TOPIC 2

STRATEGIES TO PROMOTE VOLUNTARY COMPLIANCE

Lecture

Topic 2

STRATEGIES TO FACILITATE TAX COMPLIANCE

Luis Pedroche y Rojo
General Director
State Agency of Tax Administration
(Spain)

CONTENTS: Summary. -Introduction. -1. Causes of Tax Noncompliance. -2. Beneficiaries of The Voluntary Compliance Measures. -3. Measures To Foster Voluntary Compliance. -a) Simplification of tax regulations and their general dissemination. -b) Tax information by request of citizens. -c) Opening new communication channels. -d) Assistance services for compliance with tax obligations. -e) Measures to favor customs brokerage. -f) The Electronic Tax Administration. -g) Fostering social cooperation. -h) Civic-tax education as a preventive measure: an investment in future taxpayers. -i) Communication strategy. -j) Transparency of the Tax Administration. -k) Citizens' opinion. -l) Preventive actions to avoid noncompliance. -Conclusion.

SUMMARY

The purpose of this presentation is to analyze the different measures aimed at facilitating and fostering voluntary or spontaneous compliance with tax obligations. Its core and inspiring axis is based on the idea of consolidation and improvement of taxpayer assistance and service as, undoubtedly, the best strategy against tax fraud, to the extent they are aimed at preventing it, that is to say, avoiding it. To such end, two previous issues are addressed initially: firstly, determining the causes of tax noncompliance and secondly, the target taxpayers for the voluntary compliance measures.

As regards the causes of tax noncompliance, we provide data taken from different publications and public opinion surveys conducted in Spain. As regards target taxpayers for the voluntary compliance measures, we propose segmenting the different types of noncompliance and, therefore, of the measures' target taxpayers. Both analyses provide a framework to the working area to which the design, development and implementation of the foregoing measures apply.

Once the principles that shall govern any action for the design and implementation of such measures have been defined, a broad array of measures is analyzed, among which we may highlight: firstly, those directly related to the day-to-day performance of the Tax Administrations in this field of activity. Thus, we reflect on the forms of providing tax information to citizens and rendering assistance services and, specifically, the Administrative assessments of tax statements as well as the possibilities offered by the new technologies in this respect.

Secondly, we also set forth measures such as the promotion of social cooperation, participation and tax education programs or the commitment to transparency in the Tax Administration activity as regards actions that contribute, support and favor voluntary compliance with tax obligations. To conclude with this analysis, we mention other measures related to this scope of Tax Administrations' action.

The presentation ends by highlighting the need for a balanced and integral performance for the two great strategic courses of action in the performance of the Tax Administrations in the last few years: on the one hand, increase and improve the services offered to those who are willing to meet their tax obligations and, on the other, develop and intensify the instruments that enable to discover and identify noncompliant taxpayers. Achieving greater efficacy and efficiency along both lines, as two sides to the same goal, is the ultimate objective and the mission commissioned to the Tax Administrations, that is to say, the effective implementation of the State tax and customs system.

Based on the foregoing statements, the Tax Administration information and assistance constitutes a right of taxpayers to enable compliance with their obligations, especially if we consider the complexity entailed by the tax system. Therefore, it is necessary to consolidate modern Tax Administrations that see to the growing demand for services and in which the principles of efficacy, efficiency and taxpayer service are articulated as the core axis in addition to leveraging the opportunities offered by the new information and communication technologies in this area.

INTRODUCTION

Since its creation in 1992, the Tax Administration has been mandated by Law to enforce the State tax and customs systems effectively as well as the other resources of other national or European Union Administrations and Public Entities, the administration of which stems from a Law or Convention.

It was created under the general State Administration modernization process, based on the idea that the ultimate goal of the Administration is to serve the citizen effectively and efficiently. In this regard, efficacy and efficiency as guiding principles of the administrative function are present in the two main courses of action of the Tax Administration: on the one hand, the taxpayer assistance and information efforts, which pursue reaching the highest degree of taxpayers' voluntary compliance as well as other subjects, facilitating compliance with tax obligations and reducing to the maximum extent possible indirect tax pressure and, on the other, the activity to control or combat tax fraud, from the most severe to the less severe cases, which guarantees the effective application of the tax and customs system, and therefore, the generality and equity in the contributions to the tax burden.

The purpose of this presentation is to analyze the different measures aimed at facilitating and fostering voluntary or spontaneous compliance with tax obligations, based on the idea that the consolidation and improvement of taxpayer service and assistance systems are undoubtedly the best strategy against fraud, to the extent they are geared at preventing it, that is to say, avoid it.

Tax noncompliance, in its diverse forms, is a phenomenon that affects every modern society. All the Administrations undertake efforts to convince society of the value of compliance with legislation for the good operation of the Rule of Law, and try to counter a phenomenon that seriously affects the principle of solidarity and equality of citizens before the law. The combat against tax noncompliance has become one of the fundamental strategic objectives of the Tax Administrations, for ethical reasons, because the efficacy in this struggle is closely tied to the effective application of the principle of tax justice, as well as strictly economic reasons, since noncompliance hinders the sufficiency of government revenue and the stability of the models of economic growth proper.

The need for new approaches adapted to modern democratic societies, open and internationalized, has fostered the pursuit of more imaginative formulae in the combat against fraud, provoking significant mindset changes. Thus, we have shifted from a strategy based only on the correction of behaviors and the extensive use of the coercion instruments to the introduction of measures to prevent noncompliance.

On the other hand, awareness has been raised on the need for Tax Administrations to perform according to their purposes and adjust their means and procedures to predefined objectives. Therefore, the struggle against tax noncompliance shall be described as a planned activity whose strategies and measures shall be partly considered a progressive effort to modify the mindset and behavior of citizens in the face of fraud.

After these introductory comments, and prior to approaching the analysis of the specific measures or strategies to facilitate and increase taxpayers' voluntary compliance, and therefore, reducing the degree of tax noncompliance, it is interesting to address two previous questions: firstly, which are the causes of tax noncompliance and, secondly, who are the target taxpayers for the voluntary compliance measures.

1. CAUSES OF TAX NONCOMPLIANCE

As regards the causes of tax noncompliance gathered in the public survey **"Annual Tax Barometer 2006"**, data reflect a polarized situation in Spain. Therefore, half the participants think that tax compliance has improved while the other half thinks it has worsened, with the increasing perception of tax fraud growth. This result should make us reflect upon the causes, without forgetting that compliance and tax fraud are two sides of the same coin.

The "Tax Barometer" evidences that the block of moral causes of tax fraud, such as the lack of honesty and civic awareness, has experienced a slight growth in the last three years, reaching 24%, while the other three blocks (economic, administrative and tax/services' ratio) remain in the mean of the last three years. According to the answers given by the participants and after grouping the different causes of tax fraud, the main causes by which tax fraud prevails in Spain may summarized in two: on the one hand, the lack of taxpayers' honesty and civic awareness and, on the other, the impunity of certain fraudsters. According to the 2006 participants, concealing economic activities

from the Administration and Social Security is the most detrimental type of fraud for society overall.

2. BENEFICIARIES OF THE VOLUNTARY COMPLIANCE MEASURES

As regards this issue, that is to say, the main beneficiaries of the voluntary compliance measures, from the standpoint of reducing tax noncompliance, we may distinguish four different taxpayers' behaviors:

Firstly, the group formed by the taxpayers who shall be always noncompliant; in other words, a purposeful tax fraud, pursued by noncompliant individuals. In this group, we would find the most serious tax noncompliance behaviors, from those implying full noncompliance with tax obligations (an underground economy), up to the activities purely and exclusively aimed at obtaining inappropriate tax refunds (fraud schemes).

This group of taxpayers is not apparently the main beneficiary of the measures to facilitate and foster voluntary compliance. Although there are certain measures such as tax education at school or the effect induced by tax information, which in the medium and long term may help to reduce it, it is evident that the Tax Administration efforts on this group are focused on controlling and combating tax fraud.

A second group of taxpayers, which may be deemed partially noncompliant individuals, are those who fail to comply only when they have the opportunity or chance. Therefore, it is an accidental but accepted fraud.

In this case the effect of the tax education measures to reduce this type of behavior is clearer. This reduction would arise, on the one hand, from those experienced by the new incorporation of noncompliant individuals and, on the other, a greater receptiveness from this group of noncompliant individuals to the effects of isolation and social stigma from being a tax violator on a highly educated society.

The third group of noncompliant individuals would be made up by those who base their noncompliance on different reasons, but under a common note, which is no other than lack of knowledge or difficulty for certain individuals or corporations in facing the tax world. We may

provide the following examples of the arguments provided by such group of taxpayers:

- Complexity of the tax norm.
- Ignorance of the obligation to file a tax statement.
- Difficulties in completing such statements.
- Difficulties to access the Tax Administration offices.
- The large number of tax obligations to be met.

As it may be inferred, this third group of taxpayers is the target of most of the strategies or measures to facilitate and foster voluntary compliance.

Lastly, there is a group of taxpayers, made up by those who meet their tax obligations. We should not forget that the great majority of taxpayers meet their tax obligations, by which these measures for voluntary compliance shall be equally aimed at compliant taxpayers overall.

Ultimately, the strategies geared at facilitating and fostering voluntary compliance shall be aimed at achieving taxpayers' change of behavior to become part of the last group, the compliant taxpayers.

3. MEASURES TO FOSTER VOLUNTARY COMPLIANCE

Before starting the analysis of the plausible measures to foster voluntary compliance, it is necessary to refer to a series of principles that shall be considered in any effort aimed at fostering voluntary compliance:

1. Full respect of the rights and guarantees of citizens as set forth by law.
2. The first commitment towards citizen assistance for the compliance with tax obligations.
3. Offering convenient, expeditious and simple procedures regarding tax obligations, avoiding unnecessary proceedings and mobility by citizens, with new channels to communicate with taxpayers, facilitating the payment of tax debts.
4. Expeditious and fluent communication with citizens based on the most modern technologies.
5. Security and confidentiality in relations with citizens.
6. Generality and equity in the enforcement of the tax system, for all citizens to contribute their fair share.

7. Professionalism, fairness and transparency in the acts of the Tax Administration, in order to generate the highest level of trust in citizens.
8. Pursuit of efficacy and efficiency in all the tax procedures undertaken by the Tax Administration.
9. Ongoing adjustment to the economic and social context and the new needs of citizens.
10. Participation of other government bodies, institutions and social entities to render services that facilitate citizens' compliance with tax obligations.

These guidelines shall always govern the design and implementation of measures geared at improving voluntary compliance. In the course of this presentation, among the broad variety of measures to favor voluntary compliance, we shall firstly highlight those that relate to the day-to-day work of the Tax Administrations in this area. Thus, we shall reflect upon the need to simplify and disseminate the tax regulations, on how to render tax information to citizens and the rendering of assistance services, among which we may underscore, the Administration's tax assessment as well as the possibilities enabled by new technologies in this sense.

Secondly, we shall also refer to other measures such as fostering social cooperation, participation and implementation of tax education programs or the commitment to transparency in the Tax Administration activity as regards procedures that contribute, support and favor voluntary compliance with tax obligations.

a) Simplification of tax regulations and their general dissemination

Most certainly, our tax systems are complex and the regulations governing them are permanently modified. We shall acknowledge that none of the three important taxes: Value Added Tax, Individual Income Tax and Corporate Income Tax are simple taxes. Likewise, the Income Tax for Non-residents poses certain issues in its enforcement on the target taxpayers' group. All this entails that the basic elements on which the Tax Administration of each country shall rely are not easy to understand for most citizens. Even businesses, especially if they are small, face difficulties in maintaining adequately updated tax regulations and being well informed on the enforcement thereof and how to appropriately meet their formal obligations.

If we analyze the data from the Tax Barometer 2006, taxpayers' evaluation of the difficulty to understand tax regulations reaches 2.9 on a scale of 4. Although there were no changes for Income Taxes and Corporate Taxes, the evaluation of the difficulty regarding the Value Added Tax has increased to the level attached to the other two types of taxes.

Therefore, it is an unfavorable factor that should be corrected or, at least reduced, on the one hand, by the effort required to reduce to the extent possible the difficulties of such norms, employing language to facilitate its understanding, without detriment to the technical accuracy thereof, and on the other, by developing assistance measures of different sorts, such as creating guides and handbooks to assist in the preparation of tax statements, in a more informal language and employing case studies and examples.

The great difficulty in the compliance with the material and formal obligations imposed upon taxpayers by the tax regulations, as well as their constant amendments and construal difficulties, makes it vital for the Administration to inform taxpayers on their rights and duties and help them in their exercise and compliance respectively. It should be taken into account that this complexity is especially evident in the compliance with tax statements, since most tax regulations provide for the self-assessment procedure.

Consequently, according to the Tax Barometer of 2006, the number of taxpayers that complete tax statements on their own is still a minority (13%), against those who resort to external assistance (87%).

Dissemination of taxpayers' rights and duties appears as a demand arising from tax regulations; thus, the General Tax Act, among other rights provides for the right of taxpayers to be informed and assisted by the Tax Administration in the exercise of their rights and the compliance with their tax obligations. Likewise, and in order to complete this assertion, the Law establishes the duty of the Administration to provide taxpayers the information and assistance required as regards their rights and obligations.

The Tax Administrations shall make all the means available to provide taxpayers the information on their rights and duties, and consider in their communication strategies the specific features of the different types of beneficiaries. Therefore, specific treatment shall be given to the groups of taxpayers that face greater difficulties

in learning about the tax regulations and their tax obligations, as in the case of immigrants and disabled individuals. The Spanish Tax Administration has developed initiatives to reach such groups, among others, meetings and informative discussions in the offices, as well as designing products especially adapted to individuals with certain disabilities. Another specific feature considered by the Spanish Tax Administration in the information and assistance efforts is the Spanish multilingual context. In this case the Tax Administration has fostered the use of Spanish languages different from Castilian on the documents and communications geared at citizens, as a form of broadening the channels by which they may know their rights and guarantees and their tax obligations.

The dissemination of tax regulations and tax information we are referring to is the one provided to citizens in general terms, without any request thereof, and therefore, broad in nature, which may be materialized according to two main courses of action:

1. The first one would consist in the annual publication of the updated texts of the State tax regulations with their amendment from the previous year, as well as a list of all the tax laws passed in the course of such year. Likewise, the appropriate channels to disseminate the administrative criteria in place to enforce the tax regulations shall be established, enabling to query IT databases containing such criteria.

   In this respect, new technologies are relevant, since the publication of regulations on the Internet as well as the queries requires a very short time and offers users very useful browsing functionalities.

2. The second course of action would span the non-personalized information communications and initiatives. In this field, the most relevant undertakings by the Spanish Tax Administration are the following:

   - Drafting a Letter of Services aimed at informing citizens of the services provided by the Tax Administration, the quality commitments assumed in their rendering and their rights with regards to their relation to the Tax Administration.
   - The information provided by means of advertising campaigns, institutional as well as specific to Tax Administration products or campaigns, which are performed by different media, press, radio and television.

- Publishing informative booklets aimed at providing taxpayers specific information on the applicable taxes.
- Forwarding communications to inform on the taxation of certain sectors, activities or sources of income.
- Newsletter. The Tax Administration sent 40,541,810 newsletters in 2007.
- Publishing guides and handbooks to draft tax statements for different taxes (basically Individual Income Tax, Corporate Income Tax, Value Added Tax and compliance with other formal obligations) distributed in print at a low cost, as well as via the Internet on the Tax Administration Web page. Specifically, the number of manuals published in 2007 amounted to 387,500, of which 286,000 refer to the IIT, 40,000 refer to the Corporate Income Tax and 61,500 to the Value Added Tax, without detriment to its electronic distribution that enables the partial or total printing thereof.

b) Tax information by request of citizens

The Tax Administrations shall attempt to reduce the difficulties in learning and interpreting the tax regulations as mentioned before, not only by the foregoing general actions, but also by providing answers to specific taxpayer requests, that is to say, by means of personalized information.

Such personalized information procedures may be undertaken according to different modalities, such as the answers to specific taxation questions, or rendering the full text of certain queries or resolutions upon citizens' request, or otherwise, the answers to the request for information on the status of proceedings in which the requesting parties are stakeholders.

A very useful instrument that enables to provide information faster to citizens is to create a database of frequently asked questions and the answers thereto, so that the information services may rely on the appropriate answers immediately. In Spain, the number of queries to said Tax Administration Database (by the name of *INFORMA*) amounted to 4,818,902 in 2007.

Personalized information and assistance in the case of written queries shall consider, whenever possible, the modality we may call "binding query", by which the answer provided by the Tax Administration to the

query posted is binding for it. This type of queries, or rather answers, assures taxpayers that when they fit the criteria set forth in the answer provided by the Administration, the bodies in charge of enforcing taxes shall abide by the contents therein and also, the Administration's control shall be limited to verifying the consistency of the query, the taxpayer's status and the application of the criteria in the answer provided.

c) Opening new communication channels

The efficacy of the personalized information actions and relation with the Administration may be significantly increased on the basis of a multi-channel strategy, aimed at offering taxpayers different channels for each one to choose the channel deemed most accessible at a lower overhead cost to request and obtain the information required, especially prioritizing those that spare citizens the inconvenience of having to visit the offices of the Tax Administration.

In this sense, one of the most broadly used communication channels is the telephone: 5,270,618 calls were made to the Spanish Tax Administration tax information telephone number in 2007. Centralized management of this service results in an improvement of its efficacy and efficiency, not only because the use of a single number across the national territory makes it easy to remember for citizens, but also because it enables the homogeneity of procedures and a more rational and faster distribution of calls. The Spanish Tax Administration relies on a Telephone Assistance Center that provides telephone assistance for a number of services.

Likewise, the implementation of voice recognition units that enable to carry out repetitive proceedings, which could undoubtedly spare the taxpayers who do not rely on the Internet a visit to the Tax Administration offices. Such units processed 6,373,589 calls in 2007, 7.70 percent more than in 2006, becoming one of the services in greatest demand by taxpayers.

The increasing use of the communication channels offered by the new technologies is especially worth highlighting, a field in which the Tax Administrations have quickly evolved to render their services. It is evident that almost all the Tax Administrations have created a free access area on the Internet that offers all types of information and assistance, together with another restricted area that may be only accessed with a user ID that serves to undertake different proceedings.

Finally, we shall mention the use of original communication channels such as text messages, to which the Tax Administrations shall adapt their services in order to reach the largest number of citizens and spare them, as mentioned before, the visits to the tax offices, which are always burdensome.

Other issues are worth mentioning as regards the communication channels implemented by the Tax Administration. Firstly, the customer service protocols and procedures shall be available, personal as well as telephone assistance and training for the staff performing such tasks, with the purpose of guaranteeing an appropriate treatment of citizens and ensuring they receive the information appropriately. Likewise, great attention shall be placed on the design and configuration of the Internet page, for users to enjoy an optimal use and productivity of the information offered thereby. Each new access by taxpayers to the different services of the Tax Administrations entails a new possibility of resorting to them in the voluntary compliance strategy. Therefore, certain aspects in the rendering of such services shall be improved, such as:

- Avoiding lines and crowds in the offices.
- Avoiding placing citizens on hold over the telephone for a long time.
- Developing a streamlined Web page with an appropriate search system.

d) Assistance services for compliance with tax obligations

In addition to the measures aimed at providing tax information to citizens, whether of a general or personalized nature, the Tax Administration rendering of assistance or help services constitutes a fundamental course of action to directly facilitate and foster voluntary compliance with tax obligations.

Among this group of measures, we may mention the following ones:

1. IT SOFTWARE TO ASSIST IN THE COMPLETION OF THE MOST RELEVANT STATEMENTS.

Currently, the Spanish Tax Administration distributes software to prepare twenty-two different tax statement models that cover the three most important tax entities (Individual Income Tax, Corporate Income Tax and Value Added Tax) and the main informative statements. Such software

may be obtained in a CD-Rom at the offices of the Administration or downloaded from the Internet and are geared at assisting taxpayers in filing their statements. Once completed, taxpayers may either print out their statement on a white sheet of paper and file it just like any other pre-defined model, or otherwise file it directly via the Internet, for which it is necessary to rely on a digital signature certificate that fully guarantees the security and confidentiality of the information. Among such software, we may underline, on the basis of its relevance, the "Assistance software to file the Individual Income Tax" (PADRE, as per the Spanish acronym).

The main advantage of this software is the high degree of reliability for taxpayers, since it includes mechanisms that correct the calculation mistakes and incorporates controls that apply criteria derived from tax regulations.

In Spain, in 2007, 27,536,176 statements were filed with assistance software, which accounts for over 98% of the overall Individual Income Tax statements filed, over 86% for Value Added Tax, over 99% of the overall Corporate Income Tax statements filed and over 92% of the overall tax information statements.

2. DRAFT INDIVIDUAL INCOME TAX STATEMENT

Currently, more and more countries send taxpayers informative Individual Income Tax statements completed by the Administration. This strategy intends to facilitate for certain groups of taxpayers their relation with the Tax Administration, avoiding the burden of having to draft their statement. It should be considered that this sector of taxpayers generally interacts with the Tax Administration only once a year.

The draft statement simplifies and facilitates such relation, since, once received, if the taxpayer considers it reflects his/her tax status for the purposes of the tax and is in line with the contents thereof, he/she shall be able to confirm or subscribe it, which renders it a tax statement to all purposes and effects. In case the taxpayer objects, the stakeholder may indicate to the Administration the data deemed incorrect for the rectification thereof, or simply ignore the draft and proceed to the self-assessment.

In Spain, 10,555,831 draft statements were issued for the Individual Income Tax in fiscal year 2006, which accounts for 60% of the Income Tax statements filed in the same period. According to such data, filing the draft allows a high percentage of taxpayers to meet their tax obligations at a low cost and with little contact with the tax office. The draft may be confirmed by a number of different channels, which enables each taxpayer to employ the most convenient one:

- Internet.
- Telephone.
- Tax Administration offices.
- Banks, ATMs, and electronic banking.
- Text messages.

3. FORWARDING TAXPAYERS TAX DATA ON THE INDIVIDUAL INCOME TAX

Sending tax data in Spain is an information and assistance service offered to citizens for them to know the tax data held by the Tax Administration required to meet their Income Tax statements.

The service is offered upon request of the stakeholders and it may be delivered over the telephone by automated voice recognition units, via the Internet or by means of a direct request at the Tax Administration offices.

The information may be received by mail at the stakeholder's tax domicile or via the Internet. Likewise, in order to facilitate the completion of the statement, this information may be automatically fed into the assistance software to prepare the Individual Income Tax. Along with the information, the instructions and a page with potential rectifications and clarifications on the tax data sent is included, which may be placed in the envelope of the statement or forwarded electronically by those who file their statements electronically, so that the clarifications or rectifications may be considered in future audits.

In Spain, 16,627,217 taxpayers received the Individual Income Tax draft or tax data for fiscal year 2006. It is interesting to highlight that, if considered as a whole, the draft statement and tax data forwarding services cover almost 94 per cent of the overall taxpayers registered in this tax, so that they consolidate as the services with the greatest demand that also enable to rely on statements with a greater degree of tax compliance.

4. DRAFTING STATEMENTS AT THE OFFICES OF THE TAX ADMINISTRATION

Taxpayers registered in the Individual Income Tax who do not rely on a PC or who prefer to do so may request an appointment at the offices of the Tax Administration to have a statement drafted. In 2007, 3,591,536 appointments were requested to draft the Individual Income Tax statement.

5. MEASURES AIMED AT FACILITATING THE PAYMENT OF DEBTS

Establishing debt payment facilities constitutes an essential element in assisting taxpayers to complete their statements and self-assessments. Among such facilities, we may distinguish the following modalities:

- The different forms of making the debt payments in cash: by debit in a bank account, by credit card, by bank transfers and charged to the tax current account. We should highlight the payment of debts via the authorized related entities, which amounted to 188 as of December 31st, 2007.
- Deferrals and installment plans for tax debts, for those in the voluntary payment stage as well as the enforced collection stage.
- Payment of debts with assets that belong to the Spanish Historic Heritage.
- Extending the possibility of directly debiting the tax debt for the majority of tax statements to benefit from the advantage of charging the debt to the taxpayer bank account on the last day of voluntary payment, regardless of the date on which the statement is filed.

e) Measures to favor customs brokerage

The introduction of automated procedures for customs brokerage enables the operator, when the goods received are subsequently shipped, to make the request and obtain authorization automatically. This type of measures, along with other IT and management improvements reduce dispatch times for goods and avoids visits by the operators to the Customs Offices.

In this relevant scope of Tax Administration action it is relevant to highlight the introduction of the Authorized Economic Operator in the framework of the European Union that shall enable to rely on an entity that enhances trust in the relations with the Tax Administrations and Customs in such an important area of activity.

f) The Electronic Tax Administration

Regardless of the foregoing references to the different information or assistance services that may be rendered with the media offered by the new information and communications technologies, a specific reference shall be made to the electronic administration, given the speed and dissemination of the advances in this field and their great impact on the relations between the Administration and citizens.

Among the technological advances and based on the possibility of developing taxpayers' services, we may mention the following:

- Broad use of cellular telephony,
- Enhancements in PC processing and storage capacity and
- Implementation of broadband and wireless networks.

Such fast evolution enables the different Public Administrations to react to citizens' requests electronically. In the case of Spain, the Act on Citizens' Electronic Access to Public Services, passed on June 22nd, 2007, has acknowledged the right of citizens to interact with the Public Administrations electronically, thus embodying their obligation to develop the electronic media and systems required to exert such right fully as of December 31st, 2009.

The new technologies are playing a key role in the sphere of the Tax Administrations, which is evident in the case of the Spanish Tax Administration, a leading organization in our country as regards the employment of new technologies, by the number of accesses to its Internet page, which exceeded 235 million in 2007, 21.69 per cent more than in 2006. Undoubtedly, such high number of accesses has saved citizens many personal visits to the tax offices, which subsequently saved them time and inconveniences.

Since 1996, when the Spanish Tax Administration launched its Web page (www.agenciatributaria.es), mostly to offer an information service, the technological development has enabled to provide a growing array of Internet-based taxpayer services.

Its development has occurred in line with the implementation of a free access area and a secure or restricted access area on its Website. The Spanish Tax Administration identifies taxpayers by their digital signature certificate, which guarantees the highest security and confidentially of taxpayer's relation with the Tax Administration. The dissemination of the Electronic National Identity Card in Spain, which includes this certificate, shall undoubtedly greatly facilitate citizens' possibility of accessing the services offered in this secure area. Presently, certain financial institutions are already allowing the certificate incorporated in the Electronic National Identity Card as a means of identification to access their Web page.

In the free access area, the new technologies have become a communication channel with a great potential to disseminate taxpayers' rights and duties. In the case of Spain, in this area we provide the following services, among others:

- General Information Services: regarding the Tax Administration structure and functions, its annual proceedings' reports, telephone numbers, services' letter, addresses and e-mails of the different offices, etc.
- Tax information access services: tax regulations and queries, pages on FAQs, taxpayer calendar by profiles, and others.
- Internet downloads of the models for tax statements and assistance software to prepare the statements and calculate withholdings.
- Customs information services, foreign trade statistics, Special Taxes' information, revenue information, Community Customs Tariff, Special Taxes' Authorized Dispatches and statement status, etc.

In the restricted access area, we may qualify the development of the Internet as spectacular, given the broad range of processes enabled thereby. In Spain we may underline the following processes:

- Electronic filing of tax statements and the relevant documentation. Undoubtedly, it is the most significant service rendered via the Internet. Enhancing this channel to file tax statements is an ongoing process and we should especially mention the services in the Customs area aimed at expediting Customs brokerage and favor taxpayers' compliance with all the tax obligations via the Internet.

- The payment of self-assessments and filing deferrals and installment plans for tax debts.
- Correction of the informative statements filed.
- Filing requests for reconsideration and other requests for reviews.
- Querying and payment of debts claimed, querying taxpayers' tax information and the tax statements filed and detailed information on the status of tax refunds.
- Reporting the change of tax domicile.
- Requesting and obtaining certain tax certifications, querying the census of European Community operators established in the different States therein and queries on the tax current account transactions and balance.
- Online participation in the auctions of attached assets.

We may provide certain figures for illustration purposes. The Spanish Tax Administration received over 38 million tax statements electronically in 2007, out of which approximately 19 million were Customs and Special Taxes' statements, over 6 million Individual Income Tax statements, over 6 million Value Added Tax statements, over 5 million informative statements and more than 1.2 million Corporate Income Tax statements. The percentage of statements filed electronically (except for Customs statements) over the total number of statements has reached 35.27 percent against 28.33 percent for the previous year.

g) Fostering social cooperation

Promoting voluntary compliance with tax obligations suggests subscribing agreements with the entities that represent the economic sectors, especially, those representing professionals who participate as tax brokers and cooperate with the Tax Administration in filing tax statements.

We should not forget, as mentioned before, that the difficulty in understanding tax matters significantly increases the number of taxpayers requiring some degree of external assistance to meet their obligations. Such professionals play a key role in the different tax systems since they assist taxpayers in completing and meeting their tax obligations. Voluntary compliance shall be undoubtedly strengthened when the party rendering such type of service to taxpayers pursues the same objectives as those of the Tax Administrations' assistance services.

An example of a recent Tax Administration effort in this sphere is that in 2007 and beginning of 2008, we subscribed 18 agreements with associations representing the tax sector, as well as 118 protocols of adhesion to framework conventions. Likewise, 33 social cooperation agreements were subscribed with entities of the agricultural sector for the electronic filing of statements on behalf of third-parties, as well as 2,361 adhesion protocols of associations and cooperatives, among others, to framework conventions. In this same context, it is worth highlighting that the Tax Administration has subscribed a cooperation agreement with the Spanish Committee of Representatives of Disabled Persons (CERMI, as per the Spanish acronym) and the association by the name of *ONCE* in order to facilitate voluntary compliance of these important groups.

h) Civic-tax education as a preventive measure: An investment in future taxpayers

Until recently, it has been normal to consider taxation as an event that involves only adults, and, specifically, adults who conduct a certain type of taxed activity. Therefore, young citizens would have no reason to be concerned over taxation, since they are totally excluded from the taxable event until they start to participate in the economic activity. Therefore, tax education of the younger citizens would be senseless according to this view. Nevertheless, there are reasons that contradict such assertion.

In societies that have reached a certain degree of development and wellbeing, the young start to make economic decisions as consumers of goods and services at an early age. Although such decisions may result in small-scale individual businesses, they are relevant when considered globally and express that consumption by the young produces revenue.

Currently, tax compliance is a behavior that adults shall incorporate without relying on an adequate education in such respect from their early ages. Thus, taxation tends to be perceived as subjection to the public powers lacking any sense of solidarity. It is vital for the new generations that the tax behaviors be preceded by an awareness effort in the development stages, in order to make the young aware that their future prospects shall be very different without the investment in solidarity and equal opportunities implied by citizens' tax effort.

Undoubtedly, the voluntary compliance percentage in adulthood would be very different if children and youths received appropriate tax education, incorporating the behavioral patterns inherent in individuals who shall live as adults in democratic societies that make tax solidarity one of the basic pillars of their social coexistence organization. Values are incorporated in society by means of education, so that, if we were educated in other values, we would incorporate them as well. Therefore, we may assert that values may be changed, but changes of this kind are attained much better from bottom to top. Additionally, it should be considered that their effects shall be experienced in the middle and long term, by which their results are perceived with time.

Although the family group greatly influences the socialization of individuals, as the individuals grow up, such influence is also exerted, and just as powerfully, by other elements and institutions, among which we may underline the educational system. The role of the educational system in conveying the "tax obligation" as part of the social duties, since tax noncompliance is an antisocial behavior, shall influence the attitude adopted before the tax system. And this is a vital factor as regards tax compliance. The educational system may prepare the young with a series of basic tax notions. But the decisive factor would be that students incorporate the idea of taxation as one of the spheres in which the legal and ethical compatibility required between rights and obligations is articulated, where personal interests and common benefits are intertwined.

On the other hand, the function of the educational system is to educate and inform the young. It is a decisive area for the community because it refers to socialization, a process by which individuals learn to adjust their behavior to the regulations in place in their society. An individual living in an advanced democratic society should correctly meet the requirements of the tax system without expecting the coercive pressure of the Administration to be exerted thereupon.

This aspect of socialization becomes even more relevant after the results of the surveys conducted in Spain, as mentioned above, by which the public opinion attributed the persistence of tax fraud to the moral factor and the lack of civic awareness. Tax compliance is a matter of citizenship. The effects of noncompliance, that is to say, tax fraud is detrimental for all citizens, but especially those who assume their social responsibilities and correctly meet their tax obligations. Tax fraud is a complex phenomenon based on a mentality of acquired rights without

any responsibility counterpart. Overall, it is a matter of inappropriate socialization in the ethical values of justice and solidarity.

Therefore, the civic-tax education efforts are one of the most effective forms of disseminating taxpayers' rights and duties and are materialized in the adoption of preventive measures that foster voluntary compliance with obligations by the future taxpayer and enable the creation of tax awareness in society.

Ultimately, tax education shall be a moral education contrary to the fraudulent behaviors focused on the following aspects:

- Identifying the different public goods and services.
- Knowing the economic value and social effects of the public goods and services.
- Acknowledging the different sources of funding for public goods and services, especially the tax-related ones.
- Establishing the rights and responsibilities that arise from the public rendering of goods and services.
- Incorporate attitudes of respect for what is public, and therefore, funded with everyone's effort and employed for the common good.
- Assimilating the tax responsibility as one of the values on which social coexistence is organized in a democratic culture, identifying compliance with tax obligations with a civic duty.
- Understanding that taxation, in its two aspects, income and public expenditure, is one of the spheres in which the values of equity, justice and solidarity in a democratic society are materialized.

In Spain, as part of the Tax Administration Tax Fraud Prevention Plan, a civic-tax education program has been developed, completing the initiatives undertaken in the past, with the purpose of, on the one hand, providing children and teenagers a theoretical structure of the tax responsibility that helps them assume their role of taxpayers with a clear awareness of what is deemed a logical and rational behavior in a democratic society, and on the other, instilling the perception of voluntary compliance with tax obligations as a civic value from an early age. The development of tax education programs includes a set of actions adapted to the different educational cycles of the Spanish education system, among which we may mention:

- Open door days in the Tax Administration offices, which enables schools to visit the Tax Administration offices in their jurisdiction. We held 765 open door events in the course of 2006/2007, with a positive outcome, not only from the standpoint of teachers and students, but also by the officials of the Tax Administration proper, who are eager to participate.
- Presentations in schools. We visited 631 schools in the course of 2006/2007.
- Creation of an Internet civic-tax education portal, with a comic strip and additional content of different types, aimed at informing the young and providing didactic material to educators who wish to discuss the tax topic in their classroom.
- Incorporating the tax subject in the new subject "Citizens' Education" that has been included as a subject in one year in the teachers' training classes as of 2007-2008.

i) Communication strategy

Creation of a public opinion that generates greater tax awareness in society requires relying, as a fundamental element to such end, on a genuine communication strategy.

In order to promote voluntary compliance with tax obligations, this communication effort shall convey a message that highlights the existing relation between the tax system and the quantity and quality of public services, for citizens to be able to relate their tax contribution to the furtherance of the common good, thus attaching a social purpose to their tax effort that involves them directly.

Consequently and along the same lines as tax education, institutional communication shall call upon the civic values of an advanced democratic society directly stemming from the Constitution, to strengthen the tax awareness of citizens in favor of voluntary compliance and against tax fraud.

Among the measures to be included in the communication strategy we may mention institutional advertising campaigns focused on the creation and strengthening of civic tax awareness, based on the dissemination of the democratic values that sustain the tax system. Likewise, fostering the presence of the Tax Administration in fairs,

workshops, exhibitions, etcetera, at the national, regional or provincial level shall enable to facilitate, in the context of informative transparency, citizens' general knowledge of their actions and outcomes, while conveying specific messages and information to target audiences.

j) Transparency of the Tax Administration

The transparency of the activity developed by the Tax Administration is a basic principle and key element in the furtherance of a modern, effective and efficient Tax Administration with prestige and credibility before society, which favors the citizens' willingness towards voluntary compliance with their tax obligations.

Undoubtedly, offering institutional information on the outcomes of the functions and activities undertaken, especially control activities, generates an induced effect, since the fact that violations are discovered and punished shall encourage compliant taxpayers to continue complying and foster compliance in those who still pursue noncompliance.

Such transparency, safeguarding in all cases the duty of secrecy and confidentiality of citizen-related information, shall prevail within the organization as well as from the organization towards society. Within the organization, for individuals who work in the Tax Administration to know their goals, objectives and achievements and feel better integrated and involved therewith; and towards society, for citizens, entities and other social actors to know and evaluate the degree of efficacy and efficiency of the activities performed.

The principle of transparency refers not only to the amount of economic and statistical information rendered, but also and above all, the quality thereof. This set of information shall be regularly published according to a plan, based on calendars that citizens shall be informed of so they may become used to them and feel certain that they shall obtain the information required. Additionally, it shall be published in a format that is useful for citizens, that is to say, broken down as required to render the accurate idea of the performance of the public powers and in accessible and adequate media according to modern technologies to enable the study and analysis thereof.

In Spain, the performance of the Public Administration pursuant to the principle of transparency has been an ongoing source of Government concern, whose Delegate Committee for Economic Affairs approved

two Agreements on January 14th of 2005 and May 11th of 2006, which set forth the commitments assumed by the Tax Administration as regards drafting and publishing the following documents:

1. A monthly Revenue report, which facilitates monthly data and accrued data for the fiscal period of the main taxes, differentiating State revenue and the revenue shared by certain Autonomous Communities in certain taxes, including an inter-annual comparison. A methodological note and a comment on the monthly figures shall be attached to this information. The publication date shall be the 20th of the month subsequent to the revenue month mentioned.
2. A monthly report for large companies. A methodological note and comments on the main figures shall be attached to this document. This report shall be ready for publication as of the 5th of every month, with the statements of the previous month.
3. Statistics on annual statements. It shall include a breakdown of specific items of the Individual Income Tax, Property Tax, Corporate Income Tax and Value Added Tax, in addition to the data already published in the Tax Administration Annual Report.
4. Statistics of annual accounts. This document shall be included with the statistics already available for the Corporate Income Tax, Value Added Tax and the Model 190, an analysis of the data on the Individual Income Tax and another one of the Property Tax.
5. By means of new actions to foster transparency, a calendar on the reports and statistics was established that marks the specific publication day thereof.

In addition to the foregoing commitments, already achieved, we have continued with the publication of the Annual Report that includes detailed information of the activities and their outcomes. Likewise, on an annual basis, we publish the Guidelines of the Tax Control Plan as set forth by law.

On the other hand, in this framework of commitment to transparency and given its relevance it is worth highlighting the novelty entailed by the approval of the mandate set forth in the Tax Fraud Prevention Act (Act 36/2006 of November 29th) by virtue of which the Spanish Administration shall file with the General Courts of Law in the first two months of the year, detailed information of the objectives set forth for that year and every semester, the outcomes of its activities.

k) Citizens' opinion

Knowledge of the social perception of the Tax Administration performance, as regards compliance with its inherent mission and the adequacy and quality of the services it renders citizens to facilitate compliance with their tax obligations may be of great use to undertake improvement actions.

On the other hand, offering citizens the possibility of expressing their opinion by means of surveys, studies and analyses entails opening a channel for public cooperation in the enhancement of services, programs and documents of the Tax Administration.

In the case of Spain, in order to measure the sociological impact of the services offered by the Tax Administration and the efforts to counter fraud, three key instruments are employed, based on personalized taxpayers' surveys, some of which have been mentioned in this presentation:

a) The Tax Barometer, annually drafted by the Institute of Tax Studies of the Ministry of Economy and Finance, whose main objective is to measure the evolution of the opinion and the tax studies of the Spanish people.
b) The annual public opinion and tax policy survey conducted by the Sociological Research Center.
c) The survey on Tax Administration position and image conducted by the organization proper, every two or three years.

Additionally, the Tax Administration conducts audits on specific issues and services. For example, the survey on the services rendered in the campaigns on the Individual Income Tax statement or the services offered via the Internet.

l) Preventive actions to avoid noncompliance

This type of actions incorporate a great legal certainty into the Tax System, by fostering taxpayers' approach to the Tax Administrations before the taxable events occur, or to learn the interpretation of the tax regulations, or to know the tax value of certain assets. Undoubtedly, such actions shall positively result in voluntary compliance of the taxpayers who resort to them.

In the Spanish legislation, such actions are specifically materialized as follows:

- The information preliminary to the purchase or transfer of real estate property, which requires the Tax Administration to inform on the value of the real estate property that shall be acquired or transferred and is binding for the Administration during the three months subsequent to the notification of the information to the stakeholder.
- The pre-valuation agreements, which try to eliminate the legal uncertainty produced when the tax laws employ uncertain notions or terms that originate a different valuation for the taxpayer and the Administration. They shall be issued in writing and be binding, so that, to the extent the legislation remains unchanged or the economic circumstances underlying the valuation do not vary significantly, the Tax Administration that would have determined the agreement is required to apply the values expressed therein during a maximum term of three years, except as otherwise provided for by law.

Along the foregoing lines, we have undertaken a broad array of actions directly tied to the promotion of voluntary compliance with tax obligations as well as another important set of measures that foster and contribute to such end.

In addition to the foregoing, it is worth mentioning a broad series of measures related to the issue, such as those relative to the processing of complaints and suggestions, the relevance of institutions such as the Taxpayer Defense Council, or the internal and external control measures that oversee the Tax Administration performance. Elaborating on the foregoing measures and actions exceeds the scope defined at the beginning of the presentation, but deserve to be summarized given their relevance and significance.

CONCLUSION

The Tax Administrations shall undertake a significant instrumental and vital function to allocate the economic resources that enable to undertake the public policies to serve the general interest. The efficacy in the pursuit of this objective shall ultimately enable more and better services for society.

Therefore, it is necessary to act in a balanced and integral manner on the two great strategic courses for the Tax Administrations: on the one hand, increasing and improving the facilities and assistance offered to those who wish to meet their tax obligations and, on the other, developing and intensifying the instruments that enable to discover the noncompliant taxpayers and make them comply. Tax Administration information and assistance constitutes, in consequence, the right of taxpayers to enable compliance with their obligations, especially if we consider the complexity entailed by the tax system. Additionally, favoring voluntary compliance with tax obligations, information and assistance constitutes a relevant preventive measure against fraud, since it is precisely aimed at avoiding it.

Thus, we are faced with the challenge of consolidating modern Tax Administrations that meet the growing demand for services, sometimes with very short timeframes, and in which the principles of efficacy, efficiency and taxpayer service are articulated as the core axis in addition to leveraging the opportunities offered by the new information and communication technologies in this area.