Service the process of Regulatory Impact Analysis (RIA) – a policy tool designed to identify and quantify, where possible, the impact of new regulations – following the piloting of RIA in a number of Government Departments and Offices. Revenue is actively involved in the RIA piloting phase, which is aimed at gaining further insights into the use of RIA and the practical issues arising, so that an RIA model appropriate to the Irish context can be developed.

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

2.2.1 – QUALITY INPUT TO CROSS-DEPARTMENTAL ACTIVITIES

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

The Information Society

We have sought to maintain a leading position in the development and provision of on-line eGovernment solutions, complementing the Information Society Action Plan and the Government's intention to make Ireland a leading country in the provision of electronic services. This encompasses the development of the Revenue website and the Revenue On-Line Service that has continued during 2004. Both have been recognised as innovative products.

During 2004, we have continued to participate in the Reach work programme and have included the Government eBroker into our architecture to support the ROS/ITP CAP project as mentioned earlier. We have also progressed the introduction of the use of Reach Level 1 authentication for providing on-line services for certain ROS customers. These will be used to provide access for PAYE taxpayers to view and amend their personal details and tax credits.

ODCE

A Memorandum of Understanding (MOU) between Revenue and the Office of the Director of Corporate Enforcement (ODCE) was signed on 21 December 2004. The Collector General signed the MOU on behalf of Revenue. The ODCE and Revenue have agreed to the exchange of information as permitted by law and in accordance with the terms of the MOU.

Accordingly, information which, in the opinion of the ODCE, may be required for the purposes of the investigation of tax offences or the institution of proceedings in relation to tax offences may be disclosed to the extent that, in the opinion of the ODCE, it is necessary for those purposes. Similarly, information that, in the opinion of a Revenue officer, may relate to offences under the Companies Acts may be disclosed by the officer to the ODCE.

2.2.2 – PROVISION OF AGENCY SERVICES ON BEHALF OF OTHER DEPARTMENTS AND OFFICES

Environmental Levy

Revenue is the collection agent for the Environmental Levy on the use of plastic shopping bags. During 2004, the number of quarterly returns received dropped by 56% as a consequence of activity in improving the register, by:

- Removing persons who informed Revenue that they never supplied plastic bags, but who had been included on the register initially as possible suppliers, based on their trade description on Revenue records, and
- Removing persons that ceased supplying plastic bags.

In 2004, over €13.5 million was paid over to the Department of Environment and Local Government in respect of the levy. These proceeds have been lodged to a special fund, the 'Environmental Fund' established under the Waste Management (Amendment) Act 2001.

PRSI and Health Contributions

Revenue collects PRSI and Health Contributions on behalf of the Department of Social and Family Affairs and the Department of Health and Children respectively. In 2004, Revenue paid over the following amounts:

- PRSI and Health Contributions from employers/employees: €6.43 billion
- PRSI and Health Contributions from the self-employed: €374 million

In addition to the collection and pay-over of PRSI and Health Contributions, Revenue also captured PRSI contribution data in respect of approximately 2.9 million PAYE employments in 2004. In meeting our commitment under a Service Level Agreement, this data was supplied to the Department of Social and Family Affairs before the commencement of the benefit year on 1 January 2005. The data is important in determining entitlement to social welfare benefits.

Tobacco Levy

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

CAP Import Charges

Common Agricultural Policy (CAP) import charges are collected on a wide range of goods imported from non-European Union countries. They totalled €877,000 in 2004.

Customs Controls – Export Licensing of Dual-Use and Military Goods

A comprehensive study of the export licensing of dual-use and military goods, concentrating on the roles of the various agencies with responsibilities in this area, including Revenue, was undertaken by an economic consultant on behalf of the Department of Enterprise, Trade and Employment. An inter-Departmental

Committee, on which Revenue was represented, oversaw the project. The consultant's report was published in mid-2004 and contained a number of recommendations, most of which will require legislative change. Other procedural changes are already in place.

2.2.3 – IMPROVED DRUG DETECTION

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

- To increase in volume our seizures of opiates and other drugs.
- To continue to work closely with other law enforcement agencies, both nationally and internationally. In this regard, a Revenue official is assigned to the Europol National Office.
- To strengthen and consolidate existing coastal watch and other ports of entry measures designed to restrict the importation of illicit drugs. In this regard, nine detector dog teams are deployed at strategic locations throughout the State. Revenue is currently evaluating the use of detector dogs to assist in detecting criminally derived cash at import/export, in response to recent developments in proceeds of crime legislation.

A senior Revenue officer is part of the Inter-Departmental Group that advises the Cabinet Sub-Committee on Social Inclusion on drugs-related issues and seeks to ensure better co-ordination between the various stakeholders involved in the National Drugs Strategy. Revenue is also represented on each of the Regional Drugs Task Forces. In terms of supply reduction, Revenue continues to focus on delivering the seizure targets set for the period 2001–2008.

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

2.3.1 – INFLUENCE AT THE EU, THE OECD, THE WCO AND OTHER INTERNATIONAL POLICY-MAKING BODIES REFLECTING GOVERNMENT POLICY

Customs Groups

During the Irish Presidency of the EU, two officials from Revenue's Customs Service chaired Council Working Groups.

- Customs Union Group

Political agreement was reached on a Regulation amending the Community Customs Code, the purpose of which was to strengthen supply chain security and provide for an EU-level authorised economic operator scheme that will allow businesses that meet certain criteria to benefit from various customs facilitations.

- Customs Co-operation Working Group

Under the Irish Presidency, the CCWG undertook the task of helping to develop Customs' role in the provision of an area of Security, Freedom and Justice in the EU through obtaining Council approval of a Strategy for Customs Co-operation and the related Work Plan for 2004–2006.

Other business advanced during the Irish Presidency included the following:

The Mergers Directive

The Council Working Group on Direct Taxation addressed a number of issues in the Direct Tax area. These included a proposal for a directive to amend the EU Mergers Directive (90/434/EEC) and the finalising of the text of a draft treaty to facilitate the accession to the 1990 Arbitration Convention of the ten States that became EU Member States during Ireland's Presidency.

The 1990 Mergers Directive provides tax neutrality for cross-border business combinations such as mergers, divisions, transfer of assets and exchanges of shares. Revenue chaired the Working Group on the proposals to amend the EU Mergers Directive. The Group met eight times during the Irish Presidency. In the course of these meetings, the Working Group addressed all relevant issues and possible solutions were identified for each. The outstanding issues were settled during the Dutch Presidency and the Directive has since been adopted.

The Savings Directive

The Council's High Level Group on Savings Taxation met on eight occasions to review progress on the negotiation of agreements under the EU Savings Tax Directive (2003/48/EC) by the Commission, with assistance from the Presidency, with relevant third countries and to approve the text of model savings tax agreements with the relevant dependent and associated territories of the UK and the Netherlands.

By the end of the Presidency, the High Level Group had agreed the text of agreements between the Community and each of Switzerland, Andorra, Liechtenstein, Monaco and San Marino and the text of model agreements for bilateral agreements between each individual Member State and each of the relevant UK's and the Netherlands' dependent and associated territories.

Directive on Place of Supply of Services

Revenue participated fully with the Department of Finance and the Department of Foreign Affairs in carrying out the VAT agenda for the Irish Presidency. The most significant achievement was the extensive work done by the Council Tax Questions Working Party on a proposal to change the place of taxation rules for services in relation to business-to-business transactions. Discussions on this complex proposal made significant progress during the Irish Presidency.

The outcome of the discussions will be a reduction of the administrative burden for both suppliers and recipients of the services concerned and a closer alignment of the place of taxation with where the services are consumed.

Excise and VAT

Revenue played a key role in regard to legislative development of EU Excise law by assisting the Department of Finance in its chairing of the Council Working Party on Taxation. The major excise business of the Presidency was the processing of a new regulation on administrative co-operation in excise matters.

World Customs Organisation

In 1999, the Council of the World Customs Organisation adopted the Protocol of Amendment to the International Convention on the Simplification and Harmonization of Customs Procedures (revised Kyoto Convention) as the blueprint for modern Customs procedures in the 21st Century. The Irish Presidency, on behalf of the European Community and 12 of its Member States, deposited the instruments of accession to the revised Kyoto Convention on 30 April 2004.

The Organisation for Economic Co-operation and Development (OECD)

The OECD Committee of Fiscal Affairs (CFA) continues to play a leading role in developing international co-operation in a range of tax policy and administration matters. Revenue has a prominent role in the CFA – the Assistant Secretary in charge of Revenue's Direct Taxes Interpretation & International Division serves as Deputy Chairman and is part of the five-member group charged with managing the work of the Committee. Revenue and Department of Finance officials also serve as delegates to the various CFA working groups.

IOTA

Revenue deepened its relationship with IOTA (the International Organisation of Tax Administrations) by becoming a full member in 2004. IOTA promotes co-operation between tax administrations in the European Region. Revenue contributed to a number of IOTA workshops on operational issues, including tackling the hidden economy and effective debt management strategies, as well as workshops related to support functions, such as performance reporting and training strategies.

2.3.2 – A NETWORK OF DOUBLE TAXATION TREATIES WHICH FACILITATES INVESTMENT AND INTERNATIONAL TRADE IN GOODS AND SERVICES AND ASSISTS IN COMBATING TAX EVASION

During 2004, the Irish tax treaty network was further expanded. Ireland now has double taxation treaties in force with 44 countries, including new agreements with Greece and Iceland, which are effective from January 2005. A replacement agreement with Canada was ratified by Ireland in 2004. Canada ratified it early in 2005, and it will come into effect in January 2006. Negotiations commenced during the year for new agreements with Chile, Kuwait, Morocco and Tunisia. Negotiations are also underway for new agreements with Argentina, Egypt, Malta, Singapore, Turkey and the Ukraine, as well as replacement agreements with Cyprus and France.

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

Table 26: Mutual Assistance Requests

Number of Mutual Assistance Requests	Received	Sent
From/to other EU Member States	227	125
From/to other countries	9	6
Total	236	131

2.3.3 – CLOSE CO-OPERATION WITH INTERNATIONAL AGENCIES IN THE FIGHT AGAINST DRUG SMUGGLING AND OTHER FORMS OF TRANS-NATIONAL CRIME

International Co-operation

Revenue is conscious of its obligations under various regulations, directions and instruments to seek and provide assistance in the fight against fraud and smuggling to both EU Member States and other countries. Our record in this regard is amongst the best internationally.

Revenue's Customs Service continues to engage in international and European-wide surveillance exercises and joint operations in tackling international drug trafficking. As a result of a joint operation in February 2004, involving the Dutch authorities, Irish Customs and An Garda Síochána, a large quantity of precursor chemicals was seized in premises in Dublin and Holland. The chemicals seized could potentially have been used to manufacture ecstasy tablets and amphetamines with a total street value exceeding €500 million.

The National Freight Intelligence Unit (NFIU) operates on a twenty-four hour basis. During 2004, on the international front, NFIU intelligence led to the largest ever cigarette seizure in Denmark, resulting in a number of arrests. Locally, NFIU intelligence led to the largest ever cigarette seizure (9.2 million) from a single container in Dublin Port.

Mutual Assistance

The nature of certain frauds and smuggling of drugs and other prohibited goods requires close co-operation between Ireland, its EU partners and other countries. In this regard, we have both sought and provided assistance to and from other countries under a range of directives, regulations and conventions. The assistance can take the form of administrative assistance to assist in detections, enquiries or investigations, or legal assistance to assist in the prosecution of offenders. The details are outlined in Table 26.

Convention on Mutual Assistance on Co-operation between Customs Administrations of 18 December 1997

Ireland implemented the above Convention with effect from 26 June 2004. This Convention provides for enhanced co-operation between Member States' Customs Administrations, with a view to preventing, detecting and prosecuting infringements of national and Community legislation.

Mutual Legal Assistance

During 2004, 29 Mutual Legal Assistance requests were received and dealt with by Revenue. These requests, related to investigations being carried out by other jurisdictions, are channelled through the Department of Justice, Equality and Law Reform under the 1959 Convention on Mutual Assistance in Criminal Matters. The requests dealt primarily with smuggling, excise and tax fraud.

Requests for Mutual Assistance in Relation to Tax Collection

In accordance with EU Council Directive 76/308 as amended, the Office of the Collector General pursues collection of taxes due to the tax authorities in other Member States of the EU. In 2004, 279 requests for recovery were received and a total of €972,805 was recovered under the programme.

VAT Carousel Fraud

Intra-EU VAT fraud by means of carousel trade has emerged as a serious threat in recent years. Revenue's VAT Carousel Fraud Team plays an important role in combating the fraud at EU level.

A new regulation (Council Regulation (EC) 1798/2003) came into effect during 2004 in matters relating to administrative co-operation/mutual assistance in the field of indirect taxation. Under this regulation, the Irish Carousel Fraud Team (CFT) has been designated as a Liaison Department, allowing it to engage in direct exchanges of information with similarly designated units in other Member States. In 2004, the CFT concluded arrangements for direct exchanges with six Member States and plans to have agreement with all Member States during 2005.

Fiscal/Customs Liaison Officer

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

2.3.4 – PROVISION OF TECHNICAL ASSISTANCE TO EU APPLICANT COUNTRIES

The Customs Service of Revenue holds the chair of the Policy Board of Eurocustoms from 2003–2005. Eurocustoms is a consortium of all the Customs Services of the Member States of the EU with its administrative headquarters in Paris. Its role is to provide technical assistance in the Customs field to EU neighbouring states in Eastern Europe, in the former USSR and in Mediterranean countries of North Africa. In addition to chairing the Policy Board, Ireland also contributed to the working of the consortium through providing Customs experts to deliver technical assistance in Malta, Ukraine and Estonia.

In 2004, in addition to participating in technical assistance programmes such as Fiscalis, Customs 2007 and Eurocustoms, Revenue staff hosted over twenty visiting delegations from as far afield as Kenya and Malaysia, and including then EU applicant countries such as Latvia, Lithuania and Estonia.

GOAL 3

A Capable, Adaptable and Effective Organisation



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

GROUNDBREAKING AGREEMENT BETWEEN REVENUE AND THE UNIVERSITY OF LIMERICK

In 2004, Revenue and the University of Limerick entered into a unique and innovative partnership agreement for third-level accreditation of Revenue's in-house technical tax training programme.

A service level agreement covering the terms of the partnership was signed by the Revenue Chairman, Mr Frank Daly, and Professor Roger G H Downer, President of the University of Limerick, on 21 September 2004.

Under the terms of the agreement, the University of Limerick will accredit Revenue's in-house technical tax training programmes with a Diploma in Applied Taxation. In addition, the University of Limerick and Revenue are already designing a further year of study, which will lead to a Bachelor of Arts Degree in Applied Taxation.

A new Centre for Taxation Studies in the University of Limerick will put in place a process of quality assurance in respect of Revenue's tax training programme, including the appointment of module operators and two external examiners.

Revenue will continue to provide business-driven technical in-house training, which will conform to the agreed quality assurance process. Further development of Revenue's training programmes will benefit significantly from University of Limerick expertise.

Day-to-day administration will be managed by a Course Director in each organisation, and the programme as a whole will be managed by a Joint Course Board, with two representatives each from the two organisations.

The accreditation programme will enhance the technical knowledge and skills of Revenue staff and actively contribute to increased motivation and tangible reward for staff who take part in the programme. It will provide the organisation with enhanced operational technical capacity and greater professionalism. This is expected to lead to more responsive customer service and sharper audits and investigations, with potential to consequently increase tax compliance.

It is expected that the accreditation will enhance Revenue's reputation as an attractive and rewarding place to work.

Strategy 3.1 Attract, develop and retain high calibre staff

3.1.1 – AN EFFECTIVE PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM (PMDS)

We continued to develop PMDS within Revenue. A PMDS “Upward Feedback” scheme was piloted in three Revenue areas in 2004. Following a review of this pilot, a full “Upward Feedback” scheme will be introduced throughout Revenue in 2005.

Over 3,000 staff received “End of Year” training in 2004 and 154 staff participated in a pilot training programme for the introduction of “Upward Feedback”. A customised video has also been developed to support the “Upward Feedback” programme.

3.1.2 – A HIGHLY SKILLED AND ADAPTABLE WORKFORCE

Training Investment

The level of investment in training and development continued to increase. Total training expenditure amounted to 4.18% of annual payroll costs, exceeding the 4% of payroll target set out in our *Statement of Strategy* and in the national *Sustaining Progress* agreement. The 4.18% expenditure reflected an actual training investment of €11.13 million, an increase of 10.58% over 2003.

Increase in Training Delivery

2004 saw a significant increase in training delivery, arising from the increased demand caused by organisational restructuring. The number of training days delivered in 2004 amounted to 46,804, an increase of 13% over 2003. Delivery of technical tax training was significantly up on 2003 (up 21%). The level of management training also showed a very significant

increase in 2004 (up 52%), reflecting substantial delivery of the EO/HEO level management programme, which concluded in March 2005.

Tax Training

The technical tax training programme also continued its intensive delivery schedule during 2004. Almost 150 additional trainee auditors commenced training on the programme, resulting in approximately 300 trainees undertaking the programme at different stages during the year.

Customs and Excise Training

Customs and Excise technical training programmes continued throughout 2004. The extension of modular training continued. Customs & Excise core and functional training modules were developed and courses on the new Common Agricultural Policy Direct Trader Input (CAP-DTI) system were delivered. We continued to deliver our programmes on enforcement and on shipboard awareness (with the National Maritime College). Two new courses were developed and included in the programme – cash seizures and search of vehicles.

Computer Skills Training

A comprehensive programme of training in Microsoft Office applications was delivered in-house in 2004, blending computer-based training (CBT) and tutor-led workshop solutions. A comprehensive library of CBT courseware supported the delivery of this training. An additional 679 staff signed up for our European Computer Driving Licence (ECDL) self-learning initiative.

Revenue Library Service

The Library Service supports the learning and research needs of staff throughout Revenue by acquiring up-to-date and comprehensive material, both in print and in electronic format.

Continuing Education

As in previous years, we continued our policy of supporting and encouraging staff who undertake studies in their own time that are directly related to the work of Revenue and which give them relevant skills and competencies. Over 131 staff received refunds of academic fees totalling €258,330. We also continued to provide financial support to staff in their individual and corporate membership of professional bodies. This amounted to €112,445 in 2004.

3.1.3 – A HIGHLY MOTIVATED AND WELL INFORMED WORKFORCE

Partnership

Partnership in the workplace is an inclusive, open, co-operative and participative way of working. It means involving management, unions and staff at all levels in identifying and dealing with challenges and issues. It recognises that all these stakeholders have rights and responsibilities towards Revenue and each other and that they have a common interest in the continued success of the organisation. In Revenue, the Partnership between management staff and unions plays a very important role in developing innovative solutions in a co-operative and consultative way.

The formal Partnership structures, involving management, staff and unions, have become more widespread throughout Revenue in recent years. For example, local Partnership groups have been set up in the Regions and in a number of the Divisions.

To facilitate the deepening of Partnership in Revenue, a Partnership Seminar on 'Progressing Partnership in Revenue' was held in November 2004 for members of Revenue's Partnership Committee and Partnership Groups. The feedback and insights gained are being examined by the Partnership Committee and recommendations are being implemented on a phased basis. Some initial steps have already been taken to improve communication between the Partnership Groups.

New Intranet

During 2004, Revenue developed and introduced Revnet, our new in-house intranet. It provides Revenue staff with access to tax and duty instructions, guidelines and insights.

3.1.4 – IMPROVED HUMAN RESOURCES (HR) MANAGEMENT ALIGNED TO BUSINESS NEEDS

Agreement was reached to increase the proportion of internal competitive promotion to 75% for promotion to the grades AP, HEO, EO and SO.

As part of the HR policy, the second phase of the devolution of HR management was implemented in almost two-thirds of the organisation. This phase devolves responsibility to local management for tracking and monitoring various personnel functions, including monitoring of performance of probationers and acting appointees, monitoring performance for salary increments and deciding on the outcome in each of these instances. A tailored HR database was also provided as the supporting software tool.

3.1.5 – SUCCESSFUL POLICIES ON GENDER EQUALITY AND DIVERSITY

An action plan to promote Equality and Diversity was agreed in 2004. By the end of 2004, the 2005 targets to increase female representation in senior grades had been achieved or exceeded at the grades of PO and HEO. We expect to meet remaining targets as scheduled by the end of 2005.

Table 27: Targets for Gender Balance

Grades	% of posts held by women at July 2000	Original target % posts to be held by women by 2005	% of posts held by women at end 2004	Results
HEO/AO	25%	30%	36%	Exceeded
AP	18%	23%	22%	On Target
PO	9%	15%	15%	Achieved
HEO (former Inspector of Taxes)	38%	45%	49%	Exceeded
AP (former Higher Grade Inspector)	24%	25%	24%	On Target
PO (former Senior/Principal Inspector)	7%	12%	14%	Exceeded

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

All HEOs/AOs	47%
All APs	27%
All POs	17%

Progress on achieving these targets will be reported on in future Annual Reports.

Employee Assistance Service

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

During 2004, the Employee Assistance Officers dealt with 703 cases, covering a range of topics, including bereavement, addictions, emotional and physical health problems, relationship problems, financial problems, and help with wills and probate applications.

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

3.2.1 – COMPLETION OF OUR NEW ORGANISATIONAL STRUCTURE

‘Sustaining Progress’

Revenue’s organisational restructuring and modernisation programme was further progressed throughout 2004, in the context of the national social partnership agreement, ‘Sustaining Progress’. Revenue’s Action Plan under ‘Sustaining Progress’ set out the specific actions to be undertaken to progress modernisation within Revenue. The implementation of Revenue’s new organisational structure is a key commitment in the Action Plan.

The Civil Service Performance Verification Group considered Revenue’s progress reports on the implementation of the Action Plan. The Group concluded that the progress achieved in Revenue, in relation to stable industrial relations, co-operation with flexibility and change and implementation of the modernisation agenda, warranted payment of the pay increases due in January, July and December 2004. The Verification Group noted that very good progress continues to be made across many areas of Revenue’s modernisation programme, including in particular the agreements reached with Unions concerning increased competitive promotion, the provision of lunchtime services in further areas and the use of the Revenue Performance Scorecard as a key tool for measuring and reporting on efficiency and corporate performance. It also noted the further development of our ICT and eGovernment systems as well as their increased use by our customers, the consolidation and modernisation of Alcohol Products Tax Regulations that came into operation during the summer of 2004 and the review of Customs legislation that is now under way.

3.2.2 – BUSINESS PROCESSES WHICH EFFECTIVELY SUPPORT OUR STRATEGIES

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

Revenue’s New Statement Of Strategy 2005–2007

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

A special Project Group, with membership coming from throughout Revenue, was set up to prepare a new Statement of Strategy, and both Revenue staff and external stakeholders were consulted. The new Statement of Strategy was submitted to the Minister for Finance in December 2004. He formally approved it in February 2005, and it was formally launched on 30 March 2005, at a ceremony attended by the Minister, and by Revenue’s Board and senior management.

Revenue will report on its achievement of the targets set out in the Strategy Statement in future Annual Reports.

Our Banking and Accounting Procedures

Revenue operates approximately 70 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 2004 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 2004 were made by the prescribed payment dates, with the exception of a very small proportion of cases (details of which are given below), where interest penalties were paid in accordance with the legislation.

The Department of Enterprise, Trade and Employment published guidelines in 1998, which specified that only payments over €317 need to be reported on. The information presented in Table 28 is in accordance with the guidelines.

A reduction in the number of late payments (ie payments where the invoice value was greater than €317) from 90 in 2003 to 70 in 2004 was achieved. The amount of interest paid on all late payments in 2004 was €1,526, compared to €1,817 in 2003.

3.2.3 – RESOURCES DEPLOYED EFFECTIVELY TO MEET BUSINESS NEEDS

Manpower Advisory Service

In 2004, Revenue's Manpower Advisory Service reviewed the grading aspects of a 2003 review of Revenue's staffing. It also reviewed staffing in individual areas to ensure optimal resource deployment. The findings of several separate reviews were implemented. These reviews included the Revenue Solicitor's Office, the Business Incentives Unit and the Information, Communications Technology and eBusiness Division.

Management Information Framework

Revenue is continuing to develop its Management Information Framework in accordance with the civil service-wide MIF Project Plan, 2004–2006, as published by the Department of Finance. In this phase of the development of the MIF, the emphasis in Revenue will be on developing more sophisticated financial and performance reports for managers in the organisation, and putting in place an enhanced framework to evaluate the cost of services, projects and business programmes.

Table 28: Payment of Accounts Statistics, 2004

Total value of all payments	€93,703,915
Total value of all late payments (including those under €317)	€691,416
Value of late payments in excess of €317	€691,172
Value of total late payments as a percentage of total payments	0.74%
Number of late payments in excess of €317 (Invoice Value)	70
Amount of interest paid on all late payments	€1,526
Amount of interest on all late payments as a percentage of total payments	0.0016%
Average delay in days (Invoices in excess of €317)	18

3.2.4 – EFFECTIVE INTERNAL CONTROL STRUCTURES AND RISK MANAGEMENT

Internal Audit

In the performance of the functions and activities for which Revenue is responsible, it is essential that proper and effective systems, processes and procedures are in place. While Regional and Divisional management have primary responsibility for establishing and maintaining sound systems of internal control and for managing risk, the Board places a high degree of importance on having such systems and processes independently examined and assessed by Revenue's internal audit function. The Director of Internal Audit reports directly to the Chairman, as Accounting Officer, while Internal Audit's day-to-day activities are overseen by the Audit Committee, four of whose five members, including the chairperson and deputy chairperson, are from outside Revenue. Internal Audit's remit extends throughout Revenue and covers all systems, processes and procedures. Internal Audit operates to a planned annual audit programme, agreed between the Director of Internal Audit and the Audit Committee and approved by the Revenue Board. A comprehensive programme of audit work was carried out in 2004.

Risk Management

Substantial progress was made in 2004 on the introduction of a comprehensive, structured risk programme for Revenue. The appropriate structures and reporting mechanisms are in place. A system to log and record identified risks, and to facilitate a tracking and reporting procedure, has been commissioned. The next steps in the initiative are the rollout of the system in 2005, in line with the recommendations of the Report of the Working Group on the Accountability of Secretaries-General and Accounting Officers (the Mullarkey Report).

A Risk Management Committee, comprised of senior managers, will take overall responsibility for the implementation of the Risk Management Programme. It will monitor the management of the Programme throughout Revenue and present periodic reports to the Board and MAC.

Revenue continues to develop and refine the process of risk management, with a view to embedding a culture of risk awareness and risk management throughout the office.

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

3.3.1 – ENHANCED INTEGRATED TAXATION SYSTEMS

During 2004, work continued on improving our Integrated Taxation Service, which underpins the customer focus in Revenue, supports increased electronic receipt of data, and strengthens our capacity for risk-based case targeting and rigorous compliance. This work included changes to reflect new business requirements, and changes in legislation required in 2004, as well as progressing the integration of PAYE into the Integrated Taxation Services framework.

3.3.2 – ENHANCED REVENUE ON-LINE SERVICE

The following additional facilities were provided in 2004 to expand the range of services provided:

- The Relevant Contracts Tax Annual Return form RCT35, Intrastat and VIES Returns.
- An off-line payment facility to complete payment screens off-line and subsequently upload them in batches on-line.
- The Export Traders Refund facility for CAP products (CAP/DTI).
- An on-line VRT calculation facility.
- An on-line Forgotten/Lost Password facility.
- An on-line facility to allow Bookmakers to file Betting Duty returns and payments.

3.3.3 – PROVISION OF A RANGE OF ON-LINE SERVICES IN LINE WITH THE “NEW CONNECTIONS” PROGRAMME

We have already mentioned our commitment to working with the service-wide e-Broker project, in full co-ordination with the REACH, BASIS and OASIS project timetables, elsewhere in this Report – for example, see the paragraph on eGovernment above, at 1.4.1.

Electronic Funds Transfer

During 2004, there was an increased use (from 85% to 91%) of on-line payment for salaries to Revenue staff. Electronic payslips were first made available to staff on a pilot basis in February 2004 and are now available to all staff. Almost 4,000 staff members were receiving their payslips electronically by the end of 2004, and the production of paper payslips will be phased out gradually during 2005. The on-line payment of travel and subsistence was also introduced and the level of take-up has now reached 91% as well. Revenue suppliers can also opt for on-line payment.

3.3.4 – OPTIMAL USE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY TO SUPPORT OUR BUSINESS NEEDS

The use of advanced information and communications technology is central to the customer-centred focus of Revenue operations and services. Our IT applications and on-line services are widely acknowledged as being in the forefront of the eGovernment project. Our ICT and eBusiness Strategy 2004–2005 document sets out the ICT direction for Revenue, and we will continue to monitor our progress.

PAYE Redesign

The project to redesign the PAYE system and bring PAYE into our Integrated Taxation Services saw significant progress during 2004. The new systems will bring a range of tangible benefits to PAYE customers and will support new services for customers, allowing them to interact with us over the Internet. Some of these services have already been provided, such as on-line claims for tax credits and requests for forms, as part of the Revenue Customer Contact Programme (CCP).

The new system will help to reduce the number of contacts our PAYE customers need to have with Revenue, by providing more tax services electronically and dealing with customer contacts in a more holistic and speedier manner. The new system will be more customer-focused, will allow for speedier implementation of change requirements, will have more automated processing, and will better inform Revenue managers through improved reporting and statistical facilities.

Integrated Correspondence (IC)

During 2004, a new Revenue document management and workflow system called the Integrated Correspondence (IC) was introduced. This system provides an electronic mechanism for dealing with customers' correspondence. It supports multiple correspondence formats, including letters, email, telephony, and SMS text messages. The many benefits of this new system include more effective routing of correspondence to the appropriate skilled staff and the subsequent improved turnaround time for customer queries.

AEP Redesign

In 2004, Revenue started the process of implementing a new system to replace the current Automated Entry Processing (AEP) system. The new system will include third party commercial off-the-shelf components acquired through open EU tender, and be fully aligned with Revenue's current IT infrastructure and standards. It will be incorporated into the existing Integrated Taxation Services (ITS) framework and public access will be through the Revenue On-Line Service (ROS) gateway. The new system will facilitate the implementation of impending mandatory EU regulations, in particular a new format to the Single Administrative Document (SAD). It is scheduled to be completed in late 2006.

Introduction of the New Computerised Transit System

The New Computerised Transit System (NCTS) is a trans-European electronic system, developed by the European Commission, to record and track all goods moving under the customs transit procedure. It increases efficiency and effectiveness by accelerating completion and discharge of transit movements and providing improved security against abuse and fraud. It was introduced on 1 April 2004, following rigorous testing of traders' software to ensure compatibility with the new system.

Accounting for our Performance

Committee of Public Accounts

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

Oireachtas Committees

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

Comptroller and Auditor General

Revenue is subject to annual audit examination by the Office of the Comptroller and Auditor General. The findings of this audit are published in the Comptroller and Auditor General's Annual Report, and the Chairman is examined on this by the Committee of Public Accounts. The audit reports on tax collected, expenditure, systems, procedures and practices. It also includes in-depth examination of selected Revenue activities. The most recent Annual Report for 2003 includes, for example, special examinations on "Outstanding Tax and its Collectability" and "Direct Debit Payments".

Joint and Internal Review Procedure

Taxpayers who are dissatisfied with Revenue's handling of their tax affairs can have their case reviewed, either internally by a senior Revenue officer or by an External Reviewer acting in conjunction with a senior Revenue officer. The number of taxpayers requesting Joint and Internal Reviews in 2004 is set out in Table 29.

Table 29: Reviews

	Internal	Joint	2004 Total	Internal	Joint	2003 Total
Number Received	3	25	28	5	19	24
Number Finalised	3	18	21	4	18	22
Decision Upheld	3	17	20	4	16	20
Decision Revised/ Partly Revised	0	1	1	0	2	2
Withdrawn or agreed prior to being sent to Reviewers	0	3	3	0	0	0

The Ombudsman

In 2004, the Ombudsman received 90 complaints relating to Revenue. During the year, the Ombudsman finalised 107 complaints relating to Revenue. The following tables provide some further summary information.

Table 30: Complaints Relating to Revenue Made to the Ombudsman in 2004

Subject	Number of Complaints
Income Tax	46
VAT/Inheritance Tax/CGT	14
Customs & Excise	3
Stamp Duty	2
Miscellaneous	25
Total	90

Table 31: Complaints Relating to Revenue Completed by the Ombudsman in 2004

Outcome	Number of Complaints
Not Upheld	31
Withdrawn	0
Discontinued	17
Assistance Provided	29
Partially Resolved	1
Resolved	29
Total	107

Table 32: Complaints Relating to Revenue Made to the Ombudsman 1999–2004

2004	90
2003	114
2002	112
2001	102
2000	88
1999	132

Data Protection

In 2004, four access requests were received under the Data Protection Acts. In two of these cases, the applicants sought access to records under both the Data Protection Acts and the Freedom of Information Acts. Of the four requests received, one was withdrawn, two were granted in full and one was refused. In the case of the refusal, there was no appeal to the Data Protection Commissioner.

Freedom of Information (FoI)

Revenue received 111 requests under the Freedom of Information Acts in 2004, compared to 190 in 2003 and 251 in 2002 (Table 33). The reduction in 2004 may be partly attributable to the fact that a number of written and verbal requests for information were dealt with outside of the Freedom of Information Acts.

Revenue's Freedom of Information publications under Section 15 of the Acts (Structure, Organisation, Functions, Services and Records of Revenue) and Section 16 (Rules, Practices, Guidelines and Interpretations of Revenue) are available on Revenue's Website.

Table 33: FoI Requests

FoI Requests	2004	2003	2002
Received	111	190	251
Released in Full	33	40	38
Released in Part*	40	59	70
Refused	10	32	57
Outside of FoI/Withdrawn/Transferred	28	60	78
Requests for Internal Review	12	26	42
Appeals to Information Commissioner	6	10	15

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

Energy Efficiency In Revenue Buildings

Electricity consumption accounted for 80% of total energy consumption and 75% of this was on the most efficient Maximum Demand Tariff. Space heating and water heating accounted for the remaining 20%.

Total energy expenditure increased by 1.4% in 2004 compared with the previous year. In real terms, this means overall savings were achieved in Revenue, as the Energy Regulator granted a 9% increase across all tariffs in October 2004 and oil and gas prices increased significantly during the year. Natural gas consumption decreased by 12%, while consumption of oil increased by the same amount.

Our Energy and Environment Unit, in conjunction with the OPW, ensures that the best available technology is deployed to achieve energy efficiency in all buildings and that the most energy efficient equipment is purchased. Revenue continues to work closely with the Commission for Energy Regulation, key Account Managers and Sustainable Energy Ireland to identify further savings.

In 2004, a lighting retrofit was completed in Sarsfield House in Limerick with aid from Sustainable Energy Ireland, and savings of 20% were achieved due to this project.

In anticipation of the deregulation of the electricity market in February 2005, our Energy and Environment Unit were actively involved in a pilot project to achieve reductions in electricity costs. The Department of Finance, acting in its capacity as agent for other departments, ran a tender competition in 2004 for the supply of electricity to a limited number of sites in various departments. 23 Revenue sites were included in the competition. The tender competition was completed in early 2005. Three companies were selected and awarded contracts for the supply of electricity to the sites. A price reduction of between 6–8% is expected for our sites.

Table 34: Revenue Energy Expenditure in 2004

	€
Electricity	2,081,686
Gas	374,475
Oil	157,093
Total	2,613,254

Corporate Governance

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

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

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

Management Advisory Committee (MAC)

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

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

Civil Service Code of Standards and Behaviour

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

Ethics In Public Office Acts 1995 and 2001

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

Senior Management Changes

Mr Christopher Clayton, Deputy Secretary, retired on 4 July 2004, after 40 years service.

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

- Liam Irwin as Deputy Secretary on 29 November 2004, and
- Tony Buckley as Assistant Secretary on 22 March 2005.

The Revenue Board assigned Liam Irwin to the Strategic Planning Division, Tony Buckley to the South West Region, and Gerard Harrahill as Collector General.



18 19

Management Advisory Committee (MAC)

- | | | | |
|---|---|--|---|
| 1 Frank Daly
Chairman | 2 Josephine Feehily
Commissioner | 3 Michael O'Grady
Commissioner | |
| 4 Norman Gillanders
Assistant Secretary
East & South East | 9 Tony Buckley
Assistant Secretary
South West | 13 Sean Moriarty
Assistant Secretary
Large Cases | 17 Liam Irwin
Deputy Secretary
Strategic Planning |
| 5 Niamh O'Donoghue
Assistant Secretary
Human Resources | 10 Sean Connolly
Assistant Secretary
Information,
Communications
Technology & eBusiness | 14 Gerard Harrahill
Assistant Secretary
Collector General | 18 Eamonn Fitzpatrick (INSET)
Assistant Secretary
Customs |
| 6 Liam Hennessy
Assistant Secretary
Indirect Taxes | 11 John Leamy
Assistant Secretary
Dublin | 15 Denis Graham
Assistant Secretary
Operations Policy &
Evaluation | 19 Frank Mullen (INSET)
Assistant Secretary
Direct Taxes
Interpretation
and International |
| 7 Bobby Harrington
Assistant Secretary
Border Midlands West | 12 Paddy Donnelly
Assistant Secretary
Investigations and
Prosecutions | 16 Eamonn O'Dea
Assistant Secretary
Direct Taxes Policy
and Legislation | |
| 8 Frances Cooke
Revenue Solicitor | | | |

Appendix *The Revenue Performance Scorecard*

We are committed to providing information:

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

As part of that commitment, we introduced the Revenue Performance Scorecard in 2003. The Scorecard, which is still very much at a developmental stage, contains a range of indicators that are representative of Revenue's business programmes.

The Scorecard measures performance in the current year against performance in each previous year and against the base year of 2002, thus providing a comparative timeline going forward. For the purposes of this Annual Report, the tables in this appendix show 2004 data compared to 2003.

For 2004, this appendix contains lists of the main indicators under each of our goals, which were outlined in Revenue's Statement of Strategy 2003–05.

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

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

Composition of the Scorecard

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

For example, "The percentage of Corporation Tax returns received by the due date" decreased from 69% in 2003 to 67% in 2004, resulting in a reduction in performance of 2.9% in that particular indicator. On the other hand, "The cost to collect €100" fell from 0.90 cent in 2003 to 0.85 cent in 2004, resulting in an improvement of 5.9% in that particular indicator. However, these are only a few components in the totality of indicators.

The Scorecard is designed to be adapted in the light of Revenue's experience with performance measurement and to meet our changing needs and circumstances. As it evolves, we expect that it will be used extensively as a means of improving our performance.

(Note – in the following tables, in the column ‘Change in performance’, a positive figure indicates improved performance, and a minus figure indicates reduced performance.)

Goal 1: Maximise Compliance with Tax and Customs Legislation			
1.1 Maximise collection compliance	2004	2003	Change in performance
Yield as a % of targets (Net receipts, total taxes)	106.59%	101.27%	5.3%
Yield from Solicitor, Sheriff and Attachment enforcement ¹	€202.0m	€195.1m	14.3%
Arrears as a percentage of collection (gross receipts)	2.51%	3.11%	19.4%
Debt greater than 3 years old as a % of total arrears	46.0%	45.6%	-0.9%
Cost to collect €100	€0.85	€0.90	5.9%
Cost to process 1 payment ²	€0.79	€0.94	15.7%

¹ The percentage change is a weighted average of three figures.

² The figure for 2003 differs from that published in the Annual Report 2003 (€2.52), due to changes in methodology in measuring performance for this indicator. In 2002 and 2003, the full staff costing of Inward Post Processing and Pay and File Returns Processing Sections of the Office of the Collector General were included in computing the cost of processing payments. This was not correct, as these sections have additional functions. The adjusted figure includes only the staff cost relating to processing payments.

1.2 Deter, detect and prosecute evasion, smuggling and other breaches of Tax and Customs legislation	2004	2003	Change in performance
Number of convictions in cases of serious tax evasion ¹	1	6	-83.3%
Number of drug seizures	1,455	803	81.2%
Volume of drug seizures (recorded by weight) ²	1,873kg	2,183kg	-14.2%
Volume of drug seizures (recorded by number) ³	13,683	128,117	-89.3%
Convictions for smuggling (including tobacco, oil and alcohol)	59	65	-9.2%
Convictions for unlicensed trading	180	169	6.5%
Convictions for illegal selling of tobacco and other Customs Fraud	23	11	109.1%
Number of commercial tobacco seizures	4,312	5,560	-22.5%
Number of oil laundries detected	4	9	-55.6%
Number of marked gas oil detections	1,551	1,494	3.8%
Value (excise and VAT) of seizures of alcohol	€0.5m	€0.8m	-36.0%
Value (excise and VAT) of seizures of tobacco	€15.3m	€12.7m	19.8%
Percentage of tobacco market taken by illegal trade	5%	5%	0.0%
Number of defaulters with tax liability detected and registered	869	910	-4.5%

¹ The figure for 2003 differs from that published in the Annual Report 2003 (7), due to changes in timing of reporting.

² Refers to drugs for which seizures are recorded by weight, including herbal cannabis, cannabis resin, cocaine, khat and heroin.

³ Refers to drugs for which seizures are recorded by number of tablets, including ecstasy, phyllophosphate, amphetamines, LSD and MDMA.

1.3 Maintain effective compliance programmes, including audit	2004	2003	Change in performance
Percentage of main tax returns received by the due date			
VAT – Large cases	88%	88%	0.0%
VAT – Medium Cases	78%	77%	1.3%
P30 – Large Cases	92%	91%	1.1%
P30 – Medium Cases	86%	85%	1.2%
P35	82%	82%	0.0%
Income Tax	78%	76%	2.6%
Corporation Tax	67%	69%	-2.9%
Yields from audits	€549.6m	€428.7m	28.2%
Percentage of VRT challenges leading to seizures	5.51%	5.19%	6.1%
Number of Audits	16,321	16,029	1.8%
Collector General – Returns processed	1,661,273	1,527,302	8.8%
P35 Returns – Employers	179,405	174,016	3.1%

1.4 Foster voluntary compliance through the delivery of quality customer services	2004	2003	Change in performance
Achievements against Customer Service Standards (Overall rating of achievement for all standards listed in Annual Report) ¹	93.7%	92.1%	1.8%
Percentage of returns submitted via ROS	15.56%	8.67%	79.5%
Customs and Excise Declarations – No. of Single Administrative Documents processed	912,977	913,072	0.0%
Capital Taxes – Instruments presented for marking and stamping	266,647	218,000	22.3%
Vehicle Registration Tax – No. of new & used vehicles registered	243,238	223,157	9.0%
Contacts per customer			
Correspondence	2.03	2.02	-0.2%
Telephone	1.53	1.61	5.3%
Personal Visit	0.23	0.25	7.7%

¹ These figures reflect the average for the full year. As explained on p 38, there were difficulties in meeting customer service standards in the early part of 2004.

Goal 2: Fulfilment of our External Obligations

	2004	2003	Change in performance
Amount of agency collection per euro spent	€196.13	€190.05	3.2%
Compliance with FOI legal deadlines (% of decisions issued on time)	92%	84%	9.8%
Prompt Payments Act – Value of late payments as a % of total payments	0.74%	1.04%	29.2%
FOI – results of referrals to Information Commissioner (% of Revenue decisions upheld)	100%	89%	12.5%
Results of Ombudsman investigations (% of cases brought by Revenue customers not upheld)	28.97%	31.45%	-7.9%
Number of international tax treaties negotiated and concluded	3	1	200.0%

Goal 3: A Capable, Adaptable and Effective Organisation

	2004	2003	Change in performance
% of authorised posts filled	97.85%	97.98%	-0.1%
Absenteeism rates (% of payroll spent on sick absences)	4.32%	4.22%	-2.4%
Training expenditure as a % of payroll	4.18%	4.12%	1.5%