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Department of Finance

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Speech by Minister for Finance, Mr Charlie McCreevy TD
at the launch of the Law Reform Commission's Consultation Paper on a Fiscal
Prosecutor and Revenue Court

Firstly, I would like to thank the Law Reform Commission for asking me to launch this consultation paper today. I wish to convey my thanks, and that of the Government, to the Commission for this very comprehensive study that they have now prepared. The authors have managed to create, in one single document, a hugely informative and very readable paper covering the full gamut of issues from the prosecution of revenue offences to the tax appeals system. These are areas which, perhaps, have not always received the attention of the public but I am sure the report will be of interest to many.

This study, of course, arose from a recommendation contained in the final report of the Public Accounts sub-Committee on DIRT.

It recommended that a more detailed study should be undertaken of the benefits of a Revenue Court and a fiscal prosecutor. I have no doubt that the Public Accounts Committee will be pleased, as I am, with the breadth and the quality of the study you have undertaken. I would also applaud the unequivocal and clear manner with which the consultative paper has dealt with the various issues involved.

While the conclusion is that there is no need at this time for such a Court or Prosecutor, in arriving at that position, the Commission has made many useful recommendations to improve transparency and fairness of procedure in relation to tax appeals and the imposition of penalties.

This paper is, of course a consultation paper, and I trust that the Commission will receive many thoughtful responses that will assist in finalising the Report.

I note that there are a number of areas in which you have sought further consultations, such as the domestic application in this area of the European Convention on Human Rights as well as some aspects of the remit of the Appeal Commissioners. These further studies and examinations will doubtless further inform the debate before the production of your Final Report and it will be a useful input into the consideration currently underway in my Department on the statutory provisions relating to the Appeal Commissioners.

As you will be aware, my Department has taken a positive approach to implementing the recommendations contained in the PAC's sub-Committee DIRT Reports. In particular, I would like to mention the establishment recently of the Irish Financial Services Regulatory Authority, IFSRA, and provisions contained in successive Finance Acts that address issues of inequity or anomaly.

For example, I provided in Finance Act 2002 that financial institutions delivering an incorrect DIRT return or failing to deduct DIRT would be liable to a similar *tax geared* penalty to that which applied to individuals. In the Central Bank and Financial Services Authority of Ireland Act 2003, I introduced a requirement for financial institutions to make suspicious transactions reports to Revenue as well as the Gardaí – a development that the Revenue Commissioners believe will be of considerable assistance in countering tax evasion. I also imposed a clear obligation on the Regulatory Authority to report suspicions of tax-related criminal activity to the Revenue Commissioners.

Those present will be aware that, as Minister for Finance, I have taken the opportunity in the Finance Acts to create an environment in which Revenue have appropriate legislation underpinning their aims of improving tax compliance and reducing tax evasion.

In particular, powers granted to Revenue in Finance Act 1999 substantially improved Revenue's capacity to identify banks accounts and pursue those evading their legitimate tax liabilities.

I understand from the Revenue Commissioners that they are pleased with the progress to date in this final phase of the DIRT related investigations and note that this current phase of the investigation has to date resulted in payments of about €200m to Revenue. This is in addition to the €227m collected from those who availed of the voluntary disclosure scheme in 2001 and the €220m paid by the financial institutions to Revenue in DIRT, interest and penalties. The large scale investigation arising from the DIRT enquiry together with the outcomes of other major investigations currently underway by Revenue, will play their part in restoring confidence in the tax collection system and establishing a position where tax compliance is the norm.

The Agreed Programme for Government includes a commitment to pursue actions to ensure that everyone is tax compliant. Human nature being what it is, it might be idealistic to hope that no individual taxpayer will seek to evade paying their taxes. However, I am confident, nevertheless, that recent initiatives introduced by the Revenue Commissioners, including the restructuring of their organisation, will result, over time, in a significant improvement in tax compliance.

Returning to the consultation paper launched here today, I can assure the authors that the recommendations contained in it, and in due course, in their final report, will be examined carefully by officials in my Department in consultation with the Revenue Commissioners.

I should add that many of the issues covered by the consultation paper will also be of interest to the Revenue Powers Group, chaired by Mr. Justice Murphy, which I established in March and which will report later this year.

I firmly believe that there is an ongoing need to take regular stock of provisions in tax law in order to assure the Government and the public at large that a balance is struck between on the one hand the ability of the Revenue Commissioners to fulfil their duty of tax collection and the rights of the compliant individual taxpayer on the other.

As a result of this paper, and the pending report of the Revenue Powers Group, I will shortly have a significant number of proposals before me which I intend considering, as appropriate, in the context of future Finance Bills.

In concluding, may I just thank the authors once again for their excellent work in producing this Consultation Paper. It is yet another quality publication for which the Law Reform Commission has, quite justifiably, become renowned over the years.

Thank you.

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