

# The tax administration as a pillar of the state

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*Its partnership with other public and administrative bodies and state services*

May 2018



- 1. Introduction: the Argentina experience**

2. Collaborative approach: emerging challenges

3. Action plan and success stories

# The Federal Administration of Public Revenues in figures

## Taxpayers

- 5.6 million taxpayers
- 42,000 foreign trade operators
- 565,000 employers
- 8.1 million employees

## Compliance

- 43 million annual tax returns filed
- 1,030 million import shipments
- 480 million export permits
- 16 million fiscal IDs

## Customer service

- 80 million online operations
- 5 million customers assisted via multiple channels

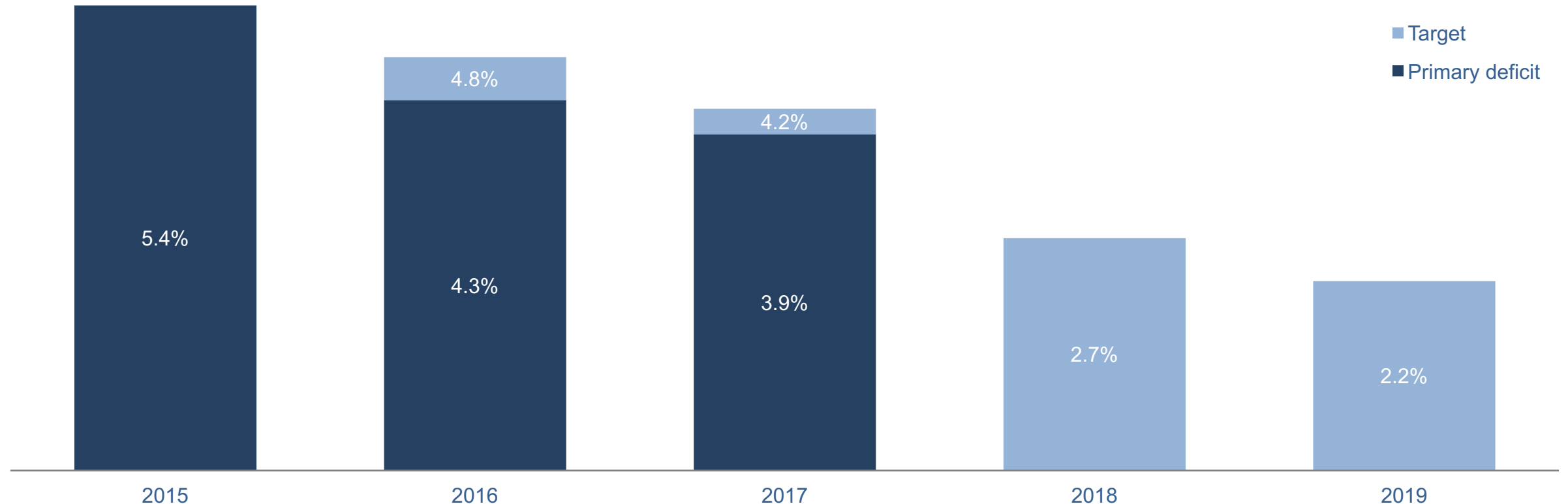
## Footprint

- Nationwide footprint:
  - 273 branches dedicated to taxes and social security contributions
  - 251 branches dedicated to custom duties

# AFIP has a key role in the path to a convergence to fiscal balance

- The primary purpose of AFIP is the collection of tax revenue on behalf of its citizens to fund the work of the government

## Primary deficit and targets (% of GDP)

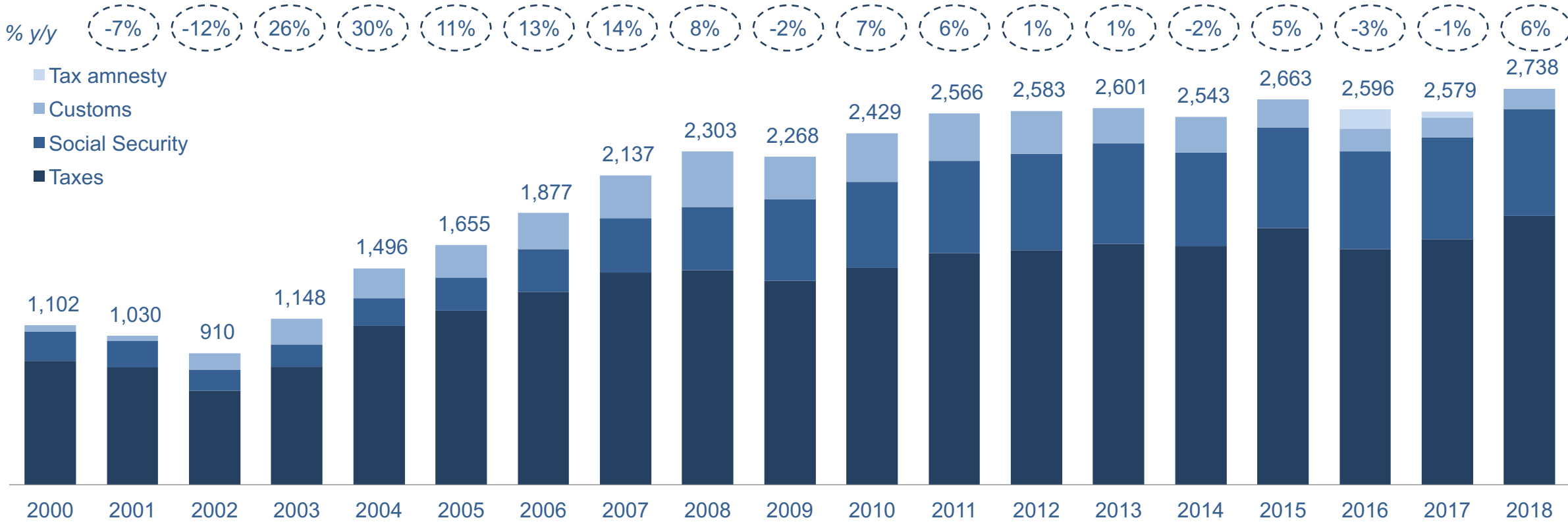


***The challenge of efficient and effective tax administration is not only to raise the revenue needed to fund public services, but also to minimize the burden on tax payers***

# AFIP has a broad scope of responsibilities in the collection of tax revenues

- The Administration is in charge of the collection of personal and corporate income tax, VAT, customs duties and social security contributions

**Tax collection (AR\$bn – in real peso terms 2017)**



**High tax evasion (35%) requires new methods and solutions from the tax authority in order to maximize revenue.**

Source: AFIP

# Agenda

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# A collaborative approach is key to an efficient tax administration...

## Core pillars of tax administration

Cost-  
efficient

Raise the revenue needed to fund public services while aiming at the prospect of lowering costs

Compliance-  
driven

Foster voluntary compliance, engaging in a trust-based relationship with taxpayers

Customer-  
oriented

Work on reducing the burden imposed on compliant taxpayers

***AFIP needs to take a leadership role in this new collaborative environment.  
How it positions itself to influence this system will be a key transformative theme in the coming years.***

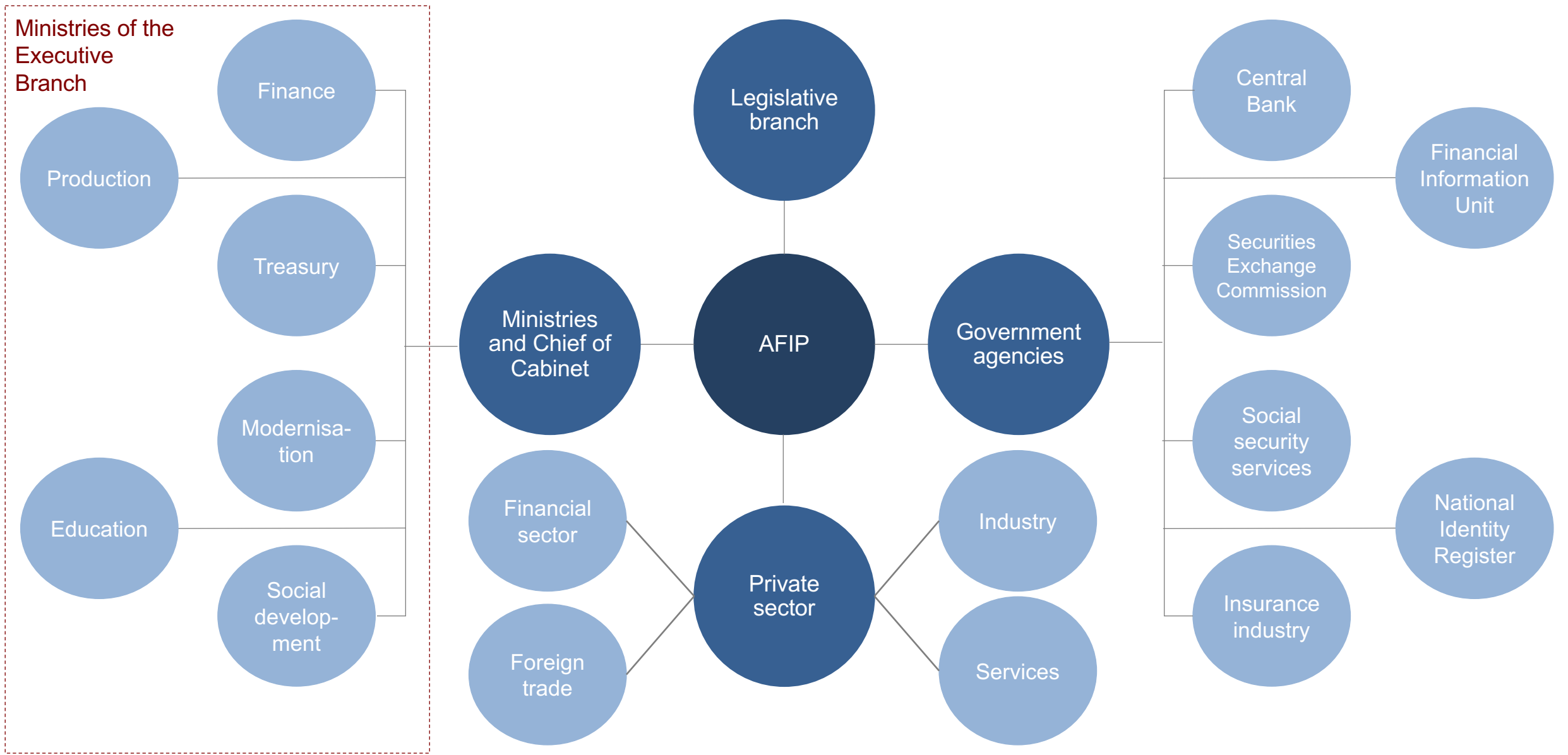
# ...and it requires AFIP to address several challenges

## Restrictions

- ❗ **Legal framework**
  - Strike the right balance between the secret nature that some fiscal information holds and the demands of the public policy bodies seeking a more efficient information management by the State
  - Acknowledge the bureaucratic structures of the agencies that will play a role in the collaborative system
- ❗ **New technologies and connectivity**
  - Redesign tax collection taking into account the benefits of new technologies
- ❗ **Risk management**
  - Define a risk management policy towards information that leaves behind years of data shielding
- ❗ **Resource management**
  - Review the human resource allocation in light of new responsibilities
- ❗ **Organizational culture**
  - Work towards a conversion of the organizational culture, aiming at instilling a collaborative environment that abides by the rules of new technologies



# Mapping of relevant actors in a collaborative environment

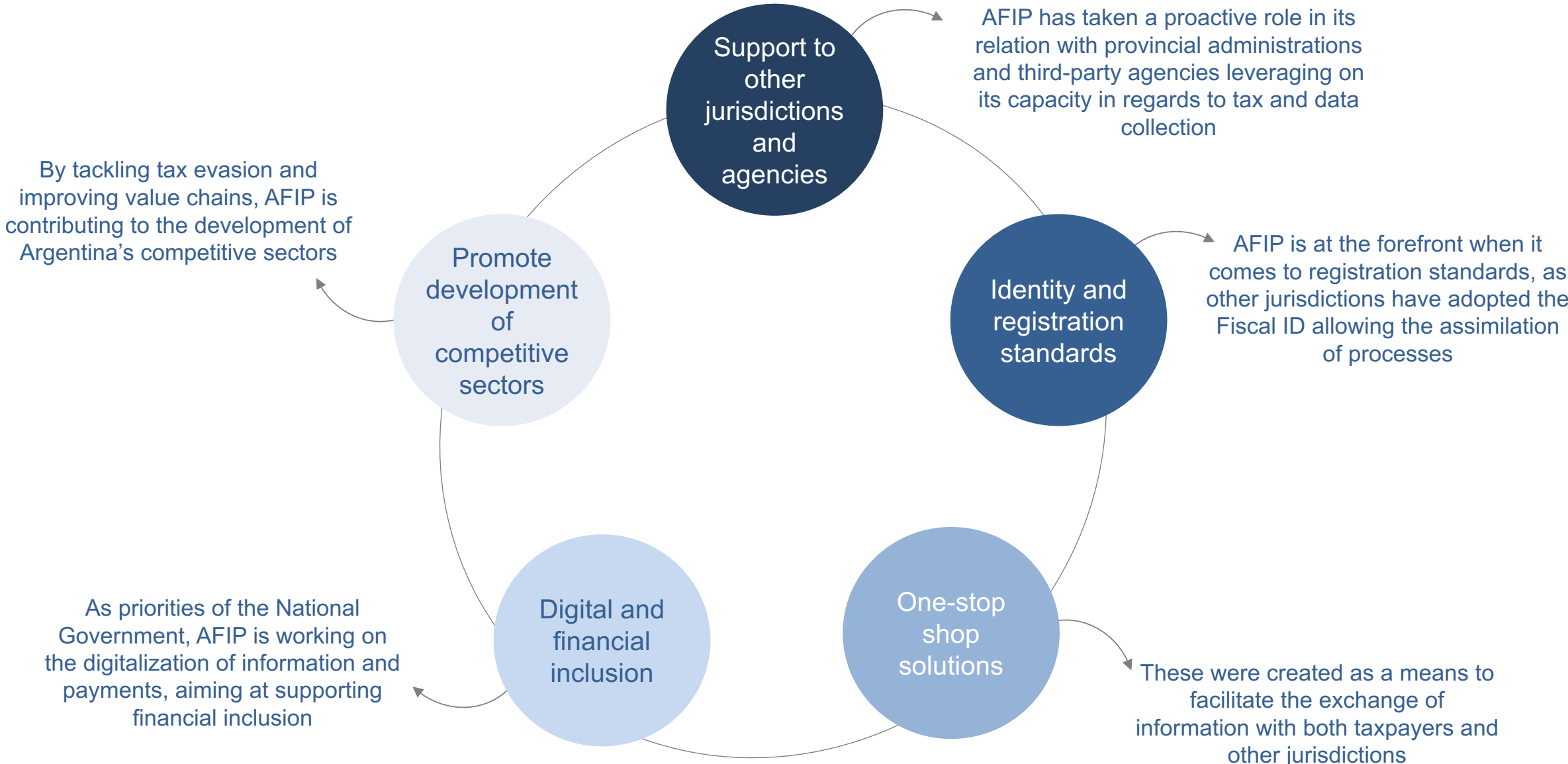


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# AFIP has been working on key areas to foster a collaborative environment



# Tax collection on behalf of third-party agencies or jurisdictions

## AFIP's support of provincial tax administrations

- Assists with registry and information on employers, personal and corporate income tax data, and VAT information
- Assists with the collection of gross revenue tax, stamp and custom duties

## AFIP's support of third-party agencies

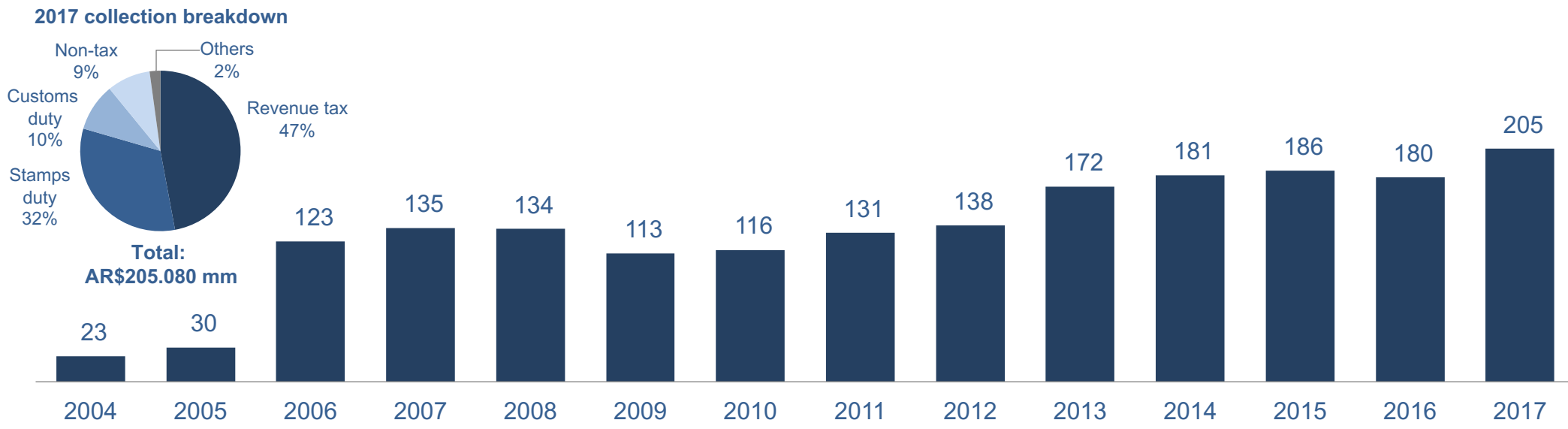
- Electronic collection system for non-tax payments:
  - Aimed at concentrating payments on a single website via the generation of vouchers for payment
  - So far, 21 government bodies and agencies have subscribed this agreement, reaching AR\$21,267mm in tax collection

Support to other jurisdictions and agencies

Identity and registration standards

One-stop shop solutions

## Tax collection for provincial tax administrations and third-party agencies (AR\$bn – in real peso terms 2017)



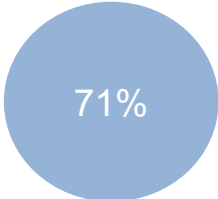
Source: AFIP; Note: Others include non electronic collection for third party agencies

# Case study: joint oversight of cattle and beef value chain

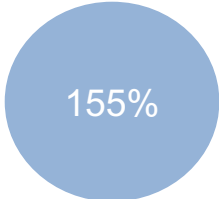
- The cattle and beef meat sector faces a 57% VAT tax evasion due to the under-report of the true amount of sales as well as the exacerbation of expenses via apocryphal invoices
- AFIP, together with the Ministry of Agribusiness and the Buenos Aires Tax Administration, has launched a pilot project in March 2017 to regularize the sector's supply chain
- Some of the steps taken to this end included:
  - ✓ The tracking of livestock by means of an electronic transit document from the farm to the cold storage facilities
  - ✓ Working jointly with National Health and Quality for Agri-Food Administration (SENASA) to link the authorization for slaughter houses to operate with the compliance of VAT retention on each head of cattle
  - ✓ In case of non-compliance, reports are submitted to the Ministry of Agribusiness, which has the capacity to close down operations, preventing the possibility of future slaughter activities

Support to other jurisdictions and agencies

Promote development of competitive sectors



Sector's tax compliance since the pilot's launch



Increase in VAT collection since the pilot's launch

***The plan is to deploy this action plan into other key economic areas such as porcine and poultry meat, cotton and the fruit and vegetables sector***

# Case studies: AFIP in a collaborative approach

## Social security

- Together with the Ministry of Labor, AFIP has developed the Program for Registry Simplification in matters of social security
  - The registry is done via an online one-stop shop solution, creating a unique social security database
- The Program is a milestone in the development of a new collaborative framework as it:
  - ✓ Provides real-time access to social security information
  - ✓ Reduces bureaucracy for employers, lowering costs
  - ✓ Contributes to tackle informal employment

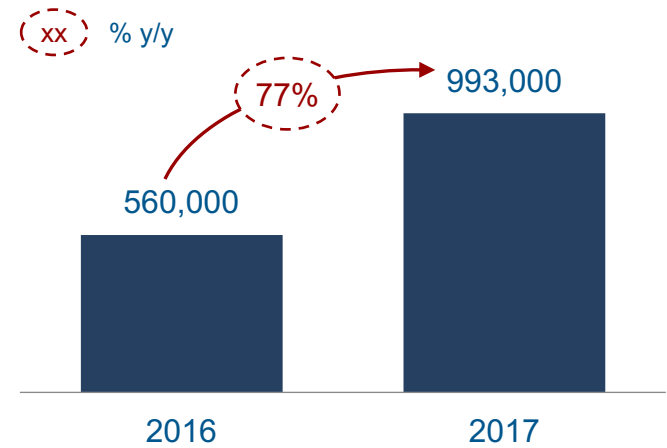
## Foreign trade

- A One-Stop Shop Solution for Foreign Trade (VUCE) was created with the aim of facilitating the export and import process and enhance competitiveness
- The tool was designed to digitally consolidate the authorization and certification process for the players:
  - ✓ Speed-up the process of international commerce
  - ✓ Increase quality, efficiency and security contributing to customs risk management
  - ✓ Improve the monitoring process of import and export goods in terms of quality and illicit activities

## Financial inclusion

- The December 2016 Tax Reform requires retail trade to have a Point-Of-Sale terminal as a means of payment eligible for its customers
  - ✓ Contributes to banking penetration and a cashless economy
  - ✓ Helps tackle tax evasion

**POS terminals available in stores**



Support to other jurisdictions and agencies

Identity and registration standards

One-stop shop solution

Digital and financial inclusion

Promote development of competitive sectors

# Closing remarks

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- The challenge of efficient tax administration is not only to raise the revenue needed to fund public services, but also to minimize the burden on tax payers
  - A collaborative approach is key to this goal
- In the path to collaboration, AFIP needs to focus on:
  - Leveraging on new technology and data analytics
  - Addressing information risk management
  - Redesigning budget and resource management policies
- While there are still many challenges ahead, AFIP is committed to embrace this leadership as it progresses into an innovative framework of collaboration

# Thank you

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