



# **An Analysis on Revenue Collection:**

## **Financial Year 2020**

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**MINISTRY FOR  
FINANCE AND  
EMPLOYMENT**

# Scope

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The scope of the analysis was to:

- ✓ Collate information
- ✓ Assess revenue collected by CfR and Customs during 2020
- ✓ Check the level of enforcement procedures in place, in relation to the collection of revenue



# Methodology



A similar analysis was conducted in 2016.

This analysis now served as a follow-up for the years 2016 - 2020.

Three questionnaires sent:

- ✓ CfR – Income Tax and CTD
- ✓ CfR – VAT
- ✓ Customs

Various meetings were held with Senior Management from MFE, CfR and Customs Department to collect information.

# Commissioner for Revenue

Total estimated income from Income Tax, Capital Transfer Duty and Value Added Tax for the year 2020 amounted to **€3,235,042,000**.

The Ministry is also in charge for the collection of Social Security Contributions which, for the year 2020, had an estimated revenue of **€1,149,000,000**.

Revenue collection by the Customs Department in the year 2020 was estimated at **€353,817,000**. The Customs Department is entrusted with the control of imports and exports of goods, as well as with the collection of the respective taxes and duties, including import and excise duties.

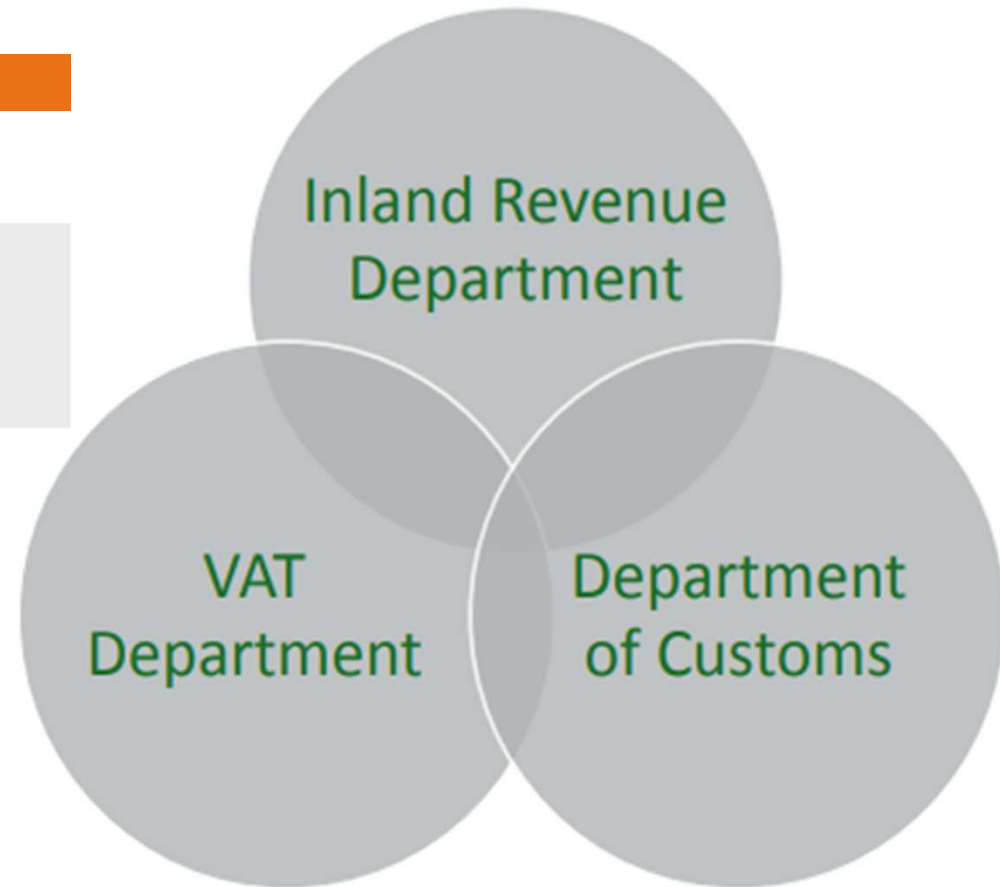
# Integration of Revenue-generating Departments

Process started in 2006.

Aim was to establish a closer working relationship and to create synergies between the three Departments concerned.

Amongst others, one of the benefits of integration:

When discussing repayment terms for VAT, taxpayers were also being regularly reminded about their debts relating to the Final Settlement System and Income Tax, and vice versa.



# Revenue Generated during 2020



€1,537 million  
Income Tax



€1,064 million  
Social Security Contributions



€122 million  
Capital Transfer Duty

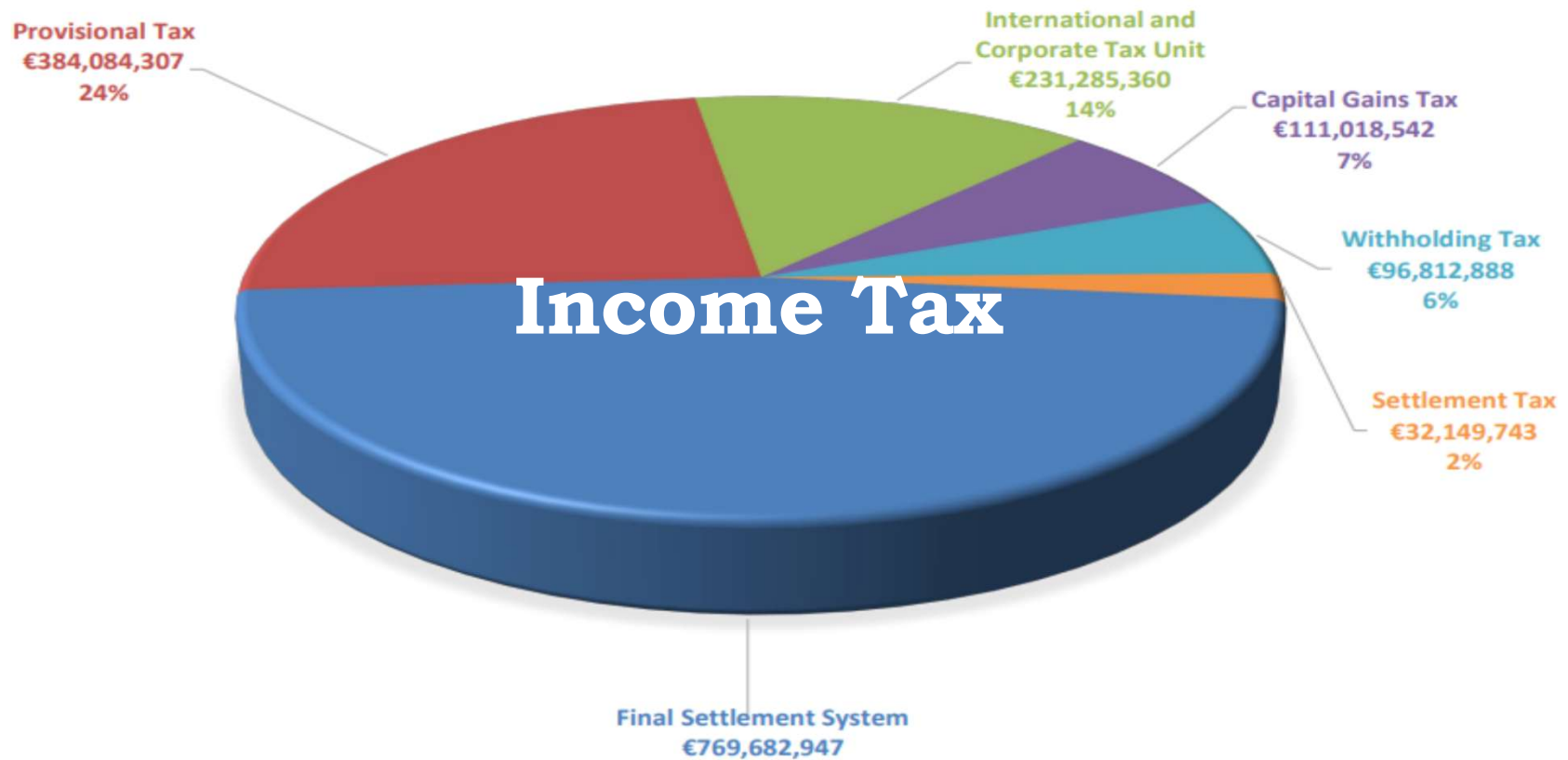


€780 million  
Value Added Tax



€267 million  
Customs

## Gross Income Tax Collected in 2020 – By Category

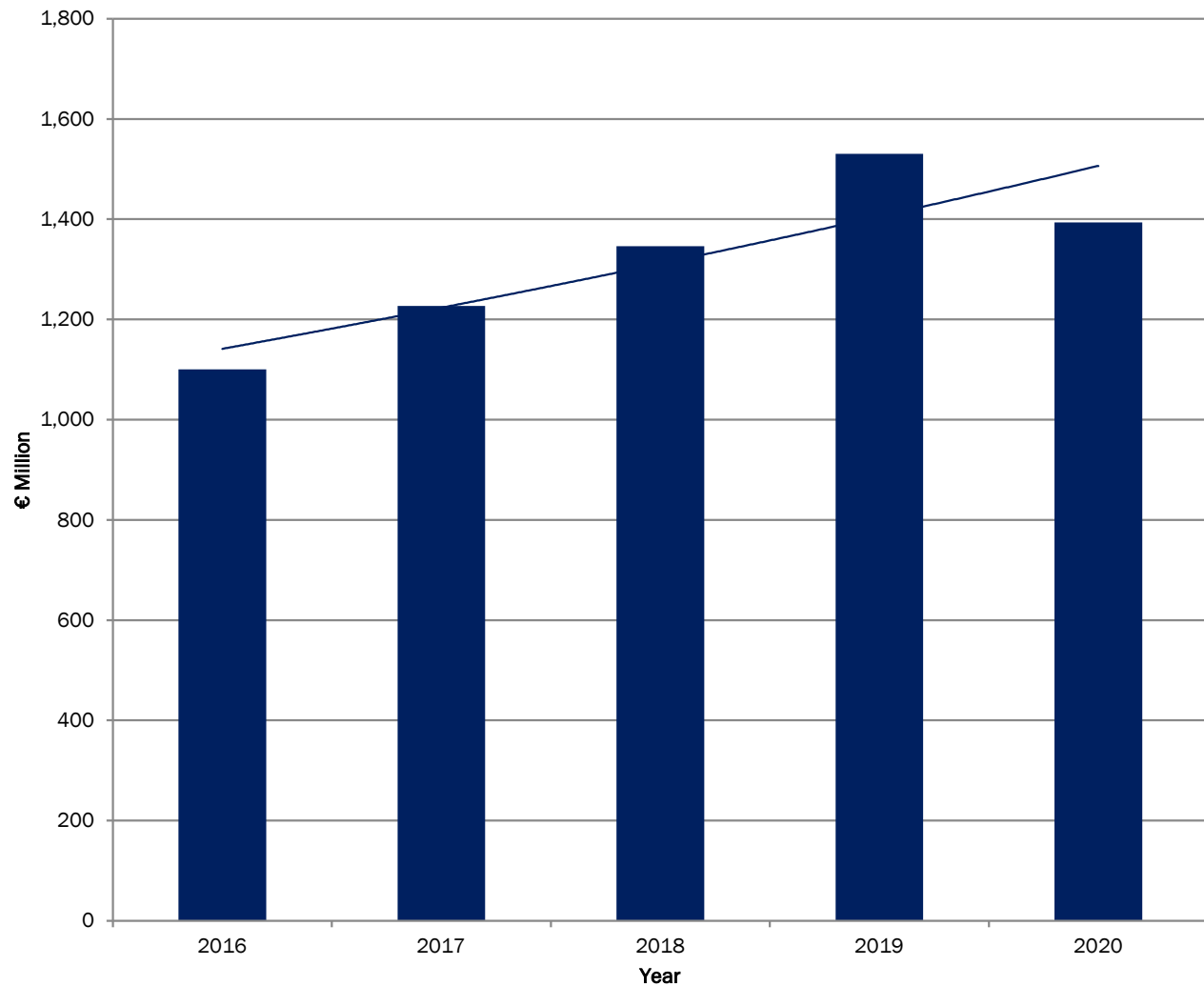


# Income Tax – Variance Analysis

Revenue Category	Estimated Revenue €	Actual Revenue collected €	Variance €	%
Income Tax Revenue net of Refunds	1,936,000,000	1,536,850,730	(399,149,270)	(21)
SSC including State Contribution	1,149,000,000	1,064,132,321	(84,867,679)	(7)
<b>Totals</b>	<b>3,085,000,000</b>	<b>2,600,983,051</b>	<b>(484,016,949)</b>	<b>(16)</b>

# Gross Income Tax: Trend Analysis

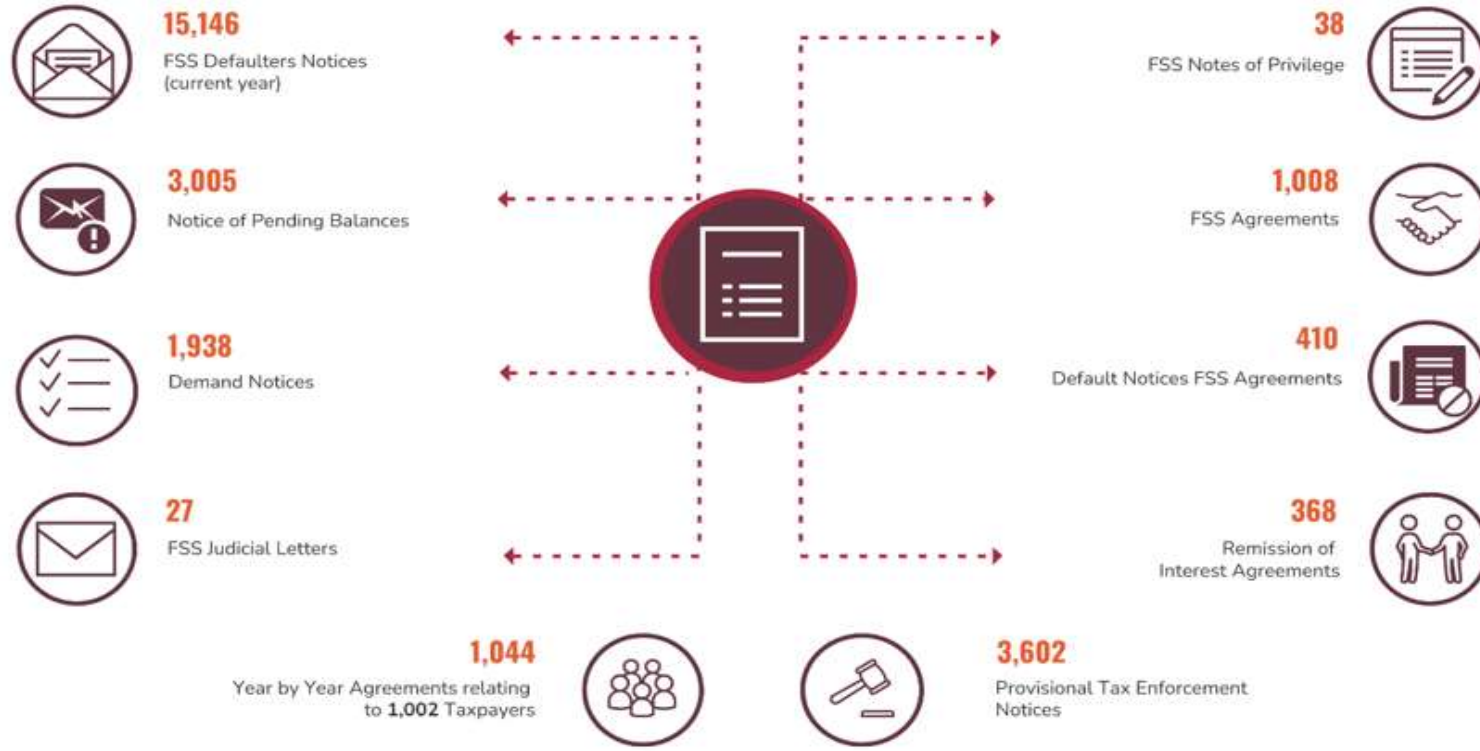
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# Income Tax – Detailed Revenue

Revenue Category	Estimated Gross	Actual Gross	Variance	
	Revenue €	Revenue €	€	%
FSS	802,200,000	769,682,947	(32,517,053)	(4)
Provisional Tax	516,865,000	384,084,307	(132,780,693)	(26)
ICTU	381,800,000	231,285,360	(150,514,640)	(39)
Capital Gains Tax	181,250,000	111,018,542	(70,231,458)	(39)
Withholding Tax	116,935,000	96,812,888	(20,122,112)	(17)
Settlement Tax	36,950,000	32,149,743	(4,800,257)	(13)
<b>Totals</b>	<b>2,036,000,000</b>	<b>1,625,033,787</b>	<b>(410,966,213)</b>	<b>(20)</b>

## Collection Procedures - FSS



! With regard to Capital Gains Tax, no enforcement action is required since this is collected upon registration of Contract.

# Income Tax: Collection Procedures

## Remission Agreements

**€4,714,614**

Amount to be paid by Remission



**€697,465**

Still due as at 31 December 2020



**€4,017,149**

Paid by 31 December 2020



**€3,171,555**

Amount remitted



# Income Tax: Cases in Court

## Cases in Civil Court



- 14 pending from 2019
- 18 new in 2020

### Of these, 3 were concluded:

- 1 ceded by Taxpayer
- 2 decided in favour of CfR

## Cases in Criminal Court



In 2020, 22 sittings were held where 455 employers were arraigned since they failed to send documents by year end or had pending FSS and/or SSC arrears. (Due to COVID-19 restrictions most of the sittings were deferred to 2021).

During 2020, 1,850 cases were held in front of the Criminal Court of which 1,008 FSS Agreements were issued. These cases are usually kept pending until agreement in full is honoured.

## Repayment Plans

↓ 70%

Reduction in Additional FSS tax and Additional FSS SSC applies when opting to pay the amount due in one full payment.

↓ 60%

Reduction in Penalties in relation to repayment installment plans.

# Arrears of Revenue

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Arrears of Revenue Return as at year-end 2020:

- ✓ Newly accrued arrears  
€803,035,499
- ✓ Closing amount estimated  
as not collectable  
€1,177,520,292
- ✓ Net collectable balance  
€364,951,185



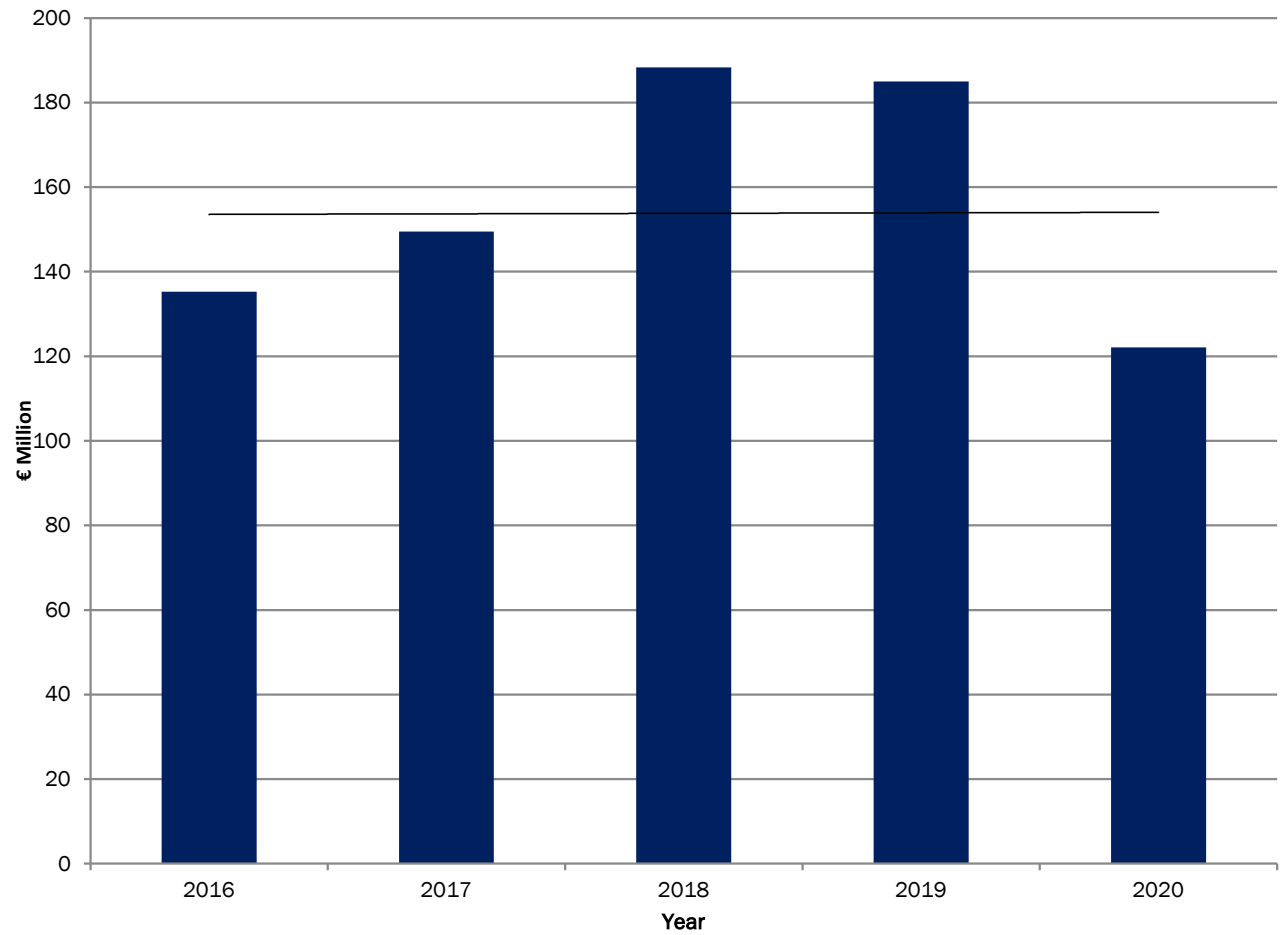
# Arrears of Revenue

PRE-1999 SYSTEM	FSS AND SSC CLASS 1	SSC CLASS 2 SELF-EMPLOYED	SELF-ASSESSMENT
More than: <b>€153 million</b>	More than: <b>€217 million</b> in FSS <b>€324 million</b> in SSC Class 1	More than: <b>€84 million</b> due from 1998 – 2014 <b>€42 million</b> due from 2015 - 2020	More than: <b>€719 million</b>
90% probability of not being collected	70% chance for FSS balances of not being collected  48% chance for SSC Class 1 balances	100% not collectable till 2014,  75% for 2015, 60% for 2016, 55% for 2017, 40% for 2018 – 2020	But <b>€625 million</b> are considered as not collectable

# Capital Transfer Duty

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## Trend Analysis



# Capital Transfer Duty: Collection Procedures



## Collection Procedures



**647**

Reminders



**178**

Demand Notices



**7**

Garnishee Orders



**219**

Letters from Legal Unit



**34**

Formal Legal Warnings

## Property Valuation



**16,304**

Examined Notarial Deeds.



**4,957**

Referred to CTD Architects of which **4,623** resulted in under declarations so had their statements revised and upon which CTD issued claims.



**1,724**

Objections of which **671** were accompanied by a private architect valuation and confirmed as undervalued by the departmental architect, thus had to be revised.

# Capital Transfer Duty

Arrears of Revenue as at December 2020:

	€
Newly Accrued Arrears	4,800,000
Amounts considered as Not Collectable	19,700,000
Net Collectable Balance	9,300,000

# Value Added Tax

Revenue Category	Budgeted Revenue	Arrears collected	Actual Revenue Collections arising from 2020	Total	Variance	
	€	€	€	€	€	%
VAT <sup>18</sup>	1,099,000,000	96,885,083	680,396,216	777,281,299	(321,718,701)	(29)
Environmental Contribution	4,500,000	187,515	1,693,245	1,880,760	(2,619,240)	(58)
Eco-contribution <sup>19</sup>	75,000	24,555	48,539	73,094	(1,906)	(3)
Other Revenue <sup>20</sup>	360,000	-	376,717	376,717	16,717	5
<b>Totals</b>	<b>1,103,935,000</b>	<b>97,097,153</b>	<b>682,514,717</b>	<b>779,611,870</b>	<b>(324,323,130)</b>	<b>(29)</b>

18 This includes VAT (1995), VAT (1998), as well as Customs and Excise Tax.

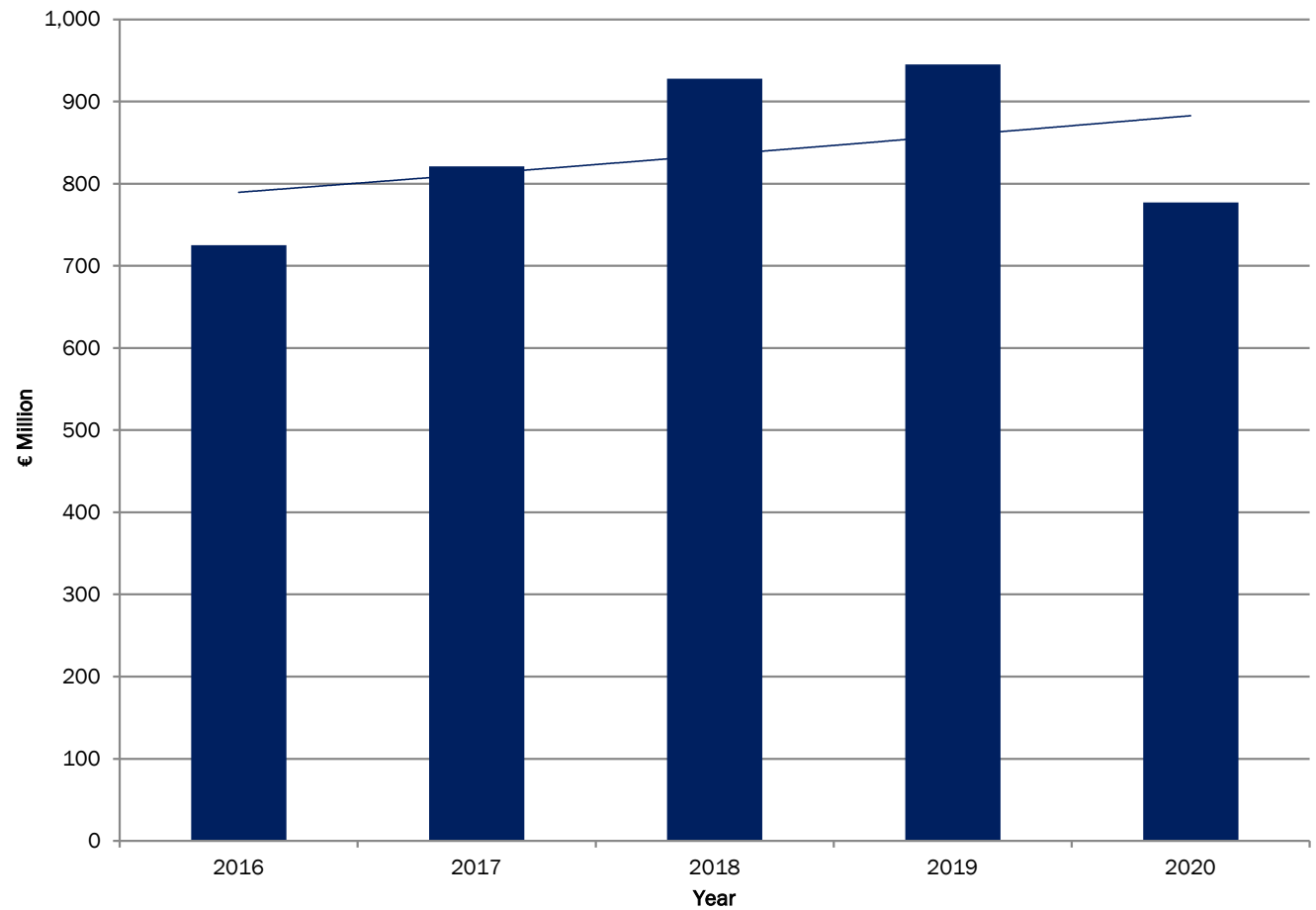
19 Tax on electronic and white goods.

20 Other Revenue is mainly made up of net application fees in respect of various residence programmes, compromise fines and other fees.

# VAT Revenue

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## Trend Analysis



# Enforcement Measures taken for VAT



# Enforcement Measures taken for VAT

## Collection Section



**!** Total Tax collected from all Actions amounted to **€23 million**

## Inspectorate Section



## CfR - VAT

## Legal Section



**!** None were charged in front of the Criminal Court and nothing was collected through this measure.

## Remission Process

**106** Requests for Remission, out of which **18** were impossible to process

**46** Taxpayers who benefitted an amount of **€1,380,081**



**!** As from **March 2020**, the interest and penalties, eligible for a remission was extended to include, still unpaid, interest and penalties, for tax periods due in 2019 or before.

# Arrears of Revenue

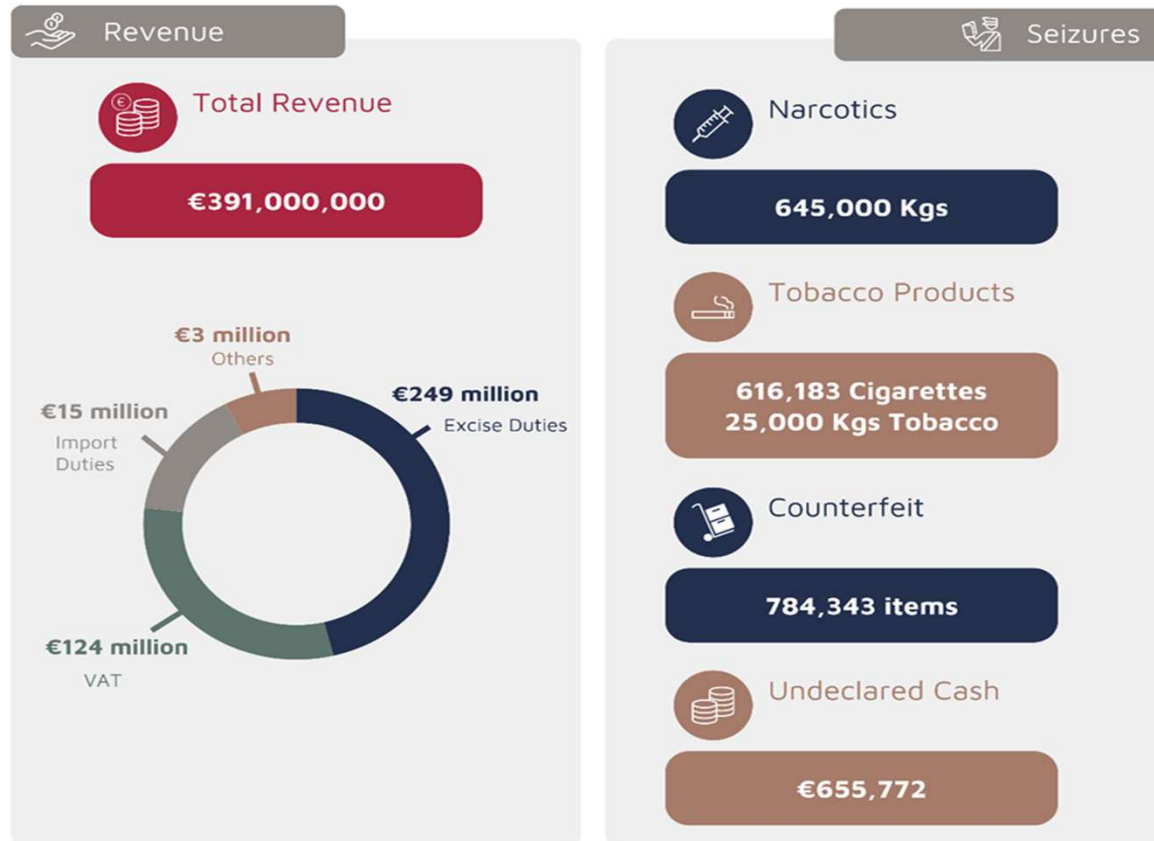
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Arrears of Revenue Return as at year-end 2020:

Newly accrued arrears	€1,975,883,791
Closing amount estimated as not collectable	€4,288,472,281



# Revenue Collected and Seizures by Customs - 2020



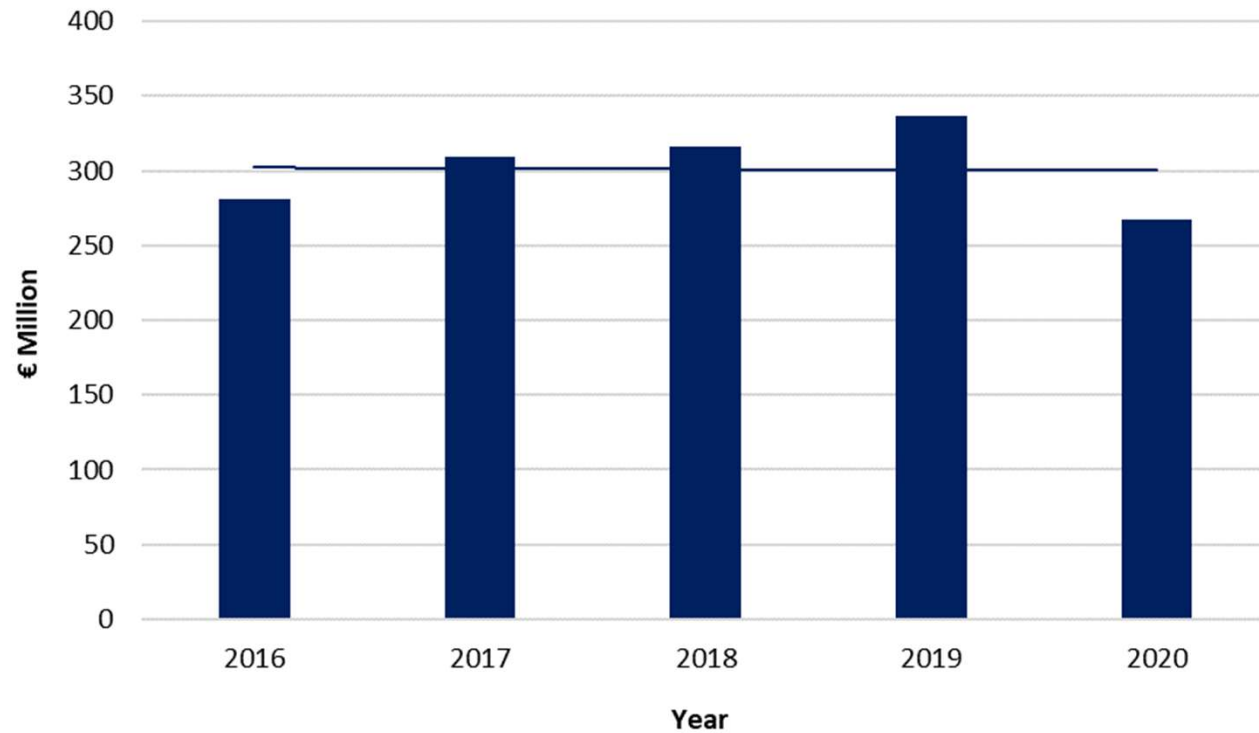
# Customs – Variance Analysis







Revenue Category	Estimated	Actual Revenue	Variance	
	Revenue		€	%
	€	€	€	%
Import and Excise Duties	350,140,000	264,415,649	(85,724,351)	(24)
Licences, Taxes and Fines	3,020,000	2,658,413	(361,587)	(12)
Fees of Office	40,000	33,020	(6,980)	(17)
Reimbursements	82,000	92,598	10,598	13
Other Revenue	535,000	159,764	(375,236)	(70)
<b>Totals</b>	<b>353,817,000</b>	<b>267,359,444</b> <sup>24</sup>	<b>(86,457,569)</b>	<b>(24)</b>

<sup>24</sup> This amount includes €4,044,337 collected during 2020 relating to 2019 and before.

# Customs: Trend Analysis

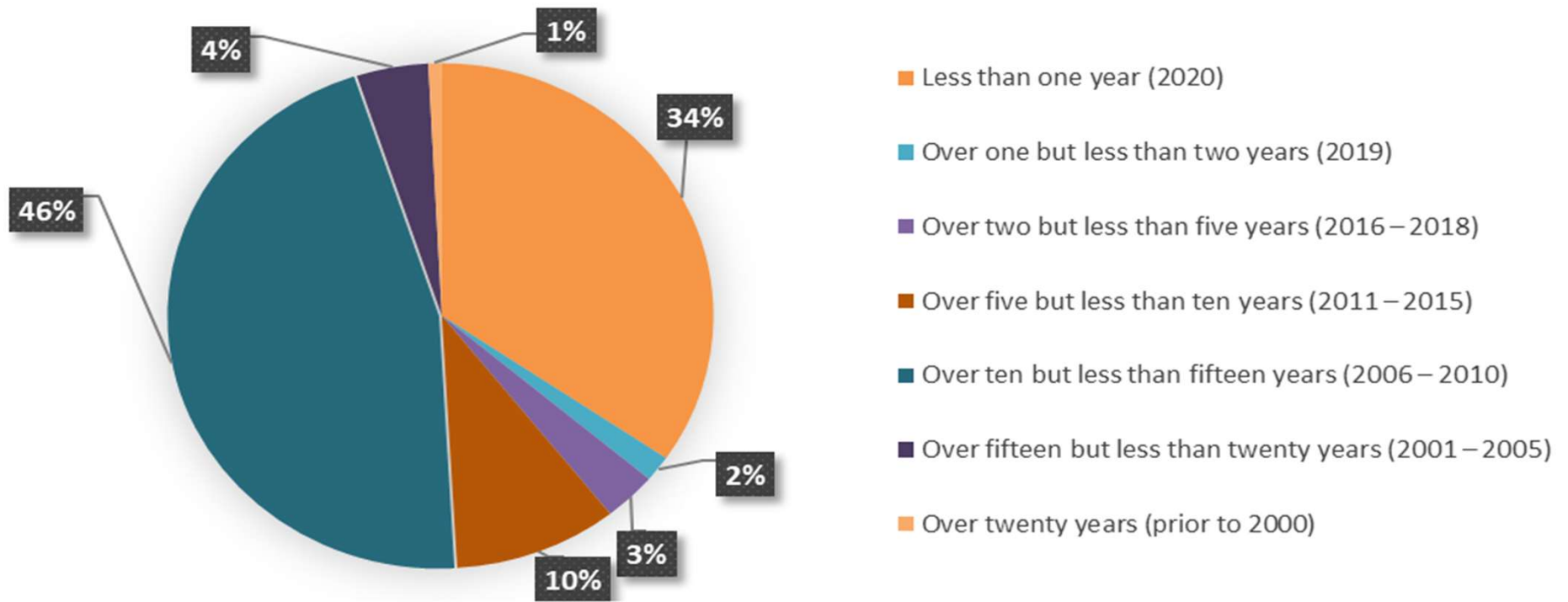
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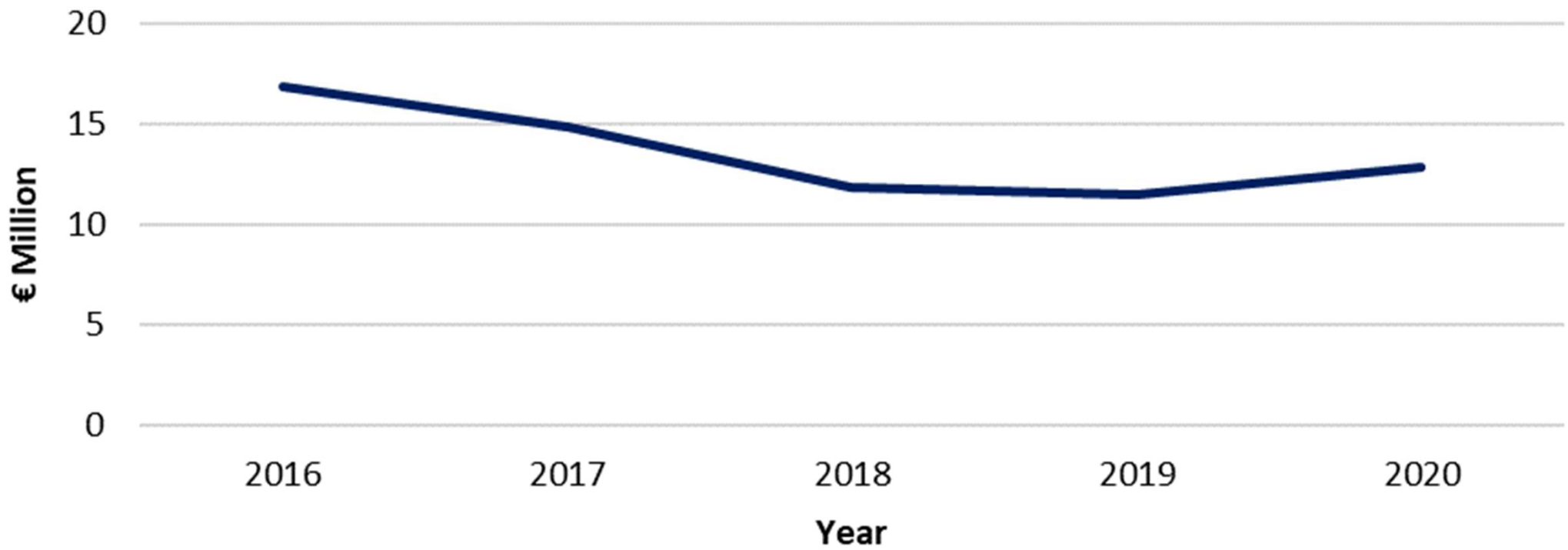
	Import Declarations	Export Declarations
Total declarations made during 2020	 116,064	 23,270
Selected for Control	 26,164 23%	 1,892 8%
Selected for Documentary Control	 6,227 (5% of total imports declarations) <small>of which 1,138 (18% of selected for documentary control) re-routed to Selected for Control</small>	 94 (0.4% of total excise declarations) <small>of which 24 (26% of selected for documentary control) re-routed to Selected for Control</small>
Additional Taxes collected as a result of such Checks	<b>Import Duties</b> €396,075 <b>Excise Duties</b> €6,040 <b>VAT</b> €656,858	<b>Excise Duties</b> €3,113 <b>VAT</b> €15,034

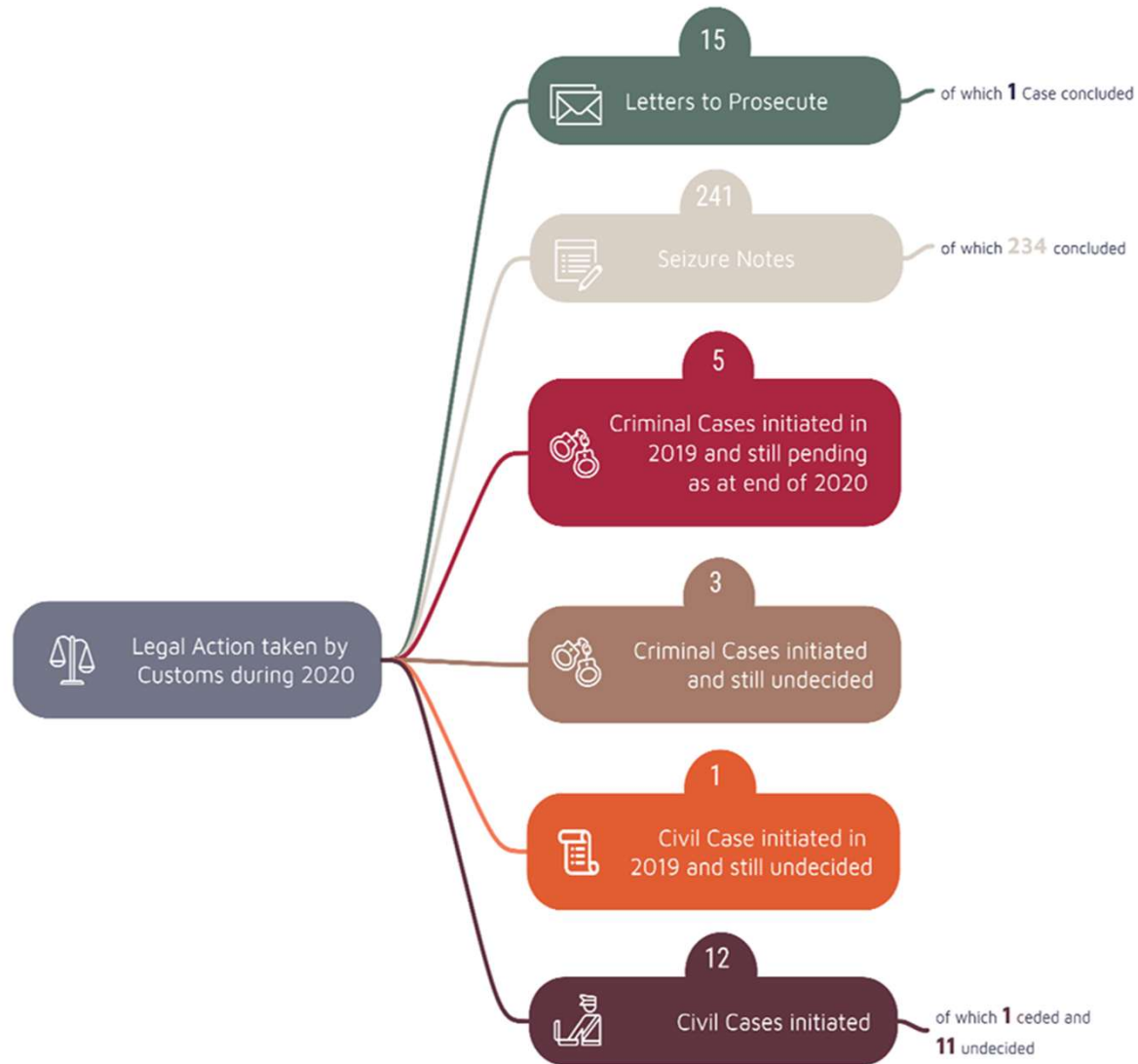
# Inspections and related Additional Taxes collected by Customs

# Customs' Net Collectable Arrears' Ageing: 31.12.20



# Trend Analysis of Customs' Net Collectable Arrears (2016 – 2020)





# Legal Action taken by Customs during 2020

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## Report Highlights

Income Tax increased by €293 million in absolute terms when comparing collections in 2020 with those in 2016, with material spikes observed in:

- ✓ Capital Gains (YoY) for 2017 (17%) and 2018 (25%)
- ✓ FSS for 2016 (14%) and 2018 (15%)
- ✓ Withholding Tax which experienced an increase of 28% in 2017 over 2016



## Report Highlights

A decrease of €13 million in Duty on Documents and Transfers was recorded in absolute terms when comparing 2020 with 2016:

- ✓ attributed to the various stamp duty relief due to the impact of the COVID-19 pandemic in 2020, during which a drastic drop of 34% over the previous year was experienced

# Report Highlights

The image features three light-colored wooden blocks stacked vertically on a wooden surface. The top block has the letter 'V', the middle block has the letter 'A', and the bottom block has the letter 'T'. The background is a blurred indoor setting with warm lighting.

VAT revenue followed a steady upward trend from 2016 to 2019, with an overall increase of €220 million in absolute terms when comparing 2019 to 2015.

On the other hand, €167 million less than the previous year were collected in 2020.

# Report Highlights

Customs income grew by €55 million in absolute terms when comparing 2019 to 2016.

In contrast, a significant drop of €69 million was experienced in 2020, mainly the result of a lower amount of excise duty collected.





## Conclusion

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Various enforcement actions were applied in order to collect the money due. This included the remission of interest agreements and legal action; however, the need of staffing relocation in various areas responsible for revenue collection needs to be addressed.

Considering that the year under review was very much impacted by the pandemic, this Office intends doing a similar follow-up assignment.

**THANK YOU FOR YOUR ATTENTION**