22 Revenue Debt Management

22.1 The Office of the Revenue Commissioners (Revenue) has two key strategic priorities for 2015 to 2017 – to make it easier and less costly to voluntarily comply with tax obligations, and to identify and confront non-compliance. Timely collection of outstanding revenue debt is an essential part of Revenue's compliance activities.

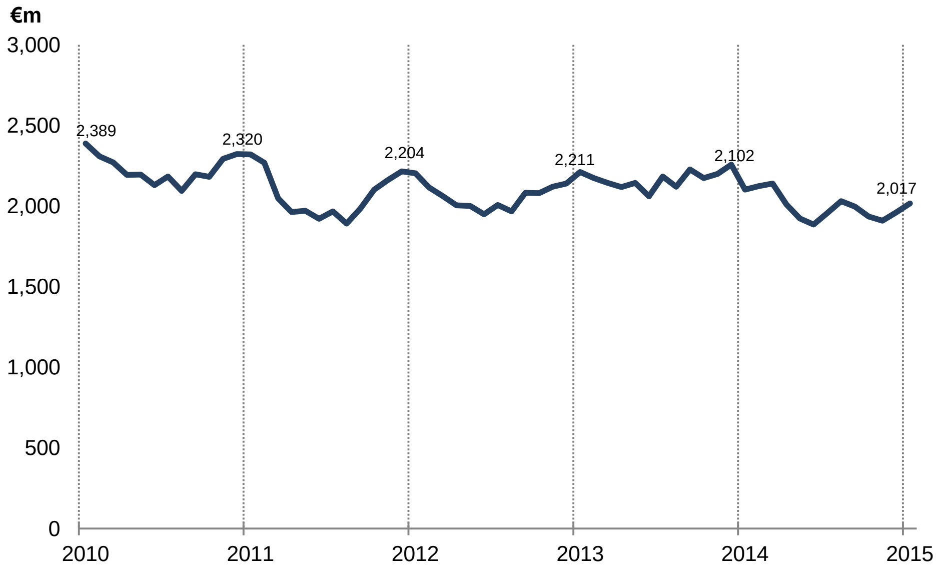
22.2 Within Revenue, primary responsibility for revenue debt management rests with the Collector General's Office which has responsibility for the collection of taxes and duties, and for their allocation to the appropriate taxpayer account and correct tax heading. The purpose of its debt management function is to ensure the timely collection of business and personal taxes for which Revenue has responsibility.

22.3 This report reviews Revenue's debt collection function. It looks at trends in the value of tax debt outstanding and the collection status and age of the debt. The process for writing down tax debt was also examined.[1]

Outstanding Tax Debt

22.4 The gross revenue debt outstanding at 31 March 2015 was €2,017 million, around 9% lower than at March 2013 (see Figure 22.1).[2]

Figure 22.1 Gross debt outstanding at month end, March 2010 to March 2015



Source: Estimates by the Office of the Revenue Commissioners.

Local Property Tax Debt

22.5 Revenue records indicate that, at the end of March 2015, around €95 million of pre-2015 Local Property Tax (LPT) was outstanding. Revenue stated that while LPT debt is included in its 'state of file' system, the records have not been fully tested and it does not include the outstanding LPT debt in its debt statistics.

1 Write-down of outstanding tax refers to the Revenue practice of classifying the tax as being uncollectible due to the circumstances of the taxpayer. The tax remains due to Revenue and, if the taxpayer's circumstances change, Revenue will endeavour to collect the amounts due.

2 Revenue generally reports the net tax outstanding – gross debt less VAT repayments due. At 31 March 2015, the net debt reported by Revenue was €1.7 billion, a fall of 16% in the two years since March 2013.

22.6 Revenue stated that a significant portion of the outstanding €95 million of pre-2015 LPT debt relates to arrears of Household Charge that have not yet been confirmed as properly due with the taxpayer. The amount quoted also includes LPT debts being paid under phased payments and estimated debts.

22.7 Figure 22.2 shows the gross outstanding amount by tax type and summarises the charges raised, the payments made and the amounts written down in the 12-month period ended March 2015.[1] The two largest categories of debt outstanding at that date, which accounted for over 60% of the total tax due, were Income Tax (€687 million excluding PAYE) and VAT (€551 million). The income tax debt is 28% of the charges raised in the year, whereas the VAT debt is 6%.

Figure 22.2 Movement in outstanding taxes and PRSI, 2014/15

Tax or levy[a]	Balance at 31 March 2014	Charges raised[b]	Tax paid[c]	Tax written down	Balance at 31 March 2015	Balance as % of charges raised
	€m	€m	€m	€m	€m	
VAT	594	9,781	(9,745)	(79)	551	6%
PAYE	118	11,357	(11,310)	(14)	151	1%
PRSI	143	8,066	(8,037)	(19)	153	2%
USC	39	3,587	(3,589)	(3)	34	1%
Income Tax	688	2,414	(2,378)	(37)	687	28%
DIRT	–	350	(350)	–	–	–
Corporation Tax	180	3,509	(3,531)	(2)	156	4%
Capital Gains Tax	237	436	(499)	(7)	167	38%
Capital Acquisitions Tax	36	353	(333)	–	56	16%
Relevant Contracts Tax	29	187	(187)	(4)	25	13%
Environmental Levy	38	12	(13)	–	37	308%
Air Travel Tax	–	7	(7)	–	–	–
Total	**2,102**	**40,059**	**(39,979)**	**(165)**	**2,017**	**5%**

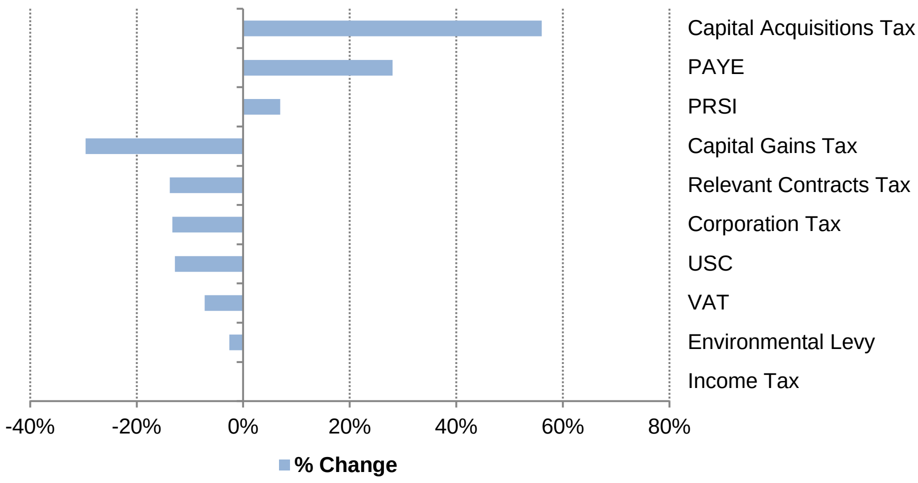
Source: Office of the Revenue Commissioners

Notes:
a Excludes Local Property Tax (LPT), because Revenue has not completed testing of LPT records in its debt reporting systems. The LPT paid in 2014 amounted to €493 million.
b Charges raised includes estimates in cases of non-filing.
c Tax paid includes cases where estimates are subsequently reduced by the caseworker.

22.8 Figure 22.3 shows the percentage changes in the level of outstanding debt during 2014. The largest reduction related to capital gains tax, which reduced by €70 million, or just under 30%, in the year. In contrast, the amount of tax outstanding in respect of capital acquisitions tax increased by 56%.

1 The debt outstanding and net charges exclude those taxes which are not the subject of deferred collection including Customs, Excise, Stamp Duty and that element of VAT associated with Customs and Excise.

Figure 22.3 Change in outstanding taxes, March 2014 to March 2015



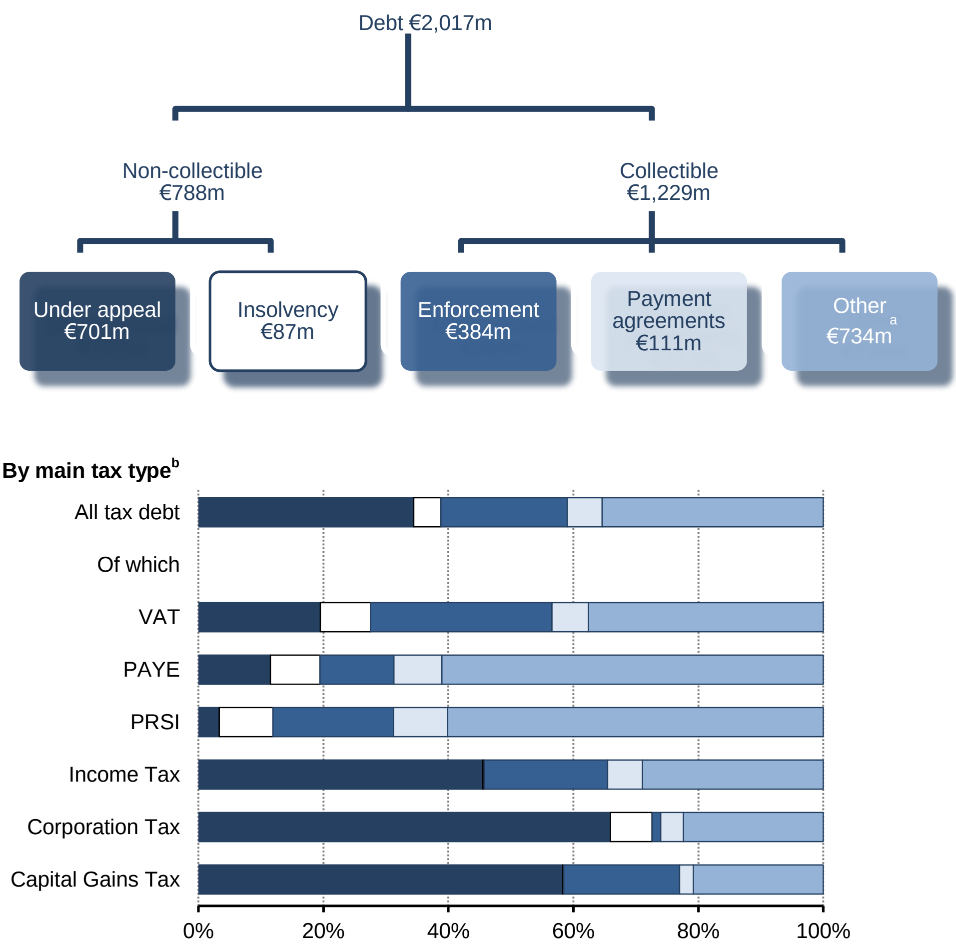
Source: Office of the Revenue Commissioners

Status of Outstanding Debt

22.9 Revenue categorises its outstanding debt in terms of its current status, using the following scheme (see Figure 22.4).

- Debt under appeal and unavailable for collection – where a taxpayer has appealed the value of the tax assessment, Revenue is precluded from collecting the debt.
- Debt not available for collection – the debt of taxpayers who are in liquidation, examinership or certain receiverships is regarded by Revenue as being effectively not available for collection.
- Debt available for collection – further categorised between amounts which are the subject of payment agreements with the taxpayer, are under enforcement either with the sheriff, or Revenue's solicitor or by way of attachment order, or other amounts which are subject to neither payment agreements nor enforcement proceedings.

Figure 22.4 Categorisation of tax debt, March 2015



Source: Office of the Revenue Commissioners

Note: a This debt was deemed by Revenue to be collectible, but at end-March 2015 was neither subject to payment agreement nor to any enforcement proceedings.

b These tax types represent 92% of all tax debt.

22.10 The two largest categories, taxes under appeal (€701 million) and collectible debt, not subject to enforcement arrangements or payment agreements (€734 million), are considered in greater detail below.

Debt Under Appeal

22.11 Responsibility for managing tax appeals is shared between Revenue and the independent Appeal Commissioners.

- Revenue has responsibility for assessing the validity of an appeal request, setting out and agreeing with the taxpayer the outline of the case and requesting an appeal hearing from the Appeal Commissioners.
- The Appeal Commissioners have responsibility for listing, hearing and determining appeals.

22.12 For an appeal to be considered valid, the taxpayer must lodge an appeal in writing with Revenue within the statutory time limit and specify the grounds of the appeal.[1] In the case of an appeal against an assessment, a taxpayer must pay his or her self-assessed tax liability before an appeal can be made. The net debt (Revenue's assessment less any tax paid) is recorded as the debt due.

22.13 Revenue's approach is to try to resolve appeals without going to an appeal hearing. If an appeal is not settled by agreement, an appeal hearing form (known as AH1) setting out details of the case is forwarded to the Appeal Commissioners with a request for an appeal hearing. This form is sent to the taxpayer who may, if not satisfied with the outline set out on the form, submit an additional independent statement. Revenue submits the form and the taxpayer's independent statement (if there is one), to the Appeal Commissioners with a request for a hearing. There is no statutory time limit within which Revenue must apply to the Appeal Commissioners for an appeal hearing date.

22.14 Following receipt of a request for an appeal hearing date, the Appeal Commissioners usually request written submissions from either or both parties. Following determination of an appeal, the Appeal Commissioners must record the determination and provide a copy to Revenue. Generally, the determination is provided to both parties at the final hearing.

22.15 Taxpayers may appeal decisions of the Appeal Commissioners to the Circuit Court for a complete re-hearing. Either the taxpayer or Revenue may refer a point of law arising on a decision of the Appeal Commissioners or of the Circuit Court to the High Court by way of case stated.

Reform of Tax Appeals System

22.16 Following a public consultation on the reform of the tax appeals system carried out by the Department of Finance, the system is about to undergo reform. The first stage of the process was the publication on 15 July 2015 of the Finance (Tax Appeals) Bill 2015. Revenue has established an internal Appeals Project Group to prepare for and oversee the implementation of the revised appeal process.

Status of Tax Appeals, June 2015

22.17 Revenue maintains an internal 'appeals dashboard' which provides current information on the status of tax appeals as a whole. At mid-June 2015, the dashboard showed that €716 million of tax was under appeal. The bulk of the cases (just over 80% by value) had not been heard by the Appeal Commissioners at that date. The status of the appeals as shown by Revenue's records is set out in Figure 22.5.

1 Time limits for making appeals are laid down in tax legislation.

Figure 22.5 Status of tax debt under appeal, mid-June 2015

Status	Number of cases	Debt amount	
		€ million	%
Cases not yet heard by Appeal Commissioners			
Hearing date not yet requested[a]	1,705	351	49
Hearing date requested from Appeal Commissioners	247	162	23
Hearing listed by Appeal Commissioners	86	67	9
Cases heard by Appeal Commissioners			
Hearing complete – case still open	15	8	1
Circuit Court (re-hearing of appeal)	36	51	7
High Court (case stated)	103	19	3
Supreme Court (appeal of High Court decision)	3	51	7
Not classified			
Not classified	63	7	1
Totals	**2,258**	**716**	**100**

Source: Office of the Revenue Commissioner

Note: a Including 823 cases (with total tax under appeal of €28 million) where the result of test cases, either before the Appeal Commissioners or the courts, are awaited.

Test Cases

22.18 A test case may be referred to the Appeals Commissioners where a number of appeals are received by Revenue relating to a common or related matter. Revenue selects a case which, in its view, is representative of the other cases and this case goes to the Appeal Commissioners and, if the determination of the Appeal Commissioners is appealed, to the courts.

Appeal Commissioner Hearings

22.19 The Appeal Commissoners have reported that they process, on average, around 40 cases per month, with an average processing time of 12 weeks per case.[1] This suggests that the Appeal Commissioners have, on average, around 120 cases on hand at any given time. However, Revenue records show that, at mid-June 2015, 333 cases were with the Appeal Commissioners awaiting hearing of which 247 were awaiting a hearing date, and 86 cases had been listed for hearing.

22.20 This suggests that the average waiting time reported by the Appeal Commissioners may relate only to cases for which a hearing date has been set. It would be more meaningful to measure the elapsed time from the date of Revenue's referral to the Appeal Commissioners to the date an appeal hearing decision is delivered.

22.21 In order to reconcile the case load data, the Accounting Officer of the Appeal Commissioners was asked to provide the following information.

- The number of cases on hand where the Revenue Commissioners had requested an appeal hearing date but the date had not yet been set and
- the number of cases on hand where the date for the appeal hearing had been set but the case had yet to be heard.

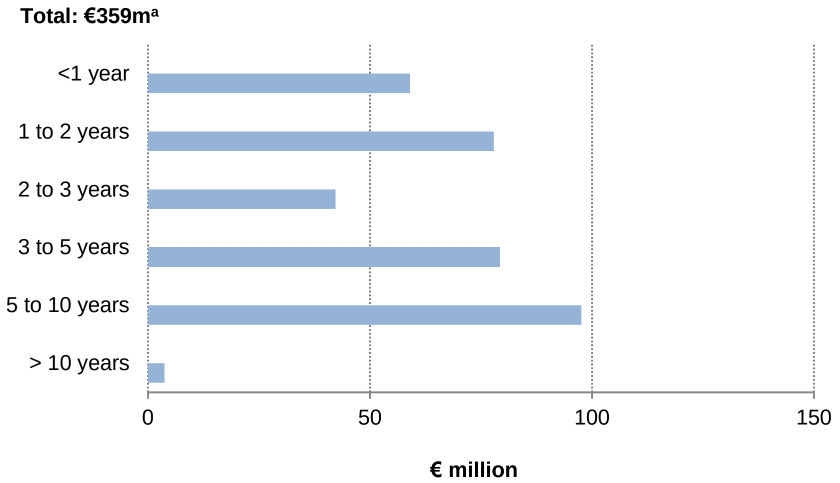
1 Revised Estimates for Public Services 2015

22.22 Notwithstanding the Accounting Officer's obligation under Section 10 of the Comptroller and Auditor General (Amendment) Act 1993 to provide information requested for the purposes of the examination, he did not provide the requested information. He was issued with a copy of the draft report, with an accompanying request for the additional information, on two occasions. He did not respond to either request. Consequently, the examination team has been unable to compare the information provided by Revenue regarding the number of cases referred to the Appeal Commissioners with the Appeal Commissioners' own records.

Cases Where a Hearing Date Has Not Yet Been Requested

22.23 In mid-June 2015, almost half of the debt under appeal was classified by Revenue as 'hearing date not yet requested' from the Appeal Commissioners. The gross debt involved (excluding repayment claims) amounted to €359 million. The examination reviewed the age of this debt, from the date that Revenue put a 'collection stop' on the debt (see Figure 22.6).

Figure 22.6 Tax Appeals – cases for which no hearing date had been requested at mid-June 2015



Source: Analysis by the Office of the Comptroller and Auditor General.

Note: a Hearing dates had also yet to be requested for a further €2.9 million of debt where the results of test cases are awaited. That debt is not included in the analysis in Figure 22.6.

22.24 In mid-June 2015, half of the debt for which no hearing date for an appeal had been requested by Revenue was over three years old, including 28% that was over five years old.

22.25 €67 million of the debt was in respect of cases where Revenue recorded that it was either considering whether to engage legal counsel or legal counsel had been engaged. 58% of this debt was more than three years old.

22.26 Revenue have pointed out that some of the older cases may in fact be at a later stage in the process and that Revenue districts have recently been instructed to update the information on Revenue's systems with the correct status of the appeals.

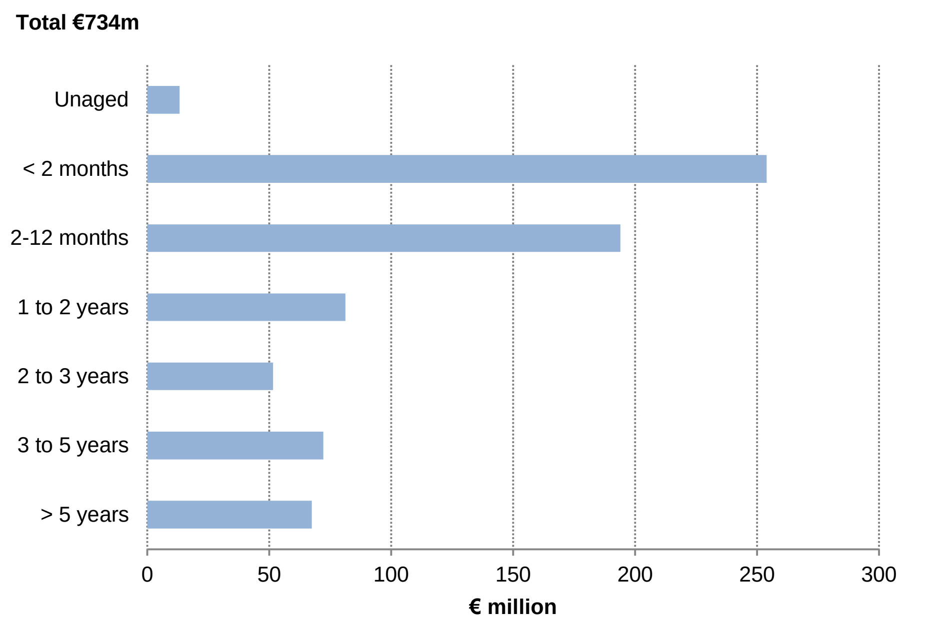
Debt Available for Collection

22.27 A review by the Organisation for Economic Cooperation and Development (OECD) noted that the older tax debt is, the higher the risk of non-payment of that debt.[1]

22.28 At the end of March 2015, €734 million of the tax debt was classified as available for collection but was subject to neither payment agreements nor enforcement proceedings.

22.29 The examination reviewed the aged analysis of this debt classified by start date of the debt (see Figure 22.7).[2]

Figure 22.7 Debt – no enforcement proceedings or payment agreements in place, as at March 2015, by debt start date



Source: Office of the Revenue Commissioners

22.30 At the end of March 2015, around 61% of the €734 million of debt that was neither subject to payment agreement nor to any enforcement proceedings was less than one year old. Revenue noted that around €254 million of this recent debt was less than two months old, and was at the initial stage of the collection cycle. Revenue stated that, of the €194 million which was more than two months old and less than a year old

- €97 million is either under current investigation or has had a recent intervention
- €67 million is not under intervention and is made up mainly of smaller debts of less than €5,000
- €3 million is classified as post-enforcement – initial enforcement actions have failed and Revenue is considering what alternative actions need to be taken
- for the remaining €27 million, 'stops' that defer its collection have been put in place, for a variety of reasons e.g. the case is under audit.

1 *Working Smarter in Tax Debt Management, 2014*

2 For purposes of aged analysis of its debt, Revenue defines the debt start date as the latest of one of the following (a) the date the charge giving rise to the debt came on the taxpayer's record, (b) the due date for the tax or (c) the release date of an appeal stop.

22.31 €286 million (39%) of this debt was over a year old. Revenue stated that almost €170 million of this is either under current intervention or has had a recent intervention. Of the remaining €116 million

- €58 million is not under intervention and is made up mainly of individual amounts less than €5,000
- €20 million is classified as post-enforcement – enforcement actions have failed and Revenue is considering what alternative actions need to be taken
- for the remaining €38 million, 'stops' that defer its collection have been put in place, for a variety of reasons e.g. the case is under audit.

Write-down of Tax Debt

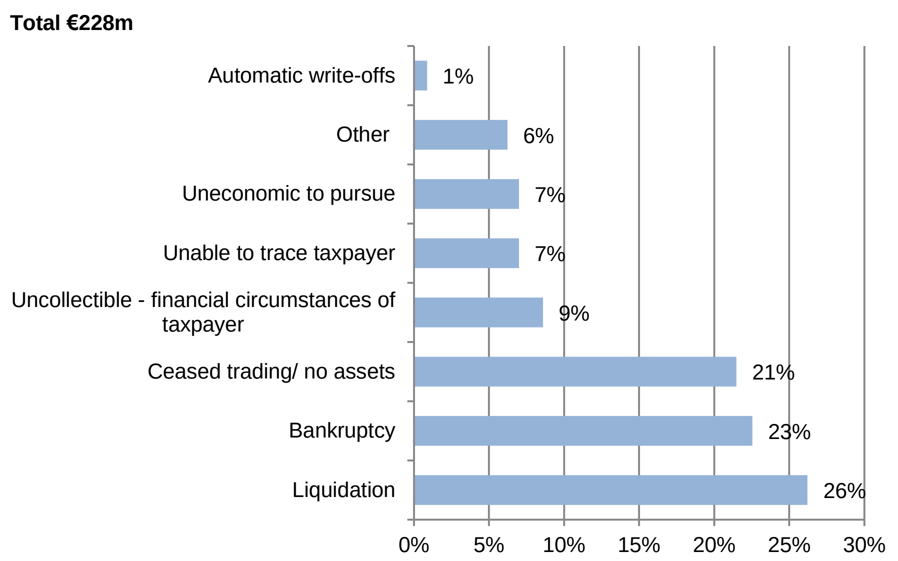
22.32 It is good practice to regularly review the age of debt and the likelihood of its collection. Procedures and controls are required to deal with uncollectible debt, so that management can focus on debt with a reasonable prospect of collection.

22.33 In 2014, a total of €228 million of taxes and PRSI was written down by Revenue. Of this amount, €226 million was written down on a case-by-case basis, around 13% less than in 2013.[1] Companies going into liquidation and bankruptcies were the most frequent reasons for write-downs (see Figure 22.8).

22.34 There were 48 cases where the amount written down exceeded €0.5 million. The average write-down in these cases was €1.6 million and in total these 48 cases accounted for 36% of the write-downs.

22.35 While most of the debt is written down on a case-by-case basis, small debts due in respect of around 140,000 cases, totalling around €2 million (an average of less than €15 each) were written down on an automated basis. Automatic write-down of small debts occurs when a debt is more than five years old.

Figure 22.8 Reasons for tax write-downs, 2014



Source: Analysis by the Office of the Comptroller and Auditor General.

1 Revenue uses the term 'write-down' instead of 'write-off' because tax that is written down remains on the taxpayer's record and can be recovered if the taxpayer's circumstances change.

22.36 In most cases, the write-down covers all outstanding tax debt. However, in some cases the taxpayer may be in a position to make some payments towards the tax due but unable to pay the debt in full, in which case a partial write-down of the debt may be undertaken.

22.37 Four economic sectors accounted for 60% of the total tax written down in 2014. The total amounts written down for these sectors were

- wholesale and retail trade sector – €38 million (17%)
- construction sector – €35 million (15%)
- accommodation and food service activities – €22 million (10%)
- 'other services' activities – €41 million (18%).

22.38 Write-downs remained stable or decreased in all sectors during 2014, with the exception of 'other services' activities, which increased from 2% of total write-downs to 18%.

Approval for Tax Write-downs

22.39 All write downs are formally approved by the Chairman of Revenue. Each year, Revenue's internal audit unit audits a sample of the cases with write-downs to ensure that the write-downs are in accordance with Revenue's procedures.

22.40 During 2014, the internal audit unit carried out a review of €56.1 million of write-downs, 21% of the total amounts written down in 2013. Internal audit concluded that write-downs carried out by Revenue during 2013 were generally in accordance with procedures, but noted some instances where recording of write-down activity did not take place in accordance with Revenue's internal guidelines.

22.41 The examination reviewed a number of write-downs in 2014 – the ten largest cases and five further cases selected at random. The examination found that the write-downs in the cases reviewed had all been approved in accordance with Revenue's procedures.

22.42 The examination also reviewed the files of the sample cases for evidence of the actions taken by Revenue to pursue the debts prior to write-down of the debt, including evidence of demands being issued, follow-up by case workers and enforcement actions. In 13 of out 15 of the cases reviewed, there was evidence of appropriate action being taken by Revenue to pursue the outstanding debt in advance of the write down. In the remaining two cases, while paper files were not available, Revenue provided evidence of follow up action that was recorded on its IT systems.

Benchmarking Tax Debt Collection Process

22.43 In October 2014, the OECD published a study report entitled *Working Smarter in Tax Debt Management*. Ireland (represented by Revenue) was one of 14 countries that contributed to the development of the report. The report provides an overview of the modern tax debt collection function. It identified certain essential features of a modern debt collection function. Figure 22.9 summarises those features, and Revenue's current status in relation to each.

Figure 22.9 Essential features of modern tax debt management

Essential features	Key elements	Present in Revenue
Organisation	Specialist function established	✓
Key performance indicators	Appropriate performance indicators	✓ (partially)
Advanced analytics	Deep insights from data, enabling highly segmented approach to taxpayer	✓ (partially)
Treatment strategies	Range of interventions available	✓
Call centre	Dedicated outbound call centre	✗
Debtors who have gone abroad	Use of exchange of information agreements	✓

Source: OECD (2014), Working Smarter in Tax Debt Management; analysis by the Office of the Comptroller and Auditor General.

✓ Feature/element present in Revenue; ✓ partially present; ✗ not present.

22.44 As a general comment on the review, the Accounting Officer stated that it was accepted at the outset of the OECD study that national revenue bodies differ in a number of important ways, including in respect of their institutional legacies and the tax systems they administer. The work was therefore intended to inform revenue bodies rather than support a standard approach to tax administration, which may be neither practical nor desirable.

Organisation of Debt Collection

22.45 The OECD report notes that debt collection is a specialist function and needs to be organised as such. It states that it makes sense to group some specific types of taxpayer together, for example large businesses, when planning debtor interventions. For the more numerous debtors in the small and mid-sized business segment, the use of analytics is more important in choosing the correct intervention.

22.46 Revenue's debt collection is managed within a number of areas of the Collector General's Division including

- 24 debt management units, which manage cases involving collectible outstanding debt of the main business taxes
- the Services and Transactions Taxes Unit and Dividend Withholding Tax Unit manage debt related to a number of other taxes[1]
- the Local Property Tax branch operates a separate compliance program outside of the normal debt management units to pursue amounts outstanding.

1 Dividend Withholding Tax, Professional Services (Withholding) Tax, Life Assurance Exit Tax, Investment Undertaking Tax, Deposit Interest Retention Tax, Advanced Corporation Tax, Capital Acquisitions Tax, Environmental Levy and Air Travel Tax.

22.47 In addition, Revenue has five specialist units which manage particular higher-risk categories of debt cases.

- The Commonality Unit manages cases linked by common company directors where the debt exceeds €250,000.
- The Phoenix Unit manages cases involving businesses linked through principals involved in previously failed businesses where limited liability protection resulted in non-payment of fiduciary taxes (e.g. PAYE, USC).
- The Dedicated Enforcement Unit undertakes collection enforcement action of a more complex nature.
- Two insolvency units have overall responsibility for managing Revenue's response where cases are going through a formal insolvency process i.e. liquidation, receivership, examinership and bankruptcy cases.

Key Performance Indicators

22.48 The OECD report notes that choosing the correct performance indicators is essential if the day-to-day operations of the collection function are to remain aligned with the desired outcomes. It states that performance should be measured at three levels.

- Strategic – the level at which the overall performance in tax revenue and debt collection can be measured.
- Operational – measures the effective execution of particular aspects of debt collection or debt management.
- Individual – based on critical elements and standards, for example service levels (calls answered) and timeliness of getting cash to bank.

Figure 22.10 OECD proposed indicators for revenue debt managment

Proposed strategic indicators	Used by Revenue
Size of debt book	✓
Ratio of collectible debt to net tax collections	✗
Proportion paid on time	✓
Recovery rate	✓
Costs of collection	✓
Write-off	✓
Paid against forecast	✗
Proposed operational indicators	
Enforcement indicators – directly linked to specific collection activities such as: the number of summons, seizures, court cases, bankruptcies or cases that have been handled over a certain period.[a]	✓
Inventory – indicators that can be linked to the number of debts, such as tax debts older than a certain period of time (age); and other volume measures, such as the number of cases managed by a call centre; or the number of reminders sent to debtors.	✓

Source: OECD (2014), Working Smarter in Tax Debt Management; analysis by the Office of the Comptroller and Auditor General.

Note: a Revenue generally does not set targets in these operational areas.
✓ Used by Revenue; (targets are set and performance is monitored against these) ✓ partially used; (performance is monitored but targets are not set) ✗ not used.

22.49 There is scope in Revenue to increase the number of indicators it uses to set performance targets and to measure and report on performance against the targets at both the strategic and the operational level.

22.50 The Accounting Officer considers that Revenue has appropriate indicators currently in place at both strategic and operational levels. At the strategic level, the indicators that are used are outcome based (debt reduction and payment/return compliance targets) and these are considered more appropriate than output measures. These outcome measures are drilled down to individual Debt Management Unit (DMU) levels. At the operational level, output measures are used. For example, the number and value of enforcements and the number of contacts and decisions made within each DMU are maintained and monitored at operational level and are used as comparators across the DMUs.

Advanced Analytics

22.51 The OECD report concluded that revenue bodies can not afford to treat all debtors in the same way, believing that this gives the deliberately non-compliant too much scope to play the system and results in actions that are ineffective, or unnecessary.

22.52 The use of advanced analytics within a tax debt environment makes it possible to use all the information revenue bodies hold about taxpayers in order to accurately target non-compliant taxpayers with the right intervention at the right time. The aim is to eliminate the cost of ineffective interventions and improve revenue flow. Advanced analytics of data held should assist revenue bodies to obtain deep insights, to enable highly segmented approaches to taxpayers, to predict behaviours and events with a reasonably high degree of certainty and, in some instances, to prescribe actions.

22.53 Revenue uses a number of computerised systems within its debt management function, but these focus on the outstanding debts rather than the debtor. They include

- the arrears case analysis tool (ACAT) – this is a real-time analytical tool used to examine and prioritise debt available for collection, by reference to size of debt, within five main tiers
- the 'state of file' system – this summarises liabilities, collections and balances classified by tax type and categorised within their availability for collection.

22.54 The Accounting Officer pointed out that while analysis in the first instance is always debt based, Revenue uses a number of different IT systems across its debt management operations to identify and intervene in the riskiest cases. Non-compliance with return filing and payment obligations is a major factor used by Revenue's risk evaluation and analysis programme (REAP) in profiling individual cases. There are a significant number of such rules in REAP contributing to the overall risk score.

22.55 The Active Intervention Management (AIM) system is used to select cases based on either returns or money outstanding (or a combination of both), while the ACAT allows managers to drill down into the debt figures and identify the individual debt cases. ACAT also supports sector specific analysis and associated case selection. Managers are fully trained in the application of both systems and are tasked with identifying and dealing with the riskiest cases. All of the DMUs are subject to monthly review to ensure collection/compliance targets are being met and that the right cases are selected for intervention.

22.56 Revenue has recently released phase one of a "compliance dashboard" that further enhances Revenue's analytical capability. The dashboard, when fully operational, will allow managers to very closely monitor compliance changes at individual case level or at sector level. The new system is already operational for VAT, PAYE/PRSI/USC/LPT (PREM) and RCT. The remaining taxes will be included in the phase two release (due in October 2015).

Debt Treatment Strategies

22.57 The OECD report notes that a debt management function needs to be able to choose from a number of interventions, ranging from initial measures to prevent taxpayers falling into debt, through to tough enforcement measures. Initial strategies identified in the report include influencing taxpayer behaviour through communication, providing online services and making payment easier e.g. through online payment or instalments. Other strategies include follow-up phone calls and face-to-face meetings with taxpayers prior to enforcement action being undertaken.

22.58 Revenue has a number of the measures identified by the OECD in place including a wide range of online services, facilities for payment of taxes by instalments and (where necessary) use of face-to-face meetings with taxpayers.

Call Centre

22.59 The OECD report notes that a dedicated outbound call centre – which initiates telephone contact with tax debtors – occupies a central role in the advanced management of tax debts. The report states that, for example, Sweden uses outbound calls to target new high risk debtors and noted that 80% of debtors contacted in this way made payments.

22.60 Revenue has a dedicated inbound call centre for providing assistance to taxpayers. However, there is no dedicated outbound system focusing on debt management in place.

22.61 The Accounting Officer pointed out that in 2014 a pilot experiment for the smallest debts (tier five debt), using pro-active outbound calls, produced disappointing results when compared to a similar sized team using current intervention methods.

22.62 The team making outbound calls failed to meet its debt reduction target for the period while the comparative team exceeded its target by 12%. Analysis of the pilot period confirmed that the outbound team had a far higher rate of return calls to deal with, often because the taxpayers were not prepared for the initial contact and required time to gather relevant information or accounts. Additional contacts were also necessary where taxpayers required further clarifications regarding issues or possible options.

22.63 The comparative team had much less return contact because the taxpayers were provided with all of the relevant information in a clearly set out format and were given a period of time to consider the issues and the various options available to them before replying.

22.64 The Accounting Officer noted that the pilot results were consistent with those achieved by the Canadian tax authority, which operates a combined outbound/inbound call service.

Views of the Accounting Officer

22.65 The Accounting Officer stated that, while a dedicated outbound call centre system is not in place, Revenue monitors its high risk larger cases very carefully and, where necessary on a case-by-case basis, makes outbound calls, for example if payments/returns have not arrived by the due date. This is particularly relevant in the larger cases that are very closely monitored where calls will be made if returns/payments have not been received by the due date. Revenue does not consider that the use of dedicated outbound call centres would add value to its debt management operations.

22.66 The Accounting Officer also pointed out that the outbound call centre models identified in the OECD study operate on the basis of delivering the first level interventions and then passing the non-engaging cases back to the ‘local offices’ for escalation. This runs contrary to the evolving and successful structure operated by Revenue over the past 20 years. The key component of the operating structure places responsibility and accountability for all aspects of debt management within any case with a particular team. This structure has produced excellent results over the years, which is clearly evidenced by the high compliance rates achieved, particularly over the very difficult ‘down-turn’ years.

Debtors Who Have Gone Abroad

22.67 The OECD report notes that as people and businesses are increasingly mobile internationally, the number of tax debtors who have left the country in which a tax debt was incurred is increasing. This poses collection challenges for revenue bodies. One of the key ways identified in the report to find a taxpayer who has moved to a different jurisdiction is through the issue of a request for exchange of information as provided for in a bilateral, regional or multilateral exchange agreement.

22.68 During 2014, Revenue made 55 debt-related mutual assistance requests to other EU member states. Just over €300,000 in payments was received in 2014, following mutual assistance requests.

Conclusions and Recommendations

22.69 The gross tax debt due at end-March 2015 was just over €2 billion, having fallen by 9% in the two years to that date.

22.70 35% of tax debt is classified as non-collectible because it is under appeal. However, there is inconsistency between the status of cases as recorded on Revenue's systems and the number of cases recorded by the Appeal Commissioners. The inconsistency suggests that the average waiting time reported by the Appeal Commissioners may relate only to cases for which a hearing date has been set and does not include the time between referral by Revenue and the setting of a hearing date. However, because the Accounting Officer of the Appeal Commissioners did not cooperate with this examination, it was not possible to establish the timeliness of processing of appeals by that Office.

22.71 At mid-June 2015, Revenue had yet to request hearing dates from the Appeal Commissioners for around 50% of the tax under appeal. Half of this debt is over three years old, including 28% that is over five years old. There is a significant risk that this debt may be incorrectly classified by Revenue.

Recommendation 22.1

Revenue should review the classification of appeal cases in its records to ensure that the classifications are correct and that actions appropriate to the status of each case are taken in a timely manner.

Accounting Officer's response

Agreed. This exercise has already been actioned under the remit of the appeals reform project. One of the tasks being carried out in the project is to address any inaccuracies in the data currently provided through the appeals dashboard. In mid-July 2015, Revenue started an examination of all appeals with a view to updating and correcting the information on the appeals dashboard.

22.72 Over one-third of the debt was classified as collectible but was subject to neither payment agreements nor enforcement proceedings. €286 million (39%) of this debt was over one year old.

Recommendation 22.2

Revenue should review debt which is classified as collectible and which is more than one year old but on which no agreement has been reached with the taxpayer for its payment and where Revenue has not initiated enforcement action, to determine what actions might be taken to collect the debt.

Accounting Officer's response

Agreed. Revenue fully recognises that the best chance of collection is at the early stages of debt arising. In this regard, Revenue has achieved full coverage in tiers one to four i.e. the larger debts. However, full coverage is not possible in the lower tier five tranche due to the volume of cases versus resources available. Revenue is currently reviewing how tier five cases are worked to increase the scope for earlier interventions in these cases.

22.73 Revenue's debt management structure has many of the features identified as essential components of a modern debt management system as identified in an OECD report. The report identifies two elements – the use of advanced data analytics to enable segmented approaches to be taken to taxpayers and the use of call centres to follow up on outstanding debt – that have not yet been fully adopted by Revenue, while Revenue's performance indicators are also not as extensive as those recommended in the OECD report.

Recommendation 22.3

Revenue should develop a more comprehensive range of performance indicators, and make greater use of advanced data analytics as outlined in the recent OECD Report.

Accounting Officer's response

Agreed.

Performance Indicators

Revenue will continue to review its performance indicators on a regular basis, and take international best practice into account.

Advanced Analytics

Revenue is committed to the use of advanced analytics to support our compliance and service programs and has recently recruited a Chief Analytics Officer.

Revenue's analytical capability includes its Active Intervention Management system and Arrears Case Analysis Tool, its new compliance dashboard as well as its 'state of file' system and debt forecasting capabilities.

Following the completion of stage two of the compliance dashboard (planned for October 2015) a 'close recommendation engine' will be added in 2016, which will include a data analytics package that will link together the state of file, ACAT and compliance dashboard data and assist caseworkers decision-making using advanced analysis, and further case segmentation.