



An Roinn Airgeadais  
Department of Finance

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F7/58/05

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**Circular 9/06**

**Minute of the Minister for Finance in response to the Second Interim Report for 2002 of the Committee of Public Accounts on the Department of Finance, the Revenue Commissioners and the National Treasury Management Agency**

A Chara

I am directed by the Minister for Finance to enclose for your information and guidance a copy of the Minute of the Minister for Finance in response to the Second Interim Report for 2002 of the Committee of Public Accounts on the Department of Finance, the Revenue Commissioners and the National Treasury Management Agency.

Please note that the PAC commented on matters addressed in sections 3 and 6 of the Minute in a letter, dated 3 April 2006. The PAC's comments and the Minister's subsequent response are set out in an appendix to this Circular.

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Tom Considine  
Secretary General

**To: All Accounting Officers**

**Appendix to Circular 9/06: Comments by the Committee of Public Accounts in relation to sections three and six of the Minute of the Minister for Finance in response to the Second Interim Report for 2002 of the Committee of Public Accounts on the Department of Finance, the Revenue Commissioners and the National Treasury Management Agency**

**Comment in original Report of the Committee of Public Accounts (Extract)**

*“Section 3: The Committee requests Revenue to bring forward a more effective method of fine collection.”*

**Further comment by the Committee in letter of 3 April 2006 (Extract)**

*“The Committee’s viewpoint is that the response to this recommendation will need additional discussion due to the fact that the Committee recommended that a more effective method of collecting fines be proposed rather than merely drawing the attention of the Department of Justice, Equality and Law Reform to the matter.”*

**Subsequent Response of Minister for Finance**

The prosecution of non-filers of income tax returns has improved considerably since the Comptroller & Auditor General’s review and the Committee’s examination and recommendations on the matter. These improvements have been outlined in my original Minute to the Committee.

Prosecutions of non-filers under Section 1078 of the Taxes Consolidation Act, 1997 are criminal proceedings and issues relating to the pursuit of outstanding fines imposed by the Courts remain a matter for the Courts. It should be noted that even before the improvements mentioned above were implemented, the Comptroller & Auditor General had come to the conclusion that:

*“In general, the prosecution of non-filers is established as an effective method for extracting returns and is a vital part of the compliance programme.” (Page 20, Comptroller & Auditor General’s 2002 Annual Report).*

In addition, I am informed by the Department of Justice, Equality and Law Reform that that Department has initiated a number of initiatives in the area of the collection of fines to improve compliance. For example, a pilot on the outsourcing of the collection of fines is currently underway and is due to be completed at the end of May 2006. Finally, following a value for money request from the Comptroller and Auditor General, that Department is in the course of preparing a comprehensive note for the Comptroller on the overall collection of fines which will include the current status and the initiatives taken in the area. This note is due for completion shortly.

**Comments in original Report of the Committee of Public Accounts (Extract)**

*“Section 6: Efforts to control the costs of tribunals should be pursued by the Department of Finance. The Committee would like to be kept informed of these efforts.”*

*The Department of Finance should prepare annually estimates of the contingent liabilities in respect of each tribunal. The level of uncertainty attached to the awarding of costs necessarily means that estimates will have to cover a range of scenarios.”*

**Further comment by the Committee in letter of 3 April 2006 (Extract)**

*“The Committee is of the view that tribunals should have an annual report of costs, that legal teams should file estimates of costs in advance and subsequently provide a breakdown of costs, and that procedures to support the calculation of contingent liabilities should be implemented.”*

**Subsequent Response of Minister for Finance**

As explained in the original Minute of the Minister for Finance, it is intended that the Tribunals of Inquiry Bill 2005 will, when enacted, require each newly-established tribunal to prepare a Statement of Estimated Costs likely to be incurred on foot of its investigations, together with an estimated timeframe for submission of its report, and to amend this statement should the terms of reference of the tribunal be amended or where the original statement is no longer appropriate. The original and any supplementary statements of this nature would be laid before both Houses of the Oireachtas. The relevant section of the Bill is set out below.

As regards the question of applying similar requirements to existing tribunals, this is a policy matter for consideration by the Minister for Justice, Equality and Law Reform in the first instance and it is of course open to the members of the Oireachtas to propose appropriate amendments to the Tribunals of Inquiry Bill. In that context, I am forwarding a copy of this correspondence to my colleague the Minister for Justice, Equality and Law Reform, Mr Michael McDowell, TD.

**Minute of the Minister for Finance**  
**on the Second Interim Report for 2002 of the Committee of Public Accounts**  
**on the Dept. of Finance, the Revenue Commissioners**  
**& the National Treasury Management Agency**

The Minister for Finance, having consulted the Office of the Revenue Commissioners and the National Treasury Management Agency (NTMA), makes the following response to the recommendations contained in the Second Interim Report of the Committee on the Department of Finance, the Revenue Commissioners & the NTMA.

**1. Office of the Revenue Commissioners – Vote 9**  
**Chapters: 2.1 – 2.6 & 2.10**

- *The level of tax debt and the extent of debt collected should be managed against performance targets.*

The Minister for Finance would point out that the level of tax debt and the extent of debt collected are indeed managed against performance targets, as illustrated by a commitment in the Revenue Statement of Strategy 2003-2005 (Strategy 1.1 – Maximise Collection Compliance). It is also a Revenue key corporate priority for 2005 and a key strategy under the Commissioners' Statement of Strategy 2005 – 2007.

- *Revenue should continue its investigations arising from the DIRT investigation and disclosures at tribunals. The Committee would like to be kept informed of progress in these investigations.*

The Minister understands that the Revenue Commissioners provide a continuous update at all meetings of the Committee at which they attend. A summary table on yields from Revenue Special Investigation to 30 September 2005 is set out below.

Investigation/ Initiative	Total Yields	Tax paid	Interest & Penalties	Numbers of cases	
	(A+B)	(A)	(B)		
	€m	€m	€m		
<b>Bogus Non-Resident Accounts [(i)+(ii)+(iii)]</b>	820.2	325.7	494.5	12,200	(to date)
(i) Bank look-back audits (1998-2000)	225.0	91.5	133.5	25	
(ii) Voluntary Disclosures 2001 (customers)	227.2	116.2	111.0	3,675	
(iii) Post-November 2001 investigations	368	118	250	8,500	(to date)
<b>Offshore Assets*</b>	762.2	348.2	414	13,473	(to date)
<b>Single Premium Policies*</b>	366	117	249	5,000	
<b>Ansbacher*</b>	53	31.2	21.8	100	
<b>NIB/Clerical Medical*</b>	55.5	28.1	27.4	302	
<b>Tribunals</b>	34.8	21.4	13.3	16	
<b>TOTAL</b>	<b>2,091.6</b>	<b>871.6</b>	<b>1,220.1</b>	<b>31,091</b>	

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

The tax paid at (A) above includes Income Tax, PAYE, VAT, Corporation Tax, CAT, CGT, Income Levy, PRSI and Health Levy.

\*Breakdown figures of tax and interest/penalties shown in these rows are especially tentative.

- ***Future Revenue audits of financial and insurance institutions should be undertaken in a manner that minimises the risk that latent tax liabilities will not be discovered.***

The Minister understands that the Revenue Commissioners have revised and updated for audit purposes the risk ratings of the financial and insurance institutions. The revised risk ratings will ensure that a more detailed audit methodology will be applied to financial and insurance institutions. This position will be carried through in relation to any follow-up audits which may arise from other Revenue investigations. The Restructuring Programme carried out in Revenue will also contribute to the greater effectiveness of audits and investigations.

Revenue are conducting an investigation into taxpayers who invested undeclared and undisclosed funds **in life assurance investment products**. The investigation is being conducted in two stages. In the first stage, taxpayers were given until 23 May 2005 to advise Revenue if they had a tax issue in this connection. The disclosure stage has been successfully completed and 10,000 persons have notified Revenue that they may have a tax issue. A further 2,000 persons have written to Revenue to say that they have no outstanding tax issues. Taxpayers who have tax issues and who decided to elect for this option had until 22 July 2005 to pay their outstanding liabilities. To 30 September 2005, payments of €366 million had been made to Revenue by taxpayers who used life assurance products to evade tax. Investigation work is in train to identify the taxpayers who should have availed of this disclosure scheme but who opted not to.

A Large Case Division is now fully established in Revenue and has a specific focus on large companies, including financial and insurance institutions and high net worth individuals, with a target to ensure that all such entities are fully tax compliant. An Investigations and Prosecutions Division is also now fully established and focuses on identifying and pursuing taxpayers who engaged in tax evasion as well as on prosecution of persons involved in serious tax evasion.

- ***Revenue should apply more systematic checks on compliance with conditions for wealthy persons claiming non-resident tax status and publish information on the numbers availing of this tax status and an estimate of the tax forgone.***

The Minister is informed that the first part of this recommendation is being implemented, but that for the reasons set out below, it is not possible to implement the second part in full.

Revenue have intensified the application of more systematic checks on compliance with conditions for wealthy persons claiming non-resident tax status. From 2004, income tax returns are requesting data from taxpayers in relation to their residence and domicile status. However, this is not being captured electronically at present,

which means that it is not practicable to compile overall statistics at this stage in relation to claims to non-residence/domicile status.

As regards the tax forgone, presumably this refers to income anywhere in the world which would have become liable to Irish tax had the Irish-domiciled person also been resident in Ireland. The Minister is informed by the Revenue Commissioners that it is not possible to provide an estimate of the tax forgone unless Irish-domiciled non-residents are required to file details of income arising outside Ireland on their Irish tax returns. Since such income is not subject to Irish tax, it is not clear that this information could reasonably be requested on an Irish tax return.