Opening Statement of Niall Cody, Revenue Chairman,

to the Committee of Public Accounts

on 28 November 2019

Thank you, Chairman, for the opportunity to make my opening statement.

I understand that today's meeting is to focus on the Revenue Vote, the Account of the receipt of Revenue for 2018 and two chapters of the 2018 Report of the Comptroller and Auditor General published in September. These are Chapter 17 - "Tax compliance interventions" and Chapter 18 - "Tax relief on film production".

I am accompanied today by Kathleen Redmond and Padraigh Donnelly, Compliance Policy, Planning Division and Angela O'Gorman, C&AG and Committee liaison.

In the context of today's discussions, I draw the Committee's attention to section 851A of the Taxes Consolidation Act 1997 and my obligation to uphold taxpayer confidentiality.

Background and context

Revenue's role is to serve the community by fairly and efficiently collecting taxes and duties and implementing customs controls. Our aim is to protect Exchequer funds by ensuring that there is compliance with the various tax and duty obligations set down in the laws enacted by the Oireachtas. We support voluntary compliance by making it as easy as possible for taxpayers to understand and meet their tax and duty obligations and we prioritise the protection of Exchequer funds and support to compliant taxpayers by identifying, targeting, and tackling non-compliance on a risk basis. Revenue responds to non-compliance in all its forms, from non-filing of tax returns to complex tax-avoidance schemes, criminal tax evasion and excise fraud. Our response is risk-based, proportionate and responsive to taxpayer behaviour.

Account of the receipt of Revenue 2018

In 2018, Revenue collected total gross Exchequer receipts of €77.27 billion, including €14.1billion in non-Exchequer receipts collected on behalf of other Government Departments and Agencies. The net Exchequer receipts were €54.6 billion which was an increase of €4.04 billion or 8% over 2017 figures. The net Exchequer receipts for Corporation Tax were €11.4 billion (up 26.7%), Income Tax €23.5 billion (up 6.6%) and VAT €19.3 billion (up 7%). Up to the end of October this year, the net Exchequer receipts were over €44 billion, some €3 billion more than the same period last year.

Tax Compliance Interventions

In Chapter 17, the Comptroller reviews tax compliance interventions. Under Ireland's self-assessment tax system, returns filed by taxpayers are the basis for calculating tax liabilities and Revenue promotes voluntary tax compliance by making it as easy as possible to file those returns and pay the right amount of tax, at the right time. Our success in this regard is clearly evidenced by the consistently high timely-compliance rates being achieved year on year. For example, the timely-compliance rates in 2018 were above 90% across all taxes, with the majority of taxpayers paying the right amount on time. These compliance rates were, a month after the timely deadline, 99% and 98% for our largest and medium size cases, respectively.

Revenue compliance interventions are designed:

- To protect the Exchequer,
- To assure ourselves as to the accuracy of self-assessment returns,
- To influence compliance behaviour, and
- To provide a level playing field for all taxpayers.

We have a clear risk focus to our compliance intervention approach. In 2018, we completed over 580,000 risked based interventions which yielded €572 million. To the end of October 2019, we have completed almost 388,000 interventions yielding

almost €409 million. These interventions include almost 2,600 audits and investigations.

The examination of “Tax compliance interventions” in Chapter 17 is a follow on from Chapter 27 on “Tax settlements” in the 2012 C&AG Annual Report. The Chapter, in 2012, contained six recommendations, all of which have been implemented. The findings and the recommendations in that report informed improvements in how we manage, record and report our compliance interventions. Some of the actions taken include ICT developments, such as the introduction of our real-time case working system, Revenue Case Management (RCM) in 2015. The introduction of RCM delivered improvements in the quality and effectiveness of interventions through more targeted case selection and case management.

As part of the Comptroller’s 2018 Report, fifty cases were reviewed. These included five assurance checks and forty-five cases with tax settlements that were achieved through Revenue interventions. The forty-five interventions included aspect queries, profile interviews, audits and investigations; with a total yield of €97.2 million. The examination covers the timeliness and classification of interventions, calculation of the tax liability, application of interest and penalties, authorisation and approval of settlements, and collection. The report sets out four case studies in detail.

In three of the case studies, the intervention followed contact from the taxpayer, in two cases, that contact dates back to before the 2012 C&AG examination took place. This leads to the first recommendation, on recording and analysing the origin of interventions. The second recommendation relates to reporting the differences between tax assessed, tax settled, and tax collected. Both recommendations are agreed by Revenue.

Revenue’s Statement of Strategy 2020-2022 and our Corporate Priorities for next year were finalised recently. Our priorities include enhancing our risk-focused approach to compliance activity and we will consider how best to implement the recommendations in this context. We have prioritised a review of our current compliance intervention models to ensure our continued effectiveness in improving

voluntary compliance. We will also explore options for closer integration of collection and debt management with other compliance activity.

Tax relief on film production

Moving on to the examination by the Comptroller, in Chapter 18, of tax relief on film production. The Chapter examines the administration of the scheme between 2015 and 2018. During this period 337 projects were approved by Revenue granting a total €273million in corporation tax relief. There are no recommendations in the Chapter for Revenue.

This relief is administered by the Department of Culture, Heritage and the Gaeltacht, in relation to the cultural and employment aspects, and Revenue, in relation to the value of credit available.

The Comptroller's examination coincided with a significant change in Revenue's administration of the relief. Following commencement of Section 26 of the Finance Act 2018, on 27 March 2019, applications for relief were moved to full self-assessment, bringing the administration of the scheme in line with the rest of the tax code and operating on the same basis as other tax reliefs. Film relief is now managed through Revenue's suite of risk-based compliance interventions in the same manner as other reliefs, and, as already mentioned, the type of intervention deployed is determined by taxpayer behaviour.

Revenue's guidelines on film relief were issued in October 2019, following an intensive consultation process and provide comprehensive information on the operation of the relief; a link to the published guidelines was included in the briefing provided to the Committee secretariat.

Revenue's Appropriation Account

Our effectiveness in all our activities depends on our people and continued investment in the ICT systems to support our work. Pay, and associated costs, accounted for €303 million of the total €425.4 million expenditure in 2018. There were 6,255 staff (FTE) serving at the end of 2018, this figure includes 145 temporary

staff. The Committee might be interested to note that the Full Time Equivalent at 31 October is 6,752, this figure also includes 103 temporary clerical officers. ICT was the second largest item of expenditure at €56.8 million.

I note that the Committee is currently reviewing non-compliance with public procurement guidelines. In this context, we included a note in the briefing document that we sent to the Committee secretariat last Friday, setting out details in respect of expenditure of €4.4 million in 2018 that was non-compliant with the guidelines. €1.2 million of this related to issues with the unavailability of contracts under the Office of Government Procurement frameworks. Contracts in compliance with the guidelines are now in place for these contracts.

Conclusion

Finally, and given the inclusion in Chapter 17 of some case studies involving interventions we carried out on taxpayers, I will again draw the Committee's attention to section 851A of the Taxes Consolidation Act 1997 and my obligation to uphold taxpayer confidentiality. Subject to this constraint, I will answer any questions from the Committee.

Thank you.