

*Case study*

### **Topic 3.3 INTEGRATED INFORMATION SYSTEMS**

**Jorge Cosulich Ayala**

Executive Secretary

Inter-American Center of Tax Administrations - CIAT

CONTENTS: Introduction.- 1. Background.- 2. System's quality control.- 2.1 Definition of models.- 2.2 Validations.- 2.3 Maintenance of control tables.- 3. Functional description of the system.- 3.1 Definition.- 3.2 Tax and customs file.- 3.3 Assistance to taxpayers and customs users.- 3.4 Collection.- 3.5 Recovery.- 3.6 Customs transaction.-3.7 Tax and customs verification.-3.8 Discussion of the acts of the administration.- 3.9 Legal inquiry.- 3.10 Inquiry of tariff and customs value.- 3.11 Statistics.- 3.12 Control and marketing of merchandise.- 3.13 Resources management.- 3.14 Management control and evaluation.- 4. Technical description of the system.- 4.1 General description.- 4.2 System's platform.- 4.3 Portability of the system.- 4.4 On line aids.- 5. Method for implementing the system.- Conclusions.

## **INTRODUCTION**

Within the perspectives of integration of the administration of internal taxes, customs duties and social security contributions, this Technical Conference of the Inter-American Center of Tax Administrations -CIAT-, attributes particular and well-deserved importance to issues that may be considered as essential factors in the processes of transformation and/or adaptation carried out by the administrations of the member countries.

As may be observed in the agenda for the event, such factors which are considered essential, refer to the strategies of integration headed by those who promote and manage change, the organizational and administrative aspects of integration, and the standardization of the procedures applicable to the tasks that are common to them; all this subject to specific variables in each country, related among other aspects, to the level of autonomy given to the administrations and the existing levels of decentralization.

The broad coverage and level of complexity expected in total or partially integrated administrations, may constitute an obstacle to the adoption of decisions aimed at those purposes, there arising thus the need to consider another essential factor as object of analysis in this Technical Conference,

which acquires in itself the condition of facilitator of the other topics mentioned.

It is the *information system* which calls for an integration of functions as that being analyzed and for which purpose this document presents, by way of proposal, the description and characteristics of a tool designed to efficiently satisfy the variety of requirements originated in the joint or integrated action of the administrations.

## 1. BACKGROUND

Under a certain type of circumstances and considerations existing with some level of particularity in each country, in recent years there has been a greater need for analyzing and putting into practice integration processes at the level of various collection entities at the service of the State, among which there are the administrations of internal taxes, customs duties and, although not very frequently, the entities in charge of social security contributions.

The nature of the circumstances and considerations commonly surrounding these initiatives of integration of the administrations, corresponds to fundamental changes in the policies of the respective countries, in keeping with such world trends as the simplification and modernization of the States and strategies of economic opening, with effects on the structure and characteristics of the tax systems, as well as on the foreign trade conditions.

Without taking into account the number of entities involved in each process, or the governmental level or sphere to which they may belong, integration has been proposed and accepted with varying levels of intensity which for purposes of this analysis could be classified into the following modalities:

- In the first place, there is a sort of *full* integration, understood as the merger of two or more entities that disappear to give way to a new one, wherein functionally common dependencies are absorbed and there prevail those devoted to specialized tasks.
- The second modality involves a *Partial* integration, wherein with some variants, similar dependencies belonging to two or more entities are merged, willing to join efforts for achieving greater efficiency and effectiveness in certain areas of management.
- The last option is a form of integration based on simple *interinstitutional*

*coordination*, undertaken formally, following identification of common activities and purposes, by administrations which must or prefer to operate separately.

Once decisions in favor of integration at any level are made, one should carefully determine the strategies to make its operation effective, it being necessary in processes of such magnitude, to determine unique planning methods that may incorporate as main issues the review and adaptation of the legal framework, the structure and functions of the entity or entities involved, the system and policies for managing the Administration's resources and the *information systems*.

Regardless of the type of integration proposed in each country, the availability and use of information will continue to be an essential and strategic element in fulfilling the mission entrusted to the administrations. To the extent the perspectives for integration offer better development and operational conditions, correct computerization may empower the entities and allow for obtaining better results.

The foregoing unavoidably leads to actual availability and within the shortest time possible, of an information system that may effectively cover and satisfy the interests of the administration.

In this respect, it is necessary to anticipate to the reader that it is not a matter of promoting computerized improvements for some tax and/or customs areas in particular, which frequently turns out to be unproductive as compared to the resources and budgets assigned thereto and implies keeping the country without a better tool for the management and control of taxes thus giving rise to higher mediate costs.

The solution then, lies in adopting different strategies amidst an *integral* perspective that may imply conceiving greater improvements in computerized support to the Administration. This must further decisions in favor of a new and unique information system which, since its implementation may significantly strengthen and modernize the possibilities for management.

Throughout its participation as specialized agency in technical assistance programs focused on the modernization of the administrations, the Inter-American Center of Tax Administrations –CIAT- has acquired sufficient experience for arriving at important conclusions from all this process, intended

to consider and endorse the perspectives of development in favor of integral solutions, which leave at a second level the obvious question: *How much has been invested in partial solutions?* especially when the systems available have been unable to fully respond to the needs of the Administration and its officials, always related to compliance with the institutional mission, objective and unavoidably measured in relation to such concepts as the effectiveness of the tax rates and the reduction of evasion and contraband, among others.

Along with the concept of integrality as main attribute of the proposed tool, there are likewise other conditions and characteristics such as:

- The flexibility of the System, vis-a-vis changes in the laws or the administration, based on a high level of parametrization;
- The fact that it is a tool for the user official and not the informatic official, leaving to the latter that which concerns the development and maintenance of the System;
- It includes a *modular* concept, which, regardless of the integrality, allows certain components of the System to subsist, without depending on the rest, in accordance with the country's needs;
- Affords a high level of security in relation to access and use of the System, counting in turn, with parameters that protect the objectivity of management, and
- Allows for using the latest advances in information technology.

The availability of Systems that fulfill the aforementioned requirements and conditions allows for anticipating positive effects within short, medium and long term as regards such aspects as: increase in collection, reduction of evasion and contraband, control of officials; technicalization of management; availability of timely and reliable information for decision-making and improvement of the service to taxpayers and customs users.

## **2. SYSTEM'S QUALITY CONTROL**

As previous step to the functional description of the System, it is necessary to call the attention on all those tasks carried out within the areas comprising the Administration, for managing the organization. Based on the use of a tool as that proposed, these tasks acquire great importance and call for determining specialized options intended to support their execution, for the purpose of controlling quality in the Administration's performance.

To this end, the technical structure of the System is based on a *center* known as Quality Control and Data Maintenance from which user officials determine the *Administration's management model*.

In sum, such tasks may be summarized as the definition of the models of document used in management; the inclusion of data validation and the maintenance of control tables.

## 2.1 Definition of models

The preparation of the System as regards the capture and use of information begins with the determination of the documents that will include the data to be processed. Regardless of their application in tax or customs matters, there are two types of documents:

*Standardized documents:* Those in whose design the Administration participates directly, by adhering to the formal conditions required by the System. Among these are the returns, payment receipts and administrative acts for taxes as well as customs.

*Non-standardized documents:* Are those which cannot be determined in accordance with the formal requirements of the Administration. Some examples are the transportation documents, commercial invoices, powers, authorizations or orders, and third-party certifications, among others.

The determination of model documents likewise implies establishing the *identification* of each document, counting on physical (*paper*) and logical (*database*) support, and determining a *catalogue* of equivalencies between actions and documents.

In response to common requirements of the Administration, Quality Control anticipated in the System allows the *coexistence of multiple versions* of the same document model, thus affording continuity to management vis-a-vis changes or variations. On its part, the details of contents of each model, represented in the *boxes*, will specifically correspond to each type of document and version, thus allowing for data entry, inquiry, resolution and definition of validations to be performed through a single program.

## 2.2 Validations

The user official directly determines the parameters for correct debugging of data contained in the documents, known as validations, thus making him the real owner of the information.

To this end, the System counts on easy to handle options, through which the official describes the form of evaluation of the boxes of each of the documents to be received, without requiring the participation of computer technicians.

### 2.3 Maintenance of control tables

One of the clearest examples with respect to the integrality of the System is the use of tables that are common to tax and customs management. They will be directly updated by the official in charge, according to the needs of the model adopted by the Administration.

There are several types of tables in the System, of which the following chart shows the most representative ones, indicating their incidence and use in the customs and tax spheres:

TABLES	TAXES	CUSTOMS
DOCUMENT MODELS	X	X
VERSIONS OF MODELS	X	X
BOXES OF MODELS	X	X
VALIDATIONS	X	X
VALIDATION SYMBOLS	X	X
INTERPRETATION OF VALIDATIONS	X	X
CODIFICATION OF VALIDATIONS	X	X
CUSTOMS CONTROL CRITERIA		X
MESSAGES OF THE SYSTEM	X	X
DATA DICTIONARY	X	X
DATA CORRESPONDENCE	X	X
EXPIRATION TERMS	X	X
TAX RATES	X	X
BANK INTEREST RATES	X	X
RATES OF EXCHANGE	X	X
OBLIGATIONS	X	X
VERIFICATION PROGRAMS	X	X
CURRENT ACCOUNT	X	X
INFLATION INDEXES	X	X
CUSTOMS TARIFF		X
CUSTOMS VALUE DATA BANK		X
SCHEDULE	X	X
SYSTEM AIDS FOR THE USER	X	X
SANCTIONS	X	
SPECIFIC SANCTIONS	X	X
CALCULATION OF DIGITS AND ANAGRAMS	X	X
EXEMPTIONS	X	X

SIZE OF TAXPAYERS	X	
SIZE OF CUSTOMS USERS		X
COURTS	X	X
CODES OF COUNTRY	X	X
CODES OF REGION	X	X
CODES OF MUNICIPALITY	X	X
ECONOMIC ACTIVITIES	X	X
BANKS AND BRANCHES	X	X
TAX OFFICES	X	
CUSTOMS OFFICES		X
DEPENDENCIES	X	X
BRANDS		X
MODELS		X
TYPES OF VEHICLE		X
INCONSISTENCIES	X	X
ANNEXES		X
RESOLUTIONS	X	X
CUSTOMS DESTINATIONS		X
TYPES OF CORPORATIONS	X	X
PRINTING OF DOCUMENTS	X	X

### 3. FUNCTIONAL DESCRIPTION OF THE SYSTEM

#### 3.1 Definition

The System is conceived as an *integral management model of the administration* that goes beyond a simple computerized system to become an efficient, effective and transparent way of managing taxes, at the service of the officials who participate as users in carrying out the different tasks of the Administration.

In particular, the concept of *integrality*, in addition to reflecting the coverage of tax, customs and eventually social security<sup>1</sup> affairs, entails attention and connection with each and everyone of the areas of management of the administration, covered by the following terms:

- TAX AND CUSTOMS FILE
- ASSISTANCE TO TAXPAYERS AND CUSTOMS USERS
- COLLECTION
- RECOVERY
- CUSTOMS TRANSACTION
- TAX AND CUSTOMS VERIFICATION
- DISCUSSION OF ADMINISTRATIVE ACTS

---

<sup>1</sup> The System referred to in this study includes the design of management (coordinated or integrated) of the tax and customs administrations. Among its prospects is the possibility of including the *social security* issue.

- ❑ LEGAL COUNSELING
- ❑ TARIFF CONSULTATION
- ❑ CONSULTATION OF CUSTOMS VALUE
- ❑ STATISTICS
- ❑ MARKETING OF MERCHANDISE
- ❑ RESOURCES MANAGEMENT
- ❑ MANAGEMENT CONTROL AND EVALUATION

The analysis of the relationship between the System and the Administration will be based on the situation of each of the areas already mentioned, with respect to the support and connection existing between one another for the benefit of integrality<sup>2</sup>.

### 3.2 Tax and customs file

The System has an integral file structure for registering those individuals who are of interest to the tax and customs administration. Within the tax sphere there is the *taxpayer*, along with the concepts of person responsible, withholding agent and informant, while in customs there are the so-called *customs users*, known as importers, exporters, middlemen, transporters, warehouses and others.

**3.2.1 Basic Data:** In addition to the basic function of registration and issuance of a specific number, the file existing in the System is the key for maintaining at the official's disposal, basic information for identifying and locating the taxpayers and customs users, originating from data provided when registering or obtained from other sources. This information is of common use by any administration and in general terms corresponds to:

REGISTRATION DATE	FIRM OR TRADE NAME
DATE OF MODIFICATIONS	TYPE OF CORPORATION
REGION	NATIONALITY
DEPARTMENT	DATE OF ESTABLISHMENT
MUNICIPALITY	COMMERCIAL REGISTRY NUMBER
DISTRICT	ECONOMIC ACTIVITY
ADDRESS	DATE OF INITIATION OF ACTIVITIES
TELEPHONE(S)	CAPITAL STOCK
LEGAL REPRESENTATIVE	ESTABLISHMENTS OR BRANCHES
PARTNERS	LOCATION OF ESTABLISHMENTS

**3.2.2 Complementary Reports:** In addition to the foregoing and based on

---

<sup>2</sup> The functional design of the System is available in forty volumes, at the Library of the CIAT headquarters.

criteria given by the administration itself, the System automatically provides in different modules accessible from the file, information relative to the taxpayer's behaviour and the analysis of data provided by him or by third parties, updated through the date of the inquiry. This information includes the following:

*Nonfiler:* Indicates whether the person consulted is not complying with the duty to file returns.

*Delinquent:* Indicates whether the taxpayer has any pending debt with the Tax Administration.

*Shadow Return:* Indicates whether the System has structured a shadow return for the taxpayer, resulting from the comparison between the data filed by him in his return and those reported by third parties (*exogenous information*).

*Parallel Return:* Indicates whether the System has generated a parallel return vis-a-vis the returns filed by the taxpayer, as a result of a mathematical review.

*Enforced Collection:* Indicates whether such efforts are being undertaken.

*Special Follow-up:* Indicates where the taxpayer is being subjected to auditing.

*Note on Behaviour:* Corresponds to a score that the System automatically assigns to each taxpayer, according to the level of compliance with his obligations toward the Administration. The *Note on Behaviour* begins with an initial score that will be reduced as the taxpayer fails to comply (*Nonfiling, Delinquency, Generation of shadow or parallel returns etc.*). When making up for his deficiencies, the taxpayer may recover some points although without reaching again the original score. The foregoing faults will be reflected in his evaluation.

*Exemptions:* Indicates whether the taxpayer or user is covered by any type of tax or customs benefit, specifying the corresponding ones.

*Legal Representative:* Allows for directly accessing the same information that is being filed, but with respect to the taxpayer or user's legal representative.

**3.2.3 Integral inquiry of the taxpayer or customs user:** Allows a global and detailed vision of the information dealing with the taxpayer or customs user, covering a five-year period. Such global vision comprises among others, the following concepts:

CONCEPT	DESCRIPTION	TAXES	CUSTOMS
<b>Fiscal Vector:</b>	Indicates active obligations for each of the concepts.	X	X
<b>Annual Operations</b>	Shows total import and export operations carried out in each of the five past years.		X
<b>Returns:</b>	Show the summarized or detailed contents of the tax and customs returns.	X	X
<b>Shadow Returns:</b>	Allows for becoming aware of the shadow returns structured by the System, compared to self-assessments.	X	
<b>Parallel Returns:</b>	Show parallel returns issued by the System, also compared to self-assessments.	X	X
<b>Payment Receipts:</b>	Show the payment receipts used by the taxpayer being consulted.	X	X
<b>Derived Information:</b>	Summarizes the evidence of riches of the taxpayer, based on information provided by him or by third parties.	X	X
<b>Registrations:</b>	Allows for consulting procedures undertaken at the official level or at the request of interested parties, in relation to the file.	X	X
<b>Tax File:</b>	Show the historical records of the taxpayer.	X	X
<b>Current Account:</b>	List and result of Debit and Credit transactions.	X	X

**3.2.4 Integral inquiry of administrative actions:** This option affords the official information on actions carried out during the past five years in relation to the taxpayer or customs user being consulted, by incorporating the aspects indicated hereunder:

ACTION	TAXES	CUSTOMS
SANCTIONS	X	X
SEIZURES		X
ABANDONMENT OF MERCHANDISE		X
JEOPARDY ASSESSMENTS	X	X
APPEALS FILED	X	X
DEMANDS BEFORE THE JURISDICTION	X	X
OPERATION ANNOUNCEMENTS (I/E)		X
TRANSIT AUTHORIZATIONS		X
CURRENT ACCOUNT EXCERPTS	X	X

TAX REFUNDS	X	X
PAYMENT REQUIREMENTS	X	X
FILING REQUIREMENTS	X	
PAYMENT FACILITIES	X	X
ENFORCED COLLECTION ACTIONS	X	X
INFORMATION ANNULMENTS	X	X
INFORMATION CORRECTIONS	X	X
CENSUS	X	X

**3.2.5 *Integral inquiry of third-party information:*** Allows for accessing information from third parties provided by the consulted taxpayer. Depending on each taxpayer's conditions, the Administration requests information on certain items such as:

ANNUAL LIST OF TAXPAYER SUBJECT TO WITHHOLDINGS	REGISTRY OF VEHICLES
CUSTOMERS	REAL ESTATE LEASE
SUPPLIERS	COMMERCIAL REGISTRY
BANK ACCOUNTS AND DEPOSITS	CREDIT CARDS (USERS)
REAL ESTATE OWNERSHIP	CREDIT CARDS (AFFILIATES)
PUBLIC SECTOR CONTRACTS	PRINTING OF INVOICES
REAL ESTATE TRANSFER	DISTRIBUTED EARNINGS

**3.2.6 *Legal inquiry:*** Shows the text of legal rules dealing with taxpayer or customs user violations reported in other sections of the inquiry (*Nonfiling, Delinquency, Shadow or parallel returns, etc.*).

**3.2.7 *Partners inquiry:*** Affords the official the means for identifying the taxpayer or customs user's partners and to access inquiries: integral, actions and third-party information on the latter, where he will again find the option for the search of partners, thus obtaining the description of related and economic groups.

**3.2.8 *Enterprise inquiry:*** In similar terms to the above, the official is offered the means for identifying the companies of which the consulted taxpayer or customs user is a partner.

**3.2.9 *Coverage of authorizations:*** This issue deals with certain items that could condition the activity of the individual, or could be indicators of great usefulness in carrying out the control tasks entrusted to the Administration. Depending on the legal possibilities in each country, the system may control such aspects as:

COVERAGE	TAXES	CUSTOMS
<b>Geographical coverage:</b> Customs through which the user operates.		X
<b>Type of merchandise:</b> Tariff sub-items that are the subject of transactions.		X
<b>Amount per transaction:</b> Maximum amount of each transaction or transactions carried out during a specific period.		X
<b>Countries of origin and/or departure:</b> According to economic activity and market conditions and characteristics.		X
<b>Countries of destination:</b> According to economic activity and market conditions and characteristics.		X
<b>Use of merchandise:</b> Use of imported goods is determined ( <i>own consumption, productive processes and/or marketing</i> )		X
<b>Guarantees or policies granted:</b> Definition of amount and risk covered.	X	X
<b>Invoicing:</b> Corresponds to the control of invoices used by the taxpayer with respect to, among other things, their numbering.	X	
<b>Duration of the authorization:</b> Duration which the administration assigns to each authorization granted, implying renewals as appropriate.		X

### 3.3 Assistance to taxpayers and customs users

The information System has options especially devoted to the service of taxpayers and customs users, intended mainly to facilitate compliance with their legal obligations. Such options allow for fulfilling the following tasks:

**3.3.1 *Receipt of requests:*** The system controls the receipt of every type of requests made by individuals (*appeals, claims, inquiries, etc.*), by recording the event and issuing the respective vouchers or evidence.

**3.3.2 *Processing of requests:*** From the very moment the request is received, the System directs the matter to the pertinent entity for solution, which shall hereinafter be in charge of updating the status of the procedure until arriving at the answer, to thus keep the individual informed.

**3.3.3 *Information and orientation:*** In addition to reporting on the processing of requests and matters that are of interest to the taxpayer or customs user, the System affords access to legal information inquiry bases and tables containing common procedures to be undertaken before the administration. It also offers access to data on Tariff and Customs Value.

**3.3.4 *Receipt of procedures prior to operation:*** In the customs sphere, user

attention includes the receipt of procedures prior to operation, according to the country's legal demands, among which one may mention the import or export announcement.

**3.3.5 *Delivery and control of models:*** The System also incorporates the control on the circulation and use of return models and other documents provided by the Administration. To this end, it performs a continuous follow-up of the amounts used in the process, comparing them with distributions made directly to taxpayers and customs users or through the collection entities.

### 3.4 Collection

Within the tax as well as customs sphere, the System integrally administers collection by the Administration, covering each and every one of the functions of this area, which are described below.

**3.4.1 *Information capture:*** The System has different modalities of information capture, such as:

- *Direct capture:* Consists of the transcription of physical documents issued by the collection entities or delivered by the taxpayers and customs users, as appropriate, on the basis of a speedy method known as “*code – data*”<sup>3</sup>.
- *Capture through electronic transmission:* As may be inferred, it corresponds to an alternative, which the administration affords individuals to file documents through telematic media. Regardless of its use in the tax sphere, this modality affords important benefits to customs management, not only at the level of filing of import or export returns, but also of documents whose timely receipt increases the possibility of control as, for example, in the case of transportation.
- *Capture through magnetic media:* In addition to electronic transmission, the System likewise contemplates a means for facilitating compliance with the obligation to file tax and customs returns, which involves the possibility of recording the information on magnetic media technically predetermined by the Administration.

Financial entities authorized to receive tax and customs returns and payments

---

<sup>3</sup> The code corresponds to the characteristic of the document's box and the data to the information contained therein. This means that the operator should go exclusively to those lines having information.

may do so in any of the two capture modalities.

**3.4.2 *Technical treatment of the information:*** As data are captured through any of the mechanisms indicated in the foregoing item, the System automatically activates different levels of control and validation which examine the captured documents one by one, and classifies them in order to guarantee the quality of information that will be input to the *Data Base*, and from which different aspects of management will be updated, such as: the file, the taxpayers and customs users integral inquiry, the current account, recovery and verification, among others.

Such classification shall correspond to documents considered: *Correct*, taken directly to the Data base; *Indefinite*, pending a formal review as condition for their access; *Rejected*, with fundamental inconsistencies that also require review<sup>4</sup>, and *Duplicates*, corresponding to more than one presentation for the same item and period.

**3.4.3 *Control of collection entities:*** Parallel to the information capture processes and the availability of reports from other entities, the System carries out tasks for evaluating the behaviour of entities participating in the receipt of tax and customs returns and payments. This type of control operates in relation to three aspects that are essential for the rest of the processes of the Administration, namely:

- *Timeliness in the delivery of information:* Refers to compliance with the terms required by the administration for the sending of physical documents and/or processed information<sup>5</sup>, as appropriate.
- *Quality of the information:* Corresponds to the levels of reliability and completeness of information received, also at the level of physical documents and processed information.
- *Timeliness in delivering collection to the treasury:* refers to compliance with the deadline set for transferring collections to the accounts of the entity in charge of treasury affairs.

The System permanently controls each of these aspects, whose results are the basis for evaluating compliance by the collection entities, as regards defining

---

<sup>4</sup> This type of deficiency is related to eventual deficiencies in controls and verifications at the time of receipt by the collection entities.

<sup>5</sup> The processed information is taken into account when the collection entities must input the data included in the tax or customs documents.

the compensations agreed and, if appropriate, imposing the corresponding sanctions or fines. In this same sense, the System includes evaluation parameters of a statistical nature, such as the number of documents received (with or without payment) and the amounts collected by each entity.

**3.4.4 *Generation of “parallel returns”:*** Under the same objective of maintaining the reliability of the information used through the System, the collection processes include the detection of mathematical inconsistencies found in physical or logical documents filed by the taxpayer, giving way to reports which, according to the legal possibilities of the Administration, may substitute or propose the substitution of the initial document.

Even though this type of inconsistencies may represent evasion mechanisms, their characteristics referred to assumptions, in most cases do not lead to direct verification actions by the Administration, which will be reserved to other levels of noncompliance.

**3.4.5 *Detection of nonfilers:*** Among the collection options, the System includes the task of detecting nonfiling taxpayers<sup>6</sup>, including inherent tasks for persuasive action aimed at achieving voluntary compliance.

Following detection of nonfilers, based on attributes dealing with location, activity, taxpayer size and the cause of noncompliance, among others, the System massively generates acts known as *notifications to file*, thereby requesting compliance with the duty and warning about the consequences if the omission persists, including the verification action.

**3.4.3 *Assurance of payment in customs transaction:*** In the customs area, the payment of taxes is generally an unavoidable condition for granting authorizations to deliver or ship merchandise that is the subject of import or export, respectively. To this end, the System has mechanisms that allow for the on-line updating of this type of payments, thus allowing and guaranteeing the inquiry by the officials in charge of the control tasks that are common to the customs operation.

**3.4.4 *Taxpayers and customs users current account:*** In accordance with the Administration’s requirements, the System has a current account structure to which information is directly input from the transactions carried out by the

---

<sup>6</sup> Nonfiling taxpayers are those who do not comply with the obligation to file returns.

taxpayers, customs users and the Administration itself.

By virtue of the integration concept, said structure allows for administering balances at different spheres of the Administration (*tax, customs and others*), thus facilitating decision-making with respect to recovery, refunds and compensations, according to the existing legal rules.

For purposes of the inquiry, the current account option allows for specifying the reports, according to different factors such as, the tax, the Concept (own (*own calculation, jeopardy assessments, payment facilities, refunds, interests, sanctions, etc.*), the type of transaction (*debit or credit*), and the period.

The current account also involves complementary actions dealing with favorable balances and the corresponding refunds and compensations; calculation of interests and the generation of excerpts.

### 3.5 Recovery

In view of the collection activity, which the Administration must carry out, the System considers different options that afford it greater efficiency and effectiveness. Starting with the automatic detection of taxpayers and customs users considered as delinquents<sup>7</sup>, the system administers the two traditional levels of action known as *persuasive recovery and enforced recovery*.

**3.5.1 *Persuasive recovery*:** As it is known, this level responds to all those administrative measures intended to achieve voluntary compliance by the taxpayers who initially fail to timely pay their taxes. At this level, the System offers the following options:

**3.5.1.1 *Managerial classification of portfolio*:** The System provides Administration officials options for determining the ranks of concentration of the debt, through criteria such as the amount or value, type of tax and location of the infringers. Based on this classification, the official makes decisions as to where he should direct the resources available, to achieve the best possible performance.

**3.5.1.2 *Issuance of payment notifications*:** Based on the determinations made following managerial inquiry of the portfolio, the System allows the massive generation of requests for payment (*notifications*) intended

---

<sup>7</sup> Within the customs sphere, delinquency general originates from larger amount of taxes officially calculated by the Administration

for delinquent taxpayers and including in the process the control and follow-up of such actions. Other mechanisms are likewise considered to follow up other forms of persuasive contact with the individuals, such as visits, telephone calls and new written communications.

**3.5.1.3** *Assignment of cases:* According to the legal conditions and formalities anticipated for this purpose, the System has available mechanisms for assigning cases to the Administration officials devoted to recovery. Beginning with this stage, options are offered for controlling workloads and information used in the evaluation of performance.

**3.5.1.4** *Calculation of payment facilities:* When it is impossible to obtain full payment of the debt, regulations generally authorize the Administration to defer payment through installments, regardless of the application of delinquent interests and other effects of noncompliance. To facilitate these tasks, the System affords different options ranging from the simulation of calculations for the analysis with the delinquent taxpayer, up to the formal elaboration of the agreement that determines the conditions.

After determining the payment facilities, the System follows up each of the cases, giving a warning note on noncompliance that must be timely handled.

**3.5.2** *Enforced Recovery:* The System administers recovery actions undertaken against delinquent taxpayers who persist in the nonpayment of taxes owed. The System's participation may be summarized in relation to functions covering the following aspects:

**3.5.2.1** *Assignment of cases:* As in persuasive action, the System anticipates the formal assignment of cases to Administration officials devoted to enforced recovery.

**3.5.2.2** *Report on properties:* Based on data taken from the taxpayer's returns, as well as records on information provided by third parties or entities, the System allows for inquiring about the property of the delinquent taxpayer, thus facilitating to the recovery official the adoption or promotion of legal measures of a preventive nature that may be appropriate.

**3.5.2.3 *Recovery procedure:*** At the level of the enforced action as such, the System anticipates follow up of the process established in accordance with the rules governing this issue.

Support in this area will depend on the Administration's execution of the debts, mainly depending on whether the procedure is of an administrative, judicial or combined nature. Regardless of the above, management or follow up covers the generation of administrative or judicial acts, the application of preventive measures and the auction sale of the delinquent taxpayer's properties, among others.

As an additional and very important service for the recovery area, the System allows for rendering inactive the delinquent portfolio, whose recovery is doubtful or difficult, until information is received with respect to the debtor.

## **3.6 Customs transaction**

The System administers and controls each of the stages of the customs transaction process, in relation to import as well as export, which are described below:

**3.6.1 *Evaluation of transactions:*** From the very moment the Administration is aware of the transaction, pre-established criteria are activated, whereby the System evaluates the risk thereof, to thus indicate the level of control and follow up which the Administration must apply, which will range from the simple documentary review, up to the physical inspection of merchandise, including, if appropriate, tariff and customs value studies.

The criteria used by the System to determine the level of control corresponding to each transaction, are defined by the official authorized for such purpose and are identified with variables that are common to each transaction, such as: The importer or exporter (*note of behaviour, activity, coverage, etc.*); other users and responsible individuals participating in the transaction; country of origin, source or destination, as appropriate, system covering the transaction, customs destination; Customs office of entry or departure; type of merchandise; customs value and others.

**3.6.2 *Receipt of merchandise:*** At this stage of the customs transaction, the

System has options to support the following tasks:

- Control of arrival of the means of transportation,
- Receipt and capture of transportation documents,
- Authorizations to unload,
- Authorizations to load,
- Unloading or loading reports, as appropriate,
- Authorizations for transfer to stock room or warehouse, and
- Authorizations and follow up of customs transits.

With respect to this issue, one must likewise mention the modules of the System devoted to the *control of travelers*, intended as it is known, to control the merchandise carried by passengers entering the national territory, as well as those devoted to control *couriers*.

**3.6.3 Clearance procedures:** Deal with actions to be carried out for obtaining authorization for the entry of merchandise under any of the existing modalities of customs destination. They incorporate tasks relative to the receipt of documents required by the Administration, customs inspections and the issuance of the clearance authorization as such.

**3.6.4 Control and follow-up of customs destinations:** Refers to the control of those customs destinations that imply restrictive disposal of goods by the importer. To this end, the System controls the terms and conditions of imports, generating the pertinent reports.

### 3.7 Tax and customs verification

In the tax and customs spheres, the System significantly strengthens the possibilities and effectiveness of subsequent control by the Administration. This, as well as the previous areas, includes each and every one of the functions that are common to the verification action, covering as basic aspects:

- Persistent nonfiling of tax returns, even after having being detected and being persuaded by the collection area;
- Inaccuracy in private determination of internal and foreign trade taxes<sup>8</sup>;

---

<sup>8</sup> Inaccuracy corresponds to actions by the taxpayer or customs user, intended to unduly reduce the amount of their taxes. With respect to internal taxes, these actions may involve, depending on the tax, omission of revenues, increase of costs or use of nonexistent credits, among others; while in the customs sphere, they refer to inconsistencies in the customs value, incorrect tariff classification, distortion of the rates of

- Illegal entry, possession and marketing of merchandise, and
- Violations of specific obligations that give way to the application of sanctions.

To handle verification in relation to the foregoing issues, the System has the options described below:

**3.7.1 *Selection of taxpayers and customs users:*** There are two groups of tools intended respectively for the selection of taxpayers who fail to file their returns or to regularly provide third-party information, as well as for detecting inconsistencies in the private assessment of taxes.

In both cases, the perspectives for verification control through the System is basically framed within prioritization of the most important forms of noncompliance in terms of collection, protection of the information and generation of the so-called subjective risk among the taxpayers.

With respect to the control of nonfilers, the options allow, in the first place inquiry with respect to those cases detected and for which payment has been claimed by the collection area, but whose compliance still persists, to then proceed to the selection and transfer to the verification plan.

On its part, inconsistencies in the assessment of taxes are detected through different modalities of verification programs, in which the aforementioned prioritization is maintained. Among the main modalities of this type of selection are:

**3.7.1.1 *Selection through “shadow return”:*** According to the explanation given when describing the inquiry options, through the file, the shadow return is a comparison between the data declared by the taxpayer in his returns and the information obtained by the Administration through other sources (*exogenous information*).

Based on said reference automatically structured by the system, for all taxpayers to which it may be applicable, the official may indicate the

margin of difference between the shadow return and the private return, to be used as basis for making the selection for verification.

**3.7.1.2** *Selection through “note of behaviour”*: Based on the assessment made by the System of each taxpayer and customs user, depending on the level of compliance with their obligations, the official in charge of the selection may determine the limit of the “note of behavior” under which the taxpayers to be verified will be selected.

**3.7.1.3** *Selection according to attributes and criteria*: This modality of the program allows the official to determine, based on previous analyses of information and economic-fiscal studies, as appropriate, formulas or indicators known as criteria, on the basis of which taxpayers or customs users with signs of noncompliance may be pointed out and subsequently subjected to audits.

**3.7.1.4** *Selection according to favorable balances*: According to the amount of balances in favor of the taxpayer or individual responsible for the tax and including pre-established information crosschecks which covers information originating from import and export transactions, the System allows the selection of cases that should be the subject of verification by the verification area.

**3.7.2** *Verification plan*: As the aforementioned selection tasks are carried out, the official will set up, with the help of the System, the verification plan where it will keep the file and codification of the respective programs and periods covered by the audits. This plan may be consulted and will be updated automatically, as its execution progresses.

**3.7.3** *Assignment of cases*: The System has the necessary options for determining the auditors who are responsible for each of the audit cases, by providing information on his specialty and experience, and by controlling the work loads. In addition, reassignments and additions may be made, as appropriate.

**3.7.4** *Support to audit*: In addition to access to the forms of integral and detailed inquiry known through the file, the System’s support to audit is mainly focused on the following aspects:

**3.7.4.1 *Inquiry of the audit manual:*** The manuals available in the Administration, for tax as well as customs audits, are adapted for consultation through the System, thus facilitating their use by the verification officials.

**3.7.4.2 *Indexes:*** Based on formulas previously defined by the examiners themselves, the System has a report on tax and financial indicators that strengthen the audit planning tasks.

**3.7.4.3 *Information at constant prices:*** The examiner may access inquiry options showing the amounts indicated in the returns of the past five years, adjusted according to accumulated inflation up to the month immediately prior to that of the inquiry. This allows, vis-a-vis each taxpayer, to undertake a fiscal-type historical analysis of great usefulness for the auditor.

**3.7.4.4 *Legal inquiry:*** To support the audit, the official may likewise make use of the inquiry options of the legal data base, where there appear the texts of the tax and customs legislation, and other interpretation sources such as official doctrine and jurisprudence, among others.

**3.7.5 *Control and follow-up of audits:*** For carrying out the audits, the System has follow-up options where each case is classified according to the stage of the audit. Included in this same framework is the issuance of administrative acts, whereby the System supports and controls all aspects dealing with the generation, printing, signing and notification thereof.

After concluding the audits, the official in charge must include in the System the results achieved in terms of modifications to the respective private return, by using models called “audit sheets”. These records shall serve as basis for the issuance of administrative acts containing the jeopardy assessments whereby taxes are added or determined.

**3.7.6 *Repression of Contraband:*** With respect to customs verification actions intended to prevent or curb the illegal entry, possession and marketing of merchandise, the System offers special options as regards the assignment of cases, authorizations for carrying out operations and control posts, the

elaboration of acts involving the seizure or confiscation of merchandise and receipt at the warehouses.

### **3.8 Discussion of the acts of the administration**

Following the issuance of the acts of the Administration, which may be subject to objections, appeals or claims, the System offers options for carrying out the tasks inherent in this stage, which involve: the control of terms or deadlines for filing complaints; assignment of cases to officials in charge of solving them; control of terms or deadlines for solving the cases, judgement or resolution by the Administration; follow-up the printing, signing and notification of judgements and issuance of warnings with respect to cases that have been judged.

### **3.9 Legal inquiry**

According to what has been stated in other sections of this document, the System has options that allow the official to update and consult laws, decrees, jurisprudence and official doctrine; in the tax, customs and other areas that are of interest to the Administration's management (*accounting, administrative, financial, mercantile, labor, etc.*). To facilitate their use, the options mentioned consider different forms of access and inquiry based on documents, topics, subtopics, words and duration, among others.

### **3.10 Inquiry of tariff and customs value**

The System allows for consulting the tariff based on the coding and description of each sub-item and, in addition, the official doctrine on the subject, represented by technical concepts linked to each of the positions.

Parallel to the Tariff, there is also available a data bank corresponding to the norms, studies and other value sources compiled or elaborated Administration, which will serve to support the control tasks in carrying out by the customs transaction and subsequent control.

### **3.11 Statistics**

The availability of statistical information is a strategic factor in decision-making

by the Administration. In this sense, the System permanently updates reports offered through different options, wherein the official, in turn, classifies the information based on attributes which, in sum, represent millions of possibilities for inquiry.

Among the reports previously mentioned are those involving managerial, general, and operational and resources statistics, among others. In addition, there are simulation tools that are very useful for deciding modifications to the tax and customs systems (*rates, bases, tariffs, etc.*).

Jointly with the statistics, the System maintains the Official Accounting in relation to the collection of internal taxes and customs duties, having available for such purpose the required records and the options for updating the respective files.

### **3.12 Control and marketing of merchandise**

In the customs sphere, the disposal of merchandise that is abandoned or confiscated is an issue of great importance. To this end, the System has tools especially devoted to control such merchandise held by the administration, from which we may highlight:

**3.12.1 *Control of inventory:*** The main purpose is to guarantee the quality of information dealing with merchandise available, by incorporating and updating such data as: sub-item; description; location, customs situation, status of merchandise and value.

**3.12.2 *Marketing procedures:*** The System likewise offers the necessary options for covering the processes through which the Administration disposes of the merchandise (*auction sales, donations, assignments, etc.*)

To this end, such options support compliance with tasks dealing with the selection of merchandise to be marketed, publications and notices, the register of bidders and the generation of the corresponding administrative acts.

### **3.13 Resources management**

For purposes of this presentation, the term *resources* includes the human resources available to the Administration, as well as the budget and assets assigned for its performance

**3.13.1 *Human Resources:*** As regards human resources management, the System covers management dealing with the following aspects:

- 3.13.1.1** *Officials register:* Allows the registration and integral inquiry of the official or former official, by providing information relative to personal family, education and training aspects, profiles, development (*by dependency and function*), development in the administrative career path, remuneration, shift, evaluation of performance and personal wealth, among others.
- 3.13.1.2** *Selection, appointments and career:* The System efficiently supports the processes of staff hiring and promotion, covering the different tasks involved therein (*announcements, tests, etc.*), up to the appointment or promotion, as appropriate.
- 3.13.1.3** *Performance evaluation:* The System has available options for the capture and processing of results, for those in charge of evaluating performance and the human resources area in particular, by keeping due connection with other issues such as the integral inquiry of the official, remuneration factors, among others.
- 3.13.1.4** *Staff management:* Included in the options anticipated for this purpose are, among other tasks, the recording and updating of changes occurring in relation to each official or former official (*appointments, commissions, leaves, vacation, sanctions, resignations, dismissals, etc.*), and also those involving processing and solution of requests (*permissions, authorizations, records and certifications, among others*).
- 3.13.1.5** *Remuneration:* Based on the foregoing, the System administers and controls the different processes that imply the remuneration of officials, providing different services that correspond, among others, to the elaboration of payrolls and the generation of checks or installments, as appropriate.
- 3.13.1.6** *Training:* With respect to the training of the official provided directly or indirectly by the Administration itself, the System supports the adoption of definitions, as regards the academic perspectives of each employee and the scheduling of corresponding

events.

**3.13.1.7** *Disciplinary control:* The options provided for this purpose support the development of the different stages of research and decision-making, of a disciplinary nature, of the administrative process, undertaken in relation to officials who have incurred in offenses which must be considered by the Administration.

**3.13.2** *Financial resources:* With respect to the management of financial resources, the System anticipates options in relation to such tasks as the projection, distribution and control of the entity's budget. Also included are administrative accounting (*books, items, and records*) and treasury function tools which include the handling of accounts and management of payments.

**3.13.3** *Physical resources:* Among the most important aspects are the mechanisms for the management of inventories, personal property as well as real estate managed by the Administration, including options dealing with planning, purchase, distribution and control. Also mentioned are options developed to support and control the Administration's hiring processes, including bidding procedures and registration of contractors, among others.

### **3.14 Management control and evaluation**

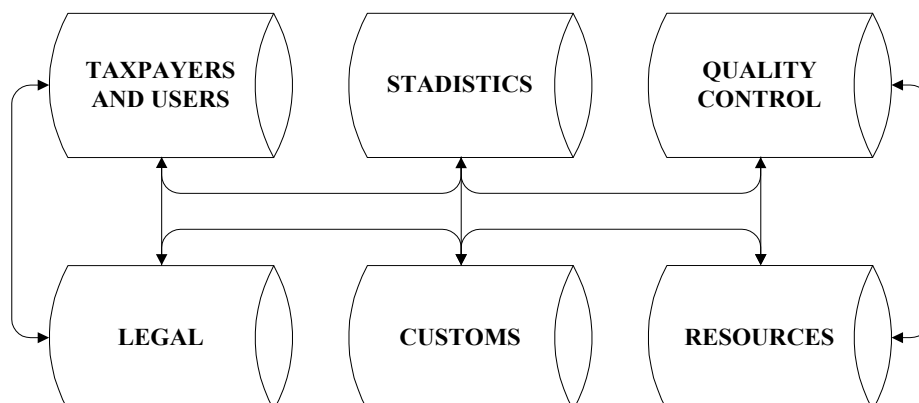
Based on criteria determined by the Administration itself, the System has different reporting media with respect to the general and individualized evaluation of quantitative and qualitative performance of each of the areas comprising the entity.

The design of options for this purpose includes such factors as: the determination of coded objectives, resources invested, statistics and results achieved, among others. Based on the foregoing, one resorts to management indicators which, in an independent or complementary manner, account for the efficiency and effectiveness of the management function entrusted to the Administration.

## **4. TECHNICAL DESCRIPTION OF THE SYSTEM:**

### **4.1 General description**

The System has six interrelated data bases that correspond to those observed in the following graph:



*Taxpayers and users:* Includes all the detailed information dealing with the taxpayers and customs users file and returns.

*Statistics:* Corresponds to all the information generated by the System at the statistical level.

*Quality control:* Includes the information dealing with the definitions of the management model, incorporated in accordance with that stated in item 2 of this document.

*Legal:* Comprises all texts of norms, official doctrine and jurisprudence related to the Administration's management.

*Customs:* Incorporates the customs tariff and linked thereto, other factors involved in customs management, such as customs value data bank and other tables of similar importance.

*Resources:* Information dealing with human, physical and financial resources.

## 4.2 System's platform

OPERATIONAL SYSTEM:	UNIX SYSTEM V, version3.2.
PROGRAMMING LANGUAGE:	NATURAL, version 2.1.2.13
DATA BASE MANAGEMENT SYSTEM:	ADABAS version 1.2.6.1

### 4.3 Portability of the system

OPERATIONAL SYSTEM:	ANY
PROGRAMMING LANGUAGE:	FOURTH GENERATION
DATA BASE MANAGEMENT SYSTEM:	RELATIONAL

### 4.4 On line aids

4.4.1 **Technical documentation:** Is incorporated in the System.

4.4.2 **Aids:** Each screen has aids to explain their operation.

4.4.3 **Procedures:** In addition there are the “users’ guides”, through which the System transmits the administrative procedures determined by the entity for carrying out the functions related to the options used.

## 5. METHOD FOR IMPLEMENTING THE SYSTEM

To implement the Customs and Tax Information System –SIAT-, the guiding principles involve the guarantee of integrity, not to impose foreign management models and to make of the user official the real owner of the System. Based on the foregoing, the implementation method includes among its main stages: the initial diagnosis; establishment of the working team (*tax and customs experts, and computer technicians*); adaptation of the functional design to the country’s conditions, development of the system; data migration; training of user officials, production and maintenance.

## CONCLUSIONS

Within the perspectives of integration of the tax and customs administrations, one of the most important factors as regards the viability of this type of decisions, corresponds to the computerized support afforded to the entities. Based on this assumption, the Administration should undertake definitive solutions with an integral conception that may guarantee the strengthening of all areas comprising it bearing in mind that each of them resolutely intervenes in the quality and effectiveness of management.

In this same sense, the system should reflect a vocation of full use of the information, as main source of management, in such a way that it may allow an

effective control of the universe of taxpayers, customs users and others placed under the control of the Administration.

In addition to generating significant improvements in the performance of the administrations, investing in integral computerized solutions, implies being able to structure a *management model* of its own, around which continuous improvement schemes may be structured that may promote an organized and balanced development of the entity.

Amidst the decisions to be made with respect to the systems that will support the management of taxes and customs duties, the timeliness with which the tool may be available plays an important role, with a view to speeding up to a maximum, achievement of the expected results. Thus, it is anticipated that projects aimed at such purpose will cover relatively short periods of time, until implementing the system chosen.

Lastly, the Inter-American Center of Tax Administrations -CIAT- expresses its total willingness to support processes of change and improvement of the nature analyzed herein, although responding always to the particular conditions and characteristics of each country. We likewise express our desire to respond to the requests for additional information on the topics discussed in this document.