

TOPIC 1

STRATEGIES TO DEVELOP A TAX CULTURE

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SUMMARY

In the last three years, the Superintendency of Tax Administration (SAT) of Guatemala has been conducting an integral program to develop the tax culture; the experiences and lessons learned are mentioned at the end of this document and have served as its basis.

The implementation of said program has also lead SAT to reflect upon the topic of the tax culture and establish contacts with entities that shall work in this area, as well as with other Tax Administrations of Ibero-America that undertake similar initiatives, which has contributed to enhance their knowledge on the issue and has been also fundamental to adequately support a significant part of the methodological criteria, notions and aspects set forth herein.

Based on the analysis of the context, the document approaches the focus and scopes of the strategies geared at the development of the tax culture, considering four essential themes for the purposes of this presentation: i) the reasons for tax compliance; ii) the importance of promoting the tax culture; iii) the relevance of the law, ethics and culture

in this issue as the three main controllers of human behavior; and iv) the reason why the actions to promote cultural changes are ultimately aimed at the modification of perceptions, attitudes, behaviors and, chiefly, values.

The adoption of any strategy implies answering the basic questions of what, who, what for, where, how and when; thus, we shall analyze hereunder the features of the strategies to promote the tax culture in aspects such as: objectives and scopes, key players, beneficiaries, contents and tools.

Nevertheless, there is consensus on the fact that “there are no recipes” for the adoption of this type of strategies, since, ultimately, the specificities of each country and the tools of each Tax Administration determine the class and magnitude of its intervention on the matter.

Lastly, for illustration purposes, we address the case of Guatemala, describing its main features and prevailing conditions, as well as the options chosen, the lessons learned and the directions followed.

Overall, we wish to share with the participants of the 42nd CIAT General Assembly, the standpoint of a Tax Administration that considers the promotion of the tax culture as part of its core functions and a relevant component of the taxation, citizen development and legality culture areas.

1. CONTEXT

There is an increasing interest in the Tax Administrations over the development of the tax culture, that is, over the adoption of strategies that enable to create awareness in their countries on the relevance of meeting obligations as regards internal and customs revenue, but from an educational approach that is not exclusively centered on the taxpaying population, but rather on non-taxpayers, from children to youths to adults excluded from the effective taxpayers’ base, whether because they have no direct legal tax obligations or because they conduct their activities in the informal market.

If we conceive the culture as a set of knowledge, lifestyles and habits of a given society, or else, as the set of expressions of the traditional form of life of a people,¹ we would understand by tax culture the set

¹ *Dictionary of the Royal Academy of Spanish, Twenty-second Edition, 2001.*

of information and the degree of tax knowledge in a given country, but moreover, the set of perceptions, criteria, habits, and attitudes of society with regards to taxation.

Thus, in the case of the majority of Latin American countries – Guatemala among them- we could assert that the social behavior prevailing has been against the payment of taxes, which is evidenced in rejection, reluctance and evasion, that is to say, different forms of noncompliance.

Frequently, such behaviors seek to justify themselves by disqualifying the performance of the public administration, whether on the basis of corruption, inefficiency or lack of transparency in the management of resources, or ideological arguments on the economy, society and the role of the State.

In general terms, such is the context in which the Tax Administrations of a majority of Latin American countries have to undertake their tax education functions. Nevertheless and from a positive standpoint, we find fertile ground to sow and reap the ethical and citizen coexistence values that provide the groundwork and social legitimacy to taxation and compliance with tax obligations as a country's need in order for the State to promote economic, social and political development, as part of its mission.

This outlook enables to view the broadness of the social and cultural sphere open to the initiatives to promote the tax culture and sets forth, from its origin, the need to establish priorities, select target groups, define goals and approach modes consistent with the Tax Administration's institutional strategy and the available resources to such end.

Thus, it refers to the adoption of a strategy that may not be partial or temporal, but substantial, permanent and incorporated in the inherent forms of *being* and *doing* in the institution, that is to say, integrated to the daily activities of its basic functions, but with a long-term vision that shall be applied within as well as outside the Tax Administration (TA).

The coverage and scope of the strategy may be as broad or narrow as the institution decides. In any case, it requires depth of actions, no matter how limited, since the changes in structures and behaviors are not produced overnight: they entail deep transformations in the ideas of individuals and groups, which leads them to act differently, or as in

the case of children and youths, assume a mature and responsible civic identity, fully aware of their rights and obligations in the society where they live.

2. APPROACH AND SCOPES

How can the tax culture be promoted in a country that lacks it? What are the steps to follow? Who shall assume responsibility? What actions should be undertaken to change the values and attitudes that have opposed taxation in the course of history? How may rejection and resistance be overcome?

Answering such questions is no easy task, but it is worth the effort of shedding light on such topic based on the specific experience in the field of development of the tax culture in a country that features one of the lowest tax burdens in Latin America and whose social indicators are also featured among the less favorable in the continent: Guatemala. We shall address it at the end of this document.

In order to strengthen the tax culture (understood as the set of values, beliefs and attitudes shared by a society regarding taxation and tax laws), it is necessary for individuals to be informed and duly aware of the issue, but above all, that they understand the relevance of their tax responsibilities. Since the development of the tax culture goes beyond the mere sphere of the taxpayer population for its essential relation to the promotion of responsible citizens that exercise their rights and meet their obligations, two reciprocally legitimating dimensions.²

Thus, the development of the tax culture shall be deemed a systematic and permanent effort based on principles, focused on the promotion of civic values and, therefore, aimed at current taxpayers as well as the citizens of the future –children and youths–, whose culture and vision of the world are under development, and makes them more susceptible of internalizing and adopting the values that shall determine their social behavior in the future. As asserted by Eurosocal, only the free, informed and self-governed citizens, aware of their rights and obligations, shall be honest taxpayers.³

² Rufail, Sergio (Deputy Director General of Taxpayer Service of the Federal Revenue Administration of Argentina, AFIP): *Conclusions of the International Civic-Tax Education Seminar. Buenos Aires, Argentina, October 6-10 of 2007.*

³ Eurosocal, *Taxation Sector: Virtual Civic-Tax Education Forum, November 28th – December 11th of 2007* (www.eurosocialfiscal.org).

One of the main conclusions of the International Civic-Tax Education Seminar held in Buenos Aires in October 2007 is that all the countries represented therein agreed on highlighting the relevance of Tax Education as the basis to constitute a democratic citizenry, asserting that it constitutes education in values to conform a new tax culture.⁴

Civic values of respect, integrity, cooperation and solidarity, among others, arise from social processes as well as individual acceptance in which, by different means, citizens become convinced that it is more useful and efficient to adopt them in their behavior, to the detriment of others that foster disrespect, transgression, dishonesty and lack of solidarity.

Therefore, as defined by the Spanish IEF, tax education shall become a topic to: i) identify the different public assets and services; ii) learn their economic value and social relevance; iii) acknowledge their source of financing, especially tax sources; iv) establish the rights and duties that arise from the public supply of goods and services; v) internalize the attitudes of respect for what is public and, therefore, financed with everyone's effort and employed for the common good; vi) internalize the tax responsibility as one of the underlying values of social coexistence in a democratic culture, identifying compliance with tax obligations as a civic duty; and vii) understand that taxation, with its two aspects - revenue and government expenditure-, is one of the areas in which values such as equity, justice and solidarity in a democratic society are materialized.

The development of a genuine tax awareness –and fiscal in general– consists in assuming that above the specific tax models, ever-evolving as expectable in every dynamic society, there are a series of underlying criteria in the cooperative financing of the public and common needs. The main criterion is that of citizenship, which implies assuming the social responsibilities as a necessary counterpart to the exercise of civic rights.⁵

⁴ Goenaga, María (*Tax Sociology Department of the Institute for Fiscal Studies of Spain, (IEF, as per the Spanish acronym): Conclusions of the International Seminar on Civic-Tax Education. Buenos Aires, Argentina, October 6-10 of 2007.*

⁵ *Institute for Fiscal Studies, IEF: Tax Education in Spain, 2005. By María Luisa Delgado Lobo, Marta Fernández-Cuartero Paramio, Ascensión Maldonado García-Verdugo, Concha Roldán Muñio and María Luisa Valdenebro García.*

The foregoing places the development of the tax culture under a framework of action that greatly exceeds immediacy, since it is mostly aimed at middle and long-term objectives.⁶ This differentiates it from other Tax Administration actions, generally centered on short-term results as well as from the Tax Administrations' assessment criterion to measure the impact of its actions, since the long-term condition mentioned above requires closer assessment of the sociological variables rather than the economic ones.

3. REASONS FOR COMPLIANCE

For a State to be able to meet its objectives of protecting the common good and providing citizens the basic public services they require, it needs resources that are mainly produced by the taxes paid by citizens.

The payment of taxes is the specific expression of compliance with regulations. It entails abidance by the law in effect, whether by subjection or will. In other words, it expresses an attitude that is determined by coercion or else by the individual conviction in a social function. Coercive force is expressed by laws, their mandatory compliance and, eventually, the sanction or punishment for noncompliance therewith, while conviction is based only on a strongly rooted tax culture.

They are not two self-excluding notions –according to Argentine authors Etkin and Estévez-, since the legal framework and the obligation to comply therewith are always present and articulated in the concept and practice of the prevailing order⁷, to the extent the taxpayer's motivation does not arise from the mandatory nature and the fear of sanctions, but from a personal conviction that relates to the will to meet the civic responsibility of contributing to the support of the State.

The tax event is a twofold act between the taxpayer and the State, in which the latter assumes a double function: collecting taxes and

⁶ *Comment by Sergio Rufail (AFIP, Argentina) in the Virtual Civic-Tax Education Forum: "Succeeding in cultural changes requires the same time as the one required to implement them. Maybe we may identify short-term results, but they shall be tied to the degree of acceptance of the initiatives rather than the concrete changes, achieved and internalized by students or citizens. Tax Education is a long-term vision."*

⁷ *Etkin, Jorge and Estévez, Alejandro: Tax Environment and Tax Education Strategies. AFIP Institute, Argentina.*

returning them to society in the form of assets and public services. It is a regulated social process, in which tax compliance responds to a legal mandate that the taxpayer shall obey and the authority must enforce according to the powers vested by law.

The foregoing underlines the fact that the payment of taxes responds, above all, to a legal mandate. Thus, the source that legitimates the performance of the Tax Administration is, fundamentally, the law, and therefore, the exercise of the authority arising therefrom. Therefore, citizens' tax awareness may be strengthened by applying the strictest control mechanisms, provided that the State evidences an honest and efficient administration.⁸

Regardless of the fact that society is governed by a democratic system or otherwise, compliance with tax obligations responds to a legal order, formed by norms, terms and specific sanctions, which empower the tax authority to collect taxes and act against those who fail to meet the payment obligation.

Nevertheless, the scope of action of the TA exceeds the mere collection of taxes, just like the working area of the public health system, for example, exceeds the mere assistance in case of illness. Just like child nutrition is basis for any public health system, the Tax Administration shall conceive civic-tax education as part of its core functions. This is something that is not so evident for many Tax Administrations. Some consider tax education as something superfluous, or, in the best of cases, an accessory or ancillary instrument to their core processes, without taking into account that the development of the tax culture represents, in the long term, one of the most solid and reliable bases underlying the collection process.

4. WHY PROMOTE A TAX CULTURE?

The tax compliance obligation established by a legitimate authority and in line with a specific legal system, may be sufficient to achieve the tax collection objectives, depending on taxpayers' perception of risk and the TA's capacity to audit and enforce sanctions. Nevertheless, it shall always be an obedient, passive, and very likely, reluctant compliance. On the other hand, the natural willingness to pay, a self-imposed commitment, shall always be stronger and make the tax system

⁸ Montúfar, Rodrigo: *Modern Tax Law Trends*, page 57. Guatemala, 2000.

more sustainable in time since it shall be founded on a responsibility accepted and shared by citizens, in the framework of a more open, participative and democratic society.

This is not detrimental to the importance of the inherent authority in the performance of every Tax Administration; quite to the contrary, it seeks to underline the fact that tax compliance based on conviction not only responds to the inherent TA objectives, but also the need to assert democratic coexistence according to the observance of duties and exercise of the civic rights of the social conglomerate. Therefore, for a democratic relation with social cohesion, it is a priority to build a voluntary compliance environment against a coercive compliance one,⁹ although both are equally legitimate and convergent since they translate into a same attitude: compliance with the law.

It should be pointed out, nevertheless, that individuals better respect and abide by self-imposed regulations. José Bernardo Toro calls this the *principle of self-foundation* and defines it as the order created by the individuals that shall live thereby, and comply and protect it, rendering it the only order spurring freedom and the core element of governance.¹⁰

Obligation-based compliance arises from the legal order, the punitive force and the fear of punishment –which are legitimate though not self-founded elements-, to the extent conviction-based compliance originates in the taxpayer proper and thrives on his understanding, responsibility and commitment; in other words, on self-founded and legitimate principles, which adds value and endows this type of compliance with greater consistency and sustainability.

5. LAW, MORALITY AND CULTURE

In certain social contexts we may perceive a rupture or dysfunction between the law, morality and culture, which are three systems that govern human behavior. This theory lead the Mayor's Office of Bogotá, Colombia, headed by Antanas Mockus, to make the decision of prioritizing the so-called Civic Culture, a set of programs and projects geared at improving the conditions of civic coexistence by means of a conscious behavioral change, based on the assumption that the

⁹ *Idem.*

¹⁰ *Toro, José Bernardo: Education for democracy.*

voluntary modification of the habit and beliefs of the group may become a key component of the public administration performance and the common government-civil society agenda. Thus, in the experience of Bogotá, the Civic Culture strategy was devised as an instrument to enhance the moral and cultural regulation, as well as to succeed in a greater consistency among them and between them and the observation of the law.

Along such lines of thought, the strategies for the development of the tax culture may be also conceived as tools to harmonize the ethic and cultural values, for them to result in the respect for legislation and the due compliance therewith.

The furtherance of truly effective tax or fiscal policies is not possible without relying on the target human conglomerate. In order to reach a better end in taxation, the human and social factor should be considered, as recommended by tax sociology.¹¹ All the tax regulations and plans conceived in an office run the risk of being fruitless if due attention is not paid to citizens' beliefs, attitudes, perceptions and behavior forms, their personal and collective morality, and even their ideas on how to organize coexistence.¹²

Its relevance is made evident especially in societies affected by weak tax awareness and an ineffective State, factors that are generally tied to –and worsened- by the crisis in social values that reinforces the theory of divorce among culture, morality and the law. In many cases, this convergence of elements adverse to taxes, and taxation in general, goes hand in hand with the cult of individualism and the prevalence of conditions that prioritize it above social responsibility, solidarity and the pursuit of the common good.

Under such circumstances, tax education may by no means be reduced to the dissemination of practices that only serve to fulfill the requirements of the tax system, which, although vital, are mechanical and ever-changing tasks in time. Neither shall it be limited to the scope of the tax formality, the legal order and the reasons for compliance therewith, but it shall be, necessarily, an education focused on the cultural change and the prioritization of ethics in the social conglomerate.

¹¹ Montúfar, Rodrigo: *Op Cit*, page 58.

¹² IEF: *Op Cit*

6. PERCEPTIONS AND ATTITUDES

One of the most relevant processes for the growth of organizations is made up by their credibility in the eyes of the users of their services. In such regard, the essence of the social life and the modification of behaviors arise from the perception and beliefs of individuals on the entities and leaders that head them.

In the case of Guatemala, for example, for many years the image of the tax authority or Tax Administration was tied to incompetence, inappropriate use of resources, and illicit acquisition of wealth by former officials and poor contribution of public resources to the development of communities. The latter applies in spite of the performance of the Tax Administration in the last decade, focused only on collection and lacking any influence on government expenditure. Nevertheless, taxpayers fail to make this distinction of functions, which underscores the fact that it refers to both sides of the same coin: on the one hand, society's contribution to the State, and, on the other, the form in which the State returns it in the form of public goods and services.

Although the notion of reciprocity is basic and easily understood (taxes in exchange for public services), the development of the tax culture is tied to an even broader notion, *tax citizenship*, which offers a more comprehensive view of taxation, in which the civic duty of paying taxes, financing of rights and support of the State converge on the one hand, and the appropriate use of resources, transparency of expenditure, accountability and the importance of the social audit or civic surveillance on the other.

But the essence of the tax culture extends beyond this, since it does not condition compliance to reciprocity or any other external element, but, to the contrary, perceives it as an inalienable responsibility that stands on its own, free from any factor that may diminish or restrict it. Therefore, the actions for the development of the tax culture require processes to enable the emergence of changes, as regards perceptions as well as attitudes in the individual and the social aspects, which translate in the conscious and voluntary contribution of taxes. Of course, this does not hinder the importance of the actions to improve transparency of government expenditure, the social function of taxes and the credibility of the institution in charge of collecting revenue.

As part of an integral strategy that seeks to improve collection while changing the public perception of tax compliance, a process arises

for the development of the tax culture. This is not at all easy when we realized the extent and strength within different social groups of an array of beliefs and values not only contrary to taxation, but, in general, the observation of basic regulations of coexistence and abidance by the law.

There are countless cases in which wittiness and native cunning to evade taxes are celebrated, as well as the use of stopgaps to avoid them or avoid the controls by the Tax Administrations, whether for internal or customs taxes. Such beliefs become genuine *anti-values*, additional hurdles in the already difficult task of promoting the culture of legality and tax compliance.

In an interesting article entitled “Fiscal and Tax Psychology”, Mónica Díaz Gómez points out: “the archetype of the “native cunning” in evading taxes is accepted by the Venezuelan society owing to the absence of a genuine and deep tax culture. The taxpayer’s psychology is marked by a strong trend towards fraud and justifies the attitude with frequently heard questions: Why should I pay taxes if public services are inefficient? Why should I be a compliant taxpayer if the corrupt steal our tax money? For many, committing tax fraud is a form of pleasure that enhances personal vanity and proves skills before others. It is believed that human social behavior is determined by the principle of the pursuit of pleasure and that is why the selfish nature of the human being makes him fond of his possessions or what he believes to be his possessions; thus the difficulty in paying the taxes due with pleasure and voluntarily”.¹³

Examples of this type prevail in many Latin American countries, where genuine taxation antiheroes appear—or heroes of fraud- in social sectors that tend to be very tolerating with such type of illegality, whether it is minimized regarding the most serious violations of the law or even justifying it based on a myriad of arguments, from the pretext of government corruption to those tied to the user or consumer interest, who *may purchase at lower prices without taxes*.

Such beliefs shall not be deemed a component of a “culture”; rather, they are social behaviors or social behavioral patterns, frequently related to a double morality, which in public condemns illegality

¹³ Díaz Gómez, Mónica: *Fiscal and Tax Psychology*.

while practicing it in private. Thus, the strategy for the development of the tax culture as one of the pillars to support the improvement of collection shall be marked by an integral nature and a long-term approach, since there are many different factors that increase the collective imaginary, in addition to the fact that a change in values and attitudes is not achieved overnight and without an intensive and systematic intervention to define it.

This undoubtedly requires a strategy made up by clear working areas, consistent and appropriately structured that supplement and improve each other as a function of the development and improvement of civic values as well as the improvement of the awareness on the tax obligations. Therefore, it is not a matter of isolated assignments, specific campaigns or sporadic interventions in one target group or the other, but rather a broader and more sustained educational effort, since only on such basis shall the current and future taxpayer subjectivities be modified; that is to say, redirecting beliefs, values and behaviors that shall result in the practice of new social habits and attitudes before taxation in the future.

7. ADOPTION OF STRATEGIES

7.1 Objective and scope

The chief objective of the tax culture is to instill behaviors in favor of tax compliance and against tax fraud, by conveying ideas and values that may be internalized at the individual level and valued at the social one. This implies a cultural change that explains the long-term condition, normally one of the most relevant features in every strategy for the development of the tax culture.

One of the conclusions of the International Seminar on Civic-Tax Education, mentioned before, was that there are no “recipes” for the adoption of the strategies geared at the development of the tax culture, since the inherent features in each country as well as the resources available to each Tax Administration are the factors that ultimately determine the type and scope of the actions to be undertaken in the area.

Likewise, it would be ideal to be able to work on all “fronts” and by means of a combination of strategies to reach the different beneficiaries of the program, but this generally stumbles over the inherent limitations of the available resources, in addition to the fact that the processes

feature different paces and specificities requiring different timeframes and spaces.¹⁴ There are significant differences, for example, between preparing a didactic handbook for teachers, creating a radio campaign, creating a Web page and putting together a stand in a school fair.

The important aspect is that each Tax Administration clearly defines its tax development objectives and sets forth its priorities according to such objectives and the resources available. Gastón Bruzzone, from the Formal Education area of AFIP, explains the Argentine experience: “In our case we started with training courses for elementary school teachers and authorities. Later we incorporated the secondary and higher education levels. But I think that in our case, the education teams of the Tax Administrations, it is more effective to work in stages. The important aspect is not to lose sight of the fact that we are undertaking a very long-term effort; that cultural changes are sustained and extended in time and, therefore, it is always possible to add actions to those already implemented successfully.”¹⁵

7.2 Stakeholders

The Tax Administration may be the first stakeholder in the development of the tax culture and act accordingly, to define, promote and finance it, but it is by no means alone in this effort. The education administration is called upon to play a key role and it is clear that the rest of the public administration shall also form part of the process. In fact, it shall be deemed a State policy and not a government policy, a permanent program and not a cyclical project, so that not only the tax agency in each country assumes responsibility over the tax education program (although it shall be the sole authority for its content), but many other players should become involved and alliances be pursued in such respect: the rest of the Tax Administration, ministries of education, the private sector, municipal or provincial corporations, etc.¹⁶

¹⁴ Comment by Sergio Rufail (AFIP, Argentina) in the Virtual Civic-Tax Education Forum: “As regards the level at which we should begin, I believe in ALL the levels in which we may sustain the strategy in time. All levels are important, but as we move higher, the strategy shall be improved, strategists shall become increasingly convinced and more prepared, since the arguments shall be increasingly more difficult to contain.”

¹⁵ Bruzzone, Gastón (AFIP, Argentina): comment in the Virtual Civic-Tax Education Forum.

¹⁶ Goenaga, María: Op Cit

Moreover, alliances with other players (private companies, NGOs, international agencies) legitimate the message of the program since they do not represent the voice of the state, but the private commitment to common interests.¹⁷

7.3 Beneficiaries

Some believe that all the actions of the Tax Administrations –including tax education– shall be focused exclusively on the taxpayers, effective or potential, since they constitute the social base of effective collection. From this standpoint, it is normal to consider taxation as an event that only pertains to adults and, more specifically, adults that conduct a certain type of economic activity subject to taxes. Therefore, the young would have no reason to worry about taxation, since they are totally foreign to the tax event until they start to participate in the economic activity and become responsible for formal tax obligations. From this standpoint, the tax education of the younger citizens would lack sense.¹⁸

The Institute for Tax Studies of Spain poses the following questions: Is it possible to assert that children and youths are totally foreign to the tax event? Shall the education system ignore this fact? Reality indicates otherwise: neither are the latter foreign to the surrounding world, including the economic activities and taxation, nor should the school ignore the tax event, to the extent it is a matter of citizenship and a fundamental part of the educational mission is, or should be, to educate the citizens of tomorrow, that is to say, to provide for the necessary conditions for individuals to learn to adapt their behavior to the regulations in effect in their society.

Tax norms form part of the set of social norms to be met by an adult individual in a democratic society, by which the tax responsibilities should form part of the set of values that every citizen shall assume, respect and defend.¹⁹ According to this approach, shared by the representatives of the Tax and education Administrations gathered in Buenos Aires, in October of 2007, children and youths are the genuine

¹⁷ *Rufail, Sergio. Op Cit*

¹⁸ *IEF: Op Cit*

¹⁹ *Idem.*

and natural beneficiaries of the tax education programs: “Formal tax education shall reach all levels, since its approach entails complexities and interests inherent in each development stage. A child learns basic coexistence rules. A teenager understands the social sense of taxes. A professional individual embraces rules and habits for his/her performance.”²⁰

The other important beneficiaries of the actions of the tax culture are citizens. “The efforts targeted at them shall be as intensive as those geared at children and youths within the formal education. In the middle term, citizens shall convey such values to their children, from their personal conviction”,²¹ in addition to the fact that the taxpaying population of the present belongs to this sector, which along with corporations make up the great *market* of the Tax Administration overall. Although the TA can not and shall not disregard the commitment of informing and guiding taxpayers on the formal taxation aspects; that is to say, the norms and practice of tax compliance, the essence of the tax education transcends the mere *knowledge of taxes* (what they are and how to pay them), to focus on the social and ethical context to which they pertain, which is more related to the reason and purpose of paying taxes in the framework of a coexistence model governed by rights and duties for all the members thereof.

Lastly, a third relevant beneficiary of the tax education programs is the Tax Administration and Finance Ministry staff, which ultimately constitutes the face of taxation in the eyes of citizens, from the standpoint of revenue as well as the administration and allocation of expenditure. According to Rodrigo Montúfar, one of the Directors of SAT of Guatemala, the tax education efforts shall be permanently focused on the officials and employees of the Tax Administration, for them to know and duly enforce the tax laws and learn how to guide the taxpayer to pay taxes correctly.²² This creates the need to include public servants in general in this target sector, many of whom frequently fail to realize the relation of taxation and their performance.

²⁰ *Rufail, Sergio. Op Cit*

²¹ *Idem.*

²² *Montúfar, Rodrigo: Op Cit, page 40.*

7.4 Scopes and messages

By virtue of the ultimate goal of contributing to the development of citizenship, the strategy shall not be limited to the tax sphere, but also extend to the fiscal area. Eurosocal defines it as follows: if the appropriate compliance with the tax obligations is one of the pillars that sustain the arch of civilized coexistence, the other is the appropriate management of the government expenditure programs. A country may enjoy an effective and efficient Tax Administration, but if Justice is venal, or Education and Health deficient, or the government officials are dishonest, the building shall be unsafe. The tax education shall not lose sight of the other aspect of the public budget and also see to the other aspect of tax fraud that relates to government expenditure. Thus, tax education is a strategy not so much to improve collection, but to build a better society with everyone's effort.²³

A basic aspect required to define the strategies of development of the tax culture is the understanding of the social elements tied to the behavior of the groups. Even when behaviors are common, each group features its own codes, in many cases learned from one generation to another, conveyed from parent to children, teachers to pupils, as well as influential players to the public opinion.

All this is transformed into truths by means of a beliefs and behaviors' socialization process, which enables it to be validated informally, but transcends and is acknowledged as a commonly accepted attitude.

Thus, the development of the tax culture requires the creation of new codes, new messages, new educational content and new forms of communication that enable to approach the different groups appropriately, easily and reliably.

The need to adopt tax education strategies is inversely proportional to the level of tax compliance. The more and better citizens meet their tax responsibilities, the less necessary it appears to foster the tax culture. Even so, countries with high levels of tax compliance, such as Canada, United States, Switzerland and New Zealand, include tax development in their educational programs to "prepare for adult life".²⁴

²³ Eurosocal, *Taxation Sector: Op Cit*

²⁴ IEF: *Op Cit*

7.5 Education as the pillar

Undoubtedly, the backbone in the development of the tax culture is education. It constitutes the most powerful tool to transform individuals' ways of acting and thinking. Isn't a society's culture the result of education? That is where the Tax Education mission finds its purpose and its interest in the educational processes.²⁵ Thus, if issues relative to health, environment and nutrition, road safety education or education on electoral topics are included in the education systems, then the development of the tax culture and tax education shall be also included.²⁶

According to an African saying, "a whole people are necessary to educate a child". This is the approach followed by Bernardo del Toro when he asserts that the greatest challenge in any democratic society is that of building a public education for democracy, that is to say, focused on the development of citizens who give life and sustainability to democracy: knowledge makes sense from the standpoint of democracy to the extent school contributes to form individuals capable of building the social order that enables an honorable life for all, in cooperation with others.

According to Del Toro, democracy is not natural in the human being. Democracy is an invention and, by virtue thereof shall be taught and learned. Thus, one of three first purposes to meet in a democratic development process is that children understand that, in social terms, the existing order and the relations arising in society are not natural, but built by people, and therefore, modifiable. When an education system believes that everything is natural, it is very easy to accept that there are children that may pass the school year and others that may fail, without any fundamental. But when we learn that the social order is created, the only logic is that all children succeed, because school success may be created and built. A first feature of democratic education and the democratic *ethos* in a democratic culture is that everyone understands that all these notions shall be taught and learned because they do not come naturally.

Such criterion is equally valid for the development of the tax culture. In a democratic society, taxes derive from social agreements made into laws by virtue of the power that the citizenry proper delegates

²⁵ Salas, Dolores (SAT, Mexico): comment in the Virtual Civic-Tax Education Forum.

upon lawmakers and authorities. Therefore, the tax system represents a self-imposed social commitment that every citizen shall live by and respect, based on the same values that enable to exercise civic rights and obligations. It is a creation that, just like democracy, shall be taught and learned because it entails notions and values that are not natural, but created by the society in which they live and according to the State in which they wish to live.

Values are not inherently educational contents but the basis of the education strategy, and require a cross-sectional and ongoing treatment in the education curricula overall -from elementary to higher education-, in line with the notion that the most relevant means to teach and learn them shall be based on experience, since it enables a better understanding and incorporation thereof.

Nevertheless, it is not recommendable to limit the messages and content of fiscal development to one educational current or the other. Just like the educational sphere is unlimited when it comes to education for life, the same applies when it comes to educating for civic life, which is ultimately the fundamental end of the tax culture.

In fact, functional interactions exist among formal, non-formal and informal education: complementary, supplementary, substitution, reinforcement and collaboration relations as well as intervention, so that, even if school forms part of the formal education system, it may include non-formal and informal processes. It is even considered that the formal educational institutions should increase the use of resources from the other two educational trends. In the framework of formal education, the knowledge obtained by individuals in non-formal and informal contexts should be valued and accepted. It becomes necessary to adapt to platforms that enable and promote the coordination among instances, in order to optimize the complementarity.²⁷ The genuine tax culture is instilled in all levels of education, for future citizens to be convinced of the need to contribute to the development of the community.²⁸

²⁶ IEF: *Op Cit*

²⁷ Trilla Bernet J, CEAC, Barcelona, Spain: *non-formal education*.

²⁸ Montúfar, Rodrigo: *Op Cit*, page 30.

7.6 Conditions of the strategy and its complementarity

One of the performance issues that tend to arise in every tax education strategy is to phase in and harmonize the educational contents in line with the principles and purposes referred to in this document. Conveying them to the intermediation agents, chiefly teachers, is another crucial topic, particularly owing to the importance of the school environments in facilitating learning and incorporation of the civic values by means of the appropriate instruments, for example, educational material and games, discussion workshops, practical experiences, etc.

The selection of the audiences and the means to reach them constitute additional relevant challenges for the strategy and entails the need to articulate the latter in the form of sequential or complementary projects, as well as establish objectives and inherent indicators for each one of them.

The examples mentioned set forth two of the basic conditions to be featured by the tax culture strategies: performance continuity and specificity of its actions. In line with these, they also highlight, among others, the necessary socialization with other players; its cross-sectional nature in the education system; its dissemination towards non-formal and informal spaces; and its inclusion in the government agenda as well as the media, which tends to be an important sphere in the development of images and perceptions that influence their social behavior.

But there are also other strategies inherent in the TA, which may supplement and strengthen its tax culture action, such as the case of all those referred to taxpayer service. The complex tax systems, cumbersome formalities, failures in the guidance of taxpayers or inappropriate taxpayer assistance practices are not good allies to foster the tax culture. To the contrary, they foster counterproductive effects thereupon; to the extent they undermine the image of the TA and affect its credibility.

Thus, the adoption of actions to simplify and make the tax and customs processes more transparent, as well as rendering better taxpayer services may be very instrumental to improve the purposes of the tax education strategy and, in general, the social perception regarding the performance of the collection agency.

8. THE EXPERIENCE OF GUATEMALA

Until three years ago, Guatemala had no significant experience in aspects related to the tax culture. Except for certain isolated and basic attempts, the issue was not included in the public agenda. It wasn't until 2005 that the Tax Administration undertook an integral effort in such direction, by means of dissemination and promotion actions, as well as different formal, non-formal and informal education projects.²⁹ This short but intense experience has been an input for this document, by which we have made a critical review and provided feedback on our vision on the development of the tax culture and its importance as a strategy to promote voluntary compliance.

For example, during the program design phase, SAT tried to separate the tax culture in its capacity of obligation and duty to pay from the final end of resources and the form in which they are "returned as services" to society. This is due to the fact that they are two functions from two different institutions and the Tax Administration has no control over the distribution of income.

Nevertheless, in the discussion workshops that we conduct with the participation of local authorities and civil society from the twenty-two departments (provinces) of the country, it became very clear and obvious that there is no better promoter of the tax culture than appropriate government expenditure –efficient, rational and transparent-. In other words, society itself showed us that an important stimulus (or lack of stimulus) for taxation is made up by the management and allocation of government funds, in addition to the fact that, in the case of many countries –among them Guatemala-, the enforcement of taxes is deemed a discretionary act, related to the positive or negative perception on the use of funds.

One of the objectives of the development of the tax culture shall be, precisely, to break the vicious circle and create awareness that

²⁹ *In order to define each one of them, we shall adopt the notions defined by the Institute for Fiscal Studies of Spain, IEF:*

- *Formal education: is the one developed within the educational system when it is marked by a formal denomination that leads to the achievement of a degree, diploma or certificate authorized by the education administration.*
- *Non-formal education: is the one developed outside of the educational system through courses or training activities that do not result in a degree, diploma or certificate authorized by the education administration.*
- *Informal education: it refers to every educational process that is delivered intentionally or unintentionally by any means and by any institution.*

taxation is not only a legal obligation, but a duty of each person with society. Additionally, the individual shall be convinced that meeting such responsibility grants the moral authority required to demand the Government Administration to make the appropriate and transparent use of public funds.

It is worth pointing out in the case of several Latin American countries –including Guatemala- that our people represent diverse cultures and, therefore, the tax culture strategies shall be adapted to such diversity to be effective in each one of the groups that make up our societies.

For the implementation of the Permanent Tax Culture Program in February of 2005, we did not rely on an initial measurement of citizens' taxation knowledge, which would have been desirable. In order to develop the program strategy and select the actions and priorities, an initial proposal was the starting point addressed in the discussion workshops, as mentioned above.

Among the lessons learned in such workshops, we may mention:

The appreciation of the social aspect of taxation, that is to say, the relevance of considering the other side of the coin—the allocation of revenue-.

The importance of social participation in the management and execution of the tax culture development projects.

The need to develop an integral strategy with three areas: Education (Formal and non-Formal), Promotion (Informal Education) and Dissemination, based, in turn, on three cross-sectional axes: Information, Training and Awareness.

8.1 Actions of the permanent Tax Culture program

Hereunder, we briefly describe the actions developed to the present as part of our integral strategy:

Information considers aspects such as the dissemination of the program, its content and actions, the creation and maintenance of the Tax Culture Portal on the Internet, the implementation of different awareness campaigns and the publications on the basic information contents, for children and youths as well as adults and taxpayers in general (for example, the publication on the media of different

informative and educational press publications: infomercials on tax, customs and the country's tax history).

Development refers to all the educational actions in its different approaches (formal, non-formal and informal), among which the following are included:

- a) Inclusion of the tax culture in the elementary school curricula, in addition to the distribution of school texts and tax education games;
- b) Joint work with the Ministry of Education on the review of the educational curricula of the basic education and diversified high-school cycles as well as on the curricular transformation of the program for the Bachelor's Degree in Accounting;
- c) Development of a program to support the professional development of individuals with the Bachelor's Degree in Accounting based on the implementation of a higher tax education course (onsite and virtual) and supplemented by an academic certification project for such professionals;
- d) Taxation training courses, for taxpayers as well as individuals with a Bachelor's Degree in Accounting who conduct intermediation activities between the former and the TA;
- e) Development of a tax training program in Mayan languages for the different rural areas in the country;
- f) Staging two tax culture musicals for schools and public activities, as well as production of the audiovisual versions thereof;
- g) Execution of the Tax Lottery program in the 22 departments of the Republic, conceived to stimulate consumers in general to request the invoice of their purchases of goods and services;
- h) Presentation of an interactive audiovisual exhibition and a space for computer games in an area with important assistance of children and families;
- i) Production of a musical video clip mainly focused on the teenage audience, disseminated on different media: television, radio, the Internet and cellular telephony; and
- j) Production of a television series for children in the educational entertainment area.

Lastly, the creation of tax awareness plays a vital role in the Education as well as Dissemination projects and activities, since it seeks that the two previous axes (information and development) transcend the minds of beneficiaries and become principles and perceptions that translate into voluntary compliance behaviors, by the present as well as future taxpayers.

8.2 Inter-relations

Apparently, the school environment is not proper of the Tax Administrations, which underlines the relevance of relying on the support of the education authorities, but, above all, achieving the commitment of teachers on the issue. In the case of Guatemala, the cooperation process among the Tax and Education Administrations is still incipient, but the initial experience has set forth that classrooms are fertile ground not only for the formal educational actions, but also for the informal ones, such as school competitions and theater plays, for example.³⁰

Although education is by excellence the environment to develop the tax culture –particularly in the case of children and youths –, the other great field of action of the strategy adopted in Guatemala is that of dissemination, as set forth, which includes advertisements via conventional media (newspapers, radio, television) to alternative media advertising (outdoor signs, artistic performances, sports events), including the production of different electronic and printed material, and the specific Internet Portal.

The dissemination actions not only enable to reach other target groups, but also supplement the activities aimed at children and youths. Additional and different educational mechanisms³¹ always coexist with school, among which we may mention the media, especially relevant by their coverage and influence.

In the case of Guatemala, the commitment of other public players is a relevant need, chiefly because, as we have mentioned before, the functions of the Tax Administration are limited to collection, while the expenditure allocation is a function of the Central Administration and, particularly, the Ministry of Public Finance. Thus, the actions for the development of the tax culture shall not exclude the references on how to manage and invest government resources, since the issue calls for this conceptually integral approach.

³⁰ *Comment by Sergio Estrada (SAT, Guatemala) in the Virtual Civic-Tax Education Forum: “Not every initiative shall be considered as a formal education initiative. Certain efforts may be very effective from the alternative or non-formal standpoint, provided they are well managed. The important aspect is that every action responds to a strategy carefully defined by the TA and devised in terms of impact pursued as well as cost/benefit for the administration.”*

³¹ *Trilla Bernet: Op Cit*

8.3 Strategy principles and features

The development of the SAT tax culture has enabled to observe a series of principles, which in line with the features of its initial definition and those incorporated in the course of its performance, have granted it an inherent physiognomy, which in turn has facilitated its incorporation in the public agenda. Among such distinctive features we may mention the following:

Direction: relevant products, messages and actions for each target group have been developed, and in spite of conveying a single core message, they have been adjusted to the language and features of the members in each segment.

Mechanism: in addition to the above, the use of stimuli such as images, music and other audiovisual elements has been key to strengthening the creation and dissemination of the relevant messages.

Message: one of the notions learned from the program's practices and actions is the use of clear and simple language, accessible to all publics, and maintaining a single message for each one of the products or services, avoiding ambiguity or unnecessary digressions.

Consistency: it is inherent not only conceptually, but also as regards perception, which attaches importance to the use of images, characters, colors, forms and all the stimuli related to an immediate identification of the products or services with the core message.

Nature: a working methodology has been adopted, which on the one hand calls upon reason essentially based on common sense, and on the other, focuses on the audiences' emotional perceptions on aspects such as kindness, happiness, humor and enthusiasm of teamwork, which generated identity and identification with the program's content and objectives.

Facilitation: it is achieved by stimulating thoughts and emotions, games, knowledge based on new materials and the adoption of traditional and alternative communication channels that include the Internet as a technological element.

Tools: a variety of tools have been employed such as: books, games, electronic devices and Internet applications, which may be within the reach of the different target groups and are easy to reproduce thereby.

Audiences: the appropriate selection of the audiences has been a process implying deep efforts with key players and has been performed in the interior of the country to know the attitudes and perceptions of the different audiences as regards tax matters, as well as their reactions before different program actions.

Products: a diversity of educational as well as communicational products and materials have been designed by specialists after an adequate validation, which have served to create a “basis of trust” and a link between the program and its different target groups.

Receptiveness: aside from isolated expressions of skepticism or rejection, we have detected receptiveness, acceptance and other positive reactions to the tax culture efforts in the course of the development of the program, which has been used to extend the social pillars thereto and work on the articulation of new alliances with different institutions, public, private and international.

Team: this is a key factor in the strategy, on the one hand due to the fact that the creation of a multidisciplinary working team has enabled to create messages, products and approaches with different professional views and on the other, that the alliances with other players and institutions enhances the program and favors its sustainability.

Support: no strategy may operate if it lacks the necessary financing. From the beginning, the program has relied on the support of the three main Tax Administration authorities, set forth an appropriate budget for the projects and actions defined since 2005, and since 2007 it has been supported by a dedicated administrative unit that directly reports to the senior authority of the institution.

8.4 The local environment and reciprocity

In several native communities of Guatemala the tradition of making contributions of different nature has survived (monetary, in kind or in labor) to carry out work or activities for the benefit of the community. This contribution, called *kuchuj* in the Mayan *k'iche'* language, represents an ancient social practice that clearly illustrates the principle of reciprocity mentioned before, since it constitutes the materialization of a payment or investment prior to obtaining a good or service aimed at satisfying a collective need.

Likewise, numerous native communities follow the tradition of gathering contributions to pay for the expenses of Mayan spiritual ceremonies or rituals, as well as in the churches of different religious denominations we find the payment of the tithe by which the congregation finances the material support of the church and, in exchange, receives a spiritual gratification according to its beliefs.

Such examples not only express the importance of reciprocity as the ground for the voluntary contribution in exchange for a collective or individual benefit, but also state the relevance of the local environments, relatively closed or limited, so that the practices of a genuine, collaborative, self-founded practices may be materialized and sustained therein, and tied to the transactional notion of “give in order to receive”.

Such type of local experiences may constitute a good starting point to initiate tax culture projects that, from the micro or local viewpoint, may enable to build cases that show good practices on the issue, whether in school, a youth club or an artistic or sports association.

For example, in Guatemala, SAT is launching a pilot project on the “model municipality” (named Sound Municipality), which in its first stage seeks to lay the groundwork for a municipal tax compliance model based on intensive taxpayers’ registration campaigns and the use of the mandatory invoice in all the transactions of goods and services, as well as the deepening of numerous tax culture projects and actions in the municipality, especially in the educational field.

8.5 Insight and exploring

The dynamic of every strategy to develop the tax culture requires more insight of its actions on ground that has proven fertile, as well as exploring new areas to extend or supplement the efforts of the educational experience.

For example, the formal education actions, on the basis of their nature and broadness, appear among the ones requiring more insight, but they may be also strengthened by the application of distance education tools, which although posing the challenge of promoting access to new technologies, present attractive conditions in terms of economy, coverage and impact.

As regards the approach and contents, the experience of the tax culture program in Guatemala features a progressive migration to the broadest sphere of citizen development, which opens the doors to a new dimension for the scope thereof, while it offers a more diverse array of educational options and potential strategic alliances.

Finally, understanding the relevance of improving taxpayers' service and assistance has lead SAT to incorporate this type of initiatives into its strategic institutional plan for 2008-2011, under the motto "easy and sound", precisely with the purpose of underscoring, on the one hand, its commitment to making formalities and procedures easier and more transparent, while, on the other it emphasizes the importance of achieving full, fair and accurate compliance with tax obligations. The continuity of its tax culture strategy, as well as the expansion and deepening of the actions undertaken in this field, is called to contribute in the achievement of the objectives of such broader institutional strategy, since they already constitute a significant component thereof.

9. CONCLUSIONS

1. The payment of taxes is the expression of compliance with a legal norm, which may be determined by the obligation to respect the law or the conviction that tax compliance is a civic duty. The latter is the behavioral expression of the tax culture, which consists in the set of principles and values that determine compliance as the result of the understanding and self-founded acceptance of the regulations that govern it.
2. The source that legitimates the performance of the Tax Administration is, fundamentally, the law, and, therefore, the exercise of the authority stemming therefrom. Compliance with tax duties responds to an order established by law, marked by regulations, terms and specific sanctions, which grant the tax authority the power to collect taxes and enforce authority against those who fail to meet their tax obligations. Nevertheless, in order to promote democratic coexistence with social cohesion, it is of utmost priority to create a voluntary tax compliance environment rather than an enforced compliance one, although both are equally legitimate and convergent in the sense that they translate into a same attitude: abiding by the law.
3. The tax culture is integrated into a broader notion, that of *tax citizenship* –which spans the correct compliance with such

obligations, from the standpoint of revenue as well as government expenditure- and relates to the other two spheres of social values: the culture of legality and the development of citizenship, that is to say, the development of responsible citizens that exercise their rights and meet their obligations.

4. The Tax Administration shall conceive civic-tax education as part of its core functions, since the development of a tax compliance culture in the long-term constitutes one of the strongest and reliable bases for collection, by taking the form of a responsibility accepted and shared by citizens.
5. Nothing advances the tax culture better than an adequate government expenditure, since according to the reciprocity principle, the efficient, rational and transparent use of public resources -by transforming them into goods and services for the common good- legitimates the State collection function and motivates society's voluntary compliance with tax obligations.
6. The development of the tax culture shall be deemed a systematic and permanent long-term effort, sustained by principles, geared at the reinforcement of civic values and, consequently, focused on present as well as future taxpayers (children and youths), since it constitutes one the bases to create and sustain democratic citizenship.
7. The tax culture development strategy constitutes a tool to harmonize the ethic and cultural values to contribute in the promotion of the culture of legality.
8. The need to adopt strategies to develop the tax culture is inversely proportional to the level of compliance with tax responsibilities. Even so, countries with high levels of tax compliance promote tax education as part of the school curricula to prepare for adult life.
9. The tax culture is fundamentally aimed at instilling behaviors in favor of tax compliance and against tax fraud, by conveying ideas and values that may be internalized individually and valued socially. This entails a cultural change that underlies the long-term condition as one of the frequent and most important features of any tax culture development strategy.

10. There are no “recipes” for the adoption of strategies geared at the development of the tax culture. They are rather the inherent features in each country, as well as the availability of resources for each Tax Administration, which ultimately determine the type and scope of the pertinent initiatives. The most important aspect is that each Tax Administration clearly defines its tax development objectives and establishes its priorities according to them and the resources available.
11. The Tax Administration is logically the largest stakeholder in the development of the tax culture, but this does not make it the only one. The education administration and the rest of the government administration is also part of the process, since it shall genuinely take the status of a State policy rather than a government policy, of an ongoing program and not a cyclical project, with the participation of the local administrations and other sectors and civil society institutions.
12. Since the tax norms shall constitute a part of the set of values that every adult individual must assume, respect and protect in a democratic society, children and youths, to the extent they are future citizens and taxpayers, are the natural beneficiaries of the tax culture programs. Also included are the current, effective and potential taxpayers as well as the staff of the Tax Administration and public servants in general.
13. The backbone of the development of the tax culture is education in its different modalities (formal, non-formal and informal), since it represents the most influential means to transform individuals’ behavior and ideas.
14. Just like in the case of the democratic culture, the agenda of principles and values that constitute the tax culture shall be taught and learned, since it entails notions and fundamentals that are not natural, but created by the pertinent society where individuals live and according to the type of State envisioned.
15. The taxation-related values are not, per se, educational contents, but they constitute the basis for the education strategy and require a cross-sectional and ongoing approach in the overall educational curricula.

16. Tax education may by no means be reduced to the dissemination of practices that only serve to fulfill the requirements of the tax system, which, although vital, are mechanical and ever-changing tasks in time. Neither shall it be limited to the scope of the tax formality, the legal order and the reasons for compliance therewith, but it shall be, necessarily, an education focused on the cultural change and the prioritization of ethics in the social conglomerate.
17. Although education is by excellence the fertile ground for the tax culture –particularly for children and youths–, its effectiveness is normally supplemented and enhanced by information and dissemination actions, by conventional as well as alternative means of communication.
18. Institutional support, availability of appropriate resources, conscious assessment and selection of the available options, the appropriate selection of audiences, clear and consistent messages, as well as the connections that are established with the target groups, are relevant conditions to further any tax education strategy, to the extent they may be defining for its effectiveness.
19. Local experiences may constitute a good basis to start tax culture projects, which, from the micro or local standpoint, enable to build cases of good practices on the issue.
20. The strategies for the development of the tax culture shall be marked by continuity in its furtherance, specificity in its actions, socialization with other players, cross-sectional intervention in the education system, extension into the government public agenda as well as the media. Likewise, they may be supplemented and enhanced with other Tax Administration strategies, such as those related to taxpayer assistance.