

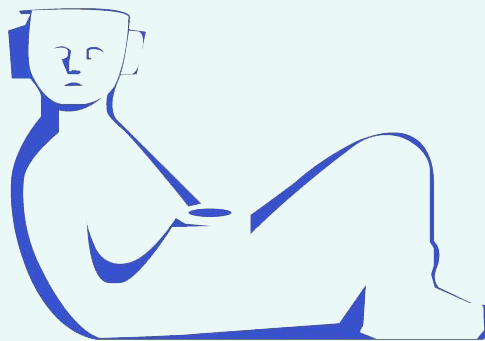


Inter-American Center of Tax Administrations - CIAT

Tax Administration Service - SAT



37th CIAT General Assembly



CIAT
2003

**Strategies and Instruments for Increasing the Effectiveness
and Efficiency of the Tax Administration**

**Riviera Maya, Cancun, Mexico
March 31 - April 3rd, 2003**

INDEX

Presentation on CIAT	7
Inaugural Ceremony	
<u>Welcome Statement by the CIAT Executive Council</u> <u>President, Mr. William McCloskey,</u>	11
<u>Speech of the Executive Secretary of CIAT,</u> <u>Mr. Jorge Cosulich Ayala</u>	13
<u>Welcome Statement by Mr. Rubén Aguirre Pangburn,</u> <u>President of the Tax Administration Service of Mexico</u>	17
TOPIC 1 THE USE OF INTERNET BY THE TAX ADMINISTRATION	19
<i>Lecture</i>	
<u>TOPIC 1 The use of Internet by the Tax Administration, Nora</u> <u>Caballero Verdejo, General Administrator of Taxpayer</u> <u>Assistance and Collection, Secretariat of Treasury and</u> <u>Public Credit (Mexico)</u>	20
<i>Case study</i>	
<u>TOPIC 1.1 The Taxpayer Assistance and Information</u> <u>Function over the Internet (Information,</u> <u>Communication and Interaction with Citizens), Juan</u> <u>Toro Rivera, General Director, Internal Revenue</u> <u>Service (Chile)</u>	32
<i>Case study</i>	
<u>TOPIC 1.1 The Taxpayer Assistance and Information Function</u> <u>through Internet (Information, Communication and</u> <u>Interaction with Citizens), Maribel Zúñiga, Manager</u> <u>of Planning and Control, General Directorate of</u> <u>Taxation (Costa Rica)</u>	44

INDEX

Case study

- Topic 1.2 The Collection Function (Filing and Payment) through Internet, Michiaki Hashimura, General Coordinator of Tax Administration, Secretariat of Federal Revenues (Brazil)57

Case study:

- TOPIC 1.2 The Collection Function (Filing and Payment) through Internet, Serenella Crisafulli, Tax Official, Ministry of Economy and Finance (Italy)71

Case study

- TOPIC 1.3 Promotion and Training Aimed at External Users for Full Use of Internet Services, Estelabel Piad, General Director, General Directorate of Revenues (Panama)78

Case study

- TOPIC 1.3 Promotion and Training Aimed at External Users for Full Use of Internet Services, Francisco Urdaneta, Manager of Information Technology, National Customs and Tax Superintendent (SENIAT) Venezuela88

- TOPIC 2 PROMOTION OF PUBLIC ETHICS BY THE TAX ADMINISTRATION115**

Lecture

- TOPIC 2 Promotion of Public Ethics by the Tax Administration, Bill McCloskey, Assistant Commissioner Policy & Legislation Branch, Canada Customs and Revenue Agency (Canada)116

Lecture

- TOPIC 2.1 Combating Corruption and Illegal Practices in the Tax Administration, Isabel Roque, Internal Control Director, Tax Administration National Bureau - ONAT (Cuba)139

Case study

- TOPIC 2.1 Combating Corruption and Illegal Practices in the Tax Administration, María de la Concepción Patiño Cestafe, General Administrator of Evaluation, Secretariat of Treasury and Public Credit, Tax Administration Service (Mexico)176

Case study

- TOPIC 2.2 Codes of Ethics in the Tax Administration, Beatriz Luisa Fontau, Deputy General Director of Human Resources, Federal Public Revenue Administration (Argentina).....190

Case study

- TOPIC 2.2 Codes of Ethics in the Tax Administration, Hassena Ali, Commissioner and Chairman, Board of Inland Revenue (Trinidad and Tobago)210

Case study

- TOPIC 2.3 Promoting Transparency of Management and Social Controls on the Tax Administration, Salvador Ruíz Gallud, General Director, State Agency of Tax Administration (Spain)227

Case study:

- TOPIC 2.3 Promoting Transparency of Management and Social Controls on the Tax Administration, Nahil Hirsh, National Superintendent, National Superintendence of the Tax Administration - SUNAT (Peru)242

- TOPIC 3 INCREASED EFFICIENCY IN THE TAX ADMINISTRATION THROUGH INTERNAL IMPROVEMENT PROCESSES254**

Lecture

- TOPIC 3 Increased Efficiency in the Tax Administration Through Internal Improvement Processes, W. Todd Grams, Chief Financial Officer, Internal Revenue Service (United States of America)255

INDEX

Case study

- TOPIC 3.1 Possibilities for Reducing Operational Costs through the Use of New Information and Communication Technologies, Javier Basta Ghetti, Legal Advisor of the Executive Presidency, National Tax Service (Bolivia)269

Case study

- TOPIC 3.1 The Filing of Tax Returns via Internet and the Automatic Payment, António Neves Costa, Computer Specialist, General Directorate of Contributions and Taxes (Portugal)286

Case study

- TOPIC 3.2 Strategies in Human Resources Management for Increasing Productivity, Sean Moriarty, Assistant Secretary, Large Cases Division, Ireland Revenue Commissioners (Ireland).....298

Case study

- TOPIC 3.2 Strategies in Human Resources Management for Increasing Productivity, Patrick Rijdsdijk, Policy Advisor, International Affairs Division, Directorate General for Tax and Customs Administration (The Netherlands)314

Case Study

- TOPIC 3.3 Needs and Human Resources Training in an E- Administration Environment, Mario Aranguren, National Customs and Taxes Directorate (Colombia)331

Case study

- TOPIC 3.3 Needs and Human Resources Training in an E- Administration Environment, Olivier Siviéude, Director of Human Resources, General Directorate of Taxes (France)362

Closing Session

General Report, Everardo Maciel, Tax specialist, former
Federal Revenue Secretary of Brazil370

Declaration of the 37th CIAT General Assembly379

Technical Program.....382

List of Participants390

Presentation on CIAT

Presentation on CIAT

CIAT is a public international organization established in 1967 to promote the improvement of the tax administrations through: exchange of ideas and experiences; technical assistance and training; compilation and distribution of information; and promotion of technical research.

The Center is formed by 29 countries from the Americas and five European countries. The Minister of Finance or Treasury of each country designates the positions in his tax administration, the incumbents of which are the Representatives at CIAT.

Member Countries

Argentina	Cuba	Nicaragua
Aruba	Dominican Republic	Panama
Barbados	Ecuador	Paraguay
Bermuda	El Salvador	Peru
Bolivarian Republic of Venezuela	France	Portugal
Bolivia	Guatemala	Spain
Brazil	Haiti	Suriname
Canada	Honduras	The Netherlands
Chile	Italy	Trinidad & Tobago
Colombia	Jamaica	United States
Costa Rica	Mexico	Uruguay
	Netherlands Antilles	

Executive Council

President:

William McCloskey Canada

Councilors:

Alberto R. Abad	Argentina
William Layne	Barbados
Juan Toro Rivera	Chile
François Villeroy de Galhau	Francia
Rubén Aguirre Pangburn	Mexico
Marta Beatriz Merino Lucero	Peru
Teófilo Quico Tabar	Dominican Republic

Presentation on CIAT

Executive Secretariat

Executive Secretary	Jorge Cosulich Ayala
Director of Strategic Planning and Studies	Claudino Pita
Director of Operations	Nelson Gutiérrez
Research and Training Manager	María Raquel Ayala Doval
Information and Publications Manager	Damaris Bolaños
Technical Cooperation Projects Manager	Celso Antonio Mora
Technical Cooperation Projects Manager	Francisco J. Beiner
Tax Computerization Manager	Francisco Da Cunha
Internal Administration Manager	Enma de Al-Karkhi

Representatives and Correspondents of CIAT

Country	Representative	Correspondent
Argentina	Alberto Abad	Horacio Castagnola
Aruba	J. Ronald Tchong	J. Ronald Tchong
Barbados	Williams Layne	Lloyd L. Cummins
Bermuda	Heather A. Jacobs Matthews	Heather A. Jacobs M.
Bolivia	Jorge Eduardo Zegada Claire	Javier Basta Ghetti
Brazil	Jorge Antonio Deher Rachid	Márcio F. Verdi
Canada	Robert Wright/ William McCloskey	John Murphy
Chile	Juan Toro Rivera	Alfredo Echeverría Herrera
Colombia	Mario Alejandro Aranguren R./ Consuelo Caldas Cano	Lucette Guarín Pulecio
Costa Rica	Adrián Torrealba Navas	Maribel Zúñiga Cambroneró
Cuba	Haleyxa Tandrón	Armando Lopetegui M.
Dominican Republic	Teófilo Quico Tabar	Nieves Vargas Collado
Ecuador	Elsa Romo-Leroux de Mena	Oswaldo Aguirre
El Salvador	Carlos M. Funes/Francisco José Rovira M.	Gelson Vinicio Valladares M.
France	François Villeroy de Galhau	Josiane Lanteri
Guatemala	Marco Tulio Abadío Molina	Abelardo Medina B.
Haiti	John E. Desroches	Jean-Baptiste Télémaque
Honduras	Mario Duarte C.	Olga Sabillón
Italy	Paolo Ciocca	Carlo Anderlini

Jamaica	Clive Nicholas	Michael Campbell
Mexico	Rubén Aguirre Pangburn	Pablo Ruíz Herrera
Netherlands Antilles	Cedrid Prisco Josepa	Pedro Clotildo Adams
Nicaragua	Róger Arteaga C.	Elías Álvarez M.
Panama	Estelabel Piad/ Publio R. Carvajal C.	Maribel T. Sousa A.
Paraguay	Castor Acosta Melgarejo	To be appointed
Peru	Marta Beatriz Merino L. Manuel Deza Morales	Clara Loza Ramírez
Portugal	Armindo de Sousa Ribeiro	Manuel Sousa F. de M.
Spain	Salvador Ruíz Gallud	Fernando Díaz Yubero
Suriname	Roy May	Philicien Rene Rodrigues
The Netherlands	Jenny Thunnissen/ Maarten Brabers	Pieter J. Vogelaar/ Patrick Rijdsdijk
Trinidad & Tobago	Haseena Ali	Anirudh Maharaj
United States	Bob Wenzel/Deborah Nolan	Socorro Velázquez
Uruguay	Eduardo Zaidensztat	Margarita Faral
Venezuela	Trino Alcides Díaz	Luis N. Alvarado C.

Missions of Technical Assistance

France

Head of Mission Edmond Lacroix

Spain

Head of Mission Raúl Junquera Varela

Welcome Statement
by the CIAT Executive Council President,
Mr. William McCloskey,
Assistant Commissioner Policy & Legislation
Canada Customs and Revenue Agency



Mr. William McCloskey

In my capacity as Executive Council President of the Inter-American Center of Tax Administrations, I have the honour and privilege of chairing this year's General Assembly. The theme for this year's Assembly "Strategies and Instruments for Increasing the Effectiveness and Efficiency of Tax Administrations" allows us to cover a wide spectrum of areas that are essential to develop, modify and maintain effective tax administrations. Indeed, these topics also pertain to overall Revenue Administrations that many of our member countries have now endorsed and implemented.

On the first day of the conference, we will hear from our colleagues from Mexico, Costa Rica, Chile, Brazil, Italy, Panama and Venezuela with papers relating to the use of the Internet by Tax Administrations. More specifically, we will learn about communication and interaction with citizens through the Internet; filing and payment through the Internet; and ways to promote the use of the Internet for clients.

On the second day, Canada, Cuba, Mexico, Argentina, Trinidad and Tobago, Spain and Peru will provide presentations on the promotion of public ethics as an action of the Tax Administration that aids in achieving a more effective and efficient performance. The parallel sessions will develop this theme by looking at ways of establishing codes of ethics for administrations; promoting transparency in management; and combating corruption and illegal practices.

INAUGURAL CEREMONY

On Wednesday, I'm sure we will all enjoy a most interesting visit to the Mayan ruins at Chichen-Itza, and will return for our final day of working sessions which will look at increasing efficiency through improving processes internally in our administrations. Indeed, we will discuss the universally accepted principle that the amount of tax revenues originating from taxes paid by taxpayers must be achieved at the lowest possible level by the cost of the collection. USA, Bolivia, Portugal, Ireland, The Netherlands, France, and Colombia will provide us with papers relating to this subject, specifically in the areas of using new technology to reduce costs, improvement of human resources management to increase productivity and training in an electronic administration environment.

This is a very timely agenda dealing with subjects which are very important to us all. We all know the intense research, time and study which are required to prepare a stimulating agenda such as this. The CIAT Executive Secretariat has worked very hard and I would ask you to join with me in showing your appreciation and respect for all the work the Secretariat performs on our behalf, not just with regards to the two annual conferences, but also throughout the calendar year.

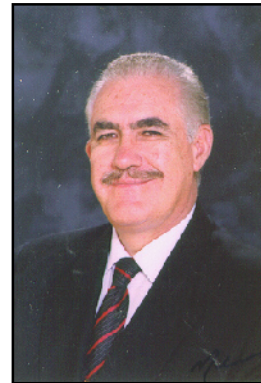
In this year of my Presidency, I continue to be amazed by the intense variety and amount of work carried out by the Executive Secretariat and our member countries. For example, the Executive Secretariat participated in the Eighth International Tax Seminar in November, in Havana, Cuba. Under our Tax Studies Program, the Third Regional Seminar-Workshop on Taxation was held in Brasilia in December, with the cooperation of the United Nations Economic and Social Affairs Department, and included participants from almost all CIAT member countries. As we continue to strengthen our work with the United Nations, Jorge Cosulich and I were honoured to participate in the Panel on Taxation of the Second Committee where we made a presentation on the importance of international cooperation in tax issues, as well as regional aspects for tax cooperation. On the subject of international cooperation in tax issues, CIAT has strongly participated in the meetings of the Committee of International Organizations of Tax Administrations (CIOTA), which occurred in Paris, France and Cape Town, South Africa. Among items discussed were CIOTA's participation in the International Tax Dialogue proposed by the World Bank, IMF and OECD.

There are a number of important activities that CIAT will develop this year. The Master's Program in Tax and Customs Administration/Legislation will begin in April. The Basic Course on Taxation will prove to be a point of reference for all training actions undertaken by the organization in the

**Speech of the Executive Secretary of CIAT,
Mr. Jorge Cosulich Ayala**

Ladies and Gentlemen,

May my first words be to express our profound appreciation to the Secretary of Treasury, Francisco Gil Díaz and Rubén Aguirre Pangburn, and their dear collaborators, for hosting and organizing this General Assembly of CIAT, which undoubtedly shall held and characterized by the quality and the excellence in the technological and social aspects as our Assembly in Mexico in 1988, in the beautiful and historical city of Oaxaca, with the happy coincidence that our current hosts were the same as then.



Mr. Jorge Cosulich Ayala

The fact that this world meeting of tax administrations is once again held in Mexico to discuss an important and transcendental topic is certainly not a fortuitous fact. In effect, Mexico not only played in 1967 an important role with the United States, Chile, Uruguay and Panama, in the creation of our Center, forming part of the Committee that developed the bylaws and the organization of the Center, which gave place to the birth of CIAT, but throughout its different authorities and officials, it has been during the years, an endless source of talent, capacity and support to all the activities of our Center, by efficiently helping to consolidation and prestige of our organization.

INAUGURAL CEREMONY

I wish to highlight Mexico's efforts in organizing four General Assemblies, the sponsoring of endless courses and seminars, their participation in many work groups, and their sponsorship and execution jointly with Spain, CIAT and financing from the IADB, of an important regional project to strengthen the training centers of the Latin American tax offices and which results and products after over six years of intense work constitute important reference models and instruments of efficient management for any tax administration which seeks efficiency and efficacy in managing training and which constitute value added to the productive cooperation promoted by CIAT, to identify good practices and solutions and place at the disposition of its member countries, instruments that facilitate the advance and modernization of the tax administrations.

The topic proposed for this Assembly has never before been considered so qualified and applicable to our organizations, upon emphasizing on those tools that are to guide the managerial functions of today's tax administrations.

Usually we talk about the changing economic and social environment and the unstoppable advance of the information and communication technologies faced by our tax administrations. This reality of our times brings forth the logical consequence of the need for a radical change in the managerial methods applied by directors.

Before us, the new concept of public administration and the tax administration is a part of the same. From an administration centered on legality and procedures, we pass to, during these past years, to an administration with a clear vocation to serve taxpayers.

This new administrative culture brings forth concepts such as efficiency or efficacy, transparency or responsibility, equality or innovation.

In this context, the promotion of social acceptance and most tax laws and the promotion of voluntary compliance with fiscal obligations is an objective that cannot be renounced by any democratic public treasury, as the director of the Spanish Tax Agency during the Assembly held in 1999 in El Salvador.

The past two decades, have allowed us to experience how the relations between the State and its citizens have been rethought. It is considered that the State, the public administration does not have

to be an inefficient organization. However, not only efficacy issues come to play, but also in this framework, the idea to serve citizens has undoubtedly acquired a stellar role.

The tax administration produces tax management services, which is the fortunate saying of José Víctor Sevilla, which can apply economic rationality criteria to said productive activity, selecting the critical path that produces the least cost possible to achieve results.

The quest for voluntary or induced compliance is already a generalized strategy in the tax administration, through two paths: the struggle against tax fraud and support to taxpayers to comply in the most favorable way and at the least cost, with their fiscal obligations.

This new concept of the tax administration, the changing environment and the new demands of this century, that is just beginning, which emblem is economic globalization, force the adoption of new organization structures, methods and innovative and flexible procedures. Methods of the private sector are incorporated, with the logical adaptations, extensive use of information and communication technologies, generalized use of the Internet, and planning and managerial control techniques are incorporated as well, and in general, modern public management techniques.

At the same time, this rethinking of the relations between the administration and the citizenry reinforces the ethical commitment and the transparency of our organizations. From the tax administration that operates in a scenario with a clear level of tension and conflict, to the tax administration which function requires to apply the tax system with large dosage of credibility, in order to apply its tax provisions in agreement with the principles of equality.

This ethical commitment also operates internally, with regards to the personnel of the tax administration, with the clear objective of having truthful and honest officials, and, precisely one of purposes of the sub-topics of this Assembly is to present concrete experiences on the codes of ethics currently in force.

The Assembly, under the direction of the main principles of efficiency and efficacy, analyzes these topics from an eminently practical perspective, and the good judgment in their selection is certain.

INAUGURAL CEREMONY

Moreover, it is in this framework, that the forum of CIAT is fundamental, as a meeting point to exchange and disseminate the best practices of the tax administrations of its member countries.

Definitely, the current context leads us to promote the active attitude of the tax administration, so that it directs its strategy to achieve its goals, advance changes in the environment and anticipate the demands of a society that requires more quality actions and with a public service vocation, without neglecting the priority objective of collecting revenue which is essential to the public treasury.

Welcome Statement
by Mr. Rubén Aguirre Pangburn
President of the Tax Administration Service of Mexico



Mr. Rubén Aguirre Pangburn

On behalf of the Tax Administration Service, I am pleased to welcome most cordially all the delegates and guests to the 37th CIAT General Assembly, which on this occasion we are honored to organize in Mexico.

The topic to be discussed this year: “Strategies and Instruments for Increasing the effectiveness and efficiency of the Tax Administration”, is centered on key aspects of concern to all the tax administrations of the CIAT member countries.

The exchange of experiences under the current context of development of information and communication technologies at the world level, along with the reflection on the ethical values that should characterize tax management, provide a scenario that endeavors to contribute toward achieving the mission of the Tax Administrations and advancing with effectiveness, efficiency and transparency in the common efforts.

In this respect, the main topics to be discussed at the plenary meetings will be:

- The use of Internet by the tax administration.
- The promotion of public ethics by the tax administration.
- Increased efficiency in the tax administration through internal improvement processes.

The members of the Organizing Committee of the Mexican Tax Administration will take care of aspects dealing with the organization of the event in coordination with the CIAT Executive Secretariat, to ensure that the speakers, moderators, commentators and participants of the different topics and subtopics anticipated, may find an appropriate and pleasant environment during the development of this Assembly.

INAUGURAL CEREMONY

I am sure that your stay in Mexico will be enriching and that the resulting experiences will promote us as agents of change, to consolidate strategies that will allow us with ever greater responsibility and vocation of service to carry out the functions that have been entrusted to us, for the benefit of our countries.

Mr. Rubén Aguirre Pangburn
President of the Tax Administration
Service of Mexico

TOPIC 1

**THE USE OF INTERNET
BY THE TAX ADMINISTRATION**

Lecture

TOPIC 1

THE USE OF INTERNET BY THE TAX ADMINISTRATION

Nora Caballero Verdejo

General Administrator of Taxpayer Assistance
and Collection
Secretariat of Treasury and Public Credit
(Mexico)

CONTENTS: 1. Introduction.- 2. Changes in Juridical Issues.- 3. Development of Applications.- 4. Information Flow and Process Optimization.- 5. Technological Infrastructure.- 6. Security Layout.- 7. Spreading Information.- 8. Tax Card.- 9. Infrastructure.- 10. Banks.- 11. Annual Tax Return.- 12. Advance Electronic Signature.

1. INTRODUCTION

The Tax Administration Service (SAT, in Spanish) has been developing the eSAT strategy as part of the services automation project offered by the Mexican government and recognized in SAT's Strategic Planning, with which it seeks to provide and enlarge services to taxpayers through electronic means.

The Electronic Payment Plan is one of the components of the eSAT strategy, which represents for our country a radical and inventive change in tax culture upon introducing and promoting the use of information technologies as a means to comply with tax obligations in a transparent, modern, easy and safe manner.

2. CHANGES IN JURIDICAL ISSUES

We are currently living times of great technological changes and development which promote administrative simplification. Therefore, the fiscal authority in compliance with its commitment to society of facilitating the filing of tax obligations, provide ease of use, security and modernize the payment of Federal contributions, required to supplement the fiscal provisions in force through the publication of new legal provisions, on May 30th, 2002. In the same the general guidelines for the presentation of provisional payments of Federal taxes through electronic means are known, to provide juridical security to taxpayers.

Furthermore, in order to avoid the saturation of systems receiving tax returns through electronic means and in this manner allow taxpayers to timely comply with their tax obligations, the Federal Executive Power issued a Decree on May 31st, 2002, to stage the filing of said tax returns.

Similarly, on December 30th, 2002, new guidelines to be followed in the presentation of annual tax return through electronic means.

Strategy for Internal Implementation

3. DEVELOPMENT OF APPLICATIONS

Until July 2002, the payment of Federal taxes was done quarterly, in most cases through printed fiscal formats. Likewise, a small number of individuals filed electronically their returns, they were required to be subscribed at SAT to obtain a security certificate and an access account for deliveries, since it was done in two operations. In the first instance, taxpayers had to electronically transfer funds in the bank, which gave them an operation folio, which in a second instance must be sent via INTERNET to SAT's portal jointly with the fiscal information.

To achieve that the payment of federal taxes be done through the Internet, it was necessary that the Tax Administration develop joint tasks with the Mexican Banking System, which would allow the instrumentation of the payment mechanisms through the Banking Portals. It is important to mention that the payment of taxes through the Internet is done online through the electronic transfer of funds from the taxpayer's account, through the Bank's portal.

Likewise, the design of the application importantly simplified the data furnished by taxpayers when performing payments.

This payment modality is mandatory for a segment of registered taxpayers and optional for the rest. It provides the following benefits:

For taxpayers:

- Simplification, upon eliminating formats for the filing of their tax returns.
- Comfort to comply with their obligations.
- Safety in transmission means.
- Savings in the cost of forms, the storage thereof and transfers among them.

For SAT:

- Modernization of the tax outline.
- Precise surveillance of obligations.
- Savings, upon not having to store and process with tax administration personnel, large volumes of forms, among others.

The results obtained in the instrumentation of provisional payments may be qualified as satisfactory for the tax administration and for taxpayers; therefore, plans have been drawn to advance in 2003 with the instrumentation to file Annual Tax Returns through the Internet.

Applications in support and control of the new payment plan

With the purpose of complementing the New Electronic Payment Plan, different applications have been developed, the same have as a main objective to facilitate taxpayer compliance with their fiscal obligations through the SAT's Internet portal, as well as providing the fiscal authority with information that will allow it to improve its control systems.

The following applications are available for this purpose:

Confidential electronic password (Clave de identificación electrónica confidencial. – CIEC, in Spanish), unique, personal and non-transferable identification means, that the taxpayer obtains through SAT's Internet portal or at the offices of the Fiscal Authority. The CIEC substitute the person's signature and it is necessary to access the Electronic Payment system.

This taxpayer identification mechanism is one more stage in the electronic signature process.

Tax Return with statistical information (DIE, in Spanish), control mechanism for those taxpayers who do not declare the payment of tax to the fiscal authority, to periodically file a return where they state the reasons whereby they are in this case.

Complementary Tax Return for the correction of data, which allows taxpayers to correct mistakes pertaining to data stated in returns filed through the Internet.

Inquiry of Transactions, to provide juridical certainty to the taxpayer that compliance with fiscal obligations was registered by the fiscal authority, since it allows taxpayers inquire through the Internet portal the fiscal obligations that have been complied with.

Reprinting notices of receipts in zero and data corrections, considering that there is the possibility that the taxpayer does not receive his receipt or misplaces his/her receipt with the digital seal.

4. INFORMATION FLOW AND PROCESS OPTIMIZATION

The Electronic Payment Plan has had a positive impact in the integration process of the information of SAT's data bases, since to perform these processes in the control of the flow of the returns and payments filed at the Banking institutions, it was necessary to determine the strategic physical points for document concentration, as well as the elaboration and concentration of daily summaries reported by each Banking Institution on taxes payments received. This is to determine daily and monthly collection amounts. Currently with the Electronic Payment Plan the efficiency and control of the operation has increased in the following fields:

- Transactional management of payments.

Tax payments are controlled individually and not by tax returns, this provides greater flexibility for the registry and exploitation of payment information and increases the level of detail of the composition of payments. This favors the development of individualized accounts of taxpayers' balances.

- Elimination of documents.

The plan is based on electronic payments and the use of documents in paper is eliminated, this is translated into savings of significant resources, i.e. human for the management and capturing of information, as well as material for the safeguard and control of documentary files.

- Centralization of Processes.

Electronic operation of payments allows banks to center information from operations received nationally in one point and facilitates their delivery at SAT's central offices. At the same time this electronic operation allowed the reduction of payment control and follow-up and to take advantage of dispersed resources.

- Reduction of process times.

The electronic management of information allowed the reduction of payment information process times, since the document transfer and capturing was eliminated. In this manner it is possible to have payment information on the following day that they were made at the credit institutions.

5. TECHNOLOGICAL INFRASTRUCTURE

The implementation of the Electronic Payment Plan required a robust technological infrastructure that will allow applications to operate without saturation, process capacity and access problems.

For the foregoing the Tax Administration uses 38 servers, the Data Processing Center uses 19 of such servers and the other 19 are used in the Alternate Processing Center. Assuring in this manner the continuity of the operation and service.

The equipment mentioned is used for data processing, operations monitoring, and database backup and information storage.

In addition to central equipment, SAT has around 2,400 personal computers, in the internal network and in the Internet rooms to operate applications.

6. SECURITY LAYOUT

With the purpose of maintaining the integrity of computer equipment two security zones have been established:

- The server free zone allows access to the equipment via Internet where there are assistance and services pages. Said zone has firewalls at different layers and different technologies, intruders' detectors and different antivirus versions for safety, to avoid the modification of the information that appears on the web pages, flowing transactions and applications available, as well as avoiding the entrance of programs with damaging virus.
- The restricted zone is not accessible to the general public and here the databases and classified information are stored. This zone is protected through the separation of the free zone, being located in a computer center with access control armored doors, CCTV, fire detectors (freon gas) and a backup strategy and tape libraries, which main objective is to maintain the availability and integrity of the services, stop attacks (physical destruction of equipment), avoid accidents or in any event minimize its consequences by safeguarding the information, systems, computer equipment and telecommunications.

In the same manner security is given to taxpayers in electronic proceedings through the use of security channels, the use of signatures and digital seals with the feature of identifying the taxpayer (authenticating), assuring authorship (allowing no rejection), identify alterations to the document (integrity), avoid other persons from reading the information (confidentiality), making sure that taxpayers are dealing with SAT (avoiding forgeries) and verifying the events (acknowledgement of receipt and auto verifications). Another manner to maintain the security is the issue of digital certificates with which taxpayers may sign documents and proceedings and these are digital documents that relate a taxpayer with a couple of asymmetrical keys (public key and private key).

External Implementation Strategy

7. SPREADING INFORMATION

With the purpose of informing taxpayers on the electronic payment plan, a campaign to spread out the information was designed to comply with this objective. Five television spots, 9 for the radio; 10 insert adverts in newspapers of large publication and specialized magazines on fiscal issues were produced; chat sessions were implemented to clarify doubts taxpayers had; press conferences, radio and television conferences and 24 million tax information pamphlets were printed.

Likewise, alliances with public and private institutions were made so that their web pages would offer links to SAT's web page

8. TAX CARD

Among the activities carried out by SAT for the implementation of the Electronic Payment Plan, as from August 2002, low administrative capacity and payment taxpayers in compliance with their fiscal obligations, use the Tax Card for payment at the bank.

The Tax Card is one of the tools considered by the Electronic Payment Plan and contains the taxpayer's fiscal identity data. Its objective is to speed up payments in the Bank, avoid mistakes and save time in capturing the information, in addition to guaranteeing that the payment of contributions is directly credited to its fiscal account.

SAT issued a total of 5,398,367 Tax Cards to individual taxpayers and had them delivered to the taxpayers' fiscal domiciles through different specialized delivery companies, as well as at the offices of SAT.

For control effects there is a computerized system whereby through the interested party's RFC, information can be obtained on the status of the Tax Card, that is if whether if it is in production, delivery or relocation due to change of domicile. It also generates the production of new cards with an inscription reason to RFC and it issues delivery reports, among other functions.

The Tax Card has the following features:

- It is plastic card the size of a credit card
 - In the front it has:
 - ⇒ General taxpayer data: name and RFC.
 - ⇒ The card's folio number.
 - ⇒ Bar code, with the taxpayer's name and RFC.
 - In the back it has:
 - ⇒ A magnetic band, with the taxpayer's name and RFC.
 - ⇒ Telephone numbers and the SAT's Internet address to obtain more information.

9. INFRASTRUCTURE

- **Personal Attention**

The magnitude of the Electronic Payment project obliged us to foresee and rethink the necessary infrastructure to provide attention to around 864,000 taxpayers who are monthly obliged nationwide, who go to personal attention contact points to perform proceedings or receive orientation and services.

Therefore it was necessary to condition, equip and in some cases arrange taxpayer assistance offices, and create 46 alternate modules to increase attention capacities.

Initially around 1,095 direct public attention positions were created; the same included equipping, connectivity, accessories and special signaling to facilitate taxpayer location.

It is important to mention that it was necessary to reinforce taxpayer assistance functions with 177 coming from other areas of the SAT, with the purpose of covering the service demand that took place during the beginning of operations, currently it is stable.

To be in the possibility of delivering Tax Cards to taxpayers that would go in person to pick them up at SAT's offices, it was necessary to provide storage spaces to keep them secure and in order. In this regard spaces such as warehouses or filing cabinets were equipped for this purpose.

Furthermore, with the purpose of providing taxpayers a space directed to offer Internet service and facilitate compliance with this obligation, 93 Internet Rooms were created at contact points, these are spaces that have Internet connection and connected to the portals of the authorized banks. This service is offered free of charge to taxpayers and is complemented with the advisory and assistance of personnel in the use of this tool for the payment of their taxes.

- **Remote Attention**

Internet Page

As part of the efforts for the dissemination and implementation of new services corresponding to the Electronic Payment Plan, a new site specialized on the topic was designed and published, directed to the promotion, dissemination, inquiry of most frequently asked questions and tutorials on new applications available to perform the payment of taxes under this new modality.

Links to the portals of the banks authorized were included, as well as guides or inquiries and access to the different applications, for demonstration as well as for their use, once the payment period began.

Agreements with Internet service providers and equipment rental businesses, i.e. Internet cafés, were held for the use of the Tax Administration sites and for its dissemination among its customers as a measure to extend the attention capacity to taxpayers directed to people that do not have a personal computer or Internet access.

Telephone Attention

The National Telephone Orientation service that traditionally offers specialized attention to taxpayers was commissioned to offer information on this issue. However, with the purpose of extending response capacities and have a group specialized on this issue, an external telephone attention center was planned and implemented, which was outsourced to a vendor specialized in this service segment. An alternate

installation was enabled for the purpose specifically dedicated to attend taxpayers requiring orientation on the use of the Tax Card and the payment of taxes through the Internet, therefore it was necessary to contract and train telephone agents and assurance was made that their profile was in agreement with the SAT's requirement for the performance of these functions.

Moreover, information flow was strengthened through the creation of self-inquiry capsules available through the traditional automatic telephone attention service (audio response) that SAT has available since 1995; furthermore during the 365 days of the year and 24 hours a day relevant information was offered on the use of the Tax Card and the new payment plan and a list, via fax of the most frequently asked questions on these topics was made available.

10. BANKS

The participation of the banking sector was indispensable to achieve the correct instrumentation of the Electronic Payment Plan and that all taxpayers be in the possibility of timely and comfortably comply with their tax obligations, because through its network of branches and Internet services is how the payment of Federal Taxes should be done. This meant intense work with the Banking Association of Mexico, to inform to the different banking institutions the operation guidelines and the strategies to follows for this Payment Plan.

On the other hand, different alliances were established with the most important credit institutions of the country, the same requested the Tax Administration the certification of their applications to receive the payment of Federal Taxes. Once these institutions modified their systems, the necessary tests were carried out with the purpose of guaranteeing the correct operation in the receipt, capturing, storage and transfer of information. To date, SAT has authorized 18 banking institutions to receive the payment of Federal Taxes.

Likewise, with the intention of unifying services to taxpayers in all banking institutions, an "Instructive of Operations Applicable to the Collection of the General Payment of Federal Taxes in Credit Institutions through the Internet and Bank Tellers", the same contains rules, procedures and contingencies to be followed by institutions authorized to receive the payment of taxes, this document was distributed through the Bankers Association of Mexico.

Furthermore, a quick guide for the acceptance of the payment of Federal Taxes through bank tellers was prepared, so that at the beginning bank tellers would have access to information on the correct operation of the system.

During the first months of operation of the Electronic Payment Plan, an attention and support center was installed, were high-level officers of the Tax Administration Service assigned to the different areas involved in the project, answered by phone doubts and problems presented by the liaisons of the credit institutions in order to provide prompt solution. In this same regard and at the request of the credit institutions, SAT sent personnel to their installations with the purpose of providing the necessary support at their different telephone attention centers and in this manner provide advisory to their customers and personnel of the branches throughout the republic.

Nationwide, the fiscal authority has approached the authorized bank representatives and managers to solve problems, as well as establishing the necessary coordination to train personnel of the different bank branches in charge of receiving tax payments.

11. ANNUAL TAX RETURN

With the purpose of timely and securely having the information contained in the annual tax returns, as from March 1st, 2003, said information will be received electronically through the Internet. This provision will be mandatory for individuals and optional for bodies corporate.

As part of this process, it will be necessary that the taxpayer send his/her/its tax information to SAT's electronic address, and he/she/it will receive through the same means, a digital seal and an operation number.

For the case of taxpayers who render their financial statements, they shall file data pertaining to their annual tax return through the information of their financial statements.

With the instrumentation of Provisional Payment plans and the Annual Tax Return, a fundamental step is taken for the control of taxpayers' obligations, since compliance with each of their tax obligations is determined by transaction.

12. ADVANCE ELECTRONIC SIGNATURE

With the purpose of unifying and complementing different taxpayer identification mechanisms currently used, such as: personal identification numbers (NIPs, in Spanish or PINs in English), confidential electronic identification passwords, access passwords or keys to print fiscal vouchers, automatic generation key devices (tokens), among others, in 2003 SAT will implement Advanced Electronic Signature.

This electronic signature, allows to validate the information contained in a document, —understanding as such, any written support, including information technologies – that has been issued and approved by the person to which said signature belongs to, it conveys all juridical effects consigned in the provisions for autograph signatures.

The project allows the enlargement of the coverage of the access of SAT's electronic services through an identity certification process, which will include the update of data from the taxpayer master file (Taxpayers' Federal Registry), registry of the autograph signature, fingerprints and the taxpayer's photograph.

The instrumentation of the Advanced Electronic Signature considers the registry and update of the information of around 3 million taxpayers in 2003.

Ms. Nora Caballero Verdejo
General Administrator of Taxpayer Assistance
and Collection
Secretariat of Treasury and Public Credit
Mexico
E-mail: nora.caballero@sat.gob.mx

Case study

TOPIC 1.1

**THE TAXPAYER ASSISTANCE AND INFORMATION FUNCTION
OVER THE INTERNET (INFORMATION, COMMUNICATION
AND INTERACTION WITH CITIZENS)**

Juan Toro Rivera
General Director
Internal Revenue Service
(Chile)

*CONTENTS: 1. Introduction.- 2. Mission and Objectives of SII.-
3. Technological Option: Internet.- 4. Scope and Services.-
5. Technological Features.- 6. Evaluation of Services. Mechanisms
and Results.- 7. Conclusions.*

1. INTRODUCTION

The purpose of this paper is to present the experience of the Internal Tax Service (SII) in providing taxpayer assistance and information services over the Internet. First, we describe the mission and strategic objectives of SII. Then, we explain the choice of the Internet as a strategic option to achieve these objectives and the scope contents of the services offered to the taxpayer. Finally, we will discuss the mechanisms used in evaluating these services and some of the results SII achieved by using Internet technology to provide services to taxpayers and the benefits obtained.

2. MISSION AND OBJECTIVES OF SII

The mission of the Service is to be responsible for applying and managing the system of Internal Taxation established in the country, supervising taxpayers to make sure they comply with tax regulations and facilitating their compliance.

The purpose of SII's in optimizing the tools available to taxpayers is to facilitate and maximize voluntary tax compliance. This is done through its Web Site, which offers taxpayers transactional software applications along with special Help and Customer Service options.

SII's strategic vision currently positions the Service as an important contributor to the country's economic development. This is demonstrated by its active participation in a wide portfolio of projects having major significance: Tax Justice modernization, promotion of a Law regarding the Investment Platform, development of electronic invoicing, among other projects included in the Pro Growth and Electronic Government Agenda. In this sense, the Website also provides information about the on-going development of these other projects.

3. TECHNOLOGICAL OPTION: THE INTERNET

For SII, getting taxpayers to adopt and use information technology for tax purposes is very important. Promoting it and motivating taxpayers to use it is a strategic choice made to transform the SII Website into the main channel for connecting to taxpayers.

Currently, the main channel for communications with taxpayers is over the Internet. This philosophy applies also inside the Service where its Intranet is widely used by employees. In both instances, browsers interface with applications that unify communications, making employees familiar with the same kind of interfaces used by taxpayers. Therefore, it reduces training, installation and the need to update applications, thus improving the use of resources.

Why Internet? There is a high level of voluntary tax compliance in Chile. Therefore, it is very important to provide good service that is easy to use as an incentive to maintaining and increasing the current levels of compliance. Another benefit is to avoid the need for taxpayers to physically visit Service offices, thus fostering voluntary compliance at a distance.

4. SCOPE AND SERVICES

Internet technology has created within the SII a portal for taxes and for the institution. On January 22, 2003, SII announced a re-launch of its Web Site (www.sii.cl), with a new design, more operating functions and greater information for the taxpayers. These changes are directed at increasing its transactional characteristics.

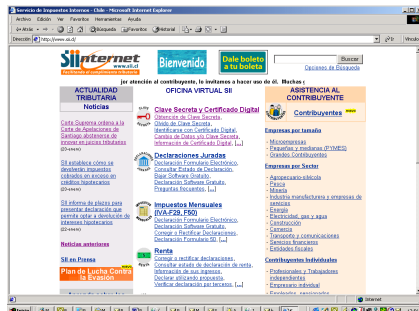


Fig. 1. Chilean Tax Gateway: www.sii.cl

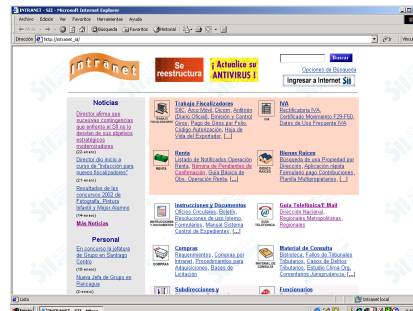


Fig. 2. Institutional Intranet Gateway

Following is a list of the services provided to taxpayers through the tax portal. The initial page of the SII web site is structured in three columns: tax update, virtual office and taxpayer assistance.

Tax update

The highlights in this area are News, Game Plan to Fight Tax Evasion and Main Tax Processes.

News. The news section is designed to communicate with the taxpayer, the vendors and the overall community. In this section, tax information, new rules, contingent and useful information, notices about suspended services and renewal times are published. It also announces contracts that are open for bidding by vendors and calls to compete for positions within the SII.

Game Plan to Fight Tax Evasion. It is a mini portal containing news of SII activities to combat tax evasion and fraud. It provides a computer program allowing previously identified taxpayers to report on-line, any illicit tax activities they have witnessed. It also explains in a simple way the reasons for and extent of existing legislation to fight tax evasion.

Main Tax Processes. This option explains in a simple manner the main tax processes the taxpayer goes through or is confronted with during the tax “life-cycle”: tax returns and payments, tax review, consulting, claims and on site control. It seeks to make the procedures used by the SII to carry out its control process completely transparent.

SII Virtual Office

There are a series of services in this area to support taxpayers and allow them to fulfill their tax obligations over the Internet. These include controlled access to tax return filings through the use of a secret password or a digital certificate, declaration and payment of income taxes, declaration and payment of monthly taxes (VAT and other), signed tax returns, payment of taxes and certifications of real estate appraisals. It also includes information options with memorandums and laws governing taxation activities and the up to date values of different financial indices.

Interactive, online programs assist the taxpayer with these services. The programs all have a similar structure. On a first level, they offer groups of operations that are commonly used. When a specific function is selected, a detailed menu of options appears along with help functions: rules and most frequently asked questions. An important element considered when designing these programs is how to make them user friendly, so that the tasks are presented in a way taxpayers are used to. For example, when introducing VAT tax returns, the electronic form the taxpayer sees on-line is the same as the paper form.

Tax Situation. This program permits one to check on a taxpayer’s tax situation and to verify the filing of tax documents, among other things.

Monthly taxes. In this section one may declare and pay VAT and other monthly taxes. There are two ways to declare VAT: using the electronic form or free software, both of which are available from the Tax Department’s Web site. The taxpayer can also check on the status of his/her returns and correct the returns of third parties. They can consult the guide on how to carry out these procedures and access a list of frequently asked questions.

Real Estate. Services related to Real Estate include programs to calculate and pay real estate taxes on property and obtain appraisal certificates.

Signed Tax Returns. Another service available to companies and individual taxpayers is that of tax return preparation. Through this program, outside representatives can send in the information requested by the SII and needed to prepare a tax return. The company selects the type of return required, fills it in and files it with the Tax Department. These returns are related to investments, income, withholding taxes, interest payments and others. Verification of the information submitted is done on-line, and help is provided to correct it. This information may be checked by the taxpayer, so that the companies filing their tax returns over the Internet are not forced to deliver or send a certificate to a taxpayer to confirm the income they have received. There are two alternatives to file signed tax returns: use an electronic form or download free software from the Service's website.

Tax Supplement. Instructions regarding information that third parties must provide for Signed Tax Returns are published in an annual booklet that is reproduced in full on the site.

Income Tax Return. The massive process of preparing and filing income tax returns takes place in April and the following months. The processes are: receiving the returns, correcting them, receiving late tax returns and informing each taxpayer about their status or situation during each stage of the process.

During the Income Tax Operation, a taxpayer may declare and file over the Internet, using any one of several methods. One of them is to file their return on an electronic form, getting help in identifying one's identity for tax purposes [context], mathematical calculations and final balance due. This option allows working over a period of several sessions, saving the return [on-line], and recovering the return to continue working on it until it is finally filed electronically.

Another alternative is to enter the site and upload the corresponding programs, electronic tax returns that are prepared using EDP software and tax preparation software, previously certified by the Service.

A third alternative, available since 2000, proposes a declaration of Income to the taxpayer, using information obtained from Signed Tax Returns. Under this alternative, the taxpayer verifies their identity on the Web site itself, and then the Service presents the tax information it has on them. If the taxpayer agrees with the data, an income tax return is prepared for them. When the taxpayer confirms it, they receive a certificate certifying that their return has been filed. The information contained in this document is used as the reference point regarding the financial situation of the taxpayer and may be verified by third parties authorized by them.

At any time the taxpayer may consult the status of their return and receive information about the results at each step of the process. Thus, for example, the date on which they will have returned to them the balance of tax [in their favor as] requested by the taxpayer, if such is the case, and the amount due to them.

Electronic Invoice. This is one of the main projects of the Pro Growth Agenda. The status of the project's development is reported here as are its goals of being able to allow preparation, delivery and reception of electronic tax documents between taxpayers. Detailed information is available about electronic invoicing: what it consists of, what are its advantages over a paper document and which companies are participating in the pilot project that is currently running.

Taxpayer Assistance.

The basic options on the web-site appear here are: Taxpayers, What do you have to do in order to? Frequently Asked Questions and Forms.

Taxpayers. This section delivers tax information for each type of taxpayer as determined by SII, according to the size of the company: large taxpayers, small and medium size companies. Companies are classified by sectors of the economy. Individual taxpayers: professionals, independent workers, owners, employees, retired, foreigners and Chileans with no address or residence in Chile, and taxpayers in special categories who have a right to exemptions or special treatment.

What do you do in order to? This section contains guidelines in a question and answer format as to how to carry out the main tax paperwork procedures: to begin activities, declare taxes, pay taxes, request refunds, request exemptions and to agree on a schedule for payment. The guideline specifies who is required by law to do the paperwork, where it must be done, what are the requirements, how is it done, what are the pertinent regulations and other related information.

Frequently Asked Questions. This section includes a menu of frequently asked questions and answers organized by topic. Answers are provided for the most common questions and concerns that taxpayers normally bring to SII's help center.

Forms. This section contains information about how to obtain, fill out and print the forms which must be filed by taxpayers who physically file them with the SII.

Give your opinion on SII's Quality of Service. In this section, taxpayers can provide information on the performance of SII employees and the service they provide customers, as a feedback system concerning service quality. It includes three options: enter feedback, add new data to feedback and frequently asked questions on service quality.

5. TECHNOLOGICAL FEATURES

A description follows about the way services are provided regarding aspects such as: access and required method of identification, possibilities for Downloading and Uploading information and availability of other resources.

Access and Methods of Identification. There are two alternatives to guarantee with technical and legal certainty the identity of taxpayers accessing the SII Website: the use of login passwords or digital certificates. In this way, contacts may be made online and data transferred confidentially, accurately and securely.

Login passwords. A password is the simplest mechanism to control taxpayer identification and access to the SII Website. The password is registered using the RUT as the user ID (the only identification mechanism in Chile that is provided to each person when recording their birth and to each company, at the time it is legally organized).

Digital Certificates. The other identification mechanism is a Digital Certificate. There are many certification entities and different kinds of Digital Certificates on the market. Not all of them are valid for entering the restricted areas of the SII Website. SII has validated and approved only those certificates fulfilling the security standards demanded by SII, in order to provide security and privacy to taxpayers when accessing the Website.

On-line Payment of Taxes. Another technological element to support the taxpayer is the online payment mechanism for tax returns and real estate tax payments. The tax can either be debited from the taxpayer's bank account or charged to their credit card. The service is designed so that the SII Website transfers control to the site of the Bank selected by the taxpayer, informing them of the taxpayer's identification, the type and amount of the transaction, in a secure and transparent way for the user. At the end, it reassumes control of the transaction to report the result of the operation carried out by the Bank for the taxpayer.

Downloading and Uploading Information. The SII Website provides several links to sites where taxpayers may download free software the SII distributes for preparation of Income Tax Returns, VAT (Value Added Tax) and Signed Tax Returns. In this way, they may be prepared independently on a computer, without needing to be online with the SII Website. These programs permit offline preparation and validation of the returns for subsequent upload to the Website.

Search for Information. There is a search engine where taxpayers may quickly and promptly enter find any information existing anywhere on the SII Website. If they want to limit the range of their search in order to obtain precise and accurate results, they may select from categories of information such as: circulars, resolutions, new jurisprudence and tax legislation. To further enhance their search, they may use quotations between inverted commas.

Helpdesk. Another essential element that may help the taxpayer, especially during the period of Tax Return Operation season, is the Help desk, which provides technological support and responds to taxpayer questions and solves problems through e-mail and over the telephone. The Helpdesk works as a feedback channel between SII and the taxpayers.

6. EVALUATION OF SERVICES. MECHANISMS AND RESULTS

From 1997 up until now, the SII Website has transformed itself into a simple, friendly and secure way for taxpayers to fulfill their tax obligations.

Evaluation of the taxpayer's acceptance of these services has been done by analyzing the growth in the volume of operations and by surveys of taxpayers, both in person or online. During the peak month, the SII Website receives 4 million visitors.

Supply of passwords. As of January 2003 a total of 1,929,336 active passwords existed to enter the Service's site.

VAT Tax Returns. Out of a total of 12,607,837 returns received during 2002, 1,416,290 were done over the Internet, constituting 11.23% of the VAT returns of the year. The low percentage is due to the lack of incentives for the taxpayer to present returns and make payment over the Internet. Currently, the number of VAT returns without payments delivered through the Internet was 1,348,314. This amounted to 95.19% of the total number of electronic VAT returns.

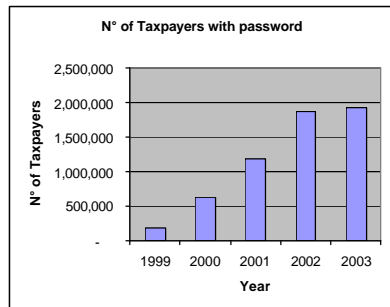


Fig. 3. Growth of the number of taxpayers with password

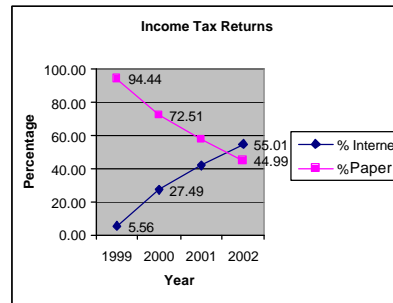


Fig. 4 Growth of the % of Tax Returns filed

Tax Returns. During Operation Income 2002, a total of 1,132,932 returns were received over the Internet, which constituted 55% of the total number of Tax Returns filed. Of this figure, 43.64% used the proposed return, 36.36% an electronic form and 20% used products from software vendors. Of the returns received on paper, 47.80% required corrections, 30.54% of the electronic forms needed corrections, 16.44% of the ones prepared with products of software vendors, while only 5.17% of the proposed returns needed correcting. This latter was due to modifications made by the reporting employees to their signed tax returns, received after the taxpayer's confirmation of the Tax Return as proposed by the Service. At the same time, 99.35% of the electronic Tax Returns are received without payment or are due a refund for overpayment of taxes. This result reflects a clear preference by the taxpayers to **file** their Tax Returns over the Internet. At the same time it shows they are not motivated to **pay** taxes using this system.

Signed Tax Returns. During Operation Income 2002, a total of 623,941 signed returns were received, 80% of them delivered over the Internet. This constituted 98.02% of the total information received.

Real Estate Tax Payments. Since the second half of 2001, it has been possible to make online payments of Real Estate taxes through the SII Website. During the second half of 2002, 33,965 Real Estate tax payments were made through the SII Website.

On-line Payment. Currently, the Service has agreements with 9 commercial banks. Through them, taxpayers can make online payments by debiting their checking accounts or credit cards. Of the total amount of electronic payments made in 2002, 22.84% were for VAT, 35.32% for Tax Returns, and 41.84% for Real Estate Tax payments.

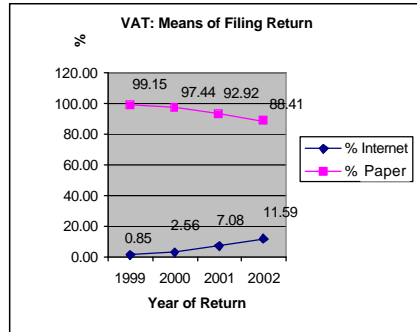


Fig. 5. VAT. Evolution of the Delivery Methods of Returns

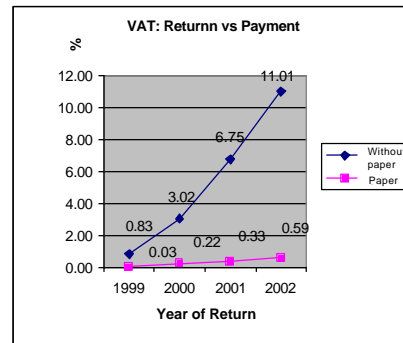


Fig. 6. VAT. Evolution of Electronic Return versus Electronic Payment.

Helpdesk. On peak days during Operation Income 2002, up to 15,000 calls were received by the Help Desk. The questions most frequently asked at the Helpdesk were put on the Web-site together with the corresponding answer in order to reduce its workload by providing instructions online.

Quality of the SII Website. In January 2003, an online survey was done with users of the SII Website, to evaluate its quality. Using a range of from 1 to 7 [where 1 was the least and 7 was the highest] 91% of the taxpayers gave the SII Website 5, 6 or 7, 8% gave it a 3 or 4 and 3% a 1 or 2.

Evaluation of the Process of Tax Return via Internet. In another study in 2002 aimed at evaluating the processing of Tax Returns over the Internet, taxpayers evaluated the system positively. The highlighted advantage was speed. More than 80% of the users knew the benefits of the Internet, 66% evaluated the product as “better than the previous year” and 99.6% mentioned they would file their returns over the Internet the following year.

Reasons for Not Paying VAT Returns via Internet. Another survey carried out to identify the reasons taxpayers do not pay their VAT returns over the Internet provided some very interesting information. The reasons given by taxpayers who did include payment is that they are not clients of any bank or do not have a checking account . The reasons given by taxpayers for not including payment are the cost of using the Internet and the habit of declaring on paper [sic].

7. CONCLUSIONS

The scope of the services provided on the SII Website is very broad. It includes almost every level of interaction between the service and its citizens contemplated by models of electronic government: publishing information, receiving files, tax transactions and providing services that substitute for the work the taxpayer [usually] carries out, as in proposing returns.

The taxpayers give the tax portal high marks, know its benefits and express their increased interest in using the services provided.

The penetration of Internet technology in SII has been successful for the tax administration as well as for the taxpayers due to an important increase in the quality of that data received, a reduction in processing time and a reduction in the taxpayer effort required to do the tax paperwork.

Not having achieved a greater use of the services provided by taxpayers cannot be due mainly to the quality of the services, nor to defects or a lack of assistance and information systems over the Internet. Rather it is due to the lack of better incentives, which is something beyond the scope and responsibility of the Internal Tax Service, such as, for example, online electronic payment.

Finally, the Internal Tax Service has been able to prove the huge advantages and benefits obtainable through the use of Internet technology as an essential and high priority tool for assisting the taxpayer.

Mr. Juan Toro
Director General
Internal Tax Service
Santiago de Chile
E-Mail: aechever@sii.cl

Case study

TOPIC 1.1

**THE TAXPAYER ASSISTANCE AND INFORMATION FUNCTION
THROUGH INTERNET (INFORMATION, COMMUNICATION AND
INTERACTION WITH CITIZENS)**

Maribel Zúñiga

Manager of Planning and Control
General Directorate of Taxation
(Costa Rica)

CONTENTS: 1. Introduction.- 2. Change of the Planning Model and the Publication of the Objectives.- 3. Information to Taxpayers as a Means for Voluntary Compliance.- 4. Facilitate Compliance With Obligations.- 5. Taxpayers Access to Their Information Through the Internet.- 6. Tax Culture.

1. INTRODUCTION

A Tax Administration must be established on two great pillars: taxpayer service and tax control. Taxpayer service facilitates voluntary compliance and eases the taxpayer's contact with the Administration so that tax controls can register taxpayer returns correctly, and taxpayers can pay and timely obtain their refunds and quality information can be provided and obtained. Tax controls takes advantage of taxpayer and third party information with which the latter maintains economic and financial relations, in this manner the verification and investigation process of the correct compliance with tax obligations and the application of sanctions in the event of default is organized. The first pillar feeds the second.

TOPIC 1.1

These pillars can only work with the assistance of modern information technology and through the training of personnel assigned to control functions in the Tax Administration. The Costa Rican Tax Administration has advanced in structuring these pillars; there is still an important stretch to cover to be at the same level of the advanced Administrations.

One cannot cover this topic without first focusing on related internal and external conditions, which considers the establishment of a dynamic and versatile tool in the administrative process, as the issue pertaining to taxes and their administration.

It is clear that an information system is just a tool – indispensable, that is – and an efficient tax management requires mainly, a highly trained and motivated organization, and the same should have an optimum internal structure to comply with its functions.

When we talk about computer tools, we must clarify that the same may be used in business processes associated to a need.

Since there are for example 32 self-income tax return forms we must have effective computer tools, which consider legal scopes for compliance with obligations, as well as validations, since the amount and type of mistakes may render useless the information captured.

The State has a vital need to capture revenue to remedy the demand for goods and services required by society in exchange for its tax contribution and the rates imposed thereon. In the same manner, it has the power to implement and establish the necessary mechanisms, which guarantee the entry of taxes that will enable the development of the activities. In Costa Rica the mission of the General Directorate of Taxes states the legal obligation to provide to Costa Rican society quality public services, to help it understand and comply with its fiscal obligations, through the application of the tax system with integrity, equality and justice.

In the same manner in which companies direct their businesses towards the search of the provision of better services, government institutions see the need to search for new schemes to relate with citizens and taxpayers, by incorporating technological advances, especially in what pertains to the Internet. This modernization necessarily leads us to fully use the facilities currently offered by telecommunications and advances in information technologies.

Under these premises, we have been promoting in Costa Rica citizen awareness which has led to the implementation of the project called "Digital Government" that forms part of the State and Civil Society Modernization Program, specifically the Digital Financial Administration, through which, different institutions provide their services in an WEB environment. The effort and the investment that the country has made in technology and pursuant to the figures obtained in October 2002 (see Annex), this means that today there are 800,000 Internet users (20% of the population), of which, according to data from the company Radiográfica Costarricense S.A. (RACSA), 75,000 are direct customers, 590 dedicated institutional lines, 6000 cable MODEM lines, 25,000 users who use the account through the 190 telephone number and 300 Internet Café's. The study concludes that over 800 thousand citizens access Internet in our country, and around 2 million have a real possibility of have access. These data place Costa Rica among the first countries of the world in regards to the number of habitants with Internet access. The study also concludes that approximately 25% of Costa Rican households own a computer (200 thousand homes). This coverage enables and obliges us to establish a larger amount of services through the Internet.

2. CHANGE OF THE PLANNING MODEL AND THE PUBLICATION OF THE OBJECTIVES

2001 marked a huge difference in the planning of the activities to be performed by the General Directorate of Taxes. Previously, the Directorate established general guidelines per Division and based on this proposal; the Divisions established an annual operational plan, which incorporated tasks in the scope of the Tax Administrations. The Managements contributed their considerations to the plan, and the Director General approved the same once the Planning and Management Control Manager had consolidated it.

In this manner the different Divisions and Administrations would send twice a year a report in their development, and this report was validated and consolidated by the Planning and Control area.

A series of deficiencies were noted in the development of this method by consultant Juan Antonio Garde in the area of Management and Control in March 2001. Among which the consultant highlights:

TOPIC 1.1

- “The Plan incorporated a mixture of tasks, functions, procedures and objectives that were not quantified and lack prioritization.
- It did not articulate a coherent work plan between Divisions and Managements.
- It did not acknowledge collection objectives, expressed in the State’s General Budget and the collection objectives of the Ministry of Treasury.
- The lack of credibility in the plans was generalized and only a bureaucratic procedure was maintained in regards to their approval and the requirement of filing a biannual formal report, was increasingly remote from the real needs of the organization.”

Due to these deficiencies, it was recommended that among the different possible planning and programming instruments, the development of the ***Annual Plan of the Objectives and Strategic Actions***, through a participation and consensus process, materialized the essential priorities of the organization.

By means of meetings held with the team from the Tax Administration directorate, a plan of objectives was developed for 2001. This is a relatively simple planning means, which condenses the objectives and strategic actions to be performed. The same was developed under the premise that the same should be measurable and systemically controlled and should also be according to reality and existing resources.

The plan was set forth in a condensed document, which was distributed throughout the organization and the purpose of informing all officers involved in the management of taxes the direction of the efforts of the Administration, and it served as a discussion center as well as a commitment from the different areas involved in tax processes. It also enables a more agile follow-up and control system, which is effective and permanent throughout the year. This same planning system was used in 2002 with highly satisfactorily results and it has been the base for the development of the 2003 plan.

In the State’s modernization plan, the implementation of transparent, agile and effective citizen participation is stressed as well as the rendering of accounts and evaluation to improve management and public services. The General Directorate of Taxes has assumed the commitment of publishing the annual commitments and place them at the disposition

of the citizens in a Web environment, being obliged to the compliance thereof, and allowing taxpayers to become aware of the tax actions performed during the year. The **account rendering and transparency policy** has been reinforced with the issuance of internal guidelines which forces directors and managers to previously inform when they cannot comply with commitments and in the event that they do not advise timely, they shall be subject to the corresponding sanctions. This commitment with citizens has raised the moral standards of the institution to request and demand from taxpayers the filing of their returns in electronic formats, which facilitate processing by the Administration, thus being able to comply with their functions.

3. INFORMATION TO TAXPAYERS AS A MEANS FOR VOLUNTARY COMPLIANCE

Regarding taxpayer rights and the relations with society, emphasis has been placed on the review and streamlining of the Administration's interpretation criteria. In this direction, during 2002 over 531 documents have been decreed, with the purpose of making transparent the procedures of the Administration, make it more comprehensible for taxpayers, providing a good dosage of juridical certainty to investors and entrepreneurs on the interpretation criteria of the tax laws by the Administration. These resolutions and guidelines have been placed at the disposition of taxpayers at the website of the ministry www.hacienda.gov.cr through SINALEVI the "Costa Rican Jurisprudence System".

Changes in legislation have been directed towards demands and innovations to perform business, and inside the organizational structure the "Tax Digest" was established and the same is fed by the Costa Rican Jurisprudence System, which allows users to inquire the entire tax, administrative and judicial jurisprudences. The creation of an electronic documentation center in a Web environment of general access for tax officers, has enabled the generation of institutional interaction to achieve information under the thematic – judicial connection (automatic relation of the topic with juridical information registered in data bases), this has constituted one of the critical success factors of the Tax Administration, upon promptly and timely responding to inquiries performed by the different actors.

TOPIC 1.1

It allows taxpayers to have Internet access and through the use of the tools of the National Legislation System in Force (SINALEVI, in English) they can search administrative sentences and become knowledgeable of the Administration's criteria on issues that affect or interest them. This tool is fundamental in the development of our tax system and to guarantee transparency and equality in the Administration's actions. This instrument was at the disposition of taxpayers at the beginning of August 2002, and to date 61 guidelines, 2267 sentences from the Administrative Tax Tribunal, 1100 Official Letters from the General Directorate of Taxation and 17 Administrative Remedies have been incorporated into the same.

In this system current information on standards in force and enacted, judicial, ordinary and constitutional jurisprudence as well as jurisprudence from the Ministry of Treasury may be inquired. This information is a fundamental working tool for the juridical operator (lawyers, judges, legislators), as well as for citizens in general, interests in researching, knowing and applying Judicial Regulations.

The vast text bases that this system contains cover legislation enacted since 1821 (laws, executive decrees and other standards of general application) to date, administrative jurisdiction issued by the Directorates of the Ministry of Treasury, as well as the entire ordinary (as from 1980) and constitutional jurisprudence (as from the creation of the Constitutional Court in 1989) issued by the Supreme Court of Justice and a selection of jurisprudence decreed by the Tribunals.

The SCIJ integrates legislation and jurisprudence information in one inquiry environment. As from the standard, you can see jurisprudence quoted, and as from a sentence you can obtain the laws quoted therein.

On the other hand, the Tax Administration has directed a large amount of its resources and time towards the taxpayers and their teams of advisors, we have provided presentations on the different tools put at their disposition, standards and validations established in the software, which is available at the website and it is available to all citizens as well. It is important to stress that these presentation have been extended to professional associations and the public in general, with satisfactory results.

4. FACILITATE COMPLIANCE WITH OBLIGATIONS

To promote voluntary compliance today's Tax Administration must have precise and organized information. Processes to obtain, control and use this information must be agile, timely and efficient. The incorporation of the Tax Administration into the Internet, multiplies the points from which the information is captured and puts at the disposition of taxpayers information that is of their interest, by helping taxpayers to prepare their own returns and thoroughly comply with their material obligations, according to the truth and the Law.

In this direction, "help" software is an important tool, they enable training systems in tax returns which are user friendly and are user friendly for the organization as well, making it easier for taxpayers to comply with their obligations in automated validation formats which remedy evident mistakes and allow the Tax Administration to have prompt and good quality information.

To attend to these needs the Costa Rican Tax Administration has developed and implemented, the following tools:

1. **"DECLARA"**: This is a help program to fill out tax returns, it allows taxpayers to complete their tax returns, generate an electronic file and print the same from their desks. This program contains the validation of data introduced by taxpayers, and, they can send their returns in a digital format.

It is a useful and simple tool, through an user friendly interface, which enables users to complete each detail contained in information returns, D150, D151, D152, D154 y D160, which are filed timely and without mistakes.

The "DECLARA 3.01" is formed by a group of programs organized in graphic menus and buttons that work interactively, to capture the registry of the filer's data as well as reported data and it automatically adds the summary sheet of the information return.

The "DECLARA 3.01 has a print feature for direct filing at collaborating entities that performed collection, with a PDF bar code, this make possible to capture information through optic readers. With this an important step is taken to improve the quality of the information that enters into the system.

To be able to have access taxpayers must transfer and download the application to their personal computers.

2. **EDDI System:** Digital Preparation of the Income Tax Return. This software makes possible the generation of an electronic file that can be carried to material supports to be physically delivered to the administration and generates the printing of returns. Jointly with the printing of the return, special formats (PDF) are included. These formats facilitate the capturing of data reported by taxpayers, and it offers the highest levels of security and reliability. EDDI prints directly onto white, letter size paper, and taxpayers can print on laser printers or inkjet printers, and returns may be filed directly at the collection offices. Under this system a total of 55,303 forms were filed in 2002.

EDDI assists taxpayers in the preparation of the following tax forms:

- General income tax return on sales
- Income tax returns
- Official payment voucher
- Self-assessment of partial payments – income tax.

These forms are generated in magnetic media or printed for the respective filing before the collection agents (National Banking System), for compliance with tax obligations. Further it can print a form with PDF bar codes, for direct filing at the collaborating collection agencies, to permit to capture information through optic readers. An important step is taken to improve the quality of the information that is inputted into the system.

To be able to have access taxpayers must transfer and download the application to their personal computers.

3. **SITEL “Electronic Return System”:** Includes an application to fill in tax returns, allowing taxpayers to complete their return in their own equipment and generate an electronic file which can be sent through this same medium. The program contains validations for data introduced by the taxpayer and permits to send the return through the Internet network.

This system uses common Internet navigators and executes validations, encodes the information and guarantees the highest levels of security. The institutional convenience is obvious since it has high quality information, it is clean (less mistakes), its faster, there is less third party intermediation, include all forms, taxpayers and filers. On the other hand it provides taxpayers facilities for the presentation and electronic payment of tax returns, including information returns, taxpayer and registered compliance. And the State achieves a greater cash flow and faster: Upon implementing the electronic return and electronic payment, taxpayers invest less time and amount of resources in complying with their payment obligations. Undoubtedly this allows the Costa Rican State to have its revenue expeditiously and speeds payment proceedings for taxpayers.

a) Electronic payment transactions

The electronic payment is done in a safe and reliable manner for taxpayers, through a transaction that can only be directed towards the payment of taxes by the taxpayer and for the amount that he/she indicates in his/her return. To transact electronic payments, the taxpayer must perform an account domicile process, which consists of authorizing the Ministry of Treasury to apply debit orders in the accounts indicated by him/her. This is not a generic authorization, but debits will be applied in the amounts that the taxpayer indicates that he/she wishes to pay in each of the returns filed electronically.

To use the electronic payment of taxes it is important to domicile at least one banking account (customer account), up to five accounts.

b) System Availability

The customer account domicile began on November 1st, 2001. The first stage of the project was done with Form D-101 "Income Tax Return, D-104 "General Income Tax on Sales " and Form D-110 "Payment Voucher", directed to large national taxpayers and large regional companies. Taxpayer registration and the delivery of user codes and certificates began on November 15th, 2001, and the commissioning of the system on December 1st, 2001.

As a means to incentive the use of electronic returns, the Tax Simplification and Efficiency (July 2001) opened the possibility to grant discounts for the use of these returns:

“Article 122.-Assessment performed by taxpayers and the filing of returns [...]

Through general resolution, the Administration may provide for the use of other means according to the existing technological development. When electronic means are used, security elements such as a password, intelligent card shall be used as well as others that the Administration authorizes the individual to use and shall be equal to his/her autograph signature.

Without detriment to what may be provided by the Administration it may establish the mandatory use of these means, and it shall be authorized to grant, at its discretion, incentives to who use them within a payable tax discount percentage scale, differentiated by taxpayer ranges, which maximum discount percentage may not surpass five percent (5%).”

This is probable a good example on how the public sector has taken a fundamental step to direct the Internet incorporation process, as a qualified tool to make the taxpayer the center of the system.

For this year, we are planning to increase the amount of taxpayers that will use these means, that is, to cover all Large Territorial Companies.

4. SIC, Taxpayer Identification System:

The Taxpayer Identification System (“SIC”) is a simple and practical application for the inquiry and verification of the name or business name and the personal identity card number of individuals or bodies corporate that the General Directorate of Taxes has in its databases.

The system allows taxpayers or those persons responsible of filing information returns to verify the information that they must report in the different information return forms, with which they will avoid unpleasantness and sanctions in the presentation of mistaken or inexact information.

Instructions for its use: The name and/or identity number of the individual or body corporate where it pertains. Dashes or zeros may not be used. SIC will deploy the information required. In the case of foreigners the number issued by the Tax Administration must be placed. The number must not exceed 10 digits.

- 5. Dossier Management:** To have a computer module of dossier based on a panoramic view of institutional operations, this will allow the performance of a physical follow-up and specific controls on different proceedings, which help in the development of the institutional mission in general and particularly, taxpayer service.

The module is projected as an application for the management and use of dossier management, which involves the General Directorate of Taxes as a whole. The purpose is that all documents generated in any area of the General Directorate must be given the respective treatment by type of document according to the times provided for by the law and continuous follow-up until the product for which the dossier management was generated is obtained, according to the origin of the different administrative instances.

The redefinition of the administrative processes of the management module and its adaptation to technological advances and computer needs will allow us to have a history of the actions performed on a taxpayer with faster access to the documents. Furthermore, it will make available coded and structured information for the needs of the Administration.

Currently, the first stage is centered on the Administration's assessment procedures. For the second stage, procedures of the Standards Divisions are to be included, such as administrative and enforced collection of tax obligations and sanctions, as well as all procedures of the Management Division.

5. TAXPAYERS ACCESS TO THEIR INFORMATION THROUGH THE INTERNET

Through the Internet website and as a developing project, customers will have access to certain information on the accounts of the computerized registry of the General Directorate of Taxes (SIAT), as well as on information processed through said site. Customers will be able to access only information of their account. Since part of the information of interest to the customer is located in our main server, the system will provide the customer with the possibility of requesting that information, extract the information and present it to the customer. The site will put at the customer's disposition general information on

instructions, manuals and official communiqués. With the installation of the dossier management module, a customer will be able to know in what stage of the process he/she may find any proceedings being performed on him/her.

Among the functions that are going to be continuously strengthened in the computer systems via the Internet are:

- To allow the exchange of information taxpayers – taxation and vice versa.
- To make the processing of fiscal information contained in return documents and the registry of the effective collection more agile.
- The system is conceived as a virtual window for all services and the exchange of information that is performed with the taxpayer.
- Internet inquiries on balances.
- Internet inquiry on the Status of Proceedings.
- The calculation of surcharges.

The development of the project as we foresee it will that prior to the opening of the return filing and self-assessment period on behalf of taxpayers, the Tax Administration will send them details of the information that it has in regards to their income (through reports filed by third parties) and, in this manner, at least, they will not declare less than what they have received. In this manner voluntary compliance will not only be an aspiration for better service but a control mechanism.

6. TAX CULTURE

In the tax culture field we have worked in the same population bases, on the citizens of the future, therefore we have designed software directed to children called **TribuChicos** (Tax for Kids) – this is a series of taxpayer information developed with the purpose of promoting a tax paying culture in the citizens' of the future Costa Rica, this a means to educate Costa Rican children on the payment of taxes around fundamental concepts and values such as solidarity, cooperation and

responsibility. We have currently concluded two stages in the series and it is available from our web page, from which any child can receive information while he/she plays.

TribuChicos 1 (stage one) is directed to children aged seven to nine, it introduces basic concepts on the culture of paying taxes. Learning is achieved through the use of an interactive game, where children learn that the fair payment of taxes contributes to the development of society.

TribuChicos 2 (stage two) is focused on children ages 10 to 12, who can apply basic concepts from the culture of paying taxes, learnt through TribuChicos in its first stage or through other means.

This entertaining educational software in its second state establishes as in the first stage, the use of an interactive game, with which children will learn how they should declare taxes, through the “learn by playing” philosophy.

Proceedings that must be carried out to establish a toy business in the city of Costa Rica of the future are presented and they are taught step-by-step, the correct manner in which they should declare taxes pertaining to said business, they are taught about the importance and benefits that they can obtain, benefits for the citizens and for the country in general, if these taxes are duly paid by all and every member of our society.

This initiative forms part of the education software production that the Ministry of Treasury has undertaken, through which it wishes to promote a culture for the payment of taxes in Costa Rican citizens of the future, from the first years of school, in an attempt to provide follow-up and promote a tax culture in developing generations.

Ms. Maribel Zúñiga
Manager of Planning and Control
General Directorate of Taxation
Costa Rica
E-mail: zunigacm@hacienda.go.cr

Case study

Topic 1.2

THE COLLECTION FUNCTION (FILING AND PAYMENT) THROUGH INTERNET

Michiaki Hashimura

General Coordinator of Tax Administration
Secretariat of Federal Revenues
(Brazil)

CONTENTS: I. Filing of Returns Through Internet.- I.1 Background.- I.2 Basic procedures for filing the return via internet.- I.3 Security and privacy.- II. Payment of Taxes Through Internet.- II.1 Payment with application by the banks (electronic funds transfer).- II.2 Payment/registration with the SRF's application in internet (payment/registration environment).- II.3 Security and privacy.- II.4 Return with payment/registration of installments via internet (individual income tax – 2003).

I. FILING OF RETURNS THROUGH INTERNET

I.1 Background

Prior to the use of Internet, the Secretariat of Federal Revenues (SRF) had been making available to the taxpayers, since 1991, the Return Generating Program (RGP) which allowed them to prepare their return through the use of a microcomputer. The aforementioned program assisted the taxpayer in preparing his return, making calculations and pointing out possible mistakes in filling out the form or amounts which exceeded the limits provided in the legislation. After completing the form, the Program generated a diskette to be submitted to the SRF.

TOPIC 1.2

With the advent of Internet and its broad use, the SRF has been improving the tools and means for compliance with tax obligations, without affecting the quality of cadastral and economic-fiscal information.

Since 1997, the SRF has been using the Internet to facilitate taxpayer's compliance with their additional obligations, that is the filing of Returns.

Filers using the RGP, instead of submitting the return on diskette, may use the Receitanet Program and transmit it from a microcomputer connected to Internet, from their home or work place. Some of the advantages of this system are:

- reduction of long lines during the term for filing the returns;
- reduction of costs, since it eliminates the transcription of the return;
- quality in data compilation;
- faster access to the information; and
- compliance with the legal term for tax refund.

By way of example, in the year 2002 approximately 15 million Individual Income Tax (IIT) filers, representing over 90% of the universe, transmitted their return via Internet.

Of that 90% of the universe, a reasonable number of taxpayers wait until the last days to file their return, thus causing a congestion in the SRF's network. This situation forces the SRF to anticipate and expand the capacity for receiving these returns through the network.

The transmission of the return by Internet is controlled by the Receitanet Program, which consists of the interphase between the taxpayer's computer connected to Internet and the station for receiving the returns at the SRF. Transmission of the return and sending of the receipt to the taxpayer is done by means of this Program. The Receitanet Program, together with the RGP for the return are obtained at the SRF's page in Internet, at the following address: <[http:// www.receita.fazenda.gov.br](http://www.receita.fazenda.gov.br)>.

I.2 Basic Procedures for Filing the Return via Internet

In order to use Internet as a means of delivery and compliance with the accessory obligation, first of all, the Return must be prepared with the RGP in the microcomputer. The RGP takes into consideration the legal limits of deductions and automatically determines the tax, refund due, as appropriate, in addition to informing the taxpayer the return option that is most favorable, whether complete or simplified.

The return filled according to the RGP may be sent via Internet. For its transmission, the microcomputer must be connected to Internet and the Receitanet Program must be installed therein.

After recording the return, the Receitanet Program asks whether the taxpayer wishes to transmit it immediately.

If the answer was YES, the Receitanet Program is automatically loaded and once the return is in the unit selected (diskette or hard disk), the transmission must be activated.

If the answer was NO, the transmission must be made subsequently with the use of the Return –Transmit by Internet menu.

Following the transmission, the Delivery Receipt with the electronic receipt authentication is automatically recorded in the diskette or hard disk.

The following charts provide data on total returns processed by the SRF between 1997 and 2002 by type of Return (Individual, Corporation and Others) and respective means used (Internet, Magnetic means and Forms). The percentage of filing via Internet with respect to all returns is between 90% and 100%, which shows a high level of acceptance by filers of this means for delivering the returns, thanks to the ease and facility provided. In the case of corporations, 100% of Returns are filed on magnetic media.

TOPIC 1.2

Number of Individual Returns

Means Used	1997	1998	1999	2000	2001	2002
Internet	708,962	2,985,409	6,552,630	10,601,829	12,825,103	15,289,828
Magnetic	4,657,055	4,963,238	3,388,924	1,057,800	948,614	616,515
Forms	3,912,120	3,343,996	2,078,425	1,294,486	1,126,603	832,034
Total	9,278,137	11,292,643	12,019,979	12,954,115	14,900,320	16,738,377

Number of Corporate Returns

Means Used	1997	1998	1999	2000	2001	2002
Internet	608,858	1,838,895	6,240,837	7,360,096	7,895,352	7,848,155
Magnetic	2,054,767	2,166,374	896,163	290,968	194,897	196,649
Forms	1,130,188	554,073	0	0	0	0
Total	3,793,813	4,559,342	7,137,000	7,651,064	8,090,249	8,044,804

Number of Other Returns

Means Used	1997	1998	1999	2000	2001	2002
Internet	103,302	572,867	1,377,956	2,212,205	4,793,480	6,745,369
Magnetic		1,284,689	329,516	63,656	10,652	0
Forms	3,504,162	1,934,901	2,060,000	1,796,591	1,226,755	939,190
Total	3,607,464	3,792,457	3,767,472	4,072,452	6,030,887	7,684,559

Total Returns Processed by the SRF

Means Used	1997	1998	1999	2000	2001	2002
Internet	1,421,122	5,397,171	14,171,423	20,174,130	25,513,935	29,883,352
Magnetic	6,711,822	8,414,301	4,614,603	1,412,424	1,154,163	813,164
Forms	8,546,470	5,832,970	4,138,425	3,091,077	2,353,358	1,771,224
Total	16,679,414	19,644,442	22,924,451	24,677,631	29,021,456	32,467,740

I.3 Security and Privacy

The Receitanet Program is determined and dimensioned to handle the delivery of a large volume of returns by Internet and the infrastructure is dimensioned to respond to the needs determined by the SRF (1700 connections per minute), with security and availability of the reception servers, of the network equipment, of the application and information transiting through Internet.

The Receitanet Program is a client/server application where the connection is begun by the client application and the server controls the flow of messages. All messages exchanged between the client and server are encrypted with routines of the most recent products in the area of security. These routines are used to certify the client application through the use of 1024 bits asymmetric keys. Connection of the client application to the server application is only allowed following certification of both; that is, of the client application certifying the server application as well as in the opposite direction. If the certification does not occur, the server application eliminates the TCP/IP(Transmission Control Protocol/Internet Protocol), thus releasing resources for a new connection.

After the certification is made, all the flow of messages and file transmitted are encrypted by a 128-bit symmetric session key, which is established between the client application and the server application in every new connection.

In addition to the encryption procedure, a data compression procedure is used by means of a very innovative product existing in the market. The product compresses the file at an average rate of 7:1 (an average return file of 7Kbytes, results in approximately 1Kbyte). The compression is extremely important due to the significant savings in communication costs and elimination of the redundancy of the language that could be explored in a cryptanalysis process. The file, which is compressed by the client application of the Receitanet Program, can only be decompressed at the *Mainframe* Federal Data Processing Service (SERPRO), at the São Paulo Regional office, which provides services to the SRF.

II. PAYMENT OF TAXES THROUGH INTERNET

II.1 Payment with application by the Banks (Electronic funds transfer)

The State Minister of Finance's Resolution N° 135, of 24.06.1997, authorized the financial institutions that are part of the Federal Revenue Collecting Network (FRCN) to receive, optionally, the payment of federal taxes and contributions through the Self-Assistance Tellers (SAT), Home Bank, Office Banking and Internet Banking.

In order to collect through this modality, called Electronic Funds Transfer, the financial institution must submit a project for approval by the SRF, indicating the taxpayer's forms of access to the financial institution's system, the models of payment vouchers and respective electronic authentications, as well as the forms and terms for filing information relative to payment.

The taxpayer uses the access made available by the financial institution, identifies himself as usual (password or digital certification) and enters the data on the revenue to be paid. The financial institution then examines the data according to the SRF's specifications, debits the amount in the current account and delivers the payment voucher. If the payment voucher is not printed when the transaction takes place, the taxpayer may use the financial institution's system to obtain a copy of the voucher.

Within the terms determined by the legislation, the financial institution deposits the amount collected in the National Treasury's account and sends to the SRFT, on magnetic media, the data on income paid (Taxpayer identification N° in the Individual Taxpayer File (ITP) or in the National Corporate Taxpayer File (NCTF), income code, period of assessment, date of expiration, principal amount and, if appropriate, the fine and interest). The data regarding income paid, constitute the SRF's payment base.

The rate paid to the financial institution for the Federal Revenue Collection Document (FRCD) collected at the window (FRCD-paper) amounts to R\$ 1.39 (one Real and thirty-nine cents). In the electronic transfer of funds modality (FRCD-electronic) the rate is reduced to R\$ 0.60 (sixty cents of a Real), which results in a savings of financial resources for the Union.

Currently of the 56 financial institutions comprising the RARF, 19 of them use this collection modality.

Of the 68.7 million collection documents received in 2002, 6.5 million were through the electronic funds transfer modality or, that is, 9.5% of total documents.

Nevertheless, it is being observed that the use of this modality of collection is increasing every year, in nominal as well as percentage terms (with respect to the total of collection documents) as may be observed in the following chart:

Number of payment documents (FRCD) received by the SRF

Year	Total of FRCD (A)	FRCD-electronic (B)	Percentage (B/A)
1999	59,832,473	599,414	1.00%
2000	62,997,702	966,094	1.53%
2001	66,300,984	2,750,344	4.15%
2002	68,690,854	6,518,861	9.49%

Norms in force on the subject:

- Resolution MF N° 135, of 06.24.1997 (Instituted the modality of payment through electronic funds transfer);
- SRF Normative Instruction N° 58, of 06.27.1997 (Provides for payment through electronic funds transfer);
- Declarative Act COSAR/COTEC N° 47, of 08.14.1997 (Approves the payment voucher models).

II.2 Payment / Registration with the SRF's Application in Internet (Payment / Registration Environment)

Subsequently, Resolution SRF N° 410, of 04.18.2001, regulated the payment of federal revenues through an application of the SRF on Internet environment with the respective debit in the bank current account.

In order to collect through this modality called Payment / Registration Environment, the financial institution must have available a specific application in its Internet Banking similar to that of the SRF.

To make payment, the taxpayer accesses the application available on the SRF's page in Internet at the following address: <<http://www.receita.fazenda.gov.br>> and provides the data regarding the income to be paid. The application assists the taxpayer when providing these data and makes much more precise observations than those made by the banks when receiving the collection document. In addition to this, when it is the case of federal revenues administered by the SRF and payment occurs after the expiration date, the application calculates the total amount to be paid. In the case of payment of federal revenues not administered by the SRF, the information provided by the taxpayer are his exclusive responsibility.

Thereafter, the taxpayer selects the financial institution where he maintains his current account and he is directed to Internet Banking. When directing the taxpayer, the SRF provides the financial institution information on the total amount to be paid by the taxpayer.

In Internet Banking, the current account holder identifies himself in the usual manner used by the financial institution (password or digital certification) and confirms the transaction. The financial institution then debits the current account, sends the message to the SRF reporting on the debit made and redirects the taxpayer to the SRF's page in Internet to obtain the payment voucher.

Subsequently, in case the payment voucher has not been printed at the time of making the transaction, the taxpayer may use the SRF's application in Internet to obtain a copy. Considering that access to the SRF's application in Internet does not require any identification (password or digital certification), in order to obtain the copy of the

voucher the taxpayer must provide his identification number in the Individual Taxpayer File or Corporate Taxpayer File, the date and amount of the debit. It must be noted that the date and amount of the debit must be recorded in the current account holder's banking statement and he can only obtain them through identification before the financial institution in the usual manner (password or digital certification).

The financial institution deposits the proceeds collected in the National Treasury's single account within the terms determined by the legislation. However, it does not have to send to the SRF the data on the amount paid, as in the case of other collection modalities. It must even be mentioned that the financial institution does not have complete information on the money to be paid. It is only aware of the total value, but not of the taxpayer identification number, registration code, assessment period, date of expiration, principal amount, fine and interest. The SRF feeds its payment base with the data on the income paid.

There is an even greater reduction in the rate paid to the financial institution per collection document in this payment modality, that is, in the payment registration (FRCD-gateway) environment, it being R\$ 0.30 (thirty cents of a Real) per debit made.

Currently, only the largest official financial institution, Banco do Brasil S.A., uses this collection modality, while other financial institutions have already expressed their interest and are analyzing the technical documents on the subject.

Of the 68.7 million collection documents received in 2002, only 16.4 thousand use the payment modality through the SRF's application in Internet or, that is, 0.024% of total documents. Nevertheless, in 2002, there was an increase of approximately 60% with respect to documents received in 2001, which amounted to 10.8 thousand, as may be seen in the following chart.

Number of payment documents (FRCD) received by the SRF

Year	Total FRCD (A)	FRCD-gateway (B)	Percentage (B/A)
2001	66,300,984	10,796	0.016%
2002	68,690,854	16,379	0.024%

With the inclusion of other financial institutions and greater dissemination through the press, it is expected that there will be an increase in this collection modality, which has several advantages, some of the most important ones being:

- a) Providing the taxpayer a facilitator for complying with his tax obligations, in his working or home environment, thus reducing the number of taxpayers visiting the SRF units;
- b) Increased quality in data compilation and, accordingly, in the payment base, since the application has a more varied range of verifications than those performed by the financial institutions during the receipt of collection documents;
- c) Simplification of procedures of financial institutions that only deposit the proceeds collected in the National Treasury's single account, and being excluded from sending the payment data to the SRF;
- d) Greater control of collection agents, since the SRF knows in advance the total amount to be deposited by the financial institution in the National Treasury's single account;
- e) Cost reduction.

The SRF's application in Internet also allows the registration of payment for a future date, provided that the date of the debit will not be subsequent to the date of expiration of the payment.

When making a registration, in the same manner as when making a payment, the taxpayer accesses the application available at the SRF's page in Internet at the following address:<<http://www.receita.fazenda.gov.br>> and provides the data of the income to be paid.

Thereafter, the taxpayer chooses the financial institution where the current account is maintained and is directed to Internet Banking. When directing the taxpayer, the SRF provides the financial institution the total amount that the taxpayer must pay and the amount of the debit.

In Internet Banking, the current account holder identifies himself in the financial institution's usual manner (password or digital certification), authorizing the future debit in his current account. The financial institution then registers the transaction, sends a message to the SRF and redirects the taxpayer to the SRF's page in Internet to obtain the registration voucher on the future payment.

On the date registered for the debit, if there is a balance in the bank current account, the bank makes the debit and informs the SRF by means of a message. In case there is no balance, such information is transmitted to the SRF.

The day after the date registered for the debit, the taxpayer may use the SRF's application in Internet to obtain the payment voucher or registration voucher whose debit was not authorized by the bank.

In the case of revenues administered by the SRF, which allows for division into installments plus the payment of interest, the taxpayer registers the estimated amount up to the date when the registration transaction takes place. In the case of revenues administered by the SRF, which allows for the division into installments plus the payment of interest, the taxpayer registers the amount estimated up to the date of the registration transaction. Information is provided in the registration voucher as to the fact that the total value to be debited will be updated in the manner stated in the legislation in force, without the need for any future action from the taxpayer in this regard.

On the first working day of each month, as soon as the percentage of interest to be collected with respect to payments expiring that month is available, the SRF updates the amount registered before the financial institution in order that the debit may be made for the correct amount.

In case the registration is to be cancelled for any reason, the SRF application in Internet also allows the annulment of the registry up to the working day prior to the date registered for making the debit.

To make the cancellation, in the same way as when making a payment or registration, the taxpayer accesses the application available in the SRF's page in Internet, at the following address: <<http://www.receita.fazenda.gov.br>> and provides the data on the registration to be cancelled (taxpayer's identification No. In the ITF or CTF, date and amount of the debit, which may be the original amount of the registration transaction or the updated amount shown in the part on future assessments of the bank current account's excerpt).

Thereafter, the taxpayer is directed to the Internet Banking of the financial institution where the registration was made. In Internet Banking the current account holder identifies himself in the financial institution's usual manner (password or digital certification). The financial institution then cancels the registration, sends a message to the SRF and redirects the taxpayer to the SRF's page in Internet, to obtain the voucher canceling the registration.

II.3 Security and Privacy

All the communication in the SRF's Payment Environment, including communication between the SRF and the financial institution takes place through the SSL (Security Socket Layer) on HTTP (HyperText Transfer Protocol) and TCP/IP (Transmission Control Protocol/Internet Protocol).

The SRF's payment environment server, which communicates with the financial institution, has a 128-bit digital certificate issued by a qualified entity. This guarantees the security of information transmitted through cryptography.

The financial institution must have digital certificates recognized by SERPRO. This guarantees the origin and nonrejection of the information.

After the user is redirected to the financial institution for making the transaction, the latter provides all the security. Communication takes place through a secure channel where the user data (example: current account and password) are passed directly to the financial institution, without the participation of the SRF's Payment Environment, thus guaranteeing the user full privacy and convenience.

Norms in force on the subject:

- SRF Resolution N° 410, of 04.18.2001 (Provides for payment of federal revenues through an SRF application in Internet)
- Resolution Cosar/Cotec N° 16, of 04.20.2001 (Approves the Procedures Manual for Integration between the Banks and the SRF's Payment Environment – Payment Module)

- Resolution Corat/Cotec N° 22, of 03.12.2002 (Approves the Procedures Manual Registration Module for Integration between the Banks and the SRF's Payment Environment).
- Resolution Corat/Cotec N°26, of 03.14.2002 (Provides for the procedures to be observed by the banks and the Federal Data processing Service – SERPRO with respect to payments, registrations, annulment of registrations and updating of registered amounts).

II.4 Return with Payment/Registration of installments via Internet (Individual Income Tax – 2003)

On the occasion of the filing of the 2003 Annual Individual Income Tax Adjustment Return, through Internet, in the period from 03.01.2003 to 04.30.2003, availability of an application in Internet is anticipated, which will allow the taxpayer to make the payment and/or registration of the installment(s) of the Individual Income Tax (maximum 6 installments with a minimum amount of R\$ 50.00 per installment).

Following transmission of a return with tax payable, a screen will be presented to the taxpayer offering this new payment modality. If he opts to follow it, he will be directed to an SRF specific application in Internet (accessible only during the transmission of the return), which already includes all the data of his return (taxpayer identification number in the ITF, amount of tax to be paid and the respective dates of expiration of the installments).

The taxpayer may confirm the dates of the debits suggested (date of expiration of the installments) or anticipate such debits.

Thereafter, the taxpayer selects the financial institution wherein he maintains a current account and is directed to its Internet Banking. On directing the taxpayer, the SRF provides the financial institution the amount of each of the installments and the respective dates of the debit.

TOPIC 1.2

In Internet Banking, the current account holder identifies himself in the financial institution's usual manner (password or digital certification), authorizing the payments/registrations. The financial institution then performs the transaction requested (for example: payment of the 1st installment and registration of the others, or registration of all the installments; payment of the tax in a single installment), sends a message to the SRF and redirects the taxpayer to the SRF's page in Internet, to obtain the payment/registration voucher.

Through the use of the application described in the previous topic (Payment/Registration Environment), available in the SRF's page in Internet, the taxpayer may cancel the registrations made and obtain the payment or registration vouchers whose debit was not authorized by the bank.

Mr. Michiaki Hashimura
General Coordinator of Tax Administration
Secretariat of Federal Revenues
Brasilia DF, Brazil
E-Mail: hashimur@receita.fazenda.gov.br

Case study:

TOPIC 1.2

THE COLLECTION FUNCTION (FILING AND PAYMENT) THROUGH INTERNET

Serenella Crisafulli

Tax Official

Ministry of Economy and Finance
(Italy)

*CONTENTS: 1. Italian Public Finance Development.- 2. Fiscal Burden.-
2.1 The pursuit of rationalization and simplification of tax system.-
2.2 The structural reform of tax administration in order to improve its
efficacy and its efficiency.- 3. Stability and Growth Pact.- Conclusion.*

1. ITALIAN PUBLIC FINANCE DEVELOPMENT

I wish to thank the President and the CIAT for their kind invitation. Strategies and tools for improving efficiency and efficacy of the Tax Administration is the topic of this 37th CIAT Meeting. An efficient Tax Administration is crucial for ensuring a favourable trend of public finance, a trend consistent with social and economic development prospects of a modern State.

In this framework, Italy's experience can be a useful point of reference.

I intend to tell you briefly the Italian public finance development of the recent period, especially with respect to tax matter.

TOPIC 1.2

First of all, I have to mention the starting of the “virtuous cycle” that characterized the Italian public finance during the last ten years.

At the beginning of the Nineties, the Italian public finance suffered from imbalances, which made it extremely vulnerable to the socioeconomic situation of the country. Reluctance to structural reforms able to affect expenditure trend was still strong, especially in some crucial sectors (social security, health, public employment, State organization). In 1992, a drastic change was called for as an unavoidable choice to avoid a serious financial crisis.

In September 1992, Italy was forced to leave European exchange agreement. The Government took corrective measures for about € 48 million, part of which had structural nature; as a consequence, for the first time in twenty years, the Italian State budget had a primary surplus (namely, net of interest payments).

The next Governments privileged the objective of limiting public deficit and shock therapy was replaced by a gradualist strategy: the adjusting measures became gradually of smaller dimension in order to avoid unwelcome effects on growth; notwithstanding, net borrowing came down from 10.7 percent of GDP in 1992 to 7.1 percent in 1996.

The structural financial rehabilitation was supported also by external factors, and mainly the joining to the European Monetary Union project provided for by the Maastricht Treaty, the Italy subscribed in the same 1992.

This joining involved the observance of some parameters, two of which concerning public finance: a deficit / GDP ratio not higher than 3 percent, while it was deemed possible to bring back in a medium term the Italian public debt / GDP ratio (at that time totally not lined up with the parameter) within levels consistent with the immediate membership of Italy to the Monetary Union.

The Maastricht Treaty privileged adjusting rules for public deficit having *visibility* and *verifiability* for markets, as well as the diffusion of a *stability culture* in countries where it has been absent for decades.

In 1997, net borrowing / GDP ratio came down from 7.1 percent to 2.7 percent (4.4 percentage points). Afterwards, Italian fiscal consolidation (which had allowed to replace the Italian lira with euro within the scheduled time) seemed to suffer a pause, also in consequence of the

clear slowdown in the developed countries economy and of the dramatic events of September 11, 2001. The strategic target for 2006 is the balance of general government consolidated accounts. In the same year, debt / GDP ratio is expected to fall to 96.4 percent, compared with 120 percent in 1999 and its peak of 124.4 percent in 1994.

Maastricht Treaty budget constraints are now replaced by those provided for by the Stability and Growth Pact undersigned in Amsterdam in June 1997. This Pact tightens up the deficit parameter: all EMU countries commit themselves to achieve the budget balance or a slight *surplus* within a medium term. In any case, budget *deficit* cannot be higher than 3 percent of GDP, except for serious and temporary contingencies.

The national budget policy is regulated through the Stability and Growth Pact. It clearly shows the extent of constraints for member countries budget policies. To renounce full fiscal sovereignty means to accept a uniform "philosophy" for budgetary decisions, with benefit for stability prospects as a requirement for development.

In 2002, seven countries of the euro area achieved a budget surplus: Belgium, Finland, Greece, Ireland, Luxembourg, Spain and The Netherlands. Austria attained a budget balance. Italy was expected to achieve a balance in 2003, while France, Germany and Portugal in 2004.

It is common knowledge that the facts are now different. The slowdown in the developed countries economic growth and the dramatic events we all have had during these last months changed the macroeconomic framework and affected negatively the public finance of the main EU countries. Now, apart from infringement proceedings against Portugal, Germany and France for their excessive deficit, Italy is under observation for its debt stock still heavy despite the encouraging result achieved in 2002, with a deficit / GDP ratio of 2.3 percent (better than the previous year).

Even though we are far from an immediate alarm, it is necessary to adopt all the initiatives aiming at a strict control on public accounts, also preparing new tools able to assure the achievement of the objectives fixed at EU level.

To this end, Italian Government has taken timely measures for monitoring public finance trend.

2. FISCAL BURDEN

In this background, it is interesting the role played by public sector tax and contribution receipts, exemplified by the fiscal burden.

During the period 1992-2002, the pressure of taxation in Italy passed from 43 percent of GDP to 41.6 percent, with a significant (although limited) reduction.

This means that coercive revenues have given only a “negative” contribution to the overall reduction in the net borrowing (or deficit), and that the improvement of this parameter is due to curtailment in expenditures, dropped from 56.6 percent to 47.2 percent in the same period (- 9.4 percent).

This result has been achieved through two consistent and contextual lines for tax policy:

1. the pursuit of rationalization and simplification of tax system;
2. the structural reform of tax administration in order to improve its efficacy and its efficiency.

The long and complex revision of taxes and of the other coercive revenues has become tangible just in these days with the launching of the tax reform (the Parliament approved the law enacted under delegated power). Within 2006, the tax rates of the individual income tax (IRPEF) are expected to fall to two (compared with the current five): 23 percent for income till € 100,000 and 33 percent for income higher than € 100,000. The introduction of the “no tax area” and the transformation of tax allowance into deduction from taxable income are also expected.

As for companies, tax rate will be 33 percent and the taxable base will be revised. The current regional tax on productive activities (IRAP) will be gradually taken off, while the taxation of financial income will be rationalized and unified.

The delegation will be exercised consistently with the resources made available through the annual Financial Law; the first step has been started this year through a first, significant, reduction in the tax rates.

As for the Tax Administration reform, the merger between the former Ministry of Finance and Ministry of the Treasury in the new Ministry of the Economy and Finance fulfils the unification of the tax revenues collection with the economic-financial planning and budget policy functions. The overall decision-making system is now rationalized and adapted to that of other developed countries, with a contextual supervision on collection and use of the available resources.

At the same time, this reform has transferred the operative functions about tax revenue to autonomous bodies, separate from and supervised by the Ministry: four agencies (Revenue, Territory, Demesne and Customs).

This innovation has been imposed by the need of a strong improvement in efficiency and efficacy of the Tax Administration, adopting privatistic models together with the due public guarantee.

3. STABILITY AND GROWTH PACT

An overall opinion about the Stability and Growth Pact is now opportune. After four year we can affirm that the situation of the European public accounts is better than we could expect only a few years ago and, in particular, better than that it should have been if the Pact had not been undersigned.

We can draw at least two conclusions from this experience:

- a) the Stability Pact is working with very effectiveness, despite the fears expressed by influential economists;
- b) in many countries the State budgets are close to balance or even in surplus and are recovering margins of action unknown from a lot of time.

In Europe as well as in USA there is a real “new discovery” of the fiscal policy, namely the opportunity to manage the budget both through restrictive and expansive measures, especially with regard to tax imposition.

In Italy and in the other industrialized countries, budgetary policy has become again an important instrument for economic cycle stabilization and for income and employment support; nowadays, budgetary policy seems to be more important than monetary policy in order to re-create a favourable context for a lasting development of industrialized economies.

The role played by the adjustment during the budget year becomes essential in case of variances pointed out through monitoring activity; and it is essential just for exploiting at its highest degree the instrument of the budgetary policy to facilitate the achievement of the objectives fixed at EU level.

Recent provisions allow adjustments in the Italian State budget during the budget year, with flexible and ductile accounting rules aiming at the achievement of objectives.

International experience of the most developed countries shows some analogies and references in consolidated democracies. In some State, automatic adjustments of the expenditure or revenue levels are allowed when an alarming level of deficit is reached. As an example, the French Government can use the so-called "*gels de crédits*", namely the freezing of budgetary assignments.

The priority need of putting European public finance commitments in concrete form involves of necessity to prepare and use automatic instruments for adjusting public expenditure and revenue in case of variance from objectives.

The effort towards finance rehabilitation would have been made even without the European project, to secure a sustainable and lasting growth prospect to the rising generations, with a fairer institutional arrangement able to meet community needs. Nevertheless, in this case, there would have been social and economic difficulties and costs by far higher, because of the solitude in which Italy would have to face the "stumbling block" represented by high interest rates and huge public debt.

CONCLUSION

The conclusion can only be univocal: European project (with its constraints) and public finance rehabilitation are functional each other, with positive and mutual interactions. European project steps down costs of public finance rehabilitation. This latter, in its turn, supports and increases the value of convergence process, bringing in a valuable “patrimony” of stability, initiative and global market potentiality for the European Union.

Ms. Serenella Crisafulli
Tax Official
Ministry of Economy and Finance
Rome, Italy
E-mail: serenella.crisafulli@finanze.it

Case study

TOPIC 1.3

PROMOTION AND TRAINING AIMED AT EXTERNAL USERS FOR FULL USE OF INTERNET SERVICES

Estelabel Piad
General Director
General Directorate of Revenues
(Panama)

CONTENTS: Introduction.- 1. Objectives of the Web Site Services of the General Directorate of Revenues.- 2. Internet Services Offered by the General Directorate of Revenues.- 2.1 The DGI on line.- 2.1.1 Corporate system.- 2.1.2 Attorneys and law professional firms.- 2.1.3 Collecting entities.- 2.2 Other services.- 3. Strategies for Promoting the Use of the Web Site.- 4. Strategies for Providing Training in the Use of the Web Site.- 5. Results of the Campaigns for Promoting and Training External Users in the Full Use of the Web Site.

INTRODUCTION

The world trend of promoting services through the network of networks at all spheres of the economy has caused the businesses to move toward this new technology with a single purpose, not to lag behind the other competitors, among which there are the large multinationals which do business through Internet, but also the state entities from almost all the nations in the world. The private as well as the state sectors have designed their sites in the network to provide better services to their customers or users, as well as to make their plans and objectives known.

Many Latin American countries are working hard in developing the idea of e-government as an alternative of direct contact with the users and, of course, with the taxpayers, in the case of the tax administrations.

The Republic of Panama could not be left behind in this field, given that, among the state entities committed to the challenge of e-government is the General Directorate of Revenues which, as of last year, has its site at Internet to offer services to its main customers, that is, the taxpayers and indirectly other individuals or entities that play varied roles in the country's tax issues.

Currently, the General Directorate of Revenues of the Republic of Panama is undergoing a very important modernization process, through the Integral Tax System Modernization Program which is technically being executed by CIAT, by means of a contractual agreement with the Panamanian Government.

Among other objectives, the Modernization Program has developed an institutional information system for handling all the information and processes generated in the institution. The e-Tax system has been fully developed on the Web platform and operates through an Intranet at the national level, with one of the means of access to the process being the Internet site of the General Directorate of Revenues, which allows for determining the status of the internal procedures that affect the taxpayers.

We will now discuss the activities that have been carried out by the DGI to promote its services and train its main customers via Internet.

1. OBJECTIVES OF THE WEB SITE SERVICES OF THE GENERAL DIRECTORATE OF REVENUES

- Provide taxpayers better services to facilitate compliance with their tax obligations.
- Encourage voluntary compliance with tax obligations.
- Guarantee permanent assistance to the taxpayers, that is, seven days a week, twenty four hours a day, even during the term of expiration of the deadline for complying with obligations.

- Improve the main collection, examination, recovery and juridical support processes.
- Improve the institutional image of the General Directorate of Revenues.

2. INTERNET SERVICES OFFERED BY THE GENERAL DIRECTORATE OF REVENUES

Different options have been developed at the Web site of the General Directorate of Revenues to access the services. For purposes of this document, we will separate them into two main groups, namely:

- Direct services for taxpayers and their representatives, for which access codes are required given that the transactions are confidential or of a personal nature; and
- The general information and inquiry services to which any person entering the site may have access, without the need for a personal code.

2.1 The DGI on Line:

Personal services for taxpayers and third parties related to this service are in an option called "DGI on-line" whereby an attempt is made at making available to the taxpayers a *virtual tax* administration to which they can resort for undertaking their personal transactions.

Given that these are confidential transactions, the taxpayer must have a personal, secret and untransferable code known as the TIN (Tax Identification Number) which is assigned via Internet, at the taxpayers request. When requesting it, the taxpayer may suggest his code, which should consist of a minimum series of alphanumerical characters. The requested code of access or TIN is approved immediately and it is informed to the interested party via Internet, by means of the electronic mailing address he may have provided in his request. To request the TIN, it is essential to fill out the request form and be previously registered in the Taxpayer Master File (TMF), which registration may also be done by the taxpayers through Internet.

The service for registering taxpayers in the TMF via Internet has been one of the most widely used services, which has allowed for clearing the areas provided for the receipt of such documents at the Provincial Revenue Administrations. Prior to the approval of the request for registration in the TMF, the applicant's identity is ensured through internal verification of the specific information that must be provided in the form (data on the applicant's mother or father, date of issuance of the taxpayer or his legal representative's personal identity card, internal verification of the address or domicile reported, among others). The approval or rejection of the request is informed through this same media. In case of rejection, the taxpayer may file a new request.

After the taxpayer has been duly registered in the TM and his TIN has been approved, he may enter the DGI services on line, which are described below:

- Filing of Sworn Returns.
- Consultation of the Returns, Payments and Documents filed by the taxpayer.
- Balances of the current account.
- Issuance of Clearance Certificates with respect to Income and Real Estate Taxes.
- Inquiry about payments received by the taxpayer that have been reported by third parties (taxpayer revenues) and the payments he himself may have reported as having been made to third parties (costs and expenses).
- Inquiry about registration data in the TMF.

2.1.1 Corporate System

In the Republic of Panama, there is a special service whereby individuals or corporations from the private sector which have been empowered by the General Directorate of Revenues may receive taxpayer returns to be subsequently filed by them at the DGI. This special service has been called Corporate System for the Receipt of Sworn Returns. Generally participating in said system are the accounting firms that have fulfilled certain requirements and guaranteed compliance with their task through bond issued to the DGI, in force for a renewable one-year period. The work of the members of the Corporate System involves receiving,

capturing, validating and recognizing the taxpayer returns, reviewing and placing on them an authentication seal, if they have no errors. Then they must proceed to turn in the Sworn Returns and third party documents at the Provincial Revenue Administrations in order that they may be documentary evidence.

2.1.2 Attorneys and law professional firms:

The General Directorate of Revenues has established a service that allows Resident Agents, whether individuals or corporations, of companies whose income is not considered of Panamanian source, to undertake the registration of the aforementioned corporations in the Taxpayer Master File, as well as the modification of the registry data, following verification of compliance with formal requisites. Resident Agents will also be allowed to verify the account statements of these corporations, as regards the payment of the necessary rate so that it may continue in full force.

There may be multiple registrations, that is, of more than one corporation at a time, for the purpose of ensuring the Tax Administration adequate information on all the taxpayers or those responsible for any tax which is to be collected by the General Directorate of Revenues.

2.1.3 Collecting Entities:

The General Directorate of Revenues has also empowered state as well as private banks, to receive the payment of taxes. The agreements signed with the different banking entities are similar and provide for the contractual relationship between both entities, with emphasis on various aspects inherent in the process of receiving the payment of tax obligations.

To guarantee quality of information and the prompt entry of payments in the taxpayer current accounts, an instrument has been established whereby the banks that have signed agreements with the General Directorate of Revenues may provide the details of payments made through the Bank Collection service within the terms established, without having to do so physically at the Tax Administration.

2.2 Other services

These are the ones established for the general public, so that it may have access to all the information related to the General Directorate of Revenues and to data of current importance in relation to Panamanian tax issues.

The services offered to the general public are: Procedures at the DGI, Legal Inquiries, Frequently Asked Questions, Instructions for filling out Forms, Tax Statistics, Tax Reform, Laws, Decrees and Resolutions, Banks affiliated to the Tax Collection Service, How to Obtain the TIN, What is the Telephone Assistance Service?, General Information on Tax Week, Electronic Returns and Payments to Third Parties (Unloading of Program and Frequently Asked Questions), Inquiry about Verifying Digit, Clearance Certificate Confirmations, Inquiry about Terms for filing and paying according to tax, Consultation of Tables of Economic Activities, Sworn Returns Verification Service, News (seminars, DGI publications and norms) and Information about the Clearance Certificates.

3. STRATEGIES FOR PROMOTING THE USE OF THE WEB SITE

In preparing for the campaign to promote the Web site we have used such concepts as: the market, the message, the media, the duration of the campaign and its measurability. Taking these concepts into consideration, the following strategies have been developed:

- 3.1** Creation of the Tax Week, held on November 24-30, 2002, to promote tax culture at all levels of the population, for encouraging voluntary compliance with tax obligations. Advantage was taken of the events organized for that web to disseminate the facilities afforded by the www.dgi.gob.pa site.
- 3.2** Publication of a supplement that was distributed nationwide, explaining in detail the main services of the site. To ensure effective distribution of the supplement it was inserted for one day in the country's three most important newspapers and thus, it was received by approximately one hundred twenty three thousand (123,000) persons. An additional forty thousand copies were printed and distributed to the Tax Administrations of the country, universities, banks of the collection network and officials of the General Directorate of Revenues.
- 3.3** Introduction of the procedures most frequently carried out by the taxpayers: Taxpayer Master File, Filing of Sworn Returns, Consultation of Balances, among others. The purpose is to establish a relationship with the taxpayers as of the time they register and during the main procedures they carry out at the General Directorate of Revenues.

- 3.4** Creation of exclusive services through the site: corporate, massive registration, provision of TIN (Tax Identification Number) to access services via Internet, among others. The purpose is to speed up procedures carried out at the windows of the Tax Administration offices, to ultimately reduce congestion at the taxpayer assistance offices.
- 3.5** Creation of differentiated services through the site: corporations and attorney firms. Thus, each facility created for the private sector will not result in a management burden for the administrations.
- 3.6** Implementation of informal means of communication with the taxpayers through the e-mail address reclamos@mef.gob.pa. This means of communication is based on the fact that no matter how good a service may be, it can always be improved, for which purpose we require the opinions of users to determine if the objectives behind the creation of the Web site have been fulfilled.
- 3.7** Dissemination of the benefits and services which the Web site may offer to individuals visiting the Tax Administration. In this way, traditional taxpayers may become aware of the new tools they have available in order to facilitate and simplify their tax transactions.
- 3.8** Distribution of ten thousand (10,000) compact discs containing: the Director's Letter addressed to all taxpayers, software to assist taxpayers, Institutional Publications (Taxpayer Module, PAT Taxpayer and Internet Explorer) and a link to the Web site of the General Directorate of Revenues. The compact discs were distributed to taxpayers with the best tax background, that is, taxpayers who timely comply with their tax obligations.
- 3.9** The means of access to information of the General Directorate of Revenues has been expanded, by allowing the taxpayers to make inquiries through the WAP standard (Internet for cellular telephones and mobile devices), technology recently implemented in Panama through the GSM and CDMA cellular telephone systems. Currently there are two services that are deemed very valuable because of their demand. One of them is the confirmation of Clearance Certificates, part of the issuance scheme that was recently implemented with e-Tax, and a second service for obtaining the Verifying Digit, both services already available at the www.dgi.gob.pa Web site which is currently accessible through cellular phones with the Internet navigation services.

- 3.10** Include in all press announcements the invitation to consult www.dgi.gob.pa in order to establish direct association and rapid reference for the general public.

4. STRATEGIES FOR PROVIDING TRAINING IN THE USE OF THE WEB SITE

As part of the campaign for promoting the Web site, internal officials were trained so that they could become the main multiplying agents of the new service and with this resource we were able to develop programs for training the general public by means of different activities carried out on November 24-30, 2002 and facilities that are maintained, such as:

- 4.1** Taxpayer Assistance Line, with officials that assist taxpayers in the use of the Web site, in 14-hour daily schedules, with an average of three hundred (300) inquiries daily.
- 4.2** Seminars on the Web site services, held at the national level during tax week, where demonstrations of the Web site were carried out in the main cities of the country, with the training of almost one thousand (1,000) people at the national level.
- 4.3** Seminars at schools for children and adolescents, where explanations were given with respect to the role, operation and obligations of the State, the obligations of citizens, what is the budget, what are taxes and the functions of the General Directorate of Revenues.
- 4.4** Seminars to Corporations where new services periodically incorporated to the Web site are shown, to thus indirectly train the taxpayers who are the customers of accounting firms or of certified public accountants.
- 4.5** Seminars for attorneys firms to promote massive registration, with the participation of the most important law firms and law professionals of the country. These presentations were used for showing all the Web site services, and likewise in-depth explanations were given with respect to massive registrations and the procedures to be followed for such purpose.

- 4.6** Presentations were carried out before the main associations in the country such as the Certified Public Accountants Association, the National Attorneys Association, the Panamanian Chamber of Construction, the Chamber of Commerce, Industries and Agriculture of Panama, the Panamanian Association of Business Executives, among others.
- 4.7** In all the presentations of the General Directorate of Revenues in such events as seminars, press interviews and documentaries, reference is made to the Web site services.

5. RESULTS OF THE CAMPAIGNS FOR PROMOTING AND TRAINING EXTERNAL USERS IN THE FULL USE OF THE WEB SITE

Given the importance attributed by the General Directorate of Revenues to the measurements of the campaigns carried out, the results were established as follows:

Ms. Estelabel Piad
General Director
General Directorate of Revenues
Ministry of Economy and Finance
Panama
Email: epiad@mef.gob.pa

SUMMARY OF RESULTS BY ACTIVITY	
1	Reduction in waiting time at the Regional Revenue Administrations
2	Increased dissemination to taxpayers of tax norms, procedures and regulations.
3	53 law firms and/or attorneys authorized to perform massive registrations, with over 14,000 registered corporations (October 2002 to date).
4	25,620 personalized procedures for registration in the Taxpayer File in twelve months.
5	7,168 assignments of tax identification numbers (TINs) for on-line access to the DGI.
6	Receipt of 4,965 sworn returns in twelve months.
7	Receipt of 4,000 requests for Clearance Certificates in three months.
8	Receipt of 2,553 Clearance Certificates in three months.
9	14,728 confirmations of Clearance Certificates in three months.
10	Receipt of 4,499 returns filed by corporations in twelve months.
11	850 electronic mails received and answered through dgireclamos@mef.gob.pa

Case study

TOPIC 1.3

PROMOTION AND TRAINING DIRECTED TO EXTERNAL USERS FOR THE FULL USE OF INTERNET SERVICES

Francisco Urdaneta

Manager of Information Technology
National Customs and Tax Superintendent (SENIAT)
Venezuela

CONTENTS: 1. The Use of Internet by the Tax Administration.- 1.1 Promotion and training directed to external users for the full use of Internet services.- 1.1.1 Promotion and training directed to users for the full use of the Internet.- 1.1.2 SENIAT's Portal.- 2. SENIAT as an Institution.- 3. Information and Services.- 4. On-line System.- 5. Other Functions.- 6. Case Study.- 6.1 Users Registry.- 6.1.1. Taxpayer Registry.- 6.2. Return inquiries and updates, withholdings and taxpayer payments.- 6.3 Other facilities.

1. THE USE OF INTERNET BY THE TAX ADMINISTRATION.

1.1 Promotion and training directed to external users for the full use of Internet services.

The topic we are going to cover is "Promotion and Training directed to external users for the full use of Internet Services", under the framework of the "Strategies and Instruments for Increasing the Effectiveness and Efficiency of the Tax Administration".

TOPIC 1.3

For so time now the Tax Administration has understood that the use of information technologies constitutes the adequate mechanism to make it easier for users and taxpayers to comply with their tax obligations. Upon applying this technological principle standards has been approved and implemented and the same have established the possibility of filing returns and tax withholdings through computers, specifically through the use of the Internet.

Advantages offered to taxpayers:

- File returns and pay taxes from any place.
- File returns and pay taxes 24 hours a day, 365 days of the year.
- Reduce costs.
- Have available all security schemes during transmission.
- Immediately receive a response from the Tax Administration, regarding payments.
- Avoid paperwork and/or congestion at the offices.

In accordance with this framework, the National Integrated Service of the Customs and Tax Administration (SENIAT) must be supported on an efficient tax collection system therefore it enjoys technical, functional and financial autonomy, according to the provisions of Article 317 of the Constitution of Venezuela. To this effect, the transformation of the Taxpayer Assistance and Information Technologies areas were established as the main objectives, to strengthen the relation between the State and passive subjects or those being administrated, such as taxpayers, responsible parties, assistants and the general public.

One of the main strategies for such purpose, lies in the development of information technologies used as a support tool to the substantive functions of the Service, through the automation of administrative proceedings and procedures, under an integrated and integral focus, in the understanding that the management of a modern Tax Administration, has to necessarily have information systems supported on vanguard information technologies and their design and development must comprise all aspects of the tax process.

Since 1994, SENIAT has been developing a series of automated systems to support its collection functions, in the internal revenue area as well as in customs, but although these systems have supported the Tax Administration in the exercise of its functions, it is

also true that they present limitations in their use, basically due to their distribution and isolation (in terms of integrated taxation and customs processes), this prevents optimum use since interconnection mechanisms and feedback for the flow of the information contained in each system is not in place.

This situation set forth the need to design an automated system with a systemic point of view, which would power to a maximum the existing systems, to be in the capacity of providing institutional responses, required in the framework of the constitutional principle. In this regard, the operation of an integral and interconnected modular system began under the INTERNET environment, through the creation of SENIAT's Portal, which may be access at www.seniat.gov.ve.

This web page is a technological platform that combines the possibility of extensively inquiring tax information, and at the same time allows to file returns and pay taxes, under a step-by-step guiding philosophy.

Furthermore, this new information technology, will multiply the possibilities to promote values inherent to tax awareness, through a system that allows taxpayers to effectively and quickly approach the Administration, without having to go to the offices of the Tax Administration, to maintain them permanently informed and updated on the different topics related to the tax reality, with the purpose of making easier for taxpayers to pay voluntarily their tax obligations.

In this manner, it expands its reach and strengthens the link with society; because from this portal each of the requirements formulated by the passive subjects is process and efforts will be coordinated to provide corporate responses and timely and adequate actions, allowing officers to perform their work professionally directed towards efficiency in the quality of the management.

The following may be mentioned among the most important functions of the portal:

- It constitutes an exclusive internal revenue and customs' system for taxpayers and officers of the Service, with reliable security mechanisms.
- It allows taxpayers to prepare returns, withholdings and tax payments; taxpayers may also inquire their consolidated statement of account by specific tax and begin and perform the follow-up of their procedures.

TOPIC 1.3

- Search and inquire tax information in general.
- Internally support activities inherent to the Service.
- Identify evasion and avoidance, as well as taxpayers involved in these situations.
- Validate information on taxpayers.
- Guarantee reliable and timely information.

Furthermore it allows the management of one information system, and actions inherent to:

- Registry of Importers.
- Charge and payment of withholding through the web.
- Charge through the web, the Purchases and Sales book.
- Modifications, via e-mail.
- Returns, through an Excel spreadsheet
- Issue payroll.
- Issue and verify tax certifications.
- Import and Export statistics.
- Exclusive taxpayer database.

1.1.1 Promotion and Training directed to Users for the Full Use of the Internet

The strategy used for prompting users to use the Internet, was based on the following:

- ***SENIAT's portal is: www.seniat.gov.ve.***
Through the same, services available through the Internet are promoted, as well as information that is of interest to taxpayers, regarding the Institution's Corporate Vision, legal provisions in force, the value of the Tax Unit and other information of public nature.
- ***Promotion through press notices***
In newspapers of national circulation the use of SENIAT's portal is promoted under the theme "File your return with a click".
- ***Promotion through radio***
SENIAT has a national radio program and different regional programs, where in addition to discussing tax issues, it promotes initiatives and new technologies where the use of the Internet is promoted.

- ***Promotion done by top authorities during public interventions or interviews***
Top management has done this successfully whenever they have had to make public statements.

- ***08000-SENIAT (736428)***
Through this phone number, citizens and taxpayers receive orientation on inquiries and doubts, and it also promotes the full use of the service in the INTERNET.

- ***E-mail asiste@seniat.gov.ve***
The possibility of directly sending inquiries to the e-mail address with two response levels is available. Once the messages received have been classified, they are distributed to tax counselors, whom are responsible for immediately answering the inquiry. All questions must be answered in no more than 48 hours, including complex questions. However, some inquiries require participation from other dependencies of the Service, therefore they perform the necessary proceedings and reply as soon as possible.

People making inquiries through e-mail are registered in a database which keeps them informed, if they wish, on innovations in tax issues and provides the possibility to receive electronic publications published by the Service.

Even though that the foregoing points are those that have been analyzed as the most convenient for the promotion of the full use of INTERNET, emphasis has been placed on the use of the Portal itself, for promotional effects as well as for training, by using the online assistance furnished by the portal and with assisted help through the toll free number 08000-SENIAT, where taxpayers can ask questions or present observations in the operations of the Tax Administration and on the behavior of taxpayers and officers of the institution. Our telephone counselors are responsible for attending and channeling users' concerns.

As illustrative data we can say that Venezuela currently has users from the two main Internet service providers that the country has as shown in the following table:

TOPIC 1.3

INTERNET SERVICE PROVIDER	N° OF USERS
CANTV.NET	215,000
TELCEL.NET	97,000
INFOCENTROS	500

Source: Information supplied by the representatives of each provider.

1.1.2 SENIAT PORTAL: seniat.gov.ve

USER REGISTRY



2. SENIAT AS AN INSTITUTION



The Institution: Provides information regarding the Juridical Nature and the same pertains to SENIAT's function, such as: Mission, Vision, Strategic Objectives, Corporate Values, Functions and Privileges of the Service. It also presents its organizational structure and a protocol list of the standards, operation and intendance level. It also includes, an instructive on the Ethical Standards, which guide officers, and the Law that rules the Institution.

Internal Revenue: It shows the legal provisions in force for each tax. The geographic location of each internal revenue office.. Specification of the Remission and Facilities for the Payment of National Tax Obligations Law decreed by the National Assembly. Tax Terms Glossary.

Customs: Provides information on the Customs' Law, the Customs' Organic Law, the Law that Creates and Rules the Free Zone Regime; Regulations of the Custom's Organic Law on Clearance Regimes; the Suspension and other Special Customs' Regimes; Organic Tax Code; Joint Resolutions and other legal instruments. Relevant aspects of the Customs' Modernization Project: the Installation and Technical Support Manual; The Good User Manual and Technical Specifications for the use of the Control System and Customs Management Administration – SIDUNEA. Standards and Procedures Manuals of the different processes inherent to customs: Cargo Manifest Procedure; Transport

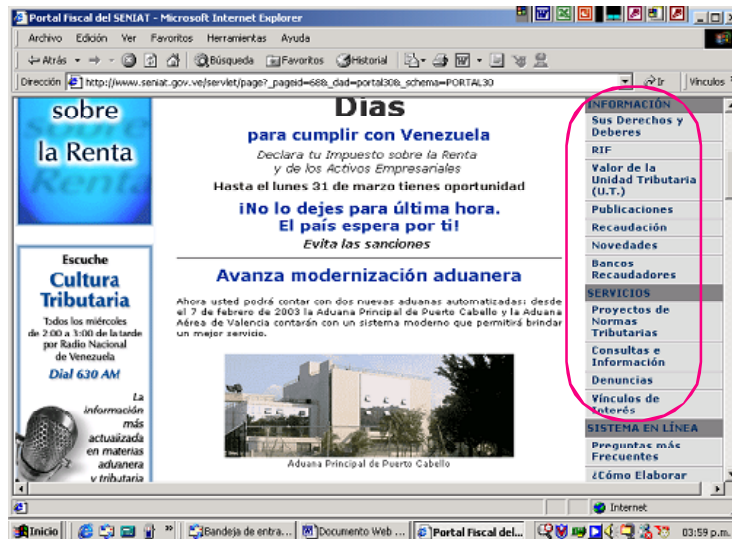
TOPIC 1.3

Agent User Manual; Procedure for the Clearance of Goods; Procedure for the Receipt of Goods; Procedure for the Specific Customs' Declaration (DUA); etc. Venezuela's Customs System: What is customs?, Main Customs' Management Functions, Customs' Classification, Customs Policies, etc. Who Assists the Customs' Administration?, Tariff Classification Proceedings, Information technology tools to modernize Customs Procedures and Glossary of Terms.

Exporters: Regulations for the National Exporter Registry; necessary proceedings and administrative measures. Partial regulations for the Recovery of Fiscal Credits and Technical Standards and Procedures, Manual for the Recovery of Fiscal Credits

Withholding Agents: Legal Framework of Administrative Measures whereby National Public Entities are appointed and Special Taxpayers such as Withholding Agents for Value Added Tax (VAT), for the purchase of bona mobilia and the reception of services that are performed by providers that are usual taxpayers of the tax. The technical instruction that explains the standards to follow when filing in exclusive format of the VAT Withholding Information Declaration. Test environment where the validation of the file created under the specifications of the technical instructions may be performed.

3. INFORMATION AND SERVICES



Your Rights and Duties: This covers taxpayer rights and duties comprised in the Constitution of Venezuela; the Organic Law on Administrative Procedures; the Organic Law of the Office of the Comptroller; Tax Organic Code; Calendar for Tax Obligations and Special Tax Laws.

RIF: Procedures for the Registry of Fiscal Information on Individuals, Bodies Corporate and others such as Condominium Boards and Inheritance Estates.

Tax Unit: Registry of variations in the values of the Tax Unit created for tax purposes as a measure that allows to match and update, pursuant to the current inflation, the tax base amounts, exemptions and sanctions, among others, based on the variation of the Consumer Price Index (CPI).

Publications: The content of the different publications issued by SENIAT, such as: Tax Doctrine; Policy y Tax Administration Magazine; VAT in Venezuela; Tax Essays Series and others.

Collection: Annual registry on collection revenues, for each tax collected.

Innovations: Shows current press releases, inherent to SENIAT's activities, such as: "The New Partial Regulation of the Customs' Organic Law pertaining to the registry, exchange and processing of data, documents and acts inherent to the arrival, warehousing and Import of Goods through electronic processes"; "The ongoing National Registry of Exporters"; "Toll Free Line 08000-SENIAT: The new inquiry, information and compliant filing service", and others.

Collection Banks: Contains a list of collection banks enrolled in the collection agreement, signed between the Banking Association and the National Integrated Customs and Tax Administration Service.

Draft Bills on Tax Laws: Shows laws and measures that specify the services provided by SENIAT and taxpayers as intermediaries of the Institution, such as the Measure whereby the Main Customs Managements and their Deputy Customs are appointed as collection agents for Value Added Tax and the Measure that established the procedure for the granting of extensions, fractioning, and terms for the payment of tax obligations.

Inquiries and Information: Presents the Taxpayer's Listing; Inquiries to the Legal Department Management; the Functions of the Information and Documentation Center; the Functions of the Taxpayer Attention Office; Online Inquiries Assistant through e-mail and the Functions of the Import and Export System – IMPEX.

Complaints: System whereby complaints may be filed, by writing a text or completing a form and sending the same by e-mail.

Links of Interest: Shows national as well as international links of interest, such as: the Ministry of Finances; the Ministry of Production and Commerce; the Central Bank of Venezuela; the Central University of Venezuela; the Inter-American Development Bank, and others.

4. ON - LINE SYSTEM



Frequently Asked Questions: Through the registry of the most frequently asked questions made by taxpayers through the toll free number 08000-SENIAT, whereby taxpayers and users in general may access a range of services which includes tax information, inquiries on taxes and customs, filing complaints, orientation on the different procedures performed at SENIAT and online assistance to perform transactions through our Fiscal Portal.

How can I prepare my Return?: Technical instructions on the steps to follow in the Internet Filing of the Return (Income Tax).

How can I complete the Informational Return on Withholdings?: Technical instructions on the steps to follow in the Informational Return on Withholdings.

How can I print the VAT Withholding Payment Listing?: Technical instructions on the steps to follow in printing the Informational Return on Withholdings Payment Listing, in the event that it has not been done when executing the return.

How can I register in Seniat's Fiscal Portal?: Technical instructions on the steps to follow in the Taxpayer Registry process.

How can I print the Electronic Certificate?: Technical instructions on the steps to follow in the printing process of the Electronic Certificate for the Receipt of Filing the Return through the Internet (Income Tax), document guaranteed and recognized by the Tax Administration, identified with a correlative number generated automatically. Furthermore, it contains information on the Tax paid and the Electronic Form Number (Return).

How can I change my current password or any other data?: Technical instructions on the steps to follow in the process to change password, e-mail and secret question and answer.

Certificate Inquiry: Online inquiry of Certificates

RIF Inquiry: Through this inquiry the Tax Administration officer, whose profile is authorized, may inquire identification information of a particular taxpayer.

5. OTHER FUNCTIONS

- **Contact Us:** E-mail service: asiste@seniat.gov.ve



- **Informational Functions:** . Press articles and advertising in general are presented, the same are produced as a means for mass dissemination.

As From Monday January 20th Computer applications for Users of the Maritime Customs Office of La Guaira Improve

As from next Monday January 20, users of the Automated Customs System (SIDUNEA) of the Main Maritime Customs of La Guaira we be benefited with the more and better application for their import and export operations, since the computer system (software) will migrate to a higher version (from 1.16 d to 1.17 d), this will facilitate additional functions to this modernization process of Venezuela's customs. In this portal you will find [Instructions to update SIDUNEA](#).

[HAS INFORMACION](#)

- **Links to interactive assistance documents.** In articles published in the press links are established towards instructions (in Adobe Acrobat Reader) pertaining to the topic, i.e. Instructive to update SIDUNEA and the Technical Instruction for the Informational Return on Withholdings.

[Las instrucciones para actualizar SIDUNEA](#)

- **Advertising.** Dissemination of the telephone assistance system **08000-SENIAT (736428)**.



**INVIERTE EN TU PAIS:
PAGA TUS IMPUESTOS Y HAGAMOS REALIDAD EL FUTURO**

08000-SENIAT CERO OCHO MIL (736428)

Denuncias Consultas Información Orientación

- Advertising Promotions

The awarding promotion continues
your commitment with Venezuela
"THE INVOICE AWARDED "



(foto referencial)

*Now we have 9 cars
and 1 SUV, 0 kilometers.*

From November 22, 2002 you can deposit your invoices and win many prizes.

- 1) Place three invoices in an envelope with your data, name, surname, identity card number, address and phone number.
- 2) Deposit it in one of the boxes for the promotion, located at the offices of SENIAT.

You can be one of the winners!

**If you send many envelopes
you will have many opportunities to win!**

We will soon announce the great draw to be held on Venezuelan Television.

- **Mail:** Establishes a link for direct access to Microsoft Exchange.



Training

One of the many aspects to be considered so that users can fully use Internet services is training, since the understanding of this media generates the necessary trust for its use. It is well known that historically citizens prefer to fill their returns and then go to the bank or one of the offices of the Tax Administration to comply with their duties, prior to using a means that may be deemed as “impersonal”, therefore, the importance of having a training program that helps to generate trust in the use of Internet.

In the Venezuelan case, the Tax Administration took advantage of the publication of the measure on the **VAT Informational Return** to program a group of orientation presentations throughout the country on the topic and promote and incentive the use of the Internet to file returns. Furthermore, the Portal is very user friendly and the toll free number 08000-SENIAT has been an important means to generate interaction between citizens and the administration in the use of the Internet.

6. PRACTICAL CASE

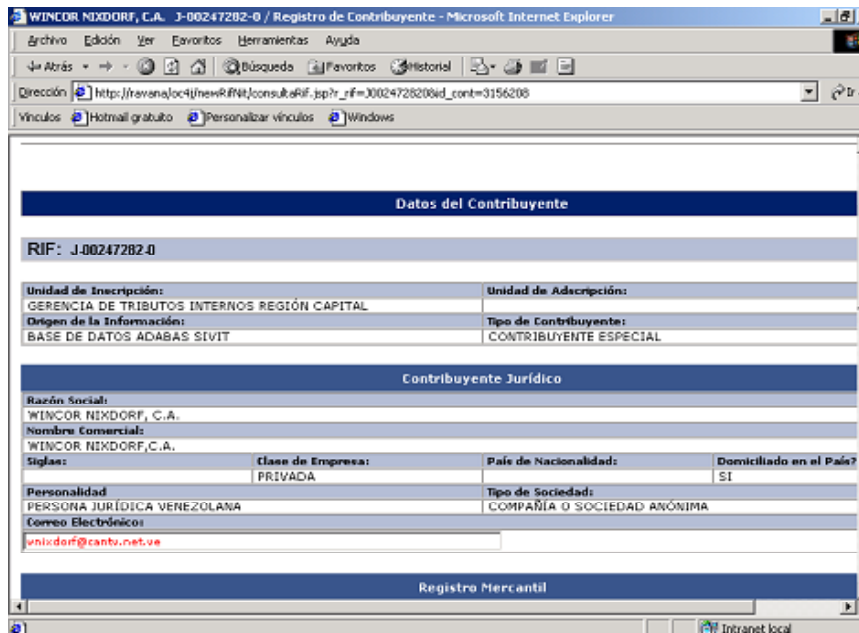
6.1 USER REGISTRY

6.1.1. Taxpayer Registry

- Taxpayers can inquire at Seniat’s Fiscal Portal the instructive called How can I register at the Fiscal Portal?, for bodies corporate.
- Taxpayers must address the Internal Revenue Regional Management – Taxpayer Assistance Area, which pertains to their fiscal domicile, with the documents required by the instructive.
- The Receiving Officer, prior review of the documents submitted, consults the data on the RIF (Fiscal Information Registry) System by any of the Taxpayer identification fields (Fiscal Registry Number, Mercantile Registry Number, Incorporation Date of the company and Trade or Commercial Name).



- Upon performing the inquire, the Taxpayer's data appears, such as basic data, registry data, tax obligations and taxpayer relations (Legal Representative).



TOPIC 1.3

Taxpayer identification data are those contained in our Databases, as they appear in the field "Origin of the Information"

Impuesto	Descripción	Fecha de Inicio	Fecha de Cierre
30	IMPUESTO AL VALOR AGREGADO	01/01/1993	
25	REGIMEN DE RETENCIÓN DEL IMPUESTO AL VALOR AGREGADO	17/02/2003	

- The officer continues to register the Taxpayer's Relations (Legal Representative) to be able to continue with the Taxpayer's Registry.

Cargos	Nacionalidad	Personalidad	Documento de Identidad	Sexo
REPRESENTANTE LEGAL	VENEZUELA	PERSONA NATURAL VENEZOLANO	3220927	FEMEMINO

- Once the registry of the legal representative has been completed, the corresponding data for the creation of the user password are inputted. As a final result of this action, the taxpayer is given the username and password, Fiscal Registry Certificate and Responsibility Agreement.

Portal Fiscal del SENIAT - Microsoft Internet Explorer

Archivo Edición Ver Favoritos Herramientas Ayuda

← Atrás → Búsqueda Favoritos Historial

Dirección <http://navana/oc4/seniatweb/registro/ultimaJuridico.jsp?idContribuyente=3156200>

Registro Portal Fiscal Jurídico

Contribuyente

Razón Social: WINCOR NIXDORF, C.A.
Rif: J002472820

Representante Legal

Razón Social: MARITZA ISABEL CAMPOS AVILA DE VIETRI
Rif: V032209277
Correo Electrónico: mcazorla@seniat.gov.ve

Datos Solicitados

Usuario: (Se sugiere el uso de una palabra que guarde relación con su nombre o el de su empresa, para que pueda ser recordada con facilidad, no use caracteres especiales ni números y tampoco deje espacios en blanco)

Pregunta: (Será necesaria para recuperar su clave en caso de pérdida)

Respuesta: (Será necesaria para recuperar su clave en caso de pérdida)

Inicio Banderas Portal Micros Portal 10:00 a.m.

Portal Fiscal del SENIAT - Microsoft Internet Explorer

Archivo Edición Ver Favoritos Herramientas Ayuda

← Atrás → Búsqueda Favoritos Historial

Dirección <http://navana/oc4/seniatweb/registro/ultimaJuridico.jsp?idContribuyente=3156200>

Representante Legal

Razón Social: MARITZA ISABEL CAMPOS AVILA DE VIETRI
Rif: V032209277
Correo Electrónico: mcazorla@seniat.gov.ve

Datos Solicitados

Usuario: (Se sugiere el uso de una palabra que guarde relación con su nombre o el de su empresa, para que pueda ser recordada con facilidad, no use caracteres especiales ni números y tampoco deje espacios en blanco)

Pregunta: (Será necesaria para recuperar su clave en caso de pérdida)

Respuesta: (Será necesaria para recuperar su clave en caso de pérdida)

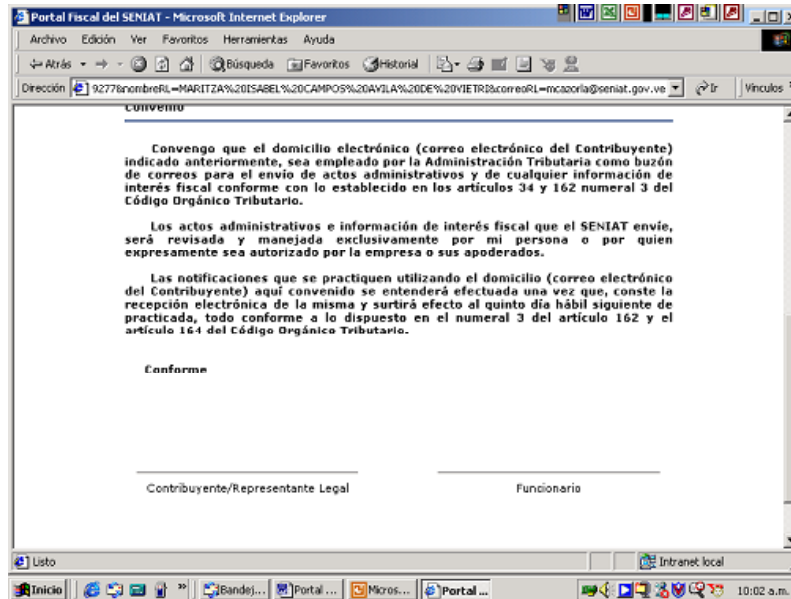
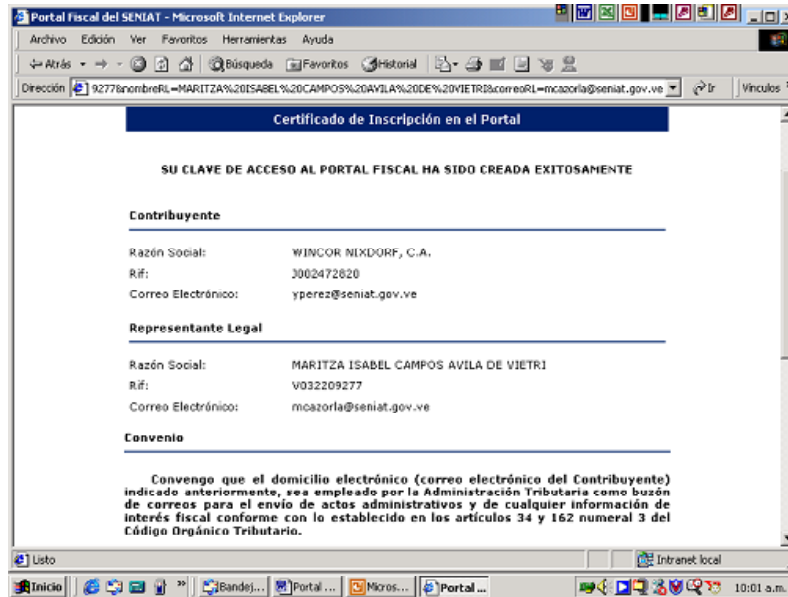
Correo Electrónico: [Cláusulas de Responsabilidad](#)

Atrás Registrar Salir

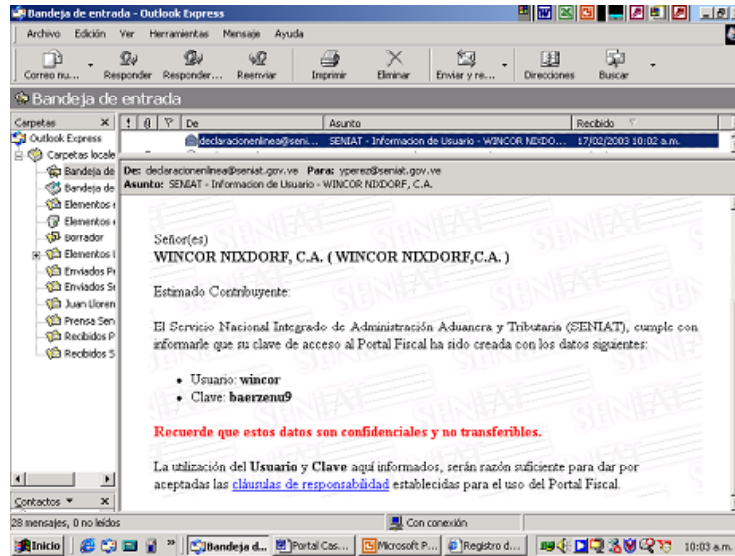
Inicio Banderas Portal Micros Portal 10:00 a.m.

TOPIC 1.3

- The system shows a message that confirms that the registry has been successfully processed and shows the agreement for the acceptance of the legal conditions for the use of the Fiscal Portal.

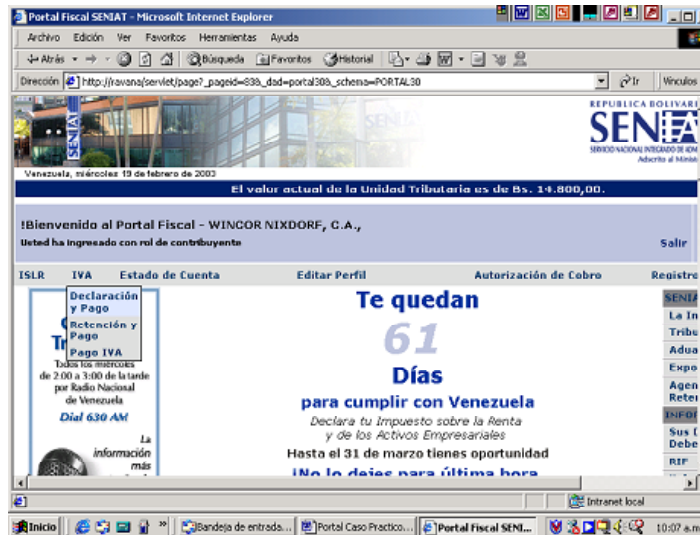


- The system automatically sends a message to the e-mail given by the user, where the Taxpayer's username and password are confirmed.



6.2 RETURN INQUIRIES AND UPDATES, WITHHOLDINGS AND TAXPAYER PAYMENTS

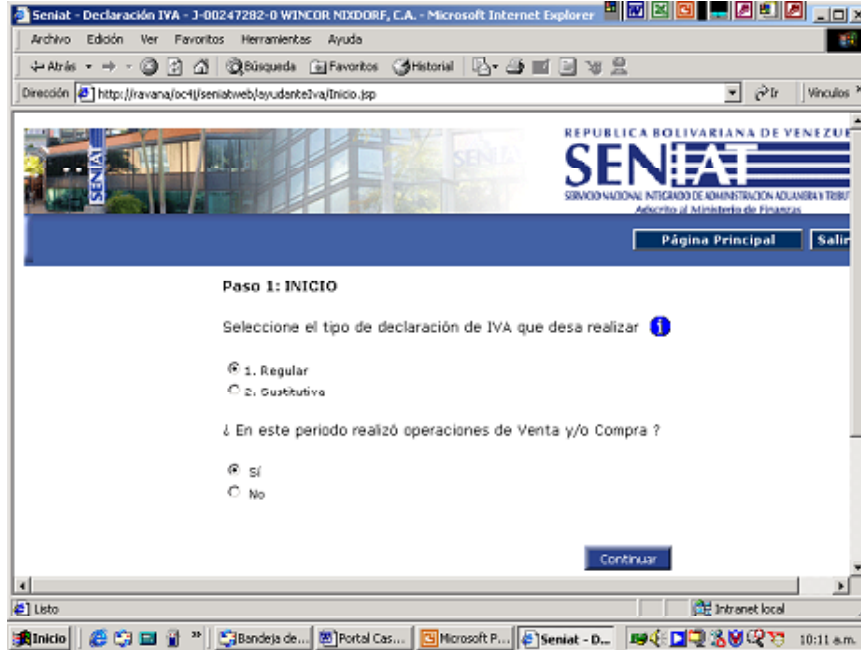
- The Taxpayer can enter into the Fiscal Portal with his username and password, where there appear options available to Special Taxpayers.



TOPIC 1.3

VAT RETURNS

Here the steps to follow are indicated in order to enable taxpayers to complete the Value Added Tax Return.



Seniat - Declaración IVA - J-00247282-0 WINCOR NIXDORF, C.A. - Microsoft Internet Explorer

Archivo Edición Ver Favoritos Herramientas Ayuda

← Atrás → Búsqueda Favoritos Historial

Dirección http://ravana/ocf/seniatweb/ayudanteIva/CreditosFiscales.jsp

Vinculos Home gratis Personalizar vinculos Windows

SENIA
SERVIDO NACIONAL INTEGRADO DE ADMINISTRACION ADUANERA Y TRIBUTARIA
Adscrito al Ministerio de Economía

Página Principal Ver Declaracion Salir

Declaración Paso 3: CREDITOS FISCALES *Periodo de Imposición 01/2002*

1. INICIO
2. DEBITOS FISCALES
3. CREDITOS FISCALES
4. AUTOLIQUIDACION
5. RESUMEN
6. DECLARACION
7. COMPROMISOS DE PAGO

- Compras No Gravadas y/o sin Derecho a Crédito Fiscal
- Compras Importación gravadas por Alícuota General
- Compras Importación gravadas por Alícuota General mas Adicional
- Compras Importación gravadas por Alícuota Reducida
- Compras Internas gravadas sólo por Alícuota General
- Compras Internas gravadas sólo por Alícuota General mas Adicional
- Compras Internas gravadas por Alícuota Reducida
- Excedentes Créditos Fiscales del mes Anterior
- Ajustes a los Créditos Fiscales de periodos anteriores

Atrás Paso 3 de 7 Próximo

Intranet local

Seniat - Declaración IVA - J-00247282-0 WINCOR NIXDORF, C.A. - Microsoft Internet Explorer

Archivo Edición Ver Favoritos Herramientas Ayuda

← Atrás → Búsqueda Favoritos Historial

Dirección http://ravana/ocf/seniatweb/ayudanteIva/Autoliquidacion.jsp

Vinculos Home gratis Personalizar vinculos Windows

SENIA
REPUBLICA BOLIVARIANA DE VENEZUELA
SERVIDO NACIONAL INTEGRADO DE ADMINISTRACION ADUANERA Y TRIBUTARIA
Adscrito al Ministerio de Economía

Página Principal Ver Declaracion Salir

Declaración Paso 4: AUTOLIQUIDACION *Periodo de Imposición 01/2002*

1. INICIO
2. DEBITOS FISCALES
3. CREDITOS FISCALES
4. AUTOLIQUIDACION
5. RESUMEN
6. DECLARACION
7. COMPROMISOS DE PAGO

- Cantidad de IVA retenido acumuladas pendientes de aplicar
- Si realizó Ventas donde le fue retenido el IVA, indique la cantidad retenido en el periodo
- Cantidad de IVA percibido acumulado pendiente por descontar (caso importaciones)
- Si realizó compras de importación donde le fue percibido el IVA, indique la cantidad percibida en el periodo
- Total Impuestos de Terceros. Percibidos por Agentes de Percepción
- Total Impuestos de Terceros. Retenidos como Agente Responsable de Impuesto

Atrás Paso 4 de 7 Próximo

Intranet local

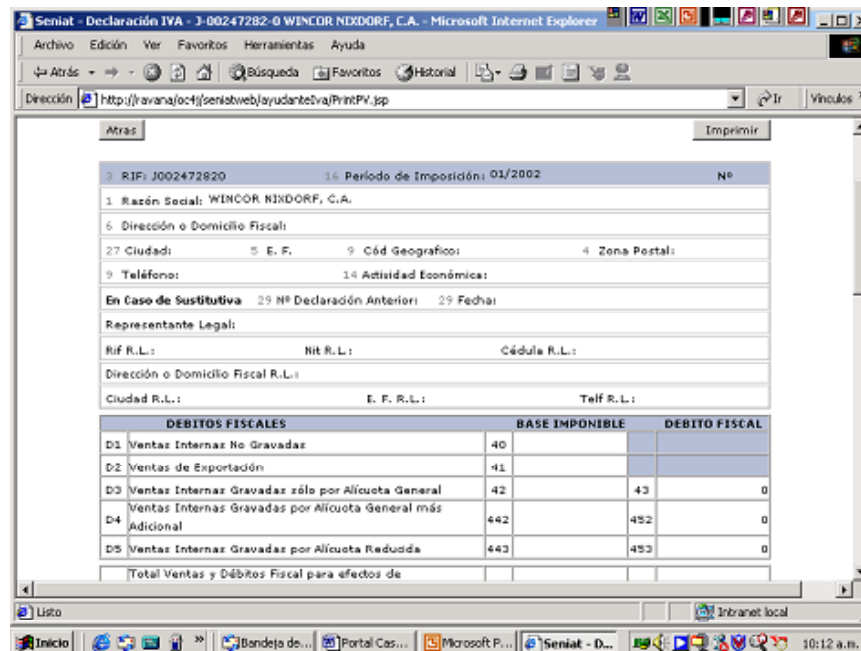
TOPIC 1.3

The screenshot shows a Microsoft Internet Explorer browser window with the title "Seniat - Declaración IVA - J-00247282-0 WINCOR NDXDORF, C.A. - Microsoft Internet Explorer". The address bar displays "http://travana/oc4/seniatweb/ayudanteiva/Resumen.jsp". The page header includes the SENIAT logo and the text "REPUBLICA BOLIVARIANA DE VENEZUELA SENIAT SERVICIO NACIONAL INTEGRADO DE ADMINISTRACIÓN ADUANERA Y TRIBUTARIA Adscrito al Ministerio de Finanzas". Navigation buttons for "Página Principal", "Ver Declaracion", and "Salir" are visible. A left sidebar lists the steps of the declaration process: 1. INICIO, 2. DEBITOS FISCALES, 3. CREDITOS FISCALES, 4. AUTOLIQUIDACION, 5. RESUMEN, 6. DECLARACION, and 7. COMPROMISOS DE PAGO. The main content area is titled "Paso 5: RESUMEN" for the "Periodo de Imposición 01/2002". It contains a list of items: "Total Impuesto a Pagar" and "Impuesto Pagado en Exceso no Compensado", with a value of "0" shown next to the second item. At the bottom of the main area are buttons for "Atrás", "Paso 5 de 7", and "Próximo". The status bar at the bottom shows "Listo" and "Intranet local".

The screenshot shows the same browser window as the previous image, but the address bar now displays "http://travana/oc4/seniatweb/ayudanteiva/Declaracion.jsp". The page header and navigation buttons remain the same. The left sidebar is identical. The main content area is titled "Paso 6: DECLARACION" for the "Periodo de Imposición 01/2002". It displays a confirmation message: "¿Está Seguro que Desea Registrar su Declaración?". Below the message are two buttons: "No" and "Sí". At the bottom of the main area are buttons for "Atrás" and "Paso 6 de 7". The status bar at the bottom shows "Listo" and "Intranet local".



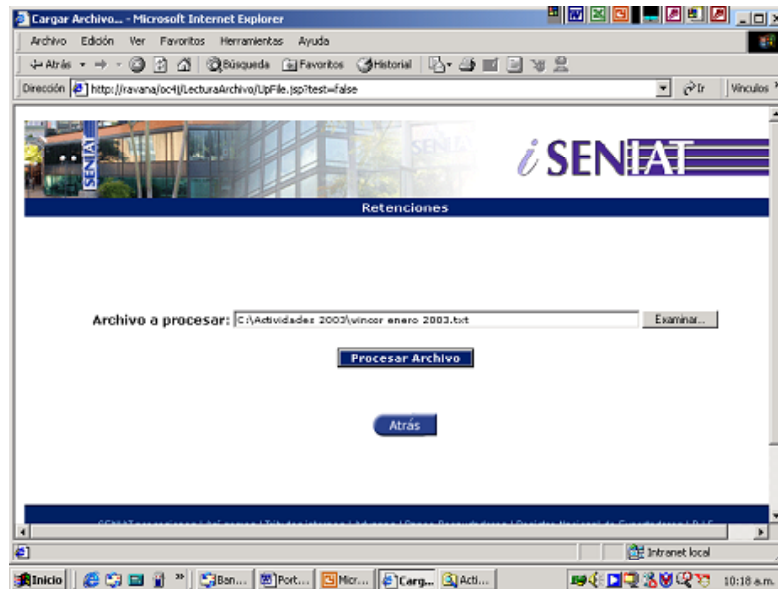
- It generates the printing of the return listing.



TOPIC 1.3

VAT WITHHOLDING AND PAYMENT, SPECIAL TAXPAYERS AS WITHHOLDING AGENTS

- The file name in text type (txt) to be processed is inputted.



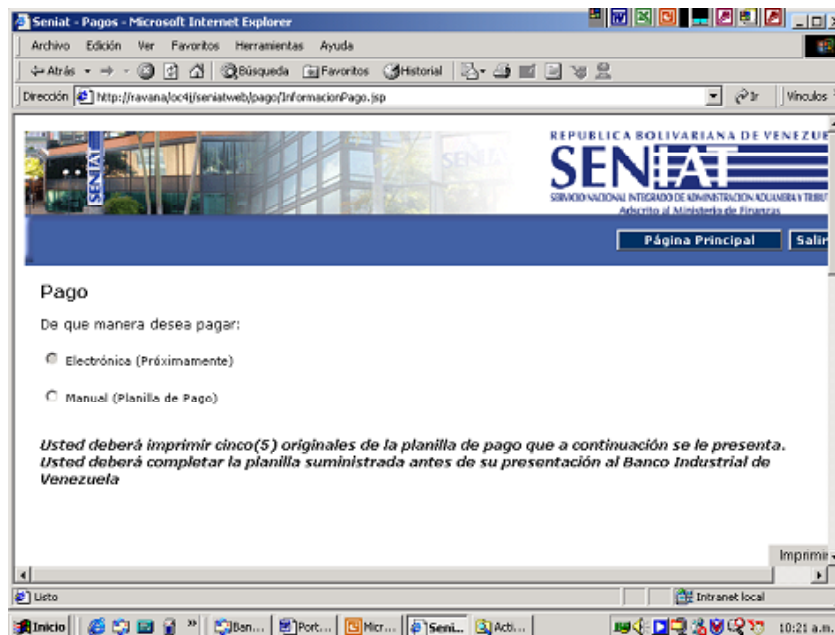
- It shows on the screen the results of the file validation and requests confirmation to perform the definite registry process.



- The taxpayer can select the definite validated and unprocessed returns files.



- Payment form is selected.



TOPIC 1.3

- The payment listing is printed and the same must be presented at the collecting bank, for manual payments.

SENIAT
 INSTITUTO VENEZOLANO DE RECUPERACIÓN FISCAL
 PARA ENTERAR RETENCIONES DE IVA EFECTUADAS POR AGENTES DE RETENCIONES

Nº 0390000359

FORMA: 99035
 PERIODO DE IMPOSICION: MES 01, AÑO 2003

NOMBRE O RAZÓN SOCIAL: WINCOR NIXDORF, C.A.
 N° DE RET: 3002472820

CÓDIGO Nº	DESCRIPCIÓN DEL CÓDIGO	MONTO EN Bs.
301040220	IMPUESTO AL VALOR AGREGADO SOBRE LA PRODUCCIÓN, DISTRIBUCIÓN Y VENTA DE BIENES Y SERVICIOS	8,329,208.69

CIUDAD O LUGAR: _____ FIRMA DEL PAGADOR: _____ FORMA DE PAGO: Efectivo Bs. / Cheque Gerencia Bs.

VALIDACIÓN TERMINAL DEL BANCO RECEPTOR

6.3. OTHER FACILITIES

- Inquire the Statement of Account.

SENIAT - Servicio Integrado de Administración Aduanera y Tributaria - Microsoft Internet Explorer

Dirección: http://navana/oc4/seniatweb/consultas/consultas.jsp

RIF 3002472820 NIT 0042364401 Contribuyente: WINCOR NIXDORF, C.A.

Impuesto	Monto	Administrador
AJUSTE INICIAL POR INFLACION	111609.58	Administrador
BINGOS Y CASINOS	(111609.58)	Administrador
DECLARACION ESTIMADA ISLR PERSONAS JURIDICAS	178733.26	Administrador
DECLARACION ESTIMADA ISLR PERSONAS NATURALES	(178733.26)	Administrador
IMPUESTO A LOS ACTIVOS EMPRESARIALES	508293.88	Administrador
IMPUESTO AL DEBITO BANCARIO	(508293.88)	Administrador
IMPUESTO AL VALOR AGREGADO	2765811.7199999997	Administrador
IMPUESTO AL VALOR AGREGADO A ENTES GUBERNAMENTALES	(2765811.7199999997)	Administrador
IMPUESTO AL VALOR AGREGADO SOBRE IMPORTACION DE BIENES Y SERVICIOS	1955059.1400000001	Administrador
IMPUESTO SOBRE LA RENTA A PERSONAS JURIDICAS	(1955059.1400000001)	Administrador
ADUANAS / 500 / ADUANA Pago	127338.82	Administrador
ADUANAS / 500 / ADUANA Declaracion Aduanas	(127338.82)	Administrador
ADUANAS / 500 / ADUANA Pago	14485951.89	Administrador
ADUANAS / 500 / ADUANA Declaracion Aduanas	(14485951.89)	Administrador
ADUANAS / 500 / ADUANA Pago	283484.74	Administrador
ADUANAS / 500 / ADUANA Declaracion Aduanas	(283484.74)	Administrador
ADUANAS / 500 / ADUANA Pago	8226228.58	Administrador
ADUANAS / 500 / ADUANA Declaracion Aduanas	(8226228.58)	Administrador

- Domicile Payment.



Mr. Francisco Urdaneta
 Manager of Information Technology
 National Customs and Tax Superintendent (SENIAT)
 Caracas, Venezuela
 E-Mail: furdanet@seniat.gov.ve

TOPIC 2

**PROMOTION OF PUBLIC ETHICS BY THE
TAX ADMINISTRATION**

Lecture

TOPIC 2

PROMOTION OF PUBLIC ETHICS BY THE TAX ADMINISTRATION

Bill McCloskey

Assistant Commissioner Policy & Legislation Branch
Canada Customs and Revenue Agency
(Canada)

*CONTENS: Introduction.- 1. What Are Ethics and Why Are They Important?.-
1.1 Definition.- 1.2 Why are ethics important?.- 1.2.1 Recent developments.-
1.2.2 Impact of corruption on national economies.- 1.2.3 Importance for
tax administrations.- 1.2.4 Factors that may lead to a lack of integrity in a
tax administration.- 2. Elements of an Ethical Infrastructure.-
2.1 Promoting ethics – a shared responsibility.- 2.2 Ethical infrastructure
for tax administrations.- 2.2.1 Political support and commitment.-
2.2.2 Introduce laws and apply them appropriately.- 2.2.3 Simple,
transparent, and efficient process.- 2.2.4 Protect confidentiality and privacy
of taxpayers.- 2.2.5 Knowledgeable, skilled and professional well-paid
workforce.- 2.2.6 Codes, policies and guidelines.- 2.2.7 Internal affairs.-
2.3 Taxpayers' perception of tax administration.- 2.3.1 Taxpayers' rights
and obligations.- 2.3.2 Fairness.- 2.3.3 Impartial, efficient redress system.-
2.3.4 Responsible enforcement.- 2.3.5 Accountability.- 3. What Other
International Organizations Are Doing.- 3.1 World Customs Organisation
(WCO).- 3.2 Organisation for Economic Co-operation and Development
(OECD).- 3.3 Organisation of American States (OAS).- 3.4 International
Chamber of Commerce (ICC).- 3.5 Donors/Financial institutions.-
4. What CIAT May Want to Consider Doing.- Conclusion.*

INTRODUCTION

This year's theme "Strategies and Instruments for increasing the effectiveness and efficiency of the tax administration", builds on CIAT's commitment to promote the principles embodied in the Charter-document: "Minimum Necessary Attributes for a Sound and Effective Tax Administration", adopted by CIAT member countries in 1996.

Over the last few years, CIAT members have identified three key guarantees necessary to ensure a modern and progressive tax administration, namely

- Guarantee the integrity and impartiality of a tax administration;
- Guarantee continuity of a sound tax administration; and
- Guarantee taxpayers' trust.

1. WHAT ARE ETHICS AND WHY ARE THEY IMPORTANT?

The topic I have been asked to address is very much at the forefront of national and international agendas, and so profoundly at the heart of all revenue administrations – *The Promotion of Public Ethics by Tax Administrations*".

No doubt the subject is one that raises a number of interesting and challenging questions. My presentation will focus on:

- the nature of ethics,
- why it is important,
- elements of an "ethics infrastructure",
- what other international organizations are doing, and
- what CIAT might want to consider doing.

I think we can all agree that opportunities exist in all revenue-collecting agencies to engage in corrupt practices, and moral issues, when raised, in whatever social, economic or political context, are always controversial.

1.1 Definition

What strikes me as most interesting is that "*ethics*" has now become a serious concern for people, whether they work for the Government or the private sector. Traditionally, the concept applied to individual behaviour, not to the behaviour of groups, let alone of a government body or a large corporation.

“*Public ethics*” is defined as “moral principles” or “rules of conduct” that govern behaviour in the public domain. Being “ethical” is doing what is morally correct, fair and honourable.

The definition does not seem to be the problem, and consensus can easily be reached. Developing, implementing and maintaining an “ethics culture” in an organization are the challenges that face us all.

To quote an academic in his analysis of anti-corruption strategies in Asia: “The government’s sincerity in wiping out corruption hinges not only in the formulation of anti-corruption measures. Rather its credibility lies in the actual implementation of such measures and their effects on the behaviour of civil servants and the society at large.

1.2 Why are Ethics important?

Ethics in public administration is a continuous and demanding process. Its success depends on the will of all levels of society. It is a fundamental condition of a democratic government. Countering corruption and promoting public ethics are critical components of sustaining economic development, and a prerequisite for making a successful transition to a market economy.

1.2.1 Recent developments

The scandals of large corporations such as Enron and Worldcom, just over a year ago, provoked a new interest in ‘corporate governance’. These scandals triggered a tremendous amount of focus on the problem of ‘corporate’ corruption and the failure, in some instances, of business people to recognize the global implications of these scandals. The collapse of financial markets was, in part, reflective of the impact of corporate governance on national economies.

The corporate recklessness shattered confidence in U.S business leadership, at home and abroad, and resulted in new legislation in many jurisdictions. Pressure continues to mount for Coos to stand up and be counted.

Building a strong ‘ethical culture’ in a company is no different than building a strong “ethical culture’ in a revenue administration. It demands work. It demands a combination of proper systems of control and accountability, it demands monitoring and example setting from the top.

TOPIC 2

It is not surprising that global interest has increased when one considers that:

- Corruption undermines attempts to put in place the infrastructure of good governance and to attract vital investments;
- A reputation for poor integrity closes the door to the creation of vital bilateral and multilateral partnerships which are essential to economic development; and it dissuades international donors to commit financial and technical assistance;
- A study to investigate empirically the impact of corruption on tax structure reveals that “a one-point increase in the corruption index reduces tax revenue collected by 2.7 percent of GDP;
- The regular practice of corruption has even greater consequences: eventually it destroys the indispensable confidence link between the citizens and the State. From a tax administration’s point of view it undermines the fundamental premise to support compliance and self-assessment.

I am certain you are all familiar with the work of Transparency International (TI), in the fight against corruption. Founded in 1993, TI is the only non-governmental organisation devoted solely to curbing corruption. TI issues an annual Corruption Perception Index (CPI), which draws on surveys from several independent institutions and reflects the ‘perceptions’ of business people, academics and country analysts.

In the *Global Corruption Report 2003’ recently released*, ‘corruption’ is defined as “the misuse of entrusted power for private gain. This definition includes public and private sector corruption, at both petty and grand levels.

“The corrupt are running out of places to hide”.

This is the message that runs through the Global Corruption Report 2003. The report also notes “the media and the public are increasingly calling businesses and politicians to account”.

When addressing the Global Forum on Fighting Corruption, held in May 2001, in The Hague, Dr. Eigen noted “the role of the private sector cannot be overlooked in the fight against corruption”.

“However described, corruption exacts a heavy toll on a nation’s political and economic development.” He went on to say : “while governments have a formal responsibility to reform national and international integrity systems, the private sector, as the engine of economic growth, has an important role to play in the fights against corruption. No anti-corruption campaign can be sustained against the opposition of the private sector”.

I will examine later what governments can do to tackle this problem.

I would first like to briefly examine the enormous impact of corruption on national economies.

1.2.2 Impact of corruption on national economies

While I do not wish to pre-empt the presentation of my colleagues from Mexico and Cuba, I must acknowledge that the cost of corruption on national economies is enormous. The World Bank reported recently that, in Africa alone, \$US80 billion dollars was lost as a result of corruption. A parliamentary committee in the Philippines recently reported the Government of the Philippines loses approximately US\$1.9 billion a year due to corruption.

Governments around the world are concerned about the impact of corruption on national economies.

For example, on January 31, 2003, the Home Office Minister, Lord Falconer, pledged government action to beat corruption, which he says “can create the conditions which distort competition and undermine democracy.” He reiterated the UK Government’s commitment to “combating corruption, which left unchecked, can cause considerable damage to all aspects of commercial and public activity and undermine transparent and democratic government.” He made the point that “Corruption – even corruption outside the realms of public institutions – must be an essential concern of Government. It is bad for business, and bad for the economy, both domestically and internationally”.

We can all agree with that.

As tax administrators, responsible for the collection of a large percentage of national revenues, the responsibility is on us to ensure that a government’s fair share of taxes are collected.

Our responsibility is enormous if we consider that taxes pay for education, health care, social assistance and all public goods and services that together enrich the quality of our lives.

1.2.3 Importance for tax administrations

There are few public agencies in which the classic pre-conditions for institutional corruption are so conveniently present as in revenue administrations. The potent mixture of administrative monopoly coupled with the exercise of wide discretion, particularly in a work environment that may lack proper systems of control and accountability, can easily lead to corruption. A revenue administration infected with corruption is going to be seriously dysfunctional, and the impact of the corruption will be felt throughout the country.

A recent study done by the World Bank notes : “As the often more visible and interactive public service delivered by government, the tax administration plays a key role in moulding the citizen’s perception of government’s “trustworthiness and integrity”, in order to remain competitive.

The effectiveness and efficiency of a tax administration in fulfilling its primary role is of paramount importance. This is particularly true in the current era of globalized economy where governments are confronted with deficit and debt reduction, combined with mounting pressure not to increase tax burden – and even to reduce it.

The government’s ability to fulfil this role is largely dependent on a variety of factors including: the state of the economy, the public’s support of the government’s priorities, its views of the legitimacy of the governing regime to govern, and the willingness of the citizens to comply with the rules of the tax system.

The citizens’ willingness to abide by the rules of the tax system is, to a large extent, affected by the public’s perception as to whether the system is fair, responsible and reliable.

A tax administration, while not necessarily responsible for the formulation of such policies, is responsible for putting in place the required checks and balances to ensure that these policies are carried out as formulated. Consequently, tax administrations play a very significant role in the ability of a government to govern effectively and to realise its social and economic goals. In many ways, the tax system is a form of social contract between governments and their citizens.

As you know, in many countries, tax laws are also used as a fiscal instrument to promote certain society objectives. For example:

- The encouragement of certain types of investment such as retirement savings, home ownership;
- Support for scientific research; and
- Income redistribution.

With the tax administration more involved in 'income support', the public's expectations take on a new meaning - the public begins to rely on the tax administration for their social and financial well-being.

1.2.4 Factors that may lead to a lack of integrity in a tax administration

There are a number of factors that may lead to a lack of integrity in the tax administration. These include:

- The administration of complex tax laws, many exemptions and special treatments, often tied into the administration of social and economic benefits.
- Legal basis for decisions frequently allows considerable scope of discretion.
- Frequent contacts between taxpayers and tax administrators are required to determine tax liability and to pay taxes.
- Weak and inadequate controls.
- Lack of accountability.
- Complex and bureaucratic procedures.
- Inadequate remuneration.
- Cultural norms.
- Lack of effective disciplinary measures and (in some countries).
- Lack of investment in and support for the tax administration.

I think we can all agree that the global economies and political systems are evolving far too quickly for us to take anything for granted. We all live in a world where we either improve or we fail.

As global trade continues to grow, governments around the world are under increasing pressure to encourage the free flow of goods, services, and investment between countries. Increasingly, private companies in CIAT countries, and elsewhere in the world, are competing for market share with businesses half a world away. At the same time, new challenges are emerging with the growth of electronic commerce, increased mobility of money, and greater accessibility of tax heavens. These challenges require innovative approaches to ensure that everyone understands and respects the laws and regulations.

These challenges require us to ensure the integrity of our tax administration.

One of the many challenges a large majority of CIAT members will be faced with, in the not too distant future, is the implementation of the hemispheric trade agreement by 2005. This could have a large impact on your national economies. As customs tariffs are reduced or eliminated, the importance of the tax base will increase dramatically. The focus will shift to us, as tax administrators, and how well we can guarantee the effectiveness of our tax administrations.

Businesses, for example, must be in a position to trust that the tax administration is not imposing unnecessary compliance burden, which is an important cost in a competitive world. The business community wants certainty of treatment and transparency in the way we do business. The business community is very good at taking its cue from what it perceives to be the current political, social and economic trends in the environment in which it operates. The importance of transparency, openness, professionalism and fairness cannot be underestimated. Revenue administrations that do not foster these principles will have a far harder time to attract legitimate business.

2. ELEMENTS OF AN ETHICAL INFRASTRUCTURE

2.1 Promoting ethics – a shared responsibility

Although governments have different cultural, political and administrative environments, all confront similar ethical challenges. As a result, their responses to 'ethics management' show common characteristics.

The media, civil society and the private sector are indispensable partners for government in this endeavour. The responsibility for promoting public ethics cannot be undertaken in isolation. Our efforts must be part of an overall government strategy to fight corruption. If corruption is rampant in a country, efforts by tax administrations to reform will be very difficult. Leadership is key in promoting an “ethical culture”.

This point is well illustrated in a recent Norwegian study on “*Fighting fiscal corruption: The case of the Tanzania Revenue Authority (TRA)*”.

The report states “by the mid-1990s, corruption in Tanzania was rampant in all sectors of the economy and politics. (URT, 1996). These issues were particularly pressing for the tax administration, given the need to raise more tax revenues, partly to mitigate corruption in other parts of public services”.

Four factors were identified as key to explaining the extent and types of corruption pervasive in the Tanzania tax administration, namely:

- Political intervention.
- High tax rates and complicated regulations.
- Poor pay and working conditions, and
- Low probability of detection and punishment for corruption.

To rectify this situation, and to provide incentives for less corruption, Tanzania introduced a major reform in 1996 with the formation of a new revenue authority – the Tanzania Revenue Authority (TRA).

Several significant measures would characterize this new Agency:

- The existing revenue department was moved out of the Ministry of Finance into a semi-autonomous Revenue Authority (to eliminate direct political influence and to raise salary of tax officials);
- To ensure “local ownership” to the reforms, efforts were made to fill board and executive management positions with Tanzanians;
- Drastic measures were put in place to break the “culture of corruption” in the administration – all former staff members were dismissed and had to re-apply for a position at the new TRA. More than one-third were rejected on suspicion of misconduct. (However, many of the dismissed people were attracted as “tax experts” in the private sector due to their inside knowledge of the workings of the system)

TOPIC 2

With these measures in place, improvements quickly followed, but lasted for only one year. Indeed, the study highlights four distinct phases associated with the reform:

Phase I – Prior to the reform - widespread and systemic corruption. Low tax revenues in percentage of GDP;

Phase II - As part of the reform - spotlight was on wage incentives, control, recruitment and steps to reduce political interference;

Phase III - Immediately after the reform, - lower corruption levels. Sharp annual growth in tax revenue;

Phase IV – Sometime after the reform - corruption back to previous levels and declining revenues.

Several lessons emerged from this reform:

- Corruption cannot be eliminated simply through systemic changes (such as increase in salaries and shifting organizational structures). It is very much a function of “attitude and culture within an organization” beginning with the most senior staff going to the most junior ranks;
- enhanced capacity at all levels of services and programs is instrumental in any change program;
- ongoing monitoring by those in charge of a reform program is key to ensure sustainability;
- A Tax administration’s efforts to reform must be an integral part of the government’s efforts to address corruption within the country and government as a whole;
- A necessary condition for a successful reform is the presence of political support and commitment to back them up.

Efforts by the Tanzania government to reform were well perceived by international donors. Future funding from international organizations such as the International Monetary Fund (IMF) and the World Bank largely depended on the country’s ability to eradicate corruption.

This trend is very common as demand for financial assistance increases. Financial institutions, donors, multilateral organisations, non-government organisations - have all agreed that promoting ethics and challenging corruption is instrumental to the broader goal of achieving a more effective, fair and efficient government. But “taking local ownership has become a key message”.

Financial institutions are united in their message: “Governments’ access to funding will largely depend on their willingness to institutional reform and good governance”.

Another good example of this is the establishment of the New Partnership for African Development (NEPAD). Africa has been high on the G8 leaders’ agenda since 2002. The focus of this new initiative, developed by African nationals, will be on strengthening institutions and governance. NEPAD was a response to a dilemma. African governments, faced with dwindling levels of development aid and worsening terms of trade, want more financial aid. The developed world, on the other hand, wants guarantees of stability and democracy from states that their home constituencies often perceive as corrupt.

NEPAD proposes that African countries promptly create conditions of good governance and sound economic management. In return, developed countries will build a new development relationship of increased aid, trade, debt relief and private investment with the African states that are successful.

It’s very simple – the plan proposes African nations take ownership, assume responsibility and accountability.

2. 2 Ethical infrastructure for tax administrations

It is clear that tax administrations’ efforts to develop an “ethical infrastructure, must not be done in isolation of the rest of the country. Efforts must complement the overall Government’s strategy to ensure political, social and economic stability of a country. A response by government must include: political support and commitment, a clear policy/legal framework; a well thought strategy, and leadership by senior management.

2.2.1 Political support and commitment

Without political support – initiatives to improve ethics in the public service will fall on barren ground. In order to deal effectively with corruption, at the outset, there must be a clear and unequivocal commitment from the Government to address the problem. This goes far beyond mere statements that corruption will not be tolerated to taking to task of Ministers who betray public trust.

A good example is the Final Declaration on “Defeating corruption through integrity, transparency and accountability” endorsed by Ministers and government representatives attending the United Nations Global Forum II on Corruption, in The Hague.

Ministers publicly acknowledged their “responsibility to adopt policies at reducing or eradicating corrupt practices at the national and international level”. Ministers also “welcomed the UN’s decision to begin the elaboration of an effective international legal instrument against corruption”. Negotiations for the UN Convention against Corruption have now begun, and should be completed by the end of 2003. This may well have implications for all of us.

Just as important is to ensure that there is no political interference in individual tax cases. Elected political figure should not get involved in the administration of an individual citizen’s tax affairs. All individual taxpayers should be free from partisan scrutiny of their affairs. For example, in Canada, the Minister may enquire to ensure taxpayers are treated fairly, but she will not be involved in the decision-making.

2.2.2 Introduce laws and apply them appropriately

Trust is reinforced in a tax administration by ensuring consistent, reliable and transparent application of tax laws and policies, accessible and dependable service, and consultation with taxpayers. The imposition of all taxes must have its basis in law. These laws should be publicly available when possible. Draft amendments to these laws, regulations, policies and procedures should also be released in advance for consultation and feedback. Every effort should be made to introduce legislation in a manner that allows clients and partners to prepare adequately for their implementation. Creating the “no surprise” regulatory environment is perhaps the single most important sign of a tax administration, which is laying a solid foundation of confidence with taxpayers.

2.2.3 Simple, transparent, and efficient process

It is the responsibility of the tax administration to put in place simple, easily understood systems and processes. There is a reason for this approach. Firstly, it makes it easier for taxpayers to comply, and secondly, it reduces the opportunities for corruption. Transparency and arm's length relationships between taxpayers and officials are key in reducing vulnerability to corruption.

2.2.4 Protect confidentiality and privacy of taxpayers

"Confidentiality" is a basic right of taxpayers. Taxpayers have every right to expect that personal and business information provided by taxpayers will be treated in strict confidence and used only for purposes allowed by the law. Tax administrations must ensure that taxpayers know why information is sought, how the information will be used, and what might happen if the taxpayer does not comply. The taxpayers must trust that the tax authorities will not intrude unnecessarily upon their privacy.

2.2.5 Knowledgeable, skilled and professional well-paid workforce

Taxpayers have the right to expect that officials in the tax administration have the knowledge, skills and support needed to work effectively in an environment that promotes and recognises exemplary performance. Skilled, knowledgeable and professional staff is essential. The entire organisation depends on it and the tax administration is judged from the outside on the competence of its staff.

The importance of a well-paid workforce cannot be overlooked. A government's ability to attract and retain a skilled, professional, and ethical workforce must expect to provide adequate remuneration and other benefits.

Other measures can be taken to develop and ensure an "ethical" workforce such as:

- introducing and applying corrective measures if there is misconduct;
- rotating of staff;
- Segregating of responsibility;

- strengthening the management cadre;
- providing training and development
- rewarding "people skills", and
- providing a progressive working environment.

2.2.6 Codes, Policies and Guidelines

In Canada, our approach has been to publicize organizational values with the expectation that employees will take ethical decisions based on these values.

We have developed a number of tools to assist in promoting ethical conduct.

A few examples include:

Code of Ethics and Conduct

The Code of Ethics and Conduct is an umbrella framework for CCRA policies that deal with ethical issue and conduct. The *Code* describes the expected standard of conduct in specific areas, such as disclosure of information, conflict of interest, confidentiality and disclosure of information, contact with the public, safety and health, financial matters, harassment and discrimination, off-duty conduct, political activity, etc. It describes possible disciplinary action if there is misconduct.

Gifts, Hospitality and Other Benefits Policy

The policy makes it clear that an employee must "decline any gifts, hospitality or other benefits that could influence his/her judgement or call into question the employees' integrity, or that of the CCRA, must be declined.

Conflict of Interest Code and Guidelines

Employees are asked to act in a way that is not damaging, or potentially damaging to the organisation. The Code asks employees to avoid situations that may lead to real or potential conflicts of interest, or that an independent third party would perceive to be a conflict of interest.

Electronic Networks Policy

The policy is clear - employees “may only use computer systems, software, equipment, networks, Internet, Intranet and email for authorized business purposes”, except for the limited personal use noted in the policy. Such personal use cannot affect productivity, it must comply with all CCRA policies and it cannot impose a storage burden on CCRA systems.

Discipline Policy

The purpose of discipline is to encourage ethical behaviour and good conduct, highlight that misconduct is unacceptable; correct any unacceptable behaviour and, in very serious cases, provide for termination of employment.

National and regional “awareness sessions

Training is offered to all employees in order for them to know what is expected of them and what the consequences will be if the rules are not followed.

2.2.7 Internal Affairs

Just as important is a system for internal monitoring. An Internal Affairs Division is an important body within a tax administration. It is responsible for the conduct of investigations of alleged or suspected employee misconduct including: fraudulent activities such as, theft of assets, revenues and seized goods, conflict of interest; unauthorized access and disclosure of information; misuse of IT systems; public complaints, etc.

To be effective, it must supplement the responsibility of management to monitor performance, to ensure that operational policies are being followed, and to verify that performance standards are being met.

2.3 Taxpayers' perception of tax administration

2.3.1 Taxpayers' Rights and Obligations

A tax administration must pay special attention to maintaining a balance between taxpayers' rights and the administration's ability to exercise authority.

Taxpayers' rights can be legally enshrined in the laws such as, the right to be presumed honest; the right to appeal; or the right to privacy and confidentiality. In addition, they can be 'softer' in nature such as, the right to courteous and considerate treatment; the right to service in an official language of choice; the right of every benefit the law allows; or, the right to impartial application of the law.

The tax administration has every right to expect the taxpayers to be honest, to provide timely and accurate information and to pay their fair share of taxes – no more no less.

2.3.2 Fairness

Many systems are based on self-assessment and voluntary compliance with "trust" as a key element in the process.

In this context, fairness means, first and foremost, that each of us pays his or her fair share, and that the tax administration will take every measure to ensure everyone is treated equitably. This also means in cases where inequity is present, the government will be held accountable to take action, including reviewing the law.

A major challenge for a tax administration is to find ways to be consistent and uniform in the application of the law while being sensitive to individual circumstances.

2.3.3 Impartial, efficient redress system

The taxpayer must trust that the tax administration will provide it with all avenues of redress to be heard impartially. This includes providing up-to-date information on the operation of the tax system, and the way in which their tax is assessed.

Taxpayers should be informed of their rights, including their right of appeal. An objection and appeal mechanism should be set up whereby clients are given the right to dispute a decision made or an amount assessed.

In Canada, a number of formal and informal avenues are available that allow taxpayers to challenge decisions and positions taken by the CCRA.

To ensure consistency in the administration of programs and policies that could have a significant impact on taxpayers and to mediate disputes that could arise, we often establish committees of internal experts. For example, Canada introduced a provision to respond to aggressive and inappropriate tax avoidance strategies.

After significant consultation with various interests groups, it was determined that a central committee of senior tax officials should examine the application of this provision. One objective was to ensure national consistency in its application.

Prior to recourse to the Canadian court system, the taxpayer has the opportunity for an independent review of the facts and or interpretation of the law with our Appeals function. While the Appeals Branch is part of the CCRA, we have taken great steps to ensure its autonomy.

We also have an additional way to avoid the need for redress. Through an advanced rulings program, taxpayers can obtain a ruling, legally binding on us and them, on tax implications which may arise from a complicated transactions. As an example, advanced rulings are obtained to facilitate corporate mergers and acquisitions, or in estate planning by high-income individuals. As long as all the elements of the planned transaction are disclosed, the ruling by the CCRA assures the taxpayer that no unforeseen tax liabilities will arise from the transaction.

If the taxpayer did not obtain a ruling, or if the dispute was not settled through the informal dispute resolution procedures, taxpayers appeal the decision of the CCRA to the Tax Court of Canada.

Both the government and the taxpayer have the right to appeal decisions of the Tax Court to the Federal Court of appeal. A final appeal can be taken to the Supreme Court of Canada.

2.3.4 Responsible enforcement

The tax administration's goal should be to deliver fair, responsible and effective enforcement programs – programs that are based on partnerships and trust.

Responsible enforcement is a strategy of graduated response based on the seriousness of the non-compliance issue. In the most serious cases, we undertake a comprehensive program of tax evasion and fraud identification. The results of these actions can lead to penalties and legal actions.

2.3.5 Accountability

Strong accountability systems are some of the key components of good governance, particularly in controlling corruption. The government of the day, and in Canada's case, the minister responsible for tax administration, must be – and be seen to be – answerable and accountable for the just and competent functioning of the tax system. Effective oversight provisions, responsive redress mechanisms, and functioning political accountability are necessary ingredient for public support.

Within the tax administration we cannot operate in a true partnership with our clients and stakeholders without accountability. This can be achieved through periodic reporting of actions, initiatives, performance and expenditures to the legislators and the public. This forthright disclosure of operations serves not only to ensure public accountability, with its risks, but also to institutionalize confidence.

A tax administration, while not necessarily responsible for the formulation of such policies, is responsible for putting in place the required checks and balances to ensure that these policies are carried out as formulated.

In Canada, the principle of accountability is further buttressed by the role that the Auditor General plays in ensuring a just and functionally effective tax administration system.

Parliament, the government and the public service are the recipients of public funds entrusted to them for delivering programs and services to benefit Canadians. We believe that an important element of tax compliance is directly related to the confidence and belief that people have that public funds are spent wisely and effectively. There must be value for money spent, and public monies should not be spent without the necessary authority.

To ensure that this spending is carried out properly, the Auditor General conducts independent audits of federal government operations. These audits provide members of Parliament with objective information to help them examine the government's activities and hold it to account for its stewardship of public funds.

3. WHAT OTHER INTERNATIONAL ORGANIZATIONS ARE DOING

In recent years, many anti-corruption initiatives have taken place in many international fora, international financial institutions and non-governmental private sector organisations, including the, the OAS, the OECD, the World Customs Organisation (WCO), Transparency International (TI), the Canadian International Development Agency (CIDA), the Inter-American Development Bank (IADB), the World Bank, the International Monetary Fund and the International Chamber of Commerce.

Many of these initiatives are of direct interest to us as revenue administrators.

While I cannot examine all of the international integrity initiatives and anti-corruption instruments currently in place, I think it is important to highlight a few.

3.1 World Customs Organisation (WCO)

The World Customs Organisation (WCO) has been a leader in the fight against corruption, having placed the issue of integrity on its agenda over a decade ago. The 1993 Arusha Declaration endorsed twelve (12) specific elements that are designed to prevent corruption and increase the level of integrity in member

administrations. The WCO has developed a number of tools and approaches to assist member administrations in taking practical steps to build integrity and combat corruption. Some of these tools include:

- the development of an *Integrity Self-Assessment Guide*, which assist administrations to examine their own systems and procedures and identify areas for improvement;
- Developed and piloted an *Integrity Workshop* to assist member administrations to design and implement national integrity action plans based on their own needs and unique operating environments;
- Drafted a *Model Code of Ethics and Conduct*, which can be used by customs administrations to develop an appropriate code of conduct or alternatively, to review and upgrade an existing code; and
- Established an *Integrity Resource Centre* that is designed to provide members with access to a wide range of integrity-related information and resource material.

The WCO has also been advocating that the most effective and productive way to address the issue of monitoring national integrity approaches is via a system of self-assessment, sharing of best practices, and eventually, through a voluntary process of peer review. The process proposed by the WCO is based on the principles of the Arusha Declaration and will be non-prescriptive in nature.

We may very well wish to consider some of these tools for CIAT.

3.2 Organisation for Economic Co-operation and Development (OECD)

Since 1989, the OECD has played a leading role in the battle against international bribery and corruption. These efforts gathered momentum in 1999 with the entry into force of *The Convention on Combating Bribery of Foreign Public Officials in International Business*.

The Convention obliges States Parties to establish as a criminal offence, in their own national legislation, the offence of bribery of foreign public officials in international business transactions.

One of the interesting elements of the Convention is that it provides for a systematic follow-up mechanism to monitor and promote the full implementation of the Convention. The process is based on a self-assessment and mutual evaluation. The process is two-phased. Phase 1 is design to assess whether the legislation conforms to the standard set by the Convention. Phase 2 involves the study and assessment of the structures put into place to enforce national laws, and the application of the laws and rules in practice.

The OECD member countries recognize that a successful anti-corruption strategy must involve the concerted action of many diverse players, including non-members. To this end, the OECD Committee on Fiscal Affairs has a comprehensive program of co-operation to help countries implement fiscal instruments to promote an investment climate to protect and diversify their revenue base.

3.3 Organisation of American States (OAS)

With thirty-four participating member States, the OAS describes itself as the “premier of political forum in the Americas for multilateral dialogue and action”. The OAS promotes, among other things, democracy, human rights, free trade, and peace and security. In addition, it seeks to address problems caused by corruption.

The Inter-American Convention against Corruption entered into force on March 6, 1997. It was a landmark treaty – the first international anti-corruption convention. It includes preventive measures, as well as criminal measures, and includes a provision on transnational bribery.

3.4 International Chamber of Commerce (ICC)

“It takes two to tango” goes the saying. The business community through the International Chamber of Commerce (ICC) recognizes this situation. The ICC groups thousands of companies of every size in over 130 countries worldwide. The ICC adopted in 1996 “Rules of Conduct to combat extortion and bribery” and, in 1999, a manual of best corporate practices to accompany the Rules and to provide guidance for compliance with the OECD Convention on Bribery of Foreign Officials in International Transactions.

3.5 Donors/Financial institutions

The topic of anti-corruption has recently generated substantial interest and support from the highest level of the World Bank, the IMF, the Inter-American Development Bank (IADB), the Canadian International Development Agency (CIDA), and the international community, in general. All have recognized the importance and necessity of “ownership” in developing a national strategy for building integrity.

Good governance, institutional reform, and capacity building, are now considered prerequisites for all future assistance provided by donors and financial institutions.

4. WHAT CIAT MAY WANT TO CONSIDER DOING

The importance of international co-operation, sharing best practices, and in developing international “partnerships”, bilaterally or multilaterally, is key if we wish to address the problem of safeguarding integrity in the tax administrations.

CIAT may wish to consider how it can best assist its members to develop their own integrity programmes. Building on some of the experience of other international organisations, we could, for example, give consideration to the following:

- The development a Model Code of conduct and Discipline;
- The development of a self-assessment guide for tax administrations;
- The development and adoption of a “Declaration on integrity in tax administrations (much like the Arusha Declaration for Customs).

CONCLUSION

I would like to emphasize three *caveats* that you should apply to what I have said this morning.

First, the Canadian experience is valid only within the Canadian political context. Our solutions may not work in others jurisdictions having different political, legal, economic and social frameworks. Yet, the basic and fundamental premises for Public Ethics by tax administrators remain the same. **Second**, we do not presume to know all the answers. **Third**, what works today may not work tomorrow – we cannot rest on our laurels.

In closing, it is important to acknowledge that within an increasingly integrated regional economy (FTAA), it is important that we have confidence in each other's tax administrations. There will be increasing needs and opportunities for exchange of tax information and cooperative efforts in joint investigations.

I can assure you that we at the CCRA find gatherings such as this CIAT General Assembly to be tremendously rewarding. Meetings such as this one convince me more and more of the responsibility that we have as tax administrators.

I would like to thank you for your attention to this presentation. I look forward to your comments and questions over the next few days as we look at the challenges that lie before us, collectively and individually.

Mr. William McCloskey
Assistant Commissioner Policy & Legislation Branch
Canada Customs and Revenue Agency
Ottawa, Ontario, Canada
Email: William.McCloskey@ccra-adrc.gc.ca

Case study

TOPIC 2.1

COMBATING CORRUPTION AND ILLEGAL PRACTICES IN THE TAX ADMINISTRATION

Isabel Roque

Internal Control Director

Tax Administration National Bureau - ONAT
(Cuba)

CONTENTS: Introduction.- I. Basis of the Cuban Tax Administration Management. I.1 General tax reform.- I.2 Tax administration reform.- I.3 Characterization of the Tax Administration National Bureau (ONAT).- I.4 Results of the general tax reform.- II. The Enhancement of the Internal Operation of the Tax Administration as a Preventive Strategy in the Fight Against Corruption and the Practice of Illegalities.- II.1 The assistance model and relationship with taxpayers.- II.2 Control system of tax obligations.- II.3 Electronic data processing of procedures.- II.4 Efficient management of human resources.- II.5 Internal control and supervision system of administrative performance.- III. The Fight Against Corruption and Illegality in Tax Administration and Social Controls of its Management.- Conclusions.

INTRODUCTION

In the beginnings of the 21st century modern societies are being affected by big changes, highlighting amongst others, globalization, technologic revolution, democratization of societies and strengthening of Tributary States, in other words the strengthening of the tax role in the financing of state activities.

TOPIC 2.1

Tax administrations in these new scenarios have identified new opportunities to increase effectiveness and efficiency of its administrations, but at the same time confronts important challenges. One of these challenges is the fight against corruption and illegalities performed by officers of the Tax Administration that build up society's confidence in impartiality, integrity and transparency of the tax administration.

Corruption not only attacks ethical principles, Tax Administration efficiency and its image, but also represents important direct losses of collection of taxes and the difficulty of the promotion of voluntary compliance as a principal strategy of the relationship with tax payers. This means the contraposition of the individuals' interest with the sacred principle of all public officer of giving an integral service to society, being expressed by inadequate use of public power for personal gains.

Corruption is a multifunction phenomenon that has legal, social, political, ethical and economic incidence. This is why its confrontation should be based in a wide focus of prevention, education and correction.

In the core of a Tax Administration, it is demonstrated through external factors or by internal conditions. Corruption may be produced by an officer's tendency to commit such acts, the opportunities that are presented to him and by the risk he estimates of being discovered and sanctioned.

The external factor could be manifested, amongst other causes due to a high tax load or an unequal distribution of the load could stimulate taxpayers to evade and to the increase of trying to corrupt the administration so as to diminish the tax pressure.

In relation to the internal behavior, corruption as well as the commission of illegal acts, present different situations in reference to people involved and their grade of implication, in many cases beyond the taxpayer-officer relationship. In this sense the measures applied to the fight against corruption related to prevention, education, investigation and correction must embrace the universe of people involved.

A successful fight against corruption must take into account the environment in which the Tax Administration is developed and the tributary system that is applied. The encouragement of ethical values of the Tax Administration is very important in the prevention and fight

against corruption. Together with the strengthening of the integrity, through an educative process, it is necessary to establish a system of internal control of administration and auditing of procedures, as well as to develop mechanisms of reports of the Administration towards society.

I. BASIS OF THE CUBAN TAX ADMINISTRATION MANAGEMENT

I.1 General Tax Reform

The Cuban society in the mid 90's was witness to a deep tax reform which removed the taxation foundations from our economy.

The continuation of this reform is framed in an economic and social general strategy that the country adopted to confront the shocks of the economic crisis which occurred in the late 80's, originated by the negative impact of external factors of great change and to guarantee the reinsertion of the Cuban economy in the circuits of the world economy.

The Cuban Parliament, in an extraordinary session celebrated on May 1 and 2, 1994, agreed to recommend the Government the adoption of measures tending to financial recovery, so as to create the necessary conditions for the stabilization and recovery of the economy.

Between the measures taken into account it was considered the gradual implementation of a new tax system, which took into account the essential elements of social justice so as to protect the population with low income, stimulate work and production, and contribute to the reduction of the excess of currency liquidity.

This tax system established by Law 73 "of the Tax System" appears under the financial recovery program where it was essential to achieve equilibrium of the tax accounts. It is necessary to highlight that in 1993 the tax deficit represented 33% of the Gross National Product. In this sense to achieve the income sufficiency was one of the main imperatives of this policy, in regards to the tax discipline principle adopted.

TOPIC 2.1

In addition, in these decisions other structural and institutional motivations were present that made necessary the tax change. Amongst them are:

- Reorganize and update the revenue system according to the changes that were being introduced in the economy, affected by a complex and diverse scene, in which different forms of property interacted.
- Convert the tax system in an active element of management so as to reach the required social and economic goals, in a new scheme of economic management and planning.
- Better exploiting of existent taxation bases, starting from generic criteria and equality regarding their enforcement, given the structural incapacity of the previous model of ensuring the necessary revenue, which additionally had a negative aspect that provided different tax treatment before the same economic fact.

As a critical success factor of this tax reform, a legitimate social acceptance of this new tax reality was identified, in this sense the starting point was a global design coherent with the Cuban social project, which had the following characteristics:

- Adoption of a new tax policy and structure that guarantees the equal distribution of a sufficient tax load, in accordance with social justice principles established in the country, with a simple legal order, to facilitate its application and that will establish an adequate equilibrium between the duties and rights of individuals of tax obligations and the Tax Administration.
- Strict and efficient use of all collected income, so as to improve economic and social welfare of the country, in other words health systems, education and other free social services, with universal and national coverage.
- Design of a Tax Administration that is strong, efficient and with a genuine focus of service towards the citizen that guarantees the transparent, impartial and whole application of the tax legislation.

I.2 Tax Administration Reform

So as to achieve the right application of the new tax policy the following guidelines were defined:

- Design a new model of Tax Administration and complete the tax procedures, sustained viewing in the future of constituting a modern tax administration acknowledged by the society.
- Develop taxpayer service systems and promote the creation of the tax culture.
- Strengthen the system so as to control the compliance of tax obligations and the execution of identified tax debts.
- Modernize administration systems of basic and backup functions.

Agreement No.2819 of the Ministers Counsel of the Cuban Republic dated November 1995, approved the creation of the National Tax Administration Bureau, ONAT, Entity in charge of the collection, control and supervision of taxes (except rates) and State non taxed income, with federal authority and hierarchically subordinated to the Ministry of Finance and Prices. This decision of the government is later validated by the Parliament through Decree Law 169 “General Regulations and Tax Procedures” of January 1997.

The above-mentioned dispositions reflect the political will of forming a reliable Tax Administration that functions adequately, as a basic condition for a strong economic development.

*The defined mission of the Bureau is:
“Provide a quality service to society for the
compliance of tax responsibilities, according to
the law”.*

Another important organizational element defined in this reform is the institutional values. The value system reflects the philosophy and way of perceiving reality that conditions our way of acting, and has as a goal to try to integrate individuals and sustain the successful performance of an organization.

TOPIC 2.1

The values considered in the Bureau are integrity, professionalism, respect and rendering of an efficient, timely and qualified service. They are also considered values reasonability and efficiency in the use of resources, participation, commitment and loyalty of officers, with the organization and discretion in the management of the information of taxpayers.

The service in the Cuban Tax Administration is focused towards:

- Promoting public interest assumes impartial, fair and quality performances. The essential strategies to guarantee management transparency are based in the effective promotion of willing compliance by taxpayers and in this way the establishment of stable and fluid relations that guarantee society's trustfulness in the administration.
- Fight improper behavior of officers.
- Establish close collaboration links with society and other state institutions in the tax procedure and design a permanent system of reporting, before them, in all organizational levels, as a mechanism that generates feedback, transparency and development.
- Achieve transparency in the administration, through fighting administrative corruption, which is centered in working with the individual, its values and conscience, in a social context that does not approve this corruptive behavior, working with preventive actions, systematic, and of internal control and supervision, with the support of TI and procedural tools.

These basis are clearly established in the mission and vision of the organization and in its system of institutional values, that have been negotiated and approved by the group of work of the Tax Administration and in this way they constitute rules for the design of strategic and operational programs of the administrative procedure and in any event constitute the essential criteria to evaluate the performance of the organization. The main motivation and expected results of our administration are to achieve the recognition of society.

I.3 Characterization of the Tax Administration National Bureau (ONAT)

The Bureau is divided in three levels: the Central Bureau highest organ of management and control, 14 Provincial Bureaus with the capacity of supervising, assessing and coordinating the work of 169 Municipal bureaus, the latter with executive functions. Concerning our administration, the organizational structure is articulated in a functional focus with elements of focusing on clients.

The Bureau has a relative autonomy, being subordinated to the Ministry of Finance and Prices, and handles its expense budget independently, in order to carry out the identified operation and development programs.

On the other hand, it has autonomy in the management of Human Resources and Materials, and in the choice of its objectives, reporting of its management to the executive and legislative power and the superior supervising entity.

So as to complete the structure of the Bureau and show its dimension, in the following table you can see some of its indicators:

Dimension indicators of the Cuban Tax Administration

-	Number of inhabitants	(MMH)	11.2
-	Territory	(km ²)	110,860
-	Total of tax collection *	(MMP)	12,296
-	GNP	(%)	36
-	Amount of Officers	(u)	2,828
-	Amount of Bureaus (executive)	(u)	184
-	Amount of obligations to control	(u)	78
-	Amount of taxpayers	(u)	461,627
-	Volume of operations processed	(MMU)	4.5
-	Collection by employee	(MMP)	4.3
-	Taxpayers for each Bureau	(u)	2,522
-	Expenditure of the bureau to collect 1 million pesos.	(p)	1,098

*Tax collection without contributions to social security of 2002.

It is necessary to highlight that the load of total income is high in the case of Cuba, which is explained by the comprehensive coverage of social costs in our country that includes free health and education systems and with Universal coverage.

Concerning the density of units or bureaus of tax service by measure unit of territory and population we can confirm that a high range of coverage is guaranteed. This responds to a mainly decentralized scheme of the tax management in the country, which demands to keep a uniform treatment and the development of powerful systems of internal communication and supervision to the base units.

In the design of the Tax Administration the starting point was that Cuba is a united state and there exists a normative centralization, for which local governments do not count with tax jurisdiction. In this scheme ONAT has federal and state authority and collects all tax and non-tax income, except rates and fines for breaches.

This granted competence initiates itself in the validation in a non-centralized scheme of control essentially mounted, in the existing political administrative division, based upon provinces and municipalities.

I.4 Results of the General Tax Reform

Until now the development of the tax reform has had a considerable impact in the success of the adjustment, stabilization and economic recuperation program in our country.

In the Public Audience organized by the Economic Commission of the Cuban Parliament the following main results were validated:

1. A sustained growth is observed in the income collection to the States budget. Only so as to mention a figure, in the period 1996-2002 the collection increased 32%.
2. The constant revenue increase, together with rationality policies in the budget expenditure, has allowed an increase of the social expenses, the creation of reserves of stabilization of the economy maintaining the fiscal deficit within acceptable ranges and stable. The fiscal deficit reduced from 33.5% of GNP in 1993 to indexes of less than 3% since 1996.

3. Another interesting result is that a structural change took place in the State's way of financing, at this moment tax income represents 76% of total revenue to the State's Budget.
4. A strong process to recover tax discipline was carried out. In 2002 the payment discipline in the voluntary period of companies was of 97.3% and for natural person 95.9%.
5. Another relevant result has been the gradual incorporation of taxpayers.

We may conclude that the tax reform process in Cuba has achieved in a general way with the goals that inspired it constituting a factor of the economic recovery of the country and the development of the social programs.

II. THE ENHANCEMENT OF THE INTERNAL OPERATION OF THE TAX ADMINISTRATION AS A PREVENTIVE STRATEGY IN THE FIGHT AGAINST CORRUPTION AND THE PRACTICE OF ILLEGALITIES

The Cuban Tax Administration has developed a package of initiatives to improve the effectiveness and efficiency of its internal operation and promote the transparency of its actions. One may highlight among these strategies:

- Enunciation of an information model, assistance to and relationship with the taxpayers, based on a concept of public service with quality.
- Establishment of an efficient system of control and follow-up of complying with the tax obligations, prioritizing the utilization of systems motivated and automated of selection of taxpayers to be reviewed.
- Computerization of all the work processes and overall the increase in the use of the new information technologies.

- Implementation of integrated systems of internal control and supervision that prioritize self-control, the work of prevention and empower the manageability of the institution, and the permanent surveillance of the administrative acts, to avoid and detect the occurrence of illegalities and corruption acts.
- Development of a modern management of human resources based on competence with personnel and an administrative career.
- The use of management systems based on strategic planning, management by objectives and values, and the development of knowledge management.

We cannot speak of an efficient system of facing up to corruption and illegalities, unless we commence with a global planning of an adequate internal operation which covers the phases of prevention, detection and sanction of corrupt and illegal acts within the Tax Administration. Looked at in this manner, the establishment of the prior systems reduces the inherent risks of tax procedures and creates conditions for its operation in an efficient and healthy way.

In the following section we will analyze some of these systems related to the matter under discussion.

II.1 The Assistance Model and Relationship with Taxpayers

The essential operating strategy of the Tax Administration has been to favor the acceptance of the tax system and increase the voluntary compliance with tax obligations. To achieve this objective, we have structured two essential groups of actions directed to facilitating and supporting the compliance with tax obligations.

These policies are not only directed at increasing the quality of the administrative management, but are used as a preventive mechanism of lack of compliance with tax obligations. Also the Tax Administration wishes to generate a perception in the taxpayers that they are treated with respect and dignity, and matters they should attend are complied with relative ease. In this manner the confidence in the efficiency and transparency of actions is strengthened.

In the area of education, information and assistance of taxpayers a group of actions has been developed in the following manner:

- Achievement of equilibrium between taxpayer's rights and duties.
- Strengthening of the civic education.
- Execution of the plans of integral supply of information.
- Creation of a system of facilitating payment.
- Designing help programs for compliance.
- Diversifying the roads of access of the taxpayers to the Tax Administration.
- Execution of programs to simplify forms and procedures.
- Establishment of a system to record, analyze and solve matters submitted by the taxpayers.
- Carrying out of programs of positive support with those who comply.

Rights and guarantees of taxpayers

Under Decree Law No. 169 "General Rules and Tax Procedures", the rights and duties of taxpayers and the rights and obligations of the administration were described precisely, which is essential to be able to carry out in tax legislation the essential juridical principles: equality in taxation and juridical security and certainty.

The Tax Administration regulated the rights and guarantees of taxpayers included in the above mentioned Decree-Law 169 and prepared a letter where they are listed and explained descriptively, which was sent to all registered taxpayers. Also, in each of the Bureaus which receive taxpayers, a chart with this information is available. This allows the taxpayer to know his rights and to make use of them, limiting any practice of extortion which might be carried out by unscrupulous officers.

The civic education and the development of the culture of contributing

The obligation to pay taxes represents one of the relevant relationships which is established between the State and the citizen and is a part of his social behavior and culture of living together. Consequently, adequate tax compliance represents an indispensable structural element in order to have long-term sustained economic and social growth.

In this framework, the civic education of all citizens and specifically of the new generations of taxpayers is vital to guarantee the acceptance and compliance of the taxes that arise from applying a tax system and eliminating corruption practices to avoid paying taxes.

In this way, the efforts have been concentrated on working jointly with the organs of education of change, in the design and distribution of materials related to taxation at the basic and superior level of education of the country.

An important initiative has been the creation of Circles of Tax Interest and the development of a group of educational games for kids and youths that help to fix concepts in this area.

The plans of integral information

An important factor to guarantee the voluntary compliance is that the taxpayer should know, in addition to other information, his / her obligations, where and how he / she must comply with them. This is of special relevance due to the complexity and variability of the tax legislation.

The information strategy of the Bureau has been set in the following directions:

1. Use of a system of means and instruments of communication and information with criteria of harmonic combination.
2. In these moments we are working so that the information, by sectors and aimed at specific groups of taxpayers, constitutes the main weight of circulation actions, and the creation of families of information instruments for each group.

Facilitating payment

Another important measure taken is the creation of facilities of payment. In this case negotiations with the banking system have been carried out to guarantee increased dexterity in payment receipt and the offer of a package of electronic services related to the act of payment.

In the work with individual people, which are the most numerous and geographically dispersed, initiatives have been created and applied such as the preprinting of payment documents, the creation of an independent individual of work such as the tax collector.

They have worked with the payment address through the banking network, which consists of the opening of bank accounts and the automatic discount through them of fixed amounts, as payments on account or periodic obligations under a voluntary principle of the taxpayer or with the requirement of a guarantee for the Tax Administration.

The assistance programs for the preparation of tax returns and alerting the taxpayer when obligations fall due

Regarding assistance programs, free diskettes have been distributed, including installed programs for the preparation of Income Tax Returns and the Tax on Personal Revenue, thereby limiting the dependency of the taxpayer to contact directly the Tax Administration. These programs also allow the electronic transmission of the information to the Tax Administration.

An electronic data processing system installed for free which allows one to be alerted when different due tax payments fall was created.

The active assistance programs

At this time we are developing active assistance programs. The assistance procedures defined normally commence from a focus, which centers on the taxpayers the initiative of searching and obtaining the information.

The programs of active assistance have been defined as the group of actions taken of a preventive and educative character by which the Tax Administration evaluates, plans and executes actions for its intentional approach to specific taxpayers or a group of them, with intent of improving their social conduct in any enclosure of action.

These programs consist of various steps such as: diagnosis; study of environment; plan and execution of actions; evaluation of results and follow-up. In the phase of diagnosis a deep analysis is carried out of the indicators of management in the Bureau, that have an unfavorable behavior with the maximum level of possible detail by territory and taxpayer.

The ways of access to Administrative Tax

To guarantee adequate assistance to taxpayers, integral solutions have been researched to provide coverage for all the national territory. The essential forms of direct assistance are linked to the personalized attention services provided by the network of bureaus of Tax Administration and their telephone and electronic services, mail services and services through collaborating entities.

The balance between costs and benefits allows one to establish the best way to provide a specific service to a certain type of taxpayer.

Specifically one may highlight the use of web networks of services with ample coverage, such as the mail network for the distribution of tax packages, to deliver to individual people the tax documents that they must use over a specific period (annual or every six months).

Due to the low development in Cuba of Internet (the main technological channel used today by the Tax Administrations of developed countries), and the limitations of ONAT in this sense, one worked on a project which started with guaranteeing as an alternative and based on existing technology, give a more intensive use to certain services, such as electronic mail services. In addition, the telephone service in our context begins an interesting road of growth, sustained by digital technology that allows us to consider a strategy oriented towards modernization.

In this manner, a project was developed, which consists of a telephone service of response and guidelines (SERTERO) with a group of connected electronic data services, on the basis of the creation of Specialized Centers of attention with a system of automatic distribution of calls that allows one to provide greater assistance to taxpayers, increasing accessibility and accuracy in responses and reduce the flow of people to the Bureau lines.

Simplifying procedures

The Cuban Tax Administration promotes the continuous improvement and simplification of procedures, regulations and services to the taxpayers. This effort is directed to eliminating or simplifying procedures which do not add value or introduce complexities which provoke an increase in the indirect costs of compliance.

The complexity of the procedures provokes difficulties in the understanding of the taxpayer, generating a feeling of rejection towards taxation, greater than the economic sacrifice generated by the payment of the principal. On the other hand in a complex system the opportunities of administrative discretion are increased, although they make more costly and inefficient the mechanisms of internal control and supervision.

The system of ensuring quality

The bureau is developing a project for the establishment and certification of a system for ensuring quality based on the regulations ISO – 9002. As part of a timetable of implementation, the Quality Manuals have already been prepared, and also the quality and technical procedures. Also, a program of training has been prepared for personnel.

The Quality System at ONAT must guarantee a better realization and supervision of the work in its basic matters of generating internal and external services to achieve an efficient development of the organization and as a final result the satisfaction of the taxpayers and social recognition. Some elements that confirm this framework are:

- The System establishes a package of Quality Procedures which regulate what has to be done to achieve compliance with what has been established in the technical documentation (work procedures), including the control procedures to systematize the review and improvement of the technical processes in a kind of

constant and calculated micro-reengineering. The documentation of all the processes and a clear definition of the functional duties and competencies by job direct one to use discretion, justify the unknown and facilitates supervision, avoiding thereby acts of corruption.

- Establish points of control throughout each Technical Procedure of Work (as a mechanism of internal supervision) which guarantees the detection of *non conformities* by the executors of the processes, the treatment of the same, the taking of *corrective and preventive* actions and verifying the efficiency of these actions. Additionally, the system assumes to guarantee the tracking of all operations, essential aspect for establishing responsibilities when fraudulent acts occur.
- The realization of internal audits of quality facilitates proving compliance with what is established in the international regulation, if the System functions and is maintained effectively, and permits identifying and correcting deficiencies before they are detected by external audits.
- Not only the mechanism of internal supervision of each procedure but the quality audits permit enhancing increasingly the work procedures starting with the correction of errors, the prevention of future errors and the redesign of processes in a cycle of continual improvement.

II.2 The control system of tax obligations

The Tax Control represents a subsystem within Tax Administration. To achieve inner cohesion of the system, it must be structured on the basis of general principles of taxation, which establish essential rules and criteria of structure.

To ensure an effective and efficient control of tax obligations one has worked to guarantee:

1. Sufficient legal characteristics of the Tax Administration to carry out its functions of registry and proof.
2. Up to date procedures and integral management tools.

3. Adequate technological support which permits the handling of large volumes of information.
4. Provision of minimum financial, material and human resources, for this area.

The Control of Tax Obligations is structured generally, bearing in mind the characteristics of taxpayers and the phase of the relevant tax process. A generic division exists of the work control, between individual and company taxpayers.

The control actions carried out by the Cuban Tax Administration can be classified in three great blocks of action:

1. The massive actions of verification and control, based on the information processed by the Tax Administration, by means of crossing the information from the Taxpayer Registry with the files of returns paid and presented, to detect those who have not presented returns (omitted) and those who have not paid in time (past due). Also, these controls are directed at questioning amount declared and paid, in the periodic installments of payment and those due annually.
2. The acts of individual control and control in depth of the tax situation of specific taxpayers, selected by objective criteria and attending the level of risk of fraud or eluding tax obligations.
3. The actions of presence of the tax agency directed to verifying the compliance of certain tax obligations, mainly of formal duties, with the objective of increasing the risk capacity.

The selection of the taxpayers who will receive actions of control in depth, which are the most costly, should be preceded by a basic criterion of significance, from the point of view of determination.

Starting with the processing of information, principally internal, the new system of SISAT selection allows listing the taxpayers by order of risk, estimate volumes of evasion, establish the conduct profile of the taxpayers, carry out statistical analyses by historic and density graphs, in addition to preparing tax maps which identify geographically the sectors which concentrate the major amount of fraud problems. In the selection of taxpayers parameters of economic behavior by sector and taxation behavior are used.

II.3 Electronic data processing of procedures

The new technologies of information constitute powerful tools to guarantee security, integrity, impartiality and efficiency in the tax procedures. Their potential is linked to the processing and storage of large volumes of information and the tracking of operations carried out, constituting a basic element to guarantee management transparency.

The Cuban Tax Administration has 13 electronic data processing applications for the processing of tax information related to the registration of taxpayers, processing of payments and tax returns, control account of taxpayer, claims control, tax debt control, registry of reviews, selection of taxpayers to be reviewed, claims and complaints made by the taxpayer to the Tax Administration and control of surveys made on the taxpayer by Tax Administration with respect to the quality of the service rendered, amongst other.

Also, ONAT has available 4 electronic data processing products for internal management of its personnel, finances and materials.

The main mechanisms implemented by EDP security are the following:

1. For logic security:
 - Allocation to all and each one of the users of a personal code, unique and exclusive, and implementation of algorithms to identify and authenticate the users.
 - Follow-up on the tasks carried out in relation to the accesses by each user, each module, option and rank of dates, and in this way a trace or registry existing of the main events which are executed. The group of traces is the electronic group, essential initial starting point to carry out an EDP audit of the system.
 - The possibility that to each individual user one can assign the options or groups of options that he requires to carry out his work.
 - Placement of sensitive data in a separate place, with special protection.

- Establishment of comprehensive and clear profiles for the users at individual and group levels.
2. For the physical security:
- Implementation of strict access controls in the area responsible for the information technologies and communications.
 - Definition of people responsible for the physical security of all the bases and units of data storage.
 - Availability of accessories and complements which avoid damage to the equipment in cases of fire or other hazard.
 - Access control and limitation to the information technologies and communications in all areas.
 - System protection against blackouts or unstable electrical network.
 - Implementation of detection and alarm systems in crucial locations.

II.4 Efficient management of Human Resources

Training, Selection and Employment Process

In the Cuban Tax Administration, a strict training, selection and employment process for personnel has been established, in order to endow the organization with the most adequate staff, to perform the functions and duties requested. The selection of personnel is carried out in a decentralized way at the Central and Provincial Bureaus.

The requirements for employees are:

- High specialization and knowledge of the legislation, tax procedures and work regulations.
- Honest, firm, fair, transparent and highly motivated performance.

TOPIC 2.1

- Availability and skills to provide a quality and efficient service to the taxpayer.
- Discretion in the use of information of the taxpayer.

The Training, Selection and Employment of personnel embraces a set of activities from search of possible candidates to their entry or final contract with ONAT, after a process of analysis matching their characteristics with the job to perform, and the qualification requirements demanded.

The Training of candidates to fill in the vacancies is carried out through summons, and materialized in two ways: internal promotion or external training.

The process of selection is developed as follows:

- Initial interview by an employee from the Human Resources area and one from the area related.
- Presentation of a form with personal information, autobiography, resume, university title, between other documents.
- Implementation of psychometric tests to evaluate the personal skills to perform the respective job according to its profile.
- Verification of professional background if it is an employee or the academic history if it is a student.
- Verification of behavior at the residence or previous work place.

Based on the elements shown above, the Commission of Qualification, having heard the Chief making the proposal (who proposes the candidate should be registered), will decide the acceptance or not of the candidate. Essential requirements for the selection are: no criminal records, reliability, appropriate ethical behavior and an IQ sufficient with the profile of the job to be performed.

Our workforce is characterized for being young, with a feminine majority and a high specialization level.

Training

The training objectives of the staff of Tax Administration are:

- Prepare the staff to carry out its current and future functions, according to the professional profile of the job, and for changes produced in functions and work regulations due to the introduction of new techniques or conceptions.
- Enhance the efficiency and quality of the service to the taxpayer.
- Enrich the public employee, through the permanent updating of knowledge.
- Contribute to the satisfaction and compliance of values and ethical principles, essential for the organization.

The training of the staff of ONAT has two aspects: Training and Professional Fulfillment.

The training focuses on the preparation and updating of the staff regarding knowledge and the necessary skills to perform their jobs and it is carried out in two ways: in the workplace and in the classroom.

Managerial Education

The training allows endowing managers and specialists, with different professional profiles, with an integral education, as a professional career in this specialization. It includes the necessary courses, so that graduates from a not accounting economics specialization may overcome the subjects required to be registered in the Auditing Registry of Cuba.

The administrative career

Promotion in technical jobs is carried out through selection by qualification commissions, between the candidates who have presented applications, as a result of the summons carried out to cover vacancies.

The principle of selection will be the highest qualification, according to the job requirements. The results of evaluations of performance and level of preparation reached in the different courses.

The previously said, allows technicians and employees to develop their professional career, i.e. the subsequent performance of different jobs according to the limits imposed by the academic titles required by them, based in their personal merits and evaluated by the results of individual jobs, their preparation and individual integrity.

Between these alternatives, the jobs of tax auditors are prioritized, given the technical complexity involved and the low offer of this kind of specialist.

Evaluation of performance

In the beginning of each year, in accordance to the Objectives of Annual Jobs of the Bureau, each technician prepares and agrees with his immediate boss, the Individual Objectives of work of the year. In these objectives they include the results to be achieved by the Organizational Unit or subordinated units, through personal action, the ones reached in his individual growth and in required cases, his participation training other employees.

These individual objectives should be checked at least every three months by the immediate Boss, to verify their fulfillment or take the necessary corrective measures.

A performance evaluation of all technicians is elaborated annually, according to the established by the current labor legislation in the country. The technicians that comply will have or not the right to raise their monthly salary to the maximum limit established for his group salary. The quantity of the goals will be fixed by his immediate Boss.

The results of the evaluations will be considered for the selection of candidates to be promoted or for more qualified courses.

Internal Communication

The permanent communication with employees is essential, in order to keep them properly briefed regarding issues under their scope and to offer feedback to their bosses on the interpretation and adoption of guidelines, decisions and measures taken. Also, it is important to know the doubts and suggestions of the employees. These should be appraised and adequately answered.

The communication is carried out in different ways:

- Collectively, in meetings or annual assemblies; every three months and monthly, during the determination and analysis of the fulfillment of objectives of collective work or in eventual meetings to define tasks or discuss specific projects.
- Through personal contact, between the bosses and subordinates, to analyze the individual objectives, their fulfillment and evaluate performance; monthly to determine the objectives of work of the month and check their fulfillment; eventually to determine tasks, ensure their realization, clear doubts, know criteria, etc.
- Through internal newsletters elaborated by the different sectors or departments.

The permanent communication of the boss with the subordinate is essential to successfully confront the processes of change of functions, procedures or culture in the organization and for the training of employees. Through the explanations in meetings or personally, the management of the organization passes on to the employees the attitudes, technical, political and moral concepts, it is recommended to adopt for the effective performance of their functions, or to promote the successful operation in new situations or scenarios.

Programs of ethical strengthening

Due to the social nature of the Tax Administration Federal Bureau it is summoned to perform an important role in the development and strengthening of ethical values that contribute to create a public and social morality.

An ethical strategy that justifies the credit and credibility with which the taxpayers endow the administration cannot be reached just through efficiency, but also, through the fulfillment of high standards of professional ethics.

The ethics in Tax Administration implies the awareness of the Code of Ethics, the elaboration and incorporation of ethics to the workplace. In Cuba, there is a generic Code of Ethics for the public employees with 27 rules. Also, the Tax Administration has a specific Code. This code

TOPIC 2.1

regulates how the relationship with Taxpayers, Bureau Personnel and other organizations and institutions should be structured, from an ethical point of view, and states the behaviors incompatible with the tax administrator, such as:

- Modify or counterfeit any kind of document.
- Act or influence to favor third parties causing prejudice to the principles and/or interests of ONAT.
- Obtain personal advantage due to the position performed.
- Carry out commercial or financial transactions linked to illegal acts or activities potentially conflictive with the interests of State.
- Lack of compliance regarding the responsibility of reporting to the respective level cases of corruption he is aware of.
- Carry out independent activities without proper authorization.

This important instrument establishes too the rules related to Conscience and Professional Activity of tax administrators, such as:

- Act according to political, economical, ethical and social principles of Cuban society.
- Be strict regarding the compliance of Legality and the resolutions and instructions that govern tax activities.
- Make dedication, love to work, discipline and responsibility govern professional life.
- Keep enhancement constant at the job performed, to master the profession honoring ONAT employees.
- Fight and report corruption, from the personal example and a permanent analysis of situations that may end in corruption, in the different professional scenarios.
- Show sense of personal responsibility regarding the resources in custody, using them rationally and adequately.

Avoiding or reducing corruption is not a goal to achieve exclusively by control measures and organizational discipline. The bureau pretends to implement a program to strengthen ethical actions to diagnose the degree of knowledge the employees have regarding the subject and according to this offer more information, promoting the analysis of cases of non-ethical behaviors through discussions, debates and awareness of values that sustain our organization. The same time, patriotic values are developed through education regarding history, meetings with personalities and visits to historical landmarks.

Disciplinary and sanctions System

Besides the disciplinary regulations established by Decree Law for employees and managers in general of the public sector, the Cuban Tax Administration has a specific disciplinary regulation.

This regulation focuses in the establishment of common and specific obligations and prohibitions considered severe, related to the activity, and the authorities to implement the measures, the kind of sanction, as well as defining the acts and behaviors that constitute breaches of the labor discipline, so that this regulations govern, together with the general disciplinary legislation, the labor activity that performs each employee of the Bureau, when executing common and specific functions, assigned by Law to the Bureau.

The following measures can be taken for the breaches like corruption classified as severe:

- a) Temporary transfer to another area of less remuneration, qualification, or different work conditions for up to one year, with the right to return to his sector;
- b) Transfer to another area losing the one occupied by the employee;
- c) Definitive separation from the entity.

II.5 Internal control and supervision system of administrative performance

The goal of the Federal Bureau of Tax Administration is to develop its management in an environment of constant enhancement, in order to become a forefront organization regarding public service, aspiring to a high and positive social awareness of its performance.

Working efficiently in the internal management of the Bureau, is the main idea to ensure its future development and achieve work stability, creating strong foundations to integrate absolute and continuous performance.

This originates the need to establish an Internal Control System that guarantees the adequate administrative transparency, essentially based on policies that highlight prevention and self-control, integrated with systematic actions of supervision by authorized levels.

Therefore, the Internal Control System, constitutes the management tool which should guarantee results in accordance with existing regulations; the technological, operational and organizational disciplines; the institutional mission; the compliance with objectives and goals; reasonable administration of information and resources and the quality of operations of the entity.

It develops mainly preventive activities addressed to:

- Promote the establishment of internal work regulations and their constant enhancement.
- Indicate the interrelationships or points of contact between areas and people.
- Identify the product or service being transferred, its conditions, the delivery requirements, duly defining liability.
- Know the external users, the different services provided, the rights and duties that enable a satisfactory, convincing and fair performance, which reinforces voluntary compliance of the payment and tax discipline.
- That all acts related to Tax Administration have the required formality, transparency and adaptation to law, in order to be explained and audited from beginning to their end.

- Promote the culture of self-control and control, which may be applied by the executors participating in a work process; as well as through the respective superior levels related to them; in order to describe the frequency and alternatives of the performance, in the supervision.
- Regulations and parameters of quality for the service should exist. Compliance should be reviewed and constant enhancement should be promoted.
- Identify vulnerable points, risks and guarantee an adequate administration of the latter.
- Guarantee the issuance and analysis of periodic reports regarding the result of the system implementation.
- Develop training activities, promotion of organization and human being values, the Code of Ethics, our history and the importance of control, in order to integrally and progressively prepare the employee.

One of the most important concepts regarding control is considering self-regulation and self-control as key elements to guarantee an organization's survival.

To achieve this goal, the Bureau created a set of Tests and Reviews, defined in a Manual. The objective is to demand the people involved in the work processes, carry out periodic checks, over the more vulnerable work processes, adopting immediate measures when a problem is detected.

In this manner, it is essential to promote a culture of control from the position, of a conscious discipline inside the senior management structure, to watch for the results and the environment of the work relations. The efforts in prevention create an environment of solidarity, trust, motivation, team spirit and disposition for self-control. Together, the balance between the team and at higher levels strengthens the principle of administrative liability.

The System will show its effectiveness, by avoiding the occurrence in the first place. The performance dealing with consummated acts is more traumatic and costly, since the Investment made in human resources training is lost. Frequently, we observe several attitudes, occurrences,

TOPIC 2.1

behaviors, and lack of discipline that could be corrected and faced at the right time by the group or a superior, in order to avoid the occurrence of inadequate behavior.

The latter, does not exclude the need to detect and act dynamically and promptly before any inadequate, corrupt manifestation or violation of the previously established. It is an essential duty to fight and neutralize anyone assuming such a dishonest attitude.

The senior management should be an example in this matter, increasing surveillance, control and demand, eliminate flattery, old-boy network, nepotism, descendants, selfishness and indolence; the senior management should be austere, humble, able, efficient, with leadership before the group to achieve results, with moral authority, based on their daily exemplary performance.

The system nurtures from periodic information, internal statistics, performance indicators, evaluation of results, and includes all the control measures carried out in the Bureau, involving all the employees regardless of their management level.

Also, the instrument includes internal and external surveys and other contacts that allow identifying the social perception regarding the performance of the bureau. Supervision should include compliance with the following aspects: legal, accounting, procedures, statistics and quality. All subjects and procedures should be known by the Internal Control System.

The design and development of the Internal Control System are focused on the compliance with the following essential objectives:

1. Seek to achieve the fulfillment of the entity's mission and vision.
2. Watch for a Bureau performance to be in accordance with the Law and the practical implementation of a quality service.
3. Supervision with adequate frequency, all the acts related to the Bureau, regardless of the management level involved, watching for the compliance of legislation and internal regulations.
4. Be updated regarding risks and vulnerable points, act to prevent them, present suggestions to enhance the control system.

5. Make sure the tax, accounting, financial, statistical, or any other information is true, reasonable and promptly delivered.
6. Watch over the use of resources, according to strategic priorities and budget distribution of the year.
7. Work to develop and implement preventive measures, which allow a healthy environment of commitment, trust and security.
8. Ensure the corresponding corrective measures are properly implemented, in the event of inadequate behavior, according to the code of ethics and legislation.

The internal control system includes the performance of the following actions of supervision:

1. **Self-controls:** Actions carried out by the people participating in the work processes, at each level of the Bureau.
2. **Integral or Management Controls:** Reviews carried out by higher to lower levels, in order to verify the correct implementation of the established regulations and procedures, including many areas.
3. **Work Visits:** Actions of control carried out by higher to lower levels, in order to exchange experiences and make suggestions, to enhance the working mechanisms.
4. **Verifications:** Actions of control carried out by the Administration itself, which consists in verifying the compliance of established regulations regarding a work-process, or a specific matter in an area, department or administration at any level, without it becoming an audit.
5. **Internal Audits:** Action of control developed as an instrument of the Administration itself, and consists of an independent evaluation of its activities. It includes the review of Internal Control Systems, and accounting and financial operations; aimed at enhancing control and increasing savings, efficiency, effectiveness, regarding the use of resources, prevent their misuse, and cooperate with the strengthening of discipline in general.

- 6. Investigations:** Actions and errands carried out by certain people, established as a commission, directed to verify information received through complaints, accusations and anonymous information, related to extraordinary acts and inadequate behavior, violation of established legal regulations or the Code of Ethics of the employees of the Tax Administration.

An important role in the organization of the supervision work, is carried out by the Internal Control Management. It is included in its functions:

- Evaluate the operation of the Internal Control System and propose suggestions for optimization.
- Advice and report to the Chief Officer, everything related to the status and evaluation of the Internal Control System.
- Watch to ensure managers, employees and workers of the Bureau, act within the limits of their respective duties, strictly observing the compliance with law.
- Plan, perform and control audits and verifications carried out on the system.
- Control self-control actions carried out by the areas.
- Plan, perform and control work visits and integral controls to counties and town districts, in accordance with the approval of the authorized collective organism, which in our practices is assumed by the Internal Control Committee.
- Promote the identification of risks in the areas, and accordingly, create the control mechanisms, to reduce them.
- Evaluate the management indicators, which, together with the efficiency, effectiveness and savings of areas, may allow a more specific criterion.
- Register, control and investigate inadequate behaviors carried out by workers, employees and managers, as well as the extraordinary acts taking place at the Bureau.
- Watch for the adequate operation of the Regulation for Discussions Procedure.

- Report to higher levels the behavior of the Internal Control System in the Bureau.
- Watch for the strict implementation of preventive and corrective measures, in response to control actions.
- Create the control culture in the Bureau.
- Report internally the results of investigations regarding inadequate behaviors of workers, employees and managers that have taken place.

In summary, the Internal Control System is an important element for Tax Administration, which contributes to achieve performance goals, reducing internal and environmental risks, strengthening the principle of integrity.

III. THE FIGHT AGAINST CORRUPTION AND ILLEGALITY IN THE TAX ADMINISTRATION AND SOCIAL CONTROLS OF ITS MANAGEMENT

The program to fight corruption

The corruption, as pointed out in the introduction, is a complex social phenomenon which inside Tax Administration may be conditioned by various factors, such as:

1. General economic situation.
2. Degree of social conscience.
3. Complexity of tax system.
4. Inadequate organizational culture.
5. Deficiencies in control systems.
6. Weakness in penalty systems.
7. Inadequate motivation to work.

TOPIC 2.1

The complex and difficult economic situation our country is experiencing, as a consequence of the global economic crisis, and reinsertion on a different basis in relation to the one existent in previous decades, constitute a new scenario that needs to be evaluated.

It is understood by administrative corruption, the action of a manager or employee on duty, against legal regulations and ethics of the framework of State and Government, characterized by a loss of moral values, incompatible with the principles of Cuban society, committed by favoring personal gain with the attributes and material assets intended for the satisfaction of public or social interest; aimed to obtain material benefits or any kind of advantage for himself or third parties, and is based on deceit, bribery, disloyalty and administrative chaos.

To fight this vice, the Cuban State, decided to adopt a set of measures, in order to strengthen the confrontation with corrupt and illegal acts, that must be established throughout the country, aimed to carry out a collective analysis of the compliance of the established plans which address this matter, promotion of facts occurred and carry out an analysis of the causes and conditions which provoked them, as well as the adopted measures for each breach, updating of codes of ethics and disciplinary regulations of each organization, create a control culture and promote institutional values, amongst others.

The Administrations, on this basis, created their internal action plans that answer these indications. For this, tax procedures were taken into account because their characteristics open an important space to this plague, e.g. the direct contact between employees and taxpayers when taking decisions regarding their obligations. Therefore, the behavior shown by the employee when interacting with the taxpayer constitutes a risk environment.

On the other hand, the tax category itself has a coercive character and represents an economic contribution that does not generate a visible and direct benefit to the taxpayer and lacking a culture of contribution, the tendency to bribery increases.

Due to these factors, the Bureau elaborated a fighting plan against corruption, once the points of risk of more vulnerable processes have been identified, over which, it has been decided to act immediately establishing a control activity through systematic revisions. In this manner, it is possible to strengthen preventive work that contributes to reduce manifestations of corruption and vices incompatible with the tax employee.

A Commission of Confrontation against Illegality and Corruption was created in all territories, to carry out the corresponding analysis of conformity with plans and compliance of adopted measures that strengthen the role of control and prevention that must characterize the performance of our activity.

Through the Internal Control System, inadequate behavior has been detected in many of our bureaus. Management and employees have been involved, and consequently removed from their job and the organization.

With the coming into effect of the Manual of Tests and Reviews, the Tax Administration has taken an important step in this aspect, which has allowed to promptly detect breaches committed by certain employees, including tax inspectors, which is a high propensity segment regarding these kind of attitudes, since they have a direct contact with taxpayers.

Taking careful notice of these cases, it is very important the group analysis carried out, of the causes and conditions that promoted the occurrence of such behaviors, aiming at the adoption of corrective measures that avoid or reduce their repetition. Also, it is important, the internal circulation of the cases, creating risk capacity in the rest of the group.

The quantity of inadequate behaviors that take place in the Bureau, in relation to the number of workers, is of 0.46. This shows the degree of transparency and loyalty of most of our employees. According to the surveys and external evaluations carried out and positions received, the Bureau has prestige and authority in the public administration system.

The social controls to the administrative management

An important element in the fight against corruption and occurrence of illegalities in tax administrations is to guarantee an effective social control, over the Tax Administration management and its development of a constant practice of reporting, without bureaucracy.

The social control system, in the Cuban case, is constituted by the control of the taxpayer, Parliament, government, institutional, and other organizations of civil society, which will be briefly described below.

The control of the taxpayer

A true social control should come from real opportunities of taxpayers to influence the Tax Administration management, or produce changes in its procedures, be it directly or through positions; or in an indirect way by representatives and delegates in Parliament and county assemblies.

Inside the relationship model with the taxpayer, a mechanism was designed for the registry, control, analysis and procedures for positions of taxpayers at all levels of the organization. This directly allows the taxpayer to influence in administrative performance. This procedure includes statistics collection and issuance regarding the subject, as well as the elaboration of a monthly summary and a newsletter, "Newsletter of Positions", with the main worries expressed by the taxpayers.

Positions have been formally divided in complaints, accusations, consultation, discrepancies and suggestions. In each case the procedure, solution deadlines, as well as the responsible staff have been determined.

This area is extremely sensitive regarding the relationship with the taxpayer, since it is linked to the restitution of rights that might have been affected, their opinions and demands, and orientation given to adopt actions that induce compliance.

According to our legal system, consultation answered by the Tax Administration is not binding. Although this represents a protection for the taxation agency, it should not be interpreted as a lack of certainty or dexterousness in the information provided and the fulfillment of our service, especially in the first levels of attention.

This mechanism has been an effective feedback method. From these positions and their systematization internal and external analysis is carried out. Particularly, they are forwarded to the Revenue Policy Administration of the Ministry of Finance and Prices, the discrepancies and suggestions regarding substantial law. Internally, it is evaluated what part of the service is failing, and the measures to eliminate the detected deficiencies are adopted.

Surveys regarding the service quality are applied throughout the country to a representative percentage of taxpayers to find out their opinions and expectations in this matter.

These surveys allow us to measure, besides evaluating the timetable of the service, the value of attention, the quality of the answers to the consultation, the treatment, its fairness and justness, and the speed of the service provided. In each territory these results are analyzed and a plan of measures to eliminate the problems pointed out by the taxpayers.

Parliamentary control

The Bureau reports systematically to the Parliament, supreme legislative organism of the State. In the Parliament ordinary sessions, when the Project of the State Budget is presented, and is settled in parliamentary commissions; and in plenary sessions when aspects regarding the collection of revenue and the performance of the Tax Administration are discussed. Also, periodically, the Bureau reports the status of service to the individual person, before the parliamentary commission specially created for the analysis of procedures to the population individually.

An important moment in parliamentary control of the Tax Administration management, was the organization of a parliamentary public audience, summoned by the Commission of Economic Issues, to analyze the progress of the implementation of Law 73 "Of The Tax System", the fulfillment of the objectives of the new tax policy, and evaluate the progress in the creation of a tax conscience in taxpayers.

In this audience the parliament representatives and others from more than 15 institutions participated. The National Association of Economists of Cuba presented an independent report, regarding a study of the subject in debate carried out. In the conclusions, the President of the Commission of Economic Issues highlighted the job carried out and presented a set of recommendations to enhance the implementation of the tax system. From these recommendations, the Bureau generated a program of measures and reported the compliance to the secretary of the Commission.

Governmental control

The Bureau reports its management systematically to the Executive Department of the Counsel of Ministers. In the first years, the Bureau presented a monthly report regarding collection and tax, as well as the progress of the organizational status of the entity. In these meetings, the ministers of collaborating organizations such as the banking network participate, enabling to identify and solve problems operationally.

The Executive Department of the Counsel of Ministers organizes complete governmental Controls to all the organizations of the State's Central Administration, including the Bureau.

Institutional control

As previously pointed out, the Federal Bureau of Tax Administration is hierarchically subordinated to the Ministry of Finance and Prices. In this manner, the Bureau negotiates with the Minister the annual objectives of the job, provides information monthly regarding the behavior of the corporate indicators, a summary of the positions of the taxpayers, the results of the internal control actions and extraordinary facts produced in the system. Likewise, the bureau is subject to controls by the Ministry of Auditing and Control, superior controlling entity and other organized organizations.

CONCLUSIONS

Finally, we present some thoughts that summarize the experiences of the Cuban Tax Administration, regarding the subject of guaranteeing the absolute integrity of the employees.

- The transparency and integrity of the Tax Administration performance is an essential factor to legitimate the Tax System in current societies.
- The strong political will sustained at a social level, and the level of development of the society's conscience, are essential conditions for the success of the programs to fight corruption and illegalities that aim at the interior of tax administrations.
- The programs to fight corruption and illegalities cannot be seen as a fashion or unique event, but as a structural element of the internal operation of tax administrations.
- The continuous ethical training, the promotion of values and institutional identity, the strengthening of internal life collectively, the work with men, the uphold of leadership and a true example of the honesty of managers and the development of complete preventive measures, are essential ingredients of any program against corruption that aspires to be successful in the medium and long-term.

- The implementation of a model of Tax Administration focused on impartial and safe service for the taxpayer, the systematic reports before the structures of the State, government and civil society, are the bases to guarantee a transparent environment opposed to dishonest, bureaucratic and elitist behaviors.
- Before positive cases of corruption detected, it is necessary to act strictly and guarantee the adequate publicity of the facts and measures taken. Notwithstanding, it is essential to define the causes that motivated this attitude too, and define the breaches in preventive and control mechanisms, that could not promptly avoid or detect the irregularities, in order to avoid future occurrences of corruption.

Ms. Isabel Roque Rodríguez
Internal Control Director
Tax Administration National Bureau - ONAT
Havana, Cuba
E- mail: isabel@onat.gov.cu

Case study

TOPIC 2.1

COMBATING CORRUPTION AND ILLEGAL PRACTICES IN THE TAX ADMINISTRATION

María de la Concepción Patiño Cestafe
General Administrator of Evaluation
Secretariat of Treasury and Public Credit
Tax Administration Service
(Mexico)

CONTENTS: Introduction.- 1. The Struggle Against Corruption and Illegal Practices as an Essential Part of the Strategic Plan of the Tax Administration Service.- 2. The Optimum Point Among Preventive, Detection and Corrective Actions.- 3. Opportunities in the Struggle Against Corruption and Illegal Practices.- 3.1 Vulnerability: Insufficient risk sensation before examination and non-compliance.- 3.2 Vulnerability: Organizational culture with values removed from service and transparency.- 3.3 Vulnerability: Link between personnel that performs service of notice, execution and examination with taxpayers to perform acts against the federal treasury.- 3.4 Vulnerability: Delay in the infrastructure for customs supervision.- 3.5 Vulnerability: Slow and unsafe proceedings and procedures.- 3.6 Vulnerability: lack of timely information to control the operation.- Conclusion.

INTRODUCTION

The struggle against corruption and illegal practices in the Mexican Tax Administration, is a complex responsibility of great relevance in the current context of the country's economy, affected by the recovery of the world economy less than that expected is of great relevance. This is reflected in the fiscal strategy directed towards the strengthening of

public finances and the achievement of a balanced budget in the medium term, to achieve an increase in the strength in the recovery of the production and the creation of jobs and broaden the development opportunities of marginal groups.

Consequently, the Tax Administration Service, as a decentralized entity from the Secretariat of Treasury and Public Credit directs its actions toward four main fronts: the strengthening and modernization of collection instruments, the improvement of the juridical framework to encourage and facilitate taxpayer compliance with fiscal obligations, the enlargement of the taxable base and strongly fight against tax evasion.

We assume that in the transit to “substantially advance in deeply imbedding in the citizen’s culture voluntary compliance with tax provisions and foreign trade”, which is the vision that we have set forth to reach as an organization in 2006, it must be accompanied by the following objectives:

- To eradicate corrupt practices.
- To have qualified personnel who perform their tasks with honesty, quality, and transparency and are law-abiding individuals.
- To improve the taxpayer’s perception towards SAT as a transparent, high quality, service and law-abiding institution.

The present paper is directed to precise the focus, the opportunity areas identified to eradicate corruption and impunity and the actions and instruments developed.

1. THE STRUGGLE AGAINST CORRUPTION AND ILLEGAL PRACTICES AS AN ESSENTIAL PART OF THE STRATEGIC PLAN OF THE TAX ADMINISTRATION SERVICE

In the framework of the elaboration of SAT’s Strategic Plan and the creation of the General Evaluation Administration, as the area in charge of combating corruption inside SAT, corruption controls are established as well as the examination of taxpayers who benefit from corrupt practices. Likewise, in other General Administrations of the SAT, supervision areas are formed, which jointly with the General Evaluation Administration, work in coordination to fight corruption and impunity.

Those responsible of the General Administrations that form SAT participate as a group in the elaboration of the diagnose of vulnerabilities or problems that they face, as well as in the design of effective solution proposals, which are subject to a stringent presentation of results plan, reported quarterly to the Inter-Secretarial Commission on Transparency and Struggle against Corruption, this entity was created by the initiative of the current President of the Republic and it is formed by representatives of each Federal Dependency, wherein SAT participates actively.

Solutions implemented were grouped in strategic lines, three types of target indicators were established for each: minimum, satisfactory and outstanding. These grades are assigned pursuant to quarterly advances reached follow-up performed in this manner is permanent and involves not only the areas that form SAT, but all Dependencies of the Federal Executive.

An important part of the diagnose actions performed, are constituted by opinion surveys performed on government employees and taxpayers, directed to know the perception in regards to the absolutely true, partially true or absolutely false presence, of acts of corruption in customs, audits and collection processes.

From the results obtained, an important percentage of responses from government employees (84%) and taxpayers (84%), coincide that it is absolutely or partially true that acts of corruption take place in customs.

In audits, 36% of responses from government employees and 76% from taxpayers say that it is absolutely or partially true that acts of corruption take place.

In collection processes they found that 26% of the responses from government employees and 71% from taxpayers, say that it is absolutely or partially true that acts of corruption take place.

Even when there are important differences in the perception of the presence of acts of corruption among government employees and taxpayers, in auditing issues and collection processes, conclusion can be drawn that the existence of corruption for both populations appear in the following order of importance: Customs, audits and collection.

2. THE OPTIMUM POINT AMONG PREVENTIVE, DETECTION AND CORRECTIVE ACTIONS

The commitment to an in-depth fight against corruption obliges us to attend not only its most evident manifestations, but its causes as well. This requires the design of actions to be developed under the integral point of view that articulates the use of different resources as well as information technologies, electronic means, intelligence systems, reliability tests, and, specialized techniques, pursuant to the specific result sought to be reached. This focus guarantees at the same time a greater impact of actions developed and better use of the resources used.

There are a great variety of instruments that have allowed us to link in virtual circle prevention actions, jointly with detection and correction actions. We basically use detection and correction actions to eradicate impunity, whereas preventive actions are directed towards solving institutional deficiencies and faults, which enable corruption.

Specific information obtained during detection is used as a guide to fine tune the diagnose problems associated with corruption and design with greater precision and effectiveness correction and prevention actions.

This obliges us to face corruption in all its complexity and under an integral focus, which immediately eliminates its most visible effects and modifies in the medium term the institutional conditions favoring the same.

3. OPPORTUNITIES IN THE STRUGGLE AGAINST CORRUPTION AND ILLEGAL PRACTICES

The optimization in the use of resources to fight corruption requires the establishment of controls and the monitoring of risks in the different stages of tax and customs' operations deemed critical. Therefore, the vulnerabilities with greater impact in the security and efficiency levels were identified and analyzed. Hereinafter, we present the main vulnerabilities, action lines implemented and solutions generated.

3.1 Vulnerability: Insufficient risk sensation before examination and non-compliance.

Action Lines: Special surveillance on officers with indications of irregularities linked to examined taxpayers.

The surveillance procedure of obligations and actions coming from the same, had not conveyed to society the sensation that any non-compliance act would not be unpunished.

The main means used are: accusation and removal of dishonest public servants, the strengthening of the analysis of special cases and intelligence mechanisms to detect corruptive behaviors.

a) Accusation and removal of dishonest public servants.

In response to society's claims to fight impunity, an important action in the SAT is the penal accusation of illegal actions committed by dishonest public servants.

Therefore, one of main concerns in the case of accusations filed before the corresponding legal authorities (Attorney General of the Republic) is to closely assist it during the different stages implied in the penal process, in order to guarantee compliance with our purposes. On the contrary, we would only be limited to the formal observance of the provisions, favoring the perception of impunity.

At December 2002, of the 218 accusations filed before the Attorney General of the Republic, mostly refer to the following offenses.

Most Common Offenses
Bribery
Illegal exercise of public service
Embezzlement
Extortion
Abuse of authority

Accusations filed, gave place to the dismissal of 349 public servants with functions ranging from service of notice officers or adjudicators with operational levels, up to Central Administrators, which equal to Adjunct Director General. The purpose is that public servants realize that when facing an act of corruption, he/she will be removed and he/she can also lose his/her freedom.

b) Analysis of Special Cases.

In the crime of bribery where the public servant and the taxpayer participate, we have the analysis of special cases where impunity is fought on both sides.

Inquiries are carried out in special cases, which represent 7,269 million pesos from the construction, services, trade, manufacturing and real estate sectors.

c) Intelligence mechanisms to detect acts of corruption.

In addition to detecting and correcting, prevention in the medium and long term is necessary, therefore, an Irregularities Perception System (SIPRE, in Spanish) is being built, which allows to have available an intelligent database, which supports the timely and efficient implementation of actions which prevent the commission of irregularities.

The methodology to develop this tool was sustained on the analysis of the manner in which the most frequent irregularities are committed (*modus operandi*) in determinate processes. The ordering, structure and appraisal of the information on acts of corruption detected through this tool, facilitates its exploitation to timely locate areas, procedures, key positions and critical personnel, to design integral solution proposals and accurately evaluate their results and optimize the use of resources and the effectiveness of intelligence actions against corruption.

3.2 Vulnerability: Organizational culture with values removed from service and transparency.

Action Lines: Labor culture directed towards integrity, quality and transparency.

In general, personnel from the public sector and the SAT is no exception, lacks organizational culture with service and transparency values. The recognition of the importance of the human factor obliges us to carry out permanent efforts to improve levels of quality, honesty, transparency, law abidance and professionalism in the tasks they perform.

At the same time that impunity is fought through the correction of irregular behaviors and the sanctioning of crimes, prevention mechanisms that allow assuring the reliability of active public servants and takes care of new hires, through stringent selection.

a) Evaluation of Reliability.

This is a program that evaluates the reliability profile of public servants, through the application of a test that measures the trends of individuals towards loyalty, theft, credibility and an in-depth interview with the support of a polygraph, to determine the veracity of the responses given to questions on corrupt practices.

As from the results obtained, the need to remove active public servants or reject new hire candidates, when they do not have the reliability profile required by the institution.

Evaluations performed at December 2002		
Population	Amount	Results
Active public servants	2,350	222 removed
Candidates to hold high-risk positions	569	234 rejected

b) Socioeconomic Studies.

The periodical application of socioeconomic questionnaires, allows determining inconsistencies in the public servant's economic situation, in regards to his/her perceptions. Its application is mainly focused on the identification of illegal enriching.

At December 2002, 7,153 socioeconomic studies were performed on middle and upper management its usefulness to date was basically directed to the support of the investigation of special cases. As from then, the application of said questionnaires was extended to operational personnel that hold high-risk positions, therefore, we currently have around 21,000 questionnaires, which computer exploitation will allow detecting with greater speed the cases that present an economic situation inconsistent with income level obtained.

c) Substitution of personnel.

Personnel that carried out the tasks of service of notice and execution in collection issues as well as customs' verification, was substituted by personnel with more adequate professional profiles and selected through rigorous reliability tests. These measures were accompanied by an important salary re-tabulation, which will allow the provision of greater security to new elements and enables their loyal permanence in the institution.

In 2001, 87% of customs' verifiers were substituted, during 2002, 2,700 services of notice officers were substituted in the collection area, and in their stead 1,248 tax actuaries were hired as well as 1,452 tax lawyers.

d) Periodical rotation of personnel that holds high-risk positions.

Personnel rotation is mainly directed to break the link that may arise for the commission of illegal acts between taxpayers and public servants. In general, in all the different offices of SAT, which are strategically located in the main cities throughout the Republic, the rotation of middle and upper management is in place, however, in the case of customs, operational personal that performs high-risk functions is rotated as well.

Of the 2,421 persons rotated during 2001 and 2002, 94% corresponded to the General Customs Administration that is 2,276 public servants, among which we can mention fiscal inspectors, goods verifiers and customs' administrators.

e) The improvement of supervision processes.

It is important to recognize that one of the most relevant actions in the group of operational tasks performed at SAT is supervision. This process was neglected and had been practically abandoned and this circumstance facilitated the presence and expansion of corruption.

Currently, each SAT General Administration has supervision and evaluation area, which constantly performs supervision visits to the operation of its substantive processes. Until December 2002, 723 visits had been performed.

f) Codes of Conduct

At all Government dependencies there is a common code of ethics that establishes the general values or principles that must guide our actions as public servants, in SAT also has codes of conduct, which are more concrete rules that define specific behaviors pursuant to the function performed and the area where our work is carried out, these codes of conduct tell us what should be and not be followed, for example:

In the case of a fiscal auditor: Should not accept invitations made by audited taxpayer to dine or accept invitations to social, cultural or sport events, as well as any support to relieve work, including vehicles, paperwork or other expenses.

In the case of the fiscal actuary and tax lawyer: Should not insinuate or accept from taxpayers to be served notice, any economic benefit, gift or pledge to postpone or cease to serve notice.

An example of the code of conduct of the Juridical General Administration:

I must act with good judgment and full technical, legal and moral knowledge of the tasks that I perform.

An example of the code of conduct of the General Evaluation Administration:

I should not provide information that has been entrusted to me by third parties, who are not empowered to know it.

We also have a Recognition Program for the Outstanding Behavior of Public Servants at SAT, it began on December 2002, and is directed to stimulate ethical, honest and transparent behavior in the performance of tasks assigned.

g) Permanent training and updates.

Permanent technical training and updates as well as workshops directed to the promotion and reinforcement of institutional values in our public servants are very important, this is reflected in the amount of participants to the mentioned workshops, which on December 2002 amounted to 22,613.

To stimulate and promote integrity, a program called Integrity Challenge was designed, which through the Jeopardy game mechanics, public servants obtain points when they answer correctly questions in technical knowledge areas and provisions of the Administrative Responsibilities of Public Servants Federal Law and General Work Conditions of the Institution, among others. Access to this program is done through SAT's internal network.

One of the priorities that allows to assure training, professional improvement and permanence of honest public servants of this institution, is the Career in Tax Service, which restructuring is in place, and is being seen not only as an instrument that enables job security, but it does not represent an obstacle in the application of sanctions when acts of corruption are committed.

h) Transparency.

On transparency issues, information is made available through the Internet on internal management proceedings of administrative nature and on the services, transactions and authorizations that give taxpayers a clearer and complete image of SAT's operations and their rights and obligations.

3.3 Vulnerability: Link between personnel that performs service of notice, execution and examination with taxpayers to perform acts against the federal treasury.

Line of Action: Redesign of the notification, execution and examination functions.

a) Trained and specialized personnel.

The public servant's contact with the taxpayer implies an important but inevitable risk in the functions of service of notice, execution and examination.

In the service of notice and execution the corresponding audit assessment should be separated from all proceedings, due to their importance. In this regard, it was determined that a specialized area, such as Juridical, would attend said assessments.

b) Auditing the Auditor.

Another radical measure to eliminate corruption risks between taxpayers and personnel of SAT is the audit of auditors, through a follow up plan which requires that the 3,436 auditors in the 66 local administrations, report daily their activities through the Internet, the strengthening of

direct supervision and online, has created greater risk awareness on the commission of irregularities among tax auditors. It is currently in its pilot phase.

With these changes we guarantee the continuity of supervision in the modalities of cabinet and field, which most accurately respond to the needs of the substantive areas and that the information generated have a greater incidence in the implementation of corrective measures.

3.4 Vulnerability: Delay in the infrastructure for customs supervision.

Action Line: Use of Information Technologies and Electronic Means.

Action Line: Strengthening of inter-institutional coordination and strategic alliances.

The growth of the informal economy and the contraband of goods have mandated the use of information technologies and electronic means, as well as the strengthening of strategic alliances with affected economic sectors, in order to improve control and the integral examination of customs' operations.

a) The renewal of video and monitoring equipment in Customs.

In the port of Veracruz Heimann Cargo Vision X-Ray equipment was installed to detect illegal goods, such as weapons, drugs and explosives, it has the capacity to review 25 containers per hour, this equipment may be moved from one place to the other, it is 100% effective and it is the first to be installed in a maritime customs office of the country. The following has been detected with this equipment:

- Marihuana concealed in rubber rolls,
- Cigarettes concealed in a cargo of scrap iron,
- Arms and explosives hidden in oil barrels.

In the three main border customs' offices, Gamma ray equipment operates for rail crossings. This equipment inspects through low radiation highly effective technology, and it can review 500 cars per hour and has a 160-millimeter steel penetration. We will install it shortly at railroad crossings, ports and empty tracks.

b) Inter-institutional Coordination.

Through the liaison with different government dependencies, constant communications is established for the identification of contraband products, mainly with the Secretariat of Economy. We will soon have the exchange of information through databases allowing a faster detection of illegal actions.

c) Incorporation of observers belonging to industrial chambers.

In addition to the use of parametric rules by importer, tariff fraction and customs agent, 209 observers from 21 productive sectors have been credited at the 48 customs offices of the country; in this manner civil society is involved in the struggle against corruption. Specialists from the different sectors provide the best support, among which we have: the chemical, steel, compact discs and CD burner, glass, cement and agriculture industry.

3.5 Vulnerability: Slow and Unsafe Proceedings and Procedures.

Action Line: Make taxpayers' proceedings transparent.

Action Line: Alternatives for the payment of taxes, through cutting edge technology.

a) Integral Plan to provide Taxpayer Attention.

To attack this vulnerability an integral plan to provide taxpayer attention was designed through an exclusive window and a computerized shift system, which is currently it is pilot phase. This attention modality favors transparency in taxpayer management, due to the following features:

Public servants who provide attention (Assistance) do not resolve proceedings, since they work in shifts, these taxpayer advisors do not interact with determinate public servants, eliminating recurrent customers from falling into corruption practices and favoritism to attend some before others or studied strategies which triangulate the taxpayer to go to one place then to the other which favors gift giving; attention times are reduced as well, since people cannot step in front of others waiting in

line and last, because it favors supervision through the control of the operation of the module, since it is possible to identify through registries, attending personnel, opening and closing schedules, service and rest times and taxpayers attended by type of service.

b) Electronic payments through the Internet and the tax card.

To make it easier for taxpayers to file their tax returns in a simple, reliable and flexible manner, we have implemented the option of filing returns through the Internet. Results have been satisfactory since from the total payments received at December 2002, 39% was done through this mean.

The tax card has the taxpayer's fiscal identification data, such as name and RFC, the amount of information to be provided by the taxpayer to perform fiscal transactions, is therefore significantly reduced. Its objective is to speed up payments made at bank institutions, avoiding mistakes and saving time, in addition to guaranteeing that the payment will be directly credited in the taxpayer's fiscal account. Its use is mandatory since August 2002 and at December 2002, 60% of all payments were done through this system.

3.6 Vulnerability: lack of timely information to control the operation.

Action Line: The Redesign of SAT's information systems.

a) New Systems and Processes.

To optimize access and the security of the information an "Information Nucleus" is designed as from the database administration system, which integrates and orders databases with partial information and adds important data that is non-magnetic means or at external sources, which are relevant for the support of operations and decision-making.

This advance will allow to have unplanned inquiry tools, reporters and control boards, so that the directors of the different stages of the operation have complete information available and are self-sufficient in their analysis.

CONCLUSION

The efforts made during two years of hard work, in the simplification of proceedings, the promotion of a high quality and service organizational culture, the transparency in management and the elimination of dishonest practices, seek to create the necessary conditions to sponsor a reliable institutional image and ethics in the tax administration capable of involving society.

Ms. María de la Concepción Patiño Cestafe
General Administrator of Evaluation
Secretariat of Treasury and Public Credit
Tax Administration Service
Mexico D.F., Mexico
E-mail: cpatino@sat.gob.mx

Case study

TOPIC 2.2

CODE OF ETHICS IN THE TAX ADMINISTRATION

Beatriz Luisa Fontau

Deputy General Director of Human Resources
Federal Public Revenue Administration
(Argentina)

CONTENTS: I. Introduction.- II. Background.- III. The Device (Collectively Elaborated).- IV. The Declaration of Principles.- V. Project Achievements.- VI. Code of Ethics.- VII. Conclusions.

I. INTRODUCTION

The purpose of the current Document is to present a specific experience regarding the creation and implementation of a Code of Ethics for Argentina's Federal Public Revenue Administration staff members, at the 37th CIAT General Assembly (Cancun, Mexico, March 2003).

In the following, we are going to discuss the time period when the decision was made to create the Code and describe the process created by the Organization for this purpose. This specific point is the most significant contribution of this presentation.

Finally, the contents of the Code are summarized and this Document ends with conclusions regarding the implementation and impact on the organization's employee' s behavior.

Attached is the “Declaration of Principles for Tax Administration Employees”, which was used as the basis for the above mentioned elaboration process. Likewise, the final text of AFIP’s Code of Ethics is attached.

II. BACKGROUND

The Federal Public Revenue Administration was created in Argentina in 1997 with the merging of two preexisting autonomous institutions connected with the Ministry of Economy: the General Tax Administration (DGI) and the Federal Customs Duty Administration.

In this way, collection of internal federal taxes, social security revenues – incorporated into the DGI in 1993 – and control of foreign trade were centralized within the same Organization.

In the Strategic Plans approved at its inception, the Federal Administration included a specific objective regarding the need to supervise the ethical behavior of employees while carrying out their duties.

In accordance with that goal, the opportunity presented itself in 1997 to create a Code of Ethics for the new Institution. This code was not intended to just constitute a set of disciplinary rules already available within the labor regulations of the Public Administration and the Organization itself. Rather it was intended to explain in detail the different attributes a positive and proactive model of good professional behavior should have.

Creating a Code of Ethics can be a relatively quick job, if [just] focused on a theoretical or idealistic point of view. [But] this one dealt with reviewing existing codes in the different public and private institutions; explaining the principles based on the language and applications within each organization and approving it through an administrative decree issued by the competent authority.

The risk was that the code would be totally ignored. In other words, that it would become just one more regulation in the library of the central office, receiving zero attention from personnel and having no impact on their daily practice.

How to gain their commitment to it? How to get them to identify with the positive attitudes and values that should govern the conduct of all public servants?

The most widely accepted answer to these questions came to us from the social sciences, in one word: **participation**.

Therefore, instead of creating a code of ethics within a "laboratory," and then proceeding with an extensive educational effort, the opposite approach was selected. The decision was made to encourage a comprehensive debate within the Institution regarding some of the general definitions, so that the Code would become the ending point and not the point of departure.

Promoting a discussion friendly environment within a public, highly hierarchical and formal organization, and, furthermore, one in the beginning stages of its cultural integration process was not a normal thing. Thus, the project generated a certain amount of fear and doubt.

However, it was considered essential to bring up the issue. Consequently, the project was approved and a method to carry it out was designed.

The material on Ethics Seminars sent to us at that time by the tax administration of Peru (SUNAT), which was already facing this issue with its own Tax Administration Institute, proved to be an extremely valuable element to inform our work in this design project.

III. THE METHOD (COLLECTIVELY CREATED)

Workshops for Ethics Discussion:

From the Training Office of AFIP, an agency under the Office of the General Sub - Director of Human Resources, and with the support of an external Consultant provided by the Support Program financed by BID, a design for the Ethics Strengthening Program was created. It started with a Training Workshop, where discussion would produce a draft document, called a Declaration of Principles. This had to be debated and enriched by critiques, contributions, objections, suggestions, etc. [of others.]

a) Objectives.

Specifically, these Workshops had the following objectives.

1. To discuss the Ethics within the Organization and the performance of public duties.
2. To collect as much information and considerations as possible from agents regarding the Declaration of Principles of the Employees of the Tax Administration, for the subsequent creation of a Code of Ethics for the Federal Public Revenue Administration.
3. To help develop categories for analysis to be able to observe the ethical dimension in daily decision making and work activities.
4. To become aware of a methodology for decision making in situations where values are in conflict.

As can be seen, this task involved a participative process in creating the basic contents of a future code of ethics. At the same time, it aimed to highlight the topic, from the moment daily work begins in an office, to identify situations where values are at risk, or in conflict, and which sometimes cause ethical dilemmas. It also hoped to show and carry out a decision making practice in the face of these conflicting situations.

b) Methodology

The workshops lasted two days and gathered between 60 and 100 employees. They started with a plenary session focused on communicating the essential principles regarding ethics. The main message expressed the Federal Administration's policy regarding the topic and the basic assignments instructions for the task to be carried out.

A board was created with the Training Director, a representative of the Federal Administration, the external Consultant and a member of the strategic staff of the Federal Administration who explained the vision for the ethical system to be adopted by the Organization.

A workshop followed which was the only conceptual activity about implementing the theory. Its focus was progressively guided to identify values inherent and reflected in our daily routine.

Once this first plenary session (half a day) ended, all those attending were divided into small discussion groups of no more than fifteen employees each. Two professionals, specialists in group dynamics, coordinated each one of them. One of them was in charge of observation.

The criteria for organizing the groups was as follows:

- Members belonging to the same hierarchical level (e.g.: Department Managers)
- Members from different geographical areas (Capital City; Countryside)

This resulted in groups that were homogenous in terms of “hierarchy” but heterogeneous regarding the nature of the tasks they perform and the scope of their review. This fostered a clearer and more complete explanation of situations that could be considered for analysis and debate.

At the same time, these small groups had the following objectives:

1. To foster discussion regarding the impact of values on their daily activities, reevaluating this dimension of human behavior.
2. To allow for review of the preliminary Declaration of Principles, to stimulate development of an institutional consensus regarding their importance and to incorporate criticisms and suggestions to ensure that the conclusions would be more representative.
3. To foster the expression of opinions regarding the validity of the ethics in the Institution and suggestions about how to deal with problematic situations. In this way, the group could develop its own view of the situation and make proposals for change.

In the Second Plenary Session of each Workshop, during the second half of the day, the small groups presented their conclusions to the plenary, answered questions and exchanged opinions over controversial matters which were opened up for general debate.

This methodology was used during 1997 and 1998. During 1999 and in order to extend it to even more staff, a video was substituted for the opening conference of the first plenary session. The video presented the same speaker (a philosophy graduate specializing in anthropology) and shared the same content as before. This became the jumping off point for the small group work, as always coordinated by the professionals from the Training Office.

c) Population

During this three year period, approximately two thousand employees participated, from all the agencies in the country including both the customs duty and tax establishments.

These employees belonged to what were defined as priority groups, based on their higher ethical vulnerability (being more exposed to situations where these kinds of dilemmas have been confirmed to occur): managers at all levels, tax inspectors, and customs officers and customer service personnel from the different agencies.

IV. THE DECLARATION OF PRINCIPLES

The text of the Declaration of Principles for Tax Administration Personnel (attachment I to this present Document), was initially created by the above-mentioned Project team, together with the General Sub-Director's Office for Human Resources.

It was the result of a review of different sources of regulations and similar documents from other institutions, and from a discussion of ideas and opinions by their authors. After being drafted by the highest authorities with the Organization, it was used as a Preliminary Document for the above-mentioned activities in the workshops.

Concepts regarding behavior were included in this Declaration, such as: quality of performance and effort; corruption; confidentiality; fairness; inconsistencies; respect and cooperation; pluralism.

Likewise, certain basic rights of the employee were recognized that the Institution should respect, since these form a part of the ethical link to: offer training and updating; facilitate career development based on merit and equal opportunity; guarantee fairness in compensation and bonuses; offer institutional support when faced with damages and harm resulting from the practice of one's professional duties; foster participation in changes in the organizational structure that affect the tasks and responsibilities of the agents.

V. THE PROJECT'S ACHIEVEMENTS

After three years of work as described above, certain achievements can be pointed out:

- 1) Ethics became a strong topic for serious discussion both within the institution and in terms of analysis of concrete behavior. They were able to describe it explicitly in a way [everyone] shared a commitment to, thus supporting integrity and condemning corruption (the staff members themselves demanded punishment for unacceptable behavior.)
- 2) The Declaration of Principles was debated. The suggestions and contributions offered were used in great measure as the basis for the debate about the institutional conditions needed for fulfillment of these Principles to be possible and effective. In addition, a final version of the Code of Ethics was created which will be referred to later on.
- 3) By including participants from both the customs duty and tax agencies in the same workshops, the first steps were taken to integrate two very special and deeply rooted institutional cultures. This was also the case of the Organizations that were merged into the AFIP, prior to their assimilation.
- 4) Participation by different hierarchical levels (the levels were the same only in the small groups) in the plenary sessions of the Workshops resulted in improved internal communication. It gave people a chance to become familiar with and to understand the way the same problem may be perceived from different points of view and [different levels of] responsibilities.

- 5) The participation of AFIP authorities at the beginning of workshops and in the final plenary session also proved to be a positive element, since it facilitated a direct awareness of problems existing at different levels and in different areas of the organization.
- 6) Many concrete suggestions offered by those attending the Workshops were used to modify or create regulations. For example, we can mention the system of incentives and establishment of a procedure to provide support and legal counsel to agents who may be legally accused from time to time or due to their carrying out their duties.

VI. CODE OF ETHICS

Although the above described workshops ended in 1999, different institutional circumstances prevented the immediate adoption of that process through the approval of a Code of ethics. This occurred in August, 2001.

By this latter date, the Public Administration authorities in Argentina had recently implemented different regulations related to this subject. These included the Public Ethics Law, the Code of Ethics for Public Office, and the "Letter of Commitment to the Citizens," which committed public servants to meet certain behavioral guidelines, which assume the observance of basic values.

All this material, along with the results from the Workshops on Ethical Discussion, became a basis for the creation of our own Code, which states the following:

Objectives

- a) To foster and maintain the community's trust in the Organization.
- b) To provide a basic guideline for the human resources in the Organization to carry out their tasks with maximum transparency, having a direct impact on the quality of their work, labor environment and the services provided to the taxpayer/user.

- c) To guide ethical education in order to prevent inappropriate behavior that may facilitate committing acts of corruption.

In turn, the **specific chapters** refer to:

- Scope (individuals included)
- General principles
- Conflict of interest
- Prohibited benefits (accepting gifts, favors, etc.)
- Specific obligations of the Manager's Offices
- Signed Financial and Personal Net Worth Statements.

As stated in the Code, all new staff employed by the organization are informed of its contents and scope.

In addition, the Code was placed on the WebPage of the General Sub – Director's Office for Human Resources on the internal net (Intranet) of AFIP, and thus is available to all staff for free and direct consultation.

VII. CONCLUSIONS

As established when the Organization was founded, the AFIP has its own Code of Ethics.

What made it unique was the process that produced it, and not its content. The process is what transformed it into a recognized standard, and one that came to be applied daily in all sorts of work situations. In this way it became a framework for and a way to guide those activities.

This statement was supported by observations made during the ethical debate process mentioned above, as well as the ones that continue to be received even today, as a result of references to that experience, comments and requests to repeat it.

As in all training experiences, the most difficult thing is to measure the impact that was finally achieved in terms of the quality of future performance. This difficulty increases when the topic we are working with is not related to technical ability and knowledge, but with attitudes and values that make up an organization's culture.

TOPIC 2.2

But, beyond the difficult topic of measuring the impact, a conviction was imposed which consisted of our strategic vision of human resources. That is: an organization's culture is a collective construct created by the people constituting it. To be aware of the culture, guide it, impact it, participate in it and assume the risks of debate is the best way to guarantee that it will reflect the goals of the organization.

Presently, and simultaneously with the task of disciplinary control being performed by the Comptroller's Office created by AFIP, the General Sub – Director's Office for Human Resources keeps focused on the topic of ethics and this Code. It has incorporated it into the permanent activities of Management Development carried out by the Director of Training whose users are the different levels of Organization Managers. Additionally, it forms a part of the table of contents for introductory courses for new employees.

ATTACHMENTS

STATEMENT OF PRINCIPLES OF TAX ADMINISTRATION PERSONNEL

Tax Administration personnel provide a necessary public service to guarantee the Government's operations and, consequently, those of the Country.

To do that, we must effectively and efficiently manage the application, perception and control of taxation, providing the best possible service to taxpayers while being fair in the application of sanctions for noncompliance.

We, the employees, recognize that:

Our task is especially important and in the eyes of the people paying for this public service it makes us responsible for the quality of the service we provide.

Corruption is a serious crime and corrupt individuals have no place within this institution.

Unethical conduct is also unacceptable and those who behave that way must be aware that they will be severely punished.

Within this framework, we commit ourselves to the following ethical principles, which do not exclude a respect for all the duties and prohibitions established by our regulations:

1. To respect and defend the Law and the regulations governing the Institution's operations.
2. To always act in a way that is congruent with the Institution's mission and with the principles and values arising from it.
3. To be completely devoted to carrying out all our duties with all our effort.
4. To always use fair judgement regarding the rights and obligations of taxpayers, without preference or advantage for any individual or group.

TOPIC 2.2

5. To keep confidential the information we work with, both that regarding the taxpayers and that regarding our own Institution.
6. To not accept any personal gifts or favors, either inside or outside of our Institution, that might compromise, in fact or in appearance, our independence and objectivity or affect in some manner the image of the Institution.
7. To not behave in public or in private in any way that is incompatible with our office in the Institution.
8. Within the Institution to treat colleagues, superiors and subordinates with respect and cooperation.
9. To support the strengthening of an internal climate of honesty and transparency in all activities.
10. To foster integrity, efficiency and professionalism within the Institution as the criteria for developing one's career, without discrimination based on race, religion, sex, age and/or physical condition.

We consider that we have the right to:

- Receive permanent training and updating of our skills to improve our performance and our potential for advancement.
- Develop our career based on merit and equal opportunity, through systems that ensure objectivity and transparency in the selection process for filling positions and promotions.
- Have available an equitable system of remuneration, incentives and benefits to match our functions, responsibilities and performance.
- Be supported and adequately defended by the Institution when facing damages that may result from the exercise of our duties.
- Be knowledgeable and actively participate in projects for change related to the procedures or conditions of the tasks we are responsible for.



ATTACHMENT I
(According to Decree N° /01 (AFIP))

CODE OF ETHICS
FOR PERSONNEL IN THE FEDERAL
PUBLIC REVENUE ADMINISTRATION

OBJECTIVE

Article 1.- The purpose of this CODE is to explain the ethical principles and standards that should govern the work and behavior of all personnel in the FEDERAL PUBLIC REVENUE ADMINISTRATION while exercising their duties, for the purposes of:

- a) Fostering and maintaining the trust of the community.
- b) Providing a basic guideline for human resources within the Organization to carry out their duties based on maximum transparency that directly impacts the quality of their work, the work atmosphere and the service provided to the taxpayer/user.
- c) Guiding ethical education in order to prevent dysfunctional behavior that would tend to facilitate committing acts of corruption.

The text of this CODE highlights but does not substitute for the general character guidelines mentioned in Attachment II.

ALL THOSE UNDERSTOOD TO BE INCLUDED

Article 2.- Includes all those persons working in the FEDERAL PUBLIC REVENUE ADMINISTRATION at all levels and hierarchies under every type of contractual labor arrangement, whether temporary or permanent, paid or honorary (Permanent or Temporary Payroll, Under Contract, Interns, Technical Assistants, etc).

Article 3.- All those included under the previous article must govern their behavior according to the guidelines presented within this CODE OF ETHICS. Failure to do so will result in the potential application of the pertinent sanctions, according to the procedures established for each case under the existing regulations.

Article 4.- Becoming a part of the FEDERAL PUBLIC REVENUE ADMINISTRATION through any of the contractual means mentioned in article 2 shall imply one's being aware of this CODE and having made a commitment to fulfill it.

GENERAL PRINCIPLES

Article 5.- Without prejudice to anything established by the National Constitution, the laws, decrees, Collective Labor Agreements, and specific regulations, the personnel included under article 2 shall be obliged to observe and fulfill the following ethical guidelines for their behavior:

- a) To act honorably and correctly as needed for the good of the whole.
- b) To reject all personal benefit or gain offered directly or through third parties.
- c) To avoid all activities that could put at risk the goals of public administration activities, property of the Government or the image that is projected in the community.
- d) To have the professional background and training needed to efficiently carry out one's responsibilities.
- e) To conduct one's relationships with one's superiors, colleagues and subordinates with tactfulness and courtesy.
- f) To actively respect the rights of citizens dealing with the FEDERAL GOVERNMENT, providing service to taxpayers and users based on prudent administration of paperwork, impartiality, simplicity, fairness and transparency, in consonance with the controls set up by the Organization itself.

- g) To keep confidential the activities and information that we have privy to based on our jobs or the procedures for carrying out our duties without prejudice to our duties and responsibilities by virtue of the regulations governing fiscal discretion or administrative secrecy.
- h) To exercise all duties and activities in a responsible and professional manner.
- i) To base all actions upon and to show the greatest transparency in decisions and actions that are carried out, without withholding any information, unless based on a regulation or what the public interest clearly demands.
- j) To not become involved in behavior that implies discrimination based on: origin, race, religion, sex, color, age, marital status, political ideology or mental or physical disability.
- k) To respect integrity, efficiency and professionalism as the criteria for entry into and promotion within the institution.
- l) To reject all political, economic and family pressures, or those of any other type in the exercise of one's duties.
- m) To protect and conserve the property of the State. To use all property received, and to carry out one's duties in a logical way, avoiding abuse, waste or misuse of it.
- n) To behave at all times in a correct and respectful way when dealing with the public.
- o) To act with dignity and courtesy, seriousness and self-control.
- p) In the face of criticism from the public or the media, to display a level of tolerance beyond that which the common citizen could normally expect of one.
- q) To report to the respective authorities, with the due discretion, any ethical lapse that comes to one's attention when carrying out one's duties or which could result in damage to the State or constitute a crime or infraction of any of the stipulations contained in this present CODE.

CONFLICT OF INTEREST

Article 6.- An employee must declare all the responsibilities and duties, both public and private, carried out in the year prior to their entering [employment in the organization] or which they are simultaneously exercising.

Article 7.- In order to preserve independence of criteria and the principle of fairness, the employee must not maintain relationships or accept situations in whose context their personal, labor, economic or financial interests could be in conflict with fulfilling the duties and responsibilities they within the Administration.

In the same way the must not direct, manage, advise, sponsor, represent or provide services, paid or unpaid, to persons who are applying for or who are exercising concessions or privileges or who are vendors to the State, nor those who maintain arrangements that signify benefits or obligations with entities directly supervised by the AFIP.

Article 8.- These govern all the personnel within the FEDERAL PUBLIC REVENUE ADMINISTRATION regarding the general and specific conflicts of interest contained in the regulations that are in force now, or which may be enacted in the future.

PROHIBITED BENEFITS

Article 9.- Employees must not, directly or indirectly, not for themselves or for third parties, request or accept cash, presents, benefits, gifts, favors, pledges or other advantages in the following situations:

- a) To make, delay or cease performing duties related to their responsibilities.
- b) To use their influence with another public official, in order that that person make, delay or cease to perform duties related to their responsibilities.
- c) When they would not have been offered or given, if the person receiving them did not have the position or responsibility that they have.

Article 10.- It is especially assumed that the benefit is prohibited if it comes from a person or entity who/which:

- a) Is performing activities that are regulated or supervised by the Organization.
- b) Is seeking or benefiting from concessions, authorization, privileges or franchises granted by this Administration.
- c) Is or is applying to become a contractor or vendor of goods or services to the AFIP.
- d) Is expecting a certain decision or action from the Organization.
- e) Has interests that could be seen as being significantly affected by any decision, action, delayed or omitted by the AFIP.

Article 11.- Excepted from the prohibitions established in Article 9 shall be the following:

- a) Official or diplomatic awards received from international governmental organizations or non-profit entities, under conditions which the law or official customs permit regarding those benefits.
- b) Travel and lodging reimbursements received from governments, teaching institutions or non-profit entities, for giving speeches, teaching courses or for academic-cultural activities, or while participating in them, as long as it does not result in being incompatible with carrying out one's duties or is not prohibited by special regulations.
- c) Gifts or benefits whose meager value, according to the circumstances, cannot be reasonably considered as a means tending to affect the will of the employee.

MANAGERS

Article 12.- Employees exercising Managerial responsibility at any level in the Institution must be the main proponents for the fulfillment of the precepts contained in this code and especially:

- a) Emphasize the professional development of the personnel under them, encouraging their potential and capabilities based on the opportunities offered within the Organization.
- b) Inform their subordinates about their rights, obligations and the contents of this present CODE, as well as their interpretation of the institution's strategy, focusing upon the context within which it must be carried out.
- c) Appropriately use the authority delegated to them by the Organization, avoiding situations of abuse of power such as, retaliation, moral or sexual harassment, behaviors which, if they should occur, will be considered to be serious errors.

SIGNED FINANCIAL AND NET WORTH STATEMENTS.

Article 13.- An employee of the AFIP who because of their situation finds themselves obligated to present a Signed Financial and Net Worth Statement which the regulations currently in effect stipulate, shall do so according to the procedures established by the Organization.

Ms. Beatriz Luisa Fontau
Deputy General Director of Human Resources
Federal Public Revenue Administration
Buenos Aires, Argentina
Email: bfontau@afip.gov.ar

Case study

TOPIC 2.2

CODES OF ETHICS IN THE TAX ADMINISTRATION

Hassena Ali

Commissioner and Chairman
Board of Inland Revenue
(Trinidad and Tobago)

The 30th CIAT General Assembly held in Santo Domingo, Dominican Republic, in March 1996, approved by acclamation a charter-document on the “Minimum necessary attributes for a sound and effective tax administration”.

It was agreed that CIAT tax administrations must pursue these fundamental principles to guarantee the integrity, impartiality and continuity of their actions, and give evidence of the most strict observance of ethics in their performance, so as to promote taxpayers’ respect and confidence in the system. One measure to foster integrity is a Code of Ethics to guide staff as to what is acceptable behaviour.

Acceptable standards of behaviour vary not only between countries and societies but also between individuals. This is of particular importance to a tax administration. These standards are influenced by factors such as religion, culture, politics, economics, family, historical backgrounds etc. Because of these variations in what is acceptable and what is not, it becomes necessary for any Tax Administration to codify the desirable and acceptable behaviour of its employees since the environment offers enormous potential for illicit financial rewards from bribery and unethical behaviour.

TOPIC 2.2

There was a time when a man's word was his bond. There was no need to record every understanding on paper. People lived up to expectations and conducted themselves with integrity. A great deal of trust and confidence was placed on people regardless of the role in which a person found himself. In this new age even organizations which have the responsibility to safe guard the public interest are renegeing on this responsibility. We are all familiar with the Arthur Anderson - Enron Case.

Also in the past, the accoutrements necessary for a comfortable life style were very modest in comparison with what obtains presently. These have not only expanded but have become very costly to acquire. The desire to accumulate wealth drives the public to have greater purchasing power. In order to satisfy this desire a member of the public may seek to collude with officials to reduce the taxes payable.

In most jurisdictions the salaries of Public Servants and in particular tax officials are lagging behind those of the Private Sector. In order to maintain some level of respect in the community the tax official must have adequate resources to support a reasonable standard of living for himself and his family. Where there is no national health system, the tax official must also provide for treatment of illness. The pressure on him/her to provide these basic requirements also raises the level of temptation for unethical behaviour.

The job of the tax official is not an easy one and if he sees that there is an inefficient use of the tax collected by the policy makers and even by state enterprises who are always requesting additional funds to operate their organizations, the tax official becomes very disenchanted. This disenchantment could lead to a lowering of his resistance to temptation for unethical behaviour.

CIAT in its Minimum Necessary Attributes to guarantee integrity and impartiality recognize the need for a strict code of behaviour. Such a code must define and promote ethical and professional standards of performance and behaviour of all officials controlling such performance and provide expeditious procedures for effectively detecting and sanctioning infringes.

I would now like to share with you the framework which currently exists in Trinidad and Tobago for addressing these ethical issues. The Inland Revenue Division is a Division of the Ministry of Finance. Its officials are public officials and are therefore subject to the Public Service

Commissions Regulations 1966 and the Civil Service Regulations 1967. The provisions relating to the Code of Conduct are part of these regulations.

The code of conduct deals with the following issues, which are elaborated in Appendix "A".

- General Conduct
- Duties of Officers
- Absence without Leave
- Activities outside the Service
- Officer not to publish Information
- Officers Comment on questions of Public Policy
- Lectures/talks
- Indebtedness
- Bankruptcy
- Officer not to solicit intervention
- Gift's rewards
- Exceptions
- Bribery
- Legal Proceedings
- Officer to report criminal charge
- Definition of Misconduct

As far back as the 1980's the Board of Inland Revenue (B.I.R), recognizing that the general provisions in the Public Service Commission Regulations relating to the Code of Conduct needed to be more specific to the operations of the Division designed a Code of Ethics for the staff of the Division. The Code of Ethics booklet was printed in 1986 and distributed to members of staff.

The **Code of Ethics Handbook** contains comprehensive descriptions of the above. In particular, the following areas with appropriate examples are included:

- Introduction.
 - General.
- Conduct in the Performance of Official Duties
 - Attendance.
 - Performance of Duty.

TOPIC 2.2

- Competence/Efficiency.
 - Conflict of Interest.
 - Restriction of Financial Interest.
 - Self Disqualification.
 - Confidentiality of Information.
 - Integrity of Information.
 - Accountability: Money and Property.
 - Accountability: Equipment and Other Resources.
 - Accountability: Official Records.
 - Security.
 - Relations with the Public.
 - Gifts and Gratuities.
 - Irregular Arrangements in Examining Taxpayers' Books.
 - Criticisms of Accounting Systems and Accountants.
- Personal Conduct.
 - General.
 - Associations.
 - Gambling and Betting.
 - Intoxicants: Alcohol and Drugs.
 - Lending and Borrowing Money.
 - Indebtedness.
 - Compliance with Tax Laws.
 - Use of Precepts and Credentials.
 - Procedures
 - Violations of Rules of Conduct.
 - Bribery.
 - Unethical Conduct by Tax Practitioners.
 - Assaults, Threats or Forcible Interference Against Employees of the Division.

Despite the comprehensive nature of the Code of Ethics Handbook, its only legal backing is however the Code of Conduct outlined above. The Inland Revenue Division employees are public servants and are subject to the disciplinary process outlined in the Public Service Commission Regulations. Attempts to enforce the Handbook may infringe employees' constitutional rights. To become a legal document the contents of the Handbook would have to be approved by Parliament.

Contravention of any of the areas outlined in the Handbook must fall within an area contained in the Code of Conduct Regulations. Any contravention of the regulations is handled by the Public Service Commission (PSC). The measure for dealing with a contravention then becomes a prolonged process. It is also possible that the matter may be overturned because of some technicality or the person who initiated the matter against the employee may now be led to feel as though he/she is the one on 'trial' and withdraw the allegation.

The role of the Public Service Commission in disciplinary matters is that of an independent and impartial body that receives complaints or allegations of acts of misconduct from the employer against the employee and hears and determines the issue between the parties.

Up until 1990, a code of conduct was erroneously promulgated by the Public Service Commission contrary to the Constitution and was accordingly struck down by the Privy Council as being ultra vires the Constitution. Since then in 1996, the employer has amended the Civil Service Act and Regulations in conformity with the Privy Council's decision by adding to them the necessary code of conduct.

In the interest of justice, the Commission has published in a form calculated to bring to the attention of all members of the Public Service a list of the various kinds of misconduct which in its opinion are capable of justifying disciplinary proceedings, and/or the various kinds of penalties that such misconduct can incur.

The Public Service Commission has delegated some of its authority to Managers to initiate, hear and determine disciplinary proceedings against public officers which do not attract the penalty of dismissal.

The procedure to be followed for the institution of disciplinary proceedings is set out in the Commission's Regulations of 1966 and are outlined hereunder:

- (i) Managers are required to report any allegations of misconduct to the Commission.
- (ii) At the same time they must also inform the employee of the report made against him/her and forthwith appoint an investigating officer to investigate the matter.

TOPIC 2.2

- (iii) The investigating officer must hold an office senior to the employee being investigated.
- (iv) The investigating officer must submit a report to the Public Service Commission within twenty-one (21) days from the date of his appointment.
- (v) The investigating officer shall require those persons who have direct knowledge of the alleged indiscipline or misconduct to make written statements within seven (7) days for the information of the Commission.
- (vi) *Regulation 90(6) page 320 of Public Service Commission Regulations as amended;*
The Commission after considering the report of the investigating officer and any explanation given by the officer under investigation shall decide whether the officer should be charged with an offence and if the Commission decides that the officer should be so charged, the Commission shall, as soon as possible, cause the officer to be informed in writing of the charge together with such particulars as will leave the officer under no misapprehension as to the precise nature of the allegations on which the charge is based.
- (vii) Where in the explanation given, the officer makes an admission of guilt, the Commission may determine the penalty to be imposed without further enquiry.
- (viii) *Regulation 92(2) as amended -
Where an officer admits the charge he shall be allowed to include in his explanation any extenuating circumstances in mitigation.*
- (ix) Where an officer fails to give an explanation or fails to admit or deny the charge or gives an explanation which places the facts in dispute or the explanation does not exculpate him, the hearing shall proceed as though the officer denied the charge and the Commission may appoint a disciplinary tribunal to hear the evidence and find the facts.

- (x) When there are about to be instituted against an officer disciplinary proceedings which could result in his dismissal or criminal proceedings and the public interest require that the officer should forthwith cease to perform the functions of his office, the Commission shall interdict him from such performance.

It is to be noted that where criminal proceedings have been instituted against an officer in a Court of Law the Commission awaits the outcome of such proceedings. If the outcome of such proceedings establishes the guilt of the officer, the Commission may institute disciplinary proceedings against the officer for bringing the Service into disrepute. The Commission has no power to create a criminal offence. However, where the Board has sufficient information to suspect that a fraudulent act has been committed the matter is referred to the fraud squad which is an arm of the Police Service. The fraud squad makes its own independent investigation and any charges arising out of these investigations are laid by the Department of Public Prosecutions.

Additionally, the Government of Trinidad and Tobago engaged the Services of the USIRS to assist in the institutional strengthening of the Division. One of the reform initiatives which the USIRS has recommended is the expansion of the Internal Audit function to include an Inspection Unit. The establishment of this unit would greatly enhance the Board's ability to enforce the Code of Ethics.

The role of the Inspection Unit would be as follows:-

- To identify operations where the risk of an integrity breach is high.
- To review and test these high risk operations to identify weakness in the control mechanisms that allow fraud or corrupt practices to go undetected, to detect instances of fraud or corruption, and to provide a deterrent effect through high Inspection visibility.
- To coordinate and integrate Internal Audit and Inspection program planning and resource commitments in line with other high priority commitments of each unit.

The functions of the Inspection Unit would be as follows:

- Awareness Presentations – A vital activity in the Integrity Program to increase employee recognition of integrity matters, to develop a better understanding of the role and responsibilities of Inspection, and to foster active participation of employees in maintaining the integrity of the Board.
- Liaison with BIR Managers – Periodic visits by Inspection representatives with BIR management to discuss integrity developments, potential problem areas, results of recent audits of controls in high-risk areas, investigative results and other mutual concerns.
- Review new or revised BIR Directives for Internal Control Weaknesses – Inspection reviews to ensure adequate controls are established over operations, especially high integrity risk areas, to eliminate or minimize the opportunities for fraud or corrupt practices.
- Integrity Projects – Reviews or probes of specific high-risk areas or transactions to detect material fraud and assess the extent of integrity breaches that may have occurred.
- Integrity Tests – in-depth reviews of the high-risk features of auditable areas by Internal Audit. These integrity tests are conducted to evaluate and test the effectiveness of controls and are designed to be of sufficient scope to detect the presence of material fraud.
- Special Inquiry, Integrity Cases – Preliminary investigations or probes to resolve questionable related information where no specific allegation of misconduct or criminality has been received, but where Inspection interest is present.
- Developing Information Sources and Analyzing Information – Information gathering activities and development of confidential sources of information to identify breaches of integrity by employees and others.

- Limited Special Tests – Tests of the integrity of various systems, primarily the remittance processing systems in the regional offices and the district offices, to assure that negotiable remittances are not being fraudulently diverted.
- National Coordinated in-depth reviews in multiple areas of major BIR programs in which integrity breaches have occurred and/or in which there is high potential for integrity breaches because of the nature of the program or inherent control weaknesses. Internal Audit evaluates the effectiveness of the controls by performing audit tests designed to determine the validity of selected transactions. Inspection resolves questionable transactions identified by Internal Audit through investigative techniques such as checks of public records and interviews of interested parties. The results of the Internal Audit tests and Inspections' investigations and recommendations for improving controls are reported to the Board.

A new Code of Ethics Handbook has been drawn-up by the USIRS Adviser. It is recommended that a copy of the Handbook is to be given to each employee upon commencement of service within the Division. The Handbook would be updated and revised periodically. Every employee will be required to acknowledge receipt of the Handbook and amendments by signing a form. A copy of this signed receipt form will be placed in the employee's official personnel file. Subsequently, all employees will be made to account for all actions which contravene the contents of the Handbook.

The system as outlined is very comprehensive but in order to work the Unit must be properly staffed. The Board has to rely on the Public Service Commissions to fill posts created on the establishment. This process takes a long time. Even where contract staff is contemplated, this process takes a long time and there is no guarantee that it will yield the required results. The conditions of service are determined by the Chief Personnel Officer and in many instance the salaries offered are not attractive to contract workers, especially in these specialized areas.

In addition there are additional legal powers, which the officers should have in order to do their work effectively. These are the legal authority to perform administrative and criminal investigations. It is proposed that

TOPIC 2.2

the section should also have the authority to lay criminal charges indictably.

The officers in the unit should also have the authority to subpoena persons to give evidence and produce records to enable thorough investigations to take place.

The Board is in the process of implementing the IRS proposals. However, we have been hampered by the system for recruiting staff and by the absence of a sitting Parliament for over one year.

A more recent development has been the Government's proposal for the establishment of a Revenue Authority which will be an autonomous body to oversee the operations of Customs and Inland Revenue. It is anticipated that this authority would, among other things, be responsible for the recruitment, discipline and dismissal of staff. This should result in an easier implementation of the IRS proposals.

The IRS proposals emphasize personal knowledge of the Code of Ethics together with education and improved monitoring. It is anticipated that these would raise the level of consciousness among staff and improve conformity with the Code of Ethics.

APPENDIX "A"

LEGAL NOTICE NO. 217

REPUBLIC OF TRINIDAD AND TOBAGO

THE CIVIL SERVICE ACT, CHAP. 23:01

REGULATIONS

MADE BY THE MINISTER UNDER SECTION 28 OF
THE CIVIL SERVICE ACT

THE CIVIL SERVICE (AMENDMENT) REGULATIONS, 1996

1. These Regulations may be cited as the Civil Service (Amendment) Regulations, 1996. Citation
2. The Civil Service Regulations are amended by inserting after Chap. 23:01 Chapter X, the following new Chapter: Amended

"CHAPTER XI"

CODE OF CONDUCT

▪ **General Conduct.**

134. An officer's conduct shall be such at all times as not to bring the Service into disrepute.

▪ **Duties of Officers.**

135. (1) An officer shall, with integrity, promptly and effectively discharge the duties of the office to which he is appointed and any other related duties that the Permanent Secretary or Head of Department requires of that officer.

(2) In the discharge of those duties, an officer shall be courteous and polite both to member of staff and to the public.

(3) An officer shall not willfully refuse, or willfully omit, to perform those duties.

▪ ***Absence without Leave.***

136. (1) An officer shall not be absent from duty without leave or reasonable excuse.
- (2) An officer, when leaving the country, shall inform the Permanent Secretary or Head of Department in writing or, in cases of emergency, a superior officer who shall report forthwith, in writing, to the Permanent Secretary or Head of Department.

▪ ***Activities outside the Service.***

137. (1) An officer shall not, directly or indirectly, be involved in any financial or other interest or undertaking which could compromise or reasonably be said to compromise that officer's job performance or office.
- (2) Where an actual or potential compromise arises, the officer shall inform the Permanent Secretary or Head of Department.
- (3) The Permanent Secretary or Head of Department shall determine the nature and degree of compromise, decide upon an appropriate course to resolve it which may include assigning the officer to other duties, and advise the officer accordingly.
- (4) An officer who is aggrieved by a decision made under subregulation (3) may appeal to the Chief Personnel Officer who shall review that decision.
- (5) Where the officer is aggrieved by the outcome of the review of the Chief Personnel Officer, the matter may be pursued on his behalf by the appropriate recognized association as a grievance to be dealt with under Part III of the Act.

- ***Officer not to publish Information.***

138. (1) An officer shall not make any unauthorized disclosure or make copies, for purposes unrelated to the performance of his duties, of official documents, papers or information of which that officer may have become aware in the course of the performance of duty.

(2) Unauthorized disclosure does not include the reporting by an officer of complaints to the Chief Personnel Officer, Auditor General or the Public Service Commission with regard to the conduct of the Public Service, where such complaints have been reported to senior officers without redress.

- ***Officers Comment on questions of Public Policy.***

139. (1) An officer shall not respond to questions of public policy, in a manner that could reasonably be construed as criticism and which may call into question his ability to impartially implement, administer or advise on Government policy.

(2) Subregulation (1) shall not apply to an officer acting in his capacity as a representative of a recognized association.

- ***Lectures/talks.***

140. (1) No officer shall, on his own behalf or on behalf of the Ministry he represents receive payment for the preparation or delivery of a lecture or talk done in pursuance of his duties or the duties of the Ministry.

(2) Lectures or talks which are not necessary for departmental purposes may be given by an officer who is knowledgeable in a particular subject, whether or not he has specialized in the subject in his official capacity.

- (3) Where the subject matter of the lecture or talk referred to in subregulation (2) is related to the work of his department or if the officer is to be announced by his departmental title, the prior authority of the Permanent Secretary or Head of Department is required to ensure that:-
 - (a) there is nothing in the lecture or talk contrary to the public interest or inconsistent with the status of the officer; and
 - (b) the standing of the officer is sufficient to justify the delivery of the lecture under his departmental title.
- (4) In respect of a lecture or talk given by an officer in accordance with subregulations (2) and (3) the officer shall make his own private arrangements for remuneration and in every case such lecture or talk shall be prepared and delivered outside of official hours.

- ***Indebtedness.***
141. An officer shall not incur indebtedness to the extent that it compromises that officer's job performance or brings the Service into disrepute.
- ***Bankruptcy.***
142. An officer against whom bankruptcy proceedings have been taken or who becomes insolvent or who has been declared a bankrupt shall within seven days report that fact to the Permanent Secretary or Head of Department.
- ***Officer not to solicit intervention.***
143. An officer shall not solicit the intervention or influence of members of Parliament, Ministers, members of a Commission, or prominent members of the community to support or advance his individual claims in the Service.

- ***Gift's rewards.***

144. Except with the permission of the Permanent Secretary or Head of Department, an officer shall not accept any gift or reward from any member of the public or from any organization for services rendered in the course of performing official duties.

- ***Exceptions.***

145. Notwithstanding regulation 144, an officer may accept a present offered by:

- (a) a representative of a foreign government on the occasion of an official visit to that country;
- (b) a community organization on a social occasion where the gift represents the work or achievement of that organization;
- (c) fellow officers on marriage, retirement, transfer or other social or celebratory occasion.

- ***Bribery.***

146. An officer who is offered a bribe shall immediately inform his senior officer, in writing, who shall notify the Permanent Secretary or Head of Department who shall cause the matter to be reported to the Police

- ***Legal Proceedings.***

147. An officer who desires to initiate legal proceedings against another officer or against a member of the public with respect to any matter which arose out of, or in the course of, the execution of duty shall inform the Permanent Secretary or Head of Department.

- ***Officer to report criminal charge.***

148. An officer who is charged with a criminal offence which carries a penalty of imprisonment shall report the matter without delay to the Permanent Secretary or Head of Department.

▪ ***Misconduct Defined.***

149.

- (1) An officer who without reasonable excuse does an act which:
 - (a) amounts to failure to perform any required lawful duty in a proper manner;
 - (b) contravenes any law of the Regulations;
 - (c) contravenes any law relating to the performance of the duties of his office; or
 - (d) is otherwise prejudicial to the efficient conduct of the Service or tends to bring the Service into disrepute,commits an act of misconduct.

- (2) Without prejudice to the generality of subregulation (1), an officer who:-
 - (a) is absent from office or official duties without leave or valid excuse, or is habitually irregular in the time of arrival or departure from the place of employment;
 - (b) willfully disobeys or disregards any lawful order made or given by any person having authority to make or give the order;
 - (c) is unfit for duty through drunkenness or the illicit use of drugs;
 - (d) is inefficient or incompetent through causes which are within that officer's control;
 - (e) commits any immoral, obscene or disorderly conducts in office;
 - (f) performs the required duties in a negligent manner;

- (g) exercises authority unreasonably or abuses that authority in the course of performing the required duties;
- (h) having made or subscribed an oath or affirmation for the purposes of office does or says anything in violation of that oath or affirmation;
- (i) uses without the authority of the Permanent Secretary of Head of Department, any property or facilities provided for the purposes of the Service, for a purpose not connected with that officer's official duties;
- (j) has a criminal charge proved against him;
- (k) participates, in the meetings of any political organization while on duty, while on official business or while wearing official uniform, commits an act of misconduct".

Made this 30th day of December, 1996.

W. MARK
Minister of Public Administration
and Information

Ms. Hassena Ali
Commissioner and Chairman
Board of Inland Revenue
Inland Revenue Division
Port-of-Spain, Trinidad & Tobago
Email: birchair@ird.gov.tt

Case study

TOPIC 2.3

PROMOTING TRANSPARENCY OF MANAGEMENT AND SOCIAL CONTROLS ON THE TAX ADMINISTRATION

Salvador Ruíz Gallud
General Director
State Agency of Tax Administration
Spain

CONTENTS: Introduction.- I. Institutional Information on the Tax Agency's Management.- I.1. Institutional information to the citizen.- I.2 Reinforcement of the institution through campaigns in the communications media.- II. Promoting the Ways in which Citizens Can Participate in Improving the Tax Administration.- III. The Provision of Information Regarding the Status of Procedures and the Administrative Criteria Followed in Their Solution.- IV. Reinforcement of Internal Control Bodies.- V. The Relationship with the External Examination Bodies.- V.1. Parliamentary control.- V.2. People's ombudsman.- V.3. The accounts court.- V.4 The State's Administration General Supervision Office (IGAE).- Conclusions.

INTRODUCTION

The Tax Agency was actually established on January 1st, 1992 although it had been created a year earlier by means of article 103 of the General State Budgets Act of 1991. It is set up as a Public Law Entity, adhered to the Ministry of Finance, through the State Secretariat of Finance. As such, it has its own juridical system which is different from the rest of the General State Administration and, regardless of the essential principles that should govern every administrative action, allows it certain autonomy on budgetary issues and staff management.

The mission of the Tax Agency is the effective application of the tax system, state and customs, as well as of the resources of other national Public Administrations or of the European Union, whose management may be entrusted by Law or Agreement.

To achieve it, the Tax Agency has two main strategic guidelines: the first, intended to facilitate the citizen voluntary compliance with his tax obligations, by offering ever more and better services, based on the new information and communication technologies. The second consists of actions for controlling or struggling against fraud, intended to guarantee the effective application of the state tax and customs system and, therefore, generality and equity in contribution to the public burdens.

In order to fulfill the functions for which it was created, the Tax Agency must act in accordance with a stated set of values that constitute the so-called **institutional ethics**, of continuous observance which, duly disseminated and shared by those who comprise the organization, may add internal cohesion, generate citizen trust and ensure the results of tax management which society demands.

These values may be structured as follows:

- **Respect for the Constitution and the norms.** The Constitution provides that Spain is a State of Law and that public powers are subject to the Constitution and the rest of the juridical ordinance. Accordingly, the juridical order and the principles included therein, go beyond their normative nature, inspire values that must serve as reference of the ethical behavior of public employees.
- **Professional responsibility.** The Tax Agency employees must develop a positive attitude toward their job, ensuring that their knowledge and technical competency may be the adequate ones for their performance.
- **Loyalty toward the Institution.** The employees will act in a loyal and transparent manner toward the institution, avoiding conflicts of interest and will actively collaborate toward achieving its mission.

- **Respect for individuals.** Among the goals of the Tax Agency one must consider its employees' personal and professional development and maximum consideration toward the citizens.

The Tax Agency's express commitment toward the values that constitute institutional ethics is specified and explained in the promotion of transparency of management and social controls which is rendered effective, among other things, through the following initiatives:

- I. Institutional information on the Tax Agency's management.
- II. Promoting the ways in which citizens can participate in improving the tax Administration.
- III. The provision of information regarding the status of procedures and the administrative criteria followed in their solution.
- IV. Reinforcement of internal control bodies.
- V. The relationship with external examination bodies that allows the citizen to verify correct and effective management by its tax Administration.

I. INSTITUTIONAL INFORMATION ON THE TAX AGENCY'S MANAGEMENT

The Tax Agency, aware of the need to increase transparency of information with respect to internal management of the organization and facilitate social control of its activity, has numerous publications relative to the actions, objectives and results, as well as campaigns in communications media for the purpose of reinforcing tax awareness and promoting voluntary compliance with tax obligations.

I.1. Institutional information for the citizen.

Among the many and varied publications of the tax Agency existing in this respect, there are:

- **The General Guidelines of the General Tax Control Plan**, which include the areas of fiscal risk deserving priority attention and the basic criteria for development of the Plan which are also published in the State's Official Newsletter, as provided in article 26 of Law 1/1998 on Taxpayer Rights and Guarantees.
- **The reports on Tax Collection.** Each fiscal period, these documents include the necessary information for the citizen to analyze the annual behavior of collection with respect to the different tax items; they also provide historical data on all tax items for the past five years, which allows for determining the evolutionary trend; they also explain the causes of deviations in collection with respect to the budgetary forecast; etc.
- Another key institutional information instrument which the Tax Agency provides the citizen is the **Annual Report**, which includes the most relevant information on the activities carried out and the results achieved. The Report consists of four chapters; the first is an introduction to the organization, its functions, general objectives and resources available for carrying out the tasks that have been entrusted to it. The second chapter includes a descriptive reference of the main planning instruments regarding the Tax Agency's actions. In the third chapter, under the title: "Balance of results and actions", the Report describes the work carried out by the Agency in the past fiscal period, as well as the most representative figures of such results, including as well data from the previous fiscal period to facilitate the interannual comparative analysis. Lastly, chapter four deals with the Agency's management of its own human, material and computerized resources to achieve the objectives set and carry out the functions assigned to it.

In the past years, the Tax Agency has been making a special effort, in order to make this valuable document available to citizens as soon as possible, at the service of transparency of information on internal management of the organization. Thus, the last Report, (corresponding to the year 2001) was published in Internet six months after concluding the corresponding fiscal period.

At this time, the Tax Agency's web page (www.agenciatributaria.es) has available the reports for the past six years (from 1996 to the year 2001), in addition to the publications previously mentioned.

Deserving of special attention, since it is the express manifestation of the commitment to **Total Quality** in all actions of the Agency, is the **Tax Agency Charter of Services**, which, together with the description of the series of services offered to the citizen, includes the specific commitments assumed with respect to the rendering of such services, the indicators that will allow to follow up the level of compliance with the commitments assumed, the means available to the citizen for participating in the continuous improvement of the services, and his rights with respect to his relationship with the Tax Administration. The Charter of Services is conceived as a live document, subjected to continuous review, as regards correction of deviations with respect to commitments declared in the Charter, as well as with respect to its updating according to the changes of the environment.

I.2 Reinforcement of the Institution through Campaigns in the communications media.

As it is logical, advertising campaigns in the various communications media cannot offer the citizen large amounts of information on internal management of the Tax Agency. Nevertheless, it does allow for transmitting to most citizens the message of rapprochement and transparency of the tax Administration.

Since its creation, the Tax Agency has been developing an institutional communication strategy intended for all citizens, by means of annual advertising campaigns in the main social communications media (fundamentally on television and with the support of the press and radio).

Some of the objectives sought through the institutional advertising campaigns are reinforcing the tax awareness of citizens in order to promote responsible attitudes of compliance with the tax obligations and rejection of antisocial tax fraud behaviors, thus offering for this purpose, the image of a modern, effective tax Administration that is close to the citizen.

These institutional campaigns are normally broadcasted by television – in national and autonomous chains-, through the press- in national and provincial newspapers- and through the main national radio stations. They are broadcasted in Spanish and in all the co-official languages.

II. PROMOTING THE WAYS IN WHICH CITIZENS CAN PARTICIPATE IN IMPROVING THE TAX ADMINISTRATION

In a modern tax Administration with vocation of service to the citizen, it is essential to establish the channels of participation that may allow them to express their opinions, concerns and demands to the Administration.

In the case of the Tax Agency, citizens may address their suggestions and complaints to the **Taxpayer's Defense Council**, by means of any Tax Agency office and the remaining bodies of the State Secretariat of Finance, either personally or by mail, fax, or any other transmission system, through the use of the form established which is available in our offices. The citizen may request information on the status of processing of the complaint or suggestion, to the unit receiving the complaint or suggestion filed.

All complaints and suggestions are answered and if the interested party is not satisfied with the answer received, he may file a note of disagreement within the following 15 days.

The formulation of a complaint does not prevent the filing of appeals or claims provided in the laws against administrative acts issued by the Tax Agency.

The Taxpayer's Defense Council was established in January 1997, as a collegiate body attached to the State Secretariat of Finance, which was assigned consultative as well as counseling functions in solving complaints and suggestions.

Since its establishment, the Council consists of two groups of differentiated members: on the one hand, individuals of well-known prestige, representing the professional sectors that are related to the tax sphere and to society in general; and on the other, public officials, representing the Managerial Centers that are dependent on the State Secretariat of Finance. Also member of the Council is the Tax Agency's Director of the Internal Auditing Service.

Thus, it is a body with a highly qualified technical representation, where one may find, nevertheless, very different sensitivities and viewpoints that enrich their deliberations. This combination of members allows the representatives of the Administration to become aware of the taxpayers' concerns, and also that social and professional sectors unrelated to the Administration may learn about the problems faced by the managing entities of the Administration.

The Council consists of a President, a Secretary and 16 Members and it operates through the Plenary (formed by the totality of members of the Council) and the Permanent Commission (consisting of the President, the Secretary and three members elected by the Plenary from among the members with the capacity of active public officials).

For the adequate processing of claims and suggestions, the Tax Agency has adhered to the Council, an Operational Unit coordinated by the Director of the Internal Auditing Service, which provides technical support to the Council and is formed, in turn, by the Central Unit and two Regional Units, which process the complaints and suggestions filed.

In sum, it is an appropriate instrument for the defense of the citizen's rights and guarantees which brings the tax Administration closer to the taxpayer, by providing a means for control and participation in the improvement of its managerial functions.

Another means offered the citizens for collaborating in improving the services, programs and documents of the Tax Agency is the possibility of expressing their opinion in the **surveys, studies and analyses** carried out by the Agency itself, or else, by other public entities, such as the Sociological Research Center (S.R.C) or the Institute of Fiscal Studies.

Providing a quality service to citizens, as well as continuing to advance in the process of modernization of an organization such as the Tax Agency, calls for having specific and evolutionary knowledge about the multiple variables related to such rendering of services and to the normal development of the activities of the Agency.

The Tax Agency's commitment to quality as reference for the best effective application of the tax system, calls for acquiring updated and in-depth knowledge of the reality of its relationship with the citizens that demand any of its services. Likewise, the citizen who does not make direct use of the services provided by the Tax Agency also has an image of the latter, and although it is structured in an indirect manner, it is an adequate reference for determining the position of the Institution in society.

To measure the sociological impact of the services offered by the Tax Agency and the actions in the struggle against fraud, there are essentially three instruments developed on the basis of personalized taxpayer surveys:

- **The Fiscal Barometer** elaborated annually by the Institute of Fiscal studies whose main objective is to measure the evolution of the opinion and fiscal attitudes of the Spanish people.

The data of the Fiscal Barometer for 2001 are published in the document: "Opinions and fiscal attitudes of the Spanish people in 2001", elaborated by the Institute of Fiscal Studies and available in the web page of the Ministry of Finance (www.minhac.es/ief/), under the option Publications / Documents of the Year 2002.

- **The survey on public opinion and fiscal policy** carried out each year by the Sociological Research Center.
- **The study on the positioning and image of the Tax Agency** carried out by the organization itself (was performed in 1999 and a new study has been scheduled for the first months of 2003).

In addition, the Tax Agency carries out surveys on specific issues and services, such as, for example, the survey on services rendered in the Income campaigns or the services offered via Internet.

The evaluation of the Tax Agency's services, according to the surveys mentioned is clearly positive. It is thus evidenced in the data of the previously mentioned Fiscal Barometer, where 91% of the population surveyed, had

a positive evaluation, while 9% evaluated the services negatively. Within the aforementioned 91%, a “very positive” evaluation was expressed by 21% of the surveyed. The comparison of this opinion with that stated in previous years shows that the positive image of the tax Agency’s services is consolidated among the citizens, having achieved in 2001 the highest evaluation of the series.

III. THE PROVISION OF INFORMATION REGARDING THE STATUS OF PROCEDURES AND THE ADMINISTRATIVE CRITERIA FOLLOWED IN THEIR SOLUTION

One of the ways of promoting transparency in the Tax Agency’s management is by facilitating access to information on the status of procedures, as well as the administrative criteria existing for applying the tax norms.

In fact, Law 1/1998, of taxpayer rights and guarantees expressly states in its third article that, in order to comply with their tax obligations, they are entitled to be informed and assisted by the tax Administration with respect to the contents and scope thereof, as well as to be aware of the status of procedures of which they may be a part.

To this end, the Tax Agency facilitates access, through its web page, to binding as well as unbinding tax inquiries solved by the General Directorate of Taxes and makes available to citizens, several services which are based on the **Informa** program, a data base with questions and answers of different taxes, established in 1991 for the purpose of guaranteeing homogeneity of the information given to the citizen in relation to their tax obligations.

As of December 31, 2002, the number of questions with their corresponding answers that could be consulted by all citizens in Internet was 15,818. In this way, the Agency guarantees to the citizen homogeneous and easily accessible information on the criteria used in the management of the tax system.

The citizen may access this information in our offices, via telephone or Internet. Thus, transparency of action is guaranteed to all citizens, regardless of the site or manner in which they access these action criteria.

On the other hand, in addition to the information which citizens may request with respect to the **status of procedures** at the Tax Agency offices (one of the tax Administrations with more offices open to the public -over 300-, which results in unquestionable closeness to the citizens), in the past few years, the latter have been offered new services that may allow them to obtain information on the status of procedures in a prompt, comfortable, safe and speedy manner, via Internet or by phone, without having to go to the offices. These involve services that promote, to a greater extent, the transparency of the Tax Agency's actions, such as for example:

- **Inquiry regarding the status of refunds**, on Individual as well as Corporate Income Tax and Value Added Tax. This service is provided either by telephone (901 12 12 24) as well as by Internet. The telephone assistance service is based on an automatic system which provides the interested party information 24 hours a day and which, as the previous one, is a shared cost service.
- **Request for fiscal data**. Via telephone, throughout the months of April and May, by means of an automated voice recognition system (901 12 12 24) which operates 24 hours a day, taxpayers may request to be sent by mail, their relevant tax data for the Individual Income Tax Return. The data may also be requested via Internet and if the interested party has a user certificate he may access "on-line" the relevant tax data. This service has been promoted to a maximum through the communications media, while the information offered has also been increased, to include that corresponding to real estate lease subject to withholdings, financial assets in general, contributions to pension plans and funds.

Since 1999, there has been a continuous increase in the use of this service by citizens. Thus, in 1999, the service was used by 640,900 citizens, double the number of the previous year; in the year 200, it was 1.1 million, while in 2001, the service was used by 1.6 million citizens and in 2002, users increased to 2.6 million. These figures are indicative of the increasing acceptance of this assistance service, one of the main evidences of the Tax Agency's transparency in procedures, which allows the citizens to be aware of the tax relevance information with the Agency has in its data bases.

IV. REINFORCEMENT OF INTERNAL CONTROL BODIES

Currently, organizations are devoting efforts to designing institutional control systems that are capable of ensuring effective compliance with their mission, objectives and norms, and guaranteeing the socially required levels of transparency. The codes of good government, the incorporation of independent councilors, the auditing committees, are partial responses to this concern.

The Tax Agency, in response to the specific aspects of its mission, has an institutional control system which, together with the external control exercised by Parliament through the Accounts Tribunal and the economic-financial control of the State Administration's General Supervision Office is based on an internal control structure of the Directorate, whose specialized body is the **Internal Auditing Service**.

The regulating rules of the Tax Agency defines the Internal Auditing Service as the body in charge of the permanent follow-up and evaluation of its management, risks and behavior control systems.

To this end, the Internal Auditing Service carries out several inspections of the Agency's territorial units and services, by visiting the Administrations, Provincial Delegations and their Regional Dependencies to verify adequate operation of the different functional areas and examine the integral functioning of specific offices.

In addition, the Auditing Service's internal control is also extended to monthly follow-up of compliance with the Agency's Objectives Plan, to the analysis and evaluation of the security and control systems, budgeting, analysis and follow-up of tax revenues, etc.

The Tax Agency's objective in the coming years is to reinforce the Internal Auditing Service through the adoption of measures leading to:

- Strengthening the juridical security of the Service's actions, through a broader normative coverage of its functions.
- Achieving greater accuracy in determining and implementing risks maps in the managerial procedures, based on the work of the Security and Control Commissions, with incorporation of the automatic alarm systems.

- Promoting the operational management of the Service, research resources for the prevention, detection and correction of irregular behaviors, and the information systems for internal control –the alter based on the intensive use of new technologies (data warehouses and others)-.

V. THE RELATIONSHIP WITH THE EXTERNAL EXAMINATION BODIES

Controls undertaken by entities outside the controlled organization strengthen the citizen's perception of transparency in management. In the case of the Tax Agency, examination and control of its actions are carried out by a large number of bodies: The General Courts, the People's Ombudsman, the Accounts Court, the State Administration's General Supervision Office – thus becoming a diversity of controls of a varied nature –political as well as financial, which allow the citizen to verify the accuracy and effectiveness of the tax Administration.

V.1. Parliamentary control.

The General Courts exercise the Tax Agency's management control through the Economy and Finance Commission of the Congress of Deputies, which periodically urges the appearance of the Tax Agency's General Director in order to control the general lines of actions. In such appearances, information is given to the representatives of the different Parliamentary Groups, as regards the balance of actions of each fiscal period, as well as the objectives of the current period, with the presentation of the general guidelines of the Control Plan.

V.2. People's Ombudsman.

The People's Ombudsman is the high commissioner of the General Courts designated by the alter to defend the freedom and fundamental rights of the citizens, for which purpose it may supervise the activity of the Administration, and report to the General Courts.

Therefore, the Tax Agency, as Public Administration, is subject to the People Ombudsman's exercise of the supervisory competencies that have been entrusted to him and must provide him all the information he may request for carrying out an investigation, leading to the clarification of the acts and resolutions of the Agency itself, as well as its agents, based on the possible violation of some fundamental right of those provided in Title one of the Constitutional Text. Thus, in 2002, 120 files related to complaints filed before the People's Ombudsman were sent to the Tax agency, of which 110 were answered that year.

As an expression of the Tax Agency's commitment toward the transparency of internal management, the General Directorate recently issued a series of internal rules (Instructions addressed to their Departments, Services and Delegations) whose purpose is to promote and regulate the collaboration and support of the Tax Agency's entities with other external bodies that carry out supervisory, examination and control functions, such as the People's Ombudsman, the Delegated Supervision Office or the Accounts Court.

V.3. The Accounts Court.

By delegation of the General Courts, it has been entrusted the examination and verification of the State's General Account, as well as others of the public sector, to examine the economic-financial activity of the public sector, to thus ensure its abidance by the principles of legality, efficiency and economy, as regards the execution of the public revenue and expenditures programs.

The Tax Agency, as public law entity, with its own juridical personality and full juridical, public and private capacity, integrated to the Central Public Administration and adhered to the Ministry of Finance, is subject to examination by the Accounts Court, for which reason its President must report to the Court.

The Agency's General Director appoints a coordinator who is in charge of centralizing the information from the entire Agency, in relation to the Account Court's action.

After the Accounts Court publishes the examination report, the Tax Agency undertakes the actions that are a consequence of the conclusions and recommendations made therein.

V.4. The State's Administration General Supervision Office (IGAE).

The so-called financial control exercised by the State's Administration General Supervision Office (IGAE) with respect to all Services, Autonomous Entities, Corporations and other State Public Entities mainly endeavors to promote the improvement of economic-financial management techniques and procedures and extract information that may allow for a better application of the principles of efficiency and economy in the scheduling and execution of public expenditures. Audit techniques are used for undertaking this type of controls.

The Tax Agency is subject to the State Administration General Supervision Office's permanent and continuous financial control throughout the year, as regards tax management as well as internal management. Specifically, the control is carried out by the Delegated Supervision Office established at the center, that is, the controlled Organization or entity (at the central level) or by the Regional or Territorial Delegated Supervision Office (at the peripheral level).

In this way, the Delegated Supervision Office plans, directs and coordinates the actions and issues a global report, while the other Delegated Supervision Offices perform the "field" work at the Special Delegations of the Tax Agency.

Based on the definitive financial control reports, the Tax Agency then promotes the adoption of measures for improvement that are derived from the conclusions and recommendations.

CONCLUSIONS

The future of the modern tax administration is marked not only by the commitment toward permanent improvement in carrying out their tasks, but also the explicit commitment toward the constitutional values that comprise their institutional ethics.

To this end, it must adopt initiatives aimed at rendering more and better services and taking the necessary steps to guarantee transparency in management, by facilitating social control over its activity as a means for strengthening society's tax awareness.

The tax administration cannot be alienated from the society it serves and of which it is a part. For this reason, it must provide ways of participation that may allow the citizen to express his opinion on the services he receives, provide the compliant citizen institutional information on the objectives and results of its management and subject itself to the controls which society has established through its representative bodies. Thus, since its establishment the Tax Agency has been devoting all its efforts to complying with these commitments.

Mr. Salvador Ruíz Gallud
Director General
State Agency of Tax Administration
Spain
Email: direcgral@aeat.es

Case study:

TOPIC 2.3

PROMOTING TRANSPARENCY OF MANAGEMENT AND SOCIAL CONTROLS ON THE TAX ADMINISTRATION

Nahil Hirsh

National Superintendent

National Superintendence of the Tax Administration - SUNAT
(Peru)

*CONTENTS: Introduction.- Institutional Guidelines.- Access to Information.-
Transparent Management Module.- Management Report.- Tax Note.-
Monthly Collection Report.- Supply of Electronic Information.-
Tributemos Magazine.- Information pertaining to processes and
requests.- Inquiries on Foreign Trade Procedures.- Inquiries on Import
Declarations.- Inquiries on Cargo Manifests.- Results and Perspectives.-
Social Control Mechanisms.- Taxpayer Defense.- Opinion Surveys.-
Online Defense.-Results.- Conclusion.*

INTRODUCTION

The Political Constitution of Peru recognizes the right that any person has to request, without expressing the cause, information required and to receive the same from any public entity, with the exceptions provided for in the Law.

In this legal framework, our country has recognized and ratified different international instruments, which praises the right that every person has to receive information.

However, between 1995 and 2000 behavior contrary to what is provided for in our Constitution was prevalent in Peru, this led us to an abnormal situation that promoted the “culture of secrecy”, as it was set forth in a report titled “The Situation of Freedom of Speech in Peru”, prepared by the Ombudsman in 2000. This fact is linked to the different acts of corruption uncovered, in which different persons who held high positions in the regime installed during those years were engaged.

Thanks to the mobilization of healthier forces in our country, this lack of transparency has been happily overcome. Along these lines, in 2001, during the Transition Government, procedures guaranteeing citizens’ access to information in the hands of or produced by Public Sector entities, as well as information pertaining to public finances, were established. Currently, the provisions of the Transparency and Access to Public Information Law (Law N° 27806 dated August 8, 2002), have replaced these procedures, this Law which rules the following:

- A transparency portal, through which State institutions are obliged to provide information on acquisitions of goods and services.
- A procedure for access to public information.
- Transparency on the management of public finances, that is, of fiscal information (budgetary, financial and accounting affairs).

INSTITUTIONAL GUIDELINES

It was in this context that upon assuming in August 2001 the position of National Superintendent of the Tax Administration (an institution solely dedicated, until then to the administration of internal tax) as recently as July 2002, when SUNAT took charge of the entire merge process with CUSTOMS (institution in charge of customs’ taxes), I requested to the Comptroller General of the Republic the performance of different control actions with regards to the past 10 years, with the purpose of evaluating previous managements in both institutions.

On the other hand, in agreement with the institutional vision and mission we have directed our efforts towards guaranteeing the citizen’s right to receive true, timely and easily understandable information, on the budgetary and administrative actions of our institution, such as the actions and results of our management in the administration of taxes.

In this regard, we have incorporated the concept of “electronic government”, of which we are active promoters. We use the information technology and communication at our reach to facilitate online access in a quick, easy and safe manner to the information and services that we offer, as well as promoting transparency and citizen’s participation.

In the same manner, I must indicate my special interest in knowing the opinion of taxpayers, users and general public on the actions of the Administration, as well as guaranteeing the respect for their rights. Therefore the decision to promote Taxpayer Defense, which was created in 2001 is explained, and turn it into an effective social control means.

ACCESS TO INFORMATION

Since we consider that the information should reach to all citizens, we have implemented different instruments. I will mention the main ones:

- **Transparent management** module in the portal that the institution has installed in the Internet.
- Management Report.
- Tax Note.
- Monthly collection report to the media.
- Electronic supply of statistical information.
- *Tributemos* Magazine.

TRANSPARENT MANAGEMENT MODULE

In addition to the abundant legal and tax information, our tax portal has been installed in the **Transparent Management** Module, where the interested parties can obtain current data on the Strategic Plan, the institution’s budget, compliance with austerity standards, procurement and contracting, the management agreement, personnel statistics, salary structure and the structure of job positions and openings, as well as the award of customs’ goods.

For example, any citizen can obtain information on the reports that are periodically published by the Internal Control Office in regards to compliance with the austerity standards issued in 2002 and that are sent to the Comptroller General of the Republic.

MANAGEMENT REPORT

As a result of our disposition to publish the largest volume of information to citizens, our institution published during the second half of 2002 the report titled *One Year of Management (Un Año de Gestión, in Spanish)*, where the actions and achievements of the first 12 months regarding the enlargement of the tax base, the decline in evasion, organizational development, increase in the recovery of the debt, improvement in the quality of the services to taxpayers, the efficiency and transparency in the internal management, as well as merger with CUSTOMS, were published. This was the first time that SUNAT published a report of this nature in its entire history.

In what pertains to the efficiency and transparency of internal management, in this report an analysis of the actions directed towards the elimination of corruption, the beginning of a strategic plan and the continuous control of efficiency in management was incorporated therein.

The report was sent to the different personalities and institutions that represent society nationally and the report was well received and accepted, it was broadcast in the media, which meant greater dissemination to a larger number of persons. Furthermore, the report was published in our Internet portal to guarantee that it would be accessed by a greater number of citizens.

We are currently processing data that will allow us distribute, soon, a second management report, which corresponds to the year 2002.

TAX NOTE

The *Tax Note* is a monthly newsletter that registers SUNAT's official collection statistics. This newsletter provides information on data pertaining to the collection of internal tax, from customs' tax and social contributions, as well as the evolution of the tax base and tax refunds. Moreover, it contains information of the past 12 months, with details pertaining to taxes, geographic location, economic sector and the size of taxpayers.

The target audience for the *Tax Note* is formed by, among others different personalities, authorities and public institutions of the country, as well as the National Statistical Institute, the media, economic analysts, professors, researchers and university students, who access this information, which they use to support their decision-making.

Furthermore, the information published in the *Tax Note* is published in our Internet portal, where the historical series of previous statistics are included.

MONTHLY COLLECTION REPORT

On the other hand, at the end of each month, prior to the publication of the *Tax Note*, our institution delivers to all communication means a report on collection results. The information provided obtains great repercussion in written media; radio and television, so the entire society at all levels are knowledgeable on the collection performance.

SUPPLY OF ELECTRONIC INFORMATION

Similarly, in customs' issues it is possible to obtain statistical information at our Internet portal. The peculiarity of this mechanism is that the user selects the guidelines that will allow him/her to define the information desired.

TRIBUTEMOS MAGAZINE

Another direct information means that we produce is *Tributemos Magazine*, which is published monthly, and our institution since 1992 edits it. As from 2001 its publication is massive and it is distributed free of charge through a newspaper with national circulation. Without detriment thereto, this magazine can also be access from our Internet portal.

In the pages of *Tributemos*, readers can find information on the different taxation measures, the institution's advances, new services offered and the results of the different actions implemented by SUNAT. Articles are written in a journalist's style. The comic strip technique is used as a complementary element, which facilitates comprehension on behalf of persons who only have primary education, contributing in this manner to the creation of taxpayer awareness.

INFORMATION PERTAINING TO PROCESSES AND REQUESTS

On the other hand, SUNAT makes efforts to facilitate taxpayer and user access to information pertaining to the beginning of processes or requests filed.

In some cases, taxpayers may approach our offices to obtain information regarding the status of their files and in other instances use our Internet portal.

Through said portal, interested parties may be informed on the responses issued by the institution in regards to inquiries of compulsory nature, as well as inquire on the status of complaints filed and some procedures.

In regards to complaints, these will be covered herein when we develop the issue on the social control mechanisms that SUNAT has. Examples of inquiries on the status of customs' procedures are presented as follows:

INQUIRIES ON FOREIGN TRADE PROCEDURES

The interested party may have access to the information on his/her deliveries through Teledespacho (Tele-dispatch), this is an electronic information transmission process performed by foreign trade operators.

You can know from your office the detail of the mistakes that caused a rejection and the warning messages generated, if any, as well as the return number with which they were finally classified in the event of being accepted.

In this manner, this inquiry option is not only limited to mention the status of requests in proceedings. It also contains warning messages where the user is informed of the action that he/she should follow to remedy the mistake.

INQUIRIES ON IMPORT DECLARATIONS

The Master Customs Return (DUA, in Spanish) is another online inquiry, issued for the import of goods into the country for an amount greater than three thousand US Dollars.

The interested party can inquire aspects pertaining to the payment of customs' fees: the date on which they were made, the bank where the payment was done and the amount cancelled. In the same manner, an indication is made whether if the importer can withdraw goods from the warehouse and if the same will be searched.

INQUIRIES ON CARGO MANIFESTS

Regarding cargo manifests that are being processed by operational areas, a group of inquiries to perform the follow-up of the situation of the goods from their arrival to the country until their customs' destination.

This follow-up of air, maritime and land cargo manifests allows users to have information transmitted by transportation companies, as well as by the warehouses.

RESULTS AND PERSPECTIVES

Currently, the customs portal receives 70,000 inputs daily from online inquiries, which has made use extend this inquiry mechanism to other procedures. Furthermore if they provide facilities to users to be aware of their processes from the comfort of their offices and force the Administration to evaluate and resolve files as soon as possible.

We will shortly implement a follow-up through the Internet of the status of Data Modification Requests, (through this procedure taxpayers modify data such as the registry number and the tax term in payment forms and return-payments). Once the request is solved, the taxpayer will receive a response through the same means.

SOCIAL CONTROL MECHANISMS

Now I would like to enlighten you with some of the successful social control mechanisms that we have implemented in SUNAT, in the framework of the efforts that are being developed in the country to promote the issue on Transparency.

I am convinced of the importance of the direct participation of taxpayers and users, not only to protect their rights in regards to the Administration, but to consolidate the efficiency of the public services as well, by making them more accessible and transparent.

TOPIC 2.3

In this manner, among the main mechanisms implemented we have the following:

- Taxpayer defense.
- Surveys on the service provided.
- An option in our portal – called “Suggestions or “Contract us”– to receive initiatives from citizens and inquiries on customs issues, respectively.

Due to its relevance, I will refer in detail to the first two.

TAXPAYER DEFENSE

Since 2001, our institution has a Taxpayer Defense Management, which purpose is to attend to manifestations of discontent, as well as channeling initiatives from taxpayers and citizens towards SUNAT’s daily tasks.

Through Taxpayer Defense a mechanism for taxpayers to file their complaints and make suggestions through three different channels has been implemented:

- **In Person:** At any of our Taxpayer Service Centers (we currently have 27 centers: 10 in the capital and 17 in the interior of the country), where Complaint and Suggestions’ acceptance units are located (55 in total).
- **By phone:** In our Inquiry Exchange, which is available six days of week for all taxpayers in the national territory, and the cost is the same as the cost for a local call in the case of calls coming from the interior of the country.
- **Through the Internet:** At SUNAT’s portal, we have the *Online Defense* option, to file complaints and suggestions and inquire on the status of the complaint filed.

The results of this area are optimum. During 2002 90% of complaints and suggestions were attended.

After receiving a complaint or suggestion, it is evaluated and whenever appropriate, they are coordinated with the competent areas for their knowledge and/or corrective actions, as it may pertain. In the case of complaints, an official response letter is issued to the taxpayer.

Some examples that I could mention on actions adopted as from the attention of complaints and suggestion by the Defense are the following:

- The programming of specific training activities and directed not only to personnel of the institution, but to third parties related to the exercise of out functions. Such as the case of training directed towards receiving cashiers of the Banking Network, who provide this service in the application of an agreement with the Administration and which resulted from a complaint filed on problems in the acceptance of income tax returned filed through data transmission.
- The update of some forms, as a result of suggestions filed on the data to be consigned in the Master Taxpayer File (RUC, in Spanish) and Payment Vouchers.

These simple examples may better illustrate the work of the Taxpayer Defense, which is even more important because it involves the direct participation of taxpayers, but it also constitutes a valuable source for feedback on our actions and the perception that citizens have on its effectiveness.

OPINION SURVEYS

Another mechanism used to know the opinion of taxpayers has been the application of surveys.

During 2001 two surveys were performed. The purpose of one survey was to measure the quality of the services provided to taxpayers through our Taxpayer Service Centers. The purpose of the second survey was to diagnose and evaluate trends in the quality of the attention offered to the public at the main agencies of the Banking Network.

Surveys were applied by a recognized company and in both cases, the main variables researched were related to the treatment received, as well as the quality of the information provided in terms of clarity, simplicity and use. Measurements were made of the perception of waiting times, simplicity of proceedings, perception of dissemination means used (brochures, panels, notices), as well as the infrastructure and knowledge of the services offered by SUNAT.

TOPIC 2.3

The results obtained showed a favorable opinion regarding the services provided to taxpayers, at the Taxpayer Service Centers as well as at the agencies of the Banking Network.

Information was relieved from aspects that obtained acceptable ratings and which could be improved. I refer to the need to have a greater number of Taxpayer Assistants at banking agencies. We decided to increase this number: we currently have 17 assistants (we previously had 10). The survey also helped to identify some places where it was necessary to implement Service Centers. In 2002, for example, four new centers were inaugurated in the outskirts of Lima. Finally, we detected that little was known about some services offered by the Inquiry Exchange and our Internet portal and this motivated us to multiply information on these aspects.

ON - LINE DEFENSE

On the issue of the mechanisms that protect taxpayers in regards to incorrect actions of the Administration I must once again refer to the Taxpayer Defense (this time in regards to the attention to complaints received).

In this item I must mention that initially taxpayers filed a complaint and suggestion form, which could be delivered in person, via fax or mail, to be registered by SUNAT staff. However, regarding the demand for larger facilities for the presentation of complaints and suggestions, an *Online Defense* has been incorporated into our Internet portal; taxpayers have an additional option to inquire on the status of their complaint.

Therefore, our technicians designed software that captures data and performs inquiries through an application, and this also constituted the first electronic form of massive use for this purpose and the first online system to file complaints and suggestions for Taxpayer Defense in South America.

To guarantee greater operational effectiveness, the application has been developed so that it may be used by personnel working at the Inquiry Exchange, which has promoted the enlargement of coverage to those places where the use of Internet is still restricted.

Furthermore, the application has been adjusted to other requirements for its presentation. In this manner it incorporates the option of a complaint or suggestion form according to the legal requirements for its presentation. It also includes the validation of the identity of the person that files the complaint with the information from the national Identity Registry and Civil Status. Finally, it relates the information contained in the database of the master taxpayer file and generates an Evidence of the Information Registered with a printing option.

On the other hand, to inquire complaints, it incorporates variables, according to the status of the proceeding, mentioning the name of the officer in charge of the same, as well as data to contact him/her. And it allows taxpayers to inquire on the number and contents of the official letter of response.

RESULTS

The results of the work of the Taxpayer Defense in attending complaints has allow the detection of operational problems and to evidence the urgency of having determinate procedures or resources.

For example, the incorporation of a new automatic refund procedure had its origin in a complaint filed as a consequence of the delay in the attention to a refund request. This complaint was timely evaluated and attended, but even more important was that the cause of the problem was overcome, but it helped to improve the refund procedure as well.

This is the great contribution of the mechanism directed to taxpayer participation: to facilitate the identification of the cause of the problem and adopt creative and timely solutions.

The value of this mechanism is that it constitutes a virtuous cycle that begins with the taxpayer's participation and results in his/her benefit, as well as efficient work on our behalf.

CONCLUSION

To conclude, I would like to convey a concern, with the purpose of contributing to the debate of the topic in discussion, because in our institution we see balance between quality and opportunity. I must state that in consideration of transparency and social controls, these force tax administrations to comply with determinate terms to attend to taxpayer and users' requirements, we must protect it from not working in detriment of the quality of the product offered by our institutions.

In our case, thanks to instruments such as those mentioned in this paper – where the use of technology and our staff's creativity is combined – we have advanced in providing taxpayers and citizens in general, adequate and necessary information, as well as the opportunity to interact with us.

We are opening the road towards modernization and our commitment with the thrust for the concept of an “electronic government” as a valuable means to achieve service improvements and the effectiveness of our task.

Notwithstanding, there is still much to be done. The recent task we have received of managing customs' taxes confirms this conviction and sets forth the challenge of applying and making homogeneous the strengths of each institution, especially in the access to information and citizen participation fields. We are currently working intensely in this area, and now I am sure that by being more efficient every day and by simultaneously respecting taxpayer rights, we will achieve the objectives that we have laid down.

Ms. Nahil Hirsh
National Superintendent
National Superintendence of the Tax Administration - SUNAT
Lima, Peru
E-mail: nhirsh@sunat.gob.pe

TOPIC 3

**INCREASED EFFICIENCY IN THE TAX ADMINISTRATION
THROUGH INTERNAL IMPROVEMENT PROCESSES**

Lecture

TOPIC 3

**INCREASED EFFICIENCY IN THE TAX ADMINISTRATION
THROUGH INTERNAL IMPROVEMENT PROCESSES**

W. Todd Grams

Chief Financial Officer
Internal Revenue Service
(United States of America)

CONTENTS: Summary.- Historical background.- Conflicting trends.- Two different paths: one clear choice.- Strategic planning process.- Making it work.- Where do we go from here: the four pieces of modernization.- Conclusion.

SUMMARY

The Assembly's theme of increasing tax administration's effectiveness and efficiency is one that resonates with the more than 40 nations and organizations represented at this year's meeting. Indeed, it is a fundamental element of the mission of any modern tax administration system, no matter where it is located or how it is structured. We seek to accomplish these important goals through various strategies and tools, such as the internal improvement processes that are this paper's theme.

However, within this context, the Internal Revenue Service (IRS or agency) confronts a challenge, that while not unique, provides much of the impetus for our efforts. Budget constraints throughout the United States Federal Government coupled with an increased workload and a troubling compliance gap mean that we must do our job more effectively and efficiently. The traditional approach of simply adding more staff to address a problem is no longer a viable option for the IRS or for many other nations' tax administration systems.

Rather, we can collect taxes efficiently and effectively by applying a combination of strategies and tactics: modernizing business processes and supporting technology, increasing internal productivity, and providing modest staffing increases in targeted areas. This approach is already producing tangible benefits in the United States, and I believe that there are valuable lessons that can be learned from it that can be applied to a variety of global tax administration regimes.

HISTORICAL BACKGROUND

Before discussing the IRS' internal improvement processes, it is important to understand the historical context in which they take place. From the 1950s through the early part of the 1990s, the IRS would grapple with a persistent dilemma. Since efficient revenue collection was viewed as the principal, if not sole goal of the agency, enforcement statistics and particularly, enforcement revenues – money coming in from audits and collection actions such as seizures – were a key factor in measuring performance.

Enforcement revenues account for a mere two percent of taxes collected in the United States – 98 percent comes in voluntarily – but because they could be readily measured, they soon became the persistent beacon by which the IRS navigated. This in turn led to cycles of complaints about poor taxpayer treatment and poor service.

Over the years, a familiar pattern emerged often compared to a pendulum swinging. First, enforcement revenues would be emphasized. However, if taxpayers complained too much, which they invariably did, the IRS temporarily retreated.

For example, one witness at a U.S. Congress Ways and Means Committee hearing in 1959 testified that the revenue agent is “often forced to assess taxes on flimsy pretexts in order to meet production goals.” An IRS policy

statement would then be issued swearing off the quotas. The following is a staunch and clear warning that came after another scathing hearing: “Dollar production shall not be used as the measurement of any individual’s performance.”

But once the storm subsided, the focus on enforcement statistics returned, and there were strong reasons for this. First of all, statistics were a familiar and easy management tool. Second, they could be used to justify the IRS’ budget to the Congress. In other words, collect more dollars, get more employees.

The problem deepened in the 1980s. Increasing budget deficits set off a scramble for scarce federal dollars. The IRS continued to rely on enforcement revenues as the proven way to justify its budget. The enforcement emphasis sharpened yet again, leading to more complaints and then finally to a full-blown eruption against the agency.

CONFLICTING TRENDS

In the long run, the IRS’ reliance on enforcement dollars to justify its budget backfired. Congressional and public opinion turned against the agency and it was cut 20 percent in size while the economy expanded and new tax bills were passed with complex provisions to administer.

By the mid 1990s, the IRS was whipsawed by two conflicting long-term trends: one, ever increasing demands on the tax administration system due to rapid growth in the size and complexity of the economy; and two, a steady decline in IRS resources due to budget constraints.

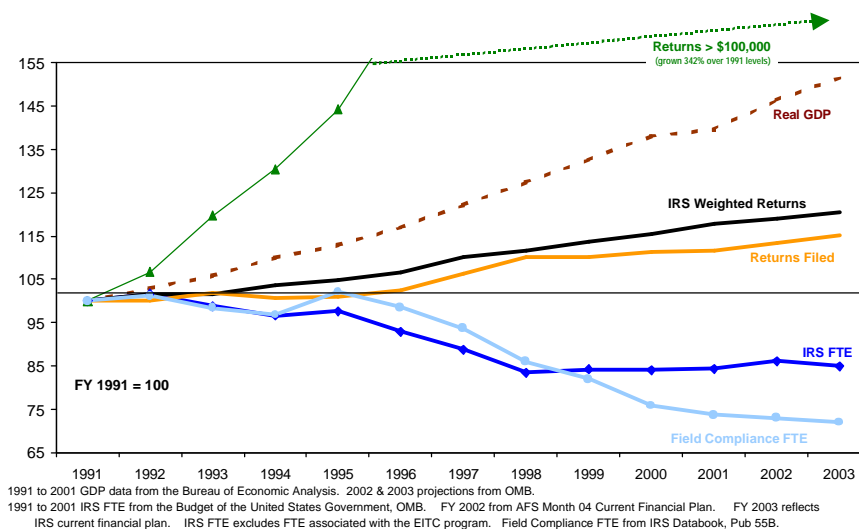
This left the IRS in a position where it was not meeting the legitimate service expectations of the vast majority of compliant taxpayers. In one year, they were greeted with 400 million busy signals when calling the IRS. Moreover, if a taxpayer did get through, the odds were low that he or she could get a correct answer to an account or tax law question. At the same time, compliance activity, such as examination coverage and collection enforcement activity, dropped rapidly, thus potentially undermining the fairness of the whole tax system. The IRS was also slow to detect emerging compliance problems, including abusive tax shelters.

As seen in the chart, “Trends in Indicators of IRS Workload and Resources,” from 1992 to 2001, *weighted average returns filed*, a measure of overall IRS workload, increased by 16 percent because of the economy’s growth.

TOPIC 3

However, during this same period, full-time employees (FTEs) dropped 16 percent from 115,205 in FY 1992 to 95,511 in FY 2001. Since more and more of the IRS' declining resources are required to perform essential operational functions – such as, processing returns, issuing refunds and answering taxpayer mail – a disproportionate reduction occurred in Field Compliance personnel, falling 28 percent from 29,730 in FY 1992 to 21,421 in FY 2002.

Trends in Indicators of IRS Workload and Resources



In assessing these trends, it is extremely important to recognize a critical fact: tax administration workload increases every year because of increased taxpayer filings related to the economy's long-term growth and the ever growing complexity of the tax code. For example, during the past five years, the number of income tax returns increased by 12 million, while 19 tax bills were passed that changed 292 tax code sections and required 515 changes to forms and instructions. The workload increases affect every facet of tax administration, from processing returns to answering correspondence and telephones to collecting delinquent taxes to accounting for payments and refunds.

We calculated that on average, IRS workload grows at a compounded rate of 1.8 percent per year. Therefore, just to handle this increased workload, IRS would either have to add staff or would have to increase productivity by 1.8 percent per year just to stay even.

By comparison, during the decade of the 1990s, overall U.S. productivity increased at a rate of about 2 percent per year. The private financial services industry, in its best decade ever, increased productivity at about 2.3 percent per year.

However, in the worst possible scenario, the IRS' work force declined and productivity alone could not keep pace with the workload growth, thereby creating a major gap in the agency's capacity to administer the tax system.

TWO DIFFERENT PATHS: ONE CLEAR CHOICE

Broadly speaking, there are two ways to attack the gap. As previously discussed, the first is to fill the breach by adding more staff to process more returns, answer more telephone calls and letters, and work more examinations and collection cases. We estimate that we would have to hire more than 8,000 full-time employees just to return to the FY 1997 level of activity and then add 2,000 more annually to remain even with the increasing workload.

Given the growing economy, competing budget priorities and the increased resource demands of complying with tax legislation, such as the IRS Restructuring and Reform Act of 1998 (RRA 98), this approach would be extremely expensive.

For the vast majority of taxpayers, the first method would also not meet modern expectations for service because it cannot address the fundamental deficiencies in the IRS' computer and business systems. They are the single largest obstacle to providing consistent top-quality service to taxpayers, and virtually every one of our 100,000 employees depends on these antiquated and inconsistent systems to perform his or her job.

There is, however, another way. Investing in reengineering IRS' business practices, processes and technology, coupled with limited and targeted staffing increases will allow the IRS to perform all aspects of its mission more effectively and efficiently and in line with the best private and public sector practices, and within acceptable budgets.

Modernization will allow the IRS to perform its tax administration function with proportionately fewer staff than in the past, while the economy is projected to be 86 percent larger in real GDP and the tax system far more complex. However, computer modernization alone, even with the

most aggressive reasonable assumptions about productivity gains, cannot fully address the challenges in service, compliance and productivity I outlined. Trained and effective employees are also required.

Our plan requires very rapid and sustained productivity growth of over 3 percent per year – in excess of the 2 to 2.4 percent achieved in the private sector. It also assumes complete success of the Business Systems Modernization (BSM) Plan, along with a number of improvement projects that allow us to meet our challenges with very limited staff growth. These include the aggressive reallocation of internal resources, such as eliminating some submissions processing centers, rapid growth of e-filing, and use of productivity enhancing techniques, e.g. the use of private sector companies to perform certain functions.

A combination of strategic redeployment of staff and labor saving programs will also allow the IRS to improve its level of taxpayer service without commensurate increases in its work force. We can apply to other high priority programs labor savings gained from our different electronic tax administration, quality and reengineering improvement projects. Once again, computer modernization programs will generate the bulk of the labor savings.

STRATEGIC PLANNING PROCESS

Our strategic planning process directs the above efforts. Strategic planning, budgeting, resource allocation and performance goals have now been aligned throughout the organization. As part of the budget process, IRS' senior team reviewed and prioritized agency-wide needs for FY 2003 and searched for the most efficient allocation of resources. Indeed, the realignment of resources woven throughout the FY 2003 budget came through reengineering, efficiencies and investment in modernized systems. To this end, almost 2,300 full time employees could be re-deployed to high-priority areas in customer service and compliance.

The IRS research organization also worked in concert with the operating divisions and successfully quantified what is required to carry out all of the agency's essential tax administration programs, such as compliance.

For each category of compliance, the universe includes only cases where the data shows that the underpaid taxes are significant enough to justify working the case. By comparing this universe to the work currently done,

it is possible to compute the gap in units of work and the resources in full-time employees and budget dollars required to close the gap. In addition, the direct revenue gap from failing to perform this work can be estimated.

However, I want to stress that while the direct revenue impact from tax administration programs is a useful indicator for planning, it should never be used to solely determine resource allocation. This is because tax administration's goal is to achieve the greatest possible level of compliance by taxpayers. Therefore, it is most important to allocate resources based on combating the most abusive and systemic cases of non-compliance, such as abusive tax avoidance transactions. If these cases are left unaddressed, the fairness of the tax system, which is the foundation of voluntary compliance, will be undermined.

MAKING IT WORK

The IRS has now laid the foundation for steady improvements in the effectiveness and efficiency with which it carries out its mission. The agency has made tangible progress in five distinct areas: (1) customer service, (2) stakeholder relations, (3) compliance, (4) internal management, and (5) technology and modernization. For the purposes of this paper, let me focus on the last three.

Compliance

Given the budgetary and workload trends previously described, the IRS does not have the resources to attack every case of non-compliance. Therefore, we must apply our resources where non-compliance is greatest while still maintaining adequate coverage in other areas.

After careful study, we identified some of the most serious and current compliance problem areas. These include: (1) promoters of tax schemes of all varieties, (2) the misuse of devices such as trusts and offshore accounts to hide or improperly reduce income, (3) abusive corporate tax shelters, (4) underreporting of tax by higher-income individuals, and (5) accumulation and the failure to file and pay large amounts of employment taxes by some employers.

To address these problems, we revamped our compliance programs to refocus our resources and to use a full scope of tools and techniques.

TOPIC 3

They range from educating the public, to systematically identifying promoters and participants, to reinvigorating enforcement actions such as, summons, injunctions and criminal investigation of promoters.

If we can eliminate confusion and errors before a return or form is ever filed, America's taxpayers will be spared countless numbers of notices and communications with the IRS. If we can warn taxpayers not to participate in "too good to be true" tax scams, we can save taxpayers from penalties and more. Moreover, the agency will be in a better position to use its limited resources on the most serious cases of non-compliance.

To this end, we set up dedicated taxpayer education and pre-filing organizations in our operating divisions. We also created new pre-filing tools, such as pre-filing agreements and industry issue resolution published guidance. We greatly stepped up our output of traditional forms of published guidance, including revenue rulings and notices.

Although these preventive measures hold great promise, we must still detect, correct and deter non-compliance. We must focus resources, improve efficiency and use our enforcement powers appropriately.

Using our research and strategic planning, the IRS Small Business /Self-Employed (SB/SE) and Large and Mid-Size Business Operating Divisions are directing their examination resources at the most important cases and issues. Exam and collection reengineering are focused on improving the efficiency with which these cases are carried out. For example, SB/SE is tackling business tax cases such as, unpaid employment and withholding taxes, much earlier than in the past.

Within two years, our new Filing and Payment compliance modernization program will begin to reduce from several years to six months or less the time required to resolve most collection cases.

Other initiatives, first outlined in our Strategic Plan, are taking effect. We reinvigorated the use of long dormant enforcement tools that are needed to deal with serious cases of non-compliance, and especially, promoted tax schemes. For example, we are aggressively identifying promoters and schemes through summonses of records, including John Doe summonses on credit card accounts in offshore tax havens and vendor summonses to refine that data.

In addition, the Webster Commission Report gave a detailed blueprint for making IRS Criminal Investigation (CI) a more effective component of tax administration. Refocusing CI's resources on tax cases was the centerpiece of this report. CI's top priority is now investigating promoters and participants in illegal tax schemes.

Also, key to successfully executing our compliance program is better data. The IRS failed to detect emerging areas of non-compliance in part because it relied on increasingly obsolete data from the old Taxpayer Compliance Measurement Program. To address this problem, we designed and are now implementing a National Research Program that will obtain the essential information with far less burden on taxpayers.

Obviously, our success in compliance also depends on a cadre of highly qualified trained individuals to perform tasks that require a high level of judgment. After a freeze of nearly six years, recruitment for professional occupations, such as revenue agent and revenue officer restarted; training was completely revamped and improved; and employee engagement became part of balanced measures and everyday management.

Internal Management

Many of CIAT's members are familiar with some of the internal changes that have taken place at the IRS. The most visible is the new organizational structure that closely resembles the private sector model of organizing around customers with similar needs. The IRS successfully made the transition to the modern customer-focused organization in which a management team has clear responsibility for meeting the needs of a specific set of taxpayers.

The service needs and compliance issues of the 90 million taxpayers with wage and investment income are vastly different from those of large and mid-sized businesses, which in turn, are different from those of small businesses and tax-exempt organizations. One team now works full time to understand and meet the needs of each set of taxpayers and has nationwide authority to execute its plans, eliminating the historically deep and counterproductive organizational separation between the "field" and the "national office."

Carrying out the massive change at the IRS required strong top-level leadership from individuals with a broad range of experience. The IRS Restructuring Commission reached a similar conclusion five years ago, "While institutional memory is valuable and keeping politics outside the

IRS is essential, the dearth of outside thinking can limit the IRS management's ability to bring new perspectives to organizational challenges.”

To this end, we successfully established a new model for executive recruitment that includes bringing in a limited number of highly-experienced top executives from private industry and other government agencies to complement our internal senior leaders.

As part of the reorganization, the number of management layers was also reduced and the role of executives and senior managers is being redirected towards substantive engagement in tax administration, rather than predominantly administrative duties.

Many specialized programs, ranging from processing business returns to handling innocent spouse claims to answering tax law calls, are also being consolidated into fewer locations with fewer management layers. This enables greater standardization and faster implementation of improvements. In addition, an entirely new system of balanced measures was designed and implemented, aligning goals throughout the organization down to the territory and site level.

The gains in service and the widespread redirection of compliance programs over the last two years reflect the benefits of a more customer-focused and accountable organization. The major benefits are still to come, in the form of continuous improvements in productivity and quality in every major program.

The improvements in customer service and other programs can also be linked to greater employee engagement in our mission and goals, increased and improved training and heightened focus on employee concerns.

Technology and Modernization

More than updating antiquated technology, our Business Systems Modernization program changes the entire way the IRS interacts and conducts business with taxpayers and stakeholders. Indeed, we do not view systems modernization as a separate entity, but rather as one of the major ways we can achieve all of RRA 98's goals within realistic budget expectations.

Our BSM Program is beginning to deliver tangible and meaningful benefits to taxpayers, such as moving the first set of taxpayers to a modern, reliable database early next year. Over the next five years, all individual taxpayers

will be moved to it, cutting times for refunds on e-filed returns to less than a week and allowing us to provide taxpayer and employees with up-to-the-minute accuracy on their accounts. Of paramount importance, we implemented the first project on our new security system, which provides one standard for ensuring the security of all future IRS data and systems.

Equally significant, we have a complete vision and architecture to guide the continuing modernization of every business process and supporting technology.

Critical to our success was better managing our massive technology and BSM program. From 15 separate information systems operations, we created one organization that has the job of serving all of our operating units and managing our modernization program.

As part of this major transition, standards were established and largely implemented for hardware and software. We consolidated mainframes from 12 centers to three and established one standard for desktop and laptop hardware and software. We implemented nationwide e-mail and voice messaging systems, standard office automation software, and security certifications and standards. We deployed important interim applications systems, including Intelligent Call Routing, Integrated Case Processing and the Integrated Collection System.

WHERE DO WE GO FROM HERE: THE FOUR PIECES OF MODERNIZATION

We are now in a position where we can estimate the modernization program's broad impact on IRS efficiency and effectiveness. As previously discussed, we believe that productivity will increase at a rate exceeding 3 percent per year, as compared with the 2 percent achieved by the private sector during the 1990s.

In the IRS' FY 2004 budget request, it is estimated that productivity growth *solely from savings and reallocations* (i.e. from cost savings and reallocation of base resources made possible by modernization) is 2.4 percent. This does not include additional productivity growth within key tax administration programs generated by modernization, burden reduction or increased tax collection.

TOPIC 3

From these estimates, the IRS developed its overall modernization strategy built around four essential components that are critical to increasing efficiency and productivity. They are: (1) short-term information technology (IT) investments that improve service and productivity, which we call Tier B; (2) long-term IT investments in our BSM Program that improve service and productivity and provide the data and security infrastructure for all future systems; (3) reinvestment of base resources to higher-priority programs, such as for our new compliance strategy; and (4) modest and targeted growth in staff.

These components are interdependent and each is crucial to carrying out the modernization program. For example, absent Tier B projects investments, short-term productivity gains cannot be fully realized and we will not be able to reinvest these labor savings. We can see how this applies to e-file. In addition to its many taxpayer benefits, e-file also provides clear cost savings and burden reductions to the IRS, enabling the agency to redirect precious resources from processing to customer service and compliance programs.

Based on the application of this strategy and modernization plan, the IRS will be able to deliver in FY 2004 a performance improvement that is much greater than the modest growth in staffing requested.

First, the growth in resources in the key tax administration programs, where there is a current gap in performance, will be 9.4 percent, 4.7 times the growth in total staff. This is possible because of the savings and reallocations made possible from modernization and identified in the strategic planning process.

In addition to this major growth in effective resources for the key strategic programs, the other essential IRS programs such as, submissions processing, correspondence and taxpayer accounting, will accommodate the normal increase in workload of 1.8 percent per year with level or fewer resources. The combination of these efforts, if sustained over the remainder of this decade, will enable the IRS to close the gap and restore the effectiveness and fairness of the tax system.

Second, the projected effect on output delivery and dollars in key tax administration programs will far exceed the requested 2 percent increase in real resources. This is another measure of the productivity improvements contained in our plan and budget for FY 2004.

Indeed, IRS investments in modernization through the BSM program and related Tier B project investment enable the IRS to increase productivity in four distinct ways:

- **Cost reduction.** By automating and eliminating work and thereby reducing full-time staff. This method occurs primarily in “back office” operations such as submission processing. Projects that promote growth in electronic filing boost productivity in this manner.
- **Cost avoidance.** By enabling more work to be done without proportionately increasing full-time staff or operational costs. This occurs when operations are converted to taxpayer self-service, such as with Customer Communications and Internet Refund Fact of Filing (IRFOF) automated refund inquiry. It also achieved when IRS employees can handle more cases or complete cases with higher accuracy because of the implementation of programs such as Customer Communications call routing.
- **Burden reduction.** By reducing burden on the taxpayer, the cost of the tax system is reduced. Taxpayers spend more than 8 times the IRS’ budget in time and money complying with the system. Modernization can reduce this burden by making it easier to comply. Examples include the Electronic Federal Tax Payment System (EFTPS) Internet service and e-Services Electronic Account Resolution. Another example is the Customer Account Data Engine (CADE) that will speed up refunds.
- **Increased tax collection.** By improving the speed and effectiveness of tax collection activities. Examples include Filing and Payment Compliance BSM project that will cut tax collection time for overdue accounts from years to months, and the Tier B Unreported Income project that will identify exam cases more accurately that contain unreported income.

CONCLUSION

Five years ago, the IRS embarked on a new direction. Following it, we achieved much progress for America's taxpayers; although we have much more left to do to improve the entire way the IRS works. However, by investing in reengineering IRS' business practices and technology and providing limited and targeted staffing increases we will be able to perform all aspects of the IRS' mission more effectively and efficiently and in line with the best private and public sector practices.

Mr. W. Todd Grams
Chief Financial Officer
Internal Revenue Service
Washington D.C., United States of America
E-mail: Wtodd.grams@irs.gov

Case study

TOPIC 3.1

**POSSIBILITIES FOR REDUCING OPERATIONAL COSTS
THROUGH THE USE OF NEW INFORMATION AND
COMMUNICATION TECHNOLOGIES**

Javier Basta Ghetti

Legal Advisor of the Executive Presidency
National Tax Service
(Bolivia)

CONTENTS: 1. Introduction.- 2. The Bolivian Tax Administration and the NICTs.- 3. Repercussions of the NICTs at the NTS.- 3.1 Computerization.- 3.2 Taxpayer Service.- 3.3 Collection.- 3.4 Examination.- 3.5 Human Resources.- 3.6 Administration.- 3.7 Conclusions.

1. INTRODUCTION

It is already a tangible reality that the introduction of New Information and Communication Technologies (NICTs) are transforming our society at levels never seen before, probably comparable in importance to those that occurred during the time of the industrial revolution.

The NICTs have allowed the creation of new forms of relationship and interaction between citizens, businesses and state organizations using technological means that have revolutionized the levels of service, productivity and comfort for carrying out transactions, procedures and compliance with various obligations.

The Tax Administrations, because of the very nature of their objectives and characteristics of their operations, are greatly benefiting from the NICTs, with a profound impact that goes beyond the very institutions, creating new models of organization and operation for our administrations.

The incorporation of technology in the Tax Administrations is not an innovation, but rather has been for some time a strategic element for achieving greater effectiveness in terms of the goals which such an administration pursues.

If we understand that effectiveness consists of the interaction and synergy that may be achieved by combining efficiency and effectiveness, we will see that the operational efficiency of the tax administrations is a very important component which, although not guaranteeing it, may perform a decisive role for improving the effectiveness of the administration.

It is precisely in this field, of operational efficiency, where the introduction of the NICTs to the tax administrations may generate savings in operational costs, better use of human resources and greater productivity.

2. THE BOLIVIAN TAX ADMINISTRATION AND THE NICTS

The National Tax Service (NTS) has not remained indifferent to the technological revolution and authorities at the highest managerial level are fully aware of the strategic role of technology in the search for fulfillment of institutional goals and the modernization of the institution.

The NICTs have been identified at the NTS as the tools for rendering possible not only the improvement of the levels of effectiveness as administration but also, and in a complementary manner, creating the conditions for achieving better levels of operational efficiency which ultimately will be reflected as part of a whole when the time comes for evaluating the cost of collection.

The NTS is currently in the process of gradual incorporation of the NICTs as a complement to the more traditional technological resources which it has had already available for some time.

Mention is made below of the main technologies that are being implemented or whose introduction within the NTS is planned within the short term:

- Internet and Intranet technologies.
- National communications network with VoIP (Voice over IP).
- Call Centers and other telephone-based solutions.
- Software tools for the use of information (Data Warehouse).
- Technologies based on SBC (Server Based Computing).

3. REPERCUSSIONS OF THE NICTS AT THE NTS

The progressive introduction of the NICTs in the NTS is gradually bringing about significant internal changes in the way of carrying out the daily work and how the official interacts with the different tax processes existing within the administration.

The institutional areas that have benefited most from these technologies or which are in the process of implementation of new technological projects are:

- Computerization.
- Taxpayer Service.
- Examination.
- Collection.
- Human Resources.
- Administration.

Shown below are the main changes that have occurred or are expected to occur with respect to operational efficiency in the aforementioned areas.

3.1 Computerization

It is obvious that the greater part of changes resulting from the introduction of the NICTs are to be reflected and ultimately affect the computerization area of the tax administrations, given that it is the area in charge of the application, administration and subsequent development of the technological solutions implemented in the other user areas within the institution.

However, it is also necessary to seek to improve the levels of efficiency and productivity of the staff and of the specific processes of the computerization area, which improvements may have a deep impact on the operation of the other areas due to the nature of the service that characterizes the computerization departments.

In this sense and as part of its strategic planning in technology, the NTS will face this year one of the most important changes of the past 15 years in the technological area, through the change in processing architecture, going from a distributed to a centralized scheme.

This change will precisely be achieved through the upgrading of the traditional technologies with the most advanced ones, with great implications at the level of the service offered to the taxpayers, institutional effectiveness in compliance with the goals and drastic changes with respect to operational efficiency, not only in the computerization area, but throughout the entire institution.

Project for centralizing the computerization services

The current distribution of the computerization services in over 18 computer centers of the NTS existing throughout the country, implies high costs for maintaining the computer infrastructure, complexity of the administration of the systems and difficulties for providing a unique vision of the information.

Among the main problems directly affecting the operational efficiency of the NTS and which are sought to be solved through the technological change, we may mention:

- Complexity inherent in the control and administration of the various servers and data bases of the country and associated costs resulting from technical support and the solution of problems.
- High maintenance costs, equipment guarantee and interaction with too many technology suppliers.
- Nonstandard use of the installed computer capacity due to the pattern of maximum processing burden only on expiration dates.

- Requirement of qualified staff in each District Management Office for the administration of the servers and data bases.
- Additional operational burden regarding the control of security, due to the dispersion of the data bases.
- Complexity in the administration of users and the granting of access codes.
- Time and complexity in the management of software versions, distribution of programs and changes in the data base structures.

In order to change the processing model to a centralized one, the NTS considers the availability of a national telecommunications network, the incorporation of Internet-based technology, the Server Based Computing infrastructure and use of central processing equipment accessed through Intranet comprising state-of-the-art servers with high availability characteristics.

It is expected that following the implementation of the new processing scheme, there will be significant improvements in the operational efficiency of the computerized area and the institution in general, which will redefine the organization's working habits and undoubtedly will be reflected in the NTS global performance results.

It is also expected that due to the characteristics of centralization, the improvements and benefits that will be obtained through the new scheme, will be tangible and accessible almost immediately in the different areas of the NTS, not only in the computerization area.

This technological change has been designed for the purpose of revolutionizing the way in which internal operations are carried out at the NTS, fundamentally in the strategic areas, not only through the acceleration and simplification of tax processes, but also through the provision of a unique, consistent and integral applications platform, capable of providing the computerized services required by the institution in a safe, speedy and reliable manner.

Lastly, it is important to note that the change to a centralized processing model becomes the basic platform that will render feasible the subsequent conception of new more elaborate services that may take maximum advantage of the possibilities and opportunities offered by the NICTs.

National network of voice over IP (VoIP)

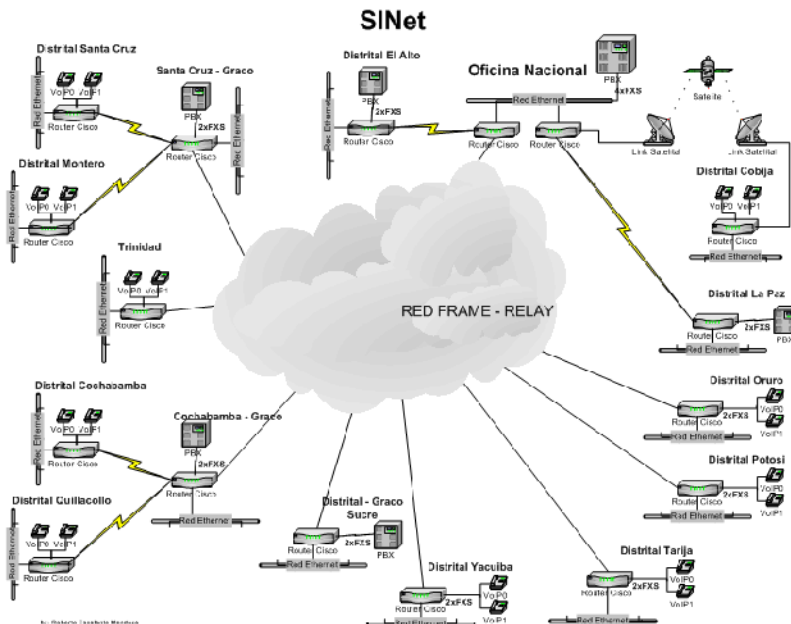
One of the essential requisites to operate in a centralized manner is to count on a communications network of national scope and sufficient bandwidths to implement additional services based on the use of new technologies.

Recently, the NTS put in operation its national telecommunications network as part of the centralization process and has afforded it greater value added through the implementation of a network with voice over IP (VoIP) technology, which uses the same channels as the data network.

The voice network allows for interconnecting all the management offices internally through the connection of the telephone exchanges to the data network, without having to resort to the public telephone system and barely using a fraction of the bandwidth available for data.

This service has generated specific savings of approximately \$US 92,000 annually which previously represented costs for interdepartmental calls.

Chart No. 1 National Voice and Data Network



3.2 Taxpayer Service

The taxpayer service area is one of the most specific examples regarding the way in which the introduction of the NICTs is allowing for significant improvements in the institution's operational efficiency.

Standing out in this area, as regards the operational efficiency are the following projects:

- Distribution of electronic forms by Internet.
- Filing of returns without activity, via telephone.
- Inquiries via Internet.
- Electronic TMF Service.

Distribution of tax forms by Internet

Currently underway is the implementation of the project for distributing tax forms via Internet, thus allowing taxpayers to electronically unload the forms and to proceed to print them on common paper.

The electronic forms software will be available free of cost and taxpayers may download, fill them without mathematical errors and print them in economic printers commonly used, without requiring preprinted forms. The administration distributes preprinted forms to the taxpayers free of cost and the forms printing process currently costs the NTS over \$US 300,000 every year.

It is estimated that once this new service has reached a stable level of dissemination and use, the NTS will have an approximate savings of \$US 100,000 annually with respect to the printing of forms.

On the other hand, the service will also allow a better use of human resources in the collection area, since errors made by the taxpayer when filling out the form, in many cases errors which result in sanctions, notifications and even require the presence of the taxpayer at the administration's offices constitute a frequent problem that generates an operational problem.

The use of software for filling out and assessing forms assists the taxpayer in the preparation of forms without errors, which in the long run results in fewer burdens for the administration.

TOPIC 3.1

The introduction of this service is the first phase of a more ambitious project which considers the use of PDF417 technology whereby the taxpayer may print in a coded and safe manner in a “cloud of dots”, not only the basic identification information of the electronic form, but also the totality of information entered in the boxes.

These “clouds of dots” may be automatically registered with an optical reader, ensuring 100% quality and completion of information, guaranteeing privacy and tremendously simplifying the entire process for treating the traditional forms which currently have a negative impact on the operational efficiency of the NTS.

Chart No. 2 Distribution of forms by Internet



Filing of returns without activity via telephone.

Another of the projects in the taxpayer service area which is deemed to produce savings and improvements in operational efficiency is the receipt of returns without activity in an automated manner via the telephone.

It has been determined that, approximately 29% (92,037) of the total of taxpayers registered in the file (307,900) submit sworn returns without activity. This situation produces excessive costs and administrative burdens to the Institution, which must process these documents and pay the corresponding banking commission for the capture and receipt of these forms.

The annual approximate costs of annual commissions, printing of forms and human resources intervening in this process are estimated at US\$ 1,425,765.

In addition to these costs, one may consider others, such as the issuance and notification of demands to these taxpayers, for out-of-term filing, or errors in filling out or in the capture of forms, etc.

Based on this analysis and on the premises of significantly reducing costs, the administrative burden and improving operational efficiency, a project was developed for filing of returns without activity, via telephone and whereby the NTS hopes to achieve the following advantages once the service is in operation:

- Reduction of operational costs, reduction in the payment of banking commissions and reduction in the number of printed forms.
- Better distribution of human resources since, by reducing the administrative burden, the staff that was in charge of processing these documents will focus its attention on tasks that specifically deal with collection.
- Availability of information from the returns which enters directly into the data bases and is immediately available, avoiding the common collection circuit through the financial entities.
- Significant improvement in taxpayer service, whereby the image and quality of the service is enhanced, as a result of the fact that the taxpayer must no longer visit the tax offices or the bank, in addition to the fact that working schedules are extended 24 hours a day, 7 days a week.
- All the technological equipment acquired will serve as basis for the implementation of new telephone services, such as the presentation of sworn returns, with activity, inquiries of the tax extract, modifications to the file and information, gradual provision of fiscal notes and ICE stamps and assistance through the call-centers.

Six months after the implementation of the service, the NTS hopes to arrive at an annual savings of 30%, which amounts to approximately US\$. 427,000.

Inquiries via Internet

One of the activities which used more time and resources in the taxpayer assistance area was the solution of tax inquiries on a personal basis, either through direct assistance to the taxpayer or by telephone call.

At present, we have been able to experience a specific improvement in the efficiency of the taxpayer assistance area, since the service for answering questions most frequently asked by the taxpayers was put in operation.

By means of this service, it is possible to consult frequently asked questions classified by subject matter. It is also possible to download the complete package of questions. In case the information filed is not sufficient or the inquiry may be very specific, the taxpayer has the alternative of making the inquiry via electronic mail, through the institution's same Web page.

In addition, an automated mailing list has been included in the Web page, whereby taxpayers subscribing thereto, receive by electronic mail, the latest innovations, announces and normative resolutions.

The average inquiries made by e-mail is approximately 6,000 a year, while an average of 3,200 monthly visits are made monthly to the page on most frequently asked questions and inquiries of normative resolutions.

The area on inquiries by telephone receives over 38,000 calls per year. This type of service represents a great potential for providing better taxpayer assistance and improving the operational efficiency of the administration in general.

A specialized call-center is in the planning stage. It is intended that it be part of a CRM (Customer Relationship Management) system oriented toward the citizen which may facilitate the integration of the telephone media with the systems and live information originating from the corporate data bases of the institution.

The call-center to be implemented will provide the telephone operators stations that may allow them to consult in detail, in an automated manner and in real time, the taxpayer's tax information in order to give a better telephone service.

Chart No. 3 Inquiry of most frequently asked questions via Internet

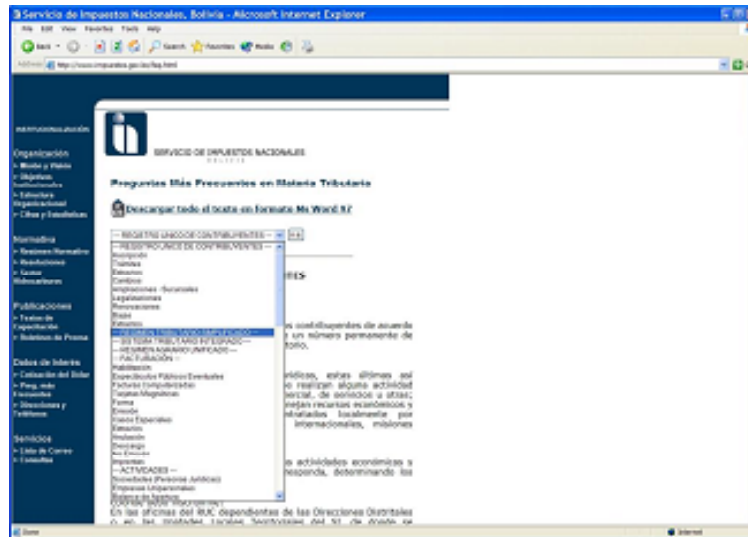


Chart No. 4 Inquiry of Normative Resolutions via Internet



3.3 Collection

Another main objective of the NTS, which is linked to the centralization of computerized services, is the integral provision of a series of taxpayer services through the implementation of a Tax Portal in Internet based on the concepts of a virtual tax office.

The portal will provide such services as filing, assessment and payment of returns, electronic procedures, tax inquiries and sending of tax correspondence of legal importance through electronic tax mailboxes.

The NTS believes that the implementation of the tax portal will result in greater levels of savings in operational costs, as well as a better distribution of tasks and use of human resources. It will also have a significant impact on costs of printing forms and taxpayer notices, banking commissions, cost of mailing and physical infrastructure.

On the other hand, this type of services implies great savings for the taxpayer, as regards convenience, security and transparency in his relationship with the administration on eliminating discretionality and providing information in a timely and reliable manner.

Additionally, another of the areas where it is deemed that there is a great potential for improving the efficiency of the NTS and especially for generating considerable savings in operational costs, is the interaction with external entities that participate in the process of collection and processing of tax forms.

The collection area is evaluating different alternatives based on the new technologies for reformulating or outsourcing the treatment, management and diversification of the different channels whereby the information currently reaches the NTS. In general, these channels have traditionally been the banking entities which have maintained a direct relationship with the tax administration.

This will allow for simplifying and rendering more efficient the process of receipt of information and will provide the NTS the information in a timely and reliable manner, at a much lower cost than that currently incurred, which originates from the payment of commissions to banking entities, costs of transcription and verification of data provided by the banks and other costs resulting from delays and problems with the quality of the information.

3.4 Examination

The examination area is also being prepared for significant improvements in operational efficiency fundamentally through the introduction of software tools based on the NICTs and oriented toward supporting the fiscal intelligence activities.

Because of its very nature, the use of tax information in the field of fiscal intelligence poses significant technical challenges linked to the need of processing large volumes of data for detecting patterns of evasion or tax misbehavior.

In this field, the NTS is in full process of preparation for the implementation of a corporate tax Data Warehouse using state-of-the-art technology that may allow for making complex consultations in a simple and speedy manner from large repositories of tax information.

It is believed that when the corporate Data Warehouse is in operation, the operational burden for the computerized area will be drastically reduced, since under the current scheme, complex inquiries requested by the fiscal intelligence area must be scheduled directly by computer specialists.

On the other hand, with this new technology, the users involved with examination may perform their own inquiries independently, in a speedy and simple manner, through applications based on the Web, without requiring the elaboration of specifications or interaction with the computerized area.

It is also estimated that the fiscal intelligence area may make better use of its human resources for planning specific examinations, that turn out to be costly with respect to time and staff, by resorting to sophisticated tools for the statistical analysis, massive information crosschecks, detection of behavioral patterns, etc.

3.5 Human Resources

There is no doubt that the value of a tax administration may be measured according to its intellectual capital, and for this reason, permanent staff training is a strategic guideline determined at the highest institutional level.

The NTS is clearly aware that the training activities generate a large operational burden, given the geographical distribution of the officials, the infrastructure and logistics required and the difficulty for reconciling working hours with the training schedules in the different areas involved.

It is known that the NICTs have repeatedly proven in many places their effectiveness in the field of training as an extremely economic, efficient and practical alternative as compared to traditional techniques.

The NTS has scheduled the establishment of a national distance training network through video-conference, self-learning systems by computer and virtual seminars.

A medium term objective is to implement completely automated training services for basic and general subjects on tax administration with audiovisual material prepared in advance and electronic questionnaires via Web.

Once these services are operating, the officials may design their own learning program in a flexible manner, determine the learning schedule in a flexible manner, determine the class schedule according to the most convenient timetable and receive training in an automated manner.

Such electronic training approach may result in significant savings in operational costs and improvements in the institution's general efficiency, on reducing the need for the transfer of the staff, adaptation of physical space for the courses, planning of schedules, designation of instructors, etc.

3.6 Administration

The administrative area of the NTS also plays an important role in the activities for improving the institution's operational efficiency, specifically with respect to the acquisition of services, equipment and inputs which are considered strategic, especially by the computerization area, in order to render feasible the technological modernization projects.

In this respect, the administrative sector which is in charge of purchases, is in the pilot phase of implementation of an Internet-based system called "Electronic Purchases", for acquisition and bidding procedures that will allow suppliers to make electronic proposals.

Through this system, the NTS will achieve savings as a result of greater efficiency in competitive bidding procedures, there will be greater transparency in the acquisition processes and the public in general will have access to information on the bid processes in relation to purchases for the NTS.

On the other hand, it is also to be expected that with the facilities to be provided by the Internet-based system, the administrative area's operational efficiency will be improved, mainly with respect to the use of human resources for handling supplier inquiries, paperwork and documentation, as well as in the time required for completing the processes.

The administrative area has also improved efficiency of its departments with respect to budgetary programming and execution following the integration of the NTS to the SIGMA (Integral Management and Administrative Modernization System) system network.

By means of this system, the NTS is tuned in with the Ministry of Finance, the General Treasury of the Nation and the General Accountant's Office and all budget procedures and transactions may be done electronically, thus speeding up considerably the processes of acquisition, budget planning and certification.

3.7 CONCLUSIONS

It is clear that tax administrations seek to be effective in compliance with their mission, by joining efforts to increase their effectiveness in tax issues and optimizing their operational efficiency.

To achieve such effectiveness, technology has proved to be a strategic ally with the sufficient characteristics and potentials so as to redefine the organizational and procedural models that are traditionally characteristic of the tax administrations.

The gradual introduction of new information and communication technologies is further multiplying the tremendous power for change which characterizes current technologies, by affording the tax administrations a historical opportunity for transforming and adapting themselves to a dynamics of acceleration and permanent change that will allow for achieving an authentic modernization.

Throughout this document we have described part of the actions that have been undertaken by the National Tax Service of Bolivia for the incorporation of the NICTs, as fundamental element for generating better levels of effectiveness and increasing its operational efficiency.

The first actions undertaken and the initial results merely confirm the great potential of these new technologies and the tremendous benefit that awaits to be materialized as an efficient tax administration with adequate use of its human resources and reduction of its operational costs.

On the other hand, the NTS is also aware that the introduction of new technologies in the government and in its relationship with the citizen may also create digital exclusion, thus benefiting the few that may make use of the advantages of a digital government, while the greater part of the population will not be part of the digital society.

This reality, while being dependent on the geographical, social and economic context, imposes an additional responsibility on the tax administrations, especially in the less developed countries, and that is, becoming as well agents for disseminating and facilitating access to the services based on these technologies, and playing a decisive role as equalizing factor that may transform the digital gap into a digital opportunity for all the citizens.

Finally, under the premise that technology is not an end in itself, the Bolivian tax administration is aware that, ultimately, the individuals with the support of technology will be the ones that will take the decisive step for consolidating changes. In this respect, the NTS considers that the most important capital in the digital revolution is, ever more, the intellectual capital, for which reason permanent training and development of human resources under a technological modernization approach is the necessary strategic complement for achieving the institutional objectives.

Mr. Javier Basta Ghetti
Legal Advisor of the Executive Presidency
National Tax Service
La Paz, Bolivia
E-mail: jbasta@impuestos.gov.bo

Case study

TOPIC 3.1

THE FILING OF TAX RETURNS VIA INTERNET AND THE AUTOMATIC PAYMENT

António Neves Costa

Computer Specialist

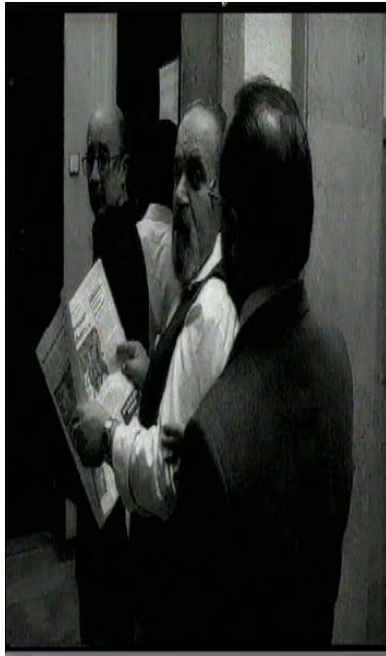
General Directorate of Contributions and Taxes

(Portugal)

CONTENTS: 1. Presentation of the Projects.- 1.1 On-Line Tax Services, via Internet.- 1.1.1 Objectives to be achieved within medium term.- 1.2 The payment of taxes through the Multibank network and Home banking Service.- 1.2.1 Objectives to be achieved within medium term.- 2. Costs.- 3. Evaluation of Benefits – Filing Returns via Internet.- 3.1 Income generated on-line.- 4. Conclusions.



The filing of returns via Internet and the automatic payment of taxes through the Multibank banking network and payments to the State made available at the home banking services of most of the Portuguese banking institutions are the solutions to be analyzed in this document.



A quantitative and qualitative analysis of the projects is made, taking as comparison the data relative to the traditional processes of compiling returns and the collection of revenues.

The implementation of a project with an impact on the citizens and the working processes is a complex transformation of a long term scope, for which reason, its evolution must be frequently evaluated as regards the level of service rendered, the operational effectiveness, particularly the reduction of costs and response in political terms, and in terms of positive effects on the social and economic scope.

The results highlight the advantages of the non-materialization of some processes of the tax administration, although its optimization may also be dependent on factors external to the activity, such as the rate of market penetration as regards the Internet access service and the costs of communications, especially the use of the wide band.



1. PRESENTATION OF THE PROJECTS

The economic evaluation, in quantitative terms, of public sector projects is always a complex task, where one sees that profits are not a typical element of the challenge of state organizations. Given that the use of information and communication technologies is involved, this increases the level of difficulty.

Since it is an activity related to the collection of revenues, it is possible to make an extrapolation of the models of re-entry of investment which are applied in the private sector and to present quantifiable benefits that are representative of the measures taken.

Portugal selected two projects for this presentation: the filing and consultation of tax returns via Internet and the payment of taxes through the Multibank network and payments to the State made available at the home banking services of the major Portuguese banking institutions.

The political objectives that guided the development of these projects were:

- Rendering of services to the citizen through new communication channels;
- Efficiency and effectiveness of the services, either in terms of time savings or of quality;
- Universal coverage;
- Automation of payments;
- Access to the taxpayer's consolidated tax information.

1.1 On-Line Tax Services, via Internet

Currently, any taxpayer may report and file his returns via Internet. The main functions are the following:

- Information, validation and filing of the return;
- Taxpayer authentication;
- Interphase similar to that of the printed forms;
- Guarantee of data confidentiality;
- Consultation of the return's status in real time;
- Request for certification;
- Within short term, it will also be possible to file and pay various types of taxes on-line.

TOPIC 3.1

To guarantee the basic principles of authentication, integrity and confidentiality of the information transmitted electronically, the taxpayer who endeavors to use the electronic services of the DGCI must initially request the identification code through Internet or from the Multibank Cashiers.

Nº Contribuinte	<input type="text"/>
E-Mail	<input type="text"/>
Telefone	<input type="text"/>
Morada Fiscal	<input type="text"/> Confirme que o seu domicilio fiscal está actualizado!
Pergunta	<input type="text"/>
Resposta	<input type="text"/> Deverá memorizar a resposta por si indicada, pois esta ser-lhe-á pedida caso pretenda recuperar a sua senha.
Envio de emails	<input checked="" type="checkbox"/> Desejo receber emails
Envio de SMS	<input type="checkbox"/> Desejo receber SMS

[Pedir Senha](#)

Within a term of three working days, the taxpayer is provided, at his tax domicile, the identification code he may use in Internet, as well as the telecode for consulting information in the Multibank Cashiers.

Following this special identification and authentication procedure, he may make:

- Consultations as to the status of the returns:
 - Individual Income Tax (IIT);
 - Corporate Tax (CT);
 - Value Added Tax (VAT);
 - Annual return;
 - Model 10;
 - Autarchic Contribution;
 - Status of exemption and other Tax Benefits.

- Filing of returns
 - IIT;
 - CT;
 - VAT;
 - Annual return.

- Issuance of vouchers with respect to the delivery of returns
 - IIT;
 - CT;
 - Annual return.

(Status of electronic form of Model 3 of IIT - 2003)

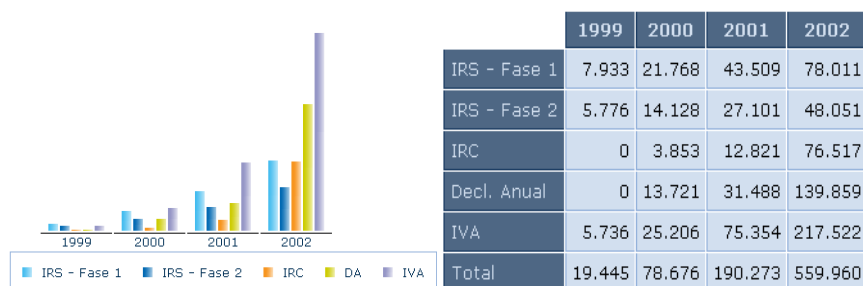
Tax returns may be filed on-line by directly introducing the data to be declared, or off-line, through the previous installation in the taxpayer's equipment of an application offered for loading at the DGCI's site. In the case of off-line reporting, the taxpayer connects himself to the site for the transfer of the data introduced.

Adherence to this system has been exponential as perceived in the following chart (the 2003 data barely refer to the month of January):

TOPIC 3.1

	1999	2000	2001	2002	2003	Total
Num. de registros	43.680	100.483	169.336	379.160	44.252	736.911

There has been an annual increase in the filing of returns which exceeds 100%, as the solution continues to gain the taxpayers' trust and the range of options is expanded:



1.1.1 Objectives to be achieved within medium term

The following objectives are expected to be achieved with the electronic returns system:

Oriented toward the taxpayer

- Optimize on-line collection of revenues, by collecting 50% of total revenues, covering 100% of taxpayers with the largest volume of businesses and 30% of total taxpayers;
- Increase of the level of taxpayer satisfaction with respect to the service rendered, through information assistance programs;
- Ensure that the service will be available 24 hours x 7 days a week, to promote compliance with tax obligations;
- Increase the quality and means, so as to reduce personal assistance, even for matters of an exclusive fiscal nature.

Oriented toward internal processes

- Reduction of the life cycle of the process for collecting taxpayer returns;
- 40% reduction of costs of paper filing, in 3 years.

1.2 The payment of taxes through the Multibank network and Home banking Services

The Multibank network, which covers the greater part of banking entities and with national coverage provides a broad range of operations such as survey, consultation of balances and movements and the payment of services. Currently the greater part of these functions (except for the survey) is also available through “*home banking*”.

To facilitate compliance with tax obligations by the taxpayers and simplify the revenue collection process, some years ago, a system was established whereby it has been possible to pay taxes through the Multibank network, by means of the automated tellers or through access via Internet.

This solution is an integration factor that comes to complement the electronic returns system, representing a value added to the service rendered to the citizen.

1.2.1 – Objectives to be achieved within medium term

Through the use of the Multibank network and the Home banking services, the following objectives are sought:

Oriented toward the taxpayer

- Diversify the channels for the payment of taxes;
- Facilitate, through a service available 24 x 7, compliance with tax obligations;
- Prevent taxpayers from having to resort to finance services.

Oriented toward internal processes

- Reduction in time devoted to the process of acquisition of information and payment of taxes;
- Assigning the staff involved in said process to other tasks;
- Reinforcement of integration with other activity processes;
- Normalization and simplification of procedures;
- Reinforcement of the tax fraud and evasion control function.

2 COSTS

The costs for implementing the Electronic Returns System should take into consideration the following components:

a) Initial Investment

- Infrastructures (Software + Hardware) - € 200,000
- Development for initiation of the 1st version of the services - € 500,000

b) Annual costs in two fundamental components:

- Communications and hosting in the IDC of the Portuguese Communications Operator/year - € 72,000
- Maintenance of evolution and New Functions / year (average) - € 800,000

Global investment at the end of 4 years:
 $4 \times (800+72) + 700,000 = €4,188,000$

In order to analyze the benefits, three fundamental components where the use of new technologies had the greatest impact were taken into account: consultation of fiscal situation, sending of returns via Internet and request for certification.

According to internal studies of the DGCI, the cost per minute of work at the Portuguese Tax Administration is €0.31.

According to access statistics, since the beginning of the project, in the past three years, approximately 3,000,000 inquiries have been made.

Assuming that the average time of personal assistance at a Finance Service for each of these inquiries would be approximately 10 minutes, it is concluded that the corresponding total cost would be: $0.31 \times 10 \times 3,000,000 = €9,300,000$.

The approximately 9 million Euros mentioned above represents savings in favor of the Portuguese State.

On the other hand, during the past five years, 935,954 returns were sent via Internet, which implied a reduction in costs inherent in their treatment of $0.31 \times 5 \times 935,954 = \text{€} 1,450,728$.

To the 848,354 returns shown in the chart on page 7, were added 87,600 returns received in the year 2003, thus resulting in a total of 935,954.

As basis of this calculation, it was assumed that the treatment of a return which includes reception, organization in batches, previous registration, digiting, correction of errors and contacts with the taxpayer for clarifications, takes 5 minutes per return.

The other component that should be analyzed is the issuance of the certification.

During the 250 working days, approximately 5,000 officials issued an average of 1.2 certificates, which implies that 1,500,000 certificates are issued annually.

Given that the average time of attention per certificate may be considered to be 15 minutes, the total cost of these operations is $15 \times 0.31 \times 1,500,000 = \text{€} 6,875,000$

At present, Portuguese taxpayers sending the returns via Internet, immediately print the voucher which has the same legal effect.

The profit to be obtained from the issuance of this certificate via Internet will be significant, but at present, reality is still somewhat different. In addition, due to the high amounts at stake, it should be a point for observation and systematic analyses.

Thus, barely considering the IIT taxpayers and assuming that some 10% request certification, since the number of IIT taxpayers filing via Internet was 274,157, then 27,415 would request certification.

The associated cost would be: $27,415 \times 15 \times 0.31 = \text{€} 127,479$, which once again constitutes savings for the Administration.

Total savings: $9,300,000 + 1,450,728 + 127,479 = \text{€} 10,578,207$

Finally,

Costs reduction = $10,578,207 - 4,188,000 = \text{€} 6,390,207$, in 4 years.



3 - EVALUATION OF BENEFITS - FILING RETURNS VIA INTERNET

3.1 - Income generated on-line

After an initial phase of dissemination and expansion of the electronic filing system, emphasis was placed on the volume of receipts based on links via Internet. Contrary to what occurs with respect to the payment of taxes, in the electronic returns system one does not favor the diversity of channels, but rather the segmentation of the taxpayers, seeking to establish the conditions that may lead the taxpayers with the larger volume of business (and, therefore, with greater advantages for turning virtual the administrative processes) to preferably adhere to the filing of returns via Internet.

The Portuguese Tax Administration hopes that in 2004, income received via Multibank and Home banking will correspond to 50% of total revenues, however, it may barely represent 30% of the taxpayers.

Currently, the figures related to large taxpayers are presented in the following charts:

TOTAL RETURNS FILED		
2002		
	INTERNET	PAPER
IRS	3%	97%
IRC	23%	77%
IVA	9%	91%

Analyzed in isolation, the rate of penetration of electronic services in the system for filing returns is still reduced. Yet, in absolute terms, considering as well the amount of income generated on-line, it is perceived that the impact is significant.

		RETURNS	REVENUES
IRC	INTERNET	23%	73%
	PAPER	77%	27%
IVA	INTERNET	9%	15%
	PAPER	91%	85%

That is, the revenue generated electronically is always above the rate of penetration of Internet, while in the traditional process the situation is the reverse – the percentage of revenue collected is always inferior to the rate of filing of returns on paper.

These figures show the importance of the use of the services rendered through Internet, based on the segmentation of taxpayers, thus promoting the use of this communication channel by the groups with the greater volume of businesses or larger number of workers.

4 – CONCLUSIONS

Of the objectives pursued by the Portuguese Tax Administration for increasing its Global Efficiency through the use of new information technologies, in our opinion, the following are the business processes whose return may be more objectively quantified as regards investments made:

- 1) Relationship with the Taxpayers
 - a) Maximization of revenues collected on-line.
 - b) Maximization of taxpayer satisfaction, by simplifying on-line processes and reducing assistance costs, basically to the level of help-desk.
- 2) Improvement of services
 - a) Reduction of costs and increase of productivity.
 - b) Making information more readily available for the control of revenue collection and increased examination action.

TOPIC 3.1

Thus, in view of all that has been stated we may conclude that:

1. The cost of technological investment is low and tends to be further reduced throughout the years;
2. The use of the service reduces costs and tends to be further reduced in an accelerated manner, throughout the years;
3. The rate of adherence is increasing over 100% per year;
4. When the percentage of annual returns filed exceeds 25%, that is, $0.25 \times 11,550,000$ which is the total of returns, and implies approximately 3 million returns, the reduction of costs will be 1.55×3 million, that is, 4.5 million Euros / year, which will turn out to be a significant amount;
5. In the current year, 2003, if the increase in the rate of adherence continues, about 1 million returns will be sent by Internet, which in terms of filing represents 1.55 million Euros in expense reduction.

The virtual office existing at the DGCI's Web site is the largest Portuguese Finance Office in terms of receipt of IIT returns, with a total of 126,062, and the office of Odivelas, in the suburbs of Lisbon being the second most important with barely 56,116 returns received.

Mr. António Neves Costa
Computer Specialist
General Directorate of Contributions and Taxes
Lisbon, Portugal
E-mail: aneves@dgita.min-financas.pt

Case study

TOPIC 3.2

STRATEGIES IN HUMAN RESOURCES MANAGEMENT FOR INCREASING PRODUCTIVITY

Sean Moriarty

Assistant Secretary, Large Cases Division
Ireland Revenue Commissioners

CONTENTS: Introduction.- The Irish Context. Revenue – the Organisation.- HR Planning in Revenue.- Training.- Promotion Policy.- Clarifying Roles and Guiding Performance.- Empowering Management and Staff.- Influencing the Climate.- Partnership.- Rewarding Exceptional Performance.- Two Examples of Improved Efficiency.- Staffing Initiative 2000.- Lo-call Telephone Call-centre.- Conclusion.

INTRODUCTION

When I get a break from the Irish Revenue I spend a lot of time gardening!

Managing human resources has sometimes been compared to that same activity. But in my garden I can't tell plants to grow or to produce more. For success, I have to create the right environment for my plants to grow; I have to provide the right mixture of inputs – space, water, sunshine, food. I have to understand the life-cycle of plants – knowing what seeds to buy and when and where to plant them; I have to recognise the constraints to growth; identify the reasons some plants are not thriving; deal with the causes (not the symptoms) of this and, of course, finally plan for the replacements I will need to get good results from my garden year after year.

This holistic view of the natural system can be applied to human resource management and organisational systems.

We can't instruct staff to produce more. We need to devise the optimum environment for them to be more productive. In human resources terms this involves creating the right environment for acquiring, retaining, deploying, and improving our human resources. That "right environment" comes about not just by having effective policies on basics such as recruitment, training and development, remuneration, accommodation and the like. It is also heavily influenced by our policies and attitudes to internal communications, participation, partnership, diversity, family friendly work practices and proving to staff that we value their loyalty and their input – all of these contribute to a positive working environment and a positive working environment contributes to greater productivity.

THE IRISH CONTEXT

In the Irish Revenue (which is a combined Tax and Customs Administration) our traditional management style could, by and large, have been categorised as predominantly "command and control" – not at all untypical of long established bureaucracies. This system may have worked well in the Ireland of the past where we had a very stable environment with low economic growth, high unemployment, high emigration and low recruitment into the public sector. It was an environment where there was a widely held attitude of being thankful for having a permanent, pensionable (even if relatively low paid) job.

Thankfully those days of low growth, high unemployment and high emigration have long departed the Irish economic system. Since the early 1990's the Irish economy has been growing strongly and has been doing so in an increasingly open and global environment. Ireland has moved from about 65% of European Union (EU) average Gross Domestic Product (GDP) per person in 1990 to greater than 129% of EU average GDP in 2001.

**Table 1: GDP at current Market Prices
and PPS per head of population**

	1990	1996	2000	2001
EUR = 100	64.7	98.1	118	129.5

Employment in the same period has increased by 52 %.

Table 2: Labour Force at work

	1990	1996	2000	2001
Labour Force at Work (000)	1,159	1,328	1,670	1,765

Net immigration is a new phenomenon for Ireland and a new challenge. This new environment – a globalised open economy; growth which by some standards is extraordinary and the phenomenon (for Ireland) of net immigration and close to full employment – means that the environment in which the Irish Revenue operates has changed radically. These changes impact directly on our strategies for managing the tax system and also on our strategies for managing our human resources. In both areas we face considerable challenges but while my paper today is concerned only with the latter, I don't have to spell out for you the obvious fact that one impacts on the other.

REVENUE – THE ORGANISATION

The Irish Revenue is 80 years old this year. It is a proud organisation, that values its heritage which stretches back to the origins of the Irish State, and that values its contribution to the development and ongoing well-being of that State.

In the past decade, spurred on by internal debate, but also it must be said by greater public scrutiny and accountability, we have been critically examining the way in which we do our Tax and Customs business. We have seen the need for a more strategic approach and for improvements in business and corporate planning. We are in the middle of a fundamental restructuring of our organisation with a view to achieving its greater congruence with our operating environment. A key to addressing this more strategic view of our environment and increased accountability has been the introduction of improved strategies in human resource management within the organisation.

There are approximately 7,000 staff working in Revenue in approximately 190 locations across the island of Ireland. Whilst staff presence is concentrated in the greater Dublin area (which also accounts for over one-third of the population) Revenue also has a reasonable physical presence in most other major population centres around the country.

Of the 7,000 people working in the organisation, 5,800 are working on a whole time basis whilst the remaining 1,200 are working various 'work-sharing' arrangements ranging from 2 to 5 days per week. I will mention a little more about those later on.

HR PLANNING IN REVENUE

In the late 1990's Revenue Management undertook a review of its Human Resource Policies to take account of the changes in the work environment. We aimed to develop the existing elements of Human Resource Policy and inject best practice developments in HR into an integrated strategy directly linked to our key business agenda.

We wanted this Review to produce three outputs:

- The key result areas that affected the success of Revenue
- The HR issues arising from the key result areas
- The HR action areas required to support the key result areas.

The objective of the new policy, entitled *HR Policy: An integrated Policy in support of Revenue's Business*, is to create, deploy and reward a highly trained and empowered workforce, operating in a working environment that is conducive to participation and partnership.

Our Review identified eight key policy actions:

- Building towards a Manpower and Skills Profile
- Clarifying Roles and Guiding Performance
- Empowering Management and Staff
- Influencing the Climate
- Equality (Diversity) Strategy
- Internal Communications
- Evaluating the Effectiveness of HR Strategy
- Managing the change in the New HR Agenda.

In this presentation I propose to look at the first four of these:

- the critical path towards an ideal Manpower and Skills profile;
- the steps taken to clarify roles and guide performance;
- how we set about empowering staff and management; and
- some of the actions we have taken to positively influence the (working) climate.

I will mention a couple of specific examples of how the more strategic approach has improved productivity – but I would stress that at this stage, we are definitely in “work in progress” mode!

BUILDING TOWARDS A MANPOWER AND SKILLS PROFILE

Our first key policy action is building a manpower and skills profile and our first step in building towards this was to find out exactly what we needed – quite simply, based on our business agenda, what was the staffing complement we needed and what was the skill base we needed. We needed to know our requirements right now, and then we went on to project this forward to identify our requirements in the short, medium and longer term.

A significant amount of work had already been carried out within the Taxes side of our Administration following a reorganisation in the early 1990s. This involved a move from a tax-head focus to a functional focus (Customer Service, Compliance and Audit / Investigations). This allowed a multi-tax-head or whole taxpayer approach. With greater knowledge of the utilisation of resources it was possible to enhance our performance measurement systems and to **link inputs to outputs**. This management information now feeds as a matter of course into resource allocation reviews and the annual business planning process.

A major Skills Audit was undertaken in 2000-2001 with a view to establishing how the restructuring plans for the organisation would impact on skills needs. The outcome of this audit (which I would have to say did not give us a great deal of comfort) and which includes recommendations for training and development of existing staff, are

currently being addressed. Our optimum corporate manpower and skills profile is now being considered in detail within the context of our restructuring project and leaves us with a very challenging agenda. It will take us some time, and a considerable investment in skills training, to achieve that same optimum, but nobody in Revenue Ireland believes that it is possible for us to operate successfully without it.

Our progress towards the optimum manpower and skills profile is being built on these strategies:

- Adopting a competency-based approach to manpower and training policy;
- Implementing a highly focussed approach towards building the defined skill base through:
 - Improving the skills of the people already in the organisation, through **Training and Staff Development policies**;
 - Selection and assimilation of the best available new staff, through **Recruitment and Integration of New Entrants policies**;
 - Selection of high quality staff for promotion, through a mainly merit- based **Promotion Policy**;
 - Deployment of people with particular skills and competencies into areas where these are most effective, through **matching competencies to tasks**;
 - Identifying and investing in future potential leadership, through a **future leadership policy**.
- Putting in place a specialist Manpower Advisory Service, to examine current and future staffing requirements.

I cannot expand on each of these today but would like to mention just two – training and promotion policy.

TRAINING

In my view there can never be enough training in the Irish Revenue. We have an ongoing programme of extensive investment in staff training and development and this year will spend over 4% of our salary budget on this function. I know this percentage may be higher in other Administrations but in terms of where we were some years ago it is a considerable advancement and I see it increasing further in the years ahead.

In a Tax Administration there is a temptation to spend most training effort on technical training in areas such as accountancy, legal expertise and investigation techniques. In 2000 we began a programme of management training for senior officials to enhance their management skills and to expose them to best management practices. This programme will continue until the end of 2004, to include managers at all levels as part of an integrated approach to assist these managers with their challenges ahead. Outsourced, leading edge management specialists deliver the course. The response from staff to this has been extraordinarily positive and I expect great dividends right across the organisation as our work and our programmes are more effectively and efficiently managed.

In 2001 we implemented a new structured training programme targeted at tax auditors and other front line staff. This training programme, modular in approach, runs at its maximum to 24 weeks in the classroom and includes associated structured coaching and mentoring. It is recognition of the importance of ensuring our staff is equipped with the knowledge, skills and competencies to perform effectively. We are building a professional cadre of staff who can deal with the complexities of tax administration and match the expert professionals whom they meet across the table when on audit or investigation work. The programme is also geared towards ensuring that as an organisation we are in a position to carry out our current and future anticipated activities efficiently and professionally.

PROMOTION POLICY

Another key element in building towards an optimum manpower and skills profile is the development of a selection and promotion policy which is based mainly on merit. At the top levels within Revenue all promotions are based on merit competitions and have been so for some years now.

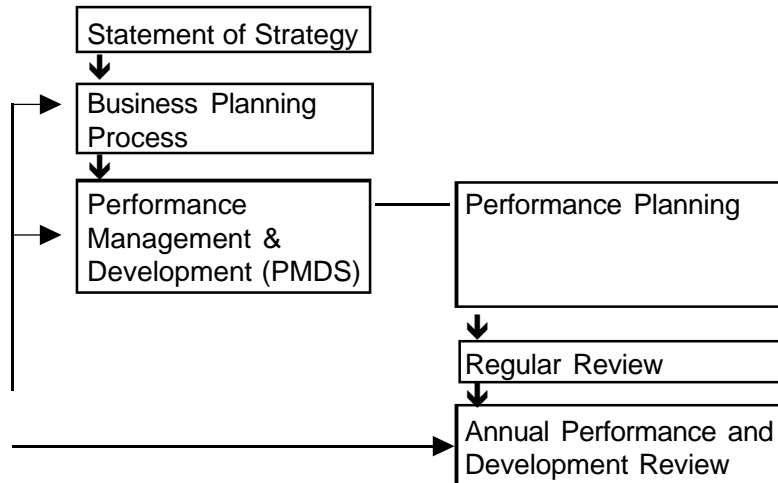
At lower levels in the organisation we are working towards greater merit based promotion in negotiation with the trade unions who represent our staff. The merit-based proportions are increasing at the expense of the more traditional seniority based numbers – and will continue to do so.

CLARIFYING ROLES AND GUIDING PERFORMANCE

Our second key policy action is to clarify roles and guide performance.

The key strategy in this area is the continued development of Revenue's Performance Management and Development System (PMDS) which was introduced in 2000. In very simple terms this means making sure everybody in the organisation knows what they are supposed to be doing, letting them know how well they're doing, and helping them along the way. It is very much focussed on personal development and while there is currently no pay or reward relationship, it is envisaged that such a relationship may well develop in the future. PMDS links each individual's performance objectives to Revenue's objectives, as set out in our annual business plans and our three year Statement of Strategy.

Revenue's Performance Development System



The system is competency based which means that there is a focus on behaviours that provide a clear description of what a person needs to do to achieve outstanding performance on the job. There is also a focus on the areas where a person is expected to make a significant contribution in a given period. For example, this could include income/revenue generation, audits completed, service quality and people management.

All staff now has a clear view of their role and contribution to the bigger picture and where their work helps achieve Revenue's objectives. PMDS requires each individual to identify their personal role, the long term and short-term results to be delivered, and the range of skills, characteristics and behavioural competencies they need for their job. It is closely linked to training and development, with a personal training and development plan for each individual.

Structured discussions between staff and managers occur several times throughout the year at different milestones throughout the performance management cycle. These have already led to greater clarity about job performance and in some cases has already resulted in the elimination of work practices that were not adding any value to the efficient administration of certain business functions. Finally the sense of ownership that staff now has with regard to their own performance has led to greater motivation and job satisfaction. A somewhat unexpected side benefit has been a significant improvement in internal communications right across the organisation.

A recent academic research review of the PMDS system in Revenue found that "... *the impact of PMDS in Revenue has been comprehensively positive. Findings in the key areas of improving performance, clarity of role, improvement in workplace environment and satisfaction with the process and its implementation, all produced positive outcomes.*"¹

EMPOWERING MANAGEMENT AND STAFF

Our third key policy action is that of empowering management and staff. The PMDS system already mentioned has already contributed significantly to this.

¹ Irish Management Institute's *Management Focus*, Vol 6 No.4, Winter 2002/03

TOPIC 3.2

At management level this has been supplemented by the developments in the restructuring of the organisation which I have already mentioned. One of the fundamentals behind this restructuring is to create greater autonomy at local level thereby empowering local management in their work and moving away from the traditional “command and control” approach I mentioned earlier. This is currently being strengthened with formal written delegation of authority to senior managers within the organisation for specific areas of business responsibility.

Hand in hand with this formal delegation of authority for business responsibility will go devolution of certain Human Resource functions to line managers. This is a major change in the way the HR function has been operating. Up to now it had been a highly centralised function with responsibility and authority largely directed towards the centre rather than the line manager. This emphasis is now changing with as much responsibility and authority pushed out to the line as possible. A world leading HR Information system has been procured and customised for use by line managers. Revenue is leading the Irish Public Service in this area and our experiences are being fed back and observed with great interest by colleagues in other Departments of State.

The important point in my view is that this involves a change of mindset as much as a change in procedures. It involves an enhanced relationship between manager and staff member and facilitates improved communications.

The HR function itself is undergoing major change following a review by external consultants. We are setting stretching and effective internal customer service standards for the non-devolved functions and a new web-based information advice and support service.

A highly successful development in staff empowerment has been our staff suggestion scheme – otherwise known as INPUT. Either individuals or groups can make suggestions for improving the way we do our business – equally important in an organisation of our size. Suggestions are financially rewarded – even those which, while having intrinsic merit, cannot for some reason be immediately implemented. Suggestions to date have resulted in:

- Improved administrative efficiency
- Improved service to the public
- Reduced costs, including compliance costs for taxpayers.

INFLUENCING THE CLIMATE

The final key policy action I wished to speak about today is that of influencing the climate – obviously in a positive direction. This is a very broad area but can be summarised by saying that in the Irish Revenue we want to create a working environment which makes people want to work for us and want to work well for us.

We recognise that as part of the Irish Public Service we are bound by the standard remuneration packages and the standard terms and conditions attaching to Public Servants in Ireland. Sometimes these are not as attractive as the private sector so we have to be creative in bridging the gap and in emphasising the positives in our workplace as compared to the bank or insurance office or technology company in the next street.

Part of that is a package of Family Friendly work policies best explained by mentioning that of the 7000 staff complement in Revenue, 5,800 work on a whole-time basis and the remaining 1,200 work various work sharing arrangements ranging from 2 to 5 days per week. Most staff already have access to “flexitime” which allows them choose their hours within an 8am to 6pm working day. New work-sharing patterns being introduced this year include a three and four-day week, a 9am to 3pm workday and a 3 weeks on/1 week off month. We have introduced a system of “term time” working, where parents of school going children may take unpaid leave during the summer months to coincide with the school holidays. 420 of our staff will avail of this facility in 2003. We also allow generous career breaks which are currently being availed of by 312 staff. Many of these are female and cite child rearing or other domestic issues as the reason they are taking the career break.

The overall objective is to present as a flexible caring employer who recognises that at different times in their working lives people have different demands on their time, and an employer who also values staff and the investment that has been made in them and does not wish to lose them permanently from the workforce.

Creating a positive work climate is also matter of creating a workplace in which there is a genuine partnership approach to work, where all the people in the organisation can have a say in how it is run and where exceptional performance is recognised and rewarded.

PARTNERSHIP

Much of Ireland's economic success in recent years has been driven by a partnership between the so called social partners of Government, Trade Unions, Employers, Farmers and the Voluntary / Social sector. The negotiation of national agreements on a partnership basis has allowed for significant advances in terms of wage restraint, social policy, infrastructure development and taxation reform.

The partnership model has now been replicated throughout the public service and Revenue is no exception to this.

Partnership structures have been put in place to ensure that all stakeholders –management, unions and staff – are fully represented in influencing the agendas of Civil Service Departments. For Revenue this leads to a sense of shared ownership and involvement in:

- Achieving Revenue's strategic goals and objectives,
- The process of change,
- The resolution of challenges and business issues generally.

In Revenue, Partnership structures have been used to review operational strategies, such as tackling the Shadow/Grey Economy, in the improvement of customer services, in advancing Human Resource strategies, such as the introduction of the new PMDS already mentioned and in developing our IT and eBusiness strategies.

Towards the end of 2001, a number of Local Partnership Groups were established to bring the process closer to the workplace. These groups are now actively engaged at local level in identifying enhanced ways of implementing the new organisational structure and better ways of doing day-to-day business.

REWARDING EXCEPTIONAL PERFORMANCE

For several years now in the Irish Civil Service we have had an Exceptional Performance Awards (EPA) scheme. This scheme allows all Departments to allocate 0.2% of their salaries budget to reward staff who is deemed to have delivered exceptional performance on a project or in the course of their day-to-day work. Nominations for awards can come from any area and are subject to very objective evaluation and

are in the final analysis at the sole discretion of myself as Chairman. They are made to individuals and teams and are widely acknowledged as contributing greatly to motivation in our organisation.

TWO EXAMPLES OF IMPROVED EFFICIENCY

I have spoken about some of the strategies for increasing productivity in the Irish Revenue and at the beginning I was careful to mention that this is very much work in progress. However, before I finish, I would like to examine two concrete examples where the strategic approach to HR management within Revenue has contributed to improved productivity. One we called “**Staffing Initiative 2000**” and the other was the introduction of a “**virtual call centre**” to deliver customer service to personal taxpayers.

‘STAFFING INITIATIVE 2000’

Following the building of a staffing and skills profile for the taxes administration it was possible to develop input and output performance measures. It was also possible to examine the medium term profile requirements and the medium term strategic business requirements identified in the business planning process. This enabled us to put to our Minister Revenue’s first significant case for additional staff resources for over a decade.

The required profile identified the need for additional and targeted resources mainly for Audit and Investigation. It also identified particular skill shortages, for example in forensic accounting, and the need for contract recruitment in specific areas. The resultant business case was successful – as a consequence we were able to increase staff deployed on the Audit and Investigation functions by almost 20%.

The recruitment and redeployment of these additional staff coincided with the roll out of the new Modular Functional Training Programme, part of our new Training and Staff Development policies. The new programme has been developed for each grade level. It provides “core” skills and knowledge required by all staff at the relevant level, plus “functional” training with modules focused on the skills and knowledge required for the particular function an officer is engaged on. It also addresses advanced technical training, in specialised skills, much of which is outsourced.

TOPIC 3.2

The new training programmes, which commenced in 2000, created an appropriate learning environment for the additional staff. The first new recruits are right now completing their modular training programme.

The outcome on our audit programme has been very positive. While the number of audits completed has been affected by the coaching and mentoring associated with on-the-job training, it is expected that the number of audits will start to rise as the training programme cycle is completed. It is however very interesting to look at the audit yield.

Table 3: Audit Outputs 1999 – 2002

	1999	2000	2001	2002
Number of Audits	16,938	15,942	16,022	15,951
Auditors	376	369	416	457
Additional Direct Audit Yield	€136.9	€121.7	€196.8	€254.6m
Additional Direct Audit Yield per Auditor	€364,000	€329,800	€473,000	€557,100

It is worth noting that the additional direct audit yield is not based on estimates or assessments but on the actual amounts brought to account as a direct result of audit. It also does not take into account any tax arrears collected or the additional compliance rates as a result of an effective audit programme.

We are satisfied that with the more strategic HR approach to improved training and development, improved performance management and adequate resources, that our audit programme is now more productive. The improvement in the additional yield per auditor is a reasonable indicator to support this view.

LO-CALL TELEPHONE CALL-CENTRE

As part of the partnership approach, with union and staff representatives participating in the process of change, Revenue reviewed its customer service approach to personal taxpayers. The partnership style group looked at how best to deliver a telephone call-centre approach to the delivery of customer service to 1.8 million employees.

The group explored a number of options, including a single new national call-centre based in one location, or using existing staff in their current location. The outcome of the review supported a 'virtual' national call-centre with staff based in the existing 13 locations nationwide. Theoretically the system will also permit tele-working, subject to logistics and security considerations.

The system was introduced in September 2001. It provides a one-stop contact point for customer service with callers routed to the next available officer nationally. The arrangements agreed provide for greater atypical work patterns that fit with demand and are "family-friendly". The additional training required was minimal as existing staff was deployed on the work. As it is based within the existing structure and existing locations, it allows regular rotation of staff to other work, and provides an outlet to reasonable local career structures.

The traditional approach would have involved significant and inevitably long drawn out Industrial Relations negotiations. However in this case, using a partnership approach almost all of the details of the new system were agreed at local partnership level, there was some limited Industrial Relations sign-off required on hours of work, but there was fast tracked and agreed implementation.

The partnership group continues to monitor the system, and the service is constantly being improved, with adjustments to training programmes, monthly workshops, etc. We have recently extended the Lo-Call telephone one-stop customer service to Employers, again with fast tracked agreement.

The new telephone call centre system has directly contributed to improved customer service, contributing to handling around three million telephone calls per year. It also has contributed to improved productivity by reducing the level of personal contacts and correspondence, particularly from employees.

Table 4: Customer Service Contacts 2000 – 2002

	2000	2001	2002
Telephone Contacts Incl. Lo-Call	3,277,912	3,736,678	3,277,873
Lo-call Phone contacts	No service	160,715 ²	1,368,146
Personal Callers: Public Offices	683,500	699,919	637,021
External Correspondence	2,866,000	2,939,044	2,009,500

CONCLUSION

I started the presentation by talking about the way I work on creating the right environment for growth in my garden. In the Irish Revenue we hope we have created, and continue to create, the environment in which our staff can grow, in which we can help them to develop themselves, and in which we, as a consequence, can get a good result as a Tax and Customs Administration. We have developed a strategic approach to our Human Resources policies. We have linked our Human Resources strategies to our business objectives. These comprehensive strategies help us to create, deploy and reward a highly-trained and empowered workforce, operating in a working environment that is conducive to participation and partnership.

The contribution to improved productivity from the more strategic approach can be seen in the two examples of the additional audit and investigation resource obtained in 2000 and the introduction of the virtual national telephone call-centre. While much has been done, we are very conscious that, like the gardener, we can't ever stop tending to our environment, and – just like my garden – it's always work in progress.

Mr. Sean Moriarty
Assistant Secretary, Large Cases Division
Ireland Revenue Commissioners
Dublin, Ireland
E-Mail: smoriart@revenue.ie

² From 23/10/01-19/12/2001

Case study

TOPIC 3.2

STRATEGIES IN HUMAN RESOURCES MANAGEMENT FOR INCREASING PRODUCTIVITY

Patrick Rijdsijk

Policy Advisor, International Affairs Division
Directorate General for Tax and Customs Administration
(The Netherlands)

CONTENTS: 1. The Recruitment of Staff.- Active labour market communication.- Competitive salary and offering differentiated terms of employment with good career prospects.- 2. Creating a Flexible Workforce and Achieving the Efficient Use of Personnel.- 3. Promoting Staff Motivation.- Appendix: Some facts and figures about the personnel of the Dutch Tax and Customs Administration.

The topic of this paper is “Strategies in human resources management for increasing productivity”. A very important topic, because in every large organization – public or private – creative and dynamic management of human resources is one of the key aspects for optimum functioning and a determinant element for achieving the missions and objectives of the organization.

Tax administrations do not escape this rule. Even more than the improvement of procedures or increasing the use of computerized tools, it is the quality of the tax officials which allows the tax administration to respond to the increasing complexity of tax rules and at the same time to increase the achievements of public authority.

For the Dutch Tax and Customs Administration (DTCA) human resources is also a key topic because of expected important developments in the labour market in the Netherlands. In a number of fields there is a growing shortage in highly qualified staff. It is expected that competition with regard to staff supply in this market segment will become fierce. Furthermore, the composition of the working population is changing. In all kinds of respect, it is becoming increasingly diverse: more multicultural, older and more individual. People who offer themselves on the labour market in the Netherlands will have more and more differentiated requirements with regard to terms of employment and working conditions.

The objective of the human resource policy, in its most generalized formulation, is to guarantee that the organization may count, at any time and place, on the necessary means for effectively achieving its goals and objectives. In this paper, a number of different aspects of the human resource policy of the Dutch Tax and Customs Administration will be discussed. These are respectively:

1. The recruitment of staff.
2. Creating a flexible workforce and achieving the efficient use of personnel.
3. Promoting staff motivation.

1. THE RECRUITMENT OF STAFF

One of the aspects found in the human resource policy and which greatly influences the formulation of the rest of its contents, is the selection of staff, both in external recruitment and internal promotion.

The objective to be pursued by every staff selection process is that of providing the organization the most adequate staff members for performing the functions entrusted to it. It is evident that a tax administration, like any other organization, cannot run the risk of only being able to attract and retain 'second category' staff.

The recruitment modalities at the Dutch Tax and Customs Administration are based on the constitutional principle of equal access to public rights. Their application results in a contest which may be:

- External, reserved for candidates with certain degrees;
- Internal, reserved for officials who are already working at the tax administration or ministry (which may thus achieve a promotion).

The recruitment effort for new employees is directed both at recent graduates and at employees from other organizations. Recent graduates include those having completed secondary education and those who, after their secondary education, have completed an (advanced) professional training or have graduated from university. The recently graduated offers the advantage that the tax department can train and develop them to the ways of the organization. A disadvantage of this group of newly recruits in comparison with those that have been previously employed elsewhere is their lack of practical experience.

New employees can be recruited at a central level or at a decentralised level. Recruitment activities are frequently centralised if large numbers of candidates are involved, who, after being hired, will be trained centrally. However, a clear trend has emerged within the Dutch Tax and Customs Administration to delegate the recruitment of new employees to lower levels within the organisation, e.g. to the management teams of the local offices (of course within the framework and restrictions set by the central directorate).

Staff selection starts with obtaining and maintaining a competitive position in the labour market. This can be achieved by means of:

1. Active labour market communication;
2. Competitive salary and offering differentiated terms of employment with good career prospects.

1. Active labour market communication

The Dutch Tax and Customs Administration spends a lot of time and money in its communication with potential employers. In 1999 we started a large job market campaign under the title "a job to be proud of". In this campaign, the Dutch Tax and Customs Administration is depicted as a modern, innovative, attractive and competitive organisation of which an employee can be proud. The campaign is still ongoing. The result is that last year more than 80 percent of the vacancies could be filled within 3 months.

In addition, the DTCA is very active in recruiting students. For example, we offer students the opportunity to do a work placement in the tax administration within the framework of their education. Particularly for business economists, fiscal economists and accountants there are different possibilities varying from practical training to a terminal project. In all cases, we offer a work placement that aligns perfectly with the education. Such work placements involve a lot more than just taking a look behind the scenes. For, everybody is given the opportunity to work independently in the various business processes in the tax administration, so that they can experience personally what it is like to work for the Dutch Tax and Customs Administration.

2. Competitive salary and offering differentiated terms of employment

In every organization, every function or position has its value. The candidates for a position can only be remunerated fairly and equitable if one knows the value of the latter with respect to the others and also their relationship with the market situation. The management of salaries is an issue that covers the entire organization and affects all its levels and sectors. Accordingly, the management of salaries could be defined as series of rules and procedures intended to establish and maintain equitable and fair salary structures within the organization.

With the establishment and/or maintenance of balanced salary structures, salary management endeavours to achieve the following objectives:

- Remunerate each employee according to the position he holds;
- Adequately compensate him for his performance and dedication;
- Attract and retain the best candidates for the positions, according to the requisites for adequately filling such position.

The list below gives an indication of the level of gross salaries in the Dutch Tax and Customs Administration (this is based on a 36-hour working week):

Intermediate Vocational Training – position:	\$ 1600 - \$ 3000
Higher Vocational Training – position:	\$ 2000 - \$ 3900
University Training – position:	\$ 2100 - \$ 4900

A rather large part of our salaries are competitive with the market (private sector). This is the case for our administrative positions and our intermediate and higher vocational level. However, for the higher degrees, there is a difference between private - and public sector. A difference we cannot take away. On the other hand there are other incentives that we can offer that will attract, for example job security, training and study facilities, reasonable working hours and a good social policy. These incentives become more prominent, if certain groups of employees get scarce in the near future.

In the case of a full working week, each employee is entitled to at least 20 days of holiday. In addition, each employee has the opportunity to work a maximum of 40 hours a week. On an annual basis this offers at least 25 extra compensation days that can be saved and, in mutual consultation, can be spent as one thinks fit. This therefore means that if an employee opts for a 40-hour working week, he will have at least 45 days of holiday a year.

The Dutch Tax Administration also offers the following fringe benefits:

- Each employee builds up excellent pension rights;
- Each employee receives a contribution towards the premium for medical expenses insurance. In addition, it is possible to participate in group insurances;
- On top of the salary, each employee receives 8% holiday allowance and a year-end benefit;
- It is possible to work part-time;
- It is often possible, in consultation, to work flexible working hours;
- It is possible to obtain a refund of travel expenses;
- It is possible to receive a contribution towards the costs of study and/or study leave;
- It is possible to lay a claim to parental leave and provisions / compensations for child care.

Excellent terms of employment and fringe benefits are a key condition for recruiting and holding on to personnel. This concerns more than just a good salary. As the first in the national government, the Dutch Tax and Customs Administration has implemented in 2001 the so-called Individual Choice Model of Terms of Employment Package (IKAP). By means of this model, employees can, in a financially attractive way, use part of their salary, holiday allowance, holiday hours, overtime hours or other income components to purchase a computer, a bicycle, study facilities or more days of holiday, for example. Over one-third of the employees, over 10,000 persons, have used this scheme.

Obtaining and maintaining a competitive position in the labour market is one side of the story. The other side of the story is to select from the interested candidates those persons who can make an optimal contribution towards the Dutch Tax Administration. On the basis of the request for filling a vacancy, the human resource division proceeds to prepare open invitations for applicants, essentially stating:

- Title of the vacant position;
- General requirements of the job, e.g. experience;
- Specific requirements of the job, e.g. educational qualifications;
- Competencies of the job;
- Documents which the candidate must submit;
- Application and introduction procedures;
- Selection and hiring procedures.

When candidates apply, it is verified whether they comply with the requirements stated in the announcements, so that they may proceed to the process of pre-selection. At this stage, different evaluation instruments are applied:

- A general knowledge examination in order to pre-select candidates interested in the study and knowledge of what is happening in the tax administration and society.
- Psychometric test to measure the intellectual possibilities of the candidates.

- Assessment centres to measure the behaviour of candidates in situations similar to the working field.
- Psychometric test to ensure that candidates have the ability to become tax career officials and have the emotional maturity and sufficient control of impulses to adequately adapt to the working environment of the DTCA.
- Interview with candidates.

2. CREATING A FLEXIBLE WORKFORCE AND ACHIEVING THE EFFICIENT USE OF PERSONNEL

A second important aspect of the Human Resource policy of the Dutch Tax and Customs Administration concerns the promotion of a flexible, efficient and effective workforce. Training is in this respect essential. One of the purposes of training is that an employer masters several fields and even several positions. It is also one of the most powerful tools to create and maintain credibility and co-operation from the general public. Yet, it is a huge investment that must be properly managed. Nevertheless, training is not only a personal benefit for those receiving it, but rather implies an improvement in the organization's productivity and effectiveness. The time devoted to training actions implies a cost for the organisation, but generates a direct benefit to the latter, to the extent it provides human resources better qualified for performing their jobs.

Through its training activities, the Dutch Tax and Customs Administration pursues a flexible and mobile staff. This means that there are in general no fixed career patterns and staff members are capable of doing a wide variety of jobs at their own level. The reason why we stress flexibility is that we believe that the Dutch Tax Administration must respond flexible to the developments in politics and society. And we expect the same flexibility from our personnel. That is why we set a number of requirements, for example that every now and then employees change job or station. Starting point is that our employees change job once in every five years. Preferably on a voluntary basis, but compulsory mobility is also among the possibilities. The aim of the career policy is, on the one hand, to make the organisation as flexible as possible and, on the other, to offer employees optimal chances to develop themselves further. This way, the work remains challenging, because each time it contains

something new. In addition, we find it very important to stimulate our employees to take personal responsibility for their own development and career. Management is, of course, ready to help them and offers the appropriate facilities.

In general, three stages of training can be distinguished:

1. Initial training given at the time of recruitment and whose contents depends on the modes of selection (i.c. very open recruitment of non-specialized generalists and internal promotion);
2. Training during the course of the career, intended to adapt them to their various missions which change permanently;
3. Training for adaptation to a new employment, related to geographical and functional mobility and promotions.

In the past we used to recruit employees without all the necessary diplomas, and we trained them ourselves. Nowadays we recruit employees with all the necessary diplomas in their own level. Our investment in training is therefore much smaller today. This is possible in our country, due to the fact that we co-develop training programmes together with universities and schools.

Even after an employee meets the competencies required for their current job, employees must maintain and enhance their proficiency levels of knowledge and skills by means of targeted (refresher) training courses and continuous education activities. This is one of the reasons why the Dutch Tax and Customs Administration has established its own training centre. This centre is tasked to forecast and co-ordinate the training needs based on recruitment plans and expected vacancies from the field, and establish a schedule of courses accordingly.

For university graduates, such as fiscal jurists, fiscal economists and register accountants, the DTCA moreover has an interesting career orientation. They are given the opportunity to do 30 days of training annually during the first three years that they are with us. In total, each university graduate therefore gets 90 days to orient himself to the other components of the Dutch Tax and Customs Administration.

Our training programmes have in general the following features:

- No long periods of training on starting a new job, but brief initial training, followed by modular courses. Wherever possible, training on the job and tailor-made courses are used;
- Responsibility for professional development has devolved to the team managers at local unit level. Strategies, budgets and time allocation are established at central level;
- The training centre provides training in response to demand. Wherever needed and possible, external agencies are called in;
- A lot of tax administration officials work as part-time teachers on the courses, as this ensures a close link between theory and practice;
- An average of between 7% and 10% of each employee's working hours is devoted to professional development.
- In case of a career switch, achievement levels in the new job are assessed. If the results are inadequate, the staff member in question returns to his or her old job.

3. PROMOTING STAFF MOTIVATION

It is exceedingly important for organisations, therefore also for the Dutch Tax and Customs Administration, to influence the behaviour of employees in such a way that they do their work as best as possible. To be able to influence behaviour it is necessary to have insight into the way behaviour develops. An important factor is motivation. In this connection, motivation can be defined as the choice process along which individual behaviour is initiated and directed.

The Dutch Tax and Customs Administration personnel have a number of special characteristics, making motivation an extra important issue for the Dutch Tax Administration

These characteristics can be summarised as follows:

- Many employees are in the middle phase (49%) or final phase (33%) of their career. The number of starters is relatively small (18%);
- More than half of the employees are – often for a longer period of time already – at the end of the salary scale that they can attain. Only in the case of a relatively small group of starters this obviously is not true;
- The outflow figure is still low (4.7%) in comparison with the outside world. In other sectors outside the government percentages of 10% - 18 % are customary;
- The absenteeism percentage (as an indicator for motivation) has been increasing again over the past years. In 1995 it was 6.4% and in 2001 it was 7.4%;
- The DTCA still appears to be a life-time-employer given the seniority, outflow figures and explanations from employees during an investigation within the framework of the Personnel Monitor;
- The general aging trend and labour shortage, combined with the rapid development in requested competencies, requires increasing attention for the development of sitting personnel, in particular.

From this list it is apparent that the question “what makes someone decide to work for the DTCA and to stay there?” is very important for us. Although the figures show that our personnel do not quickly look for another employer, it is still crucial to be alert with respect to the motivation of personnel, particularly given the large number of employees who are at the end of the salary scale attainable for them. These end-scale employees often lack prospects for promotion. This usually leads to more emphasis on non work-related factors and to lower job satisfaction, to a higher psychological burn-out risk, greater intention to leave the Tax Administration and less solidarity with the organisation.

The Dutch Tax and Customs Administration has conducted an extensive investigation into the question “What can we do to increase the motivation of our staff?” This question was at the centre stage during three so-called “I love Tax” conferences, where about 600 Tax Administration employees could voice their opinion on the pros and cons of working for

the Dutch Tax and Customs Administration. In addition, a special site was opened on intranet where all employees were given the opportunity to give their opinion on this topic.

On the basis of the information obtained, a top 10 was compiled of topics that are dealt with within the DTCA and contribute towards the motivation of our personnel. It has to do with the following points:

1. Management must create time for talking with employees and listening to them in order to become more aware of what is happening on the shop floor;
2. Involve people in decisions and changes;
3. Involve people in setting goals. This relates both to goals for the entire organisation and for the employees personally. The setting of goals, wholly or partly together with personnel, increases the acceptance of and motivation to achieve these goals.
4. Provide feedback. Just setting goals is not enough. It is at least as important that management provides feedback on the extent to which those goals have been achieved and which role departments and individuals have played in achieving the results.
5. It is better to reward than to punish;
6. It is better to persuade than to force. When people are convinced of the usefulness of specific activities, they will invest more time and energy in completing a task successfully.
7. Link remuneration to performance. Employees who do their job well must be rewarded better than employees who do their job less well. That is why flexibilisation of the remuneration system and extending the possibilities for gratification budgets are of vital importance.
8. Money is a factor, but fringe benefits can be a key motivator as well.
9. Inform and communicate. Make clear to an individual employee what is expected of him. Inform employees punctually and fully about what is happening at management level.
10. Acknowledge and recognize individual differences.
11. Match persons and work.

TOPIC 3.2

The theme of job motivation is not only relevant for the present Tax Administration employees. Job motivation is also a key factor in the *recruitment* of new personnel. Here an important question is: what are the key motives of people who do not work for the DTCA when looking for and accepting a (new) job? Put somewhat differently: what motivates people in the job market outside the Dutch Tax and Customs Administration?

Therefore we have recently conducted a survey among several hundreds of new recruits and former staff members of the Tax Administration. This survey showed that the most important reasons to work at the Dutch Tax and Customs Administration are the following:

1. The work itself is appealing
2. The large degree of independence
3. The good working climate
4. The balance between work and home situation
5. The good career prospects
6. The organization (and/or management) is appealing

The most important reasons for leaving the administration are the following:

1. The work itself is no longer appealing, challenging and interesting
2. The lack of clear career prospects
3. Dissatisfaction with the management
4. The working climate
5. The personnel management
6. The general policy.

As the above list shows, there are numerous factors that can motivate people to work for the government. The two most important key factors are the *work content* and the *work climate*. Most people accept a job because the work seems interesting to them and because they hope to

get a certain satisfaction from it, not in the last place on account of the contacts with colleagues. Studies show that the work content is for many people in the Netherlands more important than a financial reward (above a certain minimum limit of course). Only a quarter of the people who start work for the government are dissatisfied with the financial reward. Regarding the fringe benefits, two factors of working for the government are attractive for people. First it is the possibility to work part-time. Secondly it is the possibility to combine a job with the home situation. In addition, factors such as career prospects, satisfaction with management and attractiveness of the organisation play a role. Particularly people who attach importance to those factors go to work for the Dutch government.

Given the vital importance of dedicated and motivated personnel, managers must find out by means of an investigation how satisfied their employees are with their job. In general, employers can have a diversity of reasons for conducting a satisfaction research. For example, it can help them understand where bottlenecks can occur in a reorganisation, it can be a means to establish a “we feeling” amongst employees, and the positive results of the investigation can be used as a recruitment tool for new personnel.

A commonly used method for a satisfaction research is the quantitative written survey. This gives management a fairly objective, collective and structured picture of how employees think and feel and what motivates them. Because the employees can respond anonymously, it is also an excellent tool for revealing hidden problems. Another advantage is the slight chance of socially desirable answers due to the multiple choice questions.

In the Dutch Tax and Customs Administration, the work experience of employees has been measured since 1998 by means of a biennial Personnel Monitor. This satisfaction research is first of all a management tool that results in administrative information that can be used to alter policy and tackle bottlenecks.

The size of the random sample for the Personnel Monitor varied between 5000 and 9000 persons. In 2002 a questionnaire was sent to the home address of nearly 9000 employees. The questionnaire was sent with a personalised letter with a clarification from the Director General and a stamped addressed envelope. In total, more than 51% of the questionnaires were returned (over 4400).

TOPIC 3.2

The major part of the questionnaire consists of more than 90 questions divided over ten areas for attention. The questions dealt with, amongst other things, are:

- General satisfaction with the work situation;
- Content of the job;
- Organisation of the job;
- Terms of employment;
- Growth and development opportunities;
- Mobility policy;
- Co-operation;
- Management quality;
- Information provision.

The questionnaire with 90 questions is identical to that used in the investigations of previous years. This makes it possible to follow developments through time, so that trends can be observed on a timely basis and the effects of policy can be evaluated. In order to be able to compare the results, however, the same starting points must be used each time.

The questionnaire also includes a number of benchmark questions developed by the European Foundation for Quality Management. Various Dutch companies use this questionnaire to measure the satisfaction of their employees. This way, it is also possible to make a comparison with other organisations. If you score less in a certain field than other companies, the question then is whether you consider that important as an organisation. The Dutch Tax and Customs Administration places tantamount importance on, for instance, career development. If we perform less well than others on this point, it is essential to devote attention to it.

The Personnel Monitor 2002 gives a picture of the work experience in the DTCA. There are distinct positive points in addition to specific negative points. In a positive sense it appears that most employees are satisfied with the content of the work. Jobs and tasks are generally characterised as having sufficient variety, independence and responsibility. There are also sufficient opportunities to use knowledge and expertise in the job. The good mutual work climate, friendly relationships and co-operation reinforce and confirm the picture that employees generally perform a stimulating and motivating profession. Our employees have a strong involvement in work and organisation and indicate that they enjoy working for the tax administration. They generally face the future at the DTCA with confidence and they regard the Tax Administration on the whole as a good employer.

So, our personnel is generally fairly satisfied with the terms of employment, particularly the fringe benefits. This positive picture, based on the work content and work climate, must however be slightly qualified when we look at other aspects of the work experience. Our employees are somewhat less satisfied with the management of the organisation, particularly because they find that too large a distance exists between the employees on the shop floor and management. In addition, they are sometimes critical of the growth and development opportunities at the DTCA (this also has to do with the relatively large number of persons at the end of their scale) and they experience a substantial and increasing work pressure. In general we can therefore characterise the employees of the Tax Administration as satisfied, critical and committed. Satisfied with the work, critical of management and its policy, committed to the work and the organisation.

Finally it can be said that measuring and knowing is a first step. Using the results of a Personnel Monitor is a logical next step. A commonly heard complaint is that managers do not respond to the results of satisfaction research; they are not discussed and disappear at the bottom of the drawer. On this point the Dutch Tax and Customs Administration is very alert. We find it very important that the results are used. The monitor can lead to policy changes which will have a favourable effect on the motivation of our employees, resulting in more committed, loyal employees who are proud to work for the Dutch Tax and Customs Administration.

Appendix 1:

Some facts and figures about the personnel of the Dutch Tax and Customs Administration

In this appendix you will find some facts and figures about the personnel of the Dutch Tax and Customs Administration.

The number of employees of the Dutch Tax and Customs Administration is approximately 33,670, including part-time employees (the number of full-time jobs is 32,132). Of that, 91% have a regular job and 3.5% a temporary job (other: 5.5 %).

Subdivided according to sex, the workforce has 23,445 men and 10,226 women (data 2001). The proportion of women in the Dutch Tax and Customs Administration has increased further, from 29% in 2000 to 30.4 % in 2001. Of the total number of women at the Tax Administration 14.4 % have a higher position (scales 10 and higher). The number of women in scale 12 and higher is 6%. The table below gives the personnel data for 2000 - 2002 (in numbers of full-time jobs).

Personnel information (number of full time jobs)

Administrative unit	2000	2001	2002
Private Taxpayers Division	6,730	6,815	6,662
Business Taxpayers Division	11,230	11,128	10,762
Large Companies Division	2,061	2,084	2,056
Customs Division	5,644	5,930	6,204
Computer and Software Centre	2,245	2,489	2,480
FIOD-ECD	1,107	1,141	1,110
Process and Product Development Centre	392	362	388
Internal Audit Office	137	137	137
Centre for Professional Development and Communication	396	435	420
Facilities Service Centre	1,543	1,543	1,490
Miscellaneous	357	67	64
Total	31,842	32,132	31,773

Age structure as at 31 December 2001

Age group	Dutch Tax and Customs Administration	Working population
0 - 24	1,049 = 3.1 %	8.9 %
25 - 34	4,705 = 14.0 %	19.5 %
35 - 44	13,425 = 39.9 %	20.2 %
45 - 54	11,333 = 33.7 %	45.8 %
55 - 64	3,159 = 9.4 %	5.5 %
Total	33,671 = 100%	100 %

Mr. Patrick Rijdsijk
Policy Advisor – International Affairs Division
Directorate-General for the Tax and Customs Administration
Den Haag, Netherlands
E-mail: p.rijdsijk@minfin.nl

Case Study

TOPIC 3.3

NEEDS AND HUMAN RESOURCES TRAINING IN AN E-ADMINISTRATION ENVIRONMENT

Mario Aranguren

National Customs and Taxes Directorate
(Colombia)

CONTENTS: 1. Presentation.- 2. Introduction.- 3. The Concepts of Virtuality and Virtual Education.- 3.1 Implications of virtual education.- 3.2 Advantages of the virtual strategy.- 4. Origin and Background of Virtual Education in DIAN.- 5. Results of the Implementation of Virtual Education in DIAN 2001-2002.- 6. Strengths of the Virtual Education Strategy at the DIAN.- 7. Weaknesses of the Virtual Education Strategy at the DIAN.- 8. Improvement Actions in DIAN's Virtual Education Strategy.

1. PRESENTATION

The Customs and Taxes Directorate of Colombia is truly pleased to have the opportunity to present at CIAT's 37th General Assembly the experience obtained in virtual education field.

It is important to mention that the DIAN (Spanish acronym) for the design and collective construction of the institution's education project, on which the virtual education strategy is based, has had the

contribution of a valuable internal team from the Customs and Taxes' School, as well as the timely and effective advisory of important international such as the German Cooperation and Development Agency (GTZ), the Inter-American Center of Tax Administrations (CIAT) and the fiscal Training Institute of Mexico (INCAFI); the GTZ in particular since 1997 has accompanied this process by offer educational and co-financing assistance to the entity in strategic activities, which have privileged the education of Colombian tax officers.

Initially, in this document virtual and virtual education concepts are explained such as those pertaining to basic elements for the exploration of topics, later the implications of virtual education in a tax administration are mentioned by taking into consideration its main advantages.

Immediately after the Colombian experience in virtual education is presented, as a learning modality through which the National Education and Training National Plan (PNCF) of the DIAN is developed. We explain its origins and background; then the results of the implementation during 2001 and 2002; similarly, emphasis is place on the project's main strengths and weaknesses, as well as improvement actions performed to increase the effectiveness of this educational modality, with the purpose of offering new knowledge to make Colombia's tax officers more competent.

2. INTRODUCTION

The socioeconomic, political and cultural conditions of Latin American countries, particularly during the past two decades, due to the acceleration of the commercial and financial model caused by the globalization of our economies, have required the modernization of the entities of the public sector; this has meant that the restatement and review of their structure and strategic objectives in order for its management to provide timely and efficient responses concerning new challenges required by society. In this context Latin American tax administrations must offer effective responses to public finances, taxpayers and citizens in general.

The decisive support towards the education and training of tax officers is one of main components for state institutions to be able to act before these new scenarios. This implies a permanent redefinition of the

educational task in and for the work that is advanced in the state; so that human, ethical and technical education as well as the training or update be oriented towards the internal processing of a results' management culture and a process and service culture. Consequently, education that considers specific technical knowledge and considers human education from taking possession and daily practicing the same as well as social and ethical values that rescue the sense of "public" and service to society as connatural elements to a modern State, which promotes critical spirit and commitment with the tax administration's objectives.

Our references are the tax officers, the tax administration and society, inscribed in a state structure; therefore, the role in educational issues, is in essence the officer's education and to approach him to the human, technical and professional profile, which any person that enters and then evolves in any of our institutions must have and whose mission is to render a public service with quality, efficiency and efficacy.

The DIAN in this regard has been a pioneer in the Colombian public sector upon creation the Training and Education National Plan¹ 2002 – 2005 as an institutional strategic project in response to the challenges of our tax administration given the possible establishment of the Free Trade Area of the Americas (FTAA) Agreement and the formation of the Andean Community, both projected for 2005. These are educational programs, which jointly with the principles of priority (short, medium and long term) and the depth of contents (basic, intermediate and advanced) allow the design of academic activities adjusted to the institutional needs of training (or refreshment) and the education of its officers, through the partial attendance, self-study, validation and virtual modalities in learning.

The DIAN, in the Colombian public environment has similarly faced the challenge of taking new avenues to prepare and make its officers more competent. One of these has been virtual education or virtual learning, which experience we share through these presentation and we hope that the same contributes valuable elements to the discussion on the viability of creating a virtual education center, lead by CIAT, for Latin American Tax Administrations.

¹ *The PNCF is formed by Induction, Re-induction, Training (or updating), Specialized Technical Information (with the support of GTZ), Advanced Technical Education (executed with the support of Plan Colombia – Training Program), the Education of Institutional, Research and Educational Teachers.*

3. THE CONCEPTS OF VIRTUALITY AND VIRTUAL EDUCATION

During the past years and simultaneous with the design and execution of training actions in our entities, in formal training centers (universities and research centers) as well as in entrepreneurial education centers, the learning ideal has broadened and enriched from new educational perspectives and possibilities, embracing new methodologies in agreement with adult education. In this regard, the educational actions of the tax administrations have implied the opening towards new educational paradigms, innovating educational methodologies and strategies and the consequent incorporation of technological advances in telecommunications and computer sciences (or information technologies).

Then the formal and non-formal educational environment appears, the modality of virtual learning or “virtual education” as an alternative to the need to broaden coverage, opportunity, relevance and making the training process for the tax administration’s officers more agile.

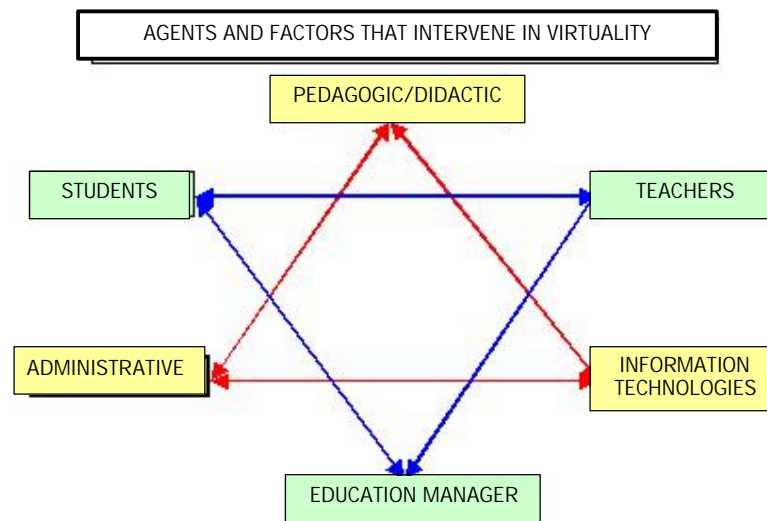
Now we deem convenient to define the concepts of “virtuality” and “virtual education” as basic reference to cover the Colombian experience on the topic.

In general terms, and reviewing some meanings, virtuality means “something that is not physical but which is real” or “a representation of reality”.

Then, after a bibliographical review, at the DIAN we understand virtuality as “the relation between individuals through the use of new computer technologies and telecommunications, modifying the time – space scheme as the essential element of human communication.” According to this meaning of virtuality, we understand that first of all it is a communication process with the coding and decoding of messages and information, enabled by technology.

This translated into virtual education, turns into a learning modality that directs towards the creation of new learning environments, supported by the use of a computer using telecommunication and computer technologies applied to adult education, to reach the learning objectives foreseen. In most cases, students have a guide and the follow-up of a teacher, which is with him in the learning process through online virtual tutors or through on the site teachers, which are agreed at the beginning of the course.

As shown in the following diagram, for virtuality to operate properly, three factors and three agents are required, namely: **Factors:** pedagogic/didactic; computers, and administrative support; and **Agents:** students, teachers and education managers



Regarding the factors, the pedagogical and didactical factors are of vital importance, since virtuality is a learning modality and as such it requires methodological and didactic strategies that help it create learning environments, by using new technologies. The foregoing means that there must be a clear structure in regards to the syllabus, writing and latter virtualization of the educational material, the psychosocial conditions of the students, the instructor's profile, his preparation for the evaluation strategy and system. If these elements are not sufficiently defined and are not specific to reality, the material placed in a computer may be confusing and this does not guarantee on its own the learning of desired knowledge. Therefore, virtuality in itself is not the means but the ends to support the teaching-learning process, pursuant to the institutional educational project, in this case DIAN is the design and PNCF executes the same.

Information technologies are very important in the virtual strategy, since a robust educational application is required, which supports the entire communications traffic generated by the education action, connectivity must be 7X24 (7 days, 24 hours) to have classes in a synchronous and asynchronous manner, with Internet access, the use of e-mail and/or chat, and with data bases which allow the management of education

TOPIC 3.3

(enrollment, inquiries into the material, preparation of academic tests, etc). Likewise, it must be considered that the end user or student must have access to a computer that complies with minimum software and hardware requirements.

The administrative part is equally important, since the education management of a virtual strategy requires permanent and detailed follow-up, through the same educational application and parallel management applications, to teachers and students to favor the learning of the technology, contents and the strategy in general, as well as verifying compliance with academic commitments.

In agreement with the above, educational agents (who writes and/or adapts, who edits, who is trained, who facilitates learning and who manages) interact each one according to their role. What is interesting is that virtuality as learning strategy or modality carries significant cultural changes on the educational agents, before which the institution must invest in the preparation thereof, as a condition for the change of paradigm in the institutional educational process. It must create prior and sufficient information and preparation spaces for all people involved, according to their roles, as well as promote the meeting and permanent reflection thereof, according to the implementation advances of the modality. Precise follow-up and communication strategies and instruments are required to that virtuality is gradually incorporated into the organizational culture, without creating contradictions or failures, regarding the need to manage the uncertainty and anxiety of the individuals involved in a project of this nature.

In this manner, for example, the virtual modality is centered on the student, and not on the teacher. This means that the student must enter into the self-education culture, self-discipline and self-motivation and the management of his own development; for the teacher/instructor it means to cease to be the center of knowledge and the depository of truth in any particular issue or science. The problem with virtuality ceases to be contents and information as such; it is a teaching process student/teacher, where the latter is a facilitator, motivator and generator of expectations for the discovery and research, for questions and intelligent debates, while the former is the manager of his own learning.

We cannot leave aside the educational manager who has a direct relation with teachers and students to guide and direct the process and verify the impact of strategy in the organization.

In order for a virtual strategy to be successful, all factors and agents that make real education through information technologies must interact and operate harmoniously and effectively. Hereinafter, we present the most relevant implications for such educational agents.

3.1. Implications of Virtual Education

The strongest implications for the participants of the virtual educational action refer to the social-cultural and educational fields as such. In social-cultural issues, from the social and cultural perspective, a new way to communicate and relate to people that are not located in the same geographic place, where we can interact though computers with persons, which maybe we will never meet in person. Geographic distance loses importance in virtuality. From a cultural point of view, individuals which principles, values, worldview (Weltanschauung) are completely different, but intervene so as not to turn into communication barriers. In educational issues, this implies one step forward in regards to the traditional “teaching” model because a “teaching learning” model is built. This entails that the center of the process passes from being the person that is the purpose of the training or update, and where writers, pedagogical adapters, teachers and educational managers act in function of the student; who at the same time faces the challenge of self-education. We shall see some of the specific tasks that each must fulfill.

Authors:

- Prepare and design conceptual or cognitive maps to guide the student when he navigates through the contents and not get lost in the same.
- Improve the instructional design of the materials pursuant to audio-visual language.
- Specify and break down content development, given navigation and study on the computer screen.
- Quickly update contents.
- Propose learning activities (cases, workshops, self-assessments) in materials that promote the analysis of concrete situations applicable to their field of employment.

Teachers:

- Cease to be the center of the educational process and master the information the teacher also turns into an apprentice.
- Provide new work alternatives for students.
- Extend possibilities for the development of pedagogical aids with educational application.
- Resolve participant's concerns with the tools offered by the educational application, e-mail, chat, etc.
- State student's concerns through workshops, cases, exercises, etc. to be developed in or outside the educational application, but which guarantee significant and collaborative learning.
- Propose adjustments and educational material contents review.

Students:

- Be the center of the learning process, be able to self-control, and plan their educational dynamics.
- Be active and help build their conceptual tools.
- Comply with the ruling principles of this strategy, be they have to learn on their own:

Self-education
Self-discipline
Self-motivation
- Efficiently use the computer resources of an institution or at the site that has Internet access.
- Manage time dedicated to their education in their work position, without affecting their work commitments and responsibilities.
- Change the paradigm, from books to the screen.

Education Managers:

- Review and perform process and procedure reengineering.
- Automate and systematize tasks.
- Study the use and incidence of new technologies applied to the education of working adults.
- Participate in the design and/or elaboration of interactive materials.
- Permanently advise authors, teachers and participants in the use of the technology, which supports the virtual strategy.

Tax Administration:

- Guarantee the information technology platform required by the virtual strategy, according to the coverage provided for, taking into consideration the availability, access and connectivity of future students to computers.
- Invest in the training of all educational agents, writers, pedagogical adapters, editors, teachers, students, educational managers, computer sciences personnel and immediate supervisors. The entire process or parts thereof may be performed with the institutional resources available or through outsourcing, according to financial decisions and the cost/benefit ratio assumed by the tax administration. The institution has to invest in the training of the institution's education agents who participate in the strategy; and this investment has been performed by DIAN since 2001 with the preparation of writers, pedagogical adapters, teachers and students, as described in the results reached section in the virtual strategy.

- Generate conditions to the strategy to be assumed as an investment and not as an expense in the education of its human talent, therefore it is convenient to define, among other administrative aspects, clear policies regarding study schedules so that they will not interfere or affect the tax officers' work responsibilities.

3.2. Advantages of the Virtual Strategy

In this section, we will initially mention the advantages as from the experience of the DIAN in virtual education.

For the Tax Administration:

- Allows the better use of the technological resources of the entity.
- Facilitates the update of the standards to allow the continuity and sequencing of training and education programs.
- Requires little logistics and administrative infrastructure, reducing operation fixed expenses.
- Conversion of the investment in information technologies for the reduction in travel expenses (per diem and tickets) allotted to teachers and students; this also influences time savings and productivity because an officer does not reduce his work day by having to go to the training center which is far from his work site.
- Maximize the institution's human talent while promoting research, writing, teaching and self-training in general.

For the officers of the tax administrations:

- Equity, equality and opportunity to access education and training processes.
- Generation of their own learning pace.
- Interactive communication with the teacher, with schedule flexibility.

- Development of interactive activities.
- Facilitates the use of time dedicated to learning.
- Utilization of technological resources located in the work position.

4. ORIGIN AND BACKGROUND OF VIRTUAL EDUCATION IN DIAN

The first proposal that the School of the DIAN had regarding the possibility of preparing interactive material dates back to 1995, when with the use of Apple Computers a document was drawn in hypertext; at the time PC operation systems had not become standardized at the institution. Many officers² were not able to access the document developed, therefore, the idea was desisted. Later with new technologies for the use of asynchronous materials, in 1997 the elaboration of multimedia material (tutorials, simulators and MEC's) was proposed to be applied to the Customs' Macro-process, by discriminating topics and multimedia material to be developed. However, this proposal was not well received at the time in the institution, among other factors, the lack of knowledge on the possibilities that said technology could offer for the benefit of DIAN's academic activities.

In 1998 at the Special Administration of Customs Services at the Eldorado Airport in Bogota, three officers using standard software tools in production equipment, developed in HTML, an elementary booklet on the procedures to be performed at the Airport's passenger area to train officers, given the high turnover that takes place there. Obviously, the intention lack image and graphic design management, in spite of contents being according to standards. The School was informed of this work and in view of the interest and motivation that it awakened, the transfer of these tax officers was requested to continue with the development of a more sound and harmonious proposal with the School's strategic developments. With the link of these two officers to the School and after the research and exploration work performed with other officers of this institution, the virtual education project was presented to the directorate of the DIAN, in the same the objectives, general scheme and technical and administrative structure to make a reality the implementation of DIAN's Virtual School were established.

² At the time average computer users were 5.

TOPIC 3.3

Notwithstanding, it was until around mid-2000 that the DIAN's top management decided to implement virtual education as one of the modalities for the development of the Specialized Technical Education Program (PFTE), the same had been designed and executed through the DIAN – GTZ Agreement.

It is interesting to mention that by the end of 2000 many factors converged to favor the creation of virtual education at the DIAN. First, the School was building the National Training and Education Plan (PNCF) 2000 – 2005, as a strategic project for the entity to offer effective responses to the employees' training and education needs. Different programs were defined, each with fully distinguishable scopes and coverage for all members of the organization, being PFTE one of the most important and with which the technical knowledge, skills and competencies required for the effective performance of the tax officers' work at the institution were sought to be developed in a sequential and systematic manner. Furthermore, the program considers the human education component related to the recognition of the human being from different dimensions and corporate development related to ethics, service and corporate culture.

Second, with the enactment of Decree 1072, of 1999 where the specific career system is based on principles such as equal opportunities and merit recognition; promotions must be done based on principles of gradualness and sequence. Similarly, tax officers' training and education are constituted as the necessary bases to independently comply with the responsibilities of the position. Likewise, it establishes that in the case of a job transfer, the officer will have the duty of attending and approving the training provided for as a requirement to perform his new functions.

In this same regard, the decree establishes that as from 2001 each position, according to the level and grade established in the development lines of the specific career system, will have the knowledge, requirements and responsibilities defined.

The foregoing implied that as from 2001 the Customs and Taxes School had to guarantee education by position, in compliance with the principles ruling the career in order to correspond to this commitment.

With the background mentioned, DIAN's top management decided to explore and approach new learning strategies and modalities to offer education and training for officers that require the same. The Institutional Development Secretariat, the Deputy Secretariat for Human Development and the School explore the use of new technologies and it is concluded that the implementation of the virtual modality can help to effectively attend to the academic task of its competence.

The following were factors taken into consideration to favor the adoption of virtuality: 1) Speed in tax, customs and exchange standards changes, which make difficult the School's response in regards to these modifications, since they affect the continuity, sequence and stability of training programs and/or education being executed; 2) Considerable physical and financial resources requirements to maintain the School's operations through classic teaching in schoolrooms, with a teacher and printed materials per event. This requires a large logistic and administrative capacity to attend to the training and education needs of around seven thousand tax officers; 3) Concomitant with the foregoing, we have the increase of collection targets for business areas that are reflected in the increase in workloads with a decline in the time dedicated by tax officer for his education, during working hours as well as non-working hours.

Due to the above, new creative alternatives and possibilities so that the DIAN's officer may continue with his education process; 4) Reduction in real terms which form many years, budgeted resources assigned to the training line item, before which the continuity and sustainability of short and medium term programs are seriously affected; 5) There is an institutional need for the better use and integration of the technology available in the entity for the management of information and communication systems internally and externally (i.e. Intranet). 6) Another fundamental aspect to be taken into consideration is the institutional strengthening process that DIAN has been performing, therefore the training and education of tax officers constitutes one of the main central axis on which the administrative career promotion is based. This mandates that the education of officers of the entity be done by taking into consideration profiles established by processes and job positions, therefore new strategies and mechanisms which allow greater coverage of programmed academic activities, taking into consideration principles such as equity, equality and opportunity, are to be generated, according to the

development lines established in the career system. 7) At last, and from the pedagogical/didactic point of view, it was recognized that the entity had human talent training in writing, pedagogical adaptation, teaching and educational management for the semi-attendance and self-study modalities; in which regards an ambitious training process to assume DIAN's virtual strategy was required. During the first months of 2001 the DIAN had defined 19 study plans by career sub-lines for the Specialized Technical Education Program (PFTE); 115 had participated in the development of original texts or had performed the pedagogical³ adaptation thereof, 26 elementary booklets and around 160 institutional teachers had been trained to perform the semi-attendance and self-study modalities. This work had been performed through the agreement DIAN – GTZ, with which the Customs and Taxes School had permanent consultant advisory from the German cooperation agency.

Based on the foregoing, DIAN and particularly the Customs and Taxes School sees the need to explore and integrate as part of its strategic planning the formation of a Virtual School, which will allow the use of new educational technologies applied to the learning process, which makes more effective the education task throughout the entire organization and allows the construction of new knowledge through the interrelation of information organized by specific knowledge and instrumental and human technical knowledge required in institutional work processes.

Once the project was specified, a pilot test began during February – May 2001: an initial sample of 550 officers was defined, the same were located in different zones of the country, mainly in those functional areas that would later have business with the administration and operations of the virtual strategy. The traffic and load measurements were taken on communications, access and navigability and the same were performed weekly on the Learning Space application, measurements were also taken on equipment availability and end users' capacity, as well as officers' motivation and expectations.

As a result of the pilot test measurements it was established that it was not convenient to establish study schedules because it limited the officers' entrance due to their work load and the real availability of the equipment; the awareness and dissemination campaign for the virtual strategy and log-in into the educational application had

³ *Pedagogical adaptation tasks consist of taking the original text to perform a review of the pedagogical structure, contents, coherence and applicability seeking better comprehension on behalf of students.*

to be improved and increased; computer deficiencies and discrepancies in the distribution of officers and computers by work section were detected; the need to enrich and adjust the content depths and extension; improve the communications infrastructure since the bandwidth for one thousand concurrent users may be insufficient.

Taking into consideration the results of the pilot test, decision was made to implement the virtual modality at the DIAN; therefore, the subjects of the PFTE⁴ basic model were placed on the web, hence allowing the registry of officers throughout the country. Later cycles I, II and III of the PFTE basic module in the year 2001, and eleven specific subjects of the PFTE during 2002⁵, with the support of DIAN – GTZ Agreement, as it was mentioned previously.

We present hereinafter the main results of the implementation of this learning modality.

5. RESULTS OF THE IMPLEMENTATION OF VIRTUAL EDUCATION IN DIAN. 2001 – 2002

In the following chart, we present the number of active students in the strategy in each of the execution terms of the PFTE as well as the coverage reached. The fact that in spite of being a new modality, participation has been significant, and furthermore when it has been detected, as mentioned in the project's weakness section, that the ratio of officers per computer nationally is 2.3, in some areas this average is higher. There has also been an increase in the workloads to achieve greater coverage. However, the coverage goal established for the basic goal was 20% and 30% for PFTE specific subjects were satisfactorily complied.

⁴ *The basic module is formed by five subjects: Basic Taxation, Basic Customs, Basic Exchange, General Accounting and Human Development. They correspond to minimum knowledge that cross-section DIAN's basic businesses well as the human management principles that are sought to be reached.*

⁵ *The specific formation of PFTE is organized pursuant to the career sub-lines, a sub-line is each of the functional areas of internal taxes, customs and exchange and support.*

DIAN 2001 – 2002 Virtual Strategy Active Students

Execution PFTE	Active Students	Coverage
Basic Module - Cycle I	3,147	47%
Basic Module - Cycle II	2,711	40%
Basic Module - Cycle III	2,542	38%
First Subject 2002	1,555	32%
Second Subject 2002	1,132	34%

Source: Management Reports the Division of Customs and Taxes School 2001 and 2002.

Notes:

(1) Active students pertain to those registered less those who cancelled courses programmed by the School, nationally; therefore, an officer may have participated in more than one PFTE subject.

(2) Coverage for the basic module is calculated on the total plant's officers, while that for specific subjects was done on the potential per career sub-line, which subjects were done virtually.

(3) Percentage coverage changes from the first to the second subject because in some areas or career sub-lines there was a change in the modality.

Other important results achieved in these two years are the holding of writer and pedagogical adapters workshops, teachers educated for the strategy and the material that has been published in the educational application Learning Space; the foregoing means that in pedagogical terms different educational agents have been trained, and in didactical terms great efforts have been made in the preparation of the relevant educational material and the quality of the institution's students and teachers.

Pedagogical Advances in DIAN's Virtual Strategy 2001 – 2002

Actions	2001	2002
Trained writers and pedagogical adapters	9	17
Teachers Trained	76	104
Educational Material put into a virtual format	5	11

Source: Management Reports of the Division of Customs and Taxes School 2001 and 2002.

To achieve these results DIAN has had to make significant investments, which we show herein and which amount to approximately US\$380,000.

DIAN's Investment in the Virtual Strategy 2001 - 2002

Current Dollars

Line Item	Accrued 2001 – 2002 (US\$)
Educational application licenses, complementary software and the purchase of computers for administrative design and management	250,000
Writing and material adaptation workshops	15,000
Teacher training workshops	35,000
Teaching payment	80,000
DIAN Investment	380,000

Source: Management Reports of the Division of Customs and Taxes School 2001 and 2002.

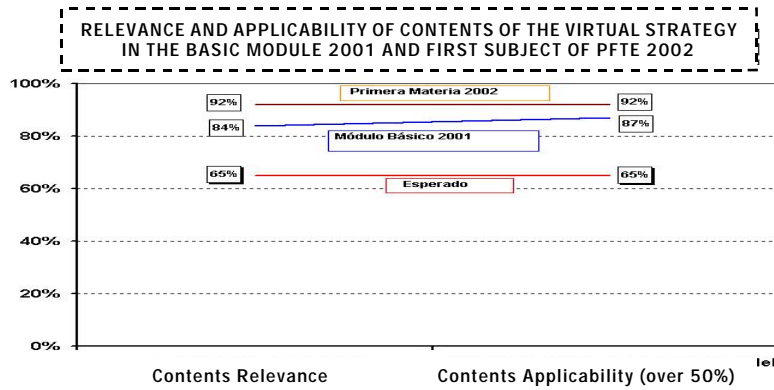
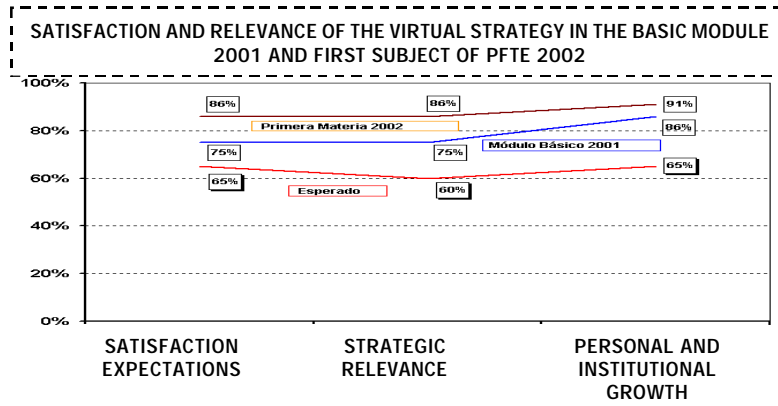
Notes: (1) Operation expenses of the Customs and Taxes School are not included nationally.

(2) The investment made by GTZ in the training of the institution's writers, pedagogical adapters and teachers is not considered.

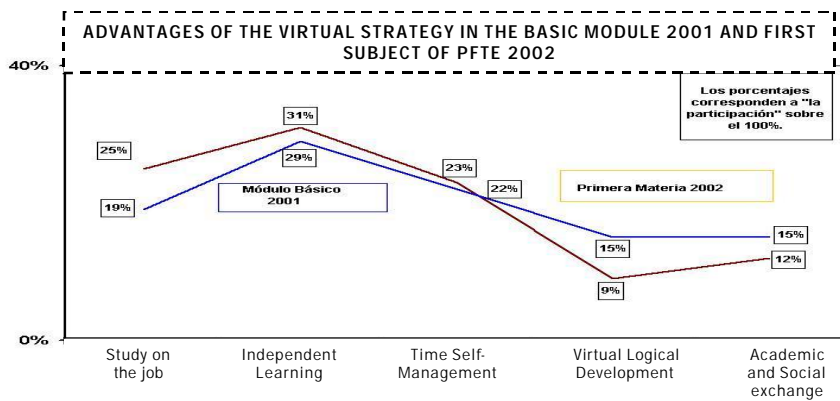
As part of the follow-up and evaluation system the School performs reaction assessments to students, teachers and educational managers; as seen in the following graphs, satisfaction and relevance of the virtual strategy as well as the relevance and applicability of contents are notoriously satisfactory when compared to what was expected; furthermore, we can see an improvement in these indicators between the basic module (which corresponds to general contents) and PFTE first subject (which corresponds to specific contents by career sub-lines). In spite of the fact that educational agents are undergoing learning processes, we observe that student's expectations have been fulfilled, scoring a high percentage.

It is relevant that students also observe that upon passing from generic subjects to specific subjects the general contents as well as the learning activities are more applicable to their work processes and positions.

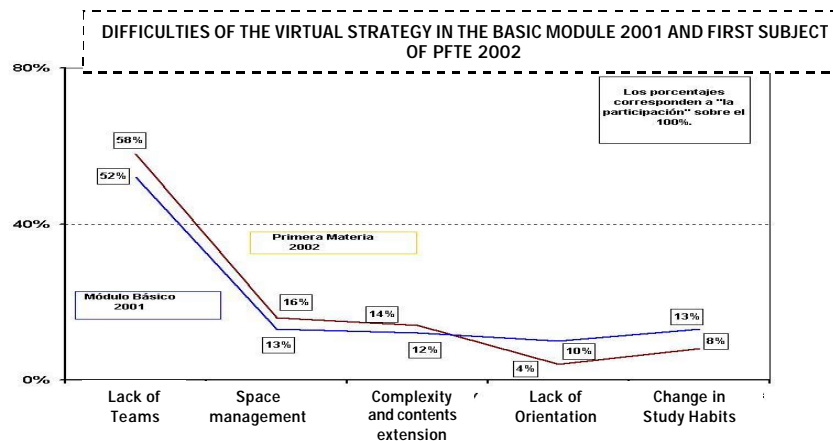
TOPIC 3.3



The following graph shows students' opinion in regards to the greatest advantages of virtuality; what is interesting is that student recognizes the strategy's main variables as well as aspects that have an influence in their education process.



Regarding the main difficulties, there is a factor that influences significantly in the strategy and this is the lack of equipment at the offices; undoubtedly this influences the entire process.



6. STRENGTHS OF THE VIRTUAL EDUCATION STRATEGY AT THE DIAN

In general terms, it has been found that the main strengths of virtual education are related to:

1) The implementation of the virtual strategy in the DIAN has meant the education of tax officers in the language, navigation and use of this new educational technology. From the incorporation of the virtual strategy, tax officers have increased the use of e-mail and the use of the educational application Learning Space, learning to use it as the best communication means in the labor and academic field. The bases for learning the interactive logic on which the educational application has been created, its operation is understood progressively, the same is supported by web technology, which is in itself supported on the internet. The foregoing will allow the institution in the short-medium term, a more effective incorporation of new applications in technical and support areas, since employees will have already developed a large amount of the skills and expertise required for their use.

2) The optimization of the use of the computer and communications infrastructure of the entity for educational activities. The virtual education strategy carries the use of computers and the intranet as tools at the service of collective knowledge and the democratization of the programs and educational actions. Pursuant to the information that in this regard the Information Services Office of DIAN has, it has been verified that there has been the concurrence of approximately 700 officers with a good response from the server of virtual education as well as the intranet's bandwidth to support the communications traffic that is generated. The implementation of the virtual education strategy has provided knowledge about the different offices nationwide and the specific needs to sponsor and/or acquire new computers.

3) Change of the education paradigm. The School and the German Cooperation Agency GTZ have been working specially with writers, pedagogical adapters, teachers and educational managers to speed and adjust the pedagogical model and the virtual education didactical strategy in order to generate and facilitate effective self-management learning processes. Therefore, for example, workshop-seminars have been held with the participation of different groups of teachers according to the course that they are responsible for, with the purpose of providing them the pedagogical, computer and administrative elements that enrich and improve the performance of the virtual tutorial.

4) The virtual strategy promotes interdisciplinary work. Teamwork is required during the material planning phase for the development of contents; in the conceptual map and semantic networks that the topic expert starts to build, the instructor, graphic designer and editor actively participate and provide the editorial concepts that the education material must comply with in regards to structure, modulation or content analysis, extension, design of teaching aids, icons for site navigation, and the general development of all aids to provide students with the best learning process. Likewise, this interdisciplinary work is generated between teachers and students and among the latter, the interaction in the virtual classroom through the teaching techniques used by the teacher.

5) A new means to learn supported on self-sufficiency and self-discipline is beginning to be understood, by studying a subject in a virtual modality and the possibility to learn at the person's own

personal rhythm or through collaborative learning between colleagues who may share or not the same physical space and virtually interrelate through e-mail or through Learning Space.

6) Effective and interrelated communication spaces are created with colleagues located at the same physical space or at different places and offices of the entity nationally, without distinguishing between hierarchical levels, allowing the exchange of opinions and criteria in regards to the topics covered on the issue, and even generating greater fellowship and friendship at a personal level, due to the frequency in the communications through Learning Space or through e-mail. In an informal and formal manner the virtual community has been created in the entity, from the teachers' and students' network that are created as the PFTE's execution advances.

7) Institutional values have been strengthened such as solidarity and respect among teachers, students and educational managers; with the execution of PFTE specific subjects, those who know have shared their expertise with those who have just been hired to the areas or do not have sufficient knowledge.

8) Extension in the coverage of educational actions. In these two years of implementation of the virtual education strategy the average coverage has been of 35% of the officers of DIAN. The same has been complemented with the semi-attendance modality where definitely the conditions for virtual modality are not in place due to computer amount and quality.

9) Educational agents have been assimilating in a detailed manner the experiences and correctives left in the virtual education application with PFTE's basic module in 2001. These advances are reflected in the administrative, computer and pedagogical issues, of the virtual strategy.

In the pedagogical aspect, integral education was important thanks to the teachers and managers of the subjects, because the strategy was improved, the rules of the game were established between teachers and students, the application of an entry diagnose evaluation was stipulated and the learning guide that the teacher prepares, all these turned into actions that support the new educational experience. The gradual training of teachers in the different cities of the country, has allowed greater collaboration

among themselves, and they have formed a community of teachers that shall be consolidated as the educational complementary development is realized (DCD)⁶.

From the information technologies point of view, and in agreement with the increased administrative efficiency, mistakes and information duplicity, which overloads the central server that manages DIAN's virtual education, were overcome. Adjustments incorporated into the educational application by the information technologies group from the Human Development Deputy Secretariat have meant the improved management of the application by the subject managers.

Administratively, the School established criteria for the registry, login, start-up and follow-up of the strategy. The use of the student attention box, ONSDH, indicated two fundamental aspects: 1) Rationality in its use, since the same message was not sent simultaneously two or three times to different instances, creating congestion in network communications and making timely responses difficult, and 2) Better comprehension of the logic and operation of the strategy on behalf of students and tutors.

In conclusion, the fact of having writers, pedagogical adapters, teachers, educational managers and active students in the virtual modality, are in itself a great institutional strength to maintain and improve the impact of virtuality at the DIAN.

7. WEAKNESSES OF THE VIRTUAL EDUCATION STRATEGY AT THE DIAN

The School and DIAN in general, are aware that virtuality is an educational, cultural process that requires time to wait until the techniques and tools are learned, as required by the project, on behalf of teachers as well as students, educational managers and engineers; we still have to continue developing the self-education culture for which it is indispensable to continue with permanent awareness and training.

⁶ *It is important to point out that through six workshops held during the past year and half, around 250 teachers have been trained nationally for the virtual strategy.*

Hereinafter we present the main weaknesses that we have had to face in the development of the virtual education strategy, and we must clarify that the same are quoted as attention calls when facing a virtual education project:

- 1) In pedagogical and didactical issues, an aspect to take into consideration to comply with the academic program, is the specification of the contents that are to be the purpose of the virtualization; there are many reasons:
 - a) If there are deficiencies in the planning of educational materials, the beginning of the academic programming is delayed. Upon not establishing at the beginning clear guidelines or quality standards for the development of the writing and pedagogical adaptation tasks, the people who perform these tasks may lack the basic pedagogical and didactical elements for their work and the reprocessing of tasks delays the beginning of training. It must be explicitly stated at the start that the extension of the information (topics and subtopics) to be developed, graphic design concepts applied to virtual language and the pedagogical structure must be respected.
 - b) According to the previous item, without teamwork at the moment in which the material is written or material is adapted, it will be very hard to achieve the synchronicity between the pedagogical adapter, the graphic design and the materials' editor. The editorial process turns into a tortuous and slow process upon working in a linear manner, since with each of the process' participants receives an inadequate product, task reprocessing is required. This teamwork is indispensable, whether the tax administration performs the entire editorial process or an external entity is contracted for its development.
 - c) When contents are too vast, it creates distress among students, since it makes it difficult to study in front of a computer screen.

TOPIC 3.3

- d) Another aspect that influences in the pedagogical part, is the proper training of teachers in the educational platform selected. Teachers must understand and manage very well the application, even more than the student to be able to guide students in their education process.
- 2) In information technologies issues the following aspects are mentioned:
- a) The permanent accompaniment of the provider of the education application adopted. The provider is of vital important during the implementation phases of the strategy, in editing the material as well as during the login and registry stages, the student's learning process and academic assessment. The test with the end user is fundamental in a virtual education project.
 - b) The organization must guarantee availability, access and navigability to end users in all education applications selected. If the virtual strategy is adopted, a careful study on computer distribution per person is essential, by taking into consideration the mandatory technical requirements. This has a direct influence on the motivation, expectation and participation of education agents. For example in the DIAN, in the reaction assessment that was applied to 410 students of the six subjects studied, 65% mentioned that the main problem that they had faced was the lack of computers or if there were computers, the same should comply with the technical requirements (hardware) of the education application. The second problem faced by students was the difficulty in managing the tool (26%), in some cases this was explained as delays in navigating (log-in, content review and responses to evaluations) which makes the page expire and they have to reenter again into the application.

- c) The strength of the education application acquired for a virtual education project must be certain, particularly in what pertains to the management thereof. The application is required to have filters so that students may only register for subjects they should take. Likewise, the editing tasks of the material must be taken into consideration so that the same is not wasteful/costly, because this process must be expeditious. In academic evaluation issues, the application must allow the easy development of a test by the teacher without requiring too much effort in its construction, due to the amount of details to be taken into consideration, likewise it must be clear for students and the presentation procedure for academic assessment must be agile. For the education manager the information migration process must be fast, without requiring file handling in many simultaneous applications, because this delays his task.
 - d) In general the institution should not withhold training and education efforts for education agents and allow them to become knowledgeable and use the selected education application, with the purpose of optimizing the option provided by the same. Attitude difficulties appear at the beginning in education agents, because they want to reproduce behaviors and work plans from the model sustained on teaching, training and education, which is fundamental.
- 3) In administrative issues the following aspects are highlighted:
- a) Even though it has a direct relation with the information technology issue, it is convenient to mention that information management, as in any education center, is very important in the implementation of a virtual strategy in the work field. Aspects such as registry and login, grade reports and the payment of teachers must be done automatically by the education application or it must have interfaces for their timely migration to another software. If this is not made sufficiently clear and proven in reality, the virtually strategy could easily fail.

- b) Therefore, the virtual education center must have online administrative software, whenever possible, to manage all information that is being generated by the execution of the virtual modality.

Another situation that cannot be overseen and which influences the effectiveness of the strategy is the workload of the people who decide to undertake virtual education. If the tax officer does not have enough time, be it because he dedicates too much time to work and after work to training, virtual education desertion of tax officers will surely occur; likewise, teachers may be overburden in their intention to promote and create incentives for student participation. In the survey applied to DIAN students who registered and then did not participate in the course they registered for, over 40% of those surveyed said that workloads were the main cause for academic desertion, followed by the lack of computers available to study (14%) and administrative situations such as vacations, paid/unpaid leave or transfers (13%).

8. IMPROVEMENT ACTIONS IN DIAN's VIRTUAL EDUCATION STRATEGY

The continuous improvement plan includes the adjustment and adaptation of the material published in Learning Space; the redefinition of the pedagogical component and the didactical strategy applied to the virtual education strategy; the reformulation of guidelines and educational management criteria and the improvement of some parts of the educational application to increase its effectiveness, given the project's coverage nationally. Hereinafter we present these improvement guidelines and criteria:

1) Pedagogical and Didactical:

- The School's Editorial Committee was created with the purpose of significantly improving the pedagogical component of PFTE, the same is comprised by the Human Development Deputy Secretary, the head of the Customs and Taxes School, the head of the Editorial Group, pedagogical advisors from the German Cooperation Agency GTZ, pedagogical adapters from the School, the Executive Secretariat from the editorial committee, and area chiefs, teachers and authors invited to the same, according to the topics to be covered.

The main task of this editorial committee is to establish the policies and guidelines for the development of educational material, which supports the development of different programs for the National Training and Education Plan in its different execution modalities.

- A group of pedagogical adapters was formed from the School. Therefore, their education process and conceptual leveling was agreed with GTZ advisors, who were assuming this responsibility.
- The notice, selection and appointment procedure for institutional teachers was adjusted in PFTE's virtual modality. The purpose is to promote the participation of the Chiefs of the Human Development Department and Training Coordinators who in the company of managers or area chiefs are the persons who know the people that apply for teaching positions. In the same manner all this process will be the purpose of regulation in the Teacher's Complementary Development (DCD).
- A methodology to facilitate teacher actions (prior to - the beginning – during – at the end of a course), creating the methodological guidelines to perform the didactical planning in the virtual modality.
- The distribution of activities was adjusted in the teachers' preparation workshop for the virtual strategy, so they will be able to manage as complete as possible the five databases of Learning Space and Lotus Notes, this is the platform on which they perform their teaching tasks.
- In agreement with the pedagogical model that supports DIAN's education actions, academic evaluation policies were established. DIAN's academic evaluation philosophy was outlined in the document titled "Instructional Evaluation Process". In this regard, prior to the establishment of clear learning objectives and a good learning guide, the establishment of teaching techniques that promote

significant and collaborative learning, the evaluation process should go in this same direction. That is, that we pass from memory learning to collaborative and significant learning. Therefore, teachers were instructed that the evaluation couldn't be subject or bound by the opportunities offered by Learning Space. As mentioned in the weaknesses item, it has been proven that the evaluation database as well as the evaluation process itself has turned into true demanding task for all education agents.

- Improve the demos that have been produced for the users of the virtual strategy.
- Regarding education materials, and in agreement with the policies of the Editorial Committee, work is being performed on:
 - The simplification of the material to be as concrete and specific as required, pursuant to the learning objectives established.
 - The reduction of learning activities to favor those truly necessary.
 - Updating material contents.
 - The adjustment of the self-evaluations of each subject, so that they satisfy their purpose: the student's feedback.
 - The improvement in the concept and graphic design of the material, for greater visual attraction from the end user and easy content navigation.

2) Information Technologies

- Decision was made to change the learning modalities of some sub-lines pursuant to the census review sent by the OSI to the School during April. In this manner PFTE execution is balanced between the semi-attendance and virtual modality, according to

the computer distribution by work post. However, it was necessary that a decision be made at the level of the institution to strengthen different sub-lines with new equipment or provide equipment to offices lacking the same, even to properly comply with workloads. Recall the graph on main difficulties encountered by students: lack of equipment.

- The improvement of the education application is mandatory, a more functional and robust application must be developed or a more powerful application or internet hosting must be acquired to: 1) offer PFTE through the Internet and help in decongesting computers at work stations, which is caused by the burden in studying at the same office; 2) enable students to perform inquiries from their homes or from any Internet site 7X24; 3) develop courses in real time or synchronously, so that through the chat the teacher – student relation becomes faster and more dynamic; and 4) obtain an application with more facilities to manage the strategy with automatic enrollment filters and cancellation, in addition to facilitating information migration to corporate databases to update the officers' résumés.

To correspond to this improvement action the Human Development Deputy Secretariat has performed a feasibility study.

- Learn to manage Office. It has been detected that students and teachers do not properly manage Office programs, therefore and according to the strategy coming from top management, different virtual courses will be on the subject.
- Educate teachers in teamwork options offered by the current version of Learning Space, in the perspective that its eventual possible update or replacement for a more powerful version, they will have the computer and education elements to undertake more collaborative learning techniques.

3) Administrative?

- Delimitation of registry, enrollment, cancellation and validation process times.
- Determination of the tutorial activity beyond work hours for the economic recognition of teachers pursuant to legal provisions.
- Establishment of a procedure for the registry of overtime in a specific format.
- Beginning of the tutorial activity phase, by training teachers from the Regional Directorates, who help from headquarters in managing the education application.
- Positioning of the subject manager.
- Positioning of the strategy inside and outside the organization.

As a general conclusion on the topic it may be said that for the virtual education strategy to be successful the three factors (pedagogical / didactical, information technologies and administrative), as well as the three education agents (students, teachers and education managers) must harmoniously interact and each must comply with their functions. If there is no balance among them, the strategy could easily fail.

Furthermore, it is convenient to take into consideration that more than an information technology project it is a cultural, educational project, which substantially changes ways of thinking, acting and feeling of all persons participating in the same. Therefore, detailed educational, financial and information technology planning must be performed, to advance step-by-step and in a sound manner; because to begin a project of this nature with an investment in equipment without taking into consideration the training and education of the persons that will participate in the same (writers, pedagogical adapter, editors, teachers, education manager and directors), material navigability and readability, secure connectivity and reasonable coverage, results cannot be those expected.

As in all processes developed for the benefit of tax offices and which influence the institution's effectiveness and its organizational culture, they must be lead by the organization's directors; otherwise, the effort will easily turn into a very well conceived project but a project that has yet to be realized. As described in this paper, DIAN already has the road paved, with tangible results and the interest to continuously improve: we have built jointly an education model, an institutional educational project, we have the writers and adapters that have been training for virtual learning, and the same has happened with our teachers, and what is even most important is that we have established among the officers of the institution a new way to educate themselves so that can be ready to face the daily changes required by our condition as officers of a tax administration.

Mr. Mario Alejandro Aranguren Rincón
Director General
Dirección de Imp. y Aduanas Nacionales
Colombia
Email: marangurenr@dian.gov.co

Case study

TOPIC 3.3

NEEDS AND HUMAN RESOURCES TRAINING IN AN E-ADMINISTRATION ENVIRONMENT

Olivier Sivieude

Director of Human Resources
General Directorate of Taxes
(France)

CONTENTS: I. The DGI Devotes Significant Resources to Training, but Nevertheless, the Alter Must Be Modernized.- 1.1 Significant training effort.- 1.1.1 Initial training is carried out in two specialized schools.- 1.1.2 Continuous training.- 1.2 This system must be modernized.- II. Experimentation With E-learning Still Recent But Promising.- 2.1 Recent experimentation.- 2.2 A promising experience.- Conclusion.

I. THE DGI DEVOTES SIGNIFICANT RESOURCES TO TRAINING, BUT NEVERTHELESS, THE ALTER MUST BE MODERNIZED.

Some data:

82 000 persons

Average age: 45 years

One microcomputer per agent

Distribution throughout the territory of 2000 facilities in 550 municipalities

A reform that is in process whose main concern is "the user" (single interlocutor, quality of service, etc.).

1.1 Significant training effort

The cost of initial and continuous training represents approximately 8% of the salary amount.

1.1.1 Initial training is carried out in two specialized schools

Approximately 2000 students attend these schools every year with schooling that, depending on the grade, lasts nine months to one year. These schools provide employment to a total of 300 persons.

1.1.2 Continuous training

Average duration of continuous training is 5 days per agent.

Is essentially ensured through internal means (conception, instructors, etc)

Is mainly devoted to:

- Training related to the reorganization of the DGI (focus on the user);
- New computerized applications;
- Fiscal control.

At present, approximately 300 staff training modules are being offered.

Continuous training is carried out:

- At facilities located in the main cities
- and for certain types of training (high level officials, for example) in two schools that employ a total of 120 persons.

1.2 This system must be modernized

***Initial training** is considered great quality training.

It is essentially training on taxation but is also ever more oriented toward management and sensitivity to change (apprenticeships in businesses, common training with other administrations, external interventors).

It involves traditional training (courses given by instructors) and which makes very little use of new communication techniques.

* As for **continuous training**, it is totally satisfactory. It is systematically subjected to evaluation "at once" (conclusion of the apprenticeship) and subsequently, it is evaluated six months later, before apprentices and heads of service.

These evaluations allow for adapting the proposed training. Nevertheless, not everything is perfect:

- the cost of training is high;
- the staff demands that training take place nearby;
- some demand (especially the young people) greater autonomy in learning;
- training time must be measured, since working time has been reduced (35 hours per week);
- the use of microcomputers is insufficient.

E-learning could be a means to solve these difficulties, since it allows, a priori, for reducing the cost, movements, and time and a more individualized training.

II. EXPERIMENTATION WITH E-LEARNING STILL RECENT BUT PROMISING

2.1 Recent experimentation

Experimentation with e-learning began at the DGI in 2001-2002. Some types of training were put into practice: these dealt with learning of general accounting, financial analysis for fiscal control, control of "sham corporations" and aid to "management control".

The modalities are the following:

- training is given through CD-ROM;
- only to “volunteers”;
- takes place at the work site, but in a classroom exclusively devoted to training;
- a “tutor” responds to questions by means of a forum accessible through Intranet;
- training takes place during work hours. Sessions last one and a half hour approximately;
- the official responsible for the service encourages and supervises adequate development of training.

2.2 A promising experience

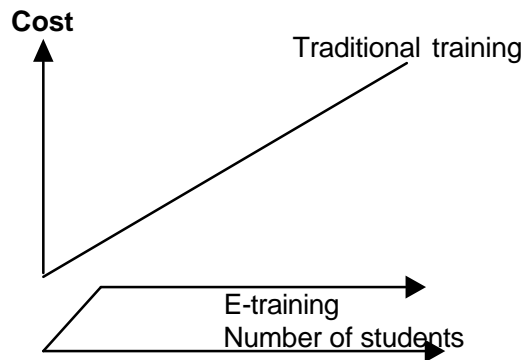
Difficulties found

- a “tutorship” that must find an adequate balance between the risk of intervening too much and the risk of doing it insufficiently;
- resistance from union organizations that see in it a way of providing “lower quality” training;
- the lack of interest of some “students” whose attention is weakened after the pleasant side of “zapping” is over;
- very high investment at the beginning, mainly as a result of the training of the trainer and the cost of elaboration of the module.

Positive elements

- training time is reduced (approximately 40%);
- the quality of training continues to be good;

- the cost of training is lower if it is given to a large number of persons



- training is homogeneous;
- allows for putting new techniques (internal) into practice;
- affords speedy expansion of training to numerous populations;
- in sum, training may be conducted at the precise moment the staff needs it.

CONCLUSION

It is too early to reach definitive conclusions from the experience underway.

Nevertheless, at this stage, it may be considered as a future means, since it allows for speedy and quality training at a savings.

However, it must be undertaken progressively, with a pragmatic strategy, since not all agents are "open" to this type of teaching.

TOPIC 3.3

In addition, even though being readily available, e-training will not be the cure-all:

- it is not really not useful except for “massive” training;
- and it should not substitute traditional training when it is important to give way to an emulation, team spirit, motivation within the group of students. This is mainly the case of training of management executives.

Mr. Olivier Sivieude
Director Human Resources
Direction Générale des Impôts
Paris, France
E-mail: olivier.sivieude@dgi.finances.gouv.fr

CLOSING SESSION

GENERAL REPORT

GENERAL REPORT

Everardo Maciel
Tax Specialist
Former Federal Revenue Secretary of Brazil



Mr. Everardo Maciel

First, I would like to thank Mexico for their hospitality and for receiving us with their renowned kindness and generosity.

It is also the time to thank, personally, the distinction of the Executive Council and the Executive Secretariat of CIAT, who invited me to present the general report of this 37th General Assembly. Nothing is more satisfactory for someone who for eight years participated in the events sponsored by this institution, in the honorable position of Secretary of the Federal Revenue Secretariat of Brazil, and, eventually, member and president of the Executive Council of CIAT. I would like to thank you all.

I would also like to say that it is a privilege to meet with old and new friends, representatives from 66 countries and organizations. Such high participation evidences the credibility and importance of CIAT –which previously was almost Pan-American, nowadays totally; currently somewhat European, with valuable African and Asian presence; in the future, we wish it be definitely worldwide. This is the CIAT that I always saw and wished, born in the New World and destined for the entire world – a space for technical and political life, sharing good practices, exchanging taxation experiences and building together roads for the Tax Administrations (TA).

GENERAL REPORT

This Assembly chose as central topic the increase of the efficacy and efficiency in the TA. The purpose of this general report is to identify the general outlines, as the case may be, comment the same and, mainly, extract general lessons that may be applied to all.

We saw that the latter pertains to a great diversity of solutions, which needless to say, have some surprises, because the topic is complex. Finally, as it is well known, complex problems have simple and wrong solutions.

Presentations and debates on strategies and tools to increase the efficacy and efficiency of the tax administration followed two paths: first, the examination of the technological media and human resources, seen in isolation or interactively, as endogenous variables of the TA; the second as an exogenous variable, the perception that society and taxpayers have of tax organizations.

This Assembly clearly showed that the use of the new information and communication technologies (ICT), particularly, the Internet, is practically universal in the TA. It is clear that the use in each country will always be conditioned to the level of development of the local information and communication infrastructure and the modernization of the banking system and the public administration. Notwithstanding, it is well known that the absorption of these new technologies by developing countries is irreversible, because it corresponds to the need to be incorporated into the economy of knowledge, as a strategy to reduce unevenness with regards to more developed countries. It is also known that, as unimaginable as the horizons of expansion of the ICT, their possibilities of use in the TA are equally unimaginable. The truth is that all this is just the beginning.

The use of Internet in the TA, is centered in the following areas: general communication, filing returns, taxpayer attention, tax payment, examination and general management. As it may be seen, there is a wide range of options that practically cover, directly or indirectly, the universe of activities of a tax organization.

The Tax Administrations can use the Internet to disseminate news of general interest, useful information for academic research, clarifications and communiqués to taxpayers, etc. The attraction that the Internet has on the young, in particular, turns it into the obvious means for the implementation of fiscal education programs, with the possibility of disseminating education programs, educational games, information or historical texts, etc.

The filing of returns through Internet is surely the filed of application of the ICT, in tax issues, which was mostly successful and notorious. In the countries where this form of filing the return was implemented, the level of adherence by taxpayers assumed an exponential growth, because of the countless advantages that they enjoy. Being equally advantageous for the TA, they did not doubt to use all forms of induction for taxpayers to use the Internet, from persuasion means, i.e. advertising, tax payment discounts or priority in refunds, up to the imperatives, such as the determination of the obligation for determinate types of taxpayers.

Without detriment to the importance of the Internet, it is necessary to underline that the filing of returns can and may resort, whenever necessary, to other equally efficient solutions, as in mastering ICT. Examples of these solutions are returns transmitted through telephone or with sports lottery tickets. Only in Brazil, around 30 million taxpayers use these atypical instruments to file returns. It is evident that their application is limited to highly specific situations, such as simplified returns of small taxpayers, returns of inactive companies, etc. Therefore, this is only an illustration of resorting to creativity as a means to expand the use of ICTs in the TA

Taxpayer attention in situations that imply access to information protected by fiscal secrecy – as for example, certification requests, inquiries on the fiscal situation, the compensation of fiscal credits, etc., - is conditions to the use of secret access codes or digital certification, which turns the process into something more onerous and complex. However, there are countless situations where attention does not require access to confidential information. In one way or the other, taxpayer attention through the Internet is the road to the future. Attention in person must be restricted to very specific cases.

The payment of taxes through Internet imposes as from now the need of articulation between the TA and the financial system, which is surely advantageous for both: Improvement in information technology patterns, the opening of new current accounts, cost reduction in capturing payment information, speed in the transference of funds, reduction in the volume of mistakes, etc. In this case, the payment through Internet banking can coexist with other modalities for the electronic transfer of funds, i.e., self-service terminals, *homebanking*, *officebanking*. Particularly, the use of these forms of payment in regards to incidental taxes on foreign trade is promising. In this hypothesis, the registry of import returns will imply the automatic electronic transfer of

GENERAL REPORT

funds, eliminating frauds arising from the use of paper vouchers in the payment of customs tariffs.

The use of ICTs in examination activities is still in its initial stages. However, the perspectives are promising. It is important to point out, that from the beginning, examination is fundamentally to compare and issue an appreciation on the truth of the information collected. ICTs offer extraordinary tools to face information pertaining to internal and customs revenue, contained in data banks previously built and feed, allowing in this manner to select taxpayers for audit programs or to support ongoing procedures. In the mid-term, these tools must, undoubtedly become, even more powerful with neural networks and artificial intelligence.

The use of ICTs in the administrative filed of tax organization joins the success reached in other public and private institutions. For example, it is important to mention solutions that have already been adopted in many TA, such as: e-shopping, the follow-up through the internet of procedures pertaining to the acquisition of goods and services, payroll through the electronic transfer of funds, the account of salaries informed through Internet, contracting of personnel through Internet, virtual education of professionals, etc.

Speakers and commentators throughout this Assembly presented the countless advantages of the use of the ICTS in the TA. Among these: cost reductions for taxpayers and the tax administration, specially in circumstances that require the increase in the competitiveness of the private sector and the productivity of the public sector; high reliability and immediate availability of information; the improvement in the quality of the services rendered to the taxpayer; great efficacy in the struggle against fiscal evasion, personalized communication with taxpayers.

It is true that the absorption of the ICTs can demand the relevant investments in the TA, not only in the networks, but in the hardware and software. However, this evaluation must be submitted to long and mid-term criterion. It is in this perspective that costs will decline and be quickly compensated by increases in the productivity of the administration and profits in the collection. The investment capacity must only decree the rhythm of the implementation required.

In addition to the direct advantages that have already been mentioned, ICTs produce important cultural changes in tax organizations. It is not only an instrumental change. The implementation of these technologies

often require process, structure and procedure reengineering, favoring savings, simplicity, speed, capacity to adapt and the conception of taxpayer centered information models. Paradoxically, at the same time that they require this restructuring, the new technologies are strategic allies of the restructuring itself. Furthermore, the repercussions of these changes go beyond the borders of the TA, as they go hand in hand with expansion of the digital economy.

In spite of what is usually said, some caution, mostly in what pertains to the security of the information and digital exclusion.

In fact, the absorption of the ICTs will increasingly require, more elaborate information security requirements, in what pertains to the protection of networks and equipment, such as data banks and web sites. To assure the confidentiality of fiscal data, access to databanks by authorized officials must be conditioned to the use of passwords or digital certificates and registered in safe files and subjects to permanent preventive audits.

Especially in less developed countries, the dissemination of ICTs, even in the TA, can consequently produce harmful digital exclusion, generating second class taxpayers, segregating the poor and increasing the abyss of social inequalities. It would be advisable for the government of these countries and international donors of resources to be aware of this fact, and prevent this from occurring, through the adoption of creative and efficient measures, that allow the inclusion of all citizens in the digital economy. Nevertheless, this is not an easy task.

Emphasis in ICTs cannot result in the lack of attention to human resources, which are the true cornerstones of the TA, and the key factor to guarantee adequate operation, to achieve goals and targets, and to increase efficacy and efficiency. Only well qualified officials will be capable of responding to the complexity of the tax issues and promote the permanent modernization of the tax organizations.

In this context, the speakers mentioned the failure of the old models, based on “style order and control”; the aim to replace with creative and participative management that promotes functional motivation and a good working environment, as in modern private management.

This new road does not mean to abandon some good and sound administrative principles such as: public contest for positions in the

GENERAL REPORT

TA, the career plan that links the exercise of managerial positions to the employee's progress in its functions, prohibit political influence in human resource management, job stability, special retirement rights, in addition to adequate remuneration – even though it is known that this is not always compatible with private patterns, specially in the case of officials that hold high positions.

Modern human resources management increases new paradigms to classic principles: the administration must arrange time to talks to its employees; personnel must be involved in the establishment and review of institutional goals, and in the conception and implementation of changes; the administration must know and recognize the individual differences of its employees, adequately adjusting them to their activities and making them have a clear vision of their respective roles in the organization; merit must prevail on seniority as a functional promotion criteria; remuneration must be partially linked to performance; behavior and creativity awards must be established; contracting must be directed according to tax specializations, admitting the possibility of functional re-adaptation, to establish a specialized, flexible and dynamic work force. "Better to reward than to punish, better to persuade than to force" must be the theme observed by the TA, to have employees satisfied with their work, with critical capacity regarding the administration and its policies, and committed with the organization.

Permanent training of human resources assumes a critical nature as a strategy to increase the efficiency and efficacy of the TA. The initial form must be preserved and improved through continuous education, even as a requirement for promotions. Therefore it must not be limited to classic tax specialization; it must also include the improvement of managerial skills.

In terms of training, virtual education (e-learning) increasingly becomes a new and powerful work tool. Its adoption allows the training of large contingents of students, homogeneously, quickly and adapted to the conveniences of the persons that are being trained, with the intensive use of new technologies and at a low cost, and without losing quality. Its success is conditioned to the harmonious interaction of the didactic-educational contents based on computer technologies and administrative support, and the understanding of the educational change by the education agents involved (professors, students and administrators).

However, virtual education cannot be seen as the panacea. In effect, it will never completely substitute traditional education, mainly when emulations or team spirit are desired, as in managerial training.

Beyond what was presented, the strategies and instruments used to increase efficiency and efficacy, it is important to tackle this consideration from a complementary point of view – the external perception of the AT.

The credibility of the TA, produces inexorably an increase in the voluntary compliance with the tax obligation. Voluntary compliance will be even stronger if, in addition to credibility, there are cooperation mechanisms between agencies responsible of examining compliance with legal obligations of individuals and bodies corporate, i.e. the tax organizations themselves, of those agencies responsible of control and follow-up of public accounts, central banks, institutions responsible of the supervision of insurance activities, private social security, applications in financial markets and stock exchange markets, etc. The struggle against corruption must be seen as the responsibility of all State agencies.

The level of acceptance of the TA, by society and, particularly, by taxpayers rests on two pillars: trust and comprehension. It is necessary for taxpayers to perceive that the TA, are fair, sensible and reliable agencies. It is also necessary that taxpayers understand the how, what and why the State requires the payment of taxes.

Taxpayers' trust assumes, of course, honest officials. In addition to public servants that are not only honest or that seem honest as the wife of Caesar, but mainly, be exemplary. The authority conferred to the fiscal official imposes responsibility and example.

The behavior of the fiscal official must be oriented by a code of ethics - clear, structured and severe -, hand in hand with internal affairs auditors and agencies, to that the force of the law to have its corresponding application. These agencies must be functionally independent in regards to the TA and its incumbents must be invested with a mandate, to support their moral and administrative authority.

Corruption is a multi-factorial phenomenon (economic imbalance, complexity of the tax system, deficiencies in control systems, frail penalty systems, social and cultural degradation) and a multi-sector phenomenon, because it indiscriminately covers the public and private

GENERAL REPORT

sectors. Therefore, it is true that the struggle against corruption requires political support, powerful, ample and continuous confrontation.

Transparency as a social principle and control as a method, represent extraordinary supports to the struggle against corruption. Tax administrations through Internet, must offer society, Parliament and the media, permanent follow-up of their administrative procedures and fiscal activities that do not involve issues subject to fiscal secrecy. They must still, through the Internet, allow taxpayers certify whether if they proceed or not and if examination procedures are authentic.

The struggle against corruption in the tax administrations is especially significant by virtue of great visibility of those organizations in the State's structure, which increases the levels of perception of this healthy behavior. In a global economy, the State's integrity becomes the differentiating elements for international investment or financing.

The effectiveness of the struggle against corruption also requires international cooperation. The existence of tax havens is inadmissible for resources coming from illegal practices. Therefore, it is advisable to hold international agreements to fight money laundering, illegal tax practices and in general, corruption. It is important to mention that these harmful practices only prosper when the proceeds from corruption follow the known paths of financial flows..

Taxpayers' trust in the tax administration, as a means to increase voluntary compliance with the obligation demands the observance of clear and consolidated rights, strict confidentiality of fiscal data, adequate guarantee of response to inquiries, impartiality in deciding objections and remedies, permanent orientation on true compliance with obligations (even through programs for the filing of returns).

The understanding of the nature of the taxes and the destiny of the resources collected complements good perception on behalf of taxpayers, regarding its TA, and strengthens the exercise of fiscal citizens. We must not forget, even though it may be obvious, that the tax system is a type of social contract between the State and society, which cycle begins with the tax and ends with public expenditure.

Finally, to return to the beginning of this presentation, I will talk about multilateral relations. In spite of being in a situation of war, and the same may seem the reestablishment of the unilateral means to solve conflicts, I would like to mention that good will people do not share this

pessimistic point of view. We believe that only the road to tolerance, negotiation, understanding and reason are the only way to social welfare, justice, harmony with nature, and the elimination of ethnic and cultural discrimination, happiness and peace. The civilizing process is inevitable and it must not produce victims, but teach some and bring together others. CIAT as an institution and this Assembly as an event, constitute examples of respective and productive sharing and the true evidence of multi-lateral relations.



DECLARATION OF THE 37th CIAT GENERAL ASSEMBLY

**STRATEGIES AND INSTRUMENTS FOR INCREASING
THE EFFECTIVENESS AND EFFICIENCY
OF THE TAX ADMINISTRATION**

Whereas:

The use of advances in information and communication technologies, as well as the observance of the attributes which citizens demand in modern democratic societies, all within the framework of a permanent search for increasing its effectiveness and efficiency are key aspects for the best performance of the tax administration.

It has been evidenced that the use of Internet by the tax administration, is a relevant instrument for promoting a more effective and efficient performance of the functions of the tax administrations.

The promotion of Public Ethics must also be understood as an important action of the tax administration to achieve its objectives

The efficiency of an organization, in an economic sense, involves achieving the best results at the lowest possible cost and, in the case of the tax administration, the achievement of efficiency thus understood is especially important, since it is a universally accepted principle that the amount of public revenues originating from taxes paid by taxpayers should be affected to the least possible extent by the cost of management of the respective tax system.

The General Assembly,

Resolves:

To recommend to the tax administrations of its member countries:

FIRST: To promote the use of Internet by the Tax Administration to the greatest extent possible and inasmuch as it is convenient, in order to support its functions and especially its relationships with the taxpayer.

1. By making available through the Internet websites of the tax administration services involving information as well as communication and transactions, in an environment which preserves the confidentiality and security of the information and data provided by the taxpayers.
2. Expanding collection services (filing and payment) through Internet, for which purpose specific efforts should be devoted to overcoming the challenges posed by these services, technological as well as legal, in addition to taxpayer attitude.
3. Strengthening the strategies and mechanisms to promote and train external users, that is, from outside the tax administration, particularly taxpayers, to ensure a better use of the services made available through Internet.

SECOND: To promote public ethics by the Tax Administration.

1. Strengthening the internal control bodies and mechanisms for combating corruption and illegal practices, through the detection of illegal acts and the application of effective sanctions, in keeping with the seriousness of the illegal act.
2. Strengthening Ethics in the Tax Administration, by adopting Codes that clearly set behavioral guidelines to be observed by officials in their positions and the performance of their functions, as regards internal relationships with their colleagues, subordinates and hierarchical superiors, as well as with the taxpayers and society in general and, likewise, through the establishment of preventive actions and/or incentives for good behavior.

THIRD: To promote the permanent evaluation and review of internal processes and procedures, the motivation of officials and every form of identifying and implementing measures to improve the efficiency of the Tax Administration.

1. Through the increasing use of new technologies that may result in reduction of costs for the tax administration and which do not affect the quality of the services or effectiveness of its action, considered from a partial perspective, that is, a particular area of action or activity, as well as from a joint perspective of the tax administration as a whole.
2. By developing strategies in human resources management for increasing their productivity by means of different types of incentives, such as bonuses linked to productivity, individual and/or collective, training programs for improving the performance of the officials, particularly as regards the increase in productivity, improvement of the physical working facilities and availability of equipment.
3. By promoting specific actions for the training and updating of the tax administration's human resources, so as to take full advantage of the use of modern information and communication technologies, by officials from the areas directed related to the development and maintenance of those technologies, as well as the users thereof.

**DAILY SCHEDULE OF ACTIVITIES OF THE
37th CIAT GENERAL ASSEMBLY
Riviera Maya, Cancun, Mexico
March 31 - April 3, 2003**

Main theme: Strategies and Instruments for Increasing the Effectiveness and Efficiency of the Tax Administration

Monday, March 31

Inaugural Session:

09:00-10:00 Inauguration of the General Assembly

10:00-10:30 Official photograph and coffee

Plenary Session

10:30-11:15 **Topic 1. The use of Internet by the Tax Administration.**

Moderator: Bill McCloskey, Assistant Commissioner Policy & Legislation, Canada Customs and Revenue Agency and CIAT Executive Council President.

Speaker: Nora Caballero Verdejo, General Administrator of Taxpayer Assistance and Collection, Tax Administration Service of Mexico.

TECHNICAL PROGRAM

11:15-11:45 **Commentators:** Nelson Gutiérrez, Director of Operations, CIAT Executive Secretariat

Marco Tulio Abadío Molina, Superintendent, Superintendency of Tax Administration of Guatemala

11:45-12:30 Open discussion

12:30-14:00 Lunch

Parallel sessions:

14:00-15:00 **Presentations**

Topic 1.1 **The taxpayer assistance and information function through Internet (information, communication and interaction with the citizens).**

Moderator: Eduardo Zaidensztat, General Director of Revenues, General Directorate of Taxation of Uruguay.

Speakers: Juan Toro Rivera, General Director, Internal Revenue Service of Chile

Maribel Zúñiga, Manager of Planning and Control, Direct Taxation of Costa Rica

Topic 1.2 **The collection function (filing and payment) through Internet.**

Moderator: Mario Duarte Caballero, Executive Director of Revenues, Executive Directorate of Revenues of Honduras.

Speakers: Michiaki Hashimura, General Coordinator of Tax Administration, Secretariat of Federal Revenues of Brazil.

Sereneilla Crisafulli, Tax Official, Ministry of Economy and Finance of Italy.

Topic 1.3 **Promotion and training aimed at external users for full use of Internet services.**

Moderator: David Miller, Assistant Commissioner, Assessment and Collections Branch of the Canada Customs and Revenue Agency.

Speakers: Estelabel Piad, General Director, General Directorate of Revenues of Panama.

Francisco Urdaneta, Manager of Information Technology, National Customs and Tax Superintendent, SENIAT, Venezuela.

15:00-16:00 Guided discussion

Tuesday, April 1st

08:30-09:00 Reports on parallel sessions of previous day

Plenary Session:

09:00-09:45 **Topic 2. Promotion of public ethics by the Tax Administration**

Moderator: Carlos Silvani, Deputy Director, International Monetary Fund.

TECHNICAL PROGRAM

- Speaker:** Bill McCloskey, Assistant Commissioner Policy & Legislation, Canada Customs and Revenue Agency and CIAT Executive Council President.
- 09:45-10:15 **Commentators:** José Antonio Deher Rachid, Secretary of Federal Revenues, Secretariat of Federal Revenues of Brazil.
- Alf Nilssen, Deputy General Director, National Tax Board of Sweden.
- 10:15-11:00 Open discussion
- Parallel Sessions:**
- 11:00-12:00 Presentations
- Topic 2.1 Combating corruption and illegal practices in the Tax Administration.**
- Moderator:** Elsa Romo-Leroux de Mena, General Director, Internal Revenue Service of Ecuador.
- Speakers:** Isabel Roque, Director of Internal Control of the Tax Administration Office, Cuba.
- Concepción Patiño Cestafe, General Administrator of Evaluation, Tax Administration Service of Mexico.

Topic 2.2 **Codes of ethics in the Tax Administration.**

Moderator: Juan José Rubio Guerrero,
Director General, Institute of
Fiscal Studies of Spain.

Speakers: Beatriz Luisa Fontau,
Deputy General Director of
Human Resources, Federal
Administration of Public
Revenues of Argentina.

Haseena Ali, Commissioner and
Chairman, Board of Inland
Revenue of Trinidad and Tobago

Topic 2.3 **Promoting transparency of management and social controls on the Tax Administration.**

Moderator: Teófilo Quico Tabar, General
Director, General Directorate of
Internal Taxes of the Dominican
Republic.

Speakers: Salvador Ruíz Gallud, General
Director, State Agency of Tax
Administration, Spain.

Nahil Hirsh, National Tax
Compliance Intendant, National
Superintendency of Tax
Administration of Peru.

12:00-12:45 Guided discussion

12:45-14:00 Lunch

TECHNICAL PROGRAM

Wednesday, April 2

FREE DAY

Thursday, April 3

08:30-09:00 Reports on parallel sessions of previous day

Plenary Session

09:00-09:45 **Topic 3. Increased efficiency in the Tax Administration through internal improvement processes.**

Moderator: Rubén Aguirre Pangburn, Undersecretary of Revenues and President of the Tax Administration Service of Mexico.

Speaker: W. Todd Grams, Chief Financial Officer, Internal Revenue Service, United States of America.

09:45-10:15 **Commentators:** Claudino Pita, Director of Strategic Planning and Studies, CIAT Executive Secretariat.

Clive Nicholas, Director General for Tax Administration, Ministry of Finance and Planning, Jamaica.

10:15-11:00 Open discussion

Parallel Sessions:

11:00-12:00 Presentations

Topic 3.1 **Possibilities for reducing operational cost through the use of new information and communication technologies.**

Moderator: Roy May, Director of Taxes and Customs, Directorate of Taxes and Customs of Suriname.

Speaker: Sergio Pascual, General Manager, National Tax Service of Bolivia.

António Neves Costa, Computer Specialist, General Directorate of Contributions and Taxes of Portugal.

Topic 3.2 **Strategies in human resources management for increasing productivity.**

Moderator: William Layne, Permanent Secretary of Finance, Ministry of Finance and Economy of Barbados.

Speakers: Sean Moriarty, Assistant Secretary, Large Cases Division, Ireland Revenue Commissioners.

Patrick Rijdsdijk, Policy Adviser, Directorate General for Tax and Customs Administration, The Netherlands.

Topic 3.3 **Needs and human resources training in an e-administration environment.**

Moderator: Deborah Nolan, Deputy Commissioner, Large & Midsize Businesses, Internal Revenue Service, United States of America.

TECHNICAL PROGRAM

Speakers: Olivier Sivieude, Director of Human Resources, General Directorate of Taxes of France.

Mario Aranguren, General Director, Directorate of National Taxes and Customs, Colombia.

12:00-12:45 Guided discussion
12:45-14:00 Lunch
14:00-14:30 General Report
14:30-16:00 Closing ceremony

37th General Assembly

Riviera Maya, Cancun, Mexico
March 31-April 3rd, 2003

ARGENTINA

Alberto R Abad

Administrador Federal
Administración Federal de Ingresos
Públicos

Horacio Castagnola

Director General de la Dirección Gral.
Imposit
Administración Federal de
Ingresos Púb.

Beatriz Luisa Fontau

Subdirectora General de Recursos
Humano
Administración Federal de Ingresos
Públicos

ARGENTINA - GUESTS

Hugo González Cano

Profesor - Consultor Tributario CIAT
Universidad de Buenos Aires

Santiago Montoya

Subsecretario de Ingresos Públicos
Subsecretaría de Ingresos Públicos de
Buenos Aires

Alberto Radano

Asesor del Subsecretario
Subsecretaría de Ingresos Públicos de
Buenos Aires

Raúl Eduardo Roa

Presidente
Instituto de Estudios de Finanzas Públicas

ASSOCIATION AFRICAN TAX ADMINISTRATORS - AATA

Pascal-Baylon Owona

Secretary-General

ASSOCIATION DE PLANIFICATION FISCALE ET FINANCE - APFF

Gilles Bernier

Directeur des Relations Internationales

Yvon L. Caron

Président Directeur Général

BARBADOS

William Layne

Permanent Secretary of Finance,
Government
Ministry of Finance & Economic Affairs

Sabina Walcott-Denny

Commissioner of Inland Revenue
Ministry of Finance

BELIZE

Geraldine P. Davis

Commissioner of Inland Revenue
Income Tax Department

Eric Eusey

Commissioner of Income Tax Department
Government Complex Mahogany

BERMUDA

Charlene Martin

Assistant Tax Commissioner (Compliance)
Bermuda Office of the Tax Commissioner

BOLIVARIAN REPUBLIC OF VENEZUELA

Luis Alvarado

Director de la Oficina de Planificación
SENIAT

LIST OF PARTICIPANTS

Francisco Urdaneta
Gerente de Informática
Servicio Nacional Integrado de
Administración Aduanera y Tributaria

BOLIVARIAN REPUBLIC OF VENEZUELA - GUEST

Manuel García
Consultor
SENIAT

BOLIVIA

Javier Basta Ghetti
Asesor Legal de la Presidencia Ejecutiva
Servicio de Impuestos Nacionales

Vivian Ossio
Directora
Servicio de Impuestos Nacionales

Jorge Eduardo Zegada Claire
Presidente Ejecutivo
Servicio de Impuestos Nacionales

BRAZIL

Jorge Antonio Deher Rachid
Secretario
Secretaria da Receita Federal - SRF

Michiaki Hashimura
Coordenador-Geral
Secretaria da Receita Federal -SRF

Márcio F. Verdi
Coordenador-Geral da COPAT
Secretaria da Receita Federal - SRF

BRAZIL - GUESTS

Valente Wakiyama Akio
Auditor Fiscal (Maranhao)
Gerência de Estado da Receita do
Maranhao

Marcos Gesser
Coordenador Proyecto SEF-SC/CIAT
Secretaria do Estado da Fazenda
Estado de Santa Catarina, Brasil

Renato Luiz Hinning
Diretor de Administração Trib. (Sta
Catarina)
Secretaria de Estado da Fazenda

Gilson Oliveira Lariu
Director-Superintendente
Serviço Federal de Processamento de
Dados
SERPRO

Everardo de Almeida Maciel
Especialista Tributario
Brasilia, Brasil

CANADA

Enrico del Castello
Director
Canada Customs and Revenue Agency

William McCloskey
Assistant Commissioner Policy &
Legislation
Canada Customs and Revenue Agency

David W. Miller
Assistant Commissioner
Canada Customs and Revenue Agency

CARIBBEAN ORGANIZATION OF TAX ADMINISTRATORS - COTA

Marva Lee
Executive Secretary

CENTRE DE RENCONTRES ET D'ETUDES DES DIRIGEANT DES ADMINISTRATIONS FISCALES - CREDAF

Alain Gerbeaud
Secrétaire Général

Hugues Vilaplana
Directeur Adjoint Dep. Cooperation
International
Direction Générales des Impôts

CHILE

Fernando Barraza
Director de Informática
Servicio de Impuestos Internos

Alfredo Echeverría Herrera
Subdirector Contralor Interno
Servicio de Impuestos Internos

Juan Toro Rivera
Director General
Servicio de Impuestos Internos

LIST OF PARTICIPANTS

CHINA

Wenhui Ding

Chief Division Int'l Taxation Dep.-Spanish
Inte
State Administration of Taxation

Zhaocheng Hao

Vice Minister State Administration of
Taxation
State Administration of Taxation

Chunrong Li

Deputy Division Chief of General Office
State Administration of Taxation

Yun Lu

Deputy Director-General of International
Taxat
State Administration of Taxation

Xiao Yang

Deputy Division Chief of International
Taxation
State Administration of Taxation

Yuanwei Yang

Deputy Director-General of Policy &
Legislati
State Administration of Taxation

COSTA RICA

Juan Carlos Gómez Sánchez

Subdirector General de Tributación
Dirección General de Tributación

Adrián Torrealba Navas

Director General
Dirección General de Tributación

Maribel Zúñiga Cambrero

Gerente de Planeación y Control
Dirección General de Tributación

CUBA

Juana Domínguez Carballea

Directora Oficina Provincial, Cienfuegos
Oficina Nacional de Administración
Tributaria

Isabel Roque Rodríguez

Directora de Control Interno
Oficina Nacional de Administración
Tributaria

Haleyxa Alicia Tandrón Castillo

Jefa de la ONAT
Oficina Nacional de Administración
Tributaria

CZECH REPUBLIC

Bronislav Mikel

Director of Tax Affairs and Modernization
of TA
Ministry of Finance

Michal Svorc

Director of Legislation Department
Ministry of Finance

Robert Szurman

Director General, Central Fin & Tax Dir
Ministry of Finance

DOMINICAN REPÚBLIC

Teófilo Quico Tabar

Director General
Dirección General de Impuestos Internos

Nieves Vargas Collado

Enc. Depto. Programación Económica
Corresponsal delCIAT
Dirección General de Impuestos Internos

Carolina Mitsue Yamamoto Muñoz

Encargada Sección Asistencia al
Contribuyente
Dirección General de Impuestos Internos

ECUADOR

Romeo Fernando Carpio

Coordinador Nacional de Declaraciones
Servicio de Rentas Internas

Elsa Romo-Leroux de Mena

Directora General
Servicio de Rentas Internas

Juan Pablo Serrano

Jefe Nacional de Planificación
Servicio de Rentas Internas

FRANCE

Edmond Lacroix

Jefe de la Misión Francesa ante el CIAT

Josiane Lanteri

Directrice de la Mission de coopération
intern
Direction Générale des Impôts

LIST OF PARTICIPANTS

Christiane Maréchal
Attachée Fiscale
Embassy of France- Washington DC

Raphaël Rous
Agregado de Aduanas
Embajada de Francia en Colombia

Olivier Siviéude
Director Human Resources
Direction Générale des Impôts

Pierre Vandenberghe
Tax Administration Adviser
MEF-ADETEF

GERMANY

Karl W. Christmann
Director
Federal Ministry of Finance

Christoph Habammer
Subdirector de Organización e Informática
Ministerio de Hacienda de Baviera

Matthias Witt
Sector Specialist Public Finance
German Technical Assistance, GTZ

GUATEMALA

Marco Tulio Abadío Molina
Superintendente
Superintendencia de Administración
Tributaria

Luis Manuel Alvarez Alvarez
Asesor de la Superintendencia
Superintendencia de Administración
Tributaria

Carlos Alberto Barrera Rodas
Sub-Gerente Administrativo
Superintendencia de Administración
Tributaria

Rodrigo Montúfar
Director
Superintendencia de Administración
Tributaria

Donato Santiago Monzón Villatoro
Gerente de Planificación y Desarrollo
Institucional
Superintendencia de Administración
Tributaria

Carlos Enrique Muñoz Roldán
Intendente de Recaudación y Gestión
Superintendencia de Administración
Tributaria

HAITI

John Emmanuel Desroches
Directeur Général
Direction Générale des Impôts

Jean-Baptiste Télémaque
Coordonnateur pres la Direction Générale
Direction Générale des Impôts

HONDURAS

Mario Duarte Caballero
Director Ejecutivo de Ingresos
Dirección Ejecutiva de Ingresos

HUNGARY

László György Király
President APEH
Hungarian Tax & Financial Control
Administra

IRELAND

Sean Moriarty
Assistant Secretary, Large Cases
Division
Ireland Revenue Commissioners

ITALY

Serenella Crisafulli
Tax Official
Ministero dell'Economia e delle Finanze

Luigi Pacifico
Dirigente Generale-Budget Director
Ispettorato Generale D'Informatica

INTER-AMERICAN CENTER OF TAX ADMINISTRATIONS - CIAT

Mónica Alonso Ros-Zanet
Jefe de la Unidad de Reuniones
Internacionales

María Raquel Ayala Doval
Gerente de Investigación y Capacitación

Francisco Javier Beiner Lavanderos
Gerente Regional de Operaciones

LIST OF PARTICIPANTS

Jorge Cosulich Ayala
Secretario Ejecutivo

Nelson Antonio Gutiérrez González
Director de Operaciones

Celso Antonio Mora Delgado
Gerente de Regional de Operaciones

Claudino Pita
Director de Planificación Estratégica y Estudios

Ayín Sucre de
Traductora

INTER-AMERICAN DEVELOPMENT BANK - IDB

Orlando A. Reos
Division Chief of State and Civil Society Prog

INTERNATIONAL BUREAU OF FISCAL DOCUMENTATION - IBFD

Miguel Angel Caballero
Principal Research Associate

Victor van Kommer
Head Government Consultancy Department

INTERNATIONAL MONETARY FUND - IMF

Carlos Silvani
Assistant Director

INTRA-EUROPEAN ORGANIZATION OF TAX ADMINISTRATIONS - IOTA

Raits Averats
Executive Secretary

Aivar Soerd
President IOTA & Director General ETB Estonian Tax Board

JAMAICA

Clive Nicholas
Director General for Tax Administration Ministry of Finance and Planning

JAPAN

Shozaburo Tachikawa
Assistant Commissioner of Revenue Managem National Tax Agency

Shunichi Takakura
Assistant Director, Information System Mana National Tax Agency

Hideharu Tanaka
Deputy Director, Office of International Operat National Tax Agency

KOREA

Sang Gonn Chung
Director of Audit Division National Tax Service

Cheol Min Kim
Director of Investigation Division National Tax Service

Jae Hyung Park
Deputy Director of International Co-operation National Tax Service

MEXICO

Rubén Aguirre Pangburn
Subsecretario de Ingresos y Presidente del S Secretaría de Hacienda y Crédito Público

Consuelo Arce Rodea
Coordinadora General de Asesores Secretaría de Hacienda y Crédito Público

María Nora Caballero Verdejo
Administradora General de Asistencia Servicio de Administración Tributaria - SAT

Virginia Calleja Gjumlich
Coordinadora de Extensión y Vinculación Servicio de Administración Tributaria - SAT

LIST OF PARTICIPANTS

Adriana Cuevas

Secretaria Técnica, Presidencia SAT
Servicio de Administración Tributaria -
SAT

Vicente Guerrero Rojo

Administrador General de Tecnología
Servicio de Administración Tributaria -
SAT

María Teresa Gutiérrez Ayala

Administradora General de Innovación
y Calidad Servicio de Administración
Tributaria

Juan Manuel Herrero

Administrador General de Recaudación
Servicio de Administración Tributaria

María de la Concepción Patiño Cestafe

Administrador General de Evaluación
Servicio de Administración Tributaria

MORROCO

Ali Berrada

Chief Litigation Service Regional Tax Dep.
General Tax Administration

Belaid Hafid

Chief Division of the Litigation Department
General Tax Administration

El-Hassane Katir

Chief Bureau of Business, Agricultural &
Real
General Tax Administration

NETHERLANDS ANTILLES

Sherwin Casper

Head of Audit Department
Directie der Belastingen

NICARAGUA

Róger Arteaga Cano

Director General
Dirección General de Ingresos

Julio Francisco Báez Cortés

Consultor Comisión de Reforma
Tributaria 2
Ministerio de Hacienda y Crédito Público

Aracely Duarte Sevilla

Coordinadora Nacional
Proyecto de Fortalecimiento Inst. BID-
CIAT
Ministerio de Hacienda y Crédito
Público

Melvin Estrada

Asistente División Jurídica Técnica
Dirección General de Ingresos

Nicaragua - GTZ

Hans Fuchs

Coordinador
Proyecto DGI/GTZ

ORGANIZATION FOR THE ECONOMIC CO-OPERATION AND DEVELOPMENT- OECD

Richard Parry

E-commerce OECD-DAFFE

PANAMA

Estelabel Piad

Directora General
Dirección General de Ingresos

Elías Solís

Asesor
Dirección General de Ingresos

PARAGUAY

María Gloria Paez Gueyraud

Directora, Dirección de Apoyo
Ministerio de Hacienda

PERU

Irma Chonati

Consultora Efectividad Organizacional
Conv
Superintendencia Nacional de
Administración Tributaria

Nahil Hirsh Carrillo

Superintendente Nacional Adjunta de
Aduanas
Superintendencia Nacional de
Administración Tributaria

LIST OF PARTICIPANTS

PORTUGAL

António Neves Costa

Especialista de Informática –Grau 3–Nível
2
Direcção-Geral dos Impostos

Armindo de Sousa Ribeiro

Director General
Direção Geral dos Impostos

João Manuel Ricardo Catarino

Chefe de Gabinete
Secretaria de Estado dos Assuntos Fiscais

SLOVAK REPUBLIC

Maria Machova

Directora General
Slovak Tax Directorate

Jana Petrová

Interprete del Director General
Slovak Tax Directorate

SOUTH AFRICA

Ken Jarvis

Chief Information Officer
South African Revenue Service

Jonas Mashudu Makwakwa

Manager Operations
South African Revenue Service

Thinus Marx

General Manager
South African Revenue Service

SPAIN

Luis Cremades Ugarte

Director Escuela de Hacienda Pública
Instituto de Estudios Fiscales, IEF

Fernando Díaz Yubero

Presidente del Grupo de Trabajo de
Coordinación
Agencia Estatal de Admón. Tributaria

Raúl Junquera Varela

Jefe de la Misión Española ante el CIAT

José Luis Martínez Serrano

Director General de Organización,
Planificaci
Agencia Estatal de Administración Tributaria

Juan José Rubio Guerrero

Director General IEF
Instituto de Estudios Fiscales

Salvador Ruíz Gallud

Director General
Agencia Estatal de Administración Tributaria

SURINAME

Roy May

Directeur
Directoraat Belastingen

Joan Veldhuizen

Deputy Inspector
Directoraat der Belastingen

SWEDEN

Alf Nilssen

Deputy Director General
National Tax Board

TAIWAN

Bi-Chen Tsai

Chief Section
Ministry of Finance

THE NETHERLANDS

Matthijs Hendrik J. Alink

Deputy Director International Affairs
Directorate General of the Tax and
Customs

Patrick Rijdsijk

Policy Advisor - International Affairs
Division
CIAT Correspondent
Directorate-General for the Tax and
Customs

Pieter J. Vogelaar

Deputy Director
International Tax Policy and Legislation
CIAT Correspondent

LIST OF PARTICIPANTS

TRINIDAD & TOBAGO

Rawle Adimoolah

Assistant Commissioner Inland Revenue
Inland Revenue

Haseena Ali

Commissioner and Chairman
Board of Inland Revenue

UNITED NATIONS - UN

Jacinto De Vera

Chief, Public Financial Management
Group

URUGUAY

David Eibe

Coordinador Area Asesoramiento
Tributario
Ministerio de Economía y Finanzas

Eduardo Zaidensztat

Director General de Rentas
Dirección General Impositiva

URUGUAY - GUESTS

María Beatriz García Dutruel

Gerente de Recaudación
Banco de Previsión Social

Justo José Medero Russi

Gerente de Fiscalización
Banco de Previsión Social

UNITED STATES

W. Todd Grams

Chief Financial Officer
Internal Revenue Service

Elvin Hedgpeth

Deputy Director International Programs
Internal Revenue Service

Deborah Nolan

Deputy Commissioner, Large & Midsize
Business
Internal Revenue Service

Paul J. Rolli

Manager, Overseas Operations
Internal Revenue Service

Socorro Velázquez

Deputy Tax Attaché-CIAT Correspondent
Internal Revenue Service

WORLD BANK

Enrique Fanta

Consultor

All the material contained in this publication was prepared, set up and printed at the Publications Center of the CIAT Executive Secretariat, P.O. Box 2129, Panama 9A, Rep. of Panama. 150 copies were printed