



Inter-American Center of Tax Administrations - CIAT
Ministry of Finance of Spain



**THE TAX ADMINISTRATION
AT THE SERVICE OF THE CITIZEN**

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

The Center consists of the tax administration directors of Western Hemisphere countries, and Spain, France, Italy, Portugal and The Netherlands. The Minister of Finance or Treasury of each country designates the positions in his tax administration, the incumbents of which are CIAT members. The capacity of member is lost when the official ceases to hold the aforementioned position.

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Barbados	France	Peru
Bermuda	Guatemala	Portugal
Bolivia	Haiti	Spain
Brazil	Honduras	Suriname
Canada	Italy	The Netherlands
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Head of Mission Raúl Junquera Varela

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**Welcome Statement
by**

**Mr. Javier Etcheberry Celhay
President of the CIAT Executive Council
Director, Internal Revenue Service of Chile**

Once again the State Agency of Tax Administration of Spain cordially welcomes CIAT to hold in this historical city of Seville, one of its annual activities, namely: the Technical Conference of 2001, where, in addition to the representatives of the countries that are members of our organization, we will count on the participation of distinguished international experts in the field of taxation, as well as representatives of international organizations that are always attentive to and interested in the activities of CIAT.

The main theme of this Technical Conference is development and application of the user service concept, an aspect that has been acquiring ever greater relevance in the management of Tax Offices. Indeed, a very important milestone was set when it was thought, with a true vision, that the Tax Administrations necessarily had to consider as strategic objective, the convenience of improving assistance and information to help taxpayers in complying with their tax obligations.

It is so much so, that the creation and systematization of the most efficient mechanisms for satisfying the requirements and expectations of the taxpayers is a concern that cannot be currently disregarded in the plans and programs of the Tax Administrations. It is also a key factor for successful management, which is characterized, in addition, by a permanent dynamics of evolution and change, in keeping with the advances of modern technology which continues to provide us better tools and means for communicating with our taxpayers.

Communication strategies are immersed in the modernization of our organizations in such a way that, aspects like: user satisfaction; quality of services and products delivered; taxpayer assistance, information and education, must be part of the inventory of our institutional strengths.

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The main theme of the Seville Technical Conference: “The Tax Administration at the Service of the Taxpayer”, precisely places us in the center of one of the most interesting facets of management of a modern Tax Administration; which task is not exhausted but, on the contrary, poses constant challenges given the perspective of increasing advances in communications technology. I am sure that the study, analysis and exchange of information sessions we will carry out in Seville, will significantly contribute to enrich our expectations in relation to this matter.

Following these brief reflections that are intended to highlight how important the topic of the Conference is for all of us, in my capacity of President of the CIAT Executive Council I would like to thank the authorities of the State Agency of Tax Administration of Spain and welcome most cordially the Delegations of the participating countries, the members of international institutions and special guests gathered in Seville and wish them a most successful participation in this meeting.

Welcome Statement
by
Mr. Salvador Ruíz Gallud

**General Director of the State Agency of
Tax Administration of Spain**

Dear friends of CIAT:

It is a great pleasure for me to again welcome to Seville all the participants in the 2001 Technical Conference. All of us who have worked in the preparation of this event feel proud and honored of being your hosts, especially this year when Spain has acquired the capacity of full member of the Inter-American Center.

The technical program develops the theme chosen for this Conference, "The Tax Administration at the Service of the Citizen", which is a reflection of one of the main current trends of tax organizations. As we enter into the XXI Century, public activity faces new challenges dealing with globalization and the development of technologies. In this context of modernization, there appears to be a consolidation of the idea that a good administration is that which facilitates the activity of the citizens and economic agents, in addition to overcoming tax noncompliances.

On the other hand, the social activities that complement the technical aspects of this conference, are centered on a part of Spain: Andalusia, whose artistic and historical variety and wealth afford ample possibilities for selection, particularly Seville, venue of the Conference, emblematic city, which has long been recognized as the bond between the Americas and Spain

All these aspects have been taken into account for organizing the Technical Conference in order to offer, along with such an important issue for analysis and debate, a very broad and attractive social program.

We have thus enthusiastically organized this Conference, hoping that you will enjoy the hospitality of the Spanish people and have a happy stay among us.

**INAUGURAL SPEECH
BY HIS EXCELLENCY,
MR. CRISTÓBAL MONTORO ROMERO,
MINISTER OF FINANCE OF SPAIN**

**INTERNATIONALIZATION AND
ADMINISTRATIVE COOPERATION**

Introduction.

Authorities, members of the CIAT Executive Council, representatives of the countries and international organizations present here, ladies and gentlemen:

Appreciation
and welcome

It is a great pleasure to welcome all of you to this city of Seville; city of such great historical significance in the relationships between Spain and the countries of the Ibero-American community. City which embraces us all, in a very warm and sincere manner.

I also wish to say that, for me, it is an honor to be allowed the floor in this Technical Conference, to address this distinguished group of representatives of States and International Organizations gathered here today.

I am very grateful to the Inter-American Center of Tax Administrations for the opportunity given me to address you in this Meeting, which has a special significance for Spain and the Tax Agency and which makes it a unique opportunity for increasing our cooperation with the representatives of the CIAT member countries. The organization of this Conference clearly expresses Spain's commitment of cooperation and support to CIAT and each one of the member countries; commitment, by the way, that dates back to 1982, when the first Technical Cooperation Agreement was signed between the

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Minister of Finance of Spain and CIAT, which has been subsequently renewed on several occasions, the last one being in April of this year.

This is our first Technical Conference as full member country of CIAT, and it is also the first time the Spanish Agency Director participates in the double condition of host and representative of its Executive Council. However, there is another aspect I wish to highlight: the holding of this Conference coincides with the tenth anniversary of the creation of the Tax Agency.

10th anniversary
of AEAT

Ten years later, the organizational model then chosen, which has served as guide to some Ibero-American countries, has reached a level of maturity that allows us to be satisfied with the results achieved. Indeed, the implementation of a new organizational model as different and innovative involved significant risks and a complex process of change wherein, undoubtedly, some errors were made and much energy consumed. Nevertheless, with the perspective afforded by the ten years of operation of the Agency, I believe the balance is very positive and the results achieved justify the costs incurred. Perhaps at some future CIAT meeting we may discuss in depth the advantages and inconveniences of the different organizational models and especially, the level of autonomy which is advisable for the Tax Administrations.

However, we must not fall in the complacency or belief that everything has already been achieved. Jorge Luis Borges, the great Argentine writer, used to say that health is a precarious state of the human body, which does not forbid anything good. Today, we must get used to the permanent surveillance of the external factors that affect our organizations, to have available flexible organizations that may treat taxpayers in a differentiated manner, to effectively absorb the continuous innovations afforded by technology.

Mr. President, Ladies and Gentlemen:

New
environment
of AEAT

We are experiencing an increasing internationalization of economic relations and a radical change in communications. In this international context, the Tax Administrations must elaborate an action strategy that may allow them to respond with due speediness to forthcoming changes. Such strategy must identify the problems posed by this new scenario as well as point out to the objectives and instruments that may solve them.

Cooperation
among
Administrations

Cooperation and assistance among the tax administrations is one of the fundamental instruments to face the new challenges. Likewise, international organizations among which CIAT holds a relevant position are vital to channel the individual efforts of the States. Spain, as a member state of the European Union, has the firm commitment to share with the CIAT member countries, all the common experience in the technical cooperation and assistance tasks.

The holding of meetings such as the one we are inaugurating today, is one of the possible formulas for favoring international cooperation, since it allows us to share the best administrative practices of our tax organizations.

The
Administration
at the Service
of the Citizen

The theme chosen for this conference: "The Administration at the Service of the Citizen", is a complement to the topic on control of compliance with tax obligations developed at the Chile Assembly held this same year and, likewise, reflects one of the main trends in the future of the tax organizations. At the outset of the XXI century, the tax administrations are facing new challenges related to globalization and the development of new technologies. In this context, a new model for the management of public affairs is making its way; namely, one based on an efficient organization that is close to the needs of the citizens.

This new model of Tax Administration is the result of an evolution, which, following the guidelines

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developed in the private sector, takes us from an organization aimed at procedures to an organization aimed at the customer. An organization is at the service of the taxpayer not only when it states in its declaration of principles that its main objective is to collect taxes seeking in turn voluntary compliance. It is also necessary that such declaration specifically result in the design of an organizational structure that may endeavor to adapt itself and approach the taxpayer to provide him assistance and education, that may respect all his rights, seek the maximum possible simplification of the tax norms and procedures and attribute due importance to the programs aimed at the quality and improvement of their modes of operation.

In any case, we cannot disregard the fact that reinforcing attention and taxpayer information services does not imply, in any case, forgetting the need of achieving greater effectiveness in the use of tax controls. The struggle against tax fraud is a priority objective of our organizations, and demands the greatest effort and use of the most modern techniques of taxpayer selection and examination.

I would appreciate that you allow me to make some brief comments on three of the aspects we will be discussing in the coming days.

Taxpayer Statutes

- The first is the increasing concern of the Institutions for respect of taxpayer rights in their relationships with the tax administration. In recent years, different countries have published documents covering the rights and obligations that should govern said relationships. The right to be presumed innocent and honest, to be treated with courtesy and consideration, to confidentiality and privacy, to enjoy the most advantageous option provided in the law are listed, among others in the taxpayer statutes. The Spanish Law on Taxpayer Rights and Guarantees is undoubtedly an example of norms in relation

to this matter, which should allow for a more transparent and balanced relationship, with greater trust from the citizens toward their Tax Administration.

- The second is the role played by the simplification of norms as an instrument for promoting voluntary compliance. The simplification of norms is, along with forms, newsletters and managerial procedures, one means for supporting every modern organization whose mission is the collection of tax debts.

Normative
simplification

The reform of the IIT recently undertaken in our country is an adequate example of normative simplification, which favors the average citizen as well as the Tax Administration. It benefits the more modest citizens by relieving them of the obligation to file tax returns under specific circumstances, without losing any of their rights, while allowing the Tax Administration to devote new resources to other activities areas with greater value added or to control activities or areas involving greater risk.

In addition, the reduction of the taxpayer burden has invigorated our economy and allowed for increasing our rates of economic growth and simultaneously greater tax collection derived from greater economic activity. This is undoubtedly, a very important aspect, which we shall discuss in one of the papers assigned to the Spanish Administration.

Along this same line of clarifying the relations between the Tax Administration and taxpayers by increasing the juridical security, great importance is attributed to Agreements for avoiding double taxation. As it is known, this type of bilateral agreements affords

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greater juridical security and constitutes a crucial element for promoting international investments and favoring, therefore, economic activity among our countries. I consider it very convenient to expand the already existing network of agreements as a way of preserving the interests of Public Finance, clarifying the taxpayers' normative framework and ultimately favoring economic development and the welfare of our citizens.

New
technologies

- The third and last aspect to be discussed is the use of new information technologies by the tax organizations. The latter cannot ignore or be unconcerned about the impact caused by the use of Internet in numerous social and economic activities. The network has rapidly become another instrument for facilitating relationships between the taxpayers and the tax administrations. It is already difficult to find tax organizations without a web page for providing information or receiving inquiries. Likewise, the necessary procedures are being developed in most European countries to accept registration, filing, payment of taxes and even the notification of assessments by electronic means. For all of the above reasons, it is important to reconsider our working procedures and methods in the light of new technologies, in order to arrive at a more effective and efficient tax system.

Mr. President, Ladies and gentlemen:

Spain's
Commitments
with CIAT

To conclude, I would like to reiterate Spain's commitment with CIAT and each of the member countries. However, we do not want the commitment to appear as a mere declaration of intentions. Therefore, Spain has endeavored to carry out the following actions in the coming years:

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- a) The creation of a Master's Program in Tax Administration and Public Finance to reinforce the technical and professional training of officials in the tax sphere. This initiative would respond to the existing need for tax training in many Latin American countries and would contribute to conclude many partial actions undertaken in recent years.
- b) The resolute support to the effective implementation of the CIAT Model on Information Exchange that may serve as essential instrument for improving the performance strategy of the Tax Administrations in an open environment.

Along this same line, support will be given to the analysis of possible Technical Cooperation and Assistance Agreements in the area of Executive collection, with the organizations and administrations of the Latin American area. These agreements would be undertaken by taking into account the model recently approved by the European Union.

- c) Continue to participate in technical assistance missions to support the modernization processes being carried out by the Ibero-American tax administrations.
- d) The elaboration of a Manual on best administrative practices that may serve as reference and guide for the application of documented tax methods and procedures and
- e) Reinforcement of the activity of the Spanish Mission at CIAT.

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Ladies and gentlemen,

It is very difficult to make forecasts and we do not know what the future has in store for us, but we may indeed deal with the present and trust that our current efforts may help the generations of tax administrators that may succeed us.

Thank you very much and have a happy stay in Seville.

Lecture:

TOPIC 1

**STANDARDIZING MEASURES TO FACILITATE
VOLUNTARY COMPLIANCE**

Salvador Ruiz Gallud

Director

State Agency of Tax Administration

(Spain)

It is a great honor for the State Secretariat of Finance of Spain and for the State Agency of Tax Administration the organization of this CIAT Technical Conference that is taking place in this magnificent and historical city of Seville.

This is the first time that Spain participates as a full-fledged member in this organization, and it also does so assuming with pleasure the obligation of holding this conference. Both facts are but just the continuation of the resolute collaboration and support that the Spanish Tax Administration has provided throughout many years to the different Latin-American administrations, as well as to CIAT itself.

For this occasion, no better place could have been found than this City of Seville, that served as a port and as a link between the lands and peoples of Latin-America and Spain, and that now welcomes the representatives of all tax administrations of the brother countries on both sides of the Atlantic, to make progress together towards the obtainment of more efficacious and fair administrations.

In this City, the treasure the Indies Archives represents for historians and for those that study the history we share with the Latin-American community, encompasses countless documents that, among other aspects, also reflect the hard work carried out by the Internal Revenue of those times in order to ensure the correct payment of the diverse excise duties imposed on cargoes coming from America.

TOPIC 1

Likewise, in this City, the renowned Miguel de Cervantes was jailed as a consequence of his work as a tax collector. That is why it could be said that we must thank that jail, and those services, for the paramount work of the language we share, the Ingenious Nobleman Don Quixote de la Mancha, which was conceived during the years Cervantes was incarcerated.

Since then tax systems have undergone an absolute transformation, in benefit of the Administration as well as of those under the same, but this does not mean, at least from the standpoint of those responsible for the administration, that our task is simpler now than in those times, I would even dare to consider that, quite the contrary, the tasks and functions we face nowadays are much more complex.

The subject chosen for this conference, *"Tax Administration at the citizen's Service"*, is a sample of what are the concerns of those responsible for the tax administrations in order to continue being among the most advanced tax organizations in the world.

To count with more modern, efficacious and efficient tax administrations is ever more necessary as a means to contribute to the development, progress and the stability of all our nations. Tax systems must allow for the States to count with the resources necessary to undertake their diverse public expenditure policies of all kinds, social, sanitation, educational, etc. All of these also guaranteeing the fairness in taxes, both in the horizontal and vertical axis, its progressiveness, and the global justice of the taxation system.

Likewise, tax systems must strive to achieve the principle of neutrality, allowing the free operation of the mechanisms and resorts that, through the private initiative, by means of investment and assuming risks, make it possible for the creation of wealth and are the means to guarantee employment and the well being of all citizens.

Also, we must establish those measures that contribute to the essential objective of improving the well-being of our nations, carefully weighing the loss of resources that tax stimuli and incentives may bring about, with relation to the benefits and positive externalities that may revert to the society and the economy as a whole, given the behaviors and acts that they empower and promote.

However, the neutrality principle and those of fairness, justice and progressiveness, cannot be taken into consideration solely in the occasion of designing the tax system, of the multiple taxes and their structures, but

they must also be taken into account when establishing the operation, regulation and the structure of the different tax administrations responsible for the application of the tax system.

Due to that, we are assisting in a new strategic guidance of the tax administrations, where the essential objective is to favor the voluntary compliance by the citizens of their tax obligations. In order to achieve said goal, we must count with the collaboration of each and every one of the different functions and tasks that are the competence of the tax organizations.

We are observing how most countries, in a greater or lesser degree, are proceeding to transfer the ultimate concern of the tax authorities to prosecute and punish tax in compliance, to promote, stimulate and favor voluntary compliance. This, in no event, must be construed as a greater tolerance towards fraud and tax evasion, given that the fight against them will not cease, doubling their efforts, particularly with the new tax fraud modalities that are allowed by the growing globalization and integration of the international markets.

However, this fight against fraud must not be seen as an ends in itself, but rather as yet another way to favor voluntary compliance, as all attempts to promote voluntary compliance would be barren, if those that evade their tax obligations were not prosecuted and sanctioned in an efficacious manner. There is nothing as discouraging for citizens that fully and honestly comply with their tax obligations, than to see how others can evade their obligations without the Administration acting against them.

Along with the foregoing, voluntary compliance may be favored through numerous measures and acts. In this presentation we attempt to show which are the acts carried out by the Spanish Tax Administration to achieve that objective, with the desire that this exchange of experiences be of great usefulness for all the administrations represented at the CIAT Technical Conference.

The title of this presentation is "*Standardizing measures to favor voluntary compliance*", however, not only through the Law can we make the taxpayers correctly and voluntarily comply with their tax obligations. Non-standardizing measures, which have been translated into an increase of services and facilities for the taxpayers, decidedly collaborate in the achievement of that objective. The increase of this type of services and facilities, are not only the result of a new administrative organization, with a new orientation, with a new culture that sees the taxpayer as a client,

where the full compliance of his/her obligations must be made as less cumbersome as possible for them, without implying difficulties nor troubles additional to the economic burden implied by the payment of the different taxes.

Although it is not the core purpose of this presentation, it is necessary that we highlight some of the new measures that have been adopted throughout the past years:

- **Empowerment of the information services**

The correct and voluntary compliance of the standards demands that taxpayers be able to know the scope of their obligations, therefore it is of utmost importance that we use the necessary means that allow to reduce to as little as possible the defaults that are not due to a deliberate intent of the tax obliged, but simply to the unawareness of the applicable standards.

In this sense, the AEAT is developing an intense information work, thus, during 2000 more than 35 million informative letters were sent to the taxpayers, reminding them of their tax obligations, the fiscal calendar and the main novelties of the la set of standards for that year. Additionally, more than 34 million more specific informative publications are sent to the affected taxpayers.

Every year, AEAT prepares practical manuals for practicing the returns for the most important taxes; same that contains explanations that are accessible to all citizens apart from the set of standards in force. These manuals are of very high quality and include the applicable administrative criteria.

Important information efforts of an individual nature for taxpayers are made, both at the AEAT Delegations and Administrations themselves as well as through the telephonic information service that, through a sole number for the whole country, allows to multiply the scope of the information services with greater comfort for the citizens.

One of the most outstanding information activities of the Tax Agency is the INFORMA taxpayer assistance program. This is a database that collects replies to more than 14,000 questions with respect to the different tax concepts, allowing to know in a quick manner, through the Internet, what is the Administration's criteria.

- **Taxpayer aid services**

With the purpose of facilitating the compliance with the taxpayers' tax obligations, the Tax Agency has developed computer aid programs to complement the returns for the main taxes. With these programs, between 75% and 85% of the returns received are generated, which shows the trust citizens have in the same.

Particularly in the case of the Individuals Income Tax with this program, the PADRE, 95.5% of all returns have been filed in the year 2000. As a complement to the program, returns may be filed, free of charge for the taxpayers, at the Tax Agency offices, in other entities (Autonomous Communities, Local Corporations and financial entities), as well as through a telephonic filing system.

- **On-line tax filing**

The Tax Agency has decidedly bet for the use of the new technologies, as a means to facilitate the compliance with the tax obligations. The filing of returns through the Internet saves the citizen the need to travel and allows their filing 24 hours a day.

This means of filing is established with a mandatory nature for companies that invoice over 1 billion pesetas, but is of a voluntary nature for the rest of the companies. But, of course, it also has a voluntary nature for IRPF filings, having a quick acceptance, as this year almost half a million taxpayers have filed their returns through this means, with a growth of 330% with respect to last year.

- **Tax data supply service**

This is a service whose purpose is to avoid those errors that taxpayers may make due to their not knowing, for whichever reason, some of the revenues they are obliged to file. To that end, previous request, the Agency itself sends to the taxpayers that so request it the data available in their own database, thus avoiding involuntary errors in the returns. We must point out that this service is also having great acceptance, having been requested during this year by over one million one hundred thousand persons.

- **Flexibility of the deferment policy. Increase in the facilities for the payment of expirations**

Apart from the aforementioned acts, an effort has been made by the Tax Agency in order to facilitate, no longer the filing of the returns, but the actual payment of the same. To that end, the payment means that may be employed are expanded, allowing for the payment in cash, through credit card and through the over 200 financial entities that act as collaborators of the Agency's collection effort.

Likewise, the deferment policy has been made flexible in an important degree, in order to allow the payment in those cases where transitory treasury difficulties were to impede the effective payment of tax debts in full.

Along with the above measures, which are just some of those adopted, as describing all of them would be excessively cumbersome, it is time to analyze the measures of a standards nature whose goal is to favor voluntary compliance.

In first place, it is necessary that we make a brief reference to the Taxpayer's Rights and Guarantees Law and to the standards simplification measures, although these two matters will be subject to further development in the respective presentations.

The **Taxpayer's Rights and Guarantees Law**, enacted in 1998, establishes a landmark of undoubted relevance in view of the taxpayers' voluntary compliance. Through recognizing all the rights citizens have in their relations with the Tax Administration and a rebalance between the powers of the Administration and of the taxpayers, we are able to reinforce the juridical security of those subject to the administration, who cease to play a merely passive role in tax procedures to go on to occupy the position they deserve in a modern and democratic society, where they are active subjects whose rights must be respected at all times by the Administration.

The aforementioned Law on the one hand reinforces the taxpayer's rights in the diverse tax procedures and, on the other, reinforces the Administration's obligations with the citizens. Thus, for example, it foresaw the incorporation within the common property tax of the citizens' rights in the common administrative procedure; improved the tax refund conditions, suppressing the need to report the taxpayers' arrears;

established the reimbursement of guarantee costs submitted to guarantee inapplicable tax debts, both for the sum corresponding to the sanctions as well as for the tax debt itself; reduced from five to four years the term for the prescription of tax debts.

Among the Administration's obligations that were reinforced by the Taxpayer's Rights and Guarantees Law, we may highlight the demand for the imposition of sanctions on a file different and independent from the one under examination for the verification of the tax status; the reprieve of the sanctions as long as they are not final in the executive action; or the establishment of predetermined deadlines for the completion of the tax procedures.

Summarizing, said Law established a new framework of relations between the Tax Administration and the taxpayers, where these now assume key-role as individuals subjects of the law. As a means to favor their voluntary compliance, as a fair balancing item to their obligation of contributing to the support of public burdens, a rebalance takes place between public powers that, as of the enactment of this Law, become conditioned with respect to the taxpayers' rights and the compliance by the Administration of its obligations.

The subject of one of the presentations that will follow this one is the importance of the **simplification of the set of standards** in the spirit of favoring voluntary compliance. Although this is not the core subject of this presentation, we must make a brief halt in the relevance of this aspect.

Voluntary compliance by the taxpayers of the tax standards, in management procedures that, as a general rule, impose on the citizens the obligation of estimating their tax bases, settle the el tax according to their regulation and deposit their sum, all this done under the citizens' own responsibility and knowledge, forces the standards to be as transparent and simple as possible.

It is true that this search for simplicity is contrary with the very complexity of the reality that is subject to taxation under the different taxes. We face a great diversity of economic and financial businesses, with the obtainment, by the citizens, of revenues and wealth earnings of a very diverse nature, and with quite different taxpayers' personal and family situations, among other numerous aspects.

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The demand on the tax systems to comply with the principles of equity, progressiveness and justice mandate that we consider the diversity of situations that take place in real life. All this brings about the introduction of complexity elements in the tax standards.

Notwithstanding, it is unavoidable that the tax systems of modern and democratic societies, carry out a continuous effort to find an adequate balance between the need to consider the multiple facets of reality and the simplicity that must be preached by standards whose interpretation and application must be done by the citizens themselves, regardless of their level of knowledge and their capacities.

A third measure that has supposed a considerable progress in the compliance and effectiveness of the rights and guarantees of the taxpayers, supposing a very important support in the promotion of voluntary compliance has been the creation of the **Taxpayer's Defense Council**.

The State Secretariat of Finance of Spain has been a pioneer with the creation of this body in 1996 and its effective constitution in 1997. Its effective and operative nature has made some other European countries consider the possibility of its creation. Likewise, some of the Tax Administrations of the Autonomous Communities have also established similar institutions.

The Taxpayer's Defense Council allows the Spanish Tax Administration to count with the necessary legal and operative instruments to facilitate to those subject to the administration an adequate road to transfer, in an agile and efficacious manner, all complaints, suggestions and claims that are derived from the Tax Administration's operation and structure as well as from the set of tax laws themselves.

Summarizing, the idea is to establish a road so that citizens, in the compliance of their tax obligations, can submit whichever complaints, claims, suggestions or proposals they wish to convey, be it because they consider that they restrict the free exercise of their rights or because they deem that it may imply and improvement in the operation of the Administration which results in benefits for all.

This road must not be considered as an alternative or a substitute for the administrative and jurisdictional means for the revision of tax acts. Its nature is not to act as a means for revision, although in some instances it could lead to that result, but rather to act a mechanism for understanding, a forum through which the Administration and the citizens openly subject the tax system to discussion.

As a sample of the relevance of this body, the Taxpayer's Defense Council was established at the top level, answering directly to the State Secretary of Finance, and was also provided with an operational unit that allows it to make its functions effective integrated within the Tax Agency's structure. Likewise, a specific software application was designed for recording and processing complaints received at the tax offices.

In order to reinforce its role as guarantor of the taxpayers' rights, it is composed by a body of professionals, with the highest autonomy and independence for hearing and solving the matters entrusted to the same, where all social sectors related to the taxation environment are represented. Thus, it is composed, apart from public officials in representation of the different bodies that make up the Spanish Tax Administration, by persons of renowned prestige on behalf of the professional sectors related to the tax world and with society at large.

Besides, the post of president of the Taxpayer Defense Council is bestowed on a person of renowned prestige in the tax environment who is foreign to the Administration, with the corresponding and necessary professional experience.

The operation of the Council implies a deep reflection of the administrative units and bodies on their operation and acts, given that each one of the complaints that are filed, which last year totaled almost 6.000, must be replied to the taxpayers by the services that undertook the act that motivated the same. Enabling, in not few cases, rectification of errors or deficiencies that could have taken place, and allowing taxpayers to count with a justification for the reasons of the administrative acts, which allows to do away with the image of an obscure and inaccessible Administration.

Along with foregoing assignment, the Council also acts in a consultative capacity, advising the State Secretary of Finance with respect to those standards or procedural modifications deemed important for the best defense of the citizens. The knowledge of the motives and reasons of the complaints filed by the taxpayers makes this Council a specially fit body to propose this type of measures, as it has direct knowledge of the deficiencies of taxpayers' rules and needs. In the four years the Council has existed, over 100 proposals for modifications to the set of standards have been submitted in the implementation of this advisory work, most of which have been put into practice.

The existence of a body that oversees that taxpayers' complaints are duly looked after, allowing the citizens to receive a justification of the administrative act, and that actively oversees taxpayers' rights in tax law, allow the promotion of voluntary compliance, when citizens perceive how their rights have real effectiveness.

The change of strategic orientation, of "culture", of the Spanish Tax Administration that is expressed in the increase in facilities, the support and information services; the search for a greater simplification in tax standards; the acknowledgement of the taxpayers' rights and guarantees and the defense and the custody of the same performed by the Taxpayer's Defense Council, are landmarks that outline the road that must be trodden. But the promotion of voluntary compliance cannot be solely limited to the adoption of measures such as the previous ones, it also needs a conscious acceptance by the whole Tax Administration that this should be the ultimate goal to be strived after by the whole organization, otherwise, the different measures that could be adopted would remain void of content.

Finally, along with the acts that have already been put into practice, it is necessary that reference be made to a future measure of a fundamental importance, namely the draft for the **new General Tax Law**.

This is one of the most exhilarating projects for us that work in the taxation law world, the General Tax Law is the fundamental standard that governs the taxpayers' relations with the Tax Administration, and its reform and updating is a sample of the will to undertake a deep modernization of our whole tax system.

The new General Tax Law will allow for the inclusion in the new text of the technical improvements that become necessary as time goes by, particularly, the evolution of the jurisprudence of the Constitutional Court in financial and tax matters, the development experimented by the tax figures and the administrative acts, as well as to regulate the use of the new technologies in the Tax Administration's acts.

Improvements and modifications will be numerous but, particularly, and among other aspects, the new Law must reflect the change in the Tax Administration's disposition, focused on the collaboration and assistance actions towards the taxpayer for the better compliance of his/her obligations. Likewise, it must reflect the rights and guarantees already included in the Taxpayer's Bylaws, that establish an active position by the taxpayer, vis-à-vis the previous regulation where he/she was basically subject to obligations.

Summarizing, the basic standard of the Spanish tax laws, without forgetting that it is necessary that the Tax Administration is provided with effective instruments in the fight against tax fraud, that makes use of means that are more and more sophisticated, must include the priority position earned by the taxpayer's rights and guarantees as means to encourage voluntary compliance by the citizens.

Among other aspects, the assumption of the taxpayer's innocence and good faith must be stressed, introduce means that allow to reduce conflicts in tax matters, looking for formulas for the understanding between the Administration and the taxpayers on those aspects of the standards that involve special complexity or controversy; adopt the measures that allow to speed up the procedures for the revision of tax acts.

Summarizing, the new General Tax Law must contain an updated and modern relations regime between the Tax Administration and the taxpayer, a more secure, more comfortable, simpler and efficacious relations regime, that allows to continue making headway in the reinforcement of taxpayer' rights, which is the only road to promote voluntary compliance.

In this presentation we have described some of the measures out into practice by the Spanish Tax Administration that attempt to

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establish, as a core object for all administrative procedures and acts, the voluntary compliance by the taxpayers, through the combinations, on the one hand, of the reinforcement and the effectiveness of taxpayers' rights and, on the other, the change of the strategic orientation of the Administration that implies a proactive position that increases support and service to the taxpayers.

Without detriment to the cultural, social and economic particularities of each one of the brother countries of the Latin-American community, it is to be expected that the experiences described in this presentation can be useful to all the tax administrations integrated in CIAT, allowing that through its modernization and progress be a decisive instrument that contributes to the development and well-being of all our countries.

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Case study:

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GENERAL FRAMEWORK OF TAXPAYER RIGHTS AND OBLIGATIONS

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*CONTENTS: I. Introduction.- II. Taxation Rights and Obligations.-
1. Constitutional Framework.- 2. Legal Framework.- 3. Main Tax Rights.-
4. Main Tax Obligations.- Conclusion.*

INTRODUCTION

Tax Administrations play a decisive role in the legitimacy of the rights and obligations of individuals; therefore they are engaged to develop efficient policies and actions that thoroughly satisfy taxpayer's demands.

In Mexico, the Tax Administration in addition to operating as an entity in charge of collecting the revenue that the State requires to finance public expenditure is ready to promote a reliable taxation system that allows individuals to fully identify the applicable legal framework.

The concept of reliability is mainly centered in the level of juridical security that is granted on a day-to-day basis to taxpayers. In this manner the Tax Administration must coordinate its actions without harming on the one side its taxation proceeding and on the other the legal framework towards taxpayers.

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Policies adopted in this framework of “tax rights and obligations” must be translated as means that motivates the voluntary compliance of obligations, as well as mutual respect between the interests of the individuals and the tax offices.

Undoubtedly the legacy of experience of some organizations have allowed us to set the basis in our daily tax tasks seeking to strengthen standards and policies in rights, guarantees and liabilities issues.

The O.E.C.D, for example has made evident that Tax Administration services precisely consist in making taxpayer’s rights and obligations very clear regarding procedures, forms and language used, introducing new information technologies that procure more precise and reliable procedures and making sure that the tax system is fair and equitable without being too complex, so that taxpayers as well as officers may apply it in due manner.

In this manner we can ascertain that the consolidation of the rule of the law that allows the possibility of harmoniously developing the relation between individuals and the Administration must currently be one of the main objectives of the Tax Administrations. Under this context, the Tax Administration in Mexico sustains the firm commitment of promoting its taxation scheme, eliminating excessive burdens and establishing clear and reliable provisions and procedures that facilitate compliance of tax liabilities and free exercise of taxpayer’s rights.

On the other hand, unlike some countries such as the US and Spain where taxpayers rights, guarantees and liabilities are mainly centered around a specific Law regulating the same, in the case of Mexico these have been established through different legal standards with strict compliance with our constitutional principles. Most of these concepts are foreseen in the Fiscal Code of the Federation and the rest through different laws and taxation rules.

Likewise, different orientation and assistance channels are used, to disclose information, which as a whole allow carrying out the task of providing a reliable, accessible and fair tax system for all taxpayers.

II. TAXATION RIGHTS AND OBLIGATIONS

1. Constitutional Framework.

The Political Constitution of the United Mexican States contains a series of provisions that protect the general rights of citizens regarding the State's power. In the case of the taxation range some constitutional principles guarantee taxpayer's rights regarding the establishment of their tax liabilities.

1.1 Constitutional Principles.

- **Proportionality and equality**

According to article 31, fragment IV of our Political Constitution, establishes that it is a duty of all Mexicans to proportionally and equally contribute to the public expenditures of the Federation, the Federal District or the State and Municipality where they live, pursuant to the Law.

From the above, we must consider that taxpayers have the fundamental obligation of contributing to the State's public expenditure, but in all cases it must be done according to their taxpaying capacity and in a fair and impartial manner.

- **Divesting Acts and Non-retroactive principle of laws**

Article 14 of the Constitution establishes that no law shall be enacted with a retroactive effect for the detriment of any person and no person shall be deprived of life, freedom or his/her possessions, properties or rights, but by means of a trial filed before the previously established courts, where the essential formality procedures are complied with and pursuant to the laws enacted prior to the act.

Based on this precept, we must construe that no taxation law may have retroactive effects for the detriment any taxpayer and that tax authorities must strictly abide to the pertinent legal provisions.

In what pertains to the abridgement of taxpayer's rights, it must be done through legal and procedural proceedings which comply with the essential formalities, such as the fact of allowing the affecting party the right to defense or to submit evidence, pursuant to the law that have been enacted prior to committing the acts.

- **Legal Basis and Reasoning**

Article 16 of the Constitution establishes that no individual's family, domicile, papers or possessions may be put under duress, but by virtue of a written mandate from the competent authority, which reasons and motivates the legal cause of the proceedings.

In this manner, taxation resolution must be decreed in all cases by the competent fiscal authority; it must be done in writing and with an express manifestation of the facts and legal basis on which they are based.

- **Conveying Justice**

Regarding the legal protection of taxpayers in issues pertaining to imparting justice, article 17 of the Constitution provides that no person may exercise justice on his own or exercise violence to assert his rights.

This provision also sets forth that all persons are entitled to the administration of justice through the courts that are ready to impart the same in the terms and conditions established by law, who shall promptly and impartially issue their resolutions. Their service shall be gratuitous, consequently judicial costs shall be forbidden.

For such effects we have the Administrative and Fiscal Federal Court, which is fully autonomous to pronounce its sentences, and no judicial costs must be paid for this.

- **The Right of Petition**

Finally, article 8 of the constitution establishes the right of petition, which determines that the authorities must respect petitions made in writing in a peaceful and respectful manner by individuals, a written agreement must be submitted for each petition by the authority to which it was directed, with the obligation of revealing it to the interested party in a short term.

2. Legal Framework.

The principle of “Tax Legality” according to its historical definition is exclusively identified in the fact that the payment of taxes must be provided for by law. In our country, unlike others, all tax essential elements must be stipulated in a Law.

In this manner, taxpaying rights and obligations are duly established in different legal provisions, in compliance with the principles coming from our Constitution.

As we mentioned above, most of these rights and obligations are contained in the Fiscal Code under the Title called “Of Taxpayers’ Rights and Obligations”. For their part, tax laws and regulations foresees actions that are dependent of the realization of a juridical event or which in fact are directly linked to the type of income perceived or acts or activities developed by taxpayers.

3. Main Tax Rights.

- **Charter for the Rights of Examined Taxpayers**

Even when legal provisions establish the actions that must be complied by tax authorities to correctly carry out the obligations to be performed by taxpayers based on the exercise of their powers, it was deemed necessary to design a document that would allow them to clearly and timely identify the most relevant aspects in the development of domicile visits, as well as the defense means, in order to promote voluntary and timely compliance with their obligations before the tax authorities.

In this manner, with the participation and collaboration of different areas of the Tax Administration the called “Charter for the Rights of Examined Taxpayers” was developed, which purpose is to provide the information required by taxpayers when facing bothersome actions, which even though they are necessary to assure fiscal compliance, must be punctually carried out by respecting the guarantees of sureness and legal certainty that the Law confers to individuals.

Therefore, avoiding damages to taxpayer’s interests due to the execution of acts or resolutions issued by the authorities, and thoroughly safeguarding their rights and the legal certainty principle as we have explained, constitutes one of the main objectives of our Tax Administration.

Contents of the Charter

The following parts comprise the charter:

- a) Anomalies that are frequently present in the development of a domicile visit. The charter set forth behaviors that should not be displayed by examiners:
- Undue demand upon taxpayer's refusal to submit defense means.
 - Vague insinuations of fiscal irregularities, when these are not described in detail.
 - Threats or insinuations of possibility of accusing the taxpayer of committing a crime.
 - Demand payment in cash of fines to be paid by the taxpayer.

In this item customer attention phone numbers are provided where reports or complaints of any irregularity are received.

- b) Rights when facing a domicile visit. Basically it establishes that examinations must be done by means of a notice of a visit order and at the place or places mentioned in said order. The obligation that the examiners have of showing a valid credential issued by the Tax Administration to credit their identity is also established.
- c) Practice of proceedings. Fees and days on which domicile visits may be done are specified.
- d) Appointment of witnesses. The right that taxpayers have of appointing witnesses during the domicile visit and possibility of substituting them at any time.
- e) Copies of Accounting Records. Specific events are mentioned where examiners may obtain a copy of accounting records and other documents related to compliance with tax provisions.
- f) Access to accounting records during the examination. The right of taxpayers to extract from file cabinets, furniture or offices that examiners have sealed, necessary documents to continue with their activities is described.

- g) Terms to furnish reports. The terms that taxpayers, jointly and severally liable or third parties, to present the data, report or documents that are requested by the tax authorities due to their verification powers are established.
- h) Substitution authority. The taxpayer's right of being notified of any substitution authority or the authority of the examiners is established.
- i) Advanced conclusion of the visit. Cases where the fiscal authorities may, according to their judgment, conclude in advance the visit to the taxpayer's domicile.
- j) Last partial minutes and closing of the final minutes. Their main requirements and characteristics are described as well as terms and conditions in which taxpayers may invalidate the facts or omissions consigned by the examiners are described.
- k) Term to conclude the visit. Terms in which the tax authorities must conclude their examinations. According to the tax provisions a maximum 6-month term is foreseen, with the possibility of extending the same twice for equal terms.
- l) Tax Self-Correction. Taxpayers are informed on the bases to be able to exercise the right of tax self-correction, with the benefit of paying a reduced fine equal to 50% of the updated omitted contributions, as well as the possibility of paying the debt in 48 installments.

Finally, this Charter of Rights briefly describes the defense means that taxpayers may exercise, against resolutions issued by tax authorities. Furthermore some services are provided free of charge in issues such as:

- Tax collection and compliance with taxpayer obligations.
- Tax guidance.
- Telephone service and mailbox to receive complaints, suggestions and accusations.
- Taxpayer's trustee/administrator program.

- **Fictitious Negative**

According to the tax provisions taxpayers are entitled to require that tax authorities resolve their petitions or instances in a three-month period. Once this term has elapsed and if the respective resolution is not notified to the taxpayer, the taxpayer may consider that the authority negatively resolved his request and he may also file the defense means at any time after said term, while the resolution is not decreed or wait until the same is decreed.

What is sought with this legal precept is to avoid leaving taxpayers without defense regarding the inactivity of fiscal authorities.

- **Tax Refunds**

Taxpayers are entitled to request the return of the amount unduly paid and of balances in favor that proceed according to tax provisions. Currently a 50 business day term is established to perform the refund and 40-days when the refund is done through the payment to the taxpayer's account for having been requested by the taxpayer, in which case tax authorities must update the same when it so proceeds, avoiding in this manner that taxpayers are affected in regards to the loss of currency purchasing power to the passing of time.

- **Contribution Compensation.**

In the Fiscal Code of the Federation the right of taxpayers of compensating the amounts that they have in their favor against those that they are obliged to pay. Amounts to be compensated are updated as from the date on which the return that contains a favorable balance is filed, up to the day on which the compensation is made.

- **Expiration of the powers of the tax administration.**

The precision of the powers of the tax authorities to determine omitted payments and their added extras, as well as their power to impose sanctions for infractions to said provisions are extinguished in a five year term, this is to grant juridical security to taxpayers, limiting the authority's powers by a certain and determined term, therefore avoiding uncertainty regarding the lack of knowledge that any act may be exercised on behalf of the authorities for an extended and indeterminate term.

- **Prescription of Tax Credits**

According to the tax provisions, tax credits expire in a five-year term. In this manner, juridical security is granted to taxpayers, upon guaranteeing to them that tax authorities may not demand the payment of contributions and their added extras once said term has elapsed, likewise avoiding excessive monetary and administrative burdens.

- **Fiscal Secrecy**

Another fundamental right of taxpayers is the so-called fiscal secrecy. This means that the tax authorities that intervene in different proceedings pertaining to the application of tax provisions are obliged to keep in absolute secrecy anything pertaining to tax returns and data furnished by taxpayers or by related third parties, as well as data obtained in the exercise of their verification powers.

- **Taxpayer Attention**

In Mexico, currently taxpayer attention areas has as a mission to be the sole services front and initial point of contact during any proceeding carried out by taxpayers before the Tax Administration, endeavoring to facilitate and promote voluntary compliance with their obligations and the exercise of their rights, seeking to improve the taxation system, by elevating the collection capacity, extending the taxpayer base and strengthening the relation with the same.

Due to its strong impact in society, our Tax Administration is engaged in elevating the quality of the services offered, updating its attention schemes and establishing quick response mechanism at the taxpayer's disposition.

At this point, since we have established the importance of attention services, the main rights conferred to taxpayers under this item are analyzed hereinafter.

A. Free Assistance

Under this item and according to the legal provisions, taxpayers are entitled to:

- Receive information from tax authorities on legal provisions for compliance with their tax obligations.

- Obtain assistance and guidance in a personal manner and by telephone, or through electronic and printed means, regarding different tax problems.
- Receive information on forms, dates and places for proper return filing.
- Receive precise information regarding the type of document that must be filed when the presentation of any return or notice is required.
- Receive guidance regarding defense means that may be exercised against resolutions issued by tax authorities.
- Participate in information meetings, especially when tax disposition are modified and during the main tax return filing periods.

B. Programs for the Resolution of Problems and Taxpayer Administrators.

Administrative decentralization in Mexico and the opening of the direct dialogue on behalf of our tax authorities with taxpayers have allowed as a result of an immediate action in the tax modernization program, the strengthening of tax payer assistance services through a series of preventive and resolution actions that promote voluntary compliance, and serving as an efficient connection between individuals and the Tax Administration, these are described herein:

a) Problem Resolution Program

As from February 1998, taxpayers have the support of an instance in charge of exercising the “taxpayer problem resolution program”, which promotes voluntary compliance with tax obligations upon serving as an efficient connection means between the taxpayer and the tax authorities.

The figure of the Problem Resolution Agent arises with the purpose of providing juridical security to taxpayers, mainly those that do not have the administrative capacity to contract the professional services of a tax advisor, which allows them to know their tax rights and obligations. The functions carried out by the Problem Resolution Agent, are among others the following:

a) Direct Support in Proceedings:

The agent is responsible of directly supporting taxpayers in the resolution of individual and specific issues that they file before the fiscal authorities, making sure that whatever they file is submitted within the terms of the legal provisions in a prompt and expeditious manner, without interfering in the functions that pertain to said authorities.

b) Support in Proceedings:

The agent must provide taxpayer guidance and support in an efficient manner, avoiding administrative complexities in the proceedings that he carried out before the tax authorities of their jurisdiction, without interfering in their function, when he is transacting the taxpayer's request and the case is identified as a problem.

c) Immediate Guidance:

He is committed to provide timely and reliable guidance in the resolution of tax problems be it in person or through the telephone when requested by taxpayers, pursuant to the normative guidelines and the applicable tax legislation.

In the same manner, he must guide the taxpayer when filing non-conformities through remedies or judgments, in those cases where they are entitled by law, as well as in the resolution of the problems faced by the taxpayer, coming from inadmissible or irregular acts on behalf of authorities.

d) Permanent Consultation:

He is obliged to promote and maintain in a permanent manner communication channels with taxpayers and the organizations that group them, to know their opinions, suggestions and complaints on technical and administrative standards, which result from their relations with the tax administration, as well as guiding taxpayers in consultations and problem that they present, giving a response in a timely and reliable manner to every issue set forth pursuant to the normative guidelines and the applicable tax legislation without interfering in the functions pertaining thereto.

e) Exercise Prevention actions:

It requires knowing through surveys, direct consultation, complaints, suggestions and recommendations box, the opinions of the taxpayers in order to promote preventive or corrective actions in order to solve and meet their concerns.

b) Taxpayer Administrators

According to our tax provisions, tax authorities are obliged to establish Taxpayer Problem Prevention and Resolution Programs, so that taxpayers may appoint Administrators to represent them before the former and that concrete problems may be attended in the operation of our Tax Administration as well as those related to the application of tax standards.

In this manner, in coordination with the country's taxpayer associations (institutions and union organizations) and the universities, as from 1991 the "Taxpayer Administrators Program" was established, with the purpose of facilitating the relation of individuals with tax authorities in complying with their obligations and offer support in the problems faced by taxpayers when carrying out their proceedings, allowing them with this to safeguard their rights and guarantees.

To comply with these purposes the figures of "taxpayer administrators" and "administrator by operation of law", with the following characteristics:

a) Taxpayer administrator:

This is a representative that is honorary appointed by the different taxpayer associations such as Professional Associations, Chambers and other Groups, to assist their members in the problems that they have in complying with their tax obligations.

b) Administrator by operation of law

A representative appointed nationally by Universities, which function is to support taxpayers that do not belong to any group.

Having received the submittals from the groups, the tax authorities must proceed to appoint the Administrator, by observing the following requirements:

- That the group is represented in the place and justifies the need to have the representation of an Administrator.
- That the group does not have more than one Administrator in the same jurisdiction to represent it.
- That the person proposed has not represented any other group during the past two years.
- That the purpose propose belongs to a group, that he must be a Lawyer, a Certified Public Accountant or a related career, to have a renown moral solvency and have due experience in the issue.
- That the Administrator has the time to capture and attend the problems of his principles and participate with the tax authority in work meetings, as well as in the actions that contribute to solve the problems of his principles.
- That the person that is aspires to be an Administrator does not perform any director position in the group that he represents.
- That he belong to the group and not be an advisor or external service provider thereof.
- That the person propose has not had during the past two years, next of kin four times removed that have performed a Director position in the Tax Administration Service (SAT, in Spanish) of the Inland Revenue Secretariat and Public Credit in his jurisdiction or centrally.
- That the person to aspires to be an Administrator has not held positions within the Tax Administration Service (SAT, in Spanish) of the Inland Revenue Secretariat and Public Credit during the past two years.
- That there is no labor relation with any political party, nor attributes conferred by any political party to represent the same before the authorities or before private citizens.
- That in the two years prior to the proposal, the candidate to Administrator has not held any public position in any dependency of the Federal, Municipal or State Government.

Administrator's Functions

The functions that the Administration should carry out, among others, are the following:

- To organize activities to receive and attend taxpayer complaints and problems.
- To prepare the application registry and control mechanism made by Taxpayers, regarding the issues that require his intervention before the corresponding Local Administration.
- To jointly participate with the Local Taxpayer Assistance Administration in guidance programs aimed at the taxpayers it represents.
- To participate in the work meetings convoked by the Local Taxpayer Assistance Administration, with the purpose of presenting its reports and the aspects it considers necessary to improve Tax and Administrative Simplification matters considering the incidence and recurrence of problems and complaints in the following assumptions:
 - The non-acceptance, by the Tax Authority of a formality foreseen in tax provisions, without a justified cause.
 - The delay in the issuing of resolutions or processing of formalities when the terms and deadlines established in the respective provisions for their resolution have been met.
 - The suspension or cancellation of a formality without a justified cause.
 - The practice of acts by operative personnel that damage the interests and hinder the fulfillment of the taxpayer's obligations.
 - Any other violation or default by the Administration of standards that impede the performance of a taxpayer's formality.

- The non-observance of the audited taxpayer's rights.
- Pressures exercised by the auditors to make taxpayers accept inappropriate procedures.
- To disseminate the Taxpayer Administrator program among its affiliates and the public in general.

Specifically:

- Taxpayer administrators must attend to concrete tax administration operation problems that affect in general terms the organized group they represent and must accordingly refrain from lessening the value of their duty of service in specific formalities or in the defense of their private professional interests.
- Administrators by operation of law must serve, without distinctions, taxpayers that are not grouped under any organization, refraining from lessening the value of their duty of service in specific formalities or in the defense of their private professional interests.

Undoubtedly this program is of great importance and is fundamental to know the problems taxpayers face in the fulfillment of their tax obligations.

- **Defense means.**

Taxpayers have the compulsory right of filing for defense means against resolutions issued by the tax authorities.

Pursuant to the Mexican legal system, defense means are the instruments established by law to protect taxpayers affected by the violation or non-application of tax provisions and are means of control over acts of the authority.

Therefore, through defense means, administrative resolutions or acts of authority are revised so that the same are carried out pursuant to the law.

Likewise, we have commented that our Constitution establishes in its articles 14 and 16 the guarantees of legality and juridical safety. Its fulfillment makes the existence of adequate administrative procedures necessary to revise the acts of the authority so that the same are carried out pursuant to the law.

A. Administrative Remedy for Revocation.

It constitutes a legally established defense means within the reach of the individuals, used to dispute those acts and resolutions issued by the authority in detriment of the same. Its filing is optional before resorting to the Federal Tax and Administrative Justice Court.

This defense means allows the authority to revise its acts at the request of the interested party when it considers itself damaged by an administrative resolution or act it deems illegal. Therefore, if his/her grievance is well founded, the authority may revoke or modify the same with the purpose of maintaining legality in the exercise of the administrative function, agreeing, at the same time, to guarantee the rights and interests of the individuals.

The revocation remedy may be filed against final resolutions issued by the federal tax authorities that:

- Determine taxes, appurtenances or utilizations.
- Deny the reimbursement of amounts that correspond in conformity to the tax provisions.
- Dictated by the customs authorities.
- Any final resolution that causes grievances to the individual in tax matters, with the exception of those referring to deadlines to file clarifications with the authorities, administrative resolutions of individual nature favorable to an individual and condoning of penalties.

B. Contentious-Administrative Proceedings.

These proceedings also constitute a compulsory right for the taxpayer whom, in his/her capacity of plaintiff initiates through the filing of his/her complaint the contentious proceedings against the authorities responsible for issuing the act that is being challenged (generally the defendant).

The complaint is filed at the Federal Tax and Administrative Justice Court that, as an autonomous administrative court, has the competence to hear the challenges made by the taxpayers against diverse administrative acts and rule on the appropriateness of the same.

Within the proceedings before this court, the authorities that act in a level plane with the taxpayer before the jurisdictional body.

The Ombudsman

The ombudsman or defender of human rights is generally recognized as a mediator between the authorities and those governed, in the event that the former act negligently, fail to comply with their obligations or exceed the powers bestowed upon them.

Through this figure, complaints lodged by the citizens against the authorities and public officials are received, the same are investigated and recommendations are issued whereby changes in the governmental actions are suggested.

In Latin America, the ombudsman figure appears in the seventies in Portugal in 1975 under the title of Promoter of Justice, in Spain in 1978 with the title of Defender of the People and afterwards in Costa Rica in 1982 with the Human Rights Procurator's Office; in Guatemala in 1985 with the Human Rights Procurator, etc.

In Mexico there is also a lengthy juridical tradition of constitutional acknowledgement of human rights. However, it was not until 1990 that the National Human Rights Commission was born.

By 1992 this figure was raised to a constitutional rank through the reforms to article 102 of our Constitution. In this manner, different governmental agencies were empowered to establish throughout the country, within the field of their respective powers, agencies for the protection against acts or omissions of an administrative nature that are in violation of human rights.

National Human Rights Commission.

It is an autonomous body, with legal personality and own capital, which counts with budgetary management autonomy. Its essential objective lies in the protection, observance, promotion, study and dissemination of those human rights foreseen by the Mexican legal system.

Based on the foregoing, we must warn that this is not an agency that rules on matters exclusively pertaining to tax law. Nonetheless, given its ample jurisdiction, it is empowered to hear complaints from any taxpayer, regardless of their status before the tax authorities, in the following cases:

- When the tax authorities commit acts or omissions that violate their human rights.

Now, considering that the Commission does not rule nor impose sanctions, that it cannot suspend the administrative acts originating the complaint, nor can it decide whether the taxpayer is guilty or not of the crime he/she is accused of, the same can:

- Formulate public, non-binding autonomous recommendations and accusations and complaints before the respective authorities, and
- Strive for the conciliation between the taxpayers and the tax authorities, as well as for the immediate solution of the conflict at hand.

In turn, our Tax Administration has exhorted the areas that compose it to exercise their actions and powers fully abiding with the taxpayers' human rights and has instructed the area designated to process applications that, in human rights matters, be formulated by the Commission so that, based on its powers, it conducts itself in a preventive sense, rather than a corrective sense.

4. Main Tax Obligations.

- **Registration in the Federal Taxpayers Registry.**

This is the obligation of the taxpayers that must file periodic returns or that are under the obligation of issuing receipts for the activities they carry out.

- **Bookkeeping.**

Accounting must be carried out in the tax domicile; their entries must be analytical and made within the two months following the date in which the specific activities are carried out.

- **Issue and preserve tax vouchers for activities carried out.**

Taxpayers have the obligation of issuing receipts for the activities they carry out, same that must have printed the name, trade name or business name, tax domicile and federal taxpayers' registry key

from who issues them; place and date of issuing; federal taxpayers' registry key of the person in favor of whom it is issued; quantity and classes of merchandises or description of the service they cover; unit value stated in numbers or letters, as well as the amount of the taxes that in that case must be transferred; and the date of print and identification data of the authorized printer.

There is also the possibility that simplified receipts be issued when operations are carried out with the public at large.

- **Request and keep tax receipts for purchases made.**

Receipts must be kept for a term of 5 years and must contain all tax requirements in order to support deductions or credits carried out by the taxpayers.

- **Make provisional payments of the corresponding taxes.**

According to the taxpayer's tax regime, monthly, quarterly or biannual periods are established.

- **File annual return.**

By means of the tax provisions, the January-March period is established for bodies corporate and February- April for natural persons.

- **File informative returns.**

In most cases taxpayers must file these returns by the month of February each year.

- **File notices in the event of changes in their tax status.**

These notices must be filed when the taxpayer's conditions are modified such as, for example, in the case of: stoppage of activities, change of domicile, change of tax regime, etc.

CONCLUSIONS

As we have stated from the beginning of this presentation, our institutional commitment is focused in offering an efficient, fair, modern, competitive and transparent tax system, which reduces the costs of compliance and grants juridical safety to the taxpayers; while society assumes the responsibility of developing a new culture of compliance of their tax obligations.

In this sense, important progress has undoubtedly been achieved in the simplification and modernization processes of the Mexican taxation system that have promoted voluntary and timely compliance by the taxpayers with respect to their tax obligations and have facilitated the work of tax authorities in the verification of the correct compliance of the same.

We do not omit commenting that our work has been supported by the great effort currently carried out by the Federal Government by implementing actions that consolidate a “New Distributive Public Tax Administration”, creating commitments shared between government and citizens as an indispensable formula to achieve a more prosperous and modern country.

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Case Study

TOPIC 1.1

GENERAL FRAMEWORK OF RIGHTS AND OBLIGATIONS OF TAXPAYERS

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*CONTENTS: I. Introduction.- II. The Portuguese Case: Some References.-
1. Brief note on constitutional matrix.- 2. General Tax Law.- 3. The
Complementary System of the Tax Inspection Procedure (RCPIT).-
4. Tax Procedure and Process Code (CPPT).- 5. The Taxpayers'
Defender.- III. Final Conclusion.*

INTRODUCTION

In a time increasingly marked by technological development and, consequently, by very dynamic phenomenon such as economic globalization, one may wonder what is the function of States under a scenario of growing loss of fiscal bases, making it impossible for States or significantly reducing their capacity to meet their commitments as social States. One may also wonder what role are citizens ready to assume, be it in terms of compliance with fiscal rights / obligations, whether voluntary or real. In other words, what role are citizens ready to assume in keeping with their rights, as they and the State strive to maintain financial support systems for State activities.

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Naturally when one attempts to reflect on and develop a topic on regulations to favor voluntary compliance, considering the taxpayer as key, questions inevitably emerge. However, one must recognize that, beyond technical approaches, other important factors must be considered. Nonetheless, because of their eminently political nature internationally that affects internal political options of States, they must not be included in this paper to be presented in a Tax Administration Technical Conference. Tax administrations must apply and govern tax systems approved by their respective Parliaments.

Thus, in the context of the terms of reference that have been proposed to us, we will seek to provide you with information about the Portuguese experience. We will not concentrate on the participation of citizens in establishing standards through their representatives at the Parliament but on the strengthening of the citizen-taxpayer role in the law enforcement procedure and the more balanced relationship with the tax administration. Such relationship must be based on deepening the structural principles of consensus, the ethics of responsibility, and also a more democratic culture in the field of taxation.

One of the central ideas in the scope of fiscal policy priorities is *“strengthening confidence between citizens and the tax administration.”* In this context, strategic lines of intervention in the legislative, regulatory, administrative, and computer fields have been identified. They must be aimed at what is thought to be a priority for taxpayers, that is, the taxpayers are citizens and the public administration, particularly the tax administration, must be at the service of citizens.

This principle resulted in the emergence of a General Tax Law and, consequently, a Tax Inspection Procedure Complementary Regime as well as readjustments in tax procedures and processes, which we will be addressing in Part II, points 2, 3, and 4 of this paper.

To complement references in the scope of fiscal provisions, we will make some observations on the Taxpayer Ombudsman's Office in point 5 of Part II.

II. THE PORTUGUESE CASE: SOME REFERENCES

1. Brief note on constitutional matrix

When we intend to refer to the general framework of the rights and obligations of taxpayers, before making any reference to ordinary law, we must necessarily refer very briefly to the Fundamental Statute, the Constitution of the Portuguese Republic (CRP). It is the source of Fiscal Law at the highest level and where we find the fundamental pillars of society we adhere to: that is, certainty, security, and social justice.

The Portuguese State is today, and must still be in the future, a State whose principal financial support is based on taxes, which naturally have an impact on economic and social agents, that is, on citizens / families and companies.

In Article 12° and Article 13° of the CRP we find two fundamental principles in the scope of Fundamental Rights and Obligations, with a direct impact on taxation:

- In the former, the **Principle of universality**:

- “1. *All citizens enjoy the rights and are subject to the obligations established by the Constitution.*
2. *Corporations enjoy the rights and are subject to obligations compatible with their nature.*”

In an application of the Principle of Universality to taxation, in the scope of the juridical-taxation relationship, we will say that citizens and corporations are subject to the right, on the one hand, of paying taxes and, on the other hand, to the right of refusing payments which *“have not been created in accordance with the Constitution, which have a retroactive nature or the assessment and collection of which are not make in keeping with the law.”*

(cfr. Article 103°, n. 3 of the CRP)

- In the latter, the **Principle of Equality**, which in its n. 1 expressly considers that *“All citizens have the same social dignity and are equal before the law.”*

As a result of these two constitutional principles pertaining to the Fundamental Rights and Obligations that are binding to citizens, the State and its administration, the CRP, in its taxation provisions welcomed and established two pillars we will be addressing below: Certainty and Security, on one hand, and Social Justice, on the other.

The **Principle of Certainty and Juridical-Fiscal Security** is established in n. 3 of Article 103° of the CRP, which we already mentioned, and deals with the fundamental principle of universality. In order to strengthen universality, the CRP established the fundamental rule of self-taxation and its corollary of legal taxation, with three important aspects, with practical consequences in the field of taxpayer rights:

- preeminence of the law (Article 103°, 2 – CRP):

“Taxes are created by law, which determines the incidence, rate, fiscal benefit, and guarantees of taxpayers.”

- reservation of law (Article 165°, 1, i) - CRP):

“ 1. It falls under the exclusive purview of the Assembly of the Republic to legislate on the following matters, barring the Government authorization:

.....

i) Creation of taxes and fiscal system and general regime of rates and other financial contributions in favor of public entities”;

Based on those three aspects pertaining to the principle of legality, it is important that the law guarantee the right to resistance by citizens-taxpayers in the aforementioned terms.

The Principle of Social-fiscal Justice is established in the Constitution not only in terms of the social objective of the tax system. “*The tax system is aimed at satisfying the financial needs of the State, among other public entities, and a fair distribution of income and wealth,*” but also in the scope of tax equality, be it equality before the law, commonly accepted and constitutionally accepted (Articles 12°, 1 and 13°, 1 – CRP). It focuses principally on material equality, in terms of the basis of taxation, seeking personalized objectives of the tax system and thus:

- Every citizen must pay taxes in accordance with his contribution capacity, viewed as budget and measurement of taxes in general and as concrete benefits. The contributive capacity principle regarding economic capacity is revealed, in legal terms, in income or its utilization and capital.
- Every company will pay taxes basically on its real income.

It is in this context that the personal guiding principles of the tax system were established constitutionally (Articles 67], 2, F Y 104° - crp).

In the constitutional field, it is important to highlight two other articles. Although they are not specifically aimed at the tax administration but at the public administration in general, they are key not only to the logical normative conception of ordinary laws but also to the functional structure, organization and management of the (tax) administration at the service of citizens in search of public interest. This is based on an efficient and effective management of the tax system. Thus:

Art. 266°, 2 – CRP

“The administrative bodies and agents are subordinated to the Constitution and the law and must act, in the exercise of their functions, with respect for the principles of equality, proportionality, justice, impartiality, and good faith.”

Art. 268° - CRP

“(Rights and guarantees of taxpayers)”

1. *Citizens have the right to be informed by the Administration, provided that they so require, on the progress of the processes in which they are directly interested, and also to know the final resolutions that have been made on them.*
2. *Citizens also have the access right to administrative files and records, without prejudice to the legal provisions in areas pertaining to internal and external security, to criminal investigation, and to persons' privacy.*
3. *Administrative acts are subject to notification to those interested, in the manner established by law, and they lack express and accessible basis when they affect the rights or interests that are legally protected.*
4. *It is guaranteed that taxpayers will enjoy an effective legal protection of their rights and interests including, specifically, the recognition of those rights and interests, challenge to any administrative action affecting them, regardless of its form, the determination of the practice of required administrative acts, and the adoption of adequate precautionary measures.*
5. *Citizens also have the right to effectively challenge administrative norms that undermine their rights or legally protected interests.*
6. *For the purposes of nn. 1 and 2, the law will establish a maximum response time by the Administration.”*

This brief note on the Portuguese constitutional matrix in the scope of fundamental principles, rights and obligations, is explained because based on them we will understand the exact meaning of the solutions found in the three points outlined below. Within the context of the comprehensive exercise of a new conception of fiscal citizenship, the intervention of citizens in the defense of their rights and guarantees, and the fulfillment of their fiscal obligations, the matrix is now much more active in the procedure of applying the laws. It is today a central piece of the system and, as such, a reference of the administration in a relationship intended to be balanced and transparent.

2. General Tax Law (LGT)

The General Tax Law (LGT acronym in Portuguese) must only be viewed as emergency and the development of general principles dealing with the fundamental rights and obligations of citizens, established in the Constitution of the Portuguese Republic insofar as it is a democratic State of Law. It has also established some structural principles in the scope of tax norms.

The successive tax reforms introduced in Portugal, specifically the direct and indirect tax reform introduced in the 1980s was not preceded by a general tax law that would classify and systematize the important basic principles of the tax system and would define, in an insufficient and scanty manner, the powers of the tax administrations and the guarantees of taxpayers.

In the scope of reform action leading to the deepening and development of a tax system, the improvement of its administration, and the strengthening of guarantees for citizens and companies, in a new and more demanding context:

- Of intensification of national and international competition, with the inherent need of bringing more certainty and security to actions / relations of the tax administrations and of / with taxpayers;
- Of the integration of Portugal into the European Union;
- From the growing complexity of fraud and tax evasion and its dynamic frameworks caused by technological development and a globalization of the economy never observed before;
- In which *“taxes cannot continue to be viewed as a mere coercive and arbitrary imposition of the State, but must be viewed as a way of sharing solidarity and responsibility”*

(“Great Options of the Plan for 1998”)

Naturally, the General Tax Law emerges in the normative field as a fundamental element of the tax-judicial order and a basic instrument for a new phase in the State Treasury-Taxpayer relationship based on what came to be considered *“a new citizen-fiscal conception”* based on the principles of:

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- The assumption of good faith in the behavior of taxpayers and in the reciprocal duty of cooperation;
- Transparency and objectivity of taxation and the deepening of the objectives of solidarity and justice that must govern the tax system.

The Portuguese General Tax Law was approved by Decree-Law n° 398/98, of December 17, and went into effect on January 1, 1999.

Laws n° 30-G/2000, of December 29 and n° 15/20001, of June 5 have introduced modifications. They were intended, on the one hand, to strengthen the capacity of the tax administration for tax control and, on the other hand, reinforce the guarantees of taxpayers and the reduction of procedures.

The Portuguese General Tax Law is divided into four parts:

Title 1 – Regarding tax provisions

- Establishes the scope of application and defines the basic principles of the Portuguese tax system and its structure. It does so by accepting and developing constitutional norms regarding taxation and clarifying rules of interpretation and application of the tax laws in time and space.

Title II – Regarding juridical tax relationship

- Governs from its inception to its extinction. This generic regulation constitutes the basic condition of a clear table of the rights of taxpayers and the powers of the Tax Administration.

Title III – Regarding tax procedures

- Governs tax procedures through a set of structural norms, beginning with the definition of its scope and fundamental principles, bringing them in line with:
 - The Administrative Procedures Code, because an important part of the rights of taxpayers established in this Code still do not have a definitive expression in tax procedures;
 - The fourth Revision of the Constitution (Law n° 1/97, of September 20), which developed and deepened the guarantees of citizens.

Title IV – Regarding tax process

- Defines the fundamental principles of the juridical tax process, regulating in a generic manner access to tax justice and the forms of process and execution process.

The development of the areas of tax procedure and process is set forth in the Tax Procedural and Process Code, which we will be addressing very briefly in point 4 of this presentation.

Regarding the procedure of Tax Inspection and complementarily of the fundamental principles of General Tax Law permanent procedures, a Complementary Regime was approved and entered into force on January 1, 1999, which we will be referring to in point 3 of this presentation.

The General Tax Law developed, perfected and expanded the guarantees of taxpayers, in the framework of a just balance with public interest in mind.

In these terms and following the systematization which we already mentioned, the General Tax Law:

- ***In the scope of general principles of Tax Nature***
 - Established expressly the provision of income tax or illicit acts.
- ***In the scope of tax norms of Tax Nature***
 - Defined safe criteria of interpretation of laws and their application in time and space, reducing significantly the discretionary character of the tax administration. This proscribes, in the scope of interpretation, the analogical interpretation of the voids resulting from tax norms covered by the law reservation of the Assembly of the Republic (Parliament);
 - Has instituted a temporary term for fiscal benefits seeking to prevent that their extension, after their corresponding objectives have been fulfilled, turn them into real fiscal privileges;

- Made social advantages, attributed to the income of citizens, dependent upon the disclosure of citizens of the overall tax situation;
- ***In the scope of the juridical tax relationship parties***
 - Proceeded to the reduction of the weighting of the effect of business management regarding taxes;
 - Established the possibility that the tax administration could rectify the fiscal domicile of the taxpayer;
 - Limited the burden of proof of assumptions of responsibility of managers and administrators involving cases that are truly justified, which are those involving lack of tax debt payment of expired corporations for the corresponding tax period. This puts an end to unjustified reversions that only complicated the desired efficacy of tax justice;
 - Matched the joint responsibility regime of official account reviewers and account technicians in which it is demonstrated that the violation of tax obligations resulted in noncompliance with inspection functions and culpable violation of obligations resulting from the responsibility for the technical regularization of accounting and fiscal areas;
- ***In the scope of the object of the juridical tax relationship***
 - Defined what constitutes the main obligation of taxpayers, namely making the payment of the tax debt, and what are accessory obligations. The latter are designed to make the collection of tax obligations possible, along with the filing of tax returns, the presentation of significant tax documentation, including accounting documents, and the presentation of information;
 - Established the obligation of implementing good tax practices for administrators and managers of corporations;

- Matched the rate of compensatory interest with that of legal interest, thereby preventing this rate from exceeding the function it must develop, that is, only indemnifying the tax administration. This resulted in a significant reduction of the fiscal interest rate;
- ***In the scope of the establishment and modification of the juridical tax relationship***

Clarified the assumptions that the fiscal contracts to be entered into by the tax administration and taxpayers in the field of granting tax benefits and application of special fiscal regimes; has established in a general manner that the law can allow fiscal contracts of a different nature between the administration and taxpayers. This is in accordance with the principles of legality, equality, good faith and the inability to make use of the tax credit;
- ***In the scope of the expiry of the juridical tax relationship***
 - With the exception of some situations, it established as a general principle the possibility of making tax debt payments in installments when the debtor cannot pay in full or make a single payment, and so requests:
 - Made a list of situations in which indemnity interest is owed in favor of the taxpayer for the undue payment of tax benefits, having expanded the right in cases where, despite the cancellation to be made based on the taxpayer return, he followed – in completing it – the general published guidelines of the tax administration;
 - Introduced the matching of the indemnity interest rate (payments to taxpayers for the undue payment of tax benefits) at the compensatory interest rate (owed the administration for the delay in canceling taxes collected from the taxpayer);

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- Established a new terms regime for the assessment of delinquent interest (owed by taxpayer / contributor provided he does not make the tax payment in the legal term) while the maximum general term that was 5 years was reduced to 3 years, with the exception of the case in which the tax debt is paid in installments where interest is estimated until the end of the corresponding payment term, not to exceed 5 years;
- Has reduced to 4 from 8 years the general terms for the expiry of the right of cancellation and statute of limitation of tax obligations, which were previously from 5 to 10 years. This was effected taking into consideration the expedience of economic life and the bases that were considered as minimum efficiency that can be demanded from a modern tax administration

Two situations are, still, exceptions to the general term of expiry of 4 years:

- It is of less than 3 years in cases of confirmed error in taxpayer's tax return or the utilization of indirect methods by way of application of objective indicators of the activity we will make reference to, with respect to the indirect evaluation of tax matters;
- After establishing the tax inspection procedure, the right to cancel the taxes included in the scope of inspection expires in the 6 month term after the end of the term established for its conclusion;
- * introduced the possibility of tax inspection by request of the taxpayer or, with his express authorization, may also be acquired by a third party that demonstrates having a legitimate interest in it, in any of the cases in the terms of the special law.

The tax inspection in the past was only requested by the tax administration. However, in the terms of the special law published at that time (Decree-Law n° 6/99, of January 8), some principles are:

- Juridical certainty and security;
- The need to make significant juridical businesses possible from the standpoint of business restructuring and dynamization of the economic life,

They advised the easing of the existing regime, with the due safeguard of the interests of the tax administration.

The new special inspection regime by initiative of the taxpayer or a third party, duly authorized by him, depends on the proof of legitimate interest from the taxpayer and, if required by a third party, beyond the authorization of the taxpayer, must clarify the business relations or any other relations maintained or that will be maintained with the taxpayer justifying the presented request.

The conclusions of the inspection report involve the tax administration, after the notification of its conclusions. No new tax assessments can be practiced based on events occurred in the period of the aforesaid action and included in its objective, as set forth expressly in the General Tax Law and in the special law that we have mentioned.

The binding effect of inspection does not favor the perpetrators of tax crimes sentenced on the basis of simulation, forgery, concealment, destruction, damages or non-utilization of important elements on which the conclusion report has been based.

- ***In the scope of the guarantee of tax benefits***
 - Proceeded to regulate the terms in which the tax administration may adopt precautionary procedures such as withholding refunds;
 - Regulated the terms in which the tax administration may proceed to seize goods or documents and your company may be subject to the proportionality principle;
 - Reinforced access to fiscal justice, exonerating at the request of the taxpayer facing legal procedures the rendering of guarantees in the legal proceedings for collection when and in the event his rendering may cause irreparable damages or he may not comply because of an open lack of economic means which fall outside of his control;
 - Instituted taxpayer's right to be indemnified in the event of rendering an undue guarantee;
- ***In the scope of the general rules of tax procedures***
 - It gives taxpayers and other parties required to pay taxes the right, resulting from the **principle of decision**, of asking that the tax administration, as a general obligation, issue a pronouncement on all issues under its competence that are submitted to it by any of the means provided by law;
 - Instituted the **principle of collaboration** between the tax administration and taxpayers on the basis of reciprocity and not unilateral decisions, as existed until then.

Assuming that taxpayers and the tax administration are acting in good faith, I want to highlight,

- The obligation to publish in a 6-month term its general guidelines on the interpretation about tax provisions;

Necessary assistance to comply with accessory obligations;

The identification of officials responsible for procedures that must be respected.

- By taxpayers:

Compliance with accessory obligations set forth in the law and the filing of tax returns that the tax administration may request from them on their tax status, and on the economic relations they maintain with third parties.

1. Establishes the **principle of participation** of taxpayers in the making of decisions affecting them, introducing and governing the right to a hearing before an unfavorable tax action is taken. Despite being included in the Administrative Procedural Code, it did not have an effective application in the tax procedure until the General Tax Law went into effect. Taxpayers must exercise the right to a hearing in the term set by the tax administration, which will communicate the draft decisions and its grounds.

- ***In the scope of parties subjects to tax procedures***

- Proceeded to create clear and accurate rules of the game involving tax inspection work (developed later in the Complementary Regime of Tax Inspection Procedures):

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- Express subjection to the principle of proportionality;
- Prohibition of repeat of inspection actions involving the same taxpayer, tax, and taxation period, barring new events disclosed at that moment;
- The conditions of legitimacy involving taxpayer's lack of cooperation in taking steps to develop competent entities for the inspection procedure and the way of dealing with it through an authorization from the competent court;
- The conditions of repeal of bank secrecy by initiative and substantiated decision made by the tax administration;
- The conditions involving presenting automatic information or at the request of the tax administration, by credit institutions and financial corporations;
- The conditions in which the tax administration has the power of directly accessing bank documents, in the event a request for document display or presentation is rejected; the acts adopted in accordance with these terms must be communicated to the Taxpayers' Ombudsman.
- Proceeded to clearly regulate bank secrecy, which top officials, workers, and agents of the tax administration are obliged to maintain on data gathered. Such information deals with the tax situation of taxpayers and elements of a personal nature that they may obtain in their work, specifically data obtained under professional secrecy or any other secrecy obligation that is legally established;
- Established taxpayers' right to information.

The obligations involving general information from the tax administration are defined in great detail in the General Tax Law, including the principle of reciprocal cooperation between the tax administration and taxpayers, which we already mentioned very briefly.

Beyond general information, taxpayers have the right to be informed about:

- The stage the tax procedure is in and its expected date of conclusion;
- The existence and degree of unconfirmed wrongdoing reports and the identification of its perpetrator;
- Its concrete tax situation.

As part of the right to information we have the paradigmatic figure of binding information, set forth in the General Tax Law as one of the forms of collaboration of the tax administration with taxpayers.

Taxpayers have the right to request and obtain from the tax administration binding information on:

- Their specific tax situation;
- the assumptions still not materialized of tax benefits,

provided that the request is accompanied by a description of the events for which a juridical-tax decision is being sought.

The General Tax Law expressly established the inability to summon retroactively taxpayers who have acted in accordance with a plausible and good faith interpretation of the law and general guidelines of the tax administration.

The decision involving a request for binding information on any of the aforementioned currents must be reported to the interested parties, with the Services being obliged beginning with the notification.

However, subjection of the tax administration to binding information expressly set forth by the General Tax Law does not cover the cases in which it acts in fulfilling a judicial decision.

The tax administration is still connected to:

- The written information provided to taxpayers on compliance with their accessory rights;
- Permanent general guidelines involving documents issued for the interpretation of tax norms that are in effect at the moment of the taxable event.

- ***In the scope of progress of the tax procedure***

- Reiterated the ban on absolute or unavoidable assumptions; that is, the assumptions established in the tax norms always can be challenged provided evidence against them is presented;
- Established a more balanced distribution of the burden of proof between the tax administration and taxpayers, especially in the venue for assessing taxes by indirect methods. In this case the burden of proof is split. The Administration is responsible for conducting the verification of assumptions of the application of those methods; taxpayers are responsible for checking excess taxes collected following an inspection;
- Reiterated the fundamental principle on which accessory taxpayer obligations are based; that is, the assumption of truth and good faith in tax returns filed by taxpayers in accordance with the provisions established by the law, and the data registered in their accounting or

bookkeeping, provided they are organized in keeping with commercial and fiscal legislation.

The General Tax Law also established the general conditions in which the assumption of truth is not verified, allowing the administration to assess taxes by way of indirect methods, substantiating the concrete verification of the assumptions of its application, as we mentioned in the burden of proof.

- ***In the scope of the decision of a venue for the tax procedure***

- Reaffirms that the decision involving the tax procedure must always be substantiated by a succinct presentation of factual and legal reasons originating it and its effectiveness depends on the notification, in line with the provisions established as constitutional mandate – which we previously addressed.

In these terms, any act or decision from a tax administration entity affecting taxpayers' legally protected rights or interests must include the corresponding legal and factual justification. In addition, the decision draft must be disclosed previously for the purpose of a preliminary hearing and, later, must be notified to the interested party.

- Insofar as the review of the tax act is concerned, it has established four situations:
 - A review by initiative of the taxpayer, which may be made in the term of the administrative claim and based on any illegal action committed;
 - A review by initiative of the tax administration, which may be made in the four-year term after cancellation or at any moment if the tax has not yet been paid, on the basis of an error attributable to services;
 - A review of the tax act because of duplication of collection that can be made, regardless of the basis, in the four-year term;

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- An exceptional review of tax matters when authorized by the highest-ranking service official, in the three years after the tax act, on the basis of a serious and notorious injustice. For this purpose, only obvious and unequivocal cases are deemed notorious, and a significantly higher and disproportionate tax payment is deemed, or a case in which the State Treasury has been seriously affected.

In reference to the four outlined situations, it stresses the fact that the General Tax Law introduced the hypotheses of taxpayers: requiring the revision of the tax assessment over double collection in a four-year term or based upon a serious or notorious injustice, in a three-year term, thus making this term equal to the term outlined in tax administration to proceed to a diligent revision. This innovation translates into an indisputable better balance among the rights of taxpayers and the powers of tax administration.

- Regarding the area of assessment procedures for tax matters

It stressed the general guiding principles of assessment for tax matters; in other words,

They are directly assessed or estimated according to the criteria inherent to each tax, with tax administration being the only one that can proceed to an indirect assessment and a subsidiary assessment only in those cases and conditions expressly stipulated by the law;

- The scope of the direct assessment falls upon tax administration, and in those cases of self-liquidation, on the passive subject. The scope of the indirect assessment falls upon tax administration, without prejudice to the active participation of the taxpayer, who could also participate in the revision of the indirect assessment made by tax administration if he wanted to and under the terms outlined by the law;

It established a new regulation for budget and the criteria for the application of indirect methods based upon the IRC, Corporate Income Tax (corporations), and based upon the IRS, Personal Income Tax (individuals), forcing taxpayers, in case of anomalous conducts,

To significantly alienate themselves from the parameters applicable to their activities, defined in cooperation with the respective associations, to justify the reason for the alienation, under the penalty of the application of indirect methods;

- With demonstrations of wealth disproportionate to the income declared for fiscal effects, they must prove that it is compatible with the real income declared and that the source of the demonstrations of the evident wealth is different.

If they fail to do so, the constant model income of the General Tax Law itself will be considered based upon the IRS.

This decision (for an indirect evaluation based upon model income in light of demonstrations of wealth not compatible with the declared income), as a reinforcement of the taxpayers' guarantees, is:

- of the exclusive scope of the General Tax Director or his legal alternate, without the possibility of delegating authority.
- subject to appeal for a tax court, as a suspensive effect, to be dealt with under the terms of the General Tax Law, as an urgent process.
- The scope of revision procedures for tax matters through indirect methods.

It abolished the supremacy of Public Finance in the Revisions Commissions, suppressing the duties of the President and the effects of the agreements were regulated at the bosom of these commissions, thus reinforcing the role of an independent expert as an integrating element of the commission:

To clarify:

Taxpayers may request the revision of tax matters set by indirect methods and appoint the expert who represents them, thus suspending the liquidation of the tax.

Once the revision request is received, along with the legal requirements for its acceptance at the tax administration body,

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it appoints a tax administration expert and will summon a meeting to assess it and agree upon it.

Both taxpayers and the administration could require the appointment of an independent expert in this period until the summoning of the aforementioned meeting.

Within the context of the aforementioned issues, the revision procedure for taxable matters is based upon a contradictory debate between the expert appointed by the taxpayer and the expert appointed by tax administration, with the participation of the independent expert, if there is one, with a view to reaching an agreement, under the terms of the law, on the real value of tax matters to be considered for liquidation effects.

In case there is an agreement, tax administration cannot alter the agreed-upon tax matters, except in cases of rulings on the crime of fiscal fraud, involving the elements used as a foundation for their quantification.

If there are no agreements, the body authorized to set tax matters will resolve the issue, taking into account the experts' opinions; such a decision must back the adherence to or rejection, total or partial, of the opinion of the independent expert.

In case the opinion of the independent expert is the same as the opinion of the taxpayer's expert and the opinion of the corresponding administration to set the taxable matter, the claim or legal challenge has a suspensive effect.

The new revision procedures for tax matters through indirect methods introduced by the General Tax Law indeed constitute a reinforcement of the guarantees of taxpayers, and this is why there previously was a majority in Public Finances, because in addition to their delegates and the delegate of the taxpayer, there used to be a president appointed by tax administration. Talks are now held directly between the tax administration's expert and the taxpayer's expert, with the intervention, if either one of the parties requires so, of an independent expert. The revision commissions previously could not assess the legality of the application of indirect methods; this legality can now be discussed.

The new philosophy of the revision system, introduced by the General Tax Law, constituted a significant improvement of the procedure. It brought further simpleness to the claim and liquidation process and the harmonization of the respective decisions over the various taxes, since this is provided by a single revision procedure in case there is a tax matter claim based upon the same inspection action, even though it may refer to more than a tax or exercise.

Because of the aforementioned reasons, the reinforcement of the pre-legal role of the revision commissions in their current makeup and broadening of scope, given the subjection of the activities of the revision commissions to the observation of a National Commission, constitutes the tools for a better relation between the treasury and the taxpayer are included in this current.

- The scope of the tax process

Regarding tax justice, it outlines the right to challenge or resort to all actions not harming their legally protected rights and interests, in accordance with the manners outlined in the Tax Procedure and Process Code, among which, given the express consecration relative to the aforementioned matter, the possibility of challenging the cautionary guidelines of any sort adopted by tax administration stands out.

It outlines what are the tax procedural means, generically regulates the fiscal execution process, and establishes that interests in arrears will be owed at the request of the taxpayer, in case the ruling of tax and customs courts determines the reimbursement of the taxes already paid.

3. The Complementary System of the Tax Inspection Procedure (RCPIT)

Within the context of the general foundations of the development of the Fiscal Reform, the Complementary System of the Tax Inspection Procedure (RCPIT acronym in Portuguese) was approved in December 1998 (Decree-Law No. 413/98 of 31 December 1998) and came into effect on January 1st, 1999.

It included general action rules, especially on the organization of the system and, consequently, the guarantee of proportionality of the goals

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to be achieved regarding the security of taxpayers and others, also following up on this scope of fiscal control on the constitutional principle outlined in the General Tax Law, regarding the participation per se of taxpayers in the decision-making-process, thus avoiding the proliferation of useless litigations.

The RCPIT has an essentially regulating nature and is subordinated to the General Tax Law, which already decided on a concept of tax inspection compatible with modern administration procedures and civil guarantees. As for the regulating certificate legally outlined in the LGT, it did not, and could not, add powers and authority to tax inspection beyond the provisions of the substantial law, and under the same terms, it did not heighten the duties of passive subjects.

The RCPIT developed the regulatory foundation defined in the LGT on tax inspection, improving the automation of oversight actions of fiscal administration, increasing its efficiency and effectiveness, dropping the margin of administrative discretion, given the clarification of its powers and duties and, consequently, increasing the rights and guarantees of the inspected entities.

The Regulation is far from being only a certificate geared toward inspection services, and it ended up being an essential component:

In the internal operations of fiscal administration, regarding its functional control current by streamlining them;

- In the current and practical re-streamlining of taxpayers who are the target of fiscal inspection control.

The Complementary System of Tax Inspection Procedure:

Regulates the inspection procedure, as understood in the sense specified in the General Tax Law – encompassing all the succession of actions aimed at the assessment of tax rights; in other words, “all the steps necessary to expedite the tax situation of taxpayers.”

Without prejudice to special laws, it defines the principles and rules applicable to inspection actions, which from then on will be summarily referred to. However, it will be advisable to recall that there currently is a special law that regulates inspections at the request of taxpayers or third parties, which we already referred to in the General Tax Law.

It systemizes oversight actions once a definition and a clarification of the various steps to be taken are given. Meanwhile, it has contributed to the standardization of procedures and the internal and communication work documents of taxpayers, guaranteeing the practical application of the RCPIT itself;

It helps passive subjects better learn about inspection procedures and, consequently, the guarantees they have in this regard; in other words, inspected taxpayers are intended to be knowledgeable of the rights and duties they have regarding inspection procedures, and they can actively participate in the procedures themselves under these exact terms.

Under the terms of the aforementioned Complementary System, inspection procedures follow four principles, some of which are innovative, in fiscal terms, in light of what was an inspection action:

- Principle of Material Truth

It is the first and foremost foundation of the three objectives of tax inspection referred to in the RCPIT; in other words:

Observation and investigation of tax realities;

Verification of compliance with tax obligations;
Prevention of tax infringements.

Fiscal administration, through its inspection services, tries, within the field of procedures, to gather the evidence that later enables it to basically decide on tax matters. (Investigating the correct compliance with fiscal obligations is a noble inspection activity, and based upon this, it gathers evidence indicating likely irregularities. Beyond this activity, which we could dub a diligent activity, taxpayers themselves could provide fiscal administration with the evidence means they deem advisable for the defense of their rights and interests. It all sums up to saying that fiscal administration is not limited (and it could not be so, given the matters it deals with) to evidence elements presented by taxpayers. It could diligently make an effort to gather evidence enabling to make a correct decision.

The material truth being sought is the one that, with economic materials, is not declared sometimes.

- Principle of Proportionality and Adequacy

Inspection activities cannot be carried out, but through actions adequate to the achievement of objectives and proportional to what is legally intended. Fiscal administration cannot impose on taxpayers, in their inspection actions, obligations and behaviors that, on the one hand, are inadequate and, on the other hand, are excessive, unnecessary or useless regarding the entire or part of the goal of the inspection.

Taxpayers are entitled to demand from fiscal administration, through inspectors, the adoption of the criteria of just measure.

Within the context of this principle of proportionality and adequacy, the principle of material truth we already referred to, and the cooperation principle, which was already the object of some comments regarding the LGT and to which we will refer again within the application outlined in the RCPIT, this time it is important to disclose that both the LGT and regulations guarantee taxpayers that there cannot be more than one external oversight procedure regarding the same passive subject or entity obligated to pay taxes, tax, or tax period. Therefore, it seems that a very significant alteration occurred in this matter, because, in Portuguese law, there were no precepts banning repeat inspection actions prior to the expiration of the terms. In other words, since the law did not expressly stipulate that the inspection action should be exhausted every time it was carried out on a taxpayer and an event, the thing was that the use of as many inspection actions as were deemed necessary on the same subject was considered to be legitimate. This is definitely a concept alienated to the concept of proportionality and, therefore, of intervention of the minimum and necessary inspection services to achieve the objectives attributed to it. Hence, only on exceptional occasions could the services again inspect the same taxpayer, tax, or tax periods, in case of:

New events;

- Confirmation of lawful budgets taxpayers may invoke before tax administration;
- Inspection or inspections aimed at third parties with whom economic relations are maintained;
- Principle of what is contradictory.

Making tangible the constitutional principle according to which the regular special law will guarantee the participation of citizens in the making of decisions or deliberations, the General Tax Law (as we have already said) and the RCPIT are developing the system of the principle of participation in times of administration open to citizens, which is typical of a democratic state of law. The fiscal law stipulates the principle of participation of taxpayers in the making of decisions through the exercise of the right to preliminary hearings.

The objective is to make the taxpayer being inspected be a participating party in the decisions pertaining to him. From there, he must be notified, so that in a specific timeframe (from 8 to 15 days) he may remark on the proposals for fiscal corrections outlined in the draft report of tax inspection services sent to him with the identification of the referred to actions and their justification. The objective is to make the most correct and concerted fiscal administration decision possible, thus preventing in a later phase (according to regulations, after the notification of an additional liquidation) the emergence of litigious situations. It is important to point out that, prior to the preliminary hearing, one can talk about an informal contradiction, because the RCPIT appeals to permanent talks when it is said that the latter can proceed to normalize his tax situation during the course of the procedure.

- Principle of Cooperation

It naturally stems from the principle of good faith, which is also outlined in the General Tax Law, as we already said, as it stipulates that “tax administration bodies and taxpayers are subject to a reciprocal cooperation duty.”

It is a principle that is compatible with open and transparent administration.

On the side of taxpayers in general, this principle outlines their compliance with their additional obligations, the delivery of information and clarifications on their tax situations and that of third parties with whom they maintain economic relations, as well as the duty of allowing access to the installations where they carry out their activities and their records and other accounting-related elements.

It can be said that the General Tax Law or the RCPIT itself still stipulates some situations of legitimate rejection of cooperation and opposition to inspection actions. We already referred to this aspect in the LGT.

In the case of rejection to cooperation and opposition to tax inspection actions, when they are illegitimate, the offender falls into a disciplinary responsibility, whenever it is the case, of criminal action, according to the law, without prejudice to being able to constitute a foundation for the application of indirect tax methods.

On the side of fiscal administration, the list of tax administration cooperation actions for taxpayers and their representatives is long. Within the context of tax inspection and as an example, on the one hand, it is the duty of tax administration to notify in writing the beginning of the inspection, including its scope and extension and the rights of the passive subject, and on the other hand, it must also notify the duties of taxpayers, especially dispelling doubts that may have arisen during the procedure.

Without trying to be exhaustive, it summarily discloses the main rights and guarantees of taxpayers within the tax inspection procedure, to which the RCPIT refers expressly, thus making tangible what was stipulated in the General Tax Law on the matter and the scope of fiscal control.

- The Right to Previous Notification, as a General Principle

The internal fiscal control done and fiscal administration services are mainly confined to test the coherence of the elements outlined by taxpayers or third parties to tax administration. Contacts with taxpayers are limited to requests for clarification.

The objective of the external fiscal control inspection, which normally occurs in the taxpayers' installations, is to verify, through an audit to their accounting records, if they show their economic and financial reality, and in light of this verification, they must ensure of their fiscal returns are accurate.

Precisely during this phase of external inspection procedure, a letter is sent to the taxpayer at least five days in advance. The letter must outline the scope and extension of the inspection. In addition, the letter must be accompanied by a document outlining the rights, duties, and guarantees of the entity that will carry out the inspection, constituting a clarifying element of the procedure and the consequences it may bring forth.

The previous notification through a letter in 1999 constituted a new procedure introduced in practice by the RCPIT based upon a new philosophy related to taxpayers.

There currently are no previous notifications in cases expressly outlined in the Complementary System, which could jeopardize the objectives to be achieved. In these cases, the previous notification is sent under the same terms, but only at the time of the beginning of the inspection activities.

- The Right to the Legitimate Opposition to Tax Inspection

Opposition to inspection activities is legitimate when there is a lack of credentials of the officials in charge of their execution. Officials bearing service orders or a copy of documents from the office of the chief who ordered the procedure, outlining the objectives, scope, and extension of the inspection actions, are considered to have credentials.

- The Right to the Non-Repetition of Inspection Procedures

It is clearly stipulated in the General Tax Law under the terms already explained.

- The Right to Ending the Inspection Procedure in Up to 6 Months

It could be extended by two three-month periods under exceptional circumstances outlined in the RCPIT through a real authorization by the Tax Director General.

- The Right to Have the Inspection Action Take Place Within the Normal Schedule for Business or Professional Activities

In fact, this is what the RCPIT stipulates: inspection procedures carried out after the normal schedule of activities could be done only when exceptional circumstances justify it and through the authorization by the inspected entity. Its lack of compliance could be accepted only through a legal decision.

- The Right to a Previous Audit

It is the compliance with the principle of contradiction to which we have already referred.

4. Tax Procedure and Process Code (CPPT)

The Tax Procedure and Process Code, which has been in effect since January 1st, 2000, stipulates the tradition in the Portuguese tax law of conferring, as much as possible, an autonomous system of regulation for the procedural relations of tax phenomena, standardizing and making tangible fiscal procedural matters.

One of the objectives fiscal legislators tried to achieve through the approval of the aforementioned code consisted in the introduction of new, simple, and effective rules in tax processes and procedures, trying through this increase in effectiveness and simplicity to reinforce the guarantees of taxpayers, so that they may obtain responses and solutions to their tax matters in a useful time, thus guaranteeing a better fiscal justice.

In fact, the reinforcement of taxpayers' guarantees, beyond those outlined in the General Tax Law (LGT) to which we referred in item 2 of this report, was beefed up through various regulations making up the Tax Procedure and Process Code, trying to summarily stand out the following:

- Regarding the Scope of Tax Personality and Capacity

At the request of tax administration, the involvement of a legal representative — special curator — which the court will legally appoint, is expected for the representation of incapable people without legal representation. In addition, it expects the appointment of a temporary curator for individuals who because

of psychic anomalies or any other serious reason or who are absent in an undetermined place, cannot possibly receive the notification promoted by tax administration.

If the notification lacks the indication of means to react to the notified action, the notification of this information may also be required.

In any of the cases mentioned above, the period that is under way, for example to file a claim, appeal, challenge, or any other legal instrument, is suspended until the notification of the missing information is given.

In case the taxpayer uses an inadequate reaction means as indicated by tax administration in the notification sent and if the court, in a specific case, acknowledges that the reaction means used is inadequate, the taxpayer could carry out a new action regarding the adequate process in a period beginning with the legal decision.

– In the Scope of General Provisions of Tax Procedures and Tax Processes

The rule of the dual degree of decision is adopted, trying to obtain further swiftness and efficiency in tax administration decisions. The taxpayers are not intended to use the same request successively in more than two bodies that are part of tax administration. In the case of a reappraisal of a decision on tax matters, the petition must be aimed at the top chief of the service or to whomever he delegated this authority. When tax administration has made a decision in less than two years on a petition whose author, objectives, and foundations are identical, it does not have the duty to decide on this petition, according to what is stipulated in Article 56, Paragraph 2a of the LGT.

The possibility of correcting the manner of the procedure that has not been adequately presented by a taxpayer has been considered. This will enable, on the one hand, him to lose the right to act and, on the other hand, the filing of a new procedure or petition, with the subsequent beginning of a new procedure.

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- In the Scope of Procedures Prior to Information and Evaluation

It outlines the possibility for the taxpayer, since he shows a legitimate interest, to request the evaluation of assets or rights constituting the foundation of the execution of any tax to which tax administration has not yet proceeded to act upon.

- In the Scope of Liquidation Procedures

The application of anti-abuse regulations outlined in tax laws — for instance, the payments made among related companies; the so-called “reference prices” – will lead to the opening of a procedure for the liquidation of the tax owed, establishing rules on the timeframe during which the aforementioned procedure may begin. However, it is obligatorily subjected to the previous authorization of the top leader of the tax administration service; it could be granted only after the hearing of the taxpayer.

The alienation of legal presumptions regarding revenues outlined in tax norms could be obtained by the taxpayer through a contradictory procedure to establish a local financial service, without prejudice to the use by him of the means of gratuitous claims or legal challenges on the tax action on which the presumptions were based, under penalty of the decision on the aforementioned procedure, so as not to trigger effects on the specific case, but only in the future.

- In the Scope of Cautionary Action Processes of the Legal Tax Process

The right to legal challenge by taxpayers to the cautionary provisions adopted by tax administration, such as an arrest, as well as the challenge of the attachment of assets done by the tax administration itself, are regulated. Even though the challenge does not suspend the cautionary measure under way, it stipulates for tax administration a duty of abstention of the practice of actions that could compromise the useful effects of the process.

- In the Scope of Additional Procedural Means

The special process for the abolishment of the duty of bank secrecy is regulated, in what refers to the legal appeal the

taxpayer may file regarding the tax administration's decision on the direct access to bank documents.

- In the Scope of the Notification of a Behavior

When tax administration fails to carry out a specific action, hindering the taxpayer's legitimate right or interest, he could demand the process. To do so, he must present a requirement in this regard at the tax court.

Beyond the previously explained rights and guarantees, the following rights and guarantees, already stipulated by the General Tax Law, are the object of legal provision in the Tax Procedure and Process Law:

Right to Consultation of the Administrative or Legal Processes;

It is obligatory, through administrative circular letters, to make accessible to taxpayers the generic guidelines on the interpretation and application of tax norms by tax administration services;

Right to related information for tax administration services on the tax situation of taxpayers and the budgets not yet used of fiscal benefits;

Right of taxpayers to indemnification interests for the harm done by a tax administration action.

Finally, it is important to mention that regarding rights/interests of taxpayers, the Tax Procedure and Processes Code regulates claim rights, the hierarchical resource, and the legal challenge recourse, which respectively constitute gratuitous and litigious procedural means admissible for the protection of rights and interests of taxpayers, alternates, and legal representatives legally protected. Summarily, in general terms, the following are defined:

- Gratuitous Claim

In dealing with a major guarantee of taxpayers, gratuitous claims constitutes one of the means of defense they use the most to defend their rights and interests in the fiscal arena.

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The tax claim procedure stems from the sequence of another procedure: the liquidation of taxes. Taxpayers are notified of the payment of taxes legally owed, and, starting at that moment, they take one of the following positions:

Understand that the taxes are owed, that the liquidation completely respects applicable legal precepts, and consequently, proceeds to pay them within the legal deadlines established;

- Understand that the taxes are not owed, totally or partially, because he may have noticed a mistake or illegality in the level of the tax payment action because of a move attributed to tax administration or themselves.

Within the context of the latter situation, the figure of the gratuitous claim becomes very relevant once the objective is the “complete or partial annulment of tax actions by initiative of taxpayers.”

- Legal Challenge

The legal challenge constituted the litigious means traditionally used by taxpayers for the protection of their legally protected rights and interests, the objective of which is the full or partial annulment of a tax administration action, be it a tax action such as the liquidation of taxes, parafiscal recipe, retention at the source, payment to the account or self-liquidation, or an administrative action on tax matters, such as the setting of asset values, the complete or partial non-deferral of gratuitous claims on tax actions.

Constituting a foundation of this procedural means any illegality committed by tax administration or taxpayers, its application by the corresponding tax court depends on the filing of a petition at this legal body or at the local financial service

- Hierarchical Recourse

The presentation of the hierarchical recourse stems from the sequence of a tax matter decision unfavorable to taxpayers made by tax administration bodies.

In general terms, this presentation is made after the making of an unfavorable decision (full or partial) based upon tax claim procedures. Once the (unfavorable) decision on any gratuitous claim is made, the taxpayer considers that the time to resort to legal means (legal challenge) has not come yet and chooses the administrative means, trying once more to obtain a decision favorable to him.

He could certainly choose the legal means, but does not do so, and this is why it is said that the hierarchical recourse is optional.

However, the hierarchical recourse does not pertain only to those decisions made as part of the gratuitous claims. In general terms, any tax decision, as made by alternate agents in the hierarchical chain of tax administration and susceptible to adversely affect the legitimate rights and interests of taxpayers, could be the target of a hierarchical recourse, mainly: those quantitative corrections done by tax administration in the "constant values of tax returns of taxpayers, with bearing on the determination of taxable profits." (IRC/IRS)

5. The Taxpayers' Defender

Accompanying the modern trends in the scope of the relations among tax administration and taxpayers, the Taxpayer Defending Body was created in August 1997, and its initial statutes were approved.

In 1999, the original draft underwent significant changes, including changes to various articles of the initial statutes, reinforcing the capacity to intervene by this independent administrative and tax administration body.

Its main functions are as follow:

The promotion and defense of rights and guarantees of taxpayers regarding tax administration.

The expedition of tax relations among tax administration and taxpayers.

Being an eminently technical control body of tax administration and autonomous intervention favoring taxpayers, according to some people, it is also a hearing body for taxpayers regarding legal and tax-related matters and matters dealing with the operations of services.

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Within its functions, the taxpayers' defender is also an observer of the operations of the fiscal system, and in turn can give opinions or make recommendations for the definition of fiscal policies and for the functional improvement of tax administration.

The actions of the taxpayers' defender are of a nature of recommendations or non-binding opinions and are always aimed at the corresponding tax administration bodies, including the Higher Council for Administrative and Fiscal Courts, the Justice Administrator, and legislative and judicial branch bodies.

As part of the exercise of powers attributed to it and that are an element of its own legal statutes, we have to point out the following:

The presentation of petitions by taxpayers does not follow any special forms; bureaucracy is removed from the procedure with a view to the swift giving of opinions or recommendations;

The intervention of the taxpayers' defender, at the request of taxpayers, and once some legal conditions are verified, suspends the recount of the deadlines for the interpretation of the claim;

Everything taxpayers disclose in the petition is secret. Taxpayers do not owe any fees related to the actions of the defender triggered by the petitions or matters it presents.

Even though the provisions of the post of taxpayers' defender and the functional organization of its support structure may be very recent, the first defender took office in 1999, and his actions will be very categorical in the following areas:

Reinforcement of the effectiveness of the rights and guarantees of taxpayers;

The development of tax administration activities regarding the guarantee of an efficient and effective management of the fiscal system.

In the first area and within the scope of the fiscal institution, as one of the pillar of taxpayers in the exercise of their rights.

In the second area, helping tax administration in the efforts it is making to deepen and integrate the set of taxpayers, regarding a "new" center for the rendering of quality services to citizens and companies that voluntarily and truly comply with their fiscal obligations, which is typical of the exercise of a responsible ethics in a democratic state if law.

III. FINAL CONCLUSION

The taxpayers' effective acknowledgment of the ultimate sense stemming from the compliance with fiscal obligations, either the main or additional ones, as part of a logic that "in a democracy, taxes cannot continue to be considered as a mere coercive and arbitrary imposition by the state, even if they are outlined in the CRP. Instead, they must be regarded, to the light of a democratic culture, as a means to share solidarity and responsibility;"

The acknowledgment by citizens and taxpayers of the fiscal system of which there are less and less passive subject in the scope of their intervention, especially in the areas of procedures and processes;

A more balanced general framework of rights and obligations regarding fiscal-taxpayer relations sustained on the principles of the right to information, reciprocal cooperation, and participation in the forging of decisions on this regard;

A conscious and structured tax administration created and motivated for a management of the fiscal system based upon shared responsibility;

A tax administration and justice with adequate legal instruments to effectively penalize what is not compatible with the duties of citizens and the treasury stemming from a fiscal system typical of democratic regimes are integrating elements of a strategy of development and improvement of fiscal reforms in effect in Portugal, which, we believe, could constitute factors inducing to tax compliance with further justice.

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Case study

TOPIC 1.2

THE SIMPLIFICATION OF NORMS TO PROMOTE VOLUNTARY COMPLIANCE AND FACILITATE CONTROL

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CONTENTS: I. Introduction.- II. Distortive Factors of the Taxation Regulatory Scheme.- III. Voluntary Compliance and Control.- "Mono-Taxation".- Main objectives of the regime.- Main results observed.- Main difficulties observed.- IV. Conclusions.

INTRODUCTION

In the current world, where solidarity is not always exemplary and individual rights tend to rise to the forefront, sometimes forgetting the corresponding duties, it becomes more and more difficult for citizens to participate without resistance in the financing of public activities.

In order to achieve that participation, it becomes necessary for the same to adjust itself to a legal regulatory scheme model conceived with sufficient inspiration and exactness so that justice and equity prevail, above any other attribute, in its core.

The elemental principles of legality, justice and security that must invariably be present in all regulatory scheme rules of taxation contents, may become vulnerable and affect the operative efficacy of such rules, when the following qualities are not present:

- Congruence: coherent standards and without contradictions.
- Transparency: sense of certainty and comprehensibility of the standards.
- Continuity: idea of validity and permanence of the standards.

II. DISTORTIVE FACTORS OF THE TAXATION REGULATORY SCHEME

It becomes paradoxically that at this stage of the evolution that has taken place in the taxation field – both in the legal and technical conception that support the economic and financial activities of the States, as well as in the permanent and dynamic consideration of the meaningful aspects that make the operation of the tax administrations to empower, adequate and perfect their capacity to respond to the environment where they have to act in - verification of serious and substantial deficiencies in the legal instrumentation of the standards that make up the structure of the tax systems.

In such sense, it has been pointed out that it is highly likely that tax legislation constitutes the most analyzed and most discussed set of laws, given the interest that it stirs for both the variety and the complexity of the situations it encompasses, as well as for the incidence it generates over important sectors of the population in general and of the economy in particular.

There are diverse factors, situations or elements that conspire to generate situations that distort and affect the necessary degree of certainty that must impregnate all standards of taxation scope.

It can be said that the set of problems pertaining to regulatory scheme aspects is a common denominator of taxation systems in general, affecting the efficiency and efficacy of the tax administrations. Said set of problems is not only limited to the legislation itself, which necessarily requires parliamentary intervention, but it also encompasses the secondary legislation of a regulatory, interpretative or complementary nature (decrees, resolutions, circulars, etc.).

Analyzing the Argentine experience we can observe that, when attempts are made to apply new legal standards, unforeseen problems arise, mainly originated due to the fact that the system is not customarily prepared to withstand the changing economic relations that take place in the modern world, making it impossible to foresee all hypothetical situations that may arise.

In this sense, once again the ancient controversy arising from the insertion of the taxation laws within the general framework of the law becomes relevant, with respect to up to where the legal forms and structures freely adopted by private citizens can be used, without variants, within the framework of taxation law.

The aforementioned difficulties for permanently counting with regulatory scheme characterized by the stability and simplicity of its standards, acknowledge a plural number of factors that individually or collectively affect the taxation law, where we have to highlight the following:

a) Incidence of the economic and tax policy.

Argentinean experience: according to an analysis performed with relation to the impacts of the legislative changes in the operations of the Federal Public Revenues Administration (Administración Federal de Ingresos Públicos - AFIP), the availability of information for the control of new regulations implies three different aspects:

- Regulatory standards: list of General Resolutions.
- Application systems: adaptation of computer programs and systems used by taxpayers and the adaptation of the tax administration's systems to receive and process information.
- Banking systems: require banks to adapt the systems used to capture and transmit information and make payments and install the same in the tellers.

Times estimated to adapt systems:

- Definition of the systems (done by AFIP): 1 to 3 weeks
 - Development of systems (internal and external): 3 to 7 weeks
 - Distribution and operation of computer support systems for taxpayer's use (external): 1 to 4 weeks
- b) Globalization of the economy that stimulates the establishment of businesses in jurisdiction where the tax burden is null or is less onerous, this fact makes necessary the instrumentation of standards with a greater level of complexity that considers said situation to neutralize or control its negative effects in the structure of the tax systems and in the effective compliance with fiscal obligations.

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- c) The existence of a high modernization rate and technological change, which comes from new productive modalities and/or marketing forms. In this aspect the financial, computer and international trade result to be pragmatic.
- d) The need to adapt and adjust tax legislation to the modifications that have taken place in other fields of the law, particularly in commercial law, taking into consideration new institutes that rule juridical and economic relations.
- e) Look into defective legislative techniques that affect the clarity, precision and exposure of the standards, which often result to be incomplete, confusing or contradictory.
- f) The permanent mobility of the juridical tax legislation, as a consequence of the unceasing formulation and reformulation of principle and standards.

The occurrence of the factors mentioned as examples, essentially affects the so-called principle of certainty, reason for which it is recommended that the tax standard must offer the necessary clarity, not only to know with certainty its real scope, but given that prior and precise knowledge of the tax standards allows to achieve the adequate conditions to obtain a degree of voluntary compliance by the responsible taxpayers.

To legislate properly implies a positive and important aid, within the complex set of measures that is required by all activities that seriously attempt to put a stop to the scourge of evasion.

III. VOLUNTARY COMPLIANCE AND CONTROL

Operations currently managed by the tax administrations must respond to a service management, and not find themselves exclusively framed or supported on a model based on the authority or the rule of power where the taxpayer plays an irrelevant or passive role.

The existence of and inadequate taxation regulatory scheme structure that affects the principles of certainty, security and continuity, erodes, likewise, the tax administration-taxpayer relations, generating conflicts with the responsible parties, who must clearly know what is the purpose of taxation and its social value, with the purpose of creating within the community awareness of the compulsory nature of the payment of taxes and voluntarily promote its compliance.

Likewise, in recent years tax administrations are receiving ever-growing demands – both from the governments and from the community – to sensibly improve the quality and efficiency of their management processes.

The central axis of the desired change crosses two essential vectors: service improvement and increase in the perceived risk.

In order to achieve that objective, we must implement measures and procedures that promote voluntary compliance and that do not only respond mechanically in the presence of default.

Those measures will necessarily need to take into account the clarity and transparency of the standards that are to regulate the relations between taxpayers and the responsible parties, in such a way so as to enable consultation and the correct application of the same.

Along this line of ideas, in the O.E.C.D. study entitled “Administrative Receptiveness and the Taxpayer: A summary for decision makers” it is stated that the service to be provided by the tax administrations consists in:

- a) Make taxpayers’ obligations and rights quite clear in what respects to procedures, forms and language used.
- b) Introduce as much as possible new information technologies to apply simpler, quicker and more reliable procedures.
- c) Ensure that the taxation system is fair and equitable without being too complex, so that both taxpayers and officials can apply properly it.

In view of the above, it is understood that the systematization and dissemination of taxation standards is necessary in order to enable taxpayers and the responsible parties to become knowledgeable about and consult the same, so as to guarantee the fair, reliable and transparent application of the same.

Likewise, multiple regulatory schemes sensibly affect the collection functions and the examination capacity, which are indispensable in the plans established to fight tax fraud and evasion.

TOPIC 1.2

A proven efficacious tool adopted by some tax administrations to counteract the possible lack of clarity, precision and exposure of the standards, consists of the development of the development of bases for taxation, customs and social security knowledge that make it possible to homogenize the criteria to be adopted by the taxpayers for the interpretation of the standards and, mainly, by the officials in the daily application of the same.

Through the computerized systematization of questions and answers and their classification under topics, we are able to make progress towards the clarification and unification of the administration's message, overcoming obstacles, such as geographical dispersion and the different sources of academic training, moreover if the use of such knowledge bases were to become mandatory.

Another trend that has also been identified in Argentina, even promoted by the tax administration itself, is the establishment of simplified taxation or foreign trade operations regimes.

Such regimes appear as a valid alternative to try to incorporate into the formal economy individuals who, due to their significance and that they possess little or no administrative structure, have historically stayed away from the reach of the tax administrations.

In Argentina we count with a Simplified Regime for Small Taxpayers (Régimen Simplificado para Pequeños Contribuyentes) called "Mono-Taxation" ("Monotributo") that has been in force for over three years. Following, a detail is given of their main characteristics and the experience gained up to now as a consequence of its implementation:

"MONO-TAXATION"

As of the month of July 1998, an integrated and simplified taxation regime was established, with relation to revenue and value added taxes and to the social security system, destined to small taxpayers.

Through this Regime, responsible parties that abide by the same must input on a monthly basis an integrated tax, which substitutes taxes on profits and value added taxes. This tax consists of a fixed sum for each one of the categories established based on gross revenues, physical magnitudes and unit price of the operations. Additionally, a special regime was established for social security resources.

Main objectives of the Regime

- Reduce the cost of complying with tax obligations, simplifying the payment of profit taxes, of value added taxes and of the social security system in just one payment.
- Incorporate into the system those taxpayers that operate in the informal economy.
- Promote the voluntary compliance of tax obligations.
- Enable the tax administration to destine a greater part of their resources to the service of mid-sized and large taxpayers.

Main results observed

Taxpayers that are active in the Simplified Regime for Small Taxpayers Information through August 2001

Mono-Taxation Tax			Mono-Taxation (members of corporations)
Total	Corporations	Individuals	
1,239,773	18,793	1,220,980	22,546

Collections through the Simplified Regime for Small Taxpayers Ratio to Total Resources Year 2000 (in million of Pesos)

Concept	Collection	%
General Total^{1/}	56,767	100
Mono-Taxation Tax	353.6	0.6
Mono-Taxation Social Security	321.6	0.6

1/ Net Collection from Tax Refunds, Repayments and Reimbursements

Main difficulties observed:

- High delinquency. This is partially due to the characteristics of this type of taxpayers. This phenomenon becomes more evident in times of economic recession and crisis.
- Tax shrinkage, in other words, those individuals that, without being included in the small taxpayers category, incorporate themselves to the regime in order to fraudulently take advantage of its benefits, as well as those that include themselves in a category that is lower than the one that corresponds to them given their activity.

IV. CONCLUSIONS

- ◆ The multiplicity of standards of a taxation nature affects the principles of certainty and security, making it difficult for taxpayers and responsible parties to correctly and transparently fulfill the tax obligations imposed on the same. Likewise, it complicates the control functions that tax administrations must develop.
- ◆ Tax coding becomes advisable, in order to systemize formal, procedural and penal legislation, in order to consolidate legal security and avoid the profusion and dispersion of standards.
- ◆ GAT would correspond is to assign adequate times for the elaboration of standards, their consultation with the sectors involved, final instrumentation and application, in such a way to achieve an acceptable and reasonable consensus with the recipients of the same, consequently avoiding eventual modifications or adaptations that, at the end of the day, will affect the degree of knowledge and certainty of not only the responsible parties, but also of the tax administrations' officials.
- ◆ UIT the purpose of facilitating the consultation and application of the legislation in force instrumented by the tax administrations, steps should be taken towards its systematization and the development of knowledge bases that enable the unification of criteria.

- ◆ The simplification that can be obtained in the taxation regulatory field, must aid the administration-taxpayer relations, optimizing the achievement of the tax administrations' objective, outlined by the voluntary compliance of tax obligations.
- ◆ They lean towards a reasonable interrelationship between the tax administrations and those in charge of the implementation of tax policies and of the legislation, with the purpose of optimizing the application of standards that be established and efficiently facilitate the collection and examination functions the same must fulfill.

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Case study

TOPIC 1.2

THE SIMPLIFICATION OF NORMS TO PROMOTE VOLUNTARY COMPLIANCE AND FACILITATE CONTROL

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With the same insistence and certainty with which we affirm that taxation standardization is complex, the attempts to simplify, clarify or reduce said complexity have often taken place. In all tax modifications the idea of making it easier for taxpayers, companies and the Administration itself to understand what is sought to be tax, who and in what manner, appears as a constant motive. Just as Sisyphus attempting to place his stone on the mountain's summit, we have seen repeated attempts to simplify something that already has been attempted to be simplified, and we seem doomed to permanently face this task.

However, the situation of permanent return to the simplification objective obliges us to set forth on the one hand the reasons for the complexity and on the other possible simplification limits. This will be the intent of the present presentation, focused from an eminently practical point of view, as from the analysis of the recent modifications in the Income Tax Return of Individuals in Spain and its special incidence in the managing the group of taxpayers not obliged to file a return for said tax.

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There are many reasons that give place to tax complexity, but maybe, the following may be highlighted as determinants, firstly, the complexity of the economic environment itself, offered by any developed economy and the thoroughness inherent in the tax legislation, which results from this that seeks to foresee and react in the presence of changes in the economic and social panorama where it unrolls.

In this regard, tax legislation may be considered as an organized system of standards of different ranks and contents that interact with the social and economic environment. To continue alive and comply with its function, the tax system must be permanently adapted to external changes, accruing with the same, structural internal modifications. This task of progressive carrying and adaptation, necessarily adds, successive dosages of greater complexity in the system's elements and in the relations that are established among them. This is a general principle that operates in any system, particularly in social organizations.

However, it may also be generally affirmed that in the moment that the tension to adapt reaches a determinate threshold, the system is not able to continue evolving through the accumulation of successive partial modifications. It is then that the need for a profound change and reorganization of the system is imperative. In the design of the new model we will have the opportunity to establish new standardization where simplification will constitute the essential value.

The limit of the possible simplification is evidently determined, by the level of complexity of social, political and economic environment, where the norms and tax organization system has to develop and to which it must serve. It is erroneous to think that in an environment of growing interaction and social, political and economic complexity a simplistic tax system can properly comply with its purposes. The true challenge must be formulated in terms of balance, attempting to reduce the complexity of the norms, competencies, and organizations, but without losing sight of the efficiency in complying with the functions entrusted and guaranteeing in every case the essential values defined by the general legal system, among them and in an outstanding manner the ideal of justice in the apportionment of the tax burden.

It is necessary to stop here, though briefly, to reflect on this issue. In effect, the efficacy in the obtainment of the necessary financial resources to finance the State's operations may be reached in different manners, some of them extraordinary simple, but not all necessarily respect the indispensable condition of taxpaying justice. To contribute to the common effort of sustaining the rule of law, whether or not it is a necessary evil,

but a true integration reason in society, it is important that the tax system as a whole and that each of its figures in particular, respond to the idea of equality which prevails in the society that it serves.

Both objectives, simplification and equality, may be complemented, since standardization simplification makes more transparent and immediate the situation to the citizen and his/her options in regards to the tax administration, which at the end is translated in greater trust and reliability in the tax system, these are key aspects in the perception of the justice distribution sought after.

Simplification, from the citizen's point of view, supposes a series of advantages. First, it reduces indirect fiscal pressure. Clear, simple and self-sufficient norms, result to be easier to construe, therefore easier to enforce, reducing efforts, which in some cases are considerable, directed to know their reach and content. Furthermore, it facilitates social acceptance in the measure that a more precise knowledge allows greater level of adhesion and dissipates mistrust, which could cause ignorance.

In this point it is important to mention the fact that many taxpayers know tax laws through the return or assessment model or form. In this regard, we must say that the necessary condition for the form to be simple and easy to comply with is no more that the latter truly derive from or reflects simple standardized concepts, and that it be coherent and precise. It is not possible to design instructionally efficient tax models when the same must express with complete a breakdown the options of a set of norms that are not very clear.

All things considered, citizens translate all this into incentives for voluntary compliance of tax obligations. This is an aspect that is especially important in a tax system as the Spanish, where the obligation to self-asses taxes is of general application. But its effects are not limited to the field of the taxpayer's direct compliance with his/her obligations, the supply of information by third parties is also noticeably facilitated with standardized simplification and through these means, considerable improvement in voluntary compliance is obtained through the reduction of indirect fiscal pressure.

From the Administration's perspective, standardization simplification facilitates tax management and compliance control. The actions of the Tax Administration will be more efficient in providing assistance services to taxpayers and in the massive control of tax obligations; these effects are extended to in-depth controls, since they contribute to reduce litigations.

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Furthermore, both effects are mutually empowered since better voluntary compliance supposes the release of personal and human means, which are always limited and that may be assigned to control tasks and on the other hand, the perception of a more efficient control system shall in turn, indirectly incentive voluntary compliance.

Now it is the time to define what we understand as standardization simplification. *Prima facie*, to simplify consists in reducing the complexity of a standards, by considering three fundamental aspects: the definition of the taxable issue, the delimitation of the persons subject to the tax and the inclusion of the elements necessary to quantify the debt.

In any of these three aspects the task must be undertaken with simplification shall consist in the definition and delimitation without ambiguity of the concepts, limiting exceptions to a maximum, specially if they represent exclusions to the general principles. Further, regarding the quantification of the debt, the definition effort must be extended to the economic appraisal norms of the taxable facts, as well as to closely related aspects: income or operational taxable criterion, unequivocal assessment rules of net worth elements coordinated with those established for other taxes, clarity in calculation operations to be able to determine the final figure of the tax debt.

The fact that the standardization simplification should not affect the justice of the tax system has immediate consequences. In this manner and referring to direct taxation, the subjectivity of the tax mandates the consideration of the taxpayer's personal and familiar situation, modeling with these and other personal data his/her tax burden, which shall necessary suppose the adoption of measures that complicate the tax.

Regarding indirect taxes, the increased complexity shall not operate through customization but, mainly, through the modulation sought to be established regarding determinate sales operations or specific inputs in particular cases, establishing different taxation types or special regimes.

In short, optimum standardization must be located in the perfect balance between the necessary complexity to guarantee the system's justice and simplicity that makes possible greater efficacy in obtaining the distribution of the tax burden.

In general tax changes generate expectations in social agents, but shall also give place to resistance, which is innate in every process for change. Any change in usual operation manners must be justified in terms of the advantages that it incorporates; therefore, it is essential to know how to properly and thoughtfully convey said values to public opinion.

And precisely the taxpayer's and the officer's opinion measures by surveys and results shall indicate the level of standardization changes and the qualitative valuation of the measures introduced.

To achieve these objective perhaps the best way is to follow the lessons of our elders, taught for some time hence, by our ancestors in the Fuero Juzgo (Judging Competence): "*el facedor de las leyes debe hablar poco e bien, ... llano e abierto*" (*Lawmakers must not speak much and must speak well, plainly and openly*) (Fuero Juzgo o Liber Iudiciorum, year 654 A.C.).

THE NEW INDIVIDUAL INCOME TAX IN SPAIN (IRPF, ACRONYM IN SPANISH)

Therefore simplicity appears for tax standards all together as a reiterated and distant objective.¹ Without waiving the same, however, other measures could serve to its same purpose by substantially reducing the aforementioned inconveniences. The group of information services and assistance that Tax Administration put at the citizen's disposition shall be perceived by these as a simplification, maybe not of norm, but of their tax obligations. Let's see how this last Individual Income Tax reform has been perceived in Spain, marked by a bold simplification effort.

To position the issue, it is convenient to refer to the definition notes of the Spanish personal taxation system: first of all, the system is based on a broad income withholding at source system, complemented with a ample group of obligations in the supply of information on behalf of income payers to the Tax Administration. Furthermore, the Tax Administration has information systems with sufficient capacity to process this huge data volume. Second, the Spanish taxation system applies in general the self-assessment mechanism, whereby taxpayers are obliged to declare their income and perform the necessary calculations to determine, and, in their case input the tax debt. In the event that direct deposits, mainly from withholdings, surpass the tax debt, the Tax Administration must return the withheld surplus.

¹ Two interesting examples: HALL, R.E. & RABUSHKA, A. (1983), *Low tax, simple tax, flat tax*, MacGraw-Hill, New York; US DEPARTMENT OF TREASURY (1984), *Tax Reform for Fairness, Simplicity and Economic Growth*, Washington.

TOPIC 1.2

With this scheme, the objectives sought with modification of the legislation consisted in the simplification of the tax and indirect obligations; the reduction of mean refund times where applicable and additionally, increases efficiency controls on self-assessments. Precisely, to attempt to obtain in a good measure these objectives a quick refund system was designed the same shall be the purpose of analysis hereinafter.

Basically, the quick refund system consists in the elimination of the self-assessment obligation for those taxpayers of lesser income volume. With some tinges, those who perceive income from their work and who do not receive an annual income three and a half million (US\$18,760), will not be obliged to file a return, nonetheless, the legislation gives them the power to obtain the refund of the amounts that they may be entitled to in the event of filing a return. To exercise this right, a management system based on the mere communication of personal data and taking into consideration the economic data from income payers, which is held at the Administration, the corresponding refunds are done in a brief and immediately manner and prior to carrying out the refund proceedings of the typical income campaign. As previously mentioned two objectives are sought with this: greater simplicity, upon eliminating the obligation to self-assess and speed, upon performing refunds prior to the income campaign.

Taking into consideration that approximately 16,700,000 taxpayers by the IRPF will be obliged to file a return, the measure introduced could affect approximately 5,000,000 taxpayers that will be exempted from the obligation of filing a return.

Data to be furnished by the refund applicants are limited to: personal and family data, necessary estimate the tax, economic data, such as union quotas or juridical defense expenses, precise for the calculation and of which the Tax Administration has no knowledge through other means and finally other data that form part of the taxpayer's personal scope: account number where the taxpayer wishes to receive the refund, taxation option (individual or jointly with the spouse) and tax assignment (voluntary contribution to the Catholic Church, NGO's . . .). This data communication shall be done through a form (Model 104), which main characteristic, as we have said, is the total absence of calculations or juridical interpretations. Moreover and for economic data with taxation transcendence, Model 105 is supplied, which shall only be completed by those taxpayers who are affected by the situations

foreseen in the same: compensatory pensions and payments of deductibles (approximately 10% of the persons that file a 104, attach a 105). In this case no calculation or juridical qualification shall be performed.

The procedure that manages the requests results to be very simple. During the months of March and April applications are sent to the Tax Agency, by mail, through the Internet, or even by phone. With personal and economic data filed and the information on payments and withholdings coming from third parties, the Tax Agency performs the calculation and obtains as a result the amount of the Tax quota. If the result is positive, there is no income or payment obligation, since the person is not obliged to file a return. When an amount to be refunded results, the effective refund shall be done normally during the months of March and April.

The estimate performed by the Tax Agency may consist, in addition to the issue of the aforementioned refund, in the absence of the right of a refund, when withholdings do not reach the amount of the tax, or rather in the obligation to file a return, when the limits established have been surpassed by the legislation to be able to be protected under this system. In any event, calculations and results obtained are informed to the petitioner, who may at the time manifest his/her disapproval by means of an application for a temporary assessment (formal administrative procedure) that in the event of not being in agreement, a remedy may be filed before the assessment agencies or before the Courts.

Finally, the situation that the data filed are incoherent or insufficient to practice the calculations may be set forth, in which case the clarification or development of the information furnished by the taxpayer may be requested, basically by phone, with this the corresponding result shall be obtained, redirecting the situation to any of previously expressed cases.

In this manner, the steps that shall be typically followed by the refund request may be summarized as follows:

- Request sent by the taxpayer to the Tax Agency.
- Daily processing of the refund calculation and issuing.
- Payment order and output of funds from the Treasury.
- Transference order to the Bank or Savings and Loan and payment of installment to the petitioner's account.

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In spite of the simplicity of the procedure, a series of assistance services have been established, which are specific to this system, they are basically the following:

- Telephone Attention Center (CAT).
- Help Program (PRODER).
- Prior appointment at the offices.
- Customized information deliveries.

The Telephone Attention Center is the core of this new system and incorporates as main novelty the possibility of performing requests and document proceedings by phone, which supposes significant advance in the traditional relations between taxpayers and the Tax Administration. 200 persons hired by the Tax Agency, supervised at a second level by officers and a Chief Operations Officer, attend the CAT, they also have a technical assistance team in communications and information technologies. Operators have direct connections to databases, which allow them to solve requests and incidents "online".

The objective of this telephone platform consists in the fast resolution of incidents that may arise, thus eliminating the need for the physical presence of the individual.

The Telephone Attention Center operates from February to June, open from 0900 hours to 2100 hours, uninterruptedly; it provides assistance in Spanish, as well as in the co-official languages and is capable of performing around 20,000 telephone proceedings daily.

Regarding call profiles through the attention period, it may be observe that a continuous increase in incoming calls up to approximately the last days of March, and then the volume of incoming calls declines and it is complemented by outgoing calls, directed to solve cases of incoherencies and insufficient information.

Furthermore, a computer program has been developed for the preparation of a refund request, which in addition to allowing the printing of the official model, facilitates calculation and with the determination of the amount purpose of the refund. It is a program developed in a Windows environment for PC's, language compatible, 32 bits, available through diskettes or CD-ROM and it may also be unloaded from the AEAT web page (www.aeat.es). As we have said, it allows printing official models on white paper and it accompanied by a guide with the purpose of clarifying frequent doubts. In the same manner, it allows to know the most advantageous taxation option (individual or jointly).

These help services are obviously complemented with in-house assistance for those taxpayers that wish this service. Assistance is programmed with prior appointment, as well as through Telephone Attention Center. The obligation to file a return is reported at the offices and the possibility to use the quick refund system, is done through the help program (PRODER), quota calculations and options, in general, doubts submitted by taxpayers are solved.

During the first year that the system was implemented, a survey directed to know the opinion of the affected parties was performed. We must point out that it was mostly answered (87% completed). Of these 74% stated to have used less than 30 minutes in completing the request and 21% less than an hour, only 5% used over an hour to complete the same.

Regarding difficulty 59% considered that the model easier when compared to the previous self-assessment model, 33% easier, and only 3% said it was more complicated. Regarding the completion guide 70% declared to have used the guide little or nothing, 7% several times and the remaining 23% a lot. Its usefulness was positively valued by 85%, whereas it was not that useful to 12% and 3% deemed it no useful. In general, these results guarantee, for the one part, the legislative and management simplification undertaken and significant value the assistance means put at their disposition.

Maybe and as a general balance of the system, it would be useful to make a comparison between the previous management model and the new one introduced with the quick refund. The main advantages that are incorporated are the following:

- The model is free, sent to the domicile.
- Print out simplification, a minimum of four pages is turned into one page or two in the cases where additional economic data must be informed.
- Summarized and reduced guide and assistance (from 45 pages to 6).
- Payment or withholding documents or certificates are necessary.
- Operations do not have to be performed or carried out, since the Tax Agency performs the same and informs calculations.
- Consequently, it is impossible to make mistakes in calculations, thus avoiding the risk for sanctions due to incorrect self-assessments or returns.

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- In addition to being able to perform proceedings at the office, proceedings may also be carried out by phone, without requiring physical presence.

In this manner and in summary it may be affirmed that through the union of technical and information technology means, the intensive exploitation of third parties' information and the support of a series of help services, where the Internet and the "call-centers" form an important asset, we have been able to design a management system that is more agile and closer to the citizen, gaining efficacy, speed, effort that has been appreciated and positively valued by taxpayer not required to file a return.

Now the main challenge consists that in the image and likeness of this system, to expand its results to the group of proceedings to be carried out by the remaining taxpayers, it shall be necessary to empower this effort through the necessary personal and human means, in line with the road undertaken.

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Lecture

TOPIC 2

THE USE OF NEW TECHNOLOGIES FOR FACILITATING TAX COMPLIANCE

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CONTENTS: Presentation.- Overview of the New Technologies in the Tax Agency.- Classification of Services Offered.- Nonpersonalized Services.- Personalized Services of Interest to the User Before Filing the Return.- Filing of Returns and Payment of Taxes.- Personalized Services of Interest for the User Once the Return Has Been Filed.- Obtainment of Tax Certificates. Final Considerations.

PRESENTATION

“The future is not what it used to be”.

Groucho Marx

Public Administrations necessarily relate with a very ample group of citizens. But there is no other administrative environment where such a massive, frequent, narrow and complex contact takes place as in the tax environment. It is this myriad of properties of the tax relation that explain that tax Administrations be the ones that need the most instruments that facilitate their functions, and that is why they should systematically resort to the aid of the latest technologies. We do not know if androids dream with mechanical sheep, but we do know that those responsible for tax administrations fantasize with the automation of the procedures they oversee to make them more digestible to the citizen and to the Administration itself.

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Among the countries represented in CIAT there is a clear perception of that reality, and the directors of the corresponding Administrations have expressed themselves as strong promoters of changes linked to the employment of the most modern technological instruments at their reach.

New technologies are many varied and changing. If we pay attention to one of its most important facets, and following Nicholas Negroponte¹, we are going from an analog society where, in order to communicate among ourselves, atom displacement is necessary (e.g., of a paper document), to a digital society, where information bits or pulses are displaced, that is, states 0 or 1 with which we encode the object to be communicated. If, additionally, that digitized information is transmitted through networks, bits exchange possibilities are extraordinarily multiplied. In any case, Jules Verne himself would have authentic problems to foresee the technological changes we are currently immersed: we have gone from talking about traditional semiconductors to microprocessors; from narrow band networks to wide band ones; from GUI interfaces (Graphical User Interface) to MUI (Multimedia User Interface); from information separated in text, voice and image formats, to multimedia; etc.

This is how new technologies make it possible today for an approach from the Administration to the taxpayer to extremes unheard of previously. Think about the modern telephonic platforms for incoming and outgoing calls – that allow the carrying out of personalized administrative formalities -, or in Internet. Possibilities are such that tax administrations would have to consider the restructuring, in the mid and long run, of their territorial offices network, along with the variety of services rendered by the same. In any case, the proximity to the taxpayer must be graduated with the greatest of care to avoid them unnecessary annoyances. Likewise, it must be taken into account that, traditionally, Tax Administrations have had more influence on the repressive facet than on the service one, and that given this fact, they normally bring about concerns for the citizen. The citizen prefers to limit his/her relations with the Administration to a minimum – that is what the surveys show² - and, at their service source, will only accept the contact if added value is sufficiently generated so as to comply, with greater ease, with their tax obligations.

¹ Nicholas Negroponte. "The digital world." Ediciones B.

² To that effect, we may see, for example, comments contained in the paper entitled *Reinventing Service at the IRS*, from the Internal Revenue Service of the United States, Agency that decided to drastically reduce the number of communications addressed to the citizens.

Precisely, with the purpose of maximizing the usefulness of their services for the taxpayer, public Administration makes use of the power of modern information system instruments to push, to the last consequences, the differentiated “client” treatment techniques (Customer Relationship Management). If for all Tax Administrations as a whole there is no general trend fully defined towards the organization by types of taxpayers, nobody discusses the “information systems” partition of said taxpayers to offer them a differentiated service according to their size, activity, tax regime, nature of the main revenues obtained by them, etc. This is, in the services environment, the passing from a serial production to a flexible production, or the transition o from *fordism* to *postfordism*.

Undoubtedly, the articulation of a good survey system on the different services, aimed at the different citizens’ groups, is essential to know the assessment made of the same. In this manner, information and assistance structures may be permanently adjusted in a feedback process. The idea is to not only look for opinions with respect to the offer for existing services, but to also know citizen expectations in broadest sense. Of course, technological supports themselves facilitate the execution of surveys – consider those executed through the Internet.

In order to put into practice many of the ideas mentioned, it is important to count with adequate initial information: a good fiscal census. It is worthless to count with highly advanced management systems if the same is insufficient or erroneous. The availability of a proper tax census becomes strategically relevant with the new information systems. And the credibility of the tax Administration as a service provider is crucial for the citizen to collaborate in the updating and improvement of that census.

Among the most recent technological instruments, we must highlight the Internet. Manuel Castells points out: “*The creation and development of the Internet in the last three decades of the 20th century was derived from a unique combination of military strategy, cooperation of large scientific projects, counter-cultural technological and innovative entrepreneurial spirit*”³. Currently, approximately eight million pages are posted in the Network each day, and there are already approximately 600 billion documents. More than five million e-mails are sent each minute, even though somewhat less than five percent of the world population is connected through the Network. It is also calculated that by the year 2005 there will more than 1 billion Internauts. The possibilities of a *Network of networks* in the tax environment, which

³ Manuel Castells. “*The age of information*” (vol. 1, *The net society*). Alianza Editorial (publishers).

TOPIC 2

will be perfectly presented in the following paragraphs, are expressed in quite different environments, from the information services up to the online presentation of tax returns and electronic payments.

But, as a consequence of that trend of modern Tax Administrations towards citizen service, important internal changes take place in the organizations among them those that affect labor structures. It becomes necessary to plan the important and quick transformations derived from the use of the new technologies. In order to visualize some of such effects, the author will take the liberty of referring to the Spanish Agency of Tax Administration (S.A.T.A.). At this time, at least four processes are under development; same that are generating important alterations in the organization's human resources structure.

In first place, the new Printing and Mailing Center of the Tax Agency has recently started operations, same that provides services to the whole organization and that allows for a substantial improvement in the quality of the documentation addressed to the taxpayer. The Center, aside from generating great cost savings, will free up a very important volume of human resources currently dedicated to low qualification tasks. Thus, in due time, it was evaluated that 420 persons-year were devoted in the Agency to printing and putting documents into envelopes, over a total of 27,500, this is, in other words, 1.5% of the personnel.

In second place, there is a task that is very high in use of human resources, which will gradually lose its reason to exist. This is the case of the issuing of tax compliance certificates demanded by the citizens from the tax Administration for their presentation before other public Administrations and thus request subventions or, in general, aids offered by the same. Then, if the information is directly transferred from the tax Administration to the Administration that convokes public aid, the citizen is released from the trouble of the formalities to request the certificate, and the tax Administration itself avoids the workload derived from issuing the same. And if the direct exchange of tax information between Administrations is made online, greater efficiency and efficacy will be obtained. Tremendous promotion is being made in Spain for this substitution and modernization of procedures, taking advantage of the Internet to that end. With this, it has been calculated that savings of up to 430 persons-year may be achieved, that is, another 1.5 percent of the personnel of the Spanish Tax Agency.

In third place, the cycle to free-up human resources for other tasks in the Spanish Agency also includes the elaboration and dissemination of computer programs to aid in the preparation of the tax returns. Said

programs print in the returns they generate a barcode called *P.D.F. code* (*Portable Data File*), which encompasses all relevant information contained in them. Reading of the codes by means of a laser gun saves the manual data recording work. For example, the Income Tax Statement Aid Program (Programa de Ayuda a la Declaración de Renta - P.A.D.R.E.), already in use by more than 95 percent of the taxpayers, has meant in the last years a drastic drop in the number of recorders. Additionally, code reading can be done serially by means of machines called reader-classifiers – with the capacity to read 10,000 statements per hour –, of which the Agency has two, located in Madrid and in Barcelona. We may add to the agility provided by the aforementioned procedures the one derived from the direct reception of statements by electronic means (E.D.I. or Internet), which is currently in a phase of tremendous expansion.

And we must emphatically add communication by Internet to the above mentioned change factors, and in what respects to its global effects in all type of procedures.

Of course, and as has been reasoned, the employment of new technologies demands the highest flexibility in decision-making and a tremendous swiftness in the adaptation of administrative structures. Perhaps this is one of the main causes that demands and explains the gradual extension of the "Agency" model in our organizations.

This presentation on new technologies at the service of the citizen cannot be closed without a minimal reference to two issues that are also of the greatest relevance.

Training of personnel is a strategic milestone that must be cared for as much as possible to guarantee a good services system based on new technologies. For Kaplan and Norton, a whole block of compliance indicators of the four that make up their *Integral Command Table* is based on "the training and growth perspective" and is devoted, among other aspects, to training as the only means to ensure the excellence of an organization in the mid-term. The accelerated rhythm of technological renewal, on the one hand, increases the needs for updating the knowledge of the employees; on the other hand, and as compensation, it provides sophisticated training instruments, such as video-conference or self-training through CDs, Internet or other supports.

⁴ Robert S. Kaplan and David P. Norton. *Cuadro de Mando Integral (The Balanced Scorecard)*. Editorial Gestión 2000.

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Before analyzing in detail some of the technological advances incorporated by the Agency in the last years, we must mention that, although productivity of the new technologies is unquestionable, the investments required for their implementation are important. Given this, once institutional leadership aimed at modernization is consolidated, conviction efforts aimed at the governmental bodies with decision capacity in budgetary matters are necessary. Tax Administrations have, in their favor, with the generalities and evidence of the results of those investments.

As will be shown further on, the Tax Agency has clearly opted to adopt technological innovation as the strategy for the continuous improvement of the efficacy in its operations and of the services it renders to the government and the citizens.

OVERVIEW OF THE NEW TECHNOLOGIES IN THE TAX AGENCY

The Spanish Tax Agency considers it necessary to take advantage of the possibilities offered by the new technologies and, particularly, the advances in telecommunications. These advances allow citizens to fulfill their tax liabilities with greater ease. On the one hand, service hours extend to 24 hours per day including Saturdays and holidays. On the other hand, taxpayers no longer have to travel to fulfill their fiscal obligations. Finally, we must take into account that these advances will allow us to offer to the citizens the possibility of accessing the S.A.T.A.'s Information System to query their data. In this manner, the tax liable parties will commit no omissions when filing their returns, they will be able to know what tax debts are outstanding in order to regularize their situation, by their own will, or carry out the legal actions they deem convenient, they will be able to know the status of a specific administrative file. The S.A.T.A. considers that it is more useful to facilitate the access to this information to each taxpayer, than to afterwards regularize the omissions that he/she could have made when filing his/her return.

There are also other reasons that justify this active position in the face of the new technologies:

In first place, because the Administration has the possibility and the obligation of promoting the implementation of the new technologies in the society.

In second place, because it is being highly valued by the users: The extension in the filing schedule (over half of the returns are received in the afternoon hours or during the night, 10% of the online returns are filed during the weekend), streamlining the tax refunds process in the measure that the information is received in a format can be directly processed.

Finally, because due account has been taken of the fact that there will come a time when the citizen will demand to be able to relate to the Administration by these means and will not accept to do so through conventional means. It is necessary that the Administration is prepared when this time comes. This requires that previous technical adaptations be made, in the procedures, in the organization as well as in the standards. Given this, the S.A.T.A. has considered it convenient to begin as soon as possible, even anticipating itself to the demand for this new modality of services rendering.

In order to allow the citizens to relate with the Administration online and particularly through Internet it is necessary that answers be found the three questions, which are:

- How to identify the party that makes the transaction to avoid repudiation or supplanting of personality?
- How to guarantee the integrity of the transactions?
- How to solve problems related to security of the online relations to avoid that a third party from acquiring knowledge of the contents of these relations?

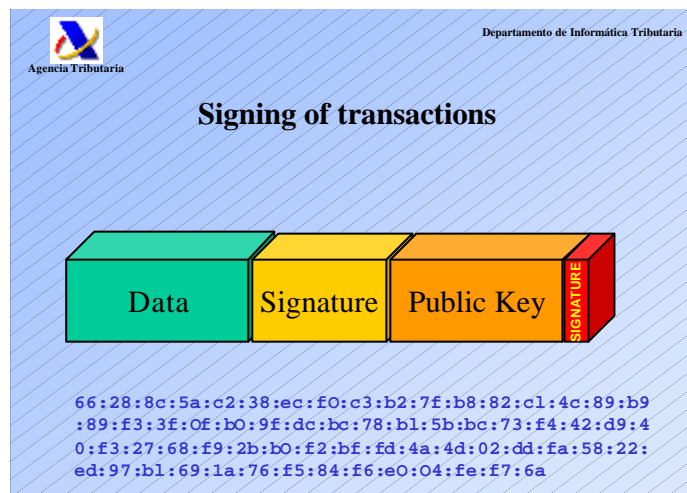
In order to answer the first two questions it has been opted for the *electronic signature*.

In order to guarantee the security of the transactions two important decisions have been made, among others:

- Encode the information. It is really the sender who decides what type encoding he/she wants to use, through their navigator. The computer that receives the information, in this case the S.A.T.A.'s Internet applications server is prepared to decode the information received.
- Not to store the data received in the Internet applications server. This data is immediately transferred to a second computer that is not accessible through the Internet.

Classification of services offered


A classification criterion makes a distinction between personalized services and open services. For these it is irrelevant to know who accesses the service. In the personalized services it is necessary to electronically identify the user. To that end use is made of electronic identification certificates issued by the National Currency and Stamp Factory, which acts as certification authority. For specific formalities, the electronic signature generated with private key associated with the public key certificate that allows electronic identification to be made, is also needed.



The operation of transactions signed electronically is the following: When the taxpayer sends one million electronically signed, he/she transmits three blocks of information. The first one corresponds to the million in binary format. The second is the electronic signature, which is the result of applying an algorithm to the data of the million that are being signed, making a private key intervene in the algorithm, which is, therefore, personal and secret, belonging to the taxpayer. Through the signature, a subjective link is established with the signatory and objective with the contents of the million. Only this signatory and this million can produce a specific electronic signature.

The third block of information, which is transmitted, is made up by the signatory's identity certificate. The same contains his/her personal identification, his/her public key and the electronic signature of the certification authority that has issued the certificate. The public key is

associated with the private key used by the signatory, in such a way that it can be used to verify, but not to generate, the received signature. If the verification algorithm verifies the coherence of the signature with the contents of the message and with the public key the aforementioned subjective and objective link is established. In this manner, problems related with authentication and integrity are solved. The signature of the certificate allows the recipient of the transaction to verify that a Certification Services Provider, to which end they must have their public key installed, has issued the certificate. Currently the only certification authority used by the S.A.T.A. in its transactions is the National Mint and Stamp Factory.



Departamento de Informática Tributaria

Services via Internet

	Nonpersonalized services	Personalized services
Before filing return	<ul style="list-style-type: none"> • Legislation • Infoma • Aid Programs 	<ul style="list-style-type: none"> • Fiscal data • VIES
Filing of return		<ul style="list-style-type: none"> • Telematic presentation • Payment: Obtaining CRN • Request for refund
Result of filtering process		<ul style="list-style-type: none"> • Discrepancies
Others		<ul style="list-style-type: none"> • Filing certif. • Compliance certif.

Another classification criterion is to take into consideration when they contribute value to the user taking as reference the core activity, namely the filing of the return.

Nonpersonalized services

The State Agency of Tax Administration's Web page server started offering the following services:

- Addresses and telephones of the Delegations and Administrations of the State Agency of Tax Administration
- Taxpayer fiscal calendar
- Information related to taxation: standards as well as criteria of the State Agency of Tax Administration for the application of the standards included in the Inform application.

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The *Informa application* was initially developed for S.A.T.A.'s internal use in 1992. It filled a need: to guarantee that the over 250 taxpayer information points provided the same answer to the same question. To that end, an application called Informa was designed, same which collects the typical questions for each tax and the S.A.T.A.'s official response expressing the standard references that apply. This application also counts with a functionality called "Consulting Office", which allows officials that provide the taxpayer information service to incorporate unforeseen questions in order to analyze them and answer them through the central services, which they may deem convenient to incorporate them to the questions and answers data base.

This database currently contains over 12,000 questions with their corresponding answers and is offered to all the taxpayers through the Internet. It is subject to a weekly update in order to collect the new questions and their answers.

The S.A.T.A. also offers HTML pages that develop specific subjects: Some examples are the following: Tax regime of small and medium-sized companies: simplified VAT regime and IRPF modules regime, deductions system for landlords of urban real estate, IRPF campaigns.

The Internet services of the State Agency of Tax Administration make available to the taxpayers the *Aid programs* for the preparation of returns for the different taxes: IRPF, Corporation Tax, VAT, Deductions to Personal Work, Retentions on capital earnings in the reimbursement of shares on Collective Investment Institutions, Retentions on Real Estate Capital Performance, Informative Purchase and Sale Returns, for Intra-Community Operations, Intrastat.

In order to reflect the importance of this service we can take into consideration the following data:

January through December 2000:
766,255 complete aid programs
2,560,360 modules downloaded

In this manner, the taxpayer finds an agile and easy way to obtain the aid program, without any travel whatsoever involved. The S.A.T.A. can make these programs available to the taxpayers beforehand as they eliminate the copy and distribution deadlines. Also, it is a less expensive distribution channel and that that never faces stock problems.

Personalized services of interest to the user before filing the return

The S.A.T.A. counts with abundant information related to the taxpayers in its databases. The S.A.T.A.'s Information System contains over 2.5 billion records, each one of which counts with an average of 15 data. 80% of this information has not been provided by the taxpayer but rather by a third party. These are information attributions.

During the month prior to the return filing period and during the return filing period, the taxpayer can access the data third parties or entities have attributed to him/her.



The screenshot shows the 'CONSULTA DE DATOS FISCALES' page of the Agencia Tributaria (A.E.A.T.). It displays two tables of tax data. The first table, 'RENDIMIENTOS DE TRABAJO', lists four entries with columns for 'Cód.', 'Pagador', 'Clave Percep.', 'Rendb. Dda.', 'Retención', and 'Rendb. Eqp.'. The second table, 'RENDIMIENTOS DE CUENTAS BANCARIAS', lists two entries with columns for 'Cód.', 'Pagador', 'Cuenta', 'Tip', 'TIT', 'Rendb. Dda.', 'Retención', and 'Rendb. Eqp.'. Below the tables, there is a note: '(*)- ACUMULACION DE LA RETENCION Y EL INGRESO A CUENTA, EN CASO DE RETRIBUCIONES EN ESPECIE Cód.- OCOCIO PARA INCORPORAR EN CASO DE COMUNICAR RECTIFICACIONES'.

Cód.	Pagador	Clave Percep.	Rendb. Dda.	Retención	Rendb. Eqp.
RT00	AGENCIA ESTATAL DE LA ADMINISTRACION GENERAL DE LA UNIVERSIDAD	A-EMPLEADOS	4.301.902	1.041.231	
RT02	YUNTAJON GENERAL DE LA UNIVERSIDAD	GI-ACTIV PROF	30.000	10.000	
RT03	INSTITUTO DE DERECHOS DE EMPLEADO	F2-CURSOS,CONF	17.000	3.400	
RT04	INSTITUTO DE ESTUDIOS FISCALES M	F2-CURSOS,CONF	14.000	2.800	

Cód.	Pagador	Cuenta	Tip	TIT	Rendb. Dda.	Retención	Rendb. Eqp.
CIB01	PATAGON INTERNET BANCA SA	040304444	CIC	1	37.002	6.678	
CIB02	PATAGON INTERNET BANCA SA	0100063636	CAN	1	402	78	

(*)- ACUMULACION DE LA RETENCION Y EL INGRESO A CUENTA, EN CASO DE RETRIBUCIONES EN ESPECIE
Cód.- OCOCIO PARA INCORPORAR EN CASO DE COMUNICAR RECTIFICACIONES

This is mainly information related to personal work, to real estate capital, revenues arising from leases of business establishments, alienation of real estate capital, contributions to pension plans, and subscriptions and alienations in real estate and chattels investment funds, donations made to specific benefic institutions.

Information is obtained in real time and serves as a guide for the taxpayer avoiding omissions in his/her statement.

An option made available to businessmen established in Spain is the one that allows access through the Internet to the *inter-community operators censuses* established in the diverse Member States of the European Union (VIES Census)

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In the Single European Market, the disappearance of the internal borders leads to the free circulation of assets and, as of January 1, 1993, a VAT settlement mechanism with investment by the individual in the case of goods. In this manner, supplier established in Member State A of the European Union performs a so-called intra-community delivery of goods to a buyer established in Member State B without any VAT applications on the sale price, which should necessarily be applied in the case of an internal sale. The supplier must also declare the VAT accrued in the operation in his/her own State A el VAT, being able to deduce it in his/her own periodic settlement, thus the economic effects for him/her are similar to those of an export.

Notwithstanding, and leaving aside exceptions for certain goods and types of operations established in the EU Regulations, the seller cannot apply this mechanism if the buyer does not meet a series of administrative requirements that are common to all Member States, that center on being an individual subject to VAT credited in some Member State at the time of carrying out the operation and count with an identification number for intra-community VAT purposes (VATN).

Said conditions, enforceable for the buyer, must be easy to verify by the seller, with the lowest cost for him/her and reliability guarantees.

To that end, a procedure was designed that, in a certain sense, revolutionizes European administrative cooperation since it, de facto, creates a single census of individuals subject to intra-community VAT with common identification and operation rules.

The decision was made in favor of the intra-community operators' databases in each one of the countries of the Union and maintained independently by each one of them. This criterion prevailed over the configuration of a single central base fed by each State, which is harder to constitute due to technical and political reasons.

The "VAT Information Exchange System" (VIES) is the system resulting from taking into practice the above ideas. Among others, it allows to carry out the following function: An intra-community operator from a State A can immediately obtain, and through the Administration of the State where he/she is registered, the identification and the census status of the other operator in State B. In this manner, he/she will recognize that VAT must not be applied on the invoice.

In these consultations, it is indispensable to know the VATN of the operator that wishes to obtain information.

The service offered by the State Agency of Tax Administration and through its Internet server is the access to the VIES census without the need to travel to one of the Agency's offices to be certain there will be no need to apply the VAT in a specific intra-community operation.

In this manner, these businessmen may know if they must apply the VAT or not when carrying out an intra-community delivery.

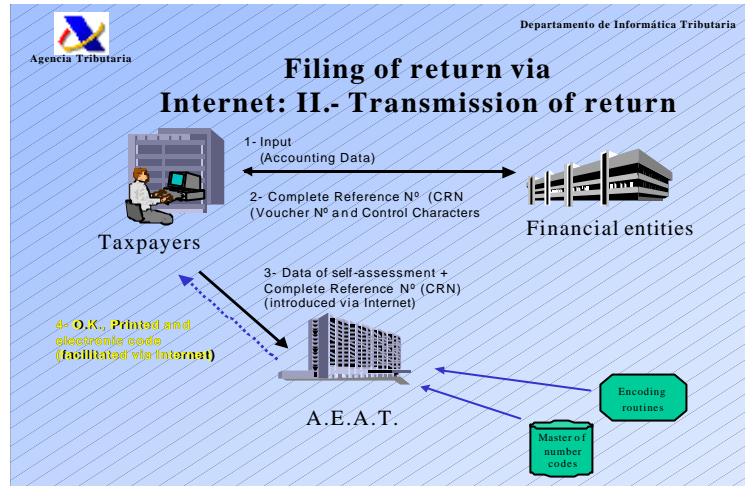
It must be mentioned that the S.A.T.A. is carrying out the necessary adaptations in order to comply with the recommendations made by the European Union *to facilitate the development of electronic trade* and, in particular, for individuals established in third countries.

To that end, the possibility is offered to know if the recipient of a good supplied by electronic means has the status of an individual subject to VAT in Spain so as to know if this tax should be applied or not.

Filing of returns and payment of taxes

Several steps make up the procedure that must be followed to carry out the filing of returns through Internet:

In first place, the return filing must be done with either the S.A.T.A.'s aid program or with another software that foresees the obtaining a file to be transmitted through the Internet. The technical specifications that this file must meet are described in the S.A.T.A.'s Web page server.



In the event that the result of a return settlement is a sum to input, it is necessary to perform the input before sending the return to the S.A.T.A. through the Internet. Financial entities have adapted their remote banking to allow for the payment of taxes. The entity provides, as a receipt for the input made, the Complete Reference Number, which has a releasing nature for the taxpayer and a binding nature for the entity.

Once the input is made or directly if the result of the self-settlement is a sum to be refunded, the transmission of the file contents is made to the S.A.T.A. server. To that end, a Java applet is downloaded from the aforementioned server, which retrieves the contents of the return from the aforementioned file and transfers it to an HTML form. It also uploads the electronic signature modules requiring the selection of the electronic identification certificate.

Once the return has been received and validated in its server, the S.A.T.A. provides an HTML page that includes an acceptance seal.

	Fiscal year 2001	Fiscal year 2000
Informative statements and annual VAT summary statement (model 390)	110,848	10,811
IRPF	550,151	115,244
Corporate tax (model 201)	9,328	225
Quarterly Auto-settlements PYMES	Quarter: 22,427 Quarter: 31,466	The 4 Quarters: 31,231

The online filing procedure is mandatory for large companies, namely those that had a business figure over 1 billion pesetas in the previous fiscal year. It is 20,622 companies that represent 70% of tax collections and that are under the obligation of filing monthly returns (during 2000 they filed 475,048 returns through the Internet).

Upon analyzing the suggestions made by users in the 1999 and 2000 campaigns, it was found that in several cases the taxpayer did not have distance banking available, or did not count with this service with the financial entity with which he/she would have desired to have paid the tax or simply found it uncomfortable to have to establish two different connections with two web sites.

In the 2001 campaign, taxpayers that have had to make an input may have been able to do so through the distance banking services or through the S.A.T.A.'s Web page. If they use this option, they do not require counting with a distance banking service.

The procedure consists of transmitting to the S.A.T.A. via Internet a charge order on an electronically signed account.

The S.A.T.A. Web server verifies the electronic signature and allows the downloading of a Java applet in the taxpayer's computer that activates the connection with the Web server of the chosen financial entity. It is not necessary to carry out any authentication process with the financial entity, as this is done in the S.A.T.A. Web server when verifying the charge order electronic signature with the FNMT user certificate that accompanies the electronic signature and the charge order.

The financial entity, after performing the corresponding verifications, coincidence between whoever requests the charge and the account holder, existence of sufficient balance, performs the tax charge on the indicated account and the payment into the restricted account the Public Treasury keeps with the entity. Next, it generates the Complete Reference Number that serves the taxpayer to justify the input made and therefore has a releasing nature. This number will be shown on an HTML page that allows for a link to the return filing option through the Internet.

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Recibo del Cargo en Cuenta

FECHA - HORA OPERACION	CODIGO ENTIDAD	OFICINA	CONCEPTO	TIPO AUTOLIQUIDACIÓN
20010619 - 17:17:04576	0132	4534	100	A INGRESAR
EJERCICIO	PERIODO	IDENTIFICACIÓN DE LA CUENTA	IMPORTE DE LA OPERACIÓN	
2000	0A	018248411020000000	136.003 PERSETAS	

OPCIÓN DE FRACCIONAMIENTO
CON FRACCIONAMIENTO DEL IMPORTE TOTAL

N.I.F./C.I.F.	LETRAS ETIQUETA	APELLIDOS Y NOMBRE O RAZÓN SOCIAL
2222322P	SEGR	SEGARRA TORMO SANTIAGO

Impuesto sobre la Renta de las Personas Físicas
N.R.C. ASIGNADO:
1000182468390S5C10AA0A

Este recibo surte los efectos liberatorios para con el Tesoro Público señalados en el Reglamento General de Recaudación.
Nota: El ingreso de la deuda no exime de la obligación de presentar la declaración-liquidación o autoliquidación.

Personalized services of interest for the user once the return has been filed.

Taxpayers also have the possibility to *know the status of their return* once it has arrived to the S.A.T.A. server.

All returns are subject to mass control I.T. processes that carry out the arithmetic analysis and the contrast of the return contents with the information attributed to the filing party.

In the event of discrepancies the same are analyzed by officials from the Tax Administration Agency that proceed by earmarking returns that must be subject to application. Once the return has been earmarked, the taxpayer can know the reason for the discrepancy through the Internet.

This allows the taxpayer to know beforehand if his/her return has a specific incidence and may then proceed to solving the same without the need to wait for a written communication.

Obtainment of tax certificates

Another application example is constituted by the request and obtainment of *tax certificates* a through the electronic tax certification procedure. Electronic tax certification encompasses all the precise characteristics to enjoy the validity pertaining to administrative acts. The procedure is composed by the following phases:

Request for a tax certification: The applicant identifies himself/herself through his/her identification certificate and selects the type of tax certificate. If the request is accepted, the State Agency of Tax Administration will return, on-screen, the filing receipt, consisting of a copy of the validated request with the registration seal, expressed by a 16-character electronic code, apart from the date and time of filing the return. Likewise, the foreseen term as of which the certification will be used will also be shown.

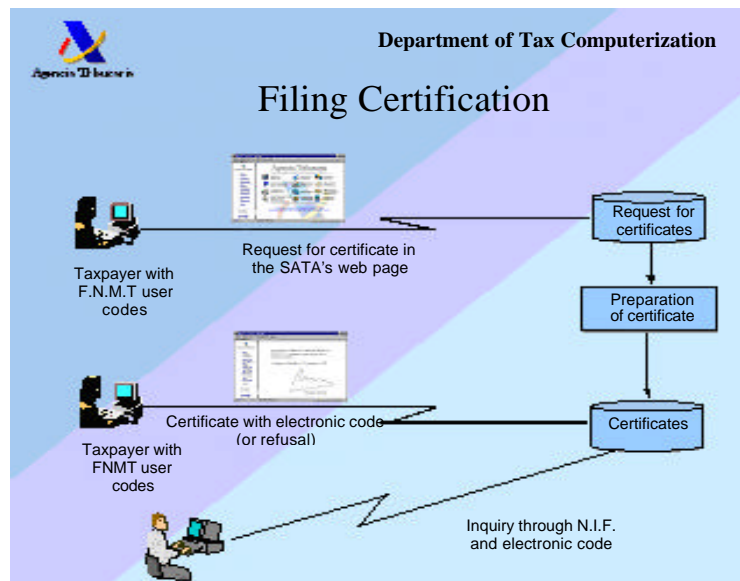
Obtainment of the tax certification: On a daily basis, with the aid of the Corporate Information System de la S.A.T.A., the issuing of the electronic certifications will begin by the very agencies of the State Agency of Tax Administration that have the respective competence to issue tax certifications, pursuant to their organization and operations standards. After carrying out the pertinent acts and verifications, the competent body will agree, accessing the S.A.T.A. Corporate Information System, using its access code, the issuing of the corresponding electronic certification, same that will be preserved in such a way to ensure its authenticity, safely linking each certification with the access code used for its issuing, and integrity. Since its issuing and during a time span no lesser than its life, pursuant to the sector standards applicable in each case, the certificate will be made available to the applicant by I.T. means.

Downloading of the electronic certification: In order to pick up the electronic certification, the applicant will communicate with the State Agency of Tax Administration, through the Internet, and will select the Certifications pick up option. At this time, the authentication of the applicant's identity will take place through the use of the user certificate issued by the National Currency and Stamp Factory. If the certification has been issued and is available the State Agency of Tax Administration will send it with the verification secure code. If the certification were not available the State Agency of Tax Administration will send the corresponding message. The interested party may print the electronic certification obtaining a printed million expressing the contents pertaining to such certification.

For a third party to be able to verify the electronic certification it will become necessary to establish communications with the State Agency of Tax Administration, through the Internet and select the Verification of issued certifications option. To that end, he/she will key-in the Tax Identification Number (NIF, acronym in Spanish) and the secure

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verification code that appear in the certification to be verified. The State Agency of Tax Administration will display on-screen the electronic certification that corresponds to the information received.



The possibility is also foreseen for the applicant of an electronic tax certification to be able to request his/her retention from the State Agency of Tax Administration through Internet, at which time the certification cannot be picked up nor verified.

Another novelty offered to the taxpayers in this campaign has been *access in chat or voice over IP mode* to an assistance center for the solution of incidents.

When an incident is detected, such as the case of a return filed with a quota to input and the relayed NRC is incorrect, or an attempt is made to access a personalized service without counting with the user certificate from the FNMT, the Web pages, generated by the S.A.T.A. server, include the possibility of a connection with the assistance center in a chat mode or, if the user counts with a microphone, in a voice mode. In order to facilitate the diagnosis of the problem, as long as the user authorizes it, the person handling the incident can visualize the page containing the error message.

FINAL CONSIDERATIONS

From the description made of the services that S.A.T.A. offers through Internet, it is deduced that they encompass the totality of the needs a taxpayer to meet their tax obligations: He may know the taxation standards, the criteria applied by the Tax Administration, the information available to the S.A.T.A. on said taxpayer, the aid program to prepare the return and to proceed to print the same or to send it via Internet, the payment of the debt through Internet, the filing of the return, the problems his/her return may have, he/she may obtain tax certificates for his/her return. In October, this exercise may even file for readmission procedures.

This set of services must be considered not as a set of isolated transactions but rather as parts of a relation the taxpayer maintains with the Administration to fulfill his/her main obligation, which is nothing more than to file the tax return and perform, if that is the case, the payment of his/her taxes.

In the design of these services, it is fundamental to count with the user's opinion. He/she has to be the engine for the new services offered through the Internet and who has to point out how to improve the services that are currently offered. In this sense, the Internet is an excellent tool to be able to collect the users' opinion.

It is necessary, however, to distinguish between the different groups of users:

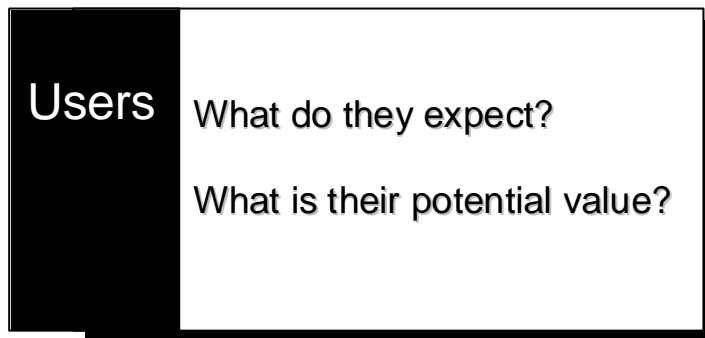
Users	Businessmen and professionals Not businessmen or professionals Tax advisors Other institutions
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Thus, for example, tax advisors are not provided access to any personalized service with respect to their clients, except the possibility to electronically sign and transmit their returns. Their opinion is, however, very important with respect to the non-personalized services.

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But even within the taxpayers category distinction must be made between those that only have to file one return each year (or two at most, if they are under the obligation of filing a return for the Wealth Tax) and those that have to file returns every quarter or every month.

For each one of those groups the questions must be answered:



For the first question, general answers may be found such as how to quickly respond to their requests, to be able to directly with the system without the need of intermediaries.

Also, the service needs and expectations for each group of users must be uncovered. An example would be the telecommunications workers union. Potentially, it should be active users of the Internet services provided by the Tax Administration. In order for them to really be that, it is necessary to know what services they expect to find in the S.A.T.A. Web server. We must uncover which is the best means of communication and service for this group.

Efforts must be aimed at providing value with each communication. To that end it is necessary to know the point of view of whoever is going to use them.

The potential value represented by the different groups of users for the Administration is different. It is not illogical to think that the more satisfactory is the provision of aid services the better their tax behavior will be. Not only because more facilities, access to tax information, knowledge of the administrative criteria are offered but also because the attitude and the effort of the Tax Administration to incorporate the new technologies in the taxpayer assistance services are valued.

On the other hand, these services allow the empowerment of the preventive cash that must be valued in terms of opportunity cost. If the taxpayer is provided with means to avoid committing errors, the Tax Administration may devote its resources to combating deceitful fraud.

Also, costs savings are achieved in the measure that the information to be managed is not collected in conventional millions.

Another very valuable component is the possibility of obtaining a permanent evaluation of the services provided by the Administration.

To personalize communications to provide and obtain the maximum value should constitute a concern for the Administration. This constitutes one of the lines of work S.A.T.A. has foreseen for 2002. Tax Administrations count with sufficient information to that end.

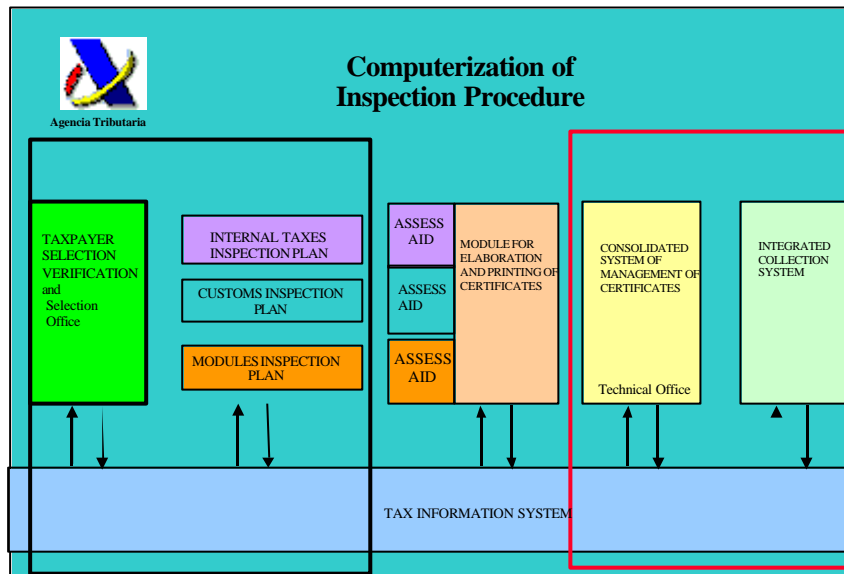
Internet constitutes a communications channel that must coexist with the other channels. Slowly, the number of transactions that will be performed through the Internet will increase in detriment of other forms of relation. This does not mean that the conventional forms of communication are doomed to disappear.

The online relation offers some advantages with respect to conventional systems: The extension in the schedule (over half of the returns are received in the afternoon hours or during the night, 10% of the online returns are filed during the weekend), streamlining the formalities in the measure that the information is received in a format that can be directly processed. It does however present some inconveniences such as the need of acquiring some minimum knowledge, of obtaining the public key and the private key certificate, which implies having to travel once in a lifetime to an Administration office to verify his/her identity, overcome specific prejudices of lack of trust in the Web, change habits. In the measure that the added value obtained by the taxpayer overcomes the inconveniences, he/she will decide for the online relation.

Any dialogue, regardless of the means employed, with the taxpayer constitutes an opportunity to uncover what are the user's expectations and needs and what is the best form of relation.

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This new form of multi-channel relation forces the Information System to evolve from a data storing System to a System that processes multimedia information and that allows to carry out the Knowledge Management.



To count with a solid data storing system is a necessary condition in order to be able to offer services through the new technologies.

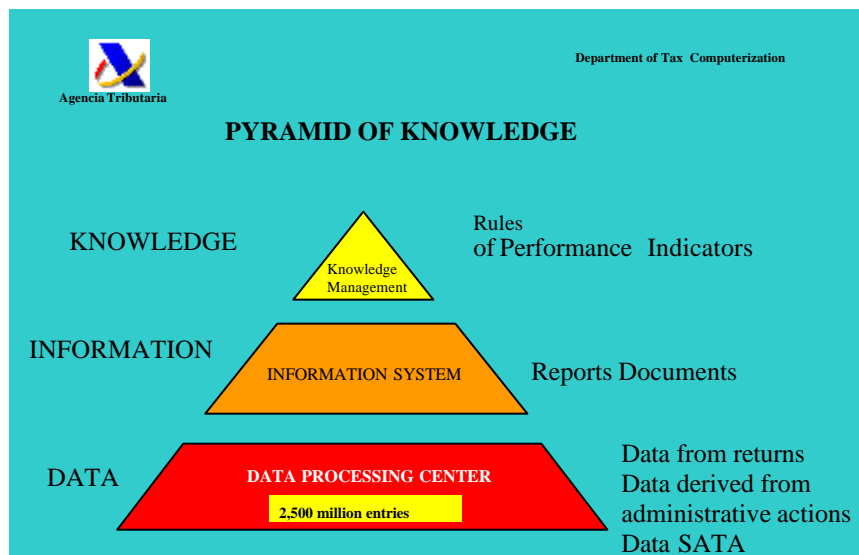
The current information system of the Spanish Tax Administration is the result of over fifteen years of work. It mainly contains data coming from returns filed by the taxpayers and also arising from the administrative acts. All administrative procedures are computerized. This is why the system contains the information derived from these acts.

The S.A.T.A. counts with an Intranet that allows managing, apart from information in data mode, information contained in millions. This will make it possible, before the end of the year, to file for readmission procedures via Internet attaching the same to the electronic one million-type form elaborated with whichever text processor. The Intranet allows for the management of electronic millions received from the taxpayers.

The information system will not only contain the one million data that are considered relevant and that must be subject to input from the million, but will store the million itself.

Millions file storing and management will allow taxpayers to file via the Internet an image of one million.

Apart from millions files the S.A.T.A. Information System can store and manage graphic files, sound files, fixed and moving image files.



The S.A.T.A. has experience in using the knowledge management applied on the Information System to fight tax fraud. To that end, applications have been developed that allow for the construction of information systems such as the CLASE or ZÚJAR application that are integrated in the applications that support the Control Plans.

It is also necessary to place the data and information files at the disposition of the taxpayers. This has been one of the objectives sought after in the Internet services offered by the S.A.T.A. Internet offers taxpayers the possibility to directly interact with the Information System. It is not necessary for them to travel to the Tax Administration office in order for an Administration employee to be who accesses the Information System to carry out the formalities requested.

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In order to increase the degree of personalization of the taxpayer assistance services one of the S.A.T.A.'s lines of investigation is to use the knowledge administration tools. In view of the user's profile, what services could be of interest for him/her? What information can provide him/her with value at a given time?

This is a road we are taking in the Tax Agency and is put forth as an open matter to be the debate object at this conference.

Mr. Santiago Segarra Tormo
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State Agency of Tax Administration
Spain
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Case Study

TOPIC 2.1

PERSONALIZED SERVICES. ELECTRONIC FILING OF RETURNS AND PAYMENT

Pedro Luiz Bezerra

Coordinator of Technology
Secretariat of Federal Revenues
(Brazil)

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INTRODUCTION

The Federal Revenue Secretariat – SRF has a clientele of approximately seventy million individuals, about seven million active companies and has approximately seven hundred service units distributed throughout the country.

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The basic raw materials of the tax administration is information, which must be sufficient, correct and timely. Information has to do largely with the processing of tax returns filed by taxpayers.

The diversity and service volume has to do with having large investments in new technologies guaranteeing the quality of the service rendered to taxpayers, with a reduction in costs and greater efficiency.

The electronic filing of a large number of tax returns involving federal taxes and contributions and an expeditious and safe payment system both for taxpayers and the SRF are examples of what the efficient utilization of technology can provide.

2. THE FEDERAL REVENUE SECRETARIAT AND THE INTERNET

The Federal Revenue Secretariat seeks to facilitate compliance with tax obligations via the Internet, providing new services and guaranteeing the authentication of users, confidentiality, integrity and acceptance of the information. To this end, it instituted and is ready to implement virtual identification using digital certificate technology and turnkey infrastructure.

The SRF began using the Internet in October of 1995 offering information to citizens.

In 1997, it began receiving over the Internet diskette-generated tax returns from official programs. The tax return reception program is a client-server application that validates, codifies the data and generates a compacted file that is sent to central computers (certified servers). The security pattern implemented in routers has a blocking system for undesirable packages, unauthorized services and to prevent attacks on the networks.

In 1998 the service of completing and submitting the registration number confirmation form at the Individual Taxpayer Master File – CPT was offered to citizens exonerated from filing the Income Tax Return.

In 1999 the completion and submission of the Individual Income Tax Return was allowed, without the need for a *download*, for taxpayers with small assets.

Other available services:

- Query of refunds of the Individual Income Tax Return (IRPF);
- Fiscal situation self-regularization program – PAR;
- Query of fiscal procedure mandate – MPF;
- Information on tax legislation;
- Guidelines for the completion and submission of tax returns and forms;
- Download of forms, overdue tax estimation programs, tax return-generating programs, etc...
- Query of the individual and corporate taxpayer master file;
- Registration and modification of information at corporate taxpayer master file.

Because of the need to protect the taxpayer tax secrecy, the SRF is implementing the turnkey infrastructure. It consists of an authentication system that uses digital certification, which will allow the remote issue of documents with juridical validity and unequivocal identification of participants in electronic transactions between the Federal Revenue Secretariat and taxpayers.

Following the implementation of the turnkey infrastructure, the following services will be offered:

- copies of Individual and Corporate Income Tax Returns;
- registration at the Individual Taxpayer Master File;
- issuance of Individual and Corporate certificate (negative and positive);
- auction of merchandise seized with bidders in remote locations;
- completion/filing of other tax returns; and
- reception of partial tax payments.

The aim of this homepage is to bring the Federal Revenue Secretariat closer to citizens, providing information and remote services, with safety, secrecy, quality, accuracy and uniformity, in a better way than the traditional personal service can provide. It is a well-structured and easy-to-surf homepage, designed to save time and resources of citizens as well as the Federal Revenue Secretariat, in addition to reducing the people's visits to the service centers.

In order to accomplish its goals, the constant commitment of all branches of the Organization is important because a reformulation of procedures and a change of routines are necessary. The technical and graphical creation of a homepage is the least complicated stage. The degree of quality: up-to-date information, which is consistent and in keeping with the culture, objective and image of the institution is the result of coordination and articulation among all departments. Thus, the implementation of a homepage is more a question of management than of technique.

An easy-to-surf homepage, with up-to-date and accurate information as well as quick replies to e-mails, brings to the public an image of organization at the Entity. The development of the homepage must be viewed as an organization project, not one of a specific sector.

Since September of 1996, 134.5 million taxpayers were serviced after accessing the SRF homepage. We have a daily average of 230 thousand accesses, and an average of 2.5 million *hits* daily.

3. TAX RETURNS

Until 1991, taxpayers subject to Income Tax, both individuals and corporations, filed their Income Tax Returns using paper forms. A large part of those returns were completed with a high number of unintentional errors, forcing the administration to occasionally summon taxpayers to clarify doubts and/or explain correct data. The reception of data from tax returns in magnetic medium was then implemented.

In the early years, programs for receiving data from tax returns were limited to the IRPF and IRPJ.

Beginning in 1996 the Individual Income Tax Return data reception program started being developed using graphical resources, with user friendly interfaces, intuitive and easy-to-understand, with contextual aid and a demand for less interference from the taxpayer in the configuration of their equipment. Following the success of this initiative, other tax returns (Income Withheld at the Source, Federal Taxes and Contributions, Import Duties, Rural Territorial Taxes, etc...) had their data reception programs gradually developed for a graphical environment.

Every year a new version of the programs involving the aforementioned returns is offered on the SRF homepage, seeking to meet legislative modifications. In addition, new facilities and resources are gradually incorporated, seeking to facilitate and expedite compliance with taxpayer obligations and the work of the Federal Revenue Secretariat.

Automation in the data reception process and tax return submission process has provided a series of advantages, both for the Organization and for taxpayers.

At present, more than 70% of tax returns are filed via the Internet totaling approximately 55 million tax returns as of August 23, 2001.

The program generating the Individual Income Tax corrective return allows among other facilities:

- recovery of data from last year's tax return;
- automatic estimation and delivery of information;
- validations and inspection of the quality of the reported information;
- contextual aid;
- possibility of submitting data via the Internet;
- importat of data from the verification application of Capital Gains; and
- automatic issue of the Federal Collection Document for payment.

The program also observes the legal limits of deductions and automatically verifies taxes to be paid or refunded, in addition to informing taxpayers about the option of filing, either complete or simplified, that is more favorable to them.

The program generating individual corrective annual tax returns may be obtained from the Federal Revenue Secretariat offices, either in diskette or through the Internet.

When the tax return saved on a diskette or hard drive is transmitted through the Internet, the PC must be necessarily connected to the Internet and it must have installed in it the Revenuenet Program, which is available on CD-ROM and is distributed by the Federal Revenue Secretariat or through the Internet. The Delivery Receipt, with the corresponding reception seal, will be saved automatically on the diskette or the hard drive at the time of transmission.

Individuals are obliged to file their taxes electronically exclusively.

Simplification and practicality have caused a positive impact on taxpayers. For the Organization, the automatic transcription of the data from the taxpayer minimizes errors in completing the information, reducing the time between the filing of the tax return and provision of information to the SRF. It allows for the reduction of costs resulting from the elimination of inputting, conferencing and preparing the data for processing.

The success of the program generating Individual Corrective Annual Tax Returns in the eyes of the public can be observed in the growth of its participation in the total number of tax returns: in 1991 filing on diskettes was less than 4% of the total and in 1997, more than half of the tax returns were filed electronically, on diskette or through the Internet. In 2001 more than twelve million individuals filed their tax returns through the Internet.

4. MODELS OF INDIVIDUAL CORRECTIVE ANNUAL TAX RETURNS

4.1 Complete Tax Return

It consists of the tax return in which all legal deductions can be applied, provided that they can be checked. It may be filed on a form, diskette or through the Internet after having being saved on a diskette or on the hard drive of the PC.

4.2 Simplified Tax Return (simplified discount option)

In the simplified tax return, taxpayers replace all legal deductions by a 20% simplified discount of taxable profits, without the need for checking, limited to R\$ 8,000.00 (approximately \$ 4,000.00). It may be filed on a form, diskette or through the Internet after having being saved on a diskette or on the hard drive of the PC.

4.3 Simplified On Line Tax Return

Individuals who opt for a 20% simplified discount of taxable income may file their taxes on line, limited to R\$ 8,000,00 (approximately \$4,000.00), and provided they maintain as of December 31, 2000, possession or ownership over assets or rights not exceeding the amount of R\$ 20,000.00 (approximately \$10,000.00). On line filing exempts taxpayers from using the *download*.

4.4 Revenuephone

It consists of a telephone service system for citizens, which through codes provides information and digital services to users. This makes it possible to obtain basic information and to file income tax returns or tax returns for exempt citizens.

It operates under the numbers 0300 78 0300 for calls within the Country and 55-78-300-78300 for international calls. The rate for calls is R\$ 0.27 per minute for calls originating from fixed telephones and R\$ 0.50 per minute for calls originating from cellular telephones. The rate for international calls is the same as that for common calls originating abroad.

Through the Revenuephone one may obtain, among other things, the following information:

- individual cadastral situation,
- information on refund of individual income tax return;
- query of progress on registration or data modification before the Individual Taxpayer Master File – CPF;
- information on the payment of federal taxes and contributions;
- information on the Rural Territorial tax return – ITR;
- filing the tax return of exempt taxpayers;
- presentar la declaración del impuesto sobre la renta de las personas naturales.

4.5 Telephone tax return filing by exonerated citizens

The filing of taxes by exonerated citizens has the purpose of registering with the Individual Taxpayer Master File – CPF and is aimed at persons not obliged to file the Individual Income Tax Return – DIRPF.

In this case, the information requested from the taxpayer is:

- CPF Registration Number;
- Date of Birth;
- Electoral Registry Number;
- Federal Office (Unit) where filing was made;
- Taxpayer has a bank account (S/N);
- Taxpayer has real estate (S/N);

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- Taxpayer is a dependant of the persons who filed the income tax return (S/N);
- Taxpayer resides abroad (S/N).

The “YES” and “NO” options are associated with telephone keys and at the end of transmission the taxpayer receives the notification that his tax return was correctly submitted, or if there was some sort of problem.

As of August 16, 2001, 3,337,449 tax returns from exonerated citizens were received by telephone, as described in the table that appears below:

Annual Tax Returns from Exonerated Taxpayers Received by Telephone				
	1999	2000	2001*	Total
Tax Returns	1,741,777	1,459,699	135,973	3,337,449

The drop reported in the year 2000 was due to the implementation of new forms of filing and the increase in the number of tax returns filed through the Internet.

In the year 2000 the number of tax returns filed over the telephone accounted for 3.6% of the total tax returns filed by exonerated taxpayers.

4.6 Simplified Individual Income Tax Return Filed by Telephone

It consists of a very simplified tax return model, as was mentioned before, and is aimed at persons with assets of less than R\$ 20,000.00. Persons who select this form of filing will also have to obligatorily opt for the 20% simplified discount of tax income, limited to R\$ 8,000.00.

The information requested is a little bit more encompassing than that requested for the Annual Tax Return of Exonerated Taxpayers, but is totally codified to be input by way of the telephone keyboard.

Since 1999, 150,423 individual income tax returns have been filed over the telephone with an annual average of 50 thousand tax returns filed, in accordance with the table that appears below:

Individual Income Tax Returns Filed by Telephone				
	1999	2000	2001*	Total
Tax Returns	67,540	42,969	39,914	150,423

5. FORMS OF PAYING FEDERAL TAXES AND CONTRIBUTIONS

Up until 1996 federal collections were made directly at the SRF units. Beginning in 1997 collections began to be made at the bank network.

At present, in addition to enjoying the possibility of making payments at bank branches, taxpayers have at their disposal the following options for making the payment of federal taxes and contributions:

5.1 Checking account debit for partial tax payments

This form of payment was implemented in 1993, and consists of automatically debiting the taxpayer's checking account for partial tax payments made. Approximately ninety thousand payments are made monthly using this system.

To make it effective, the SRF monthly submits an electronic file to each collecting bank, reporting the debts to be made from the checking account of taxpayers involving partial debit, on the last day of each month. Subsequently, the payment voucher is issued by the SRF and sent to the taxpayer.

5.2 Electronic Transfer of Funds

This form of payment was established in 1997, and consists of the utilization of self-service and *Home-Banking / Office-Bank* services of bank institutions for the purpose of completing the collection document (DARF) and payment of federal taxes and contributions by taxpayers, by way of debit in checking account. The compliance voucher is issued by the tax collection agent at the moment of payment.

From January to August 2001, one million four hundred eleven thousand three hundred and forty-four (1,411,344) Electronic DARF were filed in this manner.

5.3 Electronic Transfer of Funds through SISCOMEX- Foreign Trade Integrated System

This form of *on line* payment was started in 1998, with a view to integrating into a single system all the tasks involving the electronic registration of Import Declarations, payment of federal taxes owed for the import of merchandise through an automatic debit in the taxpayer's checking account and, finally, the release of imported merchandise. Close to two hundred and twenty thousand payments are made monthly using this system.

To make this form of payment effective, the importing taxpayer activates the Siscomex, imports data from the Import Declaration and notifies the bank account for the corresponding debit. Next, the Systems makes contact with the bank (collection agent), providing all the necessary information to make the checking account debit effective. Subsequently, when the bank confirms acceptance for the debit relating to the taxes owed, Siscomex will record the corresponding Import Declaration.

External users access to the SRF is made by way of communication lines (dedicated circuits, telephone lines, *EDI – Electronic Data Interchange*, Renpac, etc). Within short, access will be made available through the Internet and intranet.

Below we describe some information pertaining to Siscomex

- Monthly average of declarations (import, export): 180,000
- Average of transaction by day/day: 4,000,000
- Amount of internal and external users: 55,000

5.4 Payment Environment on the Internet

This form of payment was established in the year 2001 and consists of a hardware y software infrastructure devoted to the payment of taxes via Internet, through electronic transfer of funds, in a safe manner for all players.

Under this modality, tax information pertaining to taxpayers is processed exclusively by the SRF. The flow of funds is managed by collecting banks through *Internet-banking* services, under the supervision of a

Gateway environment residing at the SRF's homepage on the Internet. This allows for the automatic debit into the taxpayer checking account and the corresponding credit in the National Treasury single account.

The Payment Environment offers taxpayers the possibility of complying with the payment of federal taxes, or even their planning, by way of WEB application available on the SRF homepage, that is, the DARF application, IRPF payments, and the Corrective application.

From the SRF homepage on the Internet users may:

- access an application that meets his needs;
- interacts with the application providing the requested payment information;
- advances to a screen containing *links* for operating banks;
- select the bank where they have a checking account (with Internet banking services);
- access a payment application;
- be authenticated in the bank's environment;
- validate the information presented by the bank; and
- be returned to the SRF environment, where they get a receipt from the very Federal Revenue Secretariat.

The Sic@lcWeb application is already available. It allows taxpayers to make a payment or a payment plan, or even cancel a payment plan.

The Gateway modality was started on 04.20.2001, with Banco do Brasil and received, during this period, 6,984 (six thousand nine hundred and eighty-four) Darf Gateway.

6. REPLIES TO E-MAIL MESSAGES

6.1 Semi-Automatic System of E-Mail Replies

In 1998, the SRF adopted the Lotus Notes program for the management of the e-mail database service creating a semi-automatic standard reply system, which enables the system to answer general questions.

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The system, manned by an assistant, allows simultaneous replies to 2,500 questions concerning one single topic with identical and standard answers. This form of service is in operation in a complementary fashion only. The main restriction of this type of answer is the difficulty in keeping statistical control.

Replies to e-mail progressed, but the demand continued to grow: 378% in 1998, 138% in 1999 and 34% in the year 2000.

The need to limit and standardize the questions to be answered caused a symbiosis between the Internet homepage and E-mail. The most frequently asked questions compiled by electronic mail resulted in an improvement of the homepage. This set of actions resulted in the establishment of a Taxpayer Guidelines, a piece of work that also supports personal service.

6.2 Automatic System of Electronic Mail Reply - E-mail

The system was developed on the Internet homepage and operates in a very simplified manner.

By accessing the service the taxpayer selects one of the 87 available topics, makes his question, obligatorily reports his name and e-mail address.

The system sweeps through the Internet homepage in search of the best available document that is related to the topic selected. Once located the document is shown on the screen and at the same time sends to the mailing address of the sender a reply message with a link to the selected documents.

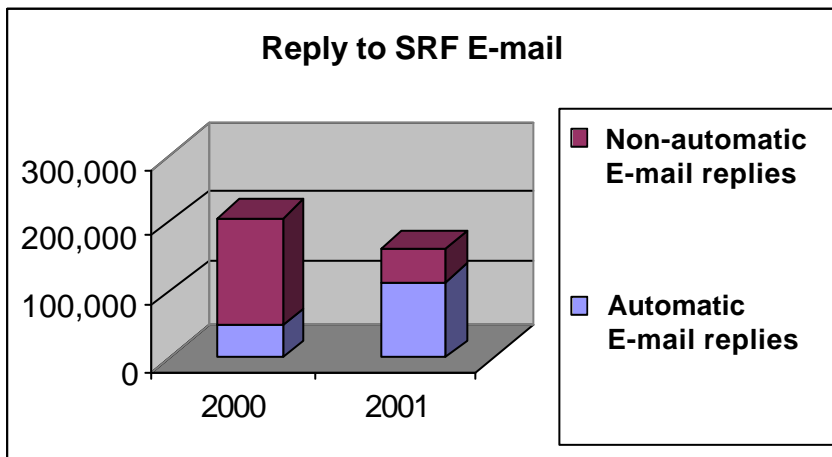
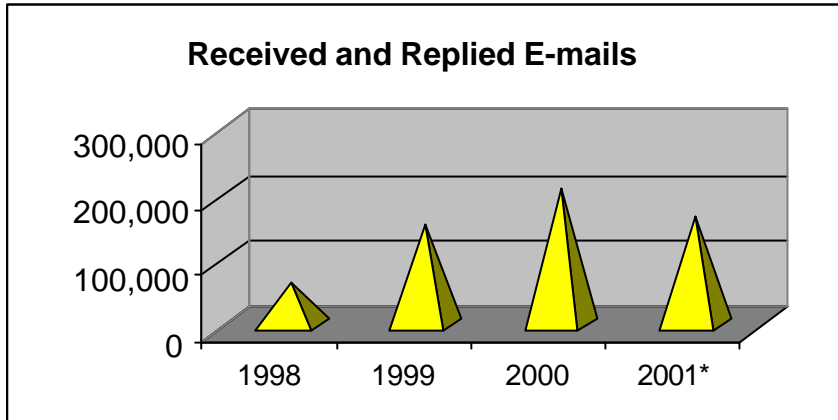
In the event that the initial reply is not satisfactory the taxpayer may resend the message and will receive in ten working days a personalized reply from one of our assistants.

Since its implementation the system has been responsible for 70% of the replies to e-mail messages. In all the system has already replied to 246,560 messages and resent 73,968 personalized reply messages.

E-mail Received and Answers - overall Total

Year/Month												
	1995	1996	1997	Var. %	1998	Var. %	1999	Var. %	2000	Var. %	2001*	Var. %
Jan		11	361	31.82	1,865	4.17	5,616	2.01	15,698	1.80	54,737	2.49
Feb		20	408	19.40	1,481	2.63	7,971	4.38	17,351	1.18	19,523	0.13
Mar		509	1,372	1.70	6,538	3.77	4,525	(0.31)	26,425	4.84	24,822	(0.06)
Apr		509	1,772	2.48	8,306	3.69	19,492	1.35	23,546	0.21	20,619	(0.12)
May		119	678	4.70	3,302	3.87	27,490	7.33	12,190	(0.56)	9,933	(0.19)
Jun		67	1,430	20.34	2,648	0.85	13,812	4.22	13,299	(0.04)	7,633	(0.43)
Jul		93	1,100	10.83	5,702	4.18	13,497	1.37	14,899	0.10	12,738	(0.15)
Aug		129	889	5.89	10,620	10.95	11,480	0.08	21,020	0.83	12,500	(0.41)
Sep		188	965	4.13	6,528	5.76	9,311	0.43	13,767	0.48		
Oct		681	1,186	0.74	4,012	2.38	7,761	0.93	13,744	0.77		
Nov		471	1,724	2.66	4,608	1.67	16,781	2.64	16,974	0.01		
Dec	6	444	1,605	2.61	8,890	4.54	16,307	0.83	18,550	0.14		
Total	6	3,241	13,490	3.16	64,500	3.78	154,043	1.39	207,463	0.35	162,505	(0.22)
Overall Total											605,248	

6.4 E-mail Replay Tables



7. STRATEGIES FOR PROMOTING THE UTILIZATION OF ELECTRONIC MEANS

In the case of tax returns filed electronically, the reduction in processing time and the elimination of transcription errors make it possible to make income tax refunds in a shorter period of time.

The fewer errors made when completing and assessing tax returns and in collection documents prevent unnecessary visits to the Federal Revenue Secretariat units for clarification and correction purposes.

Compliance with one's obligation without visits to the Federal Revenue Secretariat offices fosters greater comfort and economy, in addition to being a great incentive.

The dissemination of these benefits by the Federal Revenue Secretariat and taxpayers has shown to be an excellent strategy.

Case Study

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PERSONALIZED SERVICES. ELECTRONIC FILING OF RETURNS AND PAYMENT

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CONTENTS: Introduction.- 1. Internet as Main Strategy.- 2. Advantages.- 3. Services Provided.- 3.1 Taxpayers' registration.- 3.2 Periodical returns.- 4. Website Evolution Process.- 5. Content and Electronic Interface Design.- 6. Security.- 6.1 User security.- 6.2. Technological support.- 7. Associated Organizational Structure.- 8. Income Operation.- 9. Final Comments.

INTRODUCTION

In the strategic guidelines of the Internal Revenue Service of the Republic of Chile (SII), the permanent fight against evasion stand out, as well as the facilities for voluntary tax compliance, with efficiency, equity and transparency. In order to meet these guidelines, the use of Internet, for taxation purposes, has been defined as the main strategy.

This document focuses on the experience acquired in the development and implementation of services to electronically and remotely serve the taxpayers. This process has required the incorporation of the necessary elements for the management, administration and control of the services, authentication and information security mechanisms and adjustments to the organizational structure to ensure high quality services for the taxpayers and for the Service as well.

In the case of Chile, the development of the Internet covers, in an integral manner, the whole process for the Income Returns as well as for the VAT Returns starting by the authentication, the preparation and the filing of the Return, the payment and the follow-up of the Return status. This process has been highly successful and has been positively assessed by the private and public actors in the country. This has become a mandatory point of reference in the development of pages aimed at delivering personalized services with online transactions, providing a strong boost to electronic commerce in the country.

From the taxpayer's point of view, the relevant variables for the success of this development have been the quick access to better terms and benefits, the elimination of errors and facility, comfort and swiftness.

In the logistics aspect, we can highlight the need for a permanent updating of the pages, the incorporation of new services and the permanent refitting of the interface design, adapting the same to the demands of the environment. On the technological side, security administration, the design of applications that ensure privacy and the integrity of the information and the design of the access service have been fundamental in order to avoid situations of lack of service to the taxpayer.

The challenge is to continue granting new electronic facilities and services to the taxpayers with the purpose of increasing voluntary tax compliance. Taxpayers' registration through electronic means, the put into operation of electronic billing and the strengthening of online payment with the banks are some services that will be developed in the future, while permanently improving the services currently offered.

1. INTERNET AS MAIN STRATEGY

The Internal Revenue Service, as a State institution, is responsible for the application and administration of the internal tax system, examine taxpayers so that they comply with the tax provisions and facilitate said compliance. Taxes examined by the Internal Revenue Service, contributed approximately 10.2 billion Dollars annually to the State in the year 2000 representing 17.5% of the GDP. The sums collected correspond to Income Tax (25.1% of the total collection), Value Added Tax (49.9% of the total), Tax on Specific Products (12.3%) and Other Taxes (mainly associated to legal proceedings) contribute with 12.7%.

Taxpayers are required to relate to the Tax Administration during all the time they develop activities with a taxation impact. In first place, they must know the legal and administrative set of standards and must be able to access the information that allows them to know their obligations and their rights. In second place, they must perform their formalities at the SII (Servicio de Impuestos Internos – Internal Revenue Service), which implies providing information in forms and background that support the data provided. Finally, they must file themselves the taxes that are levied on their trade acts, activities or assets, for which they must file Returns and make the corresponding payments.

Until 1995, in order to carry out each one of these activities, taxpayers were required to appear at the Internal Revenue Service offices to consult or request information, to request and/or deliver forms and, always through the use of supporting papers for these acts. Appearing at the offices, had a high compliance cost for the taxpayers, since they often had to appear more than once since they did not count with the background and documents required for carrying out the formalities. For the Internal Revenue Service, this operation modality implied counting with a great quantity of resources, both in terms of personnel as well as office space to serve the taxpayers. It also had to provide large amounts of printed materials for those requesting information, to edit and distribute large amounts of forms and to input millions of Returns and forms each year.

Analyzing this situation within the framework of strategic planning, after re-engineering for years and optimizing processes, the Internal Revenue Service adopted the strategic decision to incorporate and develop the Internet as a tool to privilege the relation with the taxpayers in all the aforementioned dimensions. In this manner, the Internal Revenue Service has defined that the mass service relation with the taxpayers is through the Internet. Thus, the SII's Web has become a virtual office where most mass type transactions are performed and where all the information the taxpayer requires for the compliance of his/her obligations is provided. The goal is to provide an integral service, reason for which the site is under constant evolution, both to incorporate new services as well as to expand the existing ones.

Also, thanks to the characteristics pertaining to the use of the net, it is possible to be at everybody's reach, facilitating the delivery of information and generating tax consciousness. All this represents for the SII to increase their coverage of approximately 70 Offices to thousands of Internet connection points that become potential Virtual Offices for servicing taxpayers.

Likewise, within the SII, most examination applications, the administrative procedures and the communications are made via Intranet. Internal and external documents published by the Tax Administration, news in the media and, in general terms, all information required by officials for the development of their duties, are available in the net, updated permanently.

2. ADVANTAGES

The Internal Revenue Service Website, apart from facilitating all things related to the knowledge of the legislation and tax standards, has allowed taxpayers to avoid errors and problems in their Tax Returns, has delivered greater facilities for them to comply with their tax obligations by extending the service schedules and deadlines and has provided transparency to the system, has provided greater certainty in all processes carried out through this option. Also, given the fact that there is no participation by third parties in the filing of Returns, information privacy is ensured.

Some direct advantages for the Service are: savings in the form distribution and reception processes, in the information collection process and in information opportunity, availability and quality. For example, in April 2001, which corresponds to the Income Tax Returns month, savings of 226 thousand dollars are estimated with respect to the previous year, just in concept of less inputting and lower form fabrication in paper, which represents a lower cost, of about 25.6%. If we measure total savings, compared to the base situation where everything was received manually, this year, in the Income Operation month, savings were 3 million dollars, which is 5 times the current expenditure under this item.

We can mention that, as indirect advantages, a better use of human resources occurs, appointing examiners to their essential mission, releasing them from administrative and customer service tasks and, concurrently, important savings are generated in the physical infrastructure, as nowadays we do not talk about opening new operative units, but rather about increasing Internet services.

Also, the use of Internet in Tax Administration has a nationwide impact, since just the drop in the amount of time taken for formalities, for persons and companies, generates cost reductions, which implies greater value added and, therefore, a greater generation of GDP.

In a recent study made by Feedback Communications on the profile of Internet users, two relevant conclusions are arrived at for our doings. The first one is that 93% of the large Chilean companies count with Internet access and the second is that the Web page of the Internal Revenue Service stands out among the national sites most visited by Chilean web-surfers, which gives an idea of the potential use of the web for taxation purposes.

3. SERVICES PROVIDED

3.1 Taxpayers' registration

In Chile, citizens are registered at birth in the Civil Registry and Identification Service (Servicio de Registro Civil e Identificación - SRCel), where a unique identification number is assigned to them, number called Taxpayer Master File Number (Rol Único Tributario - RUT) and which also legally constitutes taxpayers' taxation identification for Natural Persons. For Bodies Corporate, the Internal Revenue Service is responsible for providing said number.

The taxpayers' registration formalities at the Internal Revenue Service, is called Initiation of Activities (in the case of Bodies Corporate, the RUT must be obtained as a previous step). This Initiation of Activities corresponds to the taxation registration and enrollment where the taxpayer is assigned an economic activity code depending on the type of taxpayer and/or the commercial activity he/she wants to undertake. The complete process is called RUT and Initiation of Activities (RUT e Iniciación de Actividades - RIAC).

Along with providing the RUT and/or the authorization to exercise the corresponding economic activity, the Internal Revenue Service registers new domiciles, branches, partners and legal representatives. The process demands the presentation of documents such the public deed certifying the incorporation of the Corporation, among others. In 2000, 190,370 formalities were processed for obtaining the RUT and Initiation of Activities, in the different Taxpayers' categories.

The Internal Revenue Service legalizes the necessary taxation documents to carry out commercial transactions (bills, invoices, credit notes, etc.) and through a formality called “document stamping”. Currently, it is required that the taxation documents that support commercial operations be recorded in paper certified by the SII, which is performed through stamp seal the taxpayer is obligated to apply to his paper documents, before using them. In order to apply this stamp seal, the taxpayer must periodically go to the SII Unit corresponding to his domicile, taking the documents he/she wants stamped, with the preprinted folios.

The RUT and folio of a taxation document can be entered at the Service’s Website and the confirmation with respect to whether the document is authorized is obtained as a reply. This type of consultation is aimed at delivering information to the receivers of taxation documents, who wish to verify their validity.

3.2 Periodical returns

- a) **External Vector.** The whole collection and validation process of the set of information that is used as a base for the verification of the Income Tax Returns is called External Vector. This corresponds to the information on salaries, remunerations, dividends and other income paid to the taxpayers during the taxation year, which is sent to the Internal Revenue Service through Sworn Statements by the companies and deduction agents. This is a highly automated process, where 97% of the information during 2001 was received through electronic means. Information corrections are also allowed through the same means.

Every informing agent has in the Website of the Internal Revenue Service a system for the consultation and follow-up of the results of the validation processes that have been performed to his/her information. Also, taxpayers affected by the statements of these informing agents are allowed to consult with respect to their data, which allows them to perform the correction of errors directly contacting the supplier of the information.

- b) **VAT and Income Returns.** On a monthly basis, taxpayers perform their VAT Return, where they determine the tax base and the sum to be paid. In April, every year, through the Income Return, taxpayers make a tax balance of the previous year. There

are applications with online transactions for both Returns, where the complete process takes place, from the authentication up to the online payment.

In the following table, the main services aimed at examination are shown and those that can be made through the Internet at that date are flagged. Among the types of services we can highlight:

- Transaction: Is all actions carried out by the taxpayer, which generates a modification in the databases maintained by the Internal Revenue Service.
- Consultation by third parties: Consultation that can be performed by an authenticated taxpayer, on data about another taxpayer, for which the person that requests the information, must certify that he/she has been authorized by the taxpayer under consultation.
- Personalized consultation: Access to information on data pertaining to the taxpayer himself/herself and that can only be reviewed by him/her.

Mass Examination Services			
Examination performed	Action carried out by the taxpayer	Is it done through the Internet?	Type of Service
Registration	Initiation of Activities	NO	Transaction
	Information Updating	Partially	Transaction
	Termination of line of business	NO	Transaction
Periodic control	Document stamping	NO	Transaction
	Document stamping consultation	YES	Consultation by third parties
Mass examination	Returns with online payment (VAT, Income)	YES	Transaction
	Status of the Return processes	YES	Personalized consultation
	Validation of Return	YES	Consultation by third parties
	Corrective	YES	Transaction
	External vector	YES	Transaction

It may be observed that the type of transactions that up to date are not being carried out through the Internet only correspond to those of registration and periodic control, corresponding to the stamping of documents and the termination of line of business. The rest of the mass services, are in a stage of development of transactional type applications and personalized consultation.

4. WEBSITE EVOLUTION PROCESS

The evolution of the Internal Revenue Service site has followed the stages that are considered traditional in WEB page development.

a) General informative stage.

In the case of the Chilean Tax Administration, this stage started in October 1995, with the creation of a page aimed at satisfying the general information requirements of the taxpayers, in such a way that these did not have to go to the SII Units. Basically, data on the Service was provided, on the tax structure, apart from the guidelines and requirements for the most frequent formalities. Afterwards, documentation was incorporated to support taxpayers' consultations.

b) Personalized informative stage.

A new step was taken in May 1997, enabling consultations in the Internet site consultations on the results of the Income Operation, which meant delivering personalized information to close to 10,000 taxpayers. The authentication of taxpayers, to guarantee information privacy, begins in this stage.

c) Off line transactional stage.

In March 1998, the possibility of filing Returns through the Internet was opened. Access keys were provided to guarantee privacy and authentication of the information of those that desired to file their Returns through this means. This meant providing 23,081 access keys and receives 38,748 Returns. The initial impact was small in total volume of received Returns, however, the possibility of paying taxes via Internet, fully introduced the SII into the electronic commerce environment.

In 2000 an important landmark was established in the development of this means for taxation purposes, with strong demands on the technical support and on the organization. This year, 848,467 access keys were provided, 41,359 VAT Returns were received, 92% of the information delivered by Informing Agents and 25% of the Income Returns, were made through electronic means. Returns were received through Web servers and were afterwards transferred to the Internal Revenue Service databases through a batch process. The taxpayer could, once the data was in the databases, verify the status of his/her Return in the Website, which was permanently updated, in the measure that the processes were carried out and the information was transferred to the Web servers.

d) On-line transactional stage.

As of 2001, Internet Returns are entered directly into the Internal Revenue Service databases in such a way that the taxpayer and the Service are assured that information is always complete and updated. This year, 42% of the Income Returns and 97% of the information from Informing Agents are received through the Internet.

In the measure that the Website evolves from a general information site to a transactional site, different requirements arise on the contents design, on the system's security, on the technological support and on the organizational structure. This is evident given that in a site with general information we only have to control that the user carries out only the allowed actions, which is mainly done through firewalls that control access. In turn, in a more advanced site, it is indispensable that there is authentication in the applications, a permanent support, both technical and administrative, is required, it is mandatory that information privacy is guaranteed and there must be security in the protection of the databases maintained by the Tax Administration, eliminating possible vulnerable sectors of the installation.

In the following points, we describe the way in which the Chilean Tax Administration has faced these requirements.

5. CONTENT AND ELECTRONIC INTERFACE DESIGN

The design of the www.sii.cl screen is simple, with brief instructions and simple and clear menus. Products or services offered are grouped according to topic to facilitate their consultation and ordered according to the sequence in which they should be used. On the left side of the page the most outstanding news and added page contents appear displayed.

The screenshot displays the SII Chile website interface. At the top left is the SII logo and the text 'Servicio de Impuestos Internos CHILE'. To the right, there are navigation buttons for 'Formulario de pago de contribuciones' and 'Declaraciones de Renta', a search box with a 'Buscar' button, and a link to 'Opciones'. Below the header, the page is organized into several sections:

- Noticias:** A vertical list of news items with dates, such as 'Obtenga la Tercera y Cuarta cuota de Contribuciones de Bienes Raíces por Internet...' (21-agosto), 'Refuerzan Ofensiva contra Grupos Criminales que Trafican con Facturas Falsas' (21-agosto), 'Encargan Reos a Querrelados por Falsas Anti Facturas Falsas' (14-agosto), 'Hasta el 16 de Agosto hay plazo para Declarar IVA sin Pago via Internet' (10-agosto), and 'Texto del Proyecto que Rebaja Impuestos a las Personas' (9-agosto). It also includes links for 'Otras Noticias' and 'SII en Prensa'.
- CLAVE SECRETA y Certificado Digital:** Includes links for 'Obtención de Clave Secreta', 'Olvido de Clave Secreta', and 'Identificarse con Certificado Digital, [...]'
- DECLARACIONES JURADAS:** Includes 'Consulta Estado Declaración Jurada', 'Información Agentes Retenedores', 'Preguntas Frecuentes año 2001', and 'Suplemento año 2001, [...]'
- IVA:** Includes 'Declaración Formulario en Pantalla', 'Declaraciones Software Gratuito', 'Rectificatoria IVA', and 'Lista de Notificados, [...]'
- RENTA:** Includes 'Corregir o Rectificar Declaración', 'Declarar Renta Fuera de Plazo', 'Consulta de Estado de Renta', and 'Verificar Declaración por Terceros, [...]'
- BIENES RAÍCES:** Includes 'Consulta de Antecedentes', 'Certificado Avalúo Fiscal', 'Avalúo de Períodos Anteriores', and 'Formulario Pago Contribuciones, [...]'
- SITUACIÓN TRIBUTARIA:** Includes 'Consulta por Contribuyente' and 'Consulta Timbraje Documentos'.
- TASACIÓN DE VEHÍCULOS:** Includes 'Tasación Vehículos Livianos 2001' and 'Tasación Vehículos Pesados 2001, [...]'
- VALORES Y FECHAS:** Includes 'Calendario de IVA (PPM)', 'UTM-IPC, UE, UTA', 'Corrección Monetaria', and 'Impuesto Segunda Categoría, [...]'
- CIRCULARES Y LEGISLACIÓN:** Includes 'Circulares, Resoluciones', 'Legislación Tributaria', 'Jurisprudencia Administrativa', and 'Jurisprudencia Judicial, [...]'
- INFORMACIÓN GENERAL:** Includes 'Preguntas Frecuentes, Formularios, Suplementos y Ayuda, Beneficios Tributarios por Capacitación, Datos de Interés, [...]'
- WEB ÚTILES:** Includes 'Organismos Nacionales', 'Gobierno de Chile', 'Tributarios Internacionales', and 'Proveedores de Acceso a Internet, [...]'
- ESTUDIOS Y OTROS:** Includes 'Estudios, Descripción de Impuestos', 'Guía Educativa, English SII', 'Presentation, Misión, Objetivos e Historia del SII, [...]'

At the bottom of the page, there are links for 'SII Contrata Personal' and 'Licitaciones del SII'.

In the case of the Chilean Tax Administration, there is permanent evaluation of taxpayer perception, through focus group surveys and specific studies, on three essential aspects:

- Evaluation of the quality of the main services granted
- Evaluation of contents: usefulness and quality
- Ease to find information searched

In 1999 a Qualitative – Exploratory Study was performed “Detection of Facilitators and Inhibitors for the Use of Internet SII’s Tax Returns”. Problems visualized by taxpayers have been resolved through additional equipment and links to enlarge reception capacity and in this manner avoid the congestion problems that occurred in 1999. In the same manner, the system to obtain the Secret Password has been redesigned, therefore 95% of the applications are accepted instantly, and the remaining difference is left to the Help Desks to review and solve the cause that does allow an instant emission.

Surveys are periodically carried out through the Web page to know taxpayer evaluations. According to the results, modifications are made to improve services granted, in order to incorporate new applications or improve existing ones, to adequate the graphic interface and increase general information.

6. SECURITY

Security in an advanced transactional system that has two main elements: user security and technological support.

6.1 User security

An important aspect to consider, and at the same time highly important, when offering Internet based services, is to make sure that the operation is carried out in a secure and confidential manner, from the technological point of view as well as from the administrative point of view.

a) Transaction Security

The SSL (Secure Socket Layer) system has been implemented with the purpose of guaranteeing from the technological point of view, that all transactions performed by taxpayers at the Website, travel in a safe and confidential manner, through the same the information travels in an encrypted form, that is, through a coding system, which is impossible to decipher. The safe site quality is guaranteed through a security certificate that has been granted by Verisign, Inc.

Furthermore, to generate trust among taxpayers, applications available at the Website grant certificates supporting the reception and processing of income tax returns filed.

b) Attention quality

A fundamental variable in attention quality is related to service availability, and response times. Remote, electronic and virtual attention requires the provision of services that must be configured and prepared to absorb variable demands. A taxpayer must visualize permanent attention, with quick entrance into the main page and responses, which are practically immediate to his/her requirements. This means that access services must be dimensioned so that they are capable of properly responding during peak demand times. In 2001, in a preventive manner, SII incorporated additional equipment and links to enlarge the reception capacity in the Revenue Operation, considering the growth that it had experimented, with which congestion problems did not arise.

c) Authentication Need

In the administrative aspect, it is necessary to certify that the taxpayer that is operating is that person that he/she says he/she is, this is achieved through authentication systems that guarantee that third parties cannot take the place of the taxpayer or interfere, have access or interpret the taxpayer's information. The Internal Revenue Service has put at the taxpayer's disposition two authentication alternatives for the entrance into their systems: through the obtainment of a password, or through the use of digital certificates.

Even when the use of Digital Certificates has not been massive in Chile, the Internal Revenue Service allows the authentication by using this technology. The incorporation of Digital Certificates and Electronic Signatures for the documents filed by means of computer supports, allows to guarantee that the issuer will not reject his actions, as well as the integrity and security of the document sent, which travels through the internet with an encryption mechanism that makes sure that it has not been intercepted, interpreted or altered by third parties.

d) Third Party's Verifications

The Internal Revenue Service has placed on the Website, at the taxpayer's dispositions, mainly for companies and institutions, an inquiry system on tax returns filed to the SII called "Visualization of the Income Tax Return or VAT by Third Parties", which allows access to returned filed through the Internet as well as those filed in paper.

To have access to this information and verify a tax return, the taxpayer must provide to a third party his/her RUT (Taxpayer Master File Number), Folio number and five key data of the return filed and the information may be seen once all this is inputted. Through this option, the Service assumes that the respective person, Organization or Institution is duly authorized to verify the authenticity of a determined return, since the taxpayer has delivered to the third party a printed copy of the mentioned return or the values of the codes that are requested in this application.

6.2 Technological support

Currently Internal Revenue Service databases occupy 571 GB and register the information of 2.5 million natural persons, and 0.6 million bodies corporate, as from the Start of Activities. Regarding access, only in April of this year, the Website received 1,445,571 visits and attended 3,701 transactions per second.

In the Service, there are clear guidelines regarding the importance of technology in the development of the organization and compliance with its objectives.

a) Technological Base

The first transcendental measure was the incorporation of relational databases, sustained on open technology and highly available network services (7x24). Since the policy definition has been that all officials must develop their work with and through a personal computer, it has been important and necessary to provide each person with personal productive tools, such as: a word processor, excel spreadsheet, e-mail, databases and connection to corporate systems.

b) On-line Transactions

Information modeling has been mainly centered in examination processes, by overseeing data quality and oriented by the definition that information capturing must occur at the time and place it is generated and at the same time it must be available instantly when required. This definition conveys the need of a system with online transactions done by the taxpayer, where there is a guarantee that the information will not be lost since data are directly input into the SII databases.

c) Security hardware and software

In the design of technological support, we have considered a primary access firewall which protects the entrance into the website and controls and detects situations that are not those of the normal interaction at the website. For taxpayer attention, there is cluster formed by a load balancer that distributes tasks to three Web servers so that service denials never occur.

When transactions are generated, tasks are filtered through a highly powerful secondary firewall, which only grants access to tasks allowed thus avoiding illegal intrusions into the databases. All is managed and controlled through an administration system that monitors permanently the network. The result is permanent high quality service to taxpayers, and with strong database protection.

As additional control, security evaluations are done permanently, through external companies. In May 2001 a service was contracted with the purpose of recommending and implementing security policies concerning the Internal Revenue Service's online systems, upon considering its logic and physical components. This service is directed to implement policies, standards and procedures, from the security point of view, eliminating possible vulnerable points in the installation and guaranteeing intangibility on behalf of persons unauthorized to enter, as well as reliability, integrity and availability.

7. ASSOCIATED ORGANIZATIONAL STRUCTURE

The Internal Revenue Service has 3,000 officials, mostly college professionals, of which 1,282 are fiscal inspectors and 132 directors. Their structure is comprised of 16 Regional Directorates and 60 offices distributed throughout the country. In 1991 the Information Technologies Deputy Directorate was created, a directly reporting to the National Service Director and with an internal organization decidedly directed to satisfy the needs of the user areas, which determine the daily tasks of the organization. From the applications development point of view, the outsourcing of computer services has been underscored, sustained on the establishment of clear project leaders towards the interior of the corresponding information technology area, in charge of establishing links and being the counterparts of the final user areas.

Direct Internet organizational support is mainly given in the following areas:

- a) **Marketing and communications department.** Responsible of managing the editorial quality of the Website, of establishing quality, format, text and navigation standards. This department is in charge of the publication of news and non-application pages. It detects possible deficiencies in applications and channels them to the Information Technologies Department.
- b) **Internet Office.** This office is responsible of Internet technical management and communications. Project development is carried out in traditional development areas of the Information Technologies Deputy Directorate, which has accrued great experience in the direction of projects for Internet application, in the use of new technologies as well as in their relation with external vendors.
- c) **Help Desk.** The Service, concerned for the correct use of Internet and for the need of providing the necessary technical assistance, made available an Information Technologies Help Desk, with the purpose of assisting and directing taxpayers in the use of applications available through the Internet, particularly those pertaining to tax returns. This Help Desk also responds to general inquiries on the Internet and the way it operates. Comprised by 30 persons, trained to answer all kinds of inquiries and deliver solutions to taxpayers 24-hours a day, seven days a week.

Requests are input through the telephone, through automatic response (IVR) where the RUT is validated and are later automatically distributed (ACD) to operators, according to intelligent discernment according to the inquiry type. In the event that the request may not be attended forthwith due to waiting times, a recording of the request is made. There is a Management and Control System of the requirement based on priorities.

In the original design the help desk was devised as taking into consideration automatic attention with 20-second maximum waiting time (call answered at second ring) and recording of the request in the case of waiting to be attended by an operator when the caller waits over 1.5 minutes. In the projection of the demand, we estimated that there would be 6,000 calls per day with an average 3 minute duration time.

Values projected were underestimated regarding the strong increase product of the Income Operation of the year 2001, where up to 10,000 calls were received per day, with an average duration of 10 minutes. Due to this, congestion occurred in the Help Desk, reaching a peak in the 2001 Income Operation of 23,573 daily attention requests (982 average per hour), of which only 44% were attended (resolution percentage). In the days after this peak, proper measures were taken to adequate the assistance by adding more human resources (63 operators in total), separating functions (53 operators answering the phone and 10 attending the mail and the fax), incorporating new telephone liens and adding a complementary surpass table, with which we achieved 97% resolution.

8. INCOME OPERATION

Hereinafter we describe the case of the Income Operation as an example of an application developed with online transactions, where the complete process is carried out, from the taxpayer authentication, up to online payment.

a) Authentication

To obtain the Access Password, the system requests the taxpayer the information pertaining to the taxpayer that he/

she only knows and which may be validated online. There are many forms to obtain a password through the taxpayer's private information, for example, entering into an Income Tax Return folio or a VAT folio, information on the latest document stamping or personal data such as address and telephone.

For the validation of the information delivered, the system considers direct access to corporate databases, where in most cases the data of the petitioner are on record, if he/she has had prior interaction with the Tax Administration. The existing information may be complemented, updated and corrected taking advantage of this voluntary filing opportunity to improve the quality of the information.

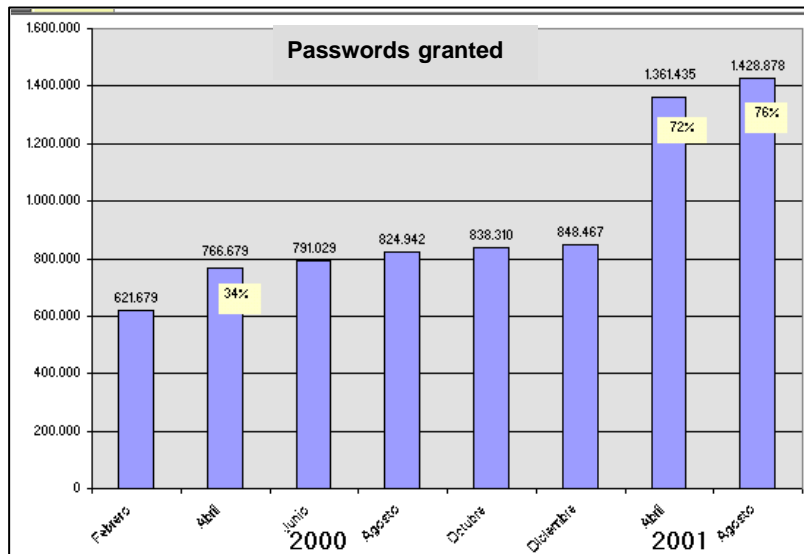
To facilitate the obtainment of the password for natural persons, the taxpayer that requires a password must request it through the SII's web page, by providing on screen some basic identification data, such as the RUT, address, telephone and e-mail. Later, in order to activate the password, there are two alternatives. The first is to call by phone the information technologies service without human intervention, prior to inputting the RUT through the telephone touch pad, the system checks the information introduced into the Web page and requests the additional existing information in support Databases such as the father's RUT, mother's RUT, spouse's RUT or date of birth. The second alternative is to go to the Internal Revenue Service offices with the personal identity card, where his/her basic identification data must be ratified. In both cases, if data coincide with the data registered, his/her password is activated immediately.

In the cases where the SII has the information, to obtain the password the taxpayer enters directly into the Web page of the service where the application where he/she must input his/her private data and his/her password. The password is immediately activated, being able to immediately perform the operations present at the Web page. For the year 2001, an identity verification system PKI, with electronic certification was implemented.

The following graph shows the evolution of passwords granted during the past two years. In February of the year 2000, 221,582 passwords were granted. In April of that year, due to the Income Tax Return Filing, up to 621,679 passwords were

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granted, these represent 34% of the Income Tax Returns of that year, this amount doubled for the same period for the year 2001, reaching 1,361,435 password granted, this value corresponds to 72% of the Income Tax Return filing for this tax period. Up to August 2001 1,428,878 access passwords have been granted, these represent 76% of the Income Tax Returns for this year.



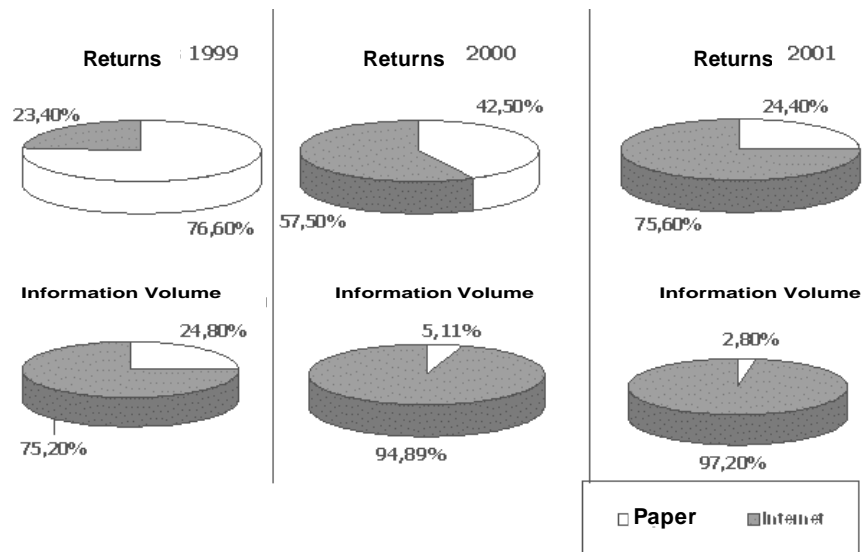
a) Income Tax Returns

During the month of February of every year, the Tax Administration received the income tax returns from the Information Agents, where these deliver the information on withholding coming from employment withholdings, interests perceived, purchase of real estate, etc. This information is known as the External Vector and it is used to verify what taxpayers declare.

Each information agent has in the Internal Revenue Service web page an inquiry and follow-up inquiry system of the results of the validation processes that have been made with their information, being able to also correct it through electronic means. Furthermore, taxpayers affected by the declarations of these information agents are allowed to correct the mistakes, by making direct contact with the information provider.

Every year 800,000 returns are received, 76% were made through the Internet in the year 2001, which corresponded to 97% of the total volume of the information coming from the Information Agents.

Sworn Returns



c) Sending Income Tax Returns

There are three ways to deliver income tax returns:

- Through free software delivered by the SII,
- Through commercial software,
- Through an online electronic form.

Through free software and commercial software, the taxpayer may file his/her returns directly through his/her offline computer. Later when he/she has made his/her return, he/she may connect to the Internet and send the information in an encrypted manner.

The three manners to send returns through the Internet validate the information delivered by the taxpayer, making sure that the information has mathematical and logical consistency. Once the return is filed, a certificate is issued and the same indicated that the return has been received by the SII. This certificate

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indicates the folio of the return and some relevant data that allows the Verification of the Information by Third parties. In the following graph we can see a model of the certificate granted.

Sii Servicio de Impuestos Internos
www.sii.cl

Folio N° 12345678

CERTIFICADO DECLARACION DE RENTA INTERNET

El Servicio de Impuestos Internos certifica que la Declaración de Renta que ha sido enviada vía Internet por el contribuyente _____, RUT _____, correspondiente al periodo **año tributario 2001**, ha sido recibida con fecha **09/04/2001**. La declaración completa puede ser comprobada a través de la opción [Verificación Declaración de Terceros](#) con los siguientes códigos:

Código 18 :		Código 36 :	
Código 158 :	<u>15813763</u>	Código 305 :	<u>(125090)</u>
Código 611 :			

FIRMA DE LA PERSONA QUE PRESENTA ESTE CERTIFICADO

Nombre : _____
RUT : _____
Fecha : 20/08/2001

Benjamin Schütz García

BENJAMIN SCHÜTZ GARCÍA
SUBDIRECTOR DE FISCALIZACIÓN

The software to make the return changes every year because the return form suffers modifications, therefore it must be annually updated.

To support the taxpayer in the preparation of his/her return at the Internal Revenue Service Web page, the taxpayer has access to the information that has been filed by the companies, banks or others on the income that he/she has obtained from the current fiscal year. In this manner, in the case of mistaken or incomplete information, the taxpayer may request to the correction to the Information Agents, this avoiding future discomfort.

Furthermore, every year a supplement is published, the same is published in the written press and in the Internet, which is a detailed and complete guide that contains instructions to file a return.

To know the state of the Income Tax Return done by paper or through the Internet, the taxpayer may access an application that shows him/her all the steps that he/she has passed when filing his/her Income Tax Return, from the filing date up to the issue of the income tax return if it corresponds.

INQUIRY ON THE STATUS OF THE INCOME TAX RETURN

Señor(a):

Rut Contribuyente:

Fecha y Hora: 21/08/2001 11:36

Situación Actual

El Servicio de Impuestos Internos autorizó a la Tesorería General de la República la devolución total solicitada por \$125.090, la cual fue realizada a través de depósito por un monto de \$126.466, el que está reajustado a la fecha de emisión.
Para mayor información consulte los eventos que se detallan en "Historial".

Historial

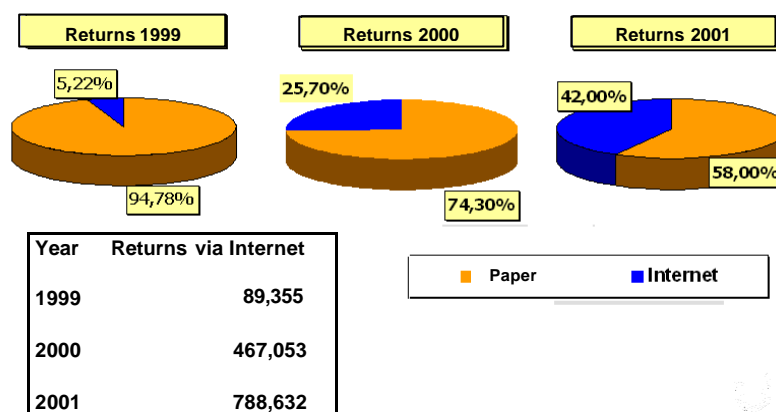
Folio: 70297001

Fecha	Descripción	Ver
09/04/2001	Declaración recibida a través de Internet	Formulario 22 Cert. Solemne
09/05/2001	Declaración aceptada por el SII y devolución solicitada por \$125.090 autorizada	
18/05/2001	Tesorería General de la República depositó \$126.466 (reajustado a la fecha de emisión)	

In the option of "Inquiry on the Status of the Income Tax Return" taxpayers may have access to the form filed and to the certificate that credits that his/her return has been received by the SII. Furthermore, it indicated the status in which it is and at the same time once the validation process has been done, the taxpayer is informed if his/her return has been accepted or rejected. If the return is accepted, the taxpayer must wait, if it pertains, that a tax refund will be made. If the return is rejected, a notification letter is sent in paper and furthermore, in the inquiry of the status of the income tax return option, there is an option to have access to it. In this letter the reasons whereby the return has been rejected are indicated.

If the person wished to correct his/her return, there is an online option where the taxpayer may send it again. The response to this correction is available in the inquiry status option, 48-hours after the correction has been made. This operation may be done as many times as necessary until the taxpayer clarifies his/her situation before the SII.

Income Tax Returns



a) Tax payment form

Tax payments may be done through differed electronic payment, online direct payment, at the institutions authorized for this purpose.

For direct payment, a draft is issued the same must be printed by the individual from the Internet with which the taxpayer may go to cancel before the authorized institutions. Once the payment is performed, the taxpayer may inquire the draft list, the state thereof, verifying that the corresponding tax payment has been received by the service.

Differed electronic payment consists in an electronic transfer of funds. To carry out the same, the taxpayer must have an agreement with the bank that authorizes the electronic payment of the tax by directly charging it the taxpayer's checking account. Therefore, taxpayer must input his checking account number when filing his/her return. The transaction must be confirmed later through the bank and in that instant the return enters into the Service's databases.

In 2001 an online payment system was commissioned with three banks. In these cases, the taxpayer is linked from the Website of the Internal Revenue Service, with the Bank of which the taxpayer is a customer, and directly debits the amount of the tax filed from the taxpayer's account, prior authentication according to the Bank's methods and rules. This system noticeably speeds transactions, since prior payment agreement to cancel taxes is not required, this formality in the practice disincentives the use of this mechanism. The development of these initiatives, to the hand of modern technological systems, of easy and quick access and ever more sure is translated into time saving and operational cost saving, for all persons involved, especially for taxpayers. It is expected that this service be extended to other banks and financial institutions since, pursuant to market experts, the non-existence of online payment has prevented the accelerated use of e-commerce in Chile.

b) Pre-Prepared Return.

For the 2001 Income Tax Return filed in April, around 1 million individuals access the SII Web page and found a pre-prepared return, done free of costs by the SII based on the data delivered by the Information Agents. If the interested party is in agreement with the data of this return proposal, he/she must just confirm it. In the same manner, if the taxpayer detected that the information available regarding the taxpayer personal situation was incorrect or some date was missing, the taxpayer was able to correct it or complement it on screen with the respective background, after which the system offered a new version of the return for the taxpayer's final approval.

The pre-prepared return was available for approximately one million Second Category individual taxpayers that have a relatively simple income structure, but not for those taxpayers who for example received two salaries during the year 2000, or participated in corporations with presumed income and other special situations for which the information available in the Internal Revenue Service is not enough. In any manner, for these special cases free software was delivered, where it was not necessary to introduce all the information, since it allowed to import data from the SII's server, as well as to add information and on this base the program made the return.

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If the return is observed because it has inconsistencies with the information the Tax Administration maintains, the correction of the return presented, made be done through the Internet, even if the original return has been filed in paper. For the filing of the Rectification of the original return, new Website applications were generated.

New applications are:

- Corrected income tax return proposal, where the taxpayer inputs the information into a form with the data completed according to the information managed by SII. This option is available only for taxpayers to which a value proposal for all their observations may be generated.
- Generation of the detail of differences, where the value that has originated observation of the return and the value that the taxpayer should have filed is shown according to the information present in the SII's records.

There are also additional options so that taxpayers may have more information at the time of correcting their return.

These options are:

- Help texts to correct returns where the origin and the form to correct most frequently made observations is indicated.
- Demonstration of the correction process, where taxpayer may know the steps that that he/she must follow to correct his/her return.

Results regarding the means used by taxpayers to prepare and deliver their Income Tax Return are detailed in the following chart. It may be observed that the Total taxpayers that used the return proposed by the Internal Revenue Service was of 291,890 this represents 15.4% of the total returns filed and 37% of the returns filed through the Internet, which is a sample of the impact of having a pre-prepared Return. Additionally, in the return review process, it has been evident that there has been an important reduction in the number of cases objected due to the transparency of the information and the fact of avoiding digitalization and preparation mistakes upon electronically delivering returns.

Statistics for the 2001 Tax Year		
Income Tax Return Delivery Means	Amount of Taxpayers	%
Proposed Return	291,890	15.4%
On-screen form	172,767	9.1%
Free Software	140,416	7.4%
Commercial Software	183,572	9.7%
Total Internet	788,645	41.6%
Returns in paper	1,106,906	58.4
Total Income Tax Returns	1,895,551	

9. FINAL COMMENTS

Among the key elements in the streamlining of the Organization, we have the transformation of its internal processes, sustain on clear leadership, strongly committed to the efficient management and control of said processes and with decisive view to improve services and taxpayer attention, in a fair and equitable manner and promoting the honesty of the officials. Therefore information systems are improved and the necessary resources have been assigned to achieve high professionalism levels in their daily tasks, by developing new and better control strategies and stressing and preferring the use of Internet in taxpayer attention.

Technological equipment must be appropriately dimensioned and must be prepared to grow since, pursuant to the Chile's experience, predictions are highly weighted by reality.

Chile's Internal Revenue Service verified and validated the road to follow upon making the strategic option of developing and strengthening the Internet as a means to approach the taxpayer, promoting self-attention.

This project has been successful, surpassing initial expectations and turning into a paradigm in this area. This project has gone beyond the scope of the Tax Administration and the Public Sector being an example of how to develop a project of this nature in a business environment.

The efficiency, effectiveness, transparency, equality and precision of these processes is closely and strongly linked to the timeliness, amount and quality of the information that is provided as from the technology available and the adequate use thereof. To put part of the information that the Tax Administration has at the taxpayer's disposition, particularly,

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to be able to perform a follow-up of the state of his/her return, gives him/her a sensation of control that indirectly improved tax compliance and the quality and truthfulness of the information.

Opportunities that arise are unthinkable, though the main obstacle is the cultural. The Internal Revenue Service has notoriously advanced the amount, quality, massiveness and security of the proceedings offered through the Internet. The challenge now is to continue granting new facilities and electronic services to taxpayers, with the purpose of minimizing their appearance to the Service's offices without deteriorating, but increasing, their voluntary tax compliance.

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Case Study

TOPIC 2.2

THE IMPACT OF INTERNET IN INFORMATION SERVICES AND OTHER PROCEDURES

Adrián Torrealba Navas
General Director of Taxation
Ministry of Finance
(Costa Rica)

*CONTENTS: Introduction.- The mission of tax administrations.-
Copernican turn.- Who produces the wine.- A significant example:
Electronic return filing.- Final Words. Annexes.*

Internet challenges and opportunities for the efficient interaction between tax administrations and economic agents or how to select between new wine from old wineskins or change wineskins to obtain good wine.

INTRODUCTION

The topic under which this presentation must be developed evolves around the impact of Internet in information services and other procedures.

And the title that has been selected to cover this title just reminds us from the beginning what is that we do, why we do it and for who we do it. As my Spanish friend and professor Gabriel Casado Ollero has said, things end up irremediably looking like what they really are. So we must not forget that tax administration were born and have been created

to collect and more or less, this is what all treasury ministers or secretaries of every country represented here expect, that their tax administrations do one thing: Collect.

Therefore, we must have clear that our business is to make wine, mainly not to lose sight of the same. Let it not be the case that our organizations are centered around obtaining information, streamlining information, turn into software developers or in web page designers or in the spear heads of modern and state of the art projects, which may be pompous, which may then result in a beverage that has good flavor, but not in what we should and are called to do: Collect taxes.

If in order to comply with our function in society and within the requirements of the economic environment, we can use what the technology offers to efficiently interact with civil society, to achieve from its agents the information that we require, and furthermore that they pay us in an easier manner and that they are able to solve their doubts and know our plans, our pronouncements and our actions, then, we can truly ask ourselves if old wineskins continue to be efficient to make good wine. We are talking about the concepts of e-filing, e-payment and e-consultation.

THE MISSION OF TAX ADMINISTRATIONS

The Costa Rican Tax Administration has had for some years now its own mission and vision and with the same, it has undertaken the road towards what we believe it should do: *“Increase in a sustainable manner tax collection by means of the efficient control of the taxes managed. To achieve this objective the simplification of procedures shall be promoted and customer communication channels shall be improved to strengthen voluntary compliance”, and, what we think it should be: “Tax administration is a service organization directed towards satisfying its customer’s needs: taxpayers, who pay their taxes and the public sector, which requires this revenue to thoroughly cover the Government’s objectives.”*

In short, the entire administration must procure, by putting all efforts and must exist in function of a mission as previously set forth. How it is going to achieve it and with what tools, is what really motivates us to see the Internet as an efficient interface to achieve these objectives. Then, and even more importantly, will be to be able to observe the vision that the Costa Rican Tax Administration has of itself: an organization at the taxpayer’s service, but with the firm purpose of

obtaining revenue to be able to finance government plans and projects as the popular delegate to comply with general interest purposes, which interests are to give access to all civil society sectors, the conditions to fully develop as free and creative human beings.

Having state the above, we set the basis for the following assertion: Tools currently offered by the Internet, to send information (e-filing), pay material tax obligations (e-payment) and allows taxpayers to have access to valuable information (e-consultation), these undoubtedly are an engine to accelerate the compliance of objectives on behalf of the administration and to be what they have been called to be: Tax Collectors.

However, and the novelty of the focus is that thanks to this almost esoteric vital dimension known as the Internet, which we enjoy today, is that collection work in our organizations may be developed through mechanisms that place taxpayers as first and foremost.

COPERNICAN TURN

In philosophical terms, the idea that the Tax Administration must be in function of the service to taxpayers is ever stronger, so that in this manner it may turn into a facilitating agent for the correct operation of the economy, especially in its market economy modality. In France, for example, project is being developed in this direction, the same has been called "Copernicus Project": taxpayers should not spin around the Administration, but the latter around the former. This idea is based on the fact that the tax system is a necessary element in a free and democratic society and, therefore it should be an intrinsic element in the lives of economic agents. Hence, transparency in market competition supposes, for the one part, that agents must comply with their tax obligations and that those who do not have the intention of doing so be called to correction, because only in this manner the existence of unfair competition is avoided, which distorts the proper operation of the economy. Summarizing, the Tax Administration must facilitate voluntary compliance on behalf of loyal taxpayers and must control non-compliance on behalf of disloyal taxpayers.

Returning to our initial illustration regarding old wineskins and new wines, it may be convenient that we review for a second some of the intrinsic principals of modern tax organizations.

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On the one hand we have a first category: Principles of efficient relation between the Administration and Taxpayers, which are developed through two principles very well known by the dear audience: The principle of voluntary compliance and the principal of self-assessment.

Regarding the first, we believe that the success of every tax administration is measured in function of its capacity to induce tax payers towards the voluntary compliance with their tax obligations and concerning the second it is convenient to quickly remind you that with self-assessment as a rule, the responsibility of self-determining his/her own tax contribution was transferred to the taxpayer. To elevate this principle to a maximum, which results to be a natural byproduct and inseparable companion of voluntary compliance, a greater development of the examination powers of the Tax Administration must unfailingly exist.

We then find a Second category of principles: Those pertaining to the Tax Administration's structure.

We first remember the Functional Specialization Principle which procures to organize work teams in attention to the different technologies and characteristics inherent to the different processes and using the comparative advantages that derive from the different profiles and the specialized education of the different officers. Second, the Taxpayer's Increased Guarantees Principle, which is based on the basic premise that establishes that the Administration is not a private creditor and that in its actions it must be powerful without being overbearing.

These principles, which should be not only the guiding principle of all tax administrations, but also the basis of each and every one of its acts, are today empowered by the Internet. Lets immediately relate these principles, these "axiological containers" with the tool that concerns us.

To promote voluntary compliance, today's tax administration must have precise and organized information. Processes for the obtainment, control and disposition of this information must be agile, timely and efficient. The incorporation of the Tax Administration into the Internet, among other things, would multiply the points from the information is captured and is put at the taxpayer's disposition any information that is of his/her interest and as the successful Chilean experience shows

us, would help taxpayers prepare their own return and in this manner thoroughly comply with their material obligations, adjusted to the truth and the Law.

We believe that in order to attend to this need, modern tax administrations require the analysis, design, development and implementation of a system that at least includes, the following elements:

1. The design and implementation of help programs to fill tax returns which will allow taxpayers complete their returns, generate an electronic file and print it from their own equipment. It is possible for these programs to contain validations for the data inputted by the taxpayer and which allows sending the tax return through the Internet network, which would be ideal and non-excluding.
2. Software designs capable of generating an electronic file, which may be taken to material supports for its physical delivery to the administration and to generate the printing of returns. In this last case jointly with the printing of the return, special formats must be included (i.e. PDF), which will make data reported by taxpayers easier, offering the highest levels of security and reliability.
3. Provide the taxpayer with facilities for the filing and e-payment of tax returns, including information. A common Internet navigator system that enables taxpayers to access, fill and send their returns, be them filled on line or not and transact their payment through a direct debit order. The system must execute validations, encrypt information and guarantee the highest security levels.
4. Allow access through the Internet network, with information exchange interfaces with the information technology systems that the administration has and with the current development of e-payments in every country.
5. Facilitate electronic information exchanges: Information on taxpayers accounts, returns and payments made through the system and general information on the tax administration, in the manner of instructions, manuals and official communications.

Facilitate the capture of requests that originate internal proceedings on behalf of the Administration, process flow control of said proceedings, the generation of resolution documents and update of internal systems as from the resolutions.

6. Electronic receipt of the information generated by collection authorities.

Updating the principles pertaining to the tax administration's structure, we can imagine the Internet as an efficient tool to better manage our human resources and material resources. The Administration's portal has been changed so that for such effects a virtual return filing and payment window is to be designed, so that the Administration may redirect its resources to information analysis tasks, shadow return generation, generation of statistics on the behavior of the different sectors of the economy and research new methods to facilitate its tasks. The Administration's resources in information technology systems must be dedicated in the near future to the design of on line audit systems, for the development of certification systems under the quality standards required by the private development sector and the Administration should not be the one to experiment, develop, promote, distribute, improve and market software applications for the compliance of formal duties, such as the above mentioned applications.

In this manner, our resources shall be focused towards not validating information full of mistakes, or to the development of software programs, or to massively distribute applications, or design user manuals, but to what we should do: Collect, by assisting the good taxpayer, and prosecuting whoever does not pay.

Concerning the last wineskin that we have to review, the Taxpayer's Increased Guarantees Principle, Internet could be of great assistance. A punctual case and which undoubtedly results to be a good example is the implementation of the electronic digest in Costa Rica during the first days of October.

The Ministry of Treasury of Costa Rica, as a public law branch, has among its functions, the administration of different legal bodies, among which we can point out customs and taxation. As such, it must often

issue resolutions and solve controversies with the administrators, which imply the application and interpretation of the different legal rules. In spite of the vast volume of jurisprudence that is generated, the Ministry of Treasury did not have an automated Information System that would allow the administration and easy recovery of all this rough information, being both functions limited to manual operations.

The Project which will begin a few days after to this conference, has as a purpose to consolidate a unique information system for the management the jurisprudence generated in the different branches of the Ministry of Treasury, namely: The General Taxation Directorate, General Customs Directorate, the Juridical Division of the Ministry of Treasury, the Administrative Tax Court and the National Customs Court.

Specifically, they seek to achieve the following objectives:

1. To redesign and document processes and procedures, as well as the organizational structure of functions and responsibilities of the Ministry of Treasury, related to compilation, classification, storage and recovery of jurisprudence information, so as to simplify work and improve user services.
2. To develop and implement an Information System, which facilitates compilation, classification, update and taxation and custom's jurisprudence information inquiries and that allows access to juridical information from the National System of Laws in Force (Sistema Nacional de Legislación Vigente - SINALEVI) for the Office of the Attorney General of the Republic.
3. To provide taxpayers with information pertaining to resolutions and sentences imposed on particular cases and that are of general interest, as provided for by article 101 of the Code of Tax Standards and Procedures, through the sites that the Ministry of Treasury has in the Internet.
4. To develop a facility that shall allow the administration of the Juridical Dictionary (Thesaurus), so that it allows the incorporation of new terms, the modification, elimination, association and hierarchical arrangement.

TOPIC 2.2

5. To create a database, with classified information, which allows to easily organize information required through topic schemes or levels, in function of the following elements:
 - Topics and Subtopics (Description - Restriction)
 - Issue or tax, official communiqué number or resolution and document dates.
 - Index and text for each document (alphabetical and alphanumeric - general and by tax)
 - Free search.

This information may be inquired by taxpayers through the Internet. All this is interconnected: A taxpayer, to voluntarily and correctly comply, requires, first of all knowing very well taxation laws and the interpretation criteria of the Administration and the courts. Therefore, he/she shall logically require accounting and juridical advisors who shall also be knowledgeable of all these elements. Therefore, access to this information must be easy, complete and exact. This has been a classical limitation in the Costa Rican taxation scope. New technologies have allowed us to overcome this limitation.

WHO PRODUCES THE WINE

It is necessary to begin this paragraph of the document with a note from Vietnamese philosopher Thich Nath Hanh : “A poet may clearly see that a cloud floats on a sheet of paper. Without this cloud there would be no rain, trees will not grow without rain; without trees you could not have paper. The cloud is essential for the existence of paper. If the cloud is not there, the paper would not be there either. So we can say that the cloud and the paper are inseparable. The cloud and the paper are interdependent”. The philosopher continues making relations that interconnect the woodcutter with wheat and the sunlight that is reflected on the paper at the same time. All this to end his idea when he says “without the elements that are not paper, such as mind, woodcutter, sunlight, etc. paper would not exist. Regardless of how thin the sheet of paper, it contains the entire universe”.

And we say that it is necessary to begin to with this quote, because the phenomenon in which we would apply today this fascinating possibility called the Internet, is a phenomenon of interconnections, which necessarily and obligatorily requires teamwork.

Many are the sectors that a country requires to be able to empower Internet as an efficient tool for tax collection and to put its tax administration at the taxpayer's service. We could start by saying that the first that should enroll in this process has to be the taxpayer himself/herself, but this would be, as it is said in Costa Rica, to place the cart ahead of the oxen. According to what we have stated, the use of the Internet for different processes which tend to bring taxpayers closer to the Administration and make them the center of the system, necessarily makes the orchestration of everything necessary so that our star, our customer, if someone prefers to name him/her in this manner, to be overflowing in all kinds of attentions and gracefulness.

The use of the Internet in information services and all kinds of procedures, requires above all the administration's proactive role, a leadership and direction role.

Usually the initiative in the markets relies on the private sector. Economic agents recognize new opportunities and react to greater promptness to ensure the first places in the new scenarios. Government may be in the capacity of facilitating conditions for the development of new opportunities that will generate riches and contribute to common wellbeing. As a cross entry, private capital shall be contributed and the entire society will benefit. The use of Internet to carry out business has not been the exception in this form of development and statistics on the growth of e-commerce in Europe and the U.S. just reaffirm that in the short term, there will be greater developments in on line transactions.

The development of businesses through the web is familiar to all of us, and the use of Internet to obtain what we were previously searching for, but now faster and without having to move. Banks offer to their customers e-banking with the possibility of inquiring on balances, perform transactions, pay vendors and make investments from a household PC or at the office. Our consumers have a wide range of portals to make on line purchases of products of any nature. In fact as the numbers tell us, the growth of B2B and B2C transactions simply forecast the stable and sure growth of on line transactions. Today we can buy, sell, invest, report, play, socialize and even fall in love and flirt on the Internet.

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Usually and it is not that bad that it is so, government react with changes in the manner of doing things, with legal rules, procedures, as from the actions of the private sector. In our field, it is our duty that the different government agencies react, because otherwise, the economic capacity would be affected, which are manifested through current schemes, with old-fashioned schemes and.

However, on occasions the trigger for change is the State, and as such, it has the irrefutable responsibility of leading this change and allow it to be the road to the development of doing things better. The e-government is not more than the answer of the governments of the world to this new era of human development.

In what concerns us, we are convinced that the public sector is the one that must lead change, it should set the guiding principles and center its efforts in decentralize its resources. Even though this may seem contradictory, this must be the first decision that we make and the same is imposed by the state of the circumstances.

Banks have created safe systems to send money from one place to the other with a click of the mouse. Software development companies have invested fortunes in developing Internet applications, notaries and entities dedicated to identification security, have invested many hours in planning and executing juridical businesses, in designing systems to certify and create digital signatures. Publicists and marketing people have spent years researching different ways of being seen and felt in the Internet, companies have designed on line attention and problem solution systems for their customers with interactive solutions with web tools. E-business has been born as a new way to focus business. It would not be efficient, but rather dumb that we should suddenly attempt to do all this on our own, through our own and closed system.

Considering the above, what sense does it make for our organizations to invest the few and valuable resources that they have, in attempting to develop software applications that function in the Internet, to manage and design web pages, manage developments or implement electronic transfer payment systems. Similarly, it could happen that as Joaquín Sabina says, we attempt to light the future with a lantern: unless it is the case that our organizations do not take advantage of the infinite

amount of possibilities that the on line world offers, for example by making our taxpayers purchase a return filing software that then has to be printed in an old form or that on line filing returns may be made but that digital payments cannot be made from one account to the other.

We hope that it will not be the case that the manner in which the same are input is expeditious thanks to on line payments, but tax returns for due or undue payments must travel back home on a bus. Therefore, and more importantly is that we must not forget that in our countries interconnectivity possibilities are not the equal and our economies still have an important amount of taxpayers that will continue to stand in line in banks, and filling their returns manually. An intelligent system cannot disregard such reality when it fully embraces and without hesitation a “virtual tax administration” system.

Of course, if the tax administrations are called to lead the process of change in this of producing wine in new wineskins, those who should necessarily give the initial thrust, but not indispensably, are the legislators. Tax standards must allow the use of modern technologies in tax enforcement. We find an interesting example of this in Argentinean laws, which have allowed the use of tax memory cards or digital printers for billing control at sales points.

A SIGNIFICANT EXAMPLE: ELECTRONIC FILING

In the Costa Rican case, we find another significant example. With only a few weeks of being in force, the Tax Simplification and Efficiency Law has granted the Administration, the possibility of granting discounts for the use of e-filing systems:

“Article 122.- Determination by taxpayers and tax return filing

[...]

Through a general resolution, the Administration may arrange the use of other means according to the existing technological development. When electronic means are used, security elements such as a password, intelligent card or other determined and authorized by the Administration to be used by the passive subject and shall be equal to his/her autograph signature.

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

Maybe this is, a good example, of how the public sector has taken a fundamental step to direct the process of incorporating the Internet as a qualified tool to place the taxpayer at the center of the system.

This first step of the legislator must be followed by concrete actions on behalf of the Administration leading to create the legal and management mechanisms that make possible and real the application of the legislative will. Among these mechanisms we have the creation of the means so that all taxpayers, who wishes, may electronically file, which clearly is absolutely convenient for the administration upon obtaining a significantly low input, processing and validation times of the information that it obtains from passive subjects as well as savings in commission paid to information capturing entities, these savings may be translated to whoever must enjoy it: the taxpayer. In Costa Rica's case this will be a rapid change in the quality of the information input into the information technology system, because the current system has the following disadvantages:

- Many returns are manually filled by the taxpayer. Furthermore, Bank officers, who digit this data, may make mistakes in the transcription. Due to these reasons, errors are detected in a significant percentage (approx. 10%) in returns received by the Tax computer center.
- Banks due to their collection services and data digitalization services, collect high commissions from the Ministry of Treasury. This commission reflects among others the high level of manual labor implicit in the current system. This cost does not include internal data processing, or the implicit cost in returns received with mistakes.
- The current system is cumbersome for the public, since it requires all taxpayers to visit a Bank to carry out the respective proceedings. The cost for the private sector is difficult to estimate, but it is likely to represent millions of productive hours per year.

Then the private enterprise should persist on a significant market for an information technology product which development results to be relatively simple: E-filing software.

Companies that currently have accounting software may incorporate a new module into their integrated products and those who simply wish to develop it as an independent module, may put it at the public's disposition, which shall then have a variety to select from the one that mostly adjusts to its demands and budgets.

Advisors and accountants interests in optimizing costs and working in scale economies will come later and shall offer e-filing to their customers as one of the advantages of their service, because at the end this will represent savings for taxpayers.

The dissemination of these technologies shall be in the hand of professional associations and trade union groups interested in the tax phenomenon. Banks shall have safer and faster money and the public treasury shall perceive taxes in lesser times. Behold the interconnectivity that we were talking about from the hand of the Vietnamese philosopher.

We can punctually glimpse:

Greater approximation of taxpayers and more active participation of advisors: Usually liberal professional are the ones that represent companies in formal tax compliance processes – they carry the accounting, return filing, etc.- In such sense the implementation of procedures that speed up compliance means, improve the capacity of these small and medium size entrepreneurs so that with the same resources they are able to attend a larger amount of taxpayers. This necessarily tends to create some structures where the Administration has to directly deal with a lower amount of passive subjects, which improves the possibility of an efficient interaction with the civil society. Hence, information campaigns, detection of non-filers, collections, for example, shall be more effective and less costly.

Greater Level of Voluntary Compliance: The addition of new filing methods not only for returns where a payable tax is declared but also information returns, would make voluntary compliance more simple and the reiterated and endless complaint that to pay taxes should not be so difficult, would disappear from the jargon of national taxpayers.

In fact this is the point where it mostly becomes apparent the goodness of e-filing. Suddenly, to pay taxes will be something as easy as today the payment from the office to a credit card or the inquiry of account balances by telephone or to authorize an automatic debit for the payment of a loan installment is easily done. Later, and since we will immediately develop it, the taxpayer will be able to know what the administration knows about him/her and with this we will promote true compliance.

Exact voluntary compliance: In this regard, tax administrations of the developed world have achieved to make voluntary compliance or rather, the instruments that lead to promote voluntary compliance, not only a product at the taxpayer's service, but an important tool for the establishment of cross controls and induction of true compliance and the delivery of authentic information. The development of such system will allow, prior to the opening of the return filing period and self-assessment on behalf of taxpayers, the Tax Administration will send them a detail of the information that it has in regarding their income (through third party reporting) and, in this manner, at least, they shall not file returns for less than what we already know that they have received. In this manner, voluntary compliance turns into not only the aspiration of better service, but into a control mechanism.

Quality Information: As it has been clearly explained above, the quality of the information results to be fundamental to generate authentic collection data, data that really allow to quickly detect fraud. Of course, the implementation of e-filing will save resources amounting to considerable sums for the Administration, resources, which as we know, are currently used in the validation and streamlining of erroneous information which is input into the system.

Greater and quicker money flow: Upon implementing e-filing and the payment through electronic means, taxpayers shall invest less time and less resource qualities in complying with their payment obligations. This undoubtedly allows the Costa Rican State to have its resources in a more expeditious manner and speed up payment procedures for the taxpayer.

FINAL WORDS

Under the “Copernican” philosophy where the taxpayer is the sun of the system, the administration shall mutate from being a distant administration to be a service administration and this begins with the Internet. From the set up itself the Administration’s web page must be user friendly and simple, be able to respond to the greatest amount of doubts, and inquiries that taxpayers may have up to possibility of requesting tax refunds, verify payments and pay taxes: e-filing, e-payment, e-consultation, which we have referred to. Afterwards, some punctual possibilities: Inquiry and information access from all public databases, search filed returns, the possibility of electronically amending returns, advertising of bad taxpayers, more punctual tracing and effective control of the actions performed by officers and elimination of paper in transactions, eliminating therefore, the need for storage. Due to the possibilities that the Internet offers to the tax system, it may be concluded without any doubt that the great winner is the taxpayer, the new sun of the system, currently considered the customer, who must be served and who voluntary compliance must be facilitated and its citizen’s rights must be instrumentally and procedurally guaranteed, condition to which he/she is entitled when he/she duly pays his/her taxes.

ANNEXES

ANNEX 1

BRIEF DESCRIPTION ON COSTA RICA

Located in Central America, surrounded by the Pacific and Atlantic Oceans, separated by just a three-hour drive or a 45 minute flight and a 52.000 square kilometer area, we find Costa Rica (<http://www.tourism-costarica.com/Esp/index.html>). An ecologically privileged country, since in spite of only covering 0,03% of the total planet's surface, it shelters approximately 6% of the world's biodiversity.

With approximately 4 million habitants, Costa Ricans are proud of having over one century of democratic tradition and over 50 years without an army. The same was abolished in 1948, and money that the country saves for not having armed forces, is invested in improving life standards of Costa Rican citizens, which helps to promote social peace, making Costa Rica a wonderful place to visit.

Costa Rica is one of the first countries with free e-mail

In May 2000 Costa Rica turned into one of the first countries of the world to offer to its citizens free e-mail service and generalized for the entire country. Free e-mail access is offered through Postal Offices, through the "Punto Com" (Dot Com) project and it is also offered by Radiográfica Costarricense (RACSA), state-owned telecommunications company.

Free e-mail is an example that places Costa Rica in the world, to reduce the so called digital gap between social groups and to close gaps between the city and countryside, in the same sense the government established a social tariff for Internet access, for companies as well as public institutions that put at the public's service and at the service of their employees a PC to facilitate e-mail access.

IDC, an international consulting company performed a study in 55 countries that presented the best conditions to form part a "more technological era". In this ranking, Costa Rica holds, for over two years now, the number 3 position in Latin America, after Argentina and Chile; at a general level it holds the number 34 position. This classification is done by taking into consideration factors such as: the telephone system and Internet coverage, education, infrastructure and political stability, among others.

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- Intel selected Costa Rica to install the only plant that it has built in Latin America.
- The Economist, an English magazine, in its November edition, pointed out the large amount of fixed telephone lines in Costa Rica, in Latin America this figure is only surpassed by Uruguay. The article also talked about the notable level that a country could reach and compared its potential with that of Sweden, which certainly holds the first position in IDC's ranking.
- Hewlett Packard established in our country a technology center where workers have access to computers supplied with solar energy.
- For Nicolás Negrofonte, founder of the media lab of the Massachusetts Technological Institute (MIT), the Costa Rica case – which currently exports Intel chips – is a clear example of how a country, which economy depended for a long time mainly on agriculture, may obtain great benefits from other businesses such as technology businesses.

ANNEX 2

INTERNET IN COSTA RICA NUMBER OF NODES

Nodes	Sector	Domain
1	Higher Domain	cr
2001	Higher Education Sector	ac.cr
9	Middle Education Sector	ed.cr
62	National Investigation Sector	crnet.cr
1322	Commercial Sector	co.cr
429	Government Sector	go.cr
20	Financial Sector	fi.cr
117	Organization Sector	or.cr
65	Health Sector	sa.cr

- 52,000 switched users.
- 350 dedicated users.

ANNEX 3

PROJECT FOR THE ESTABLISHMENT OF AN ADVANCED NETWORK

The Internet model has turned into the instrument par excellence for the transformation of society. This model is being imposed on all human activity aspects and particularly in telecommunications, even substituting traditional telephony.

The communications protocols on which the Internet is based on (IP) have proven that they may be adapted to all possible transmission physical means, all technologies and all types of applications. Contemporary fiber optic systems practically do not have limits in the amount of information that may be transported from one site to the other, which open unimaginable opportunities for the future of mankind. Therefore, our challenge is to give the Costa Rican population instruments based on new technologies through generalized access to communication and information networks, which up to now were only used by large corporations and the governments of developed countries.

With this clear objective, the Instituto Costarricense de Electricidad, ICE, and the Ministry of Science and Technology, MICIT, have prepared a project for the establishment of an advanced Internet Protocol, IP, network, which will allow the modernization of the National Telecommunications System, currently directed to the telephone circuit technology and integrate all services, such as voice, data and video.

The project allows the use of the fiber optic rings installed in the country, the SDH (Synchronous Data Hierarchical) circuits and the existing copper network. This initiative will be complemented in the near future with ICE's coming fiber optic expansion project, Border to Border Project.

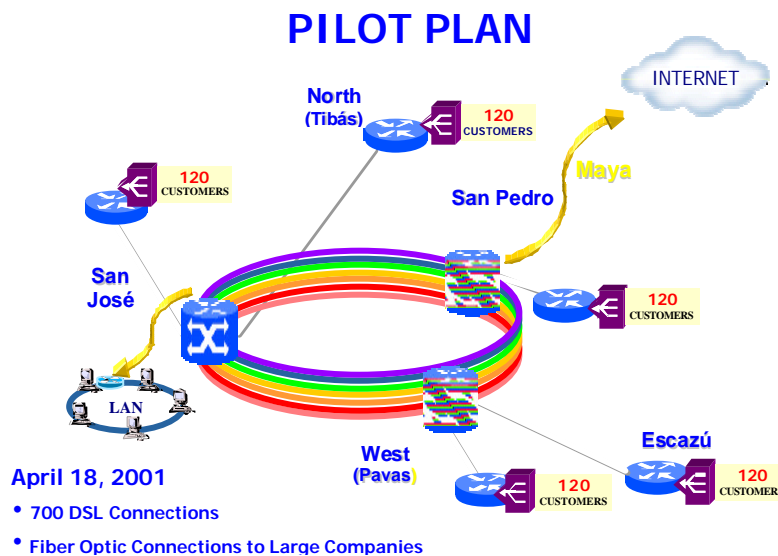
On the base of the existing infrastructure the required elements shall be installed, gigarouters and megarouters to direct Internet traffic in the national network and interconnect the country with high capacity transoceanic cables in the Pacific and Atlantic, as well as allowing user access to the grand national network, facilitating the integration of the different access means and technologies.

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To the future the project seeks to integrate all telecommunications services, using the new optic technologies, since in today's advanced networks, electronic means are generally used for voice and data.

In the networks of the future, voice, video and data will travel in IP packages on optic media and equipment.

The first stage was inaugurated on April 18, it foresees the interconnection of the San Pedro, San José, Pavas, Tibás and Escazú exchanges, with the installation of 700 digital lines with permanent wide band connection, as well as the commissioning of its central backbone by using optical multiplexing (DWDM) in 2.5 Gbps rings (1 Gbps is equal to one billion bits per second). In this later stage, the interconnection to the network of 24 gigarouters to the backbone and 240 access megarouters or peripheries shall be included to be able to establish some 100,000 permanent wide band connections nationally.



This technological revolution is a qualitative and quantitative jump that turns us into one of the first completely interconnected countries. With this project we will have wide band digital access 24 hours, 7 days a week, three hundred and sixty-five days a year, at a price estimated to be twenty times lower than the current price. This universal access to the best telecommunications infrastructure, shall allow the intersection of citizens, institutions companies and government in all human activities areas, as an essential instrument for the development of individuals and the new society based on information knowledge.

ANNEX 4

STATISTIC ON TELECOMMUNICATIONS. COSTA RICA. REPORT ON THE STATE OF THE NATION. 1999

Years	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Telecommunications														
Installed Telephone Lines	253,038	276,359	283,234	292,260	302,446	312,802	333,883	339,272	408,165	479,355	535,203	607,844	689,245	739,907
Customers of the National Telephone System			223,492	241,927	255,914	267,956	282,453	303,552	337,837	388,245	429,028	482,672	563,871	733,957
Cellular System Customers									6,985	18,704	46,553	64,480	108,770	
Telephone Line Density (per 100 hab.)	9.6	10.2	10.1	10.2	10.3	10.4	10.8	10.7	12.6	14.5	15.9	17.7	19.5	20.8
Number of Direct tel. Lines fact	5,726	6,325	7,024	7,378	7,722	8,558	9,186	9,415	10,045	9,936	9,971	10,330	10,638	10,971
Payphones Density (per 1000 hab.)	1.7	1.8	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.3	2.3	2.2	2.5	2.2
Transport														

ANNEX 5

SITEL PROJECT



ELECTRONIC TAXATION SYSTEM

In 1997 the Tax Administration Modernization Program (PMAT) began. This program is comprised by various components, being one of them the development and implementation of the new Integral Information System for the Tax Administration (SIAT), this system is in a high advanced level and currently supports the entire tax administration operations.

Within the objectives set forth in PMAT, we have:

- Improve voluntary compliance
- Facilitate processes for taxpayers wishing to comply
- Improve collection avoid tariff increases.

This objective has been complied, inasmuch that greater facilities have been made available to the taxpayer, the banking collection process was substantially improved, services received from collection entities have increased qualitatively and quantitatively, in spite of reducing the collection costs to almost 50% and many procedures were simplified, however, from the beginning of the project to date, technological advances have not ceased, the growth and potential of the Internet network and within the same e-commerce stands out.

Modernization processes are constant, technological advances increase standards, create new requirements and offer alternatives at lower operation costs, subsequently the need for the Costa Rican Tax Administration to become more modern and to have access to the resources offered by the Internet, is obvious.

Precise and organized information constitutes one of the main assets that the Tax Administration has. Processes for the obtainment, control and disposition of this information must be agile, timely and efficient. The incorporation of the Tax Administration into the Internet will multiply the points where the information is captured and is put at the taxpayer's disposition, whatever information is of their interest and that law mandates to be disclosed.

To attend to this need the tax administration requires the analysis, design, development and implementation of a system that includes the following elements:

1. Design and implementation of a help program to fill in tax returns, which allows the taxpayer to complete his/her return, generate an e-file and print the same from his/her own equipment. The program shall have data validation system to validate data input by the taxpayer, and must allow, from a button or a similar facility, to send the return from the Internet, therefore it should be compatible and integrated to the system detailed in item No. 2.

The program will be able to generate an e-file that may be saved in a diskette, for its physical delivery to the tax administration and to generate the printing of the return. In this last case jointly with the printing of the return, special formats shall be included (i.e. PDF), which will facilitate to capture of data reported by taxpayers, offering the highest levels of security and reliability.

The implementation of the help program, as well as the e-filing and e-payment system shall include, in the beginning, 101, 102, 103, 104, 106, 110 and 401 models, but it must allow and be completely enabled, as from a common structure, to add other models (see model detail in Annex 1).

2. Provide to the taxpayer, our customer, and a facility for e-filing and e-payment of income tax returns, including information tax returns.

A system is required to enable the taxpayer to use the most common Internet navigators, so that he/she may be able to access the same and fill in and send his/her income tax returns, be them filled on or off line and transact their payment through a direct debit order. The system shall execute validations, encrypt the information and guarantee the highest security levels.

The system shall be access through the Internet, however, the evaluation of direct connection options is required, via modem for at least a group of taxpayers or according to the institution's convenience.

The system requires an interface to exchange information with SIIAT and with the Inter-banking E-Banking and E-Payment System (SINPE, in Spanish) of the Central Bank of Costa Rica.

Regarding the tax payment, the system shall contain a facility to authorize a debit order directly to the customer's order, in his/her bank or financial entity, notwithstanding, according to the customer's convenience or while this service is not available through SINPE the system will have a facility to print the official payment receipt, form D-110, which may be cancelled by the customer at any of the authorized collection entities.

3. Facilitate other electronic information exchanges on the taxpayer's accounts, returns and payments made through the system and general information regarding the tax administration, in the manner of instructions, manuals and official communications.

Facilitate the application capturing that originate internal proceedings on behalf of the Administration, and the process flow control of said proceedings, the generation of resolution documents and the updating of SIIAT as from these resolutions.

4. Electronic retrieval of information generated by the collection entities in the framework of the current collection agreement, specifically the collection payroll, primary data support and secondary data support.

Hereinafter we further explain the activities mentioned:

1. Help program to fill in returns

The purpose of this program is to put at the taxpayer's or our customer disposition, an application that may be executed in microcomputers of typical configurations (486, 16 MB RAM memory processors, and Windows 95 operational system or higher), through this application the taxpayer may fill in step by step and with instructions their self-assessed returns, as well as information returns. The program or application must allow the installation in all models or only for those that are of the customer's interest.

The system for each of the forms, shall have the following features:

- ◆ Installation of the system in the customer's equipment, through a simple and friendly process.
- ◆ The possibility of downloading the system from the Internet, store it in the customer's equipment or install it directly.
- ◆ It will allow filling in and validating offline the annotations made in the return forms. This validation shall include points, but not limited to: the nature of the fields, limits to field values, mandatory annotations and relations between fields. Validation regulations for each form shall be specified by the General Taxation Directorate in a further stage.
- ◆ Calculation of the taxation obligation at the customer's responsibility, according to the annotations written in the form. The tax calculation varies according to the type of model and the type of taxpayer. Additionally surcharges that come from the form that is completed beyond the term must be estimated, from their expiration date up to the payment date introduced by the customer. The estimate of surcharges shall be an option enabled by the customer.
- ◆ Flexibility to allow the customer "save" the return in his/her own computer, so that he may fill it out according to his/her own time availability.
- ◆ Facility to store the return data in a diskette or other portable means, in which case information stored must be encrypted.

- ◆ An action button or a similar facility to allow the customer to send the return form to the General Taxation Directorate web site, so that the completed form may be signed, encrypted and sent. (The opening of the Internet site that uses this method must make the customer complete all security requirements).
- ◆ Printing of the return in the customer's equipment, in which case the print out shall include a special format (bars, PDF) so that information in the return fields is susceptible of being read by means of electronic media.

2. E-return filing and e-payment

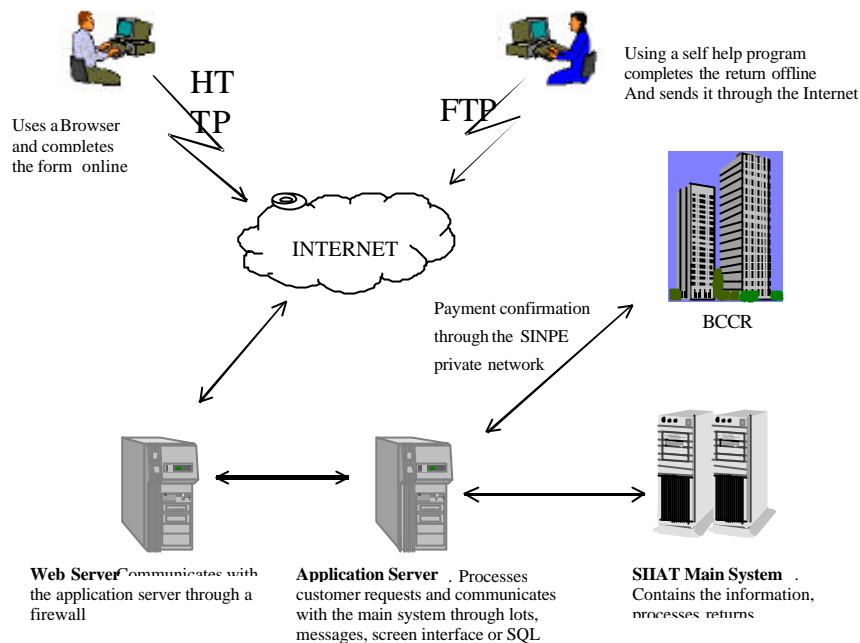
The purpose of this system is to provide a facility for online e-filing and e-payment via the Internet, in a safe and user friendly manner. The features of the proposed system are:

- ◆ Access to the system through the Internet network and a commonly used Navigator (Netscape Navigator, Internet Explorer or others). Notwithstanding, the consultant should evaluate the possibility of connecting multiple users through a direct modem connection, by using a common telephone number.
- ◆ Registration in the system, once this registry has been done, the taxpayer will be given an access code and a password, which must be modified the first time the system is accessed. The customer will be given the facility to establish at least two key questions that may be used in the event the password is forgotten.
- ◆ Authentication service that verifies customer access codes.
- ◆ Completed electronic forms transmission to the General Taxation Directorate via Internet, whether it was completed online or offline.
- ◆ Facility to annex a digital signature.
- ◆ Use of secure Internet technologies.
- ◆ Validation limited to return fields. Included but not limited to: the nature of the fields, field value limits, mandatory annotations, relations between fields and validation regarding data located in the main Taxation system.

- ◆ Calculation of the tax obligation to be done by the customer, pursuant to the annotation completed in the form. The calculation of the tax varies according to the model type. Additionally, surcharges resulting from the form when it is being completed and/or paying beyond the term, must be calculated as from the expiration date until the payment date input by the customer. The calculation of surcharges shall be an option enabled by the customer.
- ◆ Online confirmation of return processing, by assigning a unique return number.
- ◆ For every customer subscribed in the system, an electronic directory shall be maintained from where the received confirmation of his/her income tax return shall be sent, as well as varied information in text format or in the form of a file.
- ◆ Facility to store the income tax return data in a diskette or other electronic means, in which case, the information store must be encrypted.
- ◆ Printing of the income tax return in the taxpayer's equipment, in which case printing shall include the income tax return field information in a special format (bars, PDF) susceptible of being read by electronic media with high reliability levels.
- ◆ Validation of the account number indicated by the customer for the application of the direct debit order.
- ◆ Preparation of daily lots with the information on payments done through the system to be sent to SINPE of the Central Bank of Costa Rica, in charge of transacting the respective credits to the financial entities indicated by the customer.
- ◆ Processing of the transactions lot sent by SINPE regarding confirmed payments and tax returns.
- ◆ Daily payment payroll processing and income tax returns filed.
- ◆ A statistics facility regarding systems accesses, transactions, users and in general on the volume of transactions performed through the system.

The following chart shows a graphical perspective of the proposed system. The purpose is that it only be indicative and does not imply any designing imperatives.

TOPIC 2.2



3. Facilitate other electronic information exchanges: instructions, manuals, official communiqués and general information regarding the tax administration

Through the Internet site customers will have easy access to certain information from the computerized account registry of the General Taxation Directorate (SIAT), as well as of the information processed through said site. Customers may only access information regarding their own account. Since part of the information which is of interest for the customer, is in our main server, the system shall provide the customer with the possibility of requesting this information, extract the information and present it to the customer. The site will put at the customer's disposition general information, such as instructions, manuals and official communiqués.

Information type options that each customer will be allowed to access, shall include, for each tax, the following (this is not a thorough list):

- ◆ An accounting statement for a determinate fiscal period or a range of fiscal periods including, i.e. the type of tax, the fiscal period, the obligation, payments, balance and expiration date of the obligation.
- ◆ Payment lists that the Tax Administration has received from the customer for a fiscal period or a range of fiscal periods. This list shall include information such as the filing date, document number, payment amount.
- ◆ The status of a tax income return for a fiscal period, i.e. issued, received and processed, delayed.
- ◆ Detail of the debtor or creditor balances of the customer's accounts, including, i.e. the type of tax, fiscal period, the obligation, balance and the expiration date of the obligation.
- ◆ Transact applications for different proceedings through standardized forms that are placed on the site at the customer's disposal.
- ◆ Inquiries regarding the status of their proceedings.
- ◆ Access must be available in real time.

4. Electronic retrieval of information generated by the collection entities in the framework of the current collection agreements, specifically in the collection payroll, primary data support and secondary data support

Through the Internet or through a modem connection, it is collection entities are expected to send the information that is currently transported in diskettes and physical means.

General System Features

In general, the proposed system includes the following characteristics:

- ◆ A central system that shall be flexible and proportionate to allow the ease of adding new types of forms and the addition of new services or the elimination of undesired services.

TOPIC 2.2

- ◆ It shall be easy to use for customers and personnel from the General Taxation Directorate.
- ◆ It shall provide quick response times. The minimum desired standard is 3 – 5 seconds.
- ◆ Enabled to meet the peak traffic times that appear by mid-month and by the end of the month in the income tax return filing flow and specially the considerable increase that takes place during the last days of the month of December each year.
- ◆ It is sought that eventually the system will be available 24 hours a day and 7 days a week.
- ◆ A minimum team of customers, i.e. a computer with an Internet search engine and a modem.
- ◆ It shall include an online tutor and help context sensitive.
- ◆ It shall provide error management with clear explanations on how to solve problems.
- ◆ It shall provide an options menu with the services, navigation between options and sub-options.
- ◆ It shall provide an “open” system that may be completely backed by all common search engines in the network and general Internet technology.
- ◆ It shall be easily provided with the capacity to attend peak return filing processing volumes (see Appendix 1, for an estimate of maximum processing volumes).
- ◆ It shall support the Tax Administration’s security requirements (see paragraph 3.6 regarding security requirements).
- ◆ It shall complement and increase existing information from the Tax Administration and communications technologies.

Security

Information Security, the system:

- ◆ It shall provide customer authentication
- ◆ It shall provide dedicated information confidentiality transmitted in both directions
- ◆ It shall assure equipment and customer information integrity,
- ◆ It shall assure the integrity of the information transmitted
- ◆ It shall support digital signatures
- ◆ It shall supply a means for audits and transaction registries
- ◆ It shall supply information and systems recovery

Tax Administration Security System

- ◆ It shall provide the appropriate security to guarantee that the main system of the General Taxation Directorate is protected through the use of the system's facilities.
- ◆ It shall assure that the system itself is protected against attacks.
- ◆ It shall assure that the customer's computer system is not engaged as a result of the use of the Tax Administration's system.

Forms to be incorporated into the system

Model Code	Model Name
101	Income Tax Return
102	Tax Return of Company Assets
103	Tax Return of Withholding at Source
104	Tax Return of Sales Taxes, Assessment by means of the Traditional System
105	Tax Return of the Simplified Taxation Regime
106	Consumer Selective Income Tax Return
107	Gaming Houses Income Tax Return
108	Self-Assessments for Partial Payments of Income Tax
109	Self-Assessment for the Partial Payment of Income Tax on Company Assets
110	Official Payment Receipt
111	Tax Return of Sales Taxes. Purchase System Assessment
112	Tax Return of Sales Tax. Regime . . .
113	Tax Return on Investment Profits and Yields
114	Tax Return on Fuel and Oil Byproducts Taxes Law N° 7798
115	Return for the Regularization of Taxation Actions
116	Sanctions Self-Assessment due to Tax Irregularities
120	Tax Return to the Transfer of Real Estate
121	Tax Return for the Transference of Automotive Vehicles (including exemptions), aircraft and vessels
140	Registry filing, Data Modification and Deletion from the Taxpayer Master File
401	Request for Transfer, Compensation and Return
403	Request for Returns and Recognition of Interests
Information Filing	
150	Annual filing of Summary of Withholdings and their corresponding detail
151	Annual filing of Summary of Customers, Suppliers and Specific Expenses and their corresponding detail
154	Annual filing of Summary of Credit Cards and their corresponding detail
160	Quarterly filing of Printing Shops and their corresponding detail

Estimated Forms Volume, year 2000

Model Code	Estimated Volume, year 2000	Frequency
101	210,000	December of each year
102	800	December of each year
103	7,000	Monthly (expires on the 10 th business day of each month)
104	50,000	Monthly
105	15,000	Quarterly
106	1,100	Monthly
107	(A)	Monthly
108	23,000	Quarterly
109	1,500	Quarterly
110	9,000	Monthly
111	300	Monthly
112	600	Quarterly
113	(A)	
114	(A)	
115	(A)	
116	(A)	
120	8,000	Monthly
121	8,000	Monthly
150	3,000	Annual
151	2,650	Annual

(A) The amount is not relevant, it represents, less than 100 forms per month.

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Case Study

TOPIC 2.2

IMPACT OF INTERNET: INFORMATION SERVICES AND INTERNAL PROCEDURES

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(Denmark)

CONTENTS: Brief Summary of the Danish Tax System.- Internet Services for Private Taxpayers.- Internet Facilities for Employers and the Financial Sector.- Incentives for Using Internet Services.- Internal Consequences of the Electronic Services.- Conclusion on Digitalisation. Appendix 1 – Internet Services in Denmark.

BRIEF SUMMARY OF THE DANISH TAX SYSTEM

INCOME TAX

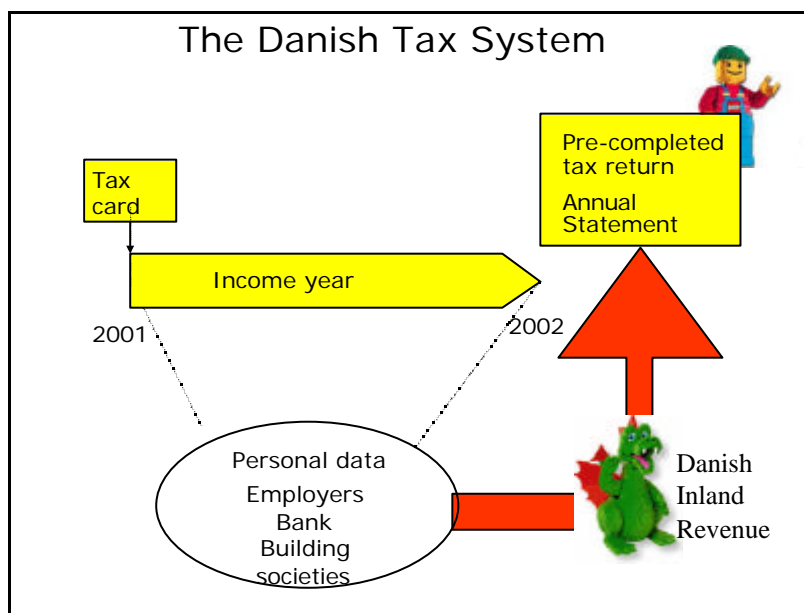
The key element in the administration of the Danish personal income taxation is the PAYE system, Pay As You Earn. Wages, pensions and most public benefits are subject to a withholding tax. The tax is calculated on a monthly basis by employers etc. on the basis of information from individual tax cards issued annually by the tax authorities for each taxable person.

In November all taxpayers automatically receive an advance tax assessment for the upcoming tax year. The assessment is based on the latest final assessment combined with information from the taxpayers regarding the present tax year (for example sale or acquisition of property or other major changes). The taxpayers have an obligation to check the advance tax assessment and to inform the tax authorities about changes that have a major influence on their tax payment.

Self-employed persons and persons whose main income is not subject to withholding tax pay preliminary tax in 10 installments.

Withheld taxes must be paid monthly to the Danish Inland Revenue. After the income year the employers declare the income, the amount of withheld tax and a number of specifications concerning the income for each person. Banks, pension funds, unemployment insurance organisations, public institutions etc. report information on various incomes and deductions.

Fig. 1 – An illustration of the tax flow

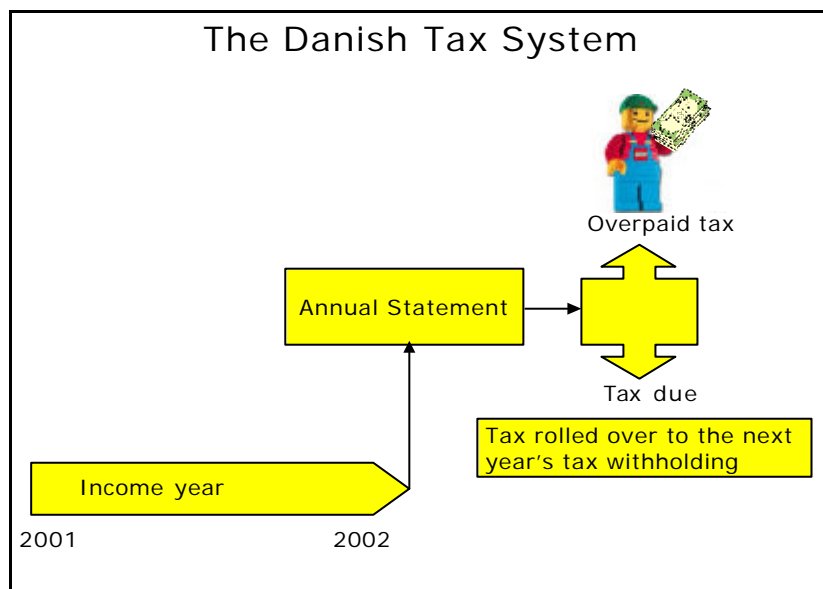


The combination of all this information enables the Danish Inland Revenue automatically to compile most of the information needed for the annual statement. A pre-completed tax return is made for 85 per cent of the taxpayers and mailed on paper to the taxpayers. If they have already paid more than they owe for the year, they find a check in the envelope too. If they owe a little more, it is simply rolled over into the next year's tax withholding. If the numbers look wrong, taxpayers can make corrections over the telephone or via the Internet.

More than half of the ordinary wage earners and pensioners have no further information to add to the pre-completed tax return. They do not need to return the statement to the tax authorities.

The system has been developed in order to simplify the contact between the taxpayers and the tax authorities and in order to simplify tax auditing concerning the ordinary taxpayers. By other means the process has been reversed: Instead of tax authorities auditing the information given by taxpayers on their tax return, the taxpayers now audit the information from the tax authorities. The system, which has been developed gradually since 1984, has been a great success with the taxpayers.

Fig. 2 – An overview of the annual statement procedure



Reporting of information about VAT, customs and wages.

Business enterprises report information to the Customs and Tax Administration on a continuous basis. The information may be reported via the Internet. 16% of business enterprises are registered with the scheme. The share of information reported and returns filed via the Internet is increasing, and there is much focus on getting more business enterprises to register. The number is expected to double in 2001.

TOPIC 2.2

The Customs and Tax Administration is continuously developing Internet systems that are to facilitate business enterprises' filing of returns and reporting of information. The most recent system is the Customs System, which is to provide quick and smooth customs clearance and enable business enterprises to take goods into use as soon as they arrive. The Customs System has had some teething problems, but is expected to facilitate business enterprises' reporting in the future.

From 2002, a new reporting system for information about pay, etc., LetLøn, will make some administrative tasks easier for business enterprises by pay information and payments being reported to one overall data processing centre, which will distribute the statements and payments to the relevant recipients.

Information and service

The information and service area has also undergone a process of digitalisation. The Customs and Tax Administration has continuously extended and improved the Tax Assessment Guide, the VAT Guide, the Calculation Guide, the Customs Guide and various guides aimed at private taxpayers and business enterprises, which are used by both the local and the regional authorities and which are available to taxpayers via the Internet (www.toldskat.dk).

The Customs and Tax Administration has continuously developed and improved the information that the regional authorities and the municipalities use to service taxpayers. Furthermore, the Customs and Tax Administration has increasingly tailored the information to the individual taxpayer. Firstly, this has been done by sending out pamphlets and guides that are adjusted to the different information requirements. Secondly, the tax return has been improved so that it now contains information about the individual taxpayer's and business enterprise's income and allowances. And, thirdly, all relevant information material is now available to taxpayers via the Internet. An on-line guide to how the service is used and on the substantive/legal contents is provided on all the Danish Inland Revenue's Internet services.

INTERNET SERVICES FOR PRIVATE TAXPAYERS

As already mentioned, there is access to a large quantity of information and services via the Customs and Tax Administration's home pages at www.toldskat.dk, which currently contains approx. 100,000 underlying

pages. In order to make the large quantity of information clear and comprehensible, the entry portal has been divided into three target groups: private taxpayers, business enterprises and consultants.

The objective to provide private taxpayers, business enterprises and authorities with complete and equal access to all current written tax information can be said to have been met today.

Via the private taxpayers' portal, there is access to general tax-related information and guides, tax rates and amount limits, tax calculation programs, filing of returns, etc. via the Internet ("Self Entry"), form service, current news communication, information for young people, tax information about the Oresund region, information about public land assessment, "questions and answers" about the areas of major interest and the possibility of putting questions to the tax authorities. For business enterprises and consultants, there are also a large number of additional services, which are described in further detail in a later section.

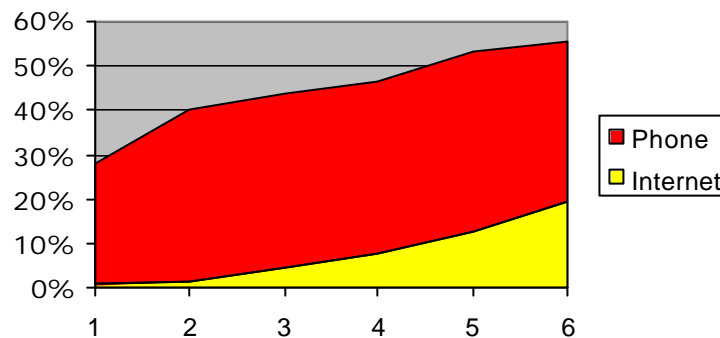
In connection with the forwarded advance tax assessment, tax return and annual statement, it is necessary for some taxpayers to return corrected and/or added information to the tax authorities. Most often, it is only necessary to add a few pieces of information, for example a correction to the advance tax assessment because of new interest expenses after the raising of a loan or a change to the tax return after changes in the mileage allowance.

In order to avoid that taxpayers need to send in these changes by post, as at the 1995 income year, an Internet tax return solution was developed. The following year, the system was extended also to comprise the advance tax assessment. The user is presented with a web form with the same contents and appearance as the paper version. It is only necessary to change the amounts to which the taxpayer has changes/additions. There are links to guides to all the boxes. After approval of the information entered, the data are automatically transferred to the systems of the Customs and Tax Administration.

As early as a couple of years prior to the development of the Internet facilities, it was possible to report the changes by touch-tone telephone instead of returning the paper version.

While the telephone solution became an instant great success, use of the Internet facilities was very limited for the first couple of years, but the number is now increasingly heavily. 13% of the returned “pre-completed” tax returns for the 1999 income year were returned via the Internet, whereas 8% of the taxpayers changed their advance tax assessment for the 2000 income year via the Internet. The development in tax returns, etc. filed by telephone and the Internet is illustrated in the figure below.

Figure 3 - Tax returns, etc., filed by telephone and the Internet by the taxpayers



The web forms are filled in automatically with the information known by the tax administration on the taxpayers’ wages, interest income and deductions, pension deductions, property information etc. in the same way as the pre-completed tax returns on paper.

For the Internet tax return for 2000, the taxpayers have full access to their own data. It is possible to access further specifications on the pre-completed information, which is compiled from the filed data from employers, financial institutions, etc.

For example, the pre-printed summarized amount of interest can be separated into the reported information on bank deposits from each financial institution, interest on bonds, deposited mortgage deeds; investment fund profits, etc.

Another example of the greatly improved taxpayer service due to own access to data is information on the taxation on the value of property. The taxpayer is shown data on the assessment of the property, owner share, date of purchase (or sale), property registration number; etc.

After inserting any amendments, the taxpayer can access the annual statement. The data is transferred to the main system, which calculates the final assessment, and transfers results back to the Internet servers.

The web system also contains facilities for calculating preliminary or final taxes based on information entered by the taxpayer. This enables taxpayers to see the consequences of changes in incomes and deductions, for example when considering whether it is necessary to change the advance tax assessment. The system also offers the possibility for taxpayers to see the individual consequences of the latest implemented tax reform.

The website is used as an easy way for both taxpayers and tax professionals to access information on guidelines and legislation. In addition, a number of frequently asked questions are available.

By giving the taxpayers access to their own data, the taxation procedure is presented from the taxpayers' own perspective. The tax return is not presented with a lot of empty boxes to be completed, but shows the individually tailored tax return, with all the relevant data pre-completed, and - if desired - with further specifications. Thus, the taxpayer can be guided through a complex web of rules via an interactive dialogue: 'If you do this, you must also....., etc.'

As the taxpayer has access to his own data, he has the possibility of forwarding the data to others, e.g. his bank or insurance company. In general, with the Internet accessibility to the taxpayer's own data, the taxpayer's experience of the tax return procedure is significantly improved.

INTERNET FACILITIES FOR EMPLOYERS AND THE FINANCIAL SECTOR

As mentioned earlier, the Danish tax system is based on extensive use of electronic reporting by employers, banks, pension funds and other private and public institutions. The basic condition for running this system is a unique identification number, the civil register number, which is used in all relations between citizens and public authorities. The citizens are required by law to identify themselves by means of the civil register number in relation to employers and the financial sector and others with the obligation to report information to the tax administration. This system has been important for the development of electronic communication with employers, banks etc. that supply the information on incomes and deductions.

TOPIC 2.2

All information from the financial sector is supplied electronically.

Besides the established electronic solutions related to the preparation of the advance tax assessment and the tax return, the Danish Inland Revenue has established additional Internet self-service facilities for self-employed persons and businesses.

The first phase was introduced in 1999, and as per mid-2001 the set-up includes:

- Payment of VAT
- Payment of PAYE and contributions
- Report on employees' personal number codes (on a monthly basis)
- Report on employees' wage statements
- Report on certificates of pay and tax deducted
- Report on pension entitlements
- Report on PAYE and VAT from administrators (Internet filing of PAYE and VAT from multiple businesses in a single transmission)
- Report on VAT to the European Union (to the VIES system)
- Requisition of tax deduction card information and information on employees' names and addresses
- Report on customs

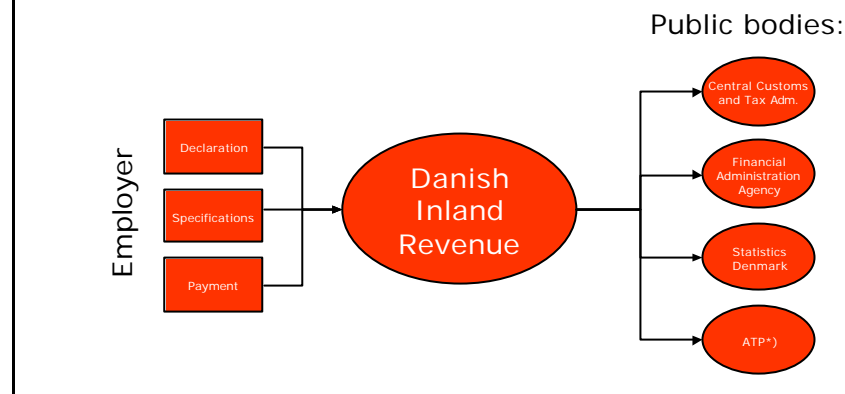
By the end of 2001, it will be possible to:

- Report on environmental taxes and excise duties
- Payment of wage bill taxes

Furthermore, a new system is being developed for the electronic communication between employers and the authorities. Today employers have to report information and make payments to four different authorities. From 2002 all information from employers can be reported electronically to one central system, which will be developed by the Danish Inland Revenue. Employers will report wages and a number of other specifications on a running basis to the new central system. Payments of withheld taxes and other payments will also be made to the central system, which will then distribute information and the payments to the competent authorities. A call centre will be established for the handling of errors, arrears and questions.

Fig. 4 – The central access point for reporting by employers

Electronic PAYE-system on Monthly Basis



This central access point will significantly ease the employer's communication, since they will need only to deal with one public authority concerning wages. The system of monthly reporting of all wage information will make it possible to develop the tax system further. For most ordinary wage earners the tax payments via the employer can be adjusted automatically during the year. This will reduce problems with overpayment or underpayment.

INCENTIVES FOR USING INTERNET SERVICES

Internet solutions are currently being developed at a very high speed. This may entail a risk of solutions being developed that are not used because there is no real incentive to use them. In the short term, the Internet possibilities have curious values because they are new, and they are therefore visited/used by curious users. But, in the longer term, it is not sufficient that it is possible to file returns and report changes in a "new" way. There must be clear advantages attached to using the Internet instead of other (paper) solutions.

It is a clear advantage that tax-related information can be found at the tax authorities' home pages. All relevant information is gathered in one place, and it is not necessary to spend time contacting the local tax authorities for information. There is also easy access to make inquiries by e-mail. In addition, there is access to information 24 hours a day.

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There is access to the forwarded notices of advance tax assessments via the Internet. To begin with, the only real incentive of using the Internet instead of the paper version is the postage saved. However, in connection with subsequent necessary changes to the advance tax assessment during the income year, using the Internet solution is a clear advantage, instead of having to obtain, fill in and return a paper form.

In the same way, there is electronic access to the forwarded tax return. Here, Internet use offers several incentives. Specifications of the pre-completed information can be obtained, and there is quick access to guidance for all boxes. Furthermore, there is a financial incentive, as, after only a few days, there is access to the final annual statement based on the tax return information reported. This means that any excess tax payments will be paid out to the taxpayer far earlier compared with the procedure used for the paper-based tax return.

Seen overall, however, it must probably be noted that there is a need for further incentives for using the Internet if the present development trend in the number of users is to be continued.

For the 2000 income year, in Denmark access has been opened for the extended tax return for self-employed persons and others. The functionality is in line with the ordinary tax return, with pre-printed information and access to further specifications hereof. Just over 13% of all taxpayers are covered by the extended tax return scheme.

For most taxpayers in this group, annual accounts, a business form and a capital statement must be enclosed with the extended tax return. For these taxpayers, there will be no significant incentive to use the Internet solution before it becomes possible to submit both annual accounts and capital statement electronically. This is planned to be introduced with the new business tax return for the 2002 income year. As a consequence hereof, the special form with the figures for the annual accounts in main items will be superfluous and will therefore be scrapped.

The Customs and Tax Administration has already developed a system for filing tax returns, annual accounts and capital statements electronically. However, the transfer of data between the tax authorities and the parties filing the documents does not take place via the Internet. The system is used for the first time for the 2000 income year, for which an agreement has been entered into with the agricultural sector

on the provision of information from those taxpayers who use the Consultancy Centre of the Agricultural Sector. This means that, this year, the municipal tax administrations will receive tax return data and accounting information for use for the tax assessment work exclusively via the Internet from the registered farmers and their spouses.

Persons with large business enterprises will most often use the services of accountants. Prior to the accountant's final reporting of data, the Customs and Tax Administration's registered data on the individual client will, in the future, be available electronically following the acceptance of the taxpayer in question. This means that the tax authorities will receive balanced accounts, including tax return and capital statement, which will give maximum certainty of correct registration. Under the scheme established with the agricultural sector, the central unit receives precisely such client data before the final balanced data are submitted to the Customs and Tax Administration. The agricultural sector consequently makes the initial comparison of data itself, making this part of the tax authorities' tax assessment work superfluous. The initial assessment work is consequently handled by the private sector.

For small business enterprises, the Internet can first and foremost be used for electronic transfer of data to the Customs and Tax Administration. The further development of the Internet-based extended tax return will therefore be taken much further than the tax return for ordinary wage earners currently available on the Internet. At the same time, it has been decided that further development of the extended tax return will exclusively cover the Internet version and not the paper version. This will make it possible further to increase the incentive to use the Internet.

As previously mentioned, a new system – "LetLøn" – for reporting information about pay, etc. from business enterprises is being developed. In addition to what has been described above, through monthly registration of wage earners' income, LetLøn also allows for a certain degree of automation of the current need to make changes to the advance tax assessment. This will, in particular, be the case if it is combined with the possibilities of registering wage earners' monthly deductions and allowances. LetLøn opens up for the possibility of sending tax cards directly to employers electronically also in connection with subsequent changes, which means that it is not necessary to involve the local tax administrations.

INTERNAL CONSEQUENCES OF THE ELECTRONIC SERVICES

When Internet services are developed for private taxpayers and business enterprises, the tax authorities are forced to look at its own administrative tasks in this new perspective. You could say that the counter between taxpayers and the authorities has been removed and the taxpayers have been invited in.

For just over a decade, the Customs and Tax Administration has used the quality assurance model as a tool for internal development, and a number of regions have applied for the Quality Prize for the public sector. Since the merger between the customs authorities and the central tax authorities in 1990, the focus has been on the concept of quality and on using quality assurance tools systematically in the work. In 1993, a Quality Assurance Committee was set up. The Committee's tasks included presentation of ideas for initiatives in the field of quality assurance. The first draft for quality standards was presented at a management conference in 1994.

The Business Process Reengineering project was initiated in 1995 with the objective of changing the Customs and Tax Administration from being divided into functions to being process-oriented. The process of change has, so far, culminated in a major structural change of the central unit in the Danish Inland Revenue. This will make itself felt on both the decentral State organisation and the municipal organisation.

The changes are an advantage to both the organisation and the persons and business enterprises that it services. It is not conceivable that the customers will accept organisational divisions that seem illogical and incoherent and that are only introduced for internal reasons. Requirements are made for a structure that makes sense in relation to the processes that affect the customers.

A natural consequence of digitalisation and increased servicing is the establishment of a Call Centre. This will clearly contribute to improving communication with private taxpayers and business enterprises and to reducing the pressure on the information tasks of the local authorities. Conversely, it must be realised that the establishment of a Call Centre requires a lot of work, which experience from, for example, Canada shows.

Use of the Internet has considerable consequences for the tax administration in terms of both financial and work-related resources. However, the effects differ greatly for the central tax administration and the regional and municipal tax administrations respectively.

The central tax administration has primarily been responsible for the development of the digital services, which has, in itself, resulted in the use of both staff resources and financial resources. At the same time, it must be noted that, to a great extent, the regional and local tax administrations have been able to benefit from the development of these services without using any resources.

The central administration has, of course, also been able to enjoy certain advantages of the digital development and resulting higher degree of self-service/self-administration. In addition, electronic reporting and filing of returns entail greater certainty of correct registration of data and consequently less work on subsequent corrections. But compared with the current development costs, the financial effect for the central tax administration must, at best, be regarded as neutral.

For the administration as such, there will, as mentioned, no longer be a connection between those that provide the financial resources and staff resources and those that reap the advantages. The central development unit will only achieve the advantage of achieving the ideal of having a more effective and reliable tax administration, whereas the regional and local authorities will reap a number of rationalisation advantages. This is a special problem in Denmark, as the local tax authorities are not State run, but municipal, and financial equalisation between central government and local government will consequently be necessary. This may give rise to some political discussions.

Conversely, digitalisation means that the need for regional and local authorities is reduced, seen from the private taxpayers' and the business enterprises' point of view, in particular in a country as small as Denmark. In by far the majority of cases, private taxpayers and business enterprises will be indifferent to whom they communicate with as long as their outstanding accounts with the tax authorities are settled in an easy and correct manner.

There will consequently be a basis for slimming down both the local and regional authorities, and part of the costs saved through this process will necessarily be transferred to the central unit.

If the digital services in the field of data and information are extended with a central Call Centre, this development will be accentuated.

CONCLUSION ON DIGITALISATION

- that the tax authorities' internal structure will change so that it meets the taxpayers' requirements for coherence and clarity functionally and qualitatively,
- that a financial development and incentive system is to be developed, as the development costs and advantages of the digitalisation are separated,
- that there will be a trend towards centralisation,
- that the use of staff resources will, other things being equal, be reduced,
- that the digitalisation will entail a certain level of privatisation of the Danish tax system. I.e. from authority to private taxpayer/businessman/consultant.
- Finally, digital self-administration will require that the public authorities mutually harmonise their solutions, which is, for example, the case with digital signature. Here, it is essential that a private taxpayer or business enterprise can use the same signature vis-à-vis all authorities.

INCREASED COMPLIANCE

At CIAT's 35th General Assembly, which was held in Chile, the Danish delegation concluded that the Danish tax system has virtually abolished the need for control of wage earners' tax returns except for the control made by means of the central computer systems that are available to the local authorities. Increased confidence in the authorities' credibility is achieved by the taxpayers having full access to all the information that the tax authorities have registered, and it is ensured that the taxpayers generally act within the letter of the law as all data go through the State control systems.

This is, to some extent, also expected to be the case regarding self-employed persons when a new business tax return is introduced.

At the Chile Conference, this tax return reform was outlined in further detail. The reform primarily concerns the introduction of a system equivalent to the existing system for wage earners (pre-completed tax return) combined with interactive annual accounts.

The sharing of knowledge that takes place along with the increase in digital self-administration contributes to making taxpayers more responsible. Conversely, the same applies to the public authorities because taxpayers have full access to the information registered.

All these factors also contribute to uniformity in the tax administration, which results in increased due process protection for taxpayers.

Since the introduction of the automatic tax return system and the publication of a partly binding joint tax assessment guide for the municipalities and taxpayers, the number of complaints about income tax cases has decreased. This trend is expected to be strengthened further through the interactive use of data and electronic communication of information currently taking place.

Finally, a scenario for how the Central Customs and Tax Administration sees a possible future development in the area of personal tax as a three-stage rocket:

Stage one:

Today, as mentioned, taxpayers can see the advance tax assessment, the tax return and the annual statement and enter changes during certain periods of the year. Furthermore, taxpayers have access to see certain underlying specifications. This service will be extended so that there is access throughout the year and so that, in principle, there is free access to all data. Furthermore, taxpayers will be able to have data transferred so that, for example, they can calculate their tax themselves. It will also be possible to transmit data to others, for example the annual statement to the bank.

Stage two:

When taxpayers can forward data to other parties, it becomes possible for, for example, lawyers, accountants or other service providers to work with the taxpayers' data. This opens up for a market for tax consultancy supported by technology that can be used for more accurate proposals of tax transactions and procedures and that will

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make it possible to perform, on the taxpayer's behalf, the administrative procedures that are connected with changes to the advance tax assessment and the tax return, etc.

Stage three:

The more data that can be made available to the taxpayer and the more up to date this information is, the better and more up to date the service that the Customs and Tax Administration can offer.

Based on the above, a privatisation of the administration of current changes to the advance tax assessment can be imagined, as today the banks have registered information about the periodic interest payments, etc. that the individual wage earner can deduct. If the information about a person's taxable income is made available to the banks, they will be able to estimate the customer's total annual tax liability and consequently to adjust the requirement for the monthly tax withholding.

The fact that the financial sector already has knowledge of most taxpayers' monthly payments, and consequently holds information about the expenses that can be deducted in connection with the calculation of tax, favours placing the responsibility for a monthly statement here. This requires that the banks will register the taxpayers' deductions on a continuous basis and forward these (many taxpayers have more than one bank) if required. However, it cannot be ruled out that some taxpayers are of the opinion that their overall financial status is of no concern to the bank and that they will therefore prefer to handle the situation themselves. It may be considered to reorganise the administration in such a way that the taxpayer is given his or her own entry portal at the tax authorities' home pages and that this portal will form the basis for both the advance tax assessment and the final tax assessment.

APPENDIX 1

Internet services in Denmark at www.toldskat.dk

Reporting of information to the Customs and Tax Administration via the Internet has been possible since 1995, when it became possible to approve or change the ordinary tax return. Since then, Internet facilities for reporting information and filing returns electronically have been extended and comprise Self Entry solutions for both private taxpayers and business enterprises, where the user friendliness in the form of, for example, specifications on the tax return have been and are improved on a continuous basis.

The Customs and Tax Administration's home page www.toldskat.dk is one of the most frequently visited public home pages in Denmark, and it holds second place in an overall evaluation and analysis of the best home pages for public agencies and directorates. The "Bedst på Nettet" (Best on the Net) analysis evaluates home pages based on factors such as user friendliness, utility value and accessibility, and www.toldskat.dk is further praised for the language used and the navigation possibilities.¹

The home page was given a new design in 2000, and the evaluation is that www.toldskat.dk has had twice as many users since then. Over a three-month period from 1/1/01 to 1/3/01, the home page had 240,607 visitors, which equals an average of 4010 visits a day, with visitors spending an average of 8 minutes and 32 seconds at the home page.

The home page is designed so that it is possible to search for specific information, guides and guidelines. Private taxpayers and business enterprises can also report various information to the Customs and Tax Administration. Consultants can also search for the latest information in the tax field in the form of, for example, Acts, Circulars and decisions.

¹ Bedst på Nettet: <http://bpn.surveyonline.dk/stat/statdetail.jsp?g=110>
<http://bpn.surveyonline.dk/stat/statlist.jsp?t=895&ge=895>

The future development for the home page is to offer a subscription service so that, for example, it becomes possible for consultants or business enterprises to subscribe to precisely the types of news that are of special interest to them. The Customs and Tax Administration is also developing regional home pages to serve taxpayers. The regional home pages are to contain information of regional interest, for example when the region can offer courses on tax relevant subjects for newly formed business enterprises.

The further development perspectives are that all taxpayers are to have their own home page where they can log on to see the Customs and Tax Administration's information about them. Here it is to be possible for taxpayers to make changes or additions to this information and to see overall statements of their tax situation. It is also to be possible to pay, for example, residual tax via the home page.

Reporting of information to the Customs and Tax Administration via the Internet at www.toldskat.dk is divided into Self Entry for business enterprises and private taxpayers respectively. The specific Internet services that can be used by private taxpayers and business enterprises are each described below.

Internet reporting of information and filing of tax returns for private taxpayers

Via the Internet, private taxpayers can use Self Entry to approve or change the ordinary and extended tax returns and to see a number of specifications for the individual boxes in the tax return. It is also possible to see the result of the annual statement and change the advance tax assessment via the Internet.

In order to have access to see and, if required, change and/or approve the information, the taxpayer must use his or her civil register number and a Self Entry code stated in the tax return for the year.

On the Internet, it is also possible to calculate the tax for the 2000 income year and calculate the tax and tax card for the 2001 income year.

The statistics for taxpayers' use of the Internet services, including the frequency of information reported and returns filed, as well as the year in which the systems were introduced on the Internet are shown in the table below.

*Table of Internet services that are available
to private taxpayers*

Information reported and returns filed via the Internet	Internet	File trans- mission	Access code (Self Entry or registration)	No. of returns, etc. filed electronically	Set up in year
Tax return 2000:	X		X		1995
Total as at 1/8/01 (Ordinary tax return and extended tax return)	X		X	291,296	
Reported changes:	X		X	242,070	
-Approved tax returns:	X		X	49,226	
Extended tax return 2000* As at 27/6/01		X*	X	10,413*	2001
Annual accounts and capital statement 2000* As at 27/6/01		X*	X	5,938*	2001
Change of advance tax assessment for 2001. As at 1/5/01	X		X	137,000	1998
Calculate tax for 2000 income year, total as at 1/1-2/7/01:	X			491,391	1995
Inquiry about result of annual statement for 2000 as at 1/8/01	X		X	203,469	2000

**Pilot project for farmers and their spouses. The scheme will be extended to comprise the Internet and file transmission for all extended tax returns with accompanying capital statement and annual accounts from the 2000 income year.*

The development perspectives

From the 2002 income year, it will be possible to file the extended tax return with accompanying annual accounts and capital statement via the Internet.

For the advance tax assessment, the development plans are that the information from the previous year will automatically be specified so that the taxpayer does not enter the changes on a blank form.

Likewise, for the calculation of the tax, the information is to be automatically transferred from the Customs and Tax Administration's databases so that the taxpayer only has to change and add his or her corrections, whereas data already known are shown automatically. The objective is that an individual home page is to be developed for all

private taxpayers, where there will be continuous access for them to see and change their own data. The system is currently limited by there only being access for taxpayers to see their personal data on the Internet during parts of the year. Nor is it possible to retrieve information from previous years.

From the 2002 income year, a calculation model will also be made available on the Internet. This calculation model is to make it possible for private taxpayers to calculate their capital gains and report any tax consequences of this.

Internet reporting and filing of returns for business enterprises

A number of Internet systems have been developed for business enterprises. These systems make it possible to report information to the Customs and Tax Administration by either entering the information or as an electronic file transmission.

Tax deducted from income at source and labour market contributions are reported by business enterprises to the Customs and Tax Administration on a monthly basis. Most reports are scanned into the system for debtors and arrears, but is it also possible to report tax deducted from income at source via the Internet. The system has existed since 1999, and there has been a marked increase in business enterprises that use Internet reporting. For July 2001, 8942 business enterprises reported tax deducted from income at source via the Internet, and this trend is expected to become more pronounced, as the number of business enterprises registered on the Internet is increasing. In addition, the customs and tax regions are working to make use of the Internet solutions more widespread through, for example, explicit focusing on and introduction of Internet reporting facilities for business enterprises.

Reporting of VAT via the Internet has been possible since 1999. VAT returns are filed twice, four times or twelve times a year depending on the size of the business enterprise. VAT returns filed via the Internet have increased markedly. For July 2001, 17,479 VAT returns were registered via the Internet (in July 2000 the number was 8,999). The increase is expected to continue as the customs and tax regions are working to have both new and established business enterprises registered with the electronic reporting scheme.

Civil register numbers for the MIA system (Monthly Statements for Wage Earners of Income Taxed at Source). This Internet service started in 1999, when manual entries and electronic file transmission of data via the Internet became possible. By far the majority of information still comes on magnetic tape; the large pay agencies such as Multidata typically use this conventional reporting scheme. The Internet scheme caters primarily for small and medium-sized business enterprises that can enter the information or send it electronically as a file transmission.

The future development of the system is that the information registered in the system can be retrieved the following month. This will mean that the employer merely has to approve, correct or add information rather than having to enter all the information again. The system is expected to be taken over by the reporting system for information about pay, etc., LetLøn¹, in the course of a few years.

In 2000, the Customs and Tax Administration received a total of 11,318,000 information forms for the COR system – the Central Register of Information Forms. The information forms are based on civil register numbers and are used for the calculation of the tax basis, incl. tax deducted from income at source and AM/SP contributions (labour market and special pension saving contributions) as well as ATP contributions (the labour market supplementary pension scheme). Most information to the system comes from large pay agencies, which primarily report information via magnetic tape. Since the Internet service was developed in 1999, in particular small pay agencies have used the possibility of filing the information forms via the Internet. There has been an increase in the information reported via the Internet since the system was set up in 1999.

In 1999, information forms were filed for 2329 civil register numbers to COR – in 2000 information was filed for 412,564 civil register numbers. The future development will depend on how the system is incorporated in LetLøn, but the number of information forms filed via the Internet is expected to continue to increase.

¹ From 2002, a new reporting system for information about pay, etc., LetLøn, will make some administrative tasks easier for business enterprises by pay information and payments being reported to one overall data processing centre, which will distribute the statements and payments to the relevant recipients.

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Information about pensions for use for the calculation of deductions for early retirement benefit and part pension is reported in the PERE system. The information is reported once a month by the institutions that are required to report this information. From 2001, it is possible to use both the Internet and file transmission for reporting this information. A total of approx. 15,000 statements are filed a month.

Union dues and unemployment insurance fund contributions are reported annually in the AKFA system. The system is new, and the first statements have been for information for the 2000 income year, and these were filed in 2001. The electronic reporting takes place solely as electronic file transmissions, and out of the overall statements for a total of 6.5 million individuals, 1.45 million were filed by file transmission.

Requisition of tax card and name and address information is a service offered to business enterprises. The service was launched in 2001, and a total of 310 business enterprises have obtained information for a total of 283,000 persons.

Reporting for accountants and others is a brand-new system that was launched on the Internet in the spring of 2001. The system caters for accountants or third parties who are to report information and file returns for a business enterprise. There are as yet no statistics on the number of users of the system.

The list system is used by business enterprises that deliver goods to VAT-registered business enterprises in other EU Member States. The business enterprise's information is forwarded via the VIES system (EU system for exchange of VAT information) to public authorities in the other EU Member States. The system makes it easy to verify the VAT numbers of business enterprises to which goods are sold within the EU – in the course of a few seconds it is possible to receive a reply to whether the business enterprise is registered for VAT. Registration with the list system is necessary, after which an access code is sent to the business enterprise in question. The system was launched in April 2001, and the number of business enterprises registered with the system is therefore expected to increase in line with an increase in business enterprises' knowledge of and confidence in the system.

The Customs System was launched in June 2001. The purposes of the new customs procedures are to meet the requirements from trade and industry for quicker and more flexible customs clearance, which means that the business enterprises may quite legally take goods into use already in connection with the arrival of the goods, and to meet the requirements imposed on the Customs and Tax Administration for effective control and effective utilisation of control resources.

The new customs procedures primarily mean changes in the declaration procedures themselves and in the rules on the right to take the goods into use. There are consequently no major changes to the legal basis in connection with customs clearance of goods from non-EU Member States.

In order to have access to reporting via the Internet, the business enterprise must register with the Internet scheme with VAT number and contact person. There are not yet data available for the number of users of the Customs System on the Internet.

The Customs and Tax Administration gathers statistical information about intra-Community trade and passes on the information to Danmarks Statistik, Statistics Denmark. The Intrastat system has been set up for use in connection with this. The sole purpose of Intrastat is to gather information regarding intra-Community trade. Not all VAT-registered business enterprises are to report information to Intrastat. Certain minimum limits apply. These minimum limits are:

- EU purchases of goods: DKK 1,500,000 a year
- EU sales of goods: DKK 2,500,000 a year

If the business enterprise's trading with other EU Member States exceeds these minimum limits, information is to be reported to Intrastat every calendar month.

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Internet services available to business enterprises

** Shows the number of business enterprises that use Internet reporting

Reporting	Internet	File transmission	Access code (Self Entry or other code)	Internet-registered business enterprises as at 07.23.01	Number of returns, etc. filed	Annual reporting rate	Set up in year
Tax deducted from income at source and labour market contrib. 2000	X		X	14,943**	58,089**	12	1999
VAT in 2000	X		X	60,663**	112,474**	12,4,2	1999
Reporting of civ. reg. no. to MIA in 2001 from 1/1-30/5	X	X	X		989,192	12	1999
Requisition of tax card and name and address info.	X		X		310 ** (for a total of 283,000 taxpayers)		2001
Information forms in 2000 (COR)	X	X	X		412,564	1	1999
Pension rights (PERE) for 1/1-30/6/01	X	X	X		183 (file) 1,548 (www)	12	2000
Union dues and unemployment insurance fund contributions (AKFA) for 2000		X	X		1,452,987	1	2001
Inquiry about statements and returns	X		X				2001
Change of registration information	X		X				
Authorise accountant and others for reporting	X		X				2001
Registration for Internet reporting	X			67,117**			
Reordering of Self Entry code	X						
Requisition of payment form (VAT)	X						
Verification of Danish VAT numbers	X						2001
List information		X	X	2,312**			2001
Home banking	X			54,213**			
PBS (The banks' Payment transfer service)				6,450**			
The Customs System	X						2001
Intrastat	X					12	2001

Future extensions of Internet services for business enterprises

The future extensions of Internet facilities for business enterprises will be aimed at increasing business enterprises' possibilities of reporting information and making payments via the Internet. In addition, the marketing of the electronic solutions is to be intensified so that the existing schemes become even more widely used. Furthermore, the business enterprises' possibilities of having access to their own data are to be increased so that it becomes possible to have statements of account via the Internet and establish a subscription scheme for guides.

From 2002, LetLøn will be ready to ease the administrative burdens for small and medium-sized business enterprises in connection with reporting of information about wages and salaries. This is done by gathering statements and payments to the Customs and Tax Administration, the Labour Market Supplementary Pension Scheme, the Financial Administration Agency, Statistics Denmark and the pension companies regarding pay in one place: The Data Processing Centre in LetLøn. The Data Processing Centre, which will be up and running from 2002, is to distribute statements and payments to the relevant recipients.

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Case study

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NEW TECHNOLOGIES AND THE EXCHANGE OF INFORMATION BETWEEN ADMINISTRATIONS

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In the future political scenario, supranational institutions (European Union, NAFTA, OECD, CIAT, etc.) will assume an ever more determinant role, which will produce growing financial needs, as well as increased difficulties in financing the same.

The States, on the one hand, are in the continuous need of having to renew their fiscal policies.

The valuation level adopted by each State represents a determinant factor.

Valuation shall increase, therefore its strategic role, in an economic world that is increasingly more integrated where many differentials shall gradually disappear (for example, the integration of different monetary areas, shall progressively reduce exchange differentials), which will make differences between the different fiscal systems increase in relevance.

New and complex problems, linked to e-commerce, are already requiring tax administrations in countries that are mostly interested in this phenomenon, planning and foresight capacity in addition to operational flexibility and greater professional ease than in the past.

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On the other hand economic event, consequently fiscal, of global nature, need to be coordinated and monitored by specific international agreements.

One of the main trends of our times concerns the worldwide increase of exchanges, coming from the ever-increasing and strong use of information technologies.

Information superhighways allow information to run with greater ease, and at highly convenient costs, from one country to the other, hence making stronger economic relations. Currently, capitals move extremely fast, due to the need to optimize performance, while only a small part of these is directly related to commercial transactions.

Due to this reason, during the past twenty years, the role of multinational companies in the scope of international trade has substantially grown. This phenomenon, on the other hand, partly reflects the greatest integration of national economies and technological progress, especially in the communications area.

The growth of the economic role of the multinational companies creates problems which are increasingly complex regarding the imposition for tax administrations as well as for multinationals, since different national tax standards must be inserted into a broad international context, always having present that entrepreneurs will always be the ones to use and take advantage of fiscal competition, which is very accentuated among States.

The tax administrations themselves, need to reconcile their own legitimate taxation right on the taxpayer's revenue, based on their income and expenses, which may be reasonably deemed as produced inside the national territory, with the demand of avoiding taxation in the same revenue lines from more than one fiscal legislation, this factor could constitute an obstacle for supranational transactions of goods and assets and the movement of capital.

Furthermore, we cannot forget, that a part that is ever more significant than the current commercial exchanges, has assumed an appearance, which was almost unknown until recently: that is, electronics – information technologies. Traditional economic and commercial transactions have transformed into the trade of virtual goods or in the supply of information technologies services.

Under the tax profile, it is particularly interesting that indirect e-commerce, with which the asset purpose of the transaction is *deprived of its matter*, the computer transmission, certainly frees the assets of its own matter and under the tax point of view, renders it potentially invisible. Furthermore, services rendered through computers, simply seem non-existent from the tax point of view.

Recently, many parties (OECD, EU) have set forth the hypothesis that in the *computer age and world*, which we are about to enter and which will be very complex, sophisticated as well as taxpayers, thus the tax amount, could become virtual. The main problem is constituted by the foreseeable huge increase of international computer transactions, very difficult to individualize and measure, therefore very difficult to submit to valuation.

Thanks to the Internet, all companies, even those small and medium enterprises, which in every country constitute a strong productive structure, shall be dedicated to risky international trade, in this manner, even the entire withholding at source system: in effect, the necessary information on relevant operations, from the fiscal point of view may circulate without the mediation of banks or analogue institutions, therefore, tax administrations will not have to rely on these anymore to demand withholdings.

The concrete possibility of controlling the personal identity of the taxpayer is put in discussion. At the same time individuals and corporations that develop any commercial activity present in the virtual Internet network could have their own domicile in any country of the world, which may be a comfortable tax shelter.

The possibility, in perspective – and not for companies but for medium-size taxpayers – is opened to directly access tax shelters, of extraterritorial banking zones and offshore operations.

Within this context characterized by almost complete absence of standards capable of correctly ruling information and service flows in multimedia systems will test international taxation principles based on a narrow link between an activity and the place where the same develops.

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On June 7th, 2000 the European Commission presented a proposal for the amendment of the sixth VAT standard, which represents a decisive step towards the definition of a regulation framework for e-commerce within the Union's scope. The proposal is expressed in the following items:

1. The formation of the principle of territoriality, which is based on the place where the service is performed, except when provided otherwise, the place where the person that renders the service is located.
2. The limitation of the scope of application of the new provisions only to service suppliers, done for a value and through electronic means.
3. The identification of the place where the operation was carried out, and therefore the valuation, with that the customer has of its own domicile, stable activity center, residence or common address. For this purpose, regarding the application aspect, for different situations arise:
 - services rendered by an extra-EU operator for an EU customer shall be subject to VAT within the EU;
 - services rendered by a EU operator for a non EU customer, shall not be subject to EU VAT;
 - services rendered by an EU operator for an EU customer, which is an economic operator as well located in a member State different from the supplier, shall be subject to VAT in the State where the customer is located;
 - services rendered by an EU operator for a private consumer, therefore not subject to VAT, wherever he resides in the EU, or for an economic operator, subject to tax, located in the same member State of the service provider, shall be subject to VAT in this last State.

Services rendered gratuitously are excluded from the tax application scope.

The correct application of the principles established by the Commission's project, currently under discussion among the fifteen, requires greater administrative rigorousness in terms of customer identification and suppliers; in addition to information from the Countries where they operate.

Within this context, the States and tax administrations must procure the necessary means to be protected against the erosion of the national sovereignty in tax matters. A road that must necessarily be covered is international cooperation, through which a more intensive exchange of information is capable of making a strategic contribution to each fiscal policy, which is necessary for prior problems in the field of e-commerce.

In this scenario the affirmation of taxation demands that reach beyond the territory, even though abstract, bear the appearance of jurisdictional conflicts, be it in regards to other taxation demands beyond the territory of other States, be it in regards internal taxation demands of the State where the specific fact, which is the purpose of the demand is verified.

Therefore, it shall be strictly necessary for the different tax administrations to perform all efforts to adapt to the changing economic, commercial or social conditions, by equipping themselves and exploiting, the same possibilities offered by information technologies, to be able to exchange data and information on taxpayers.

Certainly it is not sufficient to enact anti-evasion and anti-avoidance standards to prevent the phenomenon of unjustified tax savings, since to verify evasion, avoidance and tax fraud, information on operations and suspicious transactions are required, which the taxpayer due to obvious and reasons opposed to those of the Tax Administration does not provide, and which may only be obtained in other Countries.

In spite of the importance of cooperation between Tax Administrations and the increased interest towards the same, it cannot be said that the same have reached satisfactorily results.

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Undoubtedly, the information exchanged is relatively limited and furthermore its quality does not always allow us to use it. This is due to the obstacles constituted by the differences between juridical organizations. The lack of coordination between the different Tax Administrations, often, because the Tax Administrations are not fit, since the determination of the exchange modalities is not always clear and the narrow timeliness thereof.

However, the exchange of information represents the most immediate assistance form between Tax Authorities.

From the moment that said exchanges also provide information related to the application of internal laws, there is no doubt that the same may constitute valid assistance in the struggle against tax evasion and avoidance, especially in the current market globalization situation.

The exchange of information presents some advantages for taxpayers, inasmuch that it allows the correct application of tax agreements and furthermore the possibility of avoiding double taxation of revenue and assets.

The efficient operation of the measures concerning the exchange of information contributes to assure, moreover taxpayers who have access to offshore markets, do have greater tax evasion and avoidance possibilities when compared to taxpayers that only operate in the internal market.

But the exchange of the information presented, still has some limitations.

A bilateral treaty, which links only two States, international operations in many cases are extended to many Countries, so an exchange of bilateral information often results to be insufficient, constitutes a first limitation.

Another limitation is constituted by the fact that the OECD and UN models do not rule in a detail manner the exchange of information even when they establish basic rules to perform sufficient administrative cooperation.

Further difficulty is constituted by the lack of a uniform interpretation of the standards on the exchange of information, which conveys noticeable differences in their application, even in the scope of different treaties entered into by a same State.

Such difficulties have been one of the reasons for endeavoring to regulate the exchange of information by means of multilateral instruments.

If globalization allows taxpayers, citizens as well as corporations, to transfer taxable assets where there are more favorable conditions – and not only in terms of quotas but under the profile of the efficiency of the systems as well – it is absolutely indispensable, for example to perform an efficient coordination of the tax policies of the European Union, since only thanks to elections agreed, the Countries could stop the incorrect competencies of which evident signs can already be seen, with serious risks to the stabilities of the public financial systems.

But in the European Union, tax coordination and harmonization depend on a series of juridical links, since the Rome treaty, in article 93, imposes concrete harmonization only for the VAT, manufacturing taxes and other indirect taxes, but no so for direct taxes, which, therefore, are sent to a generic obligation of bringing together the corresponding legislations, as provided for in article 94.

Furthermore, we must not forget that in fiscal matters modification decisions must always be taken unanimously. Therefore, the rejection of a member State also leads to the non-approval of the decision.

The role of member States, mainly in fiscal matters, has been determinant, last year in the partial failure of the “Monti Package”, which provided for a tax behavior code for companies, guidelines on intra-community cannons and savings valuation and the approval of the definite VAT regime

Always remaining within in the Union’s scope we all know that as from January 1st, 1993, tax borders have been suppressed among member States.

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Said suppression has made necessary the strengthening of administrative cooperation, therefore we have adopted in the Value Added Tax sector, an intense information exchange system, only for supplies and the purchase of assets in the Union.

The main innovation of Regulation 1992 No. 218 consists in the creation of an electronic database (VIES) and in the automatic communication to all other member States of the total amount of intra-community supplies done to passive subjects identified in said States, in addition to the corresponding VAT identification numbers.

However, it has been detected that data automatically exchanged or exchanged at request, since they do not come from the summarized returns of the passive subjects, are not made available within suitable short times and cannot be exchanged with the necessary speed. Therefore, these do not allow us to efficiently struggle against fraud since the further control that is done often is too late, furthermore, the provisions of Regulation CEE No. 218/92, have never had as purpose interventions related to individual cases of fraud that due to their nature, occur "here and now".

Furthermore, the field of the application of the Regulation does not include all operations that may give place to fraud.

As a juridical base of their cooperation against fraud, member States mainly use Standard No. 77/799/CEE. This text, was initially conceived to facilitate the exchange of information concerning direct taxability, has not been further adopted to be able to better satisfy the demand of reinforced cooperation in the VAT field after the introduction of the transitory VAT regime as from January 1st, 1993.

In the Commission's report to the Council and the Parliament drafted on January 28th, 2000, regarding the application conditions of Regulation No. 218/92, it is written that concerning computer controls "the capacity of the member States in adopting new technologies has also been examined".

Many of these submit to the disposition of their officers advanced instruments, which allow access to non elaborated data or more fine tuned products, where the VIES data come consolidated with other control data to provide the comptroller a more organic chart of the passive subject's situation. This kind of evolution is still at its

beginning in many member States, but the growing use of computer systems in companies will make them acquire equipment with the new technology.

The evolution of electronic technology, which will allow operators to use electronic invoicing systems and self-invoicing as a fact of ordinary administration is directed to place the tax control systems of the member States in front of specific problems.

New technologies are already operational, but as it seems, member States generally are very behind in the adaptation process to the new context. Currently only 3% of those in charge of those controls are trained to use computer control techniques, this could create serious problems in the future. Furthermore, it is evident that computer controls shall allow administration to acquire greater efficiency while lowering costs at the time.”

Considering, that due to a series of reasons, existing legal provisions (Regulation No. 218/92 and standard 77/799) previously mentioned, are not adequate to the challenges of the internal market, the European Community Commission presented on June 18th, of this year, proposed Regulation to the European Parliament and Council regarding administrative cooperation in tax issues pertaining to the value added tax and proposal to the Board of Directors of Council and the European Parliament that amends Standard 77/799/CEE of the Council pertaining to reciprocal assistance between the competent authorities of the member States in the sector of direct and indirect taxes.

Regarding this the Commission considers the existence of two different juridical bases could damage cooperation resources in the VAT control field.

Therefore, this proposes a unique juridical chart that is additionally reinforced with the purpose of creating the conditions to intensify cooperation, which currently is absolutely indispensable to fight VAT, related fraud.

The purpose of said reform is the creation among administrations responsible of applying and controlling VAT of a synergy that allows the elimination of frontiers among tax administrations and makes its officers collaborate as if they belong to one administration.

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At first glance, this purpose could seem ambitious, but it represents the absolute need when facing swindlers, for which surely no borders or links exist.

Due to this reason, the proposal contains a provision that allows the presence of tax administration agents in a member State in the territory of another member State when the two States deem it convenient.

These provisions constitute the juridical base that takes away from the tax administration the obligation to obtain the consent (highly unlikely due to obvious reasons) of the passive subject.

The proposal foresees, on the other hand, the obligation for member States of resorting to simultaneous controls, considering the fact that a simultaneous control is essentially a structured chart for the exchange of information among more tax administrations, since controls of this nature seem more efficient than national controls.

In the Regulation proposal, reference is finally made to electronic means, understood as electronic treatment devices and data memorization through the use of cables, radio, optical means or other electromagnetic means, through which the exchange of information may be carried out.

But the need to arrive to tax harmonization does not represent an inherent demand of the European Union itself, but of the OECD as well.

Effectively, the final report of the OECD "Harmful tax competition: an emerging global issue", which limits its application field to geographically mobile activities, such as financial activities and service provisions, concludes with 19 recommendations gathered around three specific action lines:

1. national legislations and practices that have as purpose to increase the efficiency of the existing measures;
2. tax conventions that have as purpose the avoidance of conventional rules, which constitute direct or indirect means favoring tax competence policies;

3. the intensification of international cooperation to counteract harmful tax competition, even through the creation of new direct assistance forms.

Regarding this last category, we must point out that six fundamental principles have been established which impose to the States, among others, the abolition, prior to 2005, of any form of harmful tax competition existing in their legislations.

Recommendations concerning international tax treaties assume a particular relief (8-14), which in the report's intentions, must not be transformed into instruments to facilitate tax competition among States, but on the contrary, they must be efficiently used to counteract said phenomenon.

Within this perspective, recommendation eight concerning the exchange of information in a conventional manner, which could be done through or by means of a special provision included in the treaties, or with the resource of the European Convention on reciprocal assistance in tax issues, prepared by the European Council.

Also in another recent report published on bank secrecy "Improving access to bank information for tax purposes", the OECD underlines the need to execute controls abroad, this need is ever more notorious when considering the effective and fast internationalization of markets and, more in general, of the economy through more ample international collaboration, even for tax purposes, to realize it with the information exchange instrument.

Even for the Inter-American Center of Tax Administrations, one of the main principles is to promote and develop mutual administrative cooperation and constitute a "forum" for the exchange of experiences among member and associate countries, assisting them in improvement of the administrations themselves and taking into consideration the relevant needs expressed.

As provided for, afterwards, by the Strategic Guideline No. 1, CIAT promotes the signing of agreements for the exchange of information among Member State's tax administrations.

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Within the scope of the technical cooperation agreement between CIAT and Italy, Work Group has been constituted and the same is formed by representatives of the tax administrations of Argentina, Brazil, Canada, Mexico and the United States, which has among its objectives to promote an advantageous exchange of tax information, making more agile the stipulation and realization of agreements for the exchange of information.

Effectively, as it has been previously mentioned, the exchange of information represents the most immediate administrative assistance between Tax Authorities and it is relevant in the internal scope as well as in the international scope. On the other hand, it is necessary to consider that agreements for the exchange of information are deemed to be vitally important to counteract tax evasion and avoidance and undoubtedly, have still not been fully exploited by the Countries members of CIAT, especially by those that belong to the Latin America area.

Now more than ever, the globalization process makes it essential and possible for tax administrations to exchange data and information to efficiently control tax obligations.

Consequently a “model” has been prepared for the exchange of information in a bilateral or multilateral manner and which does not require the existence or non existence of an agreement to avoid double taxation on income tax and asset taxes, the same has been specially drafted to be used by the Tax Administrations of the Countries members of CIAT but it may also be used by the tax administrations of other countries.

The model shall soon be accompanied by a computer system through which the exchange of information may be done in a simple and efficient manner.

Said system, which structure has been illustrated during the last meeting of the above mentioned Work Group held in Panama during March, has been called CIES (CIAT Information Exchange System).

The system proposed by the Italian Tax Administration and by SOGEI, the Society that manages the computer system of the Ministry of Finances, does not interfere in any manner, with the autonomy of the national systems and exploits the opportunities offered by the new information technologies, which on the other

hand currently make the obtainment of the purpose in a relatively economic manner, pursuant to the solutions proposed, based on the simplicity of its architecture and the relative completion speed.

But surely, it shall occur that whoever wishes to effectively perform the exchange of information and therefore administration cooperation, by exploiting the advantages offered by the new technologies, since in the above mentioned Commission's report to the Council and the Parliament, it is stated that it also, "results that, even though they are favorable to intensify the exchange of relevant information, member States rarely proceed to make use of said exchange, even when the same is stipulated in bilateral agreements".

Once again, the problem is not due to the lack of instruments that will allow the use of new technologies, but to the fact that structure of contemporary tax systems is formally based on old paradigms that take into consideration their circumscriptive geographical limits.

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Case Study

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NEW TECHNOLOGIES AND THE EXCHANGE OF INFORMATION BETWEEN ADMINISTRATIONS

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CONTENTS: 1. Introduction.- 2. Some Areas with Effects on Tax Administration.- 2.1 Companies.- 2.1.1 Considerably more companies with international activities.- 2.1.2 A large number of locally active companies.- 2.2 Individuals.- 3.The Internet.- 3.1 More international activity.- 3.2 Information.- 3.3 Taxation of electronic commerce.-3.4 Service.- 4. Criminality.- 5.Tax Competition.- 6. Exchange of Information.- 7. Strategies for the Future.- 7.1 Compliance and payment morale.- 7.2 Citizen orientation.- 7.3 Internationalisation.- 7.4 Control and collection.- 7.5 Electronic self-service and personal service. - 7.5.1 Electronic self-service.- 7.5.2Personal service.- 7.6 Our future staff.- 7.7 Management and guidance.- 7.8 Organisation.- 7.9 IT-System.

1. INTRODUCTION

The faster changes occur in our society, and the greater these changes are, the more important it is for us to prepare our activities to meet these changes. RSV, Riksskatteverket, (The Swedish National Tax Board) has recently finished the execution of the "Future Project" which was intended to prepare a basis on which it will be possible to determine the future roles of the RSV, the regional and local tax administrations and enforcement agencies, their activities and the allocation of their authority and responsibilities.

This document consists mainly of extracts from the final report from this working-group. The working-group has presented two reports. In the first report the working-group presented a broad description of different phenomena which can be expected to affect our society and our social environment during the coming 10 years by using a scenario technique to describe different possible lines of development. In the final report, the working-group has considerably deepened the analysis, particularly in areas which are especially relevant to the development of our activities.

2. SOME AREAS WITH EFFECTS ON TAX ADMINISTRATION

The activities of our administration (i.e in Sweden) embrace a wide range, from civic registration to debt clearance but it is unnecessary to point out that the global problems facing the world are of infinitely greater import than those we could conceivably encounter in Sweden. If the world community does not find a solution to the increasing alienation of a large proportion of its population and its consequences, it is not probable that other problems can be solved in a satisfactory way. At the same time, there is a connection between our activities and global problems as the changes in the global economy make it more difficult for individual countries to finance their responsibilities to their citizens. There is a serious threat from organised crime which, it is increasingly clear, is becoming more and more involved with international economic crime. It may be appropriate to point out that the report is written with a perspective of the next ten years. As the view of the future, described by the working-group, shows, it is extremely difficult and not particularly meaningful to attempt to forecast the solutions which will be adopted by the world community to the enormous problems facing us. Nor, naturally, is it meaningful to attempt to describe with any exactitude or degree of detail their effects on our activities. Instead, the working-group attempted to identify trends and lines of development.

The identification of trends and lines of development which present threats and possibilities impinging on the administration is necessary. The report seems to deal more with the threats to the administration than the possibilities it is offered in the future.

The working-group has the opinion that the threats are more obvious. At the same time, the new global economy can in the long term, provide us with effective new capabilities, these requiring

however a global coordination such as we have not seen to date. It is also realistic to expect the occurrence of events of such a nature as the disintegration of the Soviet Union or the development of the Internet (which hardly anyone expected as recently as 12 years ago) which can change the world. Such possible events cannot, naturally, be taken into account in our strategies for the future.

There can also be possibilities incorporated in threats. Threats are directed mainly at today's systems and existing structures. They are perceived as threats primarily because of our tendency to preserve the existing and even to return to the past. Threats can, instead, be seen as signs of the need for change. If existing systems and structures are adapted to cope with changes in their environment, threats can even lead to the development of new possibilities.

2.1 Companies

2.1.1 Considerably more companies with international activities

Increasing numbers of companies are engaged internationally. Many companies participate in a desperate global competition in markets in which they are pressed by the international financial institutions to give an optimum return and where buyers have access to immediate information about their competitors' products and prices.

Many of the companies of the future will have no historic association with a particular nation state. Increasing numbers will instead select their home base on the basis of the taxation climate, the availability of competent personnel and other institutional preconditions. They will be prepared to negotiate with states, regions and not least cities to create as good an environment as possible for their activities.

Virtual networks have been built to facilitate cooperation between companies otherwise independent, each of which has a limited share in the entire operation. For the taxation authority, it can be more difficult to obtain the relevant data and to relate income to the correct party. Multinational companies use electronic networks for collaboration between companies within or external to the firm.

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According to Vito Tanzi, Director of the International Monetary Fund, companies encounter large problems when they attempt to distribute their income on a world level to the different countries in which they operate. This is of special significance as most countries tax company profits in accordance with the tax at source tax principle.

He means that the "arm's length" principle used with Transfer Pricing is uncertain and of no great assistance. In a global network economy, these principles will become even more questionable. He believes rather in some form of *Unitary Taxation*, i.e. methods by which global company income will be distributed in accordance with formulae. At the same time, he believes that an increasingly disintegrated world picture with respect to taxation systems can influence development in the direction of increased uniformity either by political pressure or persuasion from powerful institutions.

The global economy will result in a much larger number of companies than previously operating internationally. A not inconsiderable proportion of this internationalization will be performed in partly new forms. Large companies forced into hard global competition will concentrate more on their basic activity and will outsource different functions to a chain of subcontracting suppliers. Companies will enter into more or less stable alliances which will result in increasing interdependence and call for a great amount of reliance on others. The companies' production systems will be integrated and access will be granted to a degree to each other's computer systems. This has resulted in what is already referred to as a *Trust Economy*. As mentioned above, there will be the formation of virtual companies and associations to execute specific projects. The international activities of companies will consequently become much more complicated and difficult to comprehend than previously. It will be more difficult to determine how large a proportion of a company's total result can be attributed to different company units. It is even doubtful if it will be possible to use in the future environment, methods such as Transfer Pricing established now.

These internationally active companies will have access to the global financial market where they can finance their own projects and, when appropriate, also invest in different financial activities. At the same time, a growing proportion of their assets will be immaterial, patent rights in other forms, know-how and an established group of clients. These companies will probably in the future, if they wish,

have greater possibilities than today, of making themselves inaccessible to investigations relating to taxation and immune to tax collection measures.

2.1.2 A large number of locally active companies

Even if a large proportion of the economy becomes global, most people in the future will work, reside and live locally. Thus it is not only globalisation which is spoken of. Those who think globally but act locally have come to be referred to as "glocal" people.

There is reason to believe that a large number of new companies will appear to provide household-related services within health care and the care of children and the aged. These will often be small companies in which the owner is personally engaged and for which he or she manages the company economy.

2.2 Individuals

It is a truth universally acknowledged that globalisation increases the mobility of persons with high income. As companies become more international, the possibilities of their employees moving between countries increase. A consequence of this is that a number of countries with high rates of taxation have introduced systems of reduced taxation for foreign experts.

The Swedish taxation system is based on a society in which a considerable proportion of the population is employed by large companies or in public service. The taxation of employee income has been simplified and based on income statements provided by employers, banks and insurance institutions. Industrial and commercial life is now developing in a different direction.

Companies and even public service departments are now outsourcing activities to separate companies. The result is fewer permanent employees and instead, a multiplicity of smaller firms, subcontractors, more internationally active companies, increased mobility and more assets in foreign countries. The responsibility of supplying income statements is being transferred to a not negligible degree to smaller and less than permanent companies. Fewer and fewer persons will, in the future, be taxed only on the basis of information from third persons. In a situation in which private persons

are increasingly placing financial resources in foreign countries, this effect will be compounded and there will be a greater need of information exchange between the taxation authorities in different countries.

A European definitive tax at source of 15-20 % would change this situation in a dramatic way but in turn would increase the risk of deposits of capital in even more distant countries with even less enthusiasm for information exchange. The tax competition described here has further effects on our activities. A demand for increased efficiency in assessment, control and collection is one such possible effect.

3. THE INTERNET

The Internet could be described as a well-organised, anarchic means of communication with transport channels in the form of telephone cables of copper or special high capacity fibre optical cables or of radio waves directly between units at ground level or via satellite. Each computer has a unique address – an IP number – which in turn is administered by a special organisation in the register of which it can be read which Internet operator has been allocated a particular IP number. To learn which client uses the number, it is necessary however to apply to the relevant Internet operator who is only required by the Swedish telecommunication statutes to divulge such information if an offence suspected would give a prison term of at least 2 years.

Per se, the Internet provides control possibilities as all communication it transmits leaves an electronic trace. It is possible to track certain communication via the Internet via logs kept at Internet operators. Certain logs are kept for a period of up to 1 year but others, for only a few days or even hours. The enormous amount of information in the logs prevents general studies of the traffic for mapping the scope of electronic business. If however the activities of a particular subscriber are to be studied with respect to an offence as above, it is possible to obtain the IP number concerned. If the trace leads to a foreign Internet operator, assistance is required from that country to obtain information. The long time taken makes such a procedure impracticable.

3.1 More international activity

In principle, all businesses and private persons will have access to international banks and financial institutions. There are already methods

for secure electronic payment for goods and services via accounts in off-shore banks. The interest on such accounts or the return on other investments is completely or largely free from taxation in the source country. The home country has normally no access to the information necessary to assess appropriate taxation.

OECD anticipates the Internet favouring a rapid increase in offshore banking.

3.2 Information

In the physical world, there is information which supports existing tax bases in the form of financial reports from the taxpayer himself, the banks' registers, asset registers and, on the lowest level, source documents such as receipts and invoices. Such documents are valuable as they show the point in time and the amount of a transaction and have a high degree of reliability as alterations can be detected. Electronic documents, for example those which are generated in electronic business deals, are not so robust. They can be altered without leaving a trace of the change and their reliability can be questioned. An encrypted electronic document provides no information at all about the amount involved in a transaction. In the electronic environment, electronic accounting can be stored simply in another country.

The Swedish accounting laws require the permission of the taxation authorities to store accounting on a hard disk located abroad but this requirement can be ignored or transgressed without particularly serious consequences. If parts of the activities of a business are conducted in another country or countries, it can be difficult for the taxation authority to obtain the information required for an assessment. For example, the administration of sales, payments and customer register can be outsourced to some foreign company. Encryption performed quite legally to protect business interests can also be used to prevent access by the authorities to information relating to taxation.

Another special characteristic of electronic information is that it can be more easily stored physically separated from the company concerned. This can prevent an effective search of premises. It is often not known at which address or even in which country a server used is located. It is possible that authority to conduct a search is limited or non-existent in practice in another country.

3.3 Taxation of electronic commerce

Electronic commerce remains most developed between businesses even if a rapid expansion is expected in electronic sales to consumers in the future. If the security problem is solved, and the confidence of consumers is won, e-business can expand very quickly. It is then not improbable that it will be used by a very large number of companies of varying size in all parts of the world.

E-business today creates appreciable problems with respect to both its control by the taxation authorities and the legality of the taxation of its profits.

The most acute problem is the location, outside the EU and in countries in which VAT is not levied, of a large proportion of the e-business companies selling to consumers. If e-business expands as rapidly as is suggested in the paragraph above, both the administration and control of VAT will become a large problem.

There is at present no method whereby Sweden can ensure that a large number of small companies all over the world pay in the appropriate VAT on sales to Swedish purchasers. If the proposal that sellers in other countries should register and pay VAT in any optional EU country is accepted, there might be a serious erosion of the Swedish VAT base to the advantage of EU countries with lower rates of VAT.

An OECD proposal has been submitted to member countries in which a server is to be considered a fixed place of operations of a company if use is made of it by the company in conducting business. This relation is not to be changed if the goods are supplied from a warehouse in another country. A company would be entitled to have several servers located in different countries, the connection being then made to a server which is not currently engaged. It would then be chance which would determine in which country the fixed place of operations is located for the particular transaction concerned. RSV has questioned the validity of this in its response to the submission. This can however be seen as an example of the problems associated with the increased use of the Internet ^{a)}.

^{a)} *OECD's Committee on Fiscal Affairs has achieved a broad consensus, among other things, on clarification that while a place where computer equipment, such as a server, is located may in certain circumstances constitute a permanent establishment, this requires that the functions performed at that place be significant as well as an essential or core part of the business activity of the enterprise.*

3.4 Service

The Internet opens new paths for taxation authorities to administer taxation legislation, to collect taxes and new possibilities of communication with the world. This can be summarised briefly as follows:

- Increased possibilities of supplying taxpayers with information and assistance.
- Simplification of registration and the submission of tax returns.
- Electronic taxation and payment.
- Faster and more secure payments in and out.
- Simpler communication with other government departments.

The authority can communicate with taxpayers and companies via the Internet independently of office hours and geographic location. Such communication can involve everything relevant from the provision and collection of information to interactive possibilities of asking questions and obtaining electronic decisions.

In many countries, the governments have the objective of supplying all information from departments to citizens and companies via a common electronic channel. Behind this is the idea that the individual need not know which department or authority is responsible for the handling of any particular matter.

4. CRIMINALITY

As previously pointed out, there is today an expanding global capitalism with new characteristics including a global economic criminality. Criminal organisations are now utilising globalisation, technological developments and the network economy for their purposes, over national boundaries. They launder the profits from illegal activities in the international financial system and reinvest the results in both corruption and legal activities. Traditionally organised criminals have begun the infiltration of the legal business sphere, retaining their criminal values but with the outward appearance of typical respectable business men. The boundary between organised crime and economic crime has thus been erased. A consequence is that those combating economic crime now face more hardened criminals than they have previously encountered.

As criminality has, more or less, the business idea of utilising the new dissolution of borders and the new global networks for illegal purposes, it can probably be contained most effectively by measures and regulations controlled by the UN and other supranational organs.

In combating crime, the UN, the Council of Europe and the European Union already have important roles but anticriminal measures still remain virtually exclusively the province of the national states. Even if more and more international initiatives are presented in the form of conventions and agreements, there are still appreciable international differences in attitude to what is acceptable and what is not, i.e. criminal. This leads to varying degrees of willingness to assist the police authorities of other countries. There are further, several important differences between the legislations of different countries in different fields such as the rules of criminal procedure, secrecy and company law. In combination with the inertia of the international crime combating agencies, these differences provide the criminal organisations with significant possibilities of successful global action.

5. TAX COMPETITION

The EU is preparing a code of practice for company taxation. This identifies tax advantages given to different activities and certain groups of taxpayers in the form of lower rates than those applied generally in the country. This code includes no sanctions as a consequence of its transgression and it is judged to be of limited effect. Among other measures, Ireland has decided to withdraw its current offer to certain investors of a lower rate of company tax, 10.5 %, and instead, to introduce in 2003, a general company tax of 12.5 %.

The British government opposed the earlier EU proposal¹ for uniform taxation and an exchange of information regarding capital income, on the grounds that these would threaten the existence of the London financial market. The British attitude indicates how important it has become, to be able to offer an investor tax exemption in the competition in the international financial capital market. Against this background, many experts have difficulty in visualising how the EU countries can develop a solution to the problem².

¹ On 18 July 2001, the European Commission has presented an amended proposal for a Directive to ensure effective taxation of crossborder interest payments to individuals within the EU.

² See note 1

The OECD report Harmful Tax Competition is directed primarily against tax havens and countries which offer special concessions to companies engaged in geographically mobile business activities. It has been criticised for not considering motives not related to taxation for investment in taxation havens and for being more critical of non-OECD countries than OECD member countries.

6. EXCHANGE OF INFORMATION

The exchange of information in this context requires legal sanction. The Swedish Law of Mutual Assistance and other elements in Swedish legislation assume that Sweden has entered into international agreements. These have in the first place, the character of bilateral agreements to avoid double taxation. There are more than 70 and practically all contain an article relating to the exchange of information. On the basis of these, agreements have most often been reached with the taxation authority of the other country to obtain an automatic exchange of information. Sweden also has a multilateral agreement with the Nordic countries which goes beyond the other agreements and which contains also the possibility of assistance in the collection of taxes. A convention, (The Multilateral Convention on Mutual Assistance in Tax Matters) was prepared within OECD during 1991 for multilateral cooperation which covers indirect taxes in addition to income taxes.

Work is in progress within OECD in the development of ways of transferring information in standardised form by electronic means. A standard for transfer by magnetic tape has been established and a corresponding standard for transfer via EDI is under development. How those liable to pay taxes can be identified is under study within OECD. This work has resulted in a recommendation requiring those liable to pay income tax in a foreign country to inform banks, employers etc. in that country, of their taxation registration number in their country of permanent residence and for these to convey this information to the taxation authorities in that country.

This OECD developmental work is to be seen against the background of the organisation's endeavour to use a large increase in information exchange in combating tax competition and tax evasion. Within the OECD there is an awareness that the exchange of information at present has shortcomings and efforts are being made to eliminate these.

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Together with the auditing organs of eleven other EU countries, RRV (Riksrevisionsverket, The Swedish National Audit Bureau) has studied the exchange of information between these countries. Several countries, Norway, France, Poland, the Baltic countries and the US – with which Sweden has a comprehensive exchange of information, are not included in this group. Of the twelve participating countries, only seven could provide exhaustive statistics for the years concerned, 1992- 1995. Only two countries, one of them Sweden, have been able to state the length of time taken to reply to a request for information. Despite several countries stressing the importance of relevant information being submitted to the group, it is very few which have supplied the results obtained. The four forms of information exchange are:

- Information exchange on request,
- Automatic information exchange
- Spontaneous information exchange
- Cooperation with officials of the country concerned.

RRV states that information exchange on request is used to only a slight degree (eight of twelve countries present on the average 50 such requests per annum), that eleven of twelve countries provide others with spontaneous information to varying extents, that most of the twelve countries have no agreement with respect to automatic exchange of information and that representatives of three of the twelve countries had visited other countries in connection with a taxation enquiry.

Vito Tanzi of IMF does not believe that much will be gained by the exchange of information. He points out judicial, technological and political hindrances. Judicial hindrances can be the unresolved legality of the withholding of sensitive information, the limitation in agreements to particular taxes only, successful claims by tax evaders to residence in a third country or the lack of authority of investigators to obtain relevant information.

Technical problems include the inadequate quality of the information, inadequate resources for evaluating the information obtained (Tanzi claims that in the US, only 1 % of tax returns are subject to checking) complex identification numbers in certain countries (e.g. Italy) and the absence of identification numbers in a number of countries (e.g.

Japan). Amongst political hindrances, Tanzi sees the unwillingness of many countries, in a situation of intensive tax competition, to divulge information which could discourage prospective investors from placing their capital there.

Vito Tanzi and Howell H. Zee, both of IMF, have written in their paper "Taxation in a Borderless World: The Role of Information Exchange" that information exchange is important but that there are far too many hindrances to the effective detection and taxing of transborder portfolio investments. Their opinion is that current international practices which guarantee few rights to the country which is the source of these payments must be questioned. In the exchange of information between countries, each country is biased in defending its own taxation system. The authors consider however that the exchange of information can be an effective instrument with respect to knowledge of companies' investments abroad.

A precondition for an appreciable increase in the automated exchange of information – in particular if it is to be the basis of taxation – is that the information is relevant in the taxation systems of the countries concerned. In the case of capital income, the current differences between taxation in different countries are very great. In Sweden, capital income is taxed from the first krona earned whereas a number of other countries such as Germany, allow very large individual standard deductions which make a large proportion of capital income less interesting to codify and collect. There is therefore reason to question if the exchange of information should not be concentrated on the combating of tax evasion.

In these circumstances, there is reason to believe that the exchange of information, as a result of the initiative taken by OECD, will increase considerably in the future. This increase is a consequence of the increased internationalisation and leads to further cooperation in the field of planning and execution of purely operative tasks. Taxation authorities world-wide must therefore review their strategies and divert resources from the handling of purely internal matters to the support of international cooperation in different forms³.

³ On July 18, 2001, the European Commission has presented a proposal for a Directive to ensure effective taxation of cross-border interest payments to individuals within the EU. In accordance with this proposal all Member States will ultimately be required to provide information to other Member States on interest payments to non-residents.

7. STRATEGIES FOR THE FUTURE

The working-groups description of the background to its report indicates a future containing unforeseen possibilities of development. A force driving this development is new technology which permits instantaneous access to knowledge and information from the entire world. We are faced with a new global economy, a capitalism which utilises the new means of communication to scour the planet in a ruthless search for profitable activities. This is however a selective procedure which can lead to increasing gaps between the income and wealth of different groups of people and an increasingly growing alienation of the poor. There are already signs of opposition to this development, a global criminal economy and fundamentalism. The network makes the entire world a potential market for companies, a market where however, large volume purchasers and finance capital can exert great pressure on the companies. It becomes a question of survival in an unpardoning global competition.

Companies are forced to concentrate on their central activity. Both companies and persons with competence in demand become increasingly international. The capital and finance markets become global and capital is moved at electronic speed to any point on earth.

The national states which no longer provide citizens with defence against military attack but the protection against poverty provided by the welfare state are threatened by these global forces. Experts unanimously point to an increased international pressure on mobile tax bases, exerted in the first place on capital income taxes, company taxes and income taxes due from persons with special competence in global demand. This results in an international tax competition which forces the lowering of nominal tax rates.

The end result for the nation states of reduced income from taxes is likely to be difficulty in financing their public services.

7.1 Compliance and payment morale

All tax systems are based on what is usually designated mass loyalty. This is founded on legislature relating to taxes being arrived at by normal democratic means. The rules of democracy require the minority to accept the decision of the majority. The citizens of a

country have in this way decided how the welfare of the population in general is to be financed. The result is that the overwhelming majority of the people can be expected to comply with the rules of the taxation system. The disloyal are then a small minority.

While the situation corresponds with this description, a taxation system can be expected to function relatively effectively. The purpose of the taxation authority is to administer the system i.e. to ensure that all those due to pay tax are registered, that correct information is submitted, that the appropriate taxation is assessed, that the information provided is checked and that the taxes are paid.

If the number of tax evaders increases, the will to cooperate of those previously compliant will be weakened. To a certain degree, such a situation can be corrected by increased control efforts. In a global economy, this problem has other dimensions. If a failing faith in the taxation system is the result of taxation becoming less effective under the influence of new global communication systems, global finance and capital markets and a greater amount of free trade and free movement of goods, services, capital and personnel, the legislator will be faced with a completely different situation. If a majority of the citizens of a country do not approve of those with financial capital being able to invest this abroad and in this way avoid paying tax in the home country, but the legislator cannot change the taxation system so that such transactions are stopped, there is risk that taxpayer compliance will decline.

7.2 Citizen orientation

As a government department, we perform a duty in the service of the citizens. The staff is responsible for the execution of the decisions of their parliamentary representatives. In this way, it is we who stand up for the democratic values established in the constitution. It is therefore that civil servants are characterised as the guardians of democracy.

It is important that the civil servant operates strictly within the laws which apply but this is an excessively narrow view. It can also be said that the official has his/her own responsibility to defend democratic values such as legal impartiality, openness and participation.

RSV is executing a project relating to the ethics of its activities and it is no coincidence that taxation authorities all over the world discuss ethical questions. The increasing interest in ethical questions is closely related to an increasing awareness that taxation systems in particular must be based on mass loyalty and voluntary participation.

7.3 Internationalisation

Our administration meets a progressively changing world picture. That which is appearing is a picture of increasing numbers of companies with the entire world as a potential market. The new technology, the new network organisations and the global financial system make it possible for companies to locate different segments of their activities where the preconditions are most favourable for profit.

Somewhat simplified, it can be said that companies are to a degree moving out into the net with the entire world as their market and as the base for their activity. As companies become more international, many of their personnel will also be transferred between countries and continents to a degree greater than ever before.

For the international individual, the Internet will become the natural channel for not only their business and personal communication but also for the management of their private economies. They will meet different cultures and other systems of society. They will of necessity learn the systems of rules of other countries and will compare these. Differences and imperfections in the rules of individual countries may be exploited for evasive purpose. At the same time, they will have an increasing need for the authorities in their homeland to have the competence to be able to discuss taxation matters on an international plane. It can also be said that our taxation authorities are now playing in a different arena. The new world demands that the authorities in different countries collaborate much more intensively than in the past. We are experiencing a revolutionary change of focus. The authorities in different countries must reconstruct their organisations on the basis of a dramatic increase in international contacts. Globalisation will require today's governments to protect their tax bases by means of increasing international cooperation and an increasing reliance on supranational activities.

7.4 Control and collection

Taxation authorities all over the world already have difficulties in arriving at an appropriate taxation of international companies which is adequate and just. It is no exaggeration to say that the globalisation in progress greatly complicates the taxation and control of companies with international business activity. The new alliances created often require companies to give their partners access to their communication and production systems. The companies become in this way mutually dependent on each other and must select partners on whom they can rely.

Hence the expression "Trust Economy". At the same time, it becomes more difficult to determine where the activities of one company end and those of another begin.

The new global environment creates opportunities for quasilegal and perhaps aggressive planning of tax evasion making use of the global economy and differences in the legislation relating to taxation in different countries. It will therefore be of increasing importance in the future to follow actively developments in this field.

International business is increasingly digitalised and conducted via the Internet. This does not make control impossible but increasingly difficult. All communication via the net leaves traces which can be followed via logs held by the Internet operators.

These logs are however preserved for a limited time, up to a year, but most often, for only several hours or days.

Today, Swedish operators are prevented by the telecommunication laws from divulging the contents of their logs unless a crime, punishable with at least two years imprisonment, is suspected. Similar and wider limits are in force in other countries and to obtain information requires assistance at the site which can result in critical delays. The server can be located in a country with which Sweden has no relevant agreement. The authority of individual countries with respect to control in taxation matters remains within their national boundaries. In a world where home pages and servers can be located anywhere on earth, those combating illegal financial activities are now at a considerable disadvantage. Company accounting has become more computerised in step with technological developments.

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At the same time, computerised accounting is easier to perform and easier to manipulate from another part of the world.

Erasures and alterations certainly leave traces in computers but there are means of concealing even such traces. A company in Sweden can store information at a server located on the other side of the globe. The Swedish Law relating to Accounting contains a provision that permission is required from RSV for the hard disk for a company's accounting to be located in another country but a businessman wishing to do so can be expected to circumvent or to contravene this requirement.

The conclusion is that it is considerably more difficult than previously to guarantee the veracity of the accounting by subsequent control.

In the report the working-group has attempted to show that there is a series of signs which indicates that we can expect times of increased criminality, partly new types of crime utilising the new technology, the network economy and the global financial system to grow and increasingly influence society. They then undermine democracy, the rule of law and other community institutions. As criminality in the extreme case is a threat to world order, many experts consider that the active combating of crime must be under the leadership of the UN.

There is clear evidence that organised crime is becoming more closely engaged in international economic crime. This makes it a serious problem for our administration.

An allocation of priority to the combating of the growth of economic crime as described calls for international competence and considerably expanded cooperation within and outside the country, increased resources and broadened authority. There is also a matter of preventing crime by combating corruption and the influence of questionable professional advisers. RSV must also collaborate with representatives of commercial life which, in the new economy, is increasingly dependent on being able to rely on its counterpart (trust economy) in together developing methods for the prevention of crime.

Thus in the future, it will be important to make more efforts to control mobile individuals and companies. These are persons and firms with the world as an arena – and there is also a global organised criminality which is successively infiltrating the business world. The introduction of such a control activity presents all countries of the world and their taxation authorities with a great challenge. It presupposes a well developed exchange of information, organised exchange of experience, and coordinated operative activities. Under the aegis of the OECD, the larger countries are building up parallel systems for risk analysis.

It will become more difficult than previously to maintain a strict taxation morale by means of control and coercion. New ways to create guarantees for the assessment of correct taxation and minimising evasion must be explored. The taxation authority must be able to acquire knowledge of the management of taxable transactions long before returns need be submitted.

Such retentive activity can be intended to encourage a general solidarity with the taxation system or to promote different forms of self administration by citizens and companies. A first step could be the certification of auditing systems. A more ambitious objective could be to create systems for what could be described as certification of the entire taxation procedures of a company. RSV would then be able to certify the company's tax returns and guarantee the company that the information supplied would be accepted. A comparable system designated a service stair is currently used by the Swedish Customs Department.

7.5 Electronic self-service and personal service

In a system based on mass compliance, one of the most important tasks of the taxation authority, from the outset, is to make it as simple as possible for individuals and companies to pay the appropriate tax. Acceptance of the system increases when the tax paying citizen or company feels that information is easily accessible and is provided by the authority in a positive spirit. In a corresponding way, acceptance of the system declines if the provision of information is inadequate and there are consequent errors which must be corrected – with various penalties as a result.

7.5.1 *Electronic self-service*

In a global world, development requires information to be accessible, in real time, on a 24-hour basis. This can be provided in certain circumstances by systems for self-service. The Internet is largely replacing the telephone in this connection.

The Internet is a medium with several dimensions by means of which information can be presented in a more user-friendly way. The Internet can then contain information about both the authorities and the relevant rules and different forms and brochures and in addition, function as a medium for filling in forms and submitting data. The next step is to couple these functions together and create an interactive system in which the computer communicates with the citizen or company. In a 10 year perspective, it should be possible to provide services of this kind, integrated for all public service activities, via the Internet.

7.5.2 *Personal service*

Even if we in Sweden succeeds in making possible digital communication with citizens and companies, the availability of personal contact between these and RSV will remain necessary. The personal service will not necessarily be provided, as today, by complete local offices. It is instead more likely that flexible solutions such as integrated citizen information offices (one stop shops), service stations, mobile field offices, co-operation with branch organisations etc., will be developed.

7.6 Our future staff

In the future, we can expect that our preventive work will have an objective different, to a degree, from that of today. A consequence of this is that a wider range of competence will be required and the majority of the personnel will be university graduates. Parallel with material competence, there will be more demand for both pedagogic competence and the ability to collaborate with companies and private persons in developing practical solutions to the problems which arise. The authority personnel will need cultural competence, analytic competence, the capacity to recognise the essentials, communicative competence, the ability to work effectively as an

individual and as a member of a team. It may become necessary to reorganise the work performed by the staff to ensure that their competences are utilised optimally. Our work places must be attractive for us to be able to recruit and to retain personnel with the necessary competences. A great part of our most competent personnel with predominantly intellectual duties such as Internet investigation and others working internationally will be in great demand from commercial enterprises and the conditions under which they are employed must therefore be competitive.

7.7 Management and guidance

Internationalisation, with its increased co-operation between states, means that the operations of taxation authorities, to a greater degree than previously, will be influenced by the contents of agreements between states and by the rules established primarily by EU. International co-operation will require compromises. An increasing degree of management by legal rules, not necessarily at detail level, can therefore be expected. Such rules will not be determined by the Swedish Riksdag alone. Despite an increasing application of this form of management, other methods cannot be dispensed with. That which is important is that the different control forms must be seen in a context and be compatible. There must be a continuous discussion within RSV in which the rules, their effects and the cost of their application must be considered. This is not least important in an environment in which the rules are largely promulgated on a higher level than the Swedish Riksdag. Such a discussion makes new demands on the supervision of the work of the authorities.

7.8 Organisation

There are two principal themes in the report, the development of technology and globalisation. The new technology creates not only possibilities of effectivising all handling of large quantities of data and documentation. It also affects in a revolutionary way, the relation between the taxation authority and private persons and companies. The major part of case handling will be performed digitally in the future. This calls for central systems and central solutions. Individual regional and local units will have little influence on these systems. Contacts with citizens and companies in the future will, to a much greater degree, be digital and via the Internet.

Personal contacts necessary for geographic reasons will most probably become, successively, of less importance. It will be much more important to make contact with the appropriate competence, irrespective of its location. At the same time, there will be an increasing demand for promptness. Correct information and the appropriate competence will be demanded in real time and not from a local office but from the authority itself. In connection with contested assessments through tax audits and enforced collection, there will remain the necessity of personal contact and meetings.

7.9 IT-System

In the report the working-group proposes that RSV build up a network organisation which will promote close co-operation with citizens, businesses, companies, other Swedish authorities and foreign organs. For this co-operation to be secure and effective, a completely new infrastructure which supports interactive communication within the entire network will be required. This can only be achieved with an Internet-based solution. It will not be easy to build this simply on the basis of our existing system and a completely new IT system must be constructed in its place. A system based on the existing would be a very complicated and unstable solution incorporating technology compatible with both the existing technology and system and at the same time Internet adapted and compatible with systems in other parts of the network. Quite simply, it would not be an acceptable solution. In developing a new system, it must be decided to what degree the system is to be innovative, the result of the experience of others or developed in collaboration with others.

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Lecture

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QUALITY PROGRAMS IN THE TAX ADMINISTRATION

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CONTENTS: Assessing the Performance of Tax Administration.- Malcolm Baldrige Criteria for Performance Excellence.- Options for Conducting the Assessment.- Applying the Process to Tax Administration.- Challenges and Barriers to Conducting World Class Assessments.- Benefits to Conducting World Class Assessments.- Conclusions

Abstract

The ability of Tax Administrations to manage operations effectively is increasingly dependent on its ability to timely, accurately, and completely assess performance. The Internal Revenue Service of the United States has recently completed a restructuring and modernization of our organizational structure into four operating divisions. As part of this restructuring, we have revised or redesigned many of our business processes. Processes dealing with performance assessment have been revised to provide leadership with specific operational information, status of progress toward planned goals and an annual assessment providing an overall picture of performance and performance relative to world class standards. Several aspects of the annual overall performance assessment will be discussed:

Assessing the Performance of Tax Administration
Malcolm Baldrige Criteria for Performance Excellence
Options for Conducting the Assessment
Applying the Process to Tax Administration
Challenges and Barriers to Conducting World Class Assessments
Benefits to Conducting World Class Assessments
Conclusions

ASSESSING THE PERFORMANCE OF TAX ADMINISTRATION

Every operation (public and private) needs to assess performance. By understanding the various aspects of performance and comparing those aspects to standards, plans, and customer/employee expectations, leadership can identify improvement opportunities and plan needed actions. Performance assessment provides data on the current level of performance, strengths, improvement opportunities, and overall performance in relation to other public and private sector organizations.

Periodic performance assessments are more important than ever before due to the rapid rate of change in just about everything we do and touch. Technology, work processes, customer requirements, and workforce demographics are changing everyday. Computers and telecommunications are opening doors that simply weren't there twenty years ago. With the widespread use of standards and performance excellence criteria many organizations that once kept methods and process designs private are now sharing this type of knowledge. Knowledge sharing is evident in benchmarking, comparative analyses, and accessibility of multiple best practice web sites.

Customers no longer view organizations as unique. Often, customers compare and expect similar service from various organizations. For example, if customers can schedule appointments with doctors then they expect to be able to schedule appointments for tax examinations. Also, if customers can access their banks online then they expect to be able to access their tax organizations online.

Finally, workforce demographics are changing. Tax Administration needs to change to meet the changing needs of employees. Child anparental care, language, and other issues need to be considered and addressed. Taken together, these factors require that leaders assess organizations in terms of traditional internally focused ways, but also in new ways capable of assessing the overall health of an organization. Overall

health assessments need to describe performance in relation to other public and private sector organizations.

Our organization evaluates three areas when assessing performance. These are:

- *Performance Measures*
- *Business Plans*
- *World Class*

When assessing Performance Measures we review all areas of our balanced measurement system. These areas include:

- Employee Satisfaction, overall IRS and by Function/Division;
- Business Results, Quality and Quantity;
- Customer Satisfaction, overall and by major market segment.

Examples of balanced measures that IRS monitors to assess performance include:

- Employee Satisfaction
 - Agency Wide Employee Satisfaction
 - Workgroup Climate Survey
- Business Results
 - Case Quality Score for Individual Returns
 - Call sites – Account Quality
 - Call sites - Tax Law Quality
 - Number of Taxpayers Paying Electronically
 - Number of Returns Examined
- Customer Satisfaction
- Examination of Returns in Person
 - Percentage Satisfied
 - Percentage Dissatisfied
 - IRS American Customer Satisfaction Index

Business Plans describe the activities we plan to achieve given the budget and priorities that have been established. These plans cascade down through the organization. Plans are linked through strategies and initiatives. For example, the IRS strategic goals are:

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- Service to Each taxpayer
- Service to All Taxpayers
- Productivity Through a Quality Work Environment

These strategic goals are linked to lower level goals through the IRS planning system. For examples:

- Assessment of Compliance Risk within Large and Mid-Sized return populations.
- Increase Ability to Meet Customer Account Service Expectations within Small Business and Self-Employed Division.
- Meet Taxpayer Demands for Timely, Accurate and Efficient Services within Wage and Investment Division.

Progress against plans is assessed at the operating division level through field visitations and business process reviews conducted periodically. Information from these assessments is aggregated with other divisions to assess IRS-wide performance.

World Class assessments are conducted through an annual Health Assessment based on the Malcolm Baldrige Criteria for Performance Excellence. These criteria provide a proven, current, and complete set standards for assessing the overall health of an organization. These criteria enable comparative evaluation of organizational performance and are applicable to all activities within an organization. These criteria also provide a basis for performance comparisons with other organizations. This paper will focus on world class assessments and their application to tax administration.

MALCOLM BALDRIGE CRITERIA FOR PERFORMANCE EXCELLENCE

Performance Excellence Criteria are not unique to Malcolm Baldrige Criteria, or even the United States. There are many Performance Excellence Criteria models in use throughout the world. Many of these models are similar. This similarity tends to validate the hypothesis that these criteria are applicable to any organization, anywhere in the world. A few examples of similar performance models include:

- Australian Business Excellence Framework.
- Canadian Quality Criteria for the Public Sector.

- European Foundation for Quality Management Excellence Model.
- President's Quality Award Criteria for Performance Excellence (USA).

The Malcolm Baldrige Criteria for Performance Excellence was created in 1988 to promote the concept of total quality management. These criteria are reviewed and revised annually. This annual review and revision ensures the criteria are current and reflect world class practices. This constant review and revision resulted in a major shift from a defect-free, customer satisfying set of criteria to a more balanced, complete set of criteria covering all aspects of performance in the mid-90s. Throughout its history, the criteria have been non-prescriptive.

The 2000 Baldrige Criteria consist of seven categories, which are broken down into 19 Items, which themselves are broken down into multiple areas to be addressed. In addition to actual criteria, the Baldrige model contains several themes or core values that are embedded throughout the Criteria. Since the entire Performance Excellence model is reviewed and revised each year the number of core values and specific areas to address sometimes change. The Criteria used most recently by IRS were the 2000 Baldrige Criteria. The remainder of this paper will reference the 2000 Criteria when referring to specific examples.

The core values/themes that are embedded throughout the Baldrige criteria are:

- ***Visionary Leadership*** – senior leader's capacity for setting key directions for the organization by action and example.
- ***Customer Driven*** – organization's focus on its customers and the ability to ensure operations meet customer needs.
- ***Organizational and Personal Learning*** – ability of the organization to acquire, share and use knowledge to improve.
- ***Valuing Employees and Partners*** – commitment to employees and partners in order to optimize opportunities for success in their work environment.
- ***Agility*** – ensuring flexibility and the capacity to act quickly.
- ***Focus on the Future*** – operating strategically and possessing a long-range orientation.
- ***Managing for Innovation*** – capacity to develop creative and effective products and solutions.

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- ***Management by Fact*** – reliance on data and analysis in support of decision-making.
- ***Public Responsibility and Citizenship*** – proactive and responsive commitment to the needs and concerns of the community and larger public.
- ***Focus on Results and Creating Value*** – orientation to managing toward key outcomes for mission accomplishment and meeting customer needs.
- ***Systems Perspective*** – ability of the organization to view operations holistically, understand how its parts interact and the ability to align activities effectively.

Each of these core values clearly relates to tax administration. For example, Management-by-Fact, as holders of the Public's trust, we need to understand our options and make decisions in the best interest of our customers and stakeholders. Data enables us to quantify alternatives and prioritize actions. The allocation of resources for the filing season is based on previous year data and data on needed changes. These data are then analyzed and used to plan and execute filing season activities. In a world that is constantly changing, tax administration must address each of these core values on an ongoing basis just to keep pace.

The Baldrige Criteria contains seven categories that are further described by nineteen Items to be addressed. These are:

Category 1 – Leadership

- 1.1 Organizational Leadership – how senior leaders guide the organization and review organizational performance.
- 1.2 Organization Responsibility and Citizenship – how the organization addresses its responsibilities to the public and how it practices good citizenship.

Category 2 - Strategic Planning

- 2.1 Strategy Development – the organization's strategy development process to strengthen performance and competitive position.
- 2.2 Strategy Deployment – the organization's strategy deployment process including action plan development, deployment and performance projections.

Category 3 - Customer Focus

- 3.1 Customer and Market Knowledge – how the organization determines short- and long-term requirements, expectations, and preferences of current and potential customers, markets and/or mission related segments to ensure relevance of current products/ services and develop new opportunities.
- 3.2 Customer Satisfaction and Relationships - how the organization determines and enhances the satisfaction of customers, builds relationships to improve current products and services, and addresses current and projected market- or mission-related business needs.

Category 4 - Information and Analysis

- 4.1 Measurement of Organizational Performance – how the organization provides effective performance measurement systems for understanding, aligning, and improving performance at all levels and all parts of the organization.
- 4.2 Analysis of Organizational Performance – how the organization analyzes performance data and information to assess and understand overall organizational performance.

Category 5 - Human Resource Focus

- 5.1 Work Systems – how the organization’s work and job design, compensation, career progression, recognition, and related work force practices enable and encourage all employees to achieve high performance in operations.
- 5.2 Employee Education, Training, and Development – how the organization’s education and training support the achievement of business objectives, build employee knowledge, skills, and capabilities, and contribute to improved employee performance.
- 5.3 Employee Well Being and Satisfaction – how the organization maintains a work environment and an employee support climate that contribute to the well being, satisfaction, and motivation of all employees.

Category 6 - Process Management

- 6.1 Product and Service Processes – how the organization manages key product and service design and delivery process.
- 6.2 Support Processes – how the organization manages key support processes.
- 6.3 Supplier and Partnering Processes – how the organization manages its key supplier/partnering interactions and processes.

Category 7 - Business Results

- 7.1 Customer-Focused Results – current levels, trends, and comparative results for customer satisfaction and product and service performance, segmented by customer group.
- 7.2 Financial Performance Results – current levels, trends, and comparative results for financial performance segmented by market and mission.
- 7.3 Human Resource Results - current levels, trends, and comparative results for human resource results segmented by employee category.
- 7.4 Supplier and Partner Results - current levels, trends, and comparative results for key supplier and partner results.
- 7.5 Organizational Effectiveness Results - current levels, trends, and comparative results for key operational and in-process performance results.

These categories cover different areas but are inter-related. Core values are embedded throughout the categories and the categories themselves are linked to one another. Linkages among Items and Categories describe the organization as a system. Systems provide a framework for identifying and understanding relationships among different activities and processes. For example, if leadership communicates that employee skill level is critical to the future success of the organization then that critical factor should be addressed in several other areas of the Criteria. Employee skill level should be addressed within Strategic Planning, Information and Analysis, Human Resources Focus, and Human Resource Results.

The scoring guidelines are based on three evaluation dimensions:

1. *Approach* – methods used to address the Item requirements.
2. *Deployment* – extent to which the approach is applied to all requirements of the Item.
3. *Results* – outcomes in achieving the purposes in the Item.

The first six categories are process categories and are scored for approach and deployment. The seventh category, business results, is scored for results. Examiners use two sets of scoring guidelines to assign a percentage score to each Item. One set of guidelines applies the first six categories and the other set of guidelines applies to category seven. Both sets of guidelines are used in a similar fashion. Individual examiners generally score assessments in 10% increments. Examiners then discuss their evaluation and agree on a consensus score. Points per Item are calculated by multiplying the consensus scores by the number of available points per Item. Finally Item point scores are aggregated to determine the total performance score.

OPTIONS FOR CONDUCTING THE ASSESSMENT

There are five basic approaches to conducting an assessment on Performance Excellence Criteria. Each option has certain strengths. All options should be considered in relation to organization specific needs.

Options for Conducting the Assessment

Approach	Key Strengths	Considerations	Relative Cost
Survey	<ul style="list-style-type: none"> - Quick - Identifies major performance gaps - Criteria knowledge not required 	<ul style="list-style-type: none"> - May not detect specific strengths and opportunities - Self-score may not be accurate 	Low
Facilitated Discussion	<ul style="list-style-type: none"> - Quick - Educates Leadership in criteria - Identifies major performance gaps 	<ul style="list-style-type: none"> - Requires facilitators with criteria knowledge - Self-score may be biased high 	Low

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Mock Application	<ul style="list-style-type: none"> - Objective - Thorough - Same level of feedback as an actual application - Self-score is fairly accurate 	<ul style="list-style-type: none"> - Requires criteria knowledge to prepare application - Requires evaluation team with criteria knowledge 	Medium
Award Application	<ul style="list-style-type: none"> - Objective - Thorough - Detailed feedback 	<ul style="list-style-type: none"> - Requires criteria knowledge to prepare application - Significant time lag between application submission and feedback report - Feedback report does not include score 	Medium
Audit	<ul style="list-style-type: none"> - Scope may vary to meet need 	<ul style="list-style-type: none"> - Requires criteria knowledge - Requires audit knowledge 	High

Each of the basic assessment options can be designed and implemented to meet the specific needs of the organization conducting the assessment.

The *survey* approach is a questionnaire designed to solicit responses related to the criteria. The survey could consist of questions with a limited set of predetermined responses such as yes/no or have open-ended questions seeking a written response. The survey could be administered to all employees, a random sample of employees, a stratified sample of employees, or just the leadership. In general, this approach yields the identification of major strengths, gaps in addressing Criteria Items, and opportunities for improvement. The overall cost of administering such an assessment is relatively low.

The *facilitated discussion* approach typically has one or more facilitators trained in the Criteria, leading discussions that relate the Criteria to the organization being assessed. Facilitators often provide examples of world class processes to help participants understand the Criteria and relate it to current business operations. These facilitated sessions usually last anywhere from several hours

and a few days. Participants in such assessments often come from leadership. As a result, they are usually more aware of business processes and sometimes over-estimate deployment within the organization. Consequently, self-scoring under this approach may yield higher than actual results.

The *mock application* approach is similar to an actual application except the entire process takes place within the organization. The process requires two teams. The first team develops an organizational self-assessment based on the Criteria. This self-assessment looks like an award application. The self-assessment, approximately 50 pages, describes each of the areas to be addressed in the Criteria. The members of the self-assessment team are usually from key process areas covered in the Criteria. Senior leaders are often actively involved acting as category champions. These leaders ensure the self-assessment document is complete, accurate, and is owned by the leadership team. Then, a second team evaluates the self-assessment document, supporting documentation, and conducts site visits if needed. This team usually consists of experienced examiners who conduct an objective, thorough assessment. The members of the examination team usually come from other business units to ensure objectivity. The team performs the same activities that an award application examiner team would perform. However, both teams conduct their work within the organization. As a result, the entire process mirrors the actual award process but results are provided more quickly and scores are available.

The *award application* approach is going through the process of actually applying for an award. This approach is similar to the mock application approach but only requires one team, the self-assessment team. The organization administering the award provides the examination team. Award examiners provide the applicant with a detailed, objective feedback report describing the organization's strengths and opportunities for improvement. These feedback reports do not include a score. However, a person experienced in the criteria can quickly estimate the performance level by reading the feedback report.

The *audit* approach is an actual audit against the Criteria. An audit team is assembled. They plan the audit, perform the audit, report and follow-up on the audit. The type of audit and scope of audit may vary depending on needs. If the audit is limited to a subset of the criteria then an overall assessment of performance will not be determined. This type of assessment can be time-consuming and costly.

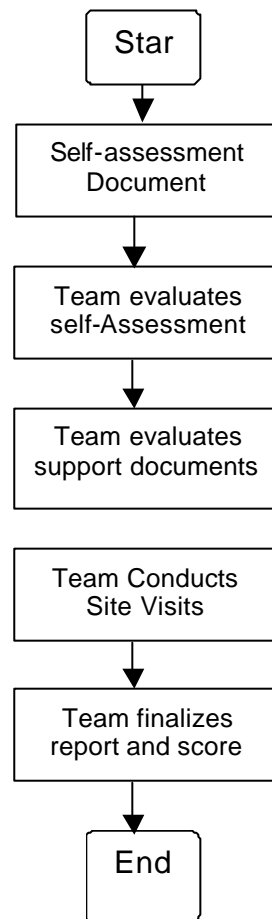
Organizations may use one, or a combination, of the approaches described to conduct an assessment. Initially, many organizations use the survey or facilitated discussion approach to identify major gaps and build an internal understanding of the Criteria and how it applies within their organization. As major gaps are closed and the leadership understands the relevance of the Criteria then other approaches, or a combination of approaches, are used.

APPLYING THE PROCESS TO TAX ADMINISTRATION

Any of the approaches to conducting an assessment using performance excellence criteria can be used in Tax Administration. IRS has successfully used several of these approaches. One of the more recent assessments conducted used these criteria in the Large and Mid-Sized Operating Division of IRS. This assessment was conducted in May of 2001 and was based on the mock application approach.

The following chart represents the mock application approached used to conduct this assessment.

**Flow chart of the IRS Assessment Process
based on the Mock Application Approach.**



Results of this recent “World Class” assessment revealed the following themes:

- Strengths
 - Defined processes responsive to the basic purposes of the Criteria.
 - Leadership direction, values, and focus is deployed throughout the organization.
 - Fact based decision-making is deployed.

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- Opportunities for improvement.
 - Many processes are not deployed throughout the organization.
 - Limited involvement of suppliers and partners in planning and review processes.
 - Comparative analyses against competitors and benchmarks are not routinely performed.

An assessment of this type yields many strengths and opportunities for improvements. Themes represent crosscutting issues identified during the assessment. The number of themes is much smaller than the number of strengths and opportunities for improvement. In addition, because themes cut across multiple criteria, improvements made in areas identified as “theme opportunities” represent the greatest potential for overall organizational improvement. As we work to make organization wide improvements against themes we anticipate improvements in our next Performance Excellence assessment and in our actual performance measures.

The next steps following the assessment include:

- Briefing Leadership on the results of the assessment
- Communicating the assessment process and results to the workforce
- Identifying actions to be taken to positively impact improvement themes identified
- Assigning leadership responsibility for defining and implementing needed changes
- Monitoring the impact of changes made through the balanced measurement system.

Completion of these steps completes the annual cycle. Once the cycle is completed the organization is positioned to begin the next health assessment. Each assessment will be based on current criteria and business needs.

CHALLENGES AND BARRIERS TO CONDUCTING WORLD CLASS ASSESSMENTS

There are many challenges to conducting a self-assessment based on Performance Excellence Criteria. These include:

- Willingness to accept an external standard as applicable to Tax Administration.
- Willingness to accept the concept that Tax Administration is not unique and that it can and is routinely compared to other private and public organizations.
- Dedicating the time and resources necessary to conduct a valid assessment.
- Acknowledging improvement opportunities identified as valid.
- Investing in identified opportunities to improve future overall performance.

BENEFITS TO CONDUCTING WORLD CLASS ASSESSMENTS

There are many benefits to conducting assessments against Performance Excellence Criteria. These include:

- Provides a balanced overall assessment of organizational performance.
- Provides a basis for understanding how your organization stacks up against the Criteria and other world class organizations.
- Facilitates sharing of best practice information among all types of organizations.
- Identifies opportunities to improve processes that ultimately improve future performance.
- Provides a framework for identifying key operating processes, setting measureable performance goals, and tracking progress towards meeting goals.

The potential benefits of conducting assessments based on Performance Excellence Criteria far exceed the costs. Once people understand that common criteria enables comparisons and knowledge sharing they begin to see the potential. For example, a Tax Administration can describe its strategy development system as part of a self-assessment. Then, that same Tax Administration

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can contact any company that uses similar criteria to discuss and compare similar processes. As a result, the criteria create a common language that enables communication and information sharing among very different organizations.

CONCLUSION

In conclusion, our work with the Criteria and our efforts to improve performance are ongoing. Just as things around us change every day, we too need to constantly assess and change to keep pace. Performance Excellence Criteria has helped us to understand that we are not unique. The Criteria provides a common language for sharing and learning with virtually any world class organization using this criteria. *We now know our reality and our potential.* We also have a tool (World Class Assessments) to help improve performance and reach that potential.

Mrs. Deborah Nolan
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Large & Midsize Business
Internal Revenue Service
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Case study:

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EVALUATION OF THE QUALITY OF PUBLIC ORGANIZATIONS

Alain Jolicoeur

Deputy Commissioner

Canada Customs and Revenue Agency

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INTRODUCTION

My task today is to talk with you about how the Canada Customs and Revenue Agency – the CCRA — deals with the challenge of evaluating – and improving – its service quality as a public organization.

We express this as, “Providing better service to Canadians while maintaining a balanced approach to compliance.” Over the next few minutes, I hope to give you persuasive arguments for our approach. This approach is based on the core assumption that most Canadians are fundamentally honest and, given the appropriate level of informative, helpful and responsive service, will voluntarily comply with the laws we administer.

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In Canada today, we are taking a more progressive approach to tax and revenue collection: a very different one from the old image of the “bad taxman”.

Instead of seeing ourselves — and working to be seen — as officials whose sole task is to wring money out of unwilling taxpayers, we are re-inventing ourselves.

We work hard to be seen as fair, respectful and helpful people, who work transparently with our clients—Canadians, individuals and businesses, who are willing to comply with their tax obligations because they understand that the revenue in question makes an essential contribution to our economic and social well-being: to sustaining our quality of life.

This is a positive, affirmative approach. We recognize that the way we deal with Canadians, and we deal with more of them more often than any other government organization in the country, has a direct bearing on how they see government in general, and whether that view is a positive or a negative one.

In Canada, we are achieving an enviable level of voluntary compliance. Of the total revenue we collect, in excess of \$1.2 billion every working day, 95% is collected without our organization having to take any direct enforcement action whatsoever. Over 90% of Canadians over 18 years of age file a tax return, and of these, over 97% who owe taxes pay them on a timely basis.

We believe that this is at least partly the result of orienting ourselves around the needs of our clients, the taxpayers, and working to continuously improve the quality and effectiveness of our services.

Moreover, this approach allows us to reduce administration and compliance costs. Enforcement action is expensive. When the means by which we collect taxes and duties improves in the eyes of ordinary citizens, we encourage voluntary compliance, the least expensive means of collecting revenue. This leaves us with more room to take effective enforcement action when we have to.

Our focus on how we are perceived by the public is much more than a concern for public relations. The point is that we can collect the government’s revenues more efficiently and effectively when taxpayers feel that they are being fairly treated as individuals, paying no more

and no less than their fair share, and when they perceive that overall the system is fair, and that cheaters will be caught.

WHO WE ARE, WHAT WE DO AND HOW WE GOT THIS WAY

I'd like now to sketch for you what the Canada Customs and Revenue Agency is, does and how it has recently re-invented itself.

CCRA at a Glance



First of all, we are the largest agency of the Canadian government in terms of number of employees, and certainly the government organization that interacts with the Canadian public more often than any other.

Second, we do more than collect federal income tax. We also collect provincial income taxes for all but one of the provinces and territories, making it possible for most Canadians to fill in only one annual tax return.

We are also responsible for Customs – which in today's world, as you know, involves a lot more than collecting dues on goods and services, seizing contraband and catching smugglers.

Where the Canada Customs and Revenue Agency differs from many tax administrations is that we don't just collect taxes and duties from our citizens; we are also responsible for payment of a wide range of benefits to Canadians. In fact, last year we made benefits and credit payments to 10 million Canadians worth in excess of \$9 billion. These include child tax benefits and a wide variety of entitlements to Canadians with low incomes.

Part of our commitment to fairness includes ensuring Canadians get their full entitlements, even when they are unaware of them and fail to apply, or erroneously pay too much. Last year 258,000 individuals received beneficial adjustments on their income tax returns, amounting to \$56.2 million.

HOW AND WHY THE CCRA CAME INTO BEING

The Canada Customs and Revenue Agency is the result of a re-organization of the tax-and-customs function of government. We used to be a government department, structured pretty much like any other except that we were bigger than most, and very much involved in the lives of nearly every citizen.

And of course the biggest difference of all: we collected a great deal more money than we spent.

But, it had become clear that the business of tax administration, revenue collection and border control could no longer be managed effectively using the same generic management guidelines that applied to other government departments. Of course, the broad principles of good public service were still relevant, but putting them into practice and maximizing efficiency and effectiveness, required a greater degree of autonomy and flexibility. After considerable negotiation, the government department known as Revenue Canada became a government agency, The Canada Customs and Revenue Agency.

This allowed us to stay focused on the basic principles relevant to our role as the collector of taxes and duties **and** the provider of benefits and entitlements, but to pursue more innovative ways to improve service and program delivery.

In Canadian government language, this is "Alternative Service Delivery." We use this term to describe different ways in which to manage programs with a view to facilitating the organizational ability to provide innovative services.

With alternative, more flexible management approaches, we are better able to, for example, use electronic technologies and give taxpayers the option of using the Internet for filing income taxes, or soon, for a host of additional reporting and remitting transactions.

Or, we can pursue integrated telephone assistance, with the right combination of automated response for routine matters, and personal assistance when the problems are complex, for the kinds of issues clients encounter that are unique to our programs and services.

It means more flexibility to develop new arrangements with the sectors and industry groups that have very specific requirements when it comes to the programs we are responsible for. These arrangements enable us to make our reporting requirements less burdensome for example, or our processes easier to comply with.

And it also means flexibility to work in new ways with Canada's territorial and provincial government taxation departments, to give them more scope to affect the evolution of Canada's tax system, which from the client's perspective, they are very much a part of.

Our re-birth as an Agency occurred November 1, 1999. At this point, we were officially able to move forward and address the central issues in the decision to make our organization an agency. These were:

1. Client focus and service orientation — to provide top-rate service to Canadians: service that's faster, easier to access and use, and more responsive to client needs;
2. Innovative management policies and practices — to use financial and human resources to boost our organizational productivity and operate more efficiently, and
3. Effective partnership with the provincial and territorial governments, with the goal of reducing the overall costs of tax administration in Canada, and promoting economic growth and investment with a more streamlined approach to revenue administration.

THE COMPLIANCE CONTINUUM

Now let's look at how we are achieving these goals.

Based on the data we have, we believe we are achieving high compliance rates. But as you all know, reliably measuring the overall rate of non-compliance and the size of the underground economy is a difficult challenge. – While we work to improve our capacity to do that, we concentrate on promoting compliance by improving our service performance.

For instance, with our NetFile service, which we offered for the first time this year. It allows Canadians to use the Internet to file their income tax returns. Take-up was a lot higher than we thought it would be: over 870,000 taxpayers used it, and 100% said they'd use it again next year.

And in addition to providing Canadians with service options they clearly want, these electronic services vastly improve reporting and processing accuracy, which saves us time and processing costs, eliminate the need for miles of shelf space and transportation to store and move paper returns.

Our turnaround times for electronic tax returns is less than two weeks—taxpayers get their refunds at least twice as fast using electronic filing than when they file using the paper-based process. Eventually, as we move towards offering electronic services in real-time, taxpayers will have their returns processed on-line immediately, with the refund directly deposited into their bank accounts within seconds of hitting the send button.

Our approach is based on providing more – and more appropriate – information, as well as better services. Every year, we offer assistance that's more comprehensive and easier to access.

Supporting all this is our commitment to be more transparent about how we work. Ultimately, we believe that transparency builds confidence and trust. But it means that while we can boast about our accomplishments, we also have to be open about the areas where we still need to improve.

So, as we report to Canadians on the data we gather about our own effectiveness, we have to be up front about how we're doing across

the entire gamut of our programs and services. We do that by thinking in terms of *managing* the Compliance Continuum, with programs and services that cut across three segments of activity: Voluntary Compliance, Assisted Compliance and Enforcement.

Our work in **Voluntary Compliance** is in essence the front line in everything we do with taxpayers, travellers, traders and benefit recipients. This work is high volume and high visibility, where we aim for efficiency, speed and timeliness, accuracy, and helpful, respectful and courteous service. All our interactions and communications at this level are “without prejudice.” The data collection, random sampling and matching we do here, aims to ensure that these transactions are and stay low risk. In other words, we’re checking all the time, but basically, we leave people to go about their business when we have no reason to believe that they aren’t playing by the rules.

Our work in **Assisted Compliance** recognizes that people may fail to comply with the rules “unintentionally.” Here’s where we give travellers and taxpayers the benefit of the doubt. These are non-routine events for clients who present a higher or unknown risk of non-compliance and therefore require verification processes initiated by CCRA. The checks and balances we employ to support voluntary compliance provide the data we need to initiate assisted compliance activities. These might involve audits, collections, penetrating the underground economy, and new measures to eliminate tax avoidance.

However, throughout, we respect the client’s right to appeal. Within 30 days of being notified that their case is under review, Canada’s taxpayers receive notification of their redress rights. In running the largest dispute resolution process in the country, our Appeals Branch is responsible for ensuring that the fundamental right to redress is respected at all times. The Branch is structured to promote impartiality, and works to ensure that it provides a fair and objective administrative review of contested decisions. Again, the client’s right to fair, equitable treatment conducted with the integrity, transparency, courtesy, timeliness and confidentiality is paramount. We do a good job. Less than 8% of disputes are pursued through to the courts. Furthermore, a majority of our Appeals clients, over 60%, agree with the resolution of their case despite the fact that, in income tax for example, only about 30% won their case.

Finally, there is **Enforcement**. These are the investigation and prosecution activities we initiate to deal with the comparatively small

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number of people and businesses who consciously attempt to beat the tax and customs system. These interactions are case specific and low volume. Be it contraband, unreported income or tax fraud, this is where the Agency acts to address wilful non-compliance and protect against known risks to the public good. Accuracy and thoroughness is crucial, especially when the CCRA is initiating an investigation of evasion and fraud, or the importation of goods considered dangerous to public health and safety.

However, the individuals and businesses directly involved, and the general public, continue to expect effectiveness, fairness, transparency, equitable treatment, a dispassionate approach and investigations characterized by integrity and confidentiality, even though they are WITH prejudice.

In managing the compliance continuum our approach aims to invest in and increase levels of voluntary compliance at one end, by making the rules as easy and convenient as possible to comply with. Next, we work to help the people who encounter difficulties, often through no fault of their own. We not only invest in hands-on services to help them meet their obligations, but we look at how we can improve our services to address the issues that may have prevented them from complying. For example, by making sure we explain the rules using plain language.

This frees up the resources we need at the other end of the spectrum, in enforcement, where we face the much tougher and more expensive challenges of addressing the underground economy, and the increasing use of electronic commerce options to avoid meeting taxation requirements.

In essence the compliance continuum is a risk management strategy that hinges on quality service. The main elements are mutually reinforcing. For instance, if it's widely apparent that folks are getting away with under reporting their income, then levels of voluntary compliance will fall. So, it's essential that we maintain a strong enforcement capacity, and be seen to be doing so. Likewise, penalizing people for making a legitimate mistake, or imposing undue hardship, could also discourage compliance.

Managing the compliance continuum means tailoring our response to the level of risk involved. This requires attention to and analysis of areas of high or unknown risk, and ensuring that penalties constitute an appropriate response for the type and severity of infraction. But it also requires a major commitment, in terms of time and resources to

continuously improve services for the vast majority of honest individuals and businesses so that they can more easily meet their obligations and receive all their due entitlements.

MEASURES TO INCREASE SERVICE ACCESSIBILITY

Therefore, for example, we have improved and increased service accessibility.

Our call centres are handling an increasing number of tax enquiries quickly, and thanks to Canada's five time zones, well beyond normal business hours. Switching enquiries to operators who are on the job in another time zone means that we do not have to add more staff. In this way, we responded to a 12% increase in public telephone enquiries last year. And what's more, information is always available 24/7 on the Agency's Internet site.

As I mentioned earlier, our electronic filing services, TELEFILE, (tax filing by phone); NETFILE (tax filing on line) and EFILE (tax filing by e-mail), are strengthening service access, and thereby voluntary compliance. Similarly, web-based Customs forms and clearances are speeding compliance at our borders.

Incidentally, our use of web-based technology puts the Agency in the forefront of the Government of Canada's efforts to build e-government, which is called Government On Line. Earlier this year, the international consulting firm Accenture gave Canada top marks among the 22 countries it studied, ahead of our closest rivals, the US and Singapore, for delivering innovative, citizen and client-centred e-government.

FAIRNESS INITIATIVE

We also have what we call our Fairness Initiative, which is designed to increase citizen's trust and confidence in our tax administration.

The Fairness Initiative is not just pious sentiment. It has already led to the identification of significant adjustments in favour of taxpayers. And the initiative includes our Voluntary Disclosures Program, which allows clients to correct any of their past errors or omissions, and to report without penalty on their outstanding tax, duty, and tariff obligations. Revenue from this program has increased by 42% over the past year alone.

FAIRNESS

We deliver on fairness in three areas: beneficial adjustments, forgiveness of interests and penalties and rulings and interpretations.

Beneficial Adjustments. Fair service involves correcting errors when taxpayers have paid more than their fair share of taxes. We use computer-based error-checking routines at the return-processing stage to identify and correct returns prior to assessment. These processes make corrections when taxpayers have erroneously reported too much income or have not claimed deductions to which they are entitled.

During 2000-01, 258,000 individuals received beneficial adjustments amounting to \$56.2 million. This represents a substantial increase from the prior year, when 201,000 clients received \$38.4 million through the program.

Forgiveness of penalties and interest. Taxpayers are treated fairly when decisions on forgiveness of interest and penalties are transparent and consistently applied. CCRA takes a common sense approach in dealing with clients who because of personal misfortune or circumstances beyond their control are unable to meet CCRA's guidelines or comply with the legislation it administers. Last year, agency-wide, the CCRA either waived (not charging to a client account interest and penalties that would otherwise apply) or forgave (canceling interest and penalties charged to a client account) an estimated \$213 million on 1.9 million client accounts.

VOLUNTARY DISCLOSURE

We recently announced measures to strengthen our Voluntary Disclosures Program and allow individuals to seek anonymous advice and information to help them prepare their disclosure. We believe that this will continue to net us increases in revenues through this program, and it reinforces our commitment to treat our clients as fair-minded people, and to help them minimize or even avoid financial pain.

NATIONAL SERVICE STANDARDS

To be more accountable to the public, we have set **thirty-one national service standards** for taxation, supported with measurable targets. They're tough: meeting them is no easy matter. For example, to serve

all clients who come to us over the counter within 20 minutes; to respond to client requested adjustments within 8 weeks; to process tax incentives and credit claims within 60 days.

We're about to report to Canadians in our first ever Annual Report, that we've met only 8. But we believe that for our commitment to service improvement to be seen as credible, we've got to be transparent when we fall short. There's a bit of the old Quid Pro Quo here. If we expect Canadians to be transparent and honest in their dealings with us, then we've got to show that we're committed to the same level of openness and honesty with them.

CONSULTATION AND OUTREACH

We work with our business clients, using Consultative committees and outreach initiatives to learn what firms expect, what they think would make life easier for everyone, and also to test the appropriateness of our plans as we try to enhance service.

The Agency has 16 advisory and consultative committees comprised of private sector representatives. Taken together, these committees deal with virtually all aspects of the Agency's business and client groups, from international tax and scientific research and experimental development, to collections and appeals; and from large business and importers to small business and seniors.

These consultations can lead to innovations such as simpler forms, to more efficient web-based granting of permits or to the filing of tax or customs forms. Generally, and most importantly, these consultations enable us as an Agency to learn more about the way an industry or industrial sector does business, and what its tax and customs needs are, so that we can interact more effectively with the private sector.

INNOVATIVE MANAGEMENT STRUCTURE

I mentioned earlier that our new status as an Agency gives us the opportunity to improve management, and in so doing, to improve service delivery.

As an agency, we now have a Board of Management. It is comprised of people from the private, public and voluntary sectors, who represent our client base, thereby bringing the client perspective directly into the day-to-day management of the Agency.

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Our Board provides strategic direction and executive oversight as we work towards using the greater administrative latitude and flexibility we gained becoming an agency. We are now responsible for most of our own

management authorities, in areas like human resources and technology, instead of being subject to central, “one size fits all” standards administered by the Treasury Board for all government departments. In practical terms, this allows us to decide what kind of human resources or technologies we need for our work, and then to obtain and develop those resources in ways that make sense given the work that we do.

The Board of Management allows us to bring non-governmental perspectives into that decision-making: in short, making us far more answerable than we used to be to the needs and expectations of the clients we serve.

MODERNIZING HUMAN RESOURCES MANAGEMENT

Specifically, we are transforming our Human Resources regime to ensure we have the right people in the right place at the right time. This has included:

- Streamlining staffing processes, so that we can hire the talent we need in weeks instead of months, a key asset when we are competing for workers in high demand in the private sector like auditors and technology specialists.
- Streamlining human resource dispute resolution processes, so that we can deal with problems in the workplace early, before they escalate into major crises.
- Improved retention strategies, so that we can keep the talent we train, and keep training the talent we have, building worker loyalty, recognizing exemplary performance, and supporting workforce productivity.
- Direct bargaining with unions, so that we can focus on the issues that matter for our business. Previously, negotiations affecting our employees were handled centrally. Now, we do it ourselves. We are in a much better position to provide fair compensation for the

skills and abilities we need in our employees, in line with what they would get in the private sector as opposed to what other public servants receive for doing very different work.

MODERNIZING ADMINISTRATION

As an Agency, we are able to modernize our administrative processes. Our old structure focused more on accountabilities to government-wide standards, which meant that we organized ourselves to meet them as opposed to the needs of the public and businesses we serve. Our previous structure simply didn't reflect what we are and what we do from the public's perspective.

As an agency, our business lines are now client-focused and named for what they do, as opposed to for their place in a civil service hierarchy. Let me take a moment to run through them.

BUSINESS LINES

- **Tax Services**, which addresses taxation across the compliance continuum – from facilitation to enforcement. About half of its resources go to voluntary compliance, 28% go to assisted compliance, and 21 % to enforcement operations.
- **Benefits Programs and Other Services**, which is concerned with putting money into the hands of Canadians who are less well-off, to fulfill legislated policy objectives such as promoting early childhood development and saving for post-secondary education.

Let me take a moment at this point to tell you why Canada puts the Benefits aspect of government into the same agency as taxation.

To get the benefits, citizens must file a tax return – even if they have no tax to pay. This is a simple and persuasive motivation for compliance that has important practical and ethical implications, particularly for young people. The habit of tax evasion can be an easy trap to fall into. In terms of revenue, this may be relatively unimportant as long as these individuals have little if any taxable income. But if and when they do, they may still not file, in part because they may fear retribution for not having filed in the past.

Canada provides lots of incentives to file, including to access student loans, save for retirement, apply for government-assisted training, and access child benefits.

- **Customs Services**, where we work to process commercial goods and travellers across our borders, as well as monitor and control the import and export of controlled and restricted goods, interdict contraband, prevent the entry of prohibited materials and inadmissible persons, and administer domestic and trade legislation.
- **Appeals**, which is intentionally separate from the other business lines of tax, benefits and customs, specifically to ensure that the appeals function operates at arm's length from the area where contested assessments originate.

As I mentioned earlier, Appeals is a vital part of our approach to fairness. Citizens must have reasonable assurance that an appeal is not a faint hope that will only be quashed by the same people who made the decision in the first place. Our Appeals Branch takes pride in negotiating fair settlements with clients for cases in dispute. And they also provide an important means to determine whether there is a need for clarification in the legislation that we administer.

- **Corporate Management and Direction**, which, as I have already indicated, is now firmly focussed on the Agency's unique tasks and challenges. Specifically, our work here focuses on developing the infrastructure our Agency needs for effective program development and delivery, including human and financial resources, information technology and administrative systems.

PROVINCES AND TERRITORIES

As you may know, Canada is a federation of ten provinces and three territories. If we compare our provinces to the member states of the European Economic Community, in some respects our provinces have MORE powers than the European nations – in areas like agriculture for example. In other areas such as defence, trade, food and drug safety, and foreign policy, our provinces have fewer responsibilities than European countries.

But what makes Canada unique are the many areas where there is *shared* responsibility between the federal and provincial governments. And where there are shared responsibilities, there is always a need to re-examine ways to do a better job collectively to meet national and regional goals.

This constitutional background is necessary to appreciate the direction in which, as the federal tax and customs agency, we are headed. At present we collect over \$37 billion in income tax annually on behalf of provincial and territorial partners.

This is particularly important from the client perspective. Dealing with one tax collector instead of two reduces the compliance burden. And we can do a lot more to harmonize our respective tax and benefit regimes. This becomes easier when, as an Agency, we are able to operate more independently than we were as a federal government department.

For example, we have Service Management Framework arrangements in place with Nova Scotia, Alberta, Manitoba, Prince Edward Island and the Northwest Territories that clearly define accountabilities for Agency program delivery and service. We are working on similar arrangements with the other provinces and territories. Clear accountabilities, open lines of communication and transparent reporting are crucial as we work towards offering provinces and territories more opportunities to use our Agency for the administration of more of their tax and benefits programs. Again, the ultimate benefits are for Canadians, who will see an overall reduction in administrative costs, and better, more streamlined services.

TRANSITION TO AGENCY A SUCCESS

Our transition from government department to agency has had profound implications for nearly everything we do, and more importantly, how we do it.

Re-inventing a large and vital arm of government is not easy. For those of you who have been through governmental reorganization, I'm sure you recall the experience vividly, and with a fair bit of trepidation. We've had some moments of tension, but happily, there have been no serious disruptions. In fact, over the period of our transition, when we were

dealing with everything from changing our name and logo, to changing our management structure, client satisfaction with our services actually increased by more than 10%.

THE FUTURE

A few moments ago I said that we are still in the transition process from department to agency. In fact, in becoming an agency, we committed ourselves to an ongoing process of continuous change.

Our new governance mechanisms and organizational structure are part and parcel of enabling our organization to make continuous and timely improvements in program services. We have accepted that the environment we operate in is subject to continuous change. That Canadians are involved in jobs, community organizations and businesses that are continuously changing, and that we have to be there too, changing alongside our clients, reducing the risk that the way we do what we do impedes their progress, and ideally, ensuring that what we do advances it.

We believe we are much better positioned to anticipate change, and stay ahead of the curve. There's a Pandora's box of change coming that includes (in no particular order):

- The expansion of e-business, and the increasingly complex nature of the taxation business in a world of "virtual" products and services, and instantaneous electronic commercial transactions,
- The growth of global trade and the expansion of free trade zones,
- The increased mobility of knowledge workers, and increased competition for our own organization in attracting and retaining the talent we need,
- A dramatic increase in small shipments of goods crossing our borders,
- The need for closer working relationships with tax authorities in other countries,
- The growth of small, micro-businesses, home offices and self-employment, and at the other end of the scale,

- The growth of multi-national corporations seeking the lowest possible levels of taxation.

Protecting the tax base, and maintaining border integrity in the face of all this will require a nimble, innovative, results-oriented and client focussed corporate culture.

We have learned that to stay ahead of the curve, we need to reach beyond our own corporate boundaries in order to envision the kinds of services that will be required to meet taxpayer and other stakeholder needs and expectations. We need to look well beyond our 3-year planning horizon.

THE FUTURE DIRECTIONS INITIATIVE

The Future Directions Initiative (FDI) is the CCRA's agency-wide, long-term strategic planning exercise, which was launched earlier this year. It is looking at a planning horizon beyond 2005, well into the next decade.

We're using Working Groups to conduct consultations with our five key sets of clients: Traders and Travellers, Small and Medium-sized Enterprise, Large Business, Individuals, (taxpayers *and* benefit recipients) and Charities.

As we work directly with representative groups of our clients on the future pressures we face, we are also working to encourage cultural change within our organization. Managers, employees, unions and delivery partners are all involved in this process.

We will also be relying heavily on international organizations like CIAT and the OECD, to gather the views and best practices of other tax and customs administrations, and to share and learn about innovative ways to manage and address change.

Our hope is to not only improve the quality of our own forward planning, but to raise awareness within our organization and across Canadian society, of the need for and value of more innovative approaches to tax and customs services down the road.

We believe that the consultations will shape for us a long-term vision for the future. This vision will **enable us to take account of where we want to go** when we make decisions that have long-term implications.

The vision will help us **focus our investments and our energy on our priorities**. Consulting widely within our organization and with our clients will help us develop a vision that reflects the right priorities.

An Action Plan will also be developed to help us **accelerate our efforts to transform our core business** in line with our vision for the future. This will guide our efforts to put in place the right program structures, training programs and technology systems to support service development and improvement, and employee satisfaction and performance.

Innovation Management is our term for anticipating change and responding positively.

Our approach to performance measurement and accountability is the Balanced Scorecard.

BALANCED SCORECARD

The Balanced Scorecard, or BSC, was developed by Robert S. Kaplan and David P. Norton of the Harvard Business School. It is essentially a tool to help focus managers on achieving business objectives. It provides them with the information they need to make better decisions for their programs and operational responsibilities, by installing clearer and more complete performance targets and objectives, and enhancing management accountability.

It uses a combination of measures to assess performance in terms of financial management, human resources management, innovation and change management, business results, and central to all, client and stakeholder satisfaction. It's a way of giving managers a view of how the whole organization is doing, and how their unit can best contribute to advancing overall strategies and objectives. Operational and service standards in the BSC and their related objectives are being developed to provide measurable and meaningful data for key functions such as budgeting, program planning, performance agreements, and continuous improvement.

We're in the midst of implementing the BSC as the heart of a new, state-of-the-art performance measurement framework that will be backed by a sophisticated activity-based costing system and integrated

management model. It will facilitate integrated, results-based management decision-making across the organization. And, it will enable the period course corrections that we must have the capacity to make to fulfill our commitment to continuous improvement no matter what the future brings.

When completed and in place across all our business lines, the framework's performance standards will help the CCRA fulfill its modernization agenda, strengthening the business planning process and improving the rigour and comprehensiveness of our performance information.

The latter will be particularly important as we work to expand our partnerships with provinces and territories. We need reliable performance information to demonstrate the value of new opportunities to reduce the overall compliance burden on taxpayers. In particular, we need to show that we're making progress in reducing the expense of overlap and duplication between levels of government.

CONCLUSION

There is a positive connection between client satisfaction and effective government organizations. Evaluate one, and you evaluate the other – and you find out what to do to improve.

Transparency, as opposed to secrecy and bureaucratic barriers, goes hand in hand with client satisfaction, as do the ethical standards, fairness and honesty which citizens have a right to expect when they deal with their governments.

Furthermore, transparency indirectly supports compliance by demonstrating a real willingness to *be* accountable, for the achievements, but also for the challenges. Ultimately, this promotes trust and confidence, which is essential to achieve and maintain high levels of voluntary compliance.

Fairness, mutual responsibility, and respect for the rule of law, are core Canadian values.

In the end, these are the values that guide us. Individual officers express them when they conduct themselves with respect, integrity, professionalism, and a willingness to be helpful and co-operative. For

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management, they lead to clear principles on which to base our efforts to achieve and measure productivity and organizational improvements. For the Agency as a whole, they are expressed through our ongoing efforts to be responsive, informative, transparent and innovative.

The whole approach works through positive reinforcement, affirming the core values Canadians share. Our approach to risk management is not based on promoting fear of retribution, but on appealing to the willingness of most Canadians to fulfill their responsibilities to one another and to their fellow citizens.

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Case Study

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GENERAL COMMUNICATIONS POLICY

Dominique Gibrat

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General Tax Directorate
(France)

CONTENTS: I. DGI's Communications Policy Is Primarily Determined Through Its Global Strategic Objectives. - What are these objectives?.- The interest of communications as support for this objective.- Resources for these support communications.- II. General Communication of Information to the Users.

Above all, I would like to extend my greetings to all of you and express how pleased I am today to be able to make this presentation to you, in this marvelous city of Seville, regarding a general topic - tax administration at the citizen's service – which is extremely interesting to me.

To be more precise, I must talk to you today about the general communications policy of the General Tax Directorate (DGI) and I will discuss the topic with a clarification: said communication does not include tax policy issues, which are obviously the competence of the Minister and the Government, and the General Tax Directorate only intervenes in this environment as technical support.

Having made this clarification, I would say that our general communications policy leads to distinguish what we are doing in this field as support to a strategic objective of the DGI – to develop fiscal civism – than what we traditionally do in the field of the users' common information.

I. DGI'S COMMUNICATIONS POLICY IS PRIMARILY DETERMINED THROUGH ITS GLOBAL STRATEGIC OBJECTIVES

What are these objectives?

As an example of the road already being followed by some administrations represented here by you, we consider that our fundamental objective must be the promotion of tax civism or, in other words, a better voluntary compliance of tax duties by the taxpayers.

Tax civism can be promoted in several manners, for example in its political and social dimension.

But there is another leverage where the tax administration can act on its own initiative: user service.

A good quality service, a clear information, sufficient availability, are some among many other conditions that favor an adequate compliance of their obligations by the taxpayers. Officials of a local tax agency in South-West France, which I recently visited, summarize in simple terms this focus with a motto they have placed in signs inside their premises: "A good service to the users, is a better collected tax".

A better voluntary compliance of the tax obligations by the taxpayers is certainly equivalent to citizens' satisfaction towards the DGI.

But it also represents a challenge for its management: the resources that must be mobilized to collect taxes that are not paid spontaneously bring about additional expenses, which should be limited inasmuch as possible.

This point is of specific importance for the DGI. Perhaps you are already aware that one of the characteristics of the French tax administration lies in its costs. The costs are high, with approximately a 1,6% collection fee, due to reasons that essentially depend on political decisions, and that are, naturally, assumed by the administration: very dense territorial coverage network, absence of income tax retention at the source.

The improvement of tax civism thanks to a better service is the first strategic objective of the General Tax Directorate.

- **The interest of communications as support for this objective**

The theory that upholds that a better user service generates a better tax civism is not always verified in practice as quickly as one would like.

What happens is that things improve but the perception of this improvement by the public may undergo a sort of “delay effect”, as the image of the previous situation tends to linger.

In other words, the improvement of user service can be delayed in having full effect over tax civism.

Certain communications actions may reduce this miss-adjustment. It is not enough to just “produce” user service, but the same must also be made public.

This is an indirect but valuable support that communications may bring to the development of tax civism, the first objective assigned to the DGI’s communications policy. Communications also have a role to play in the promotion of tax civism. In this field, our policy naturally consists in also being present and is essentially achieved through a communications document sent, each year, to the 32 million taxpayers along with the tax return form that is sent by mail. This document provides data on the tax policy and the measures adopted for the year. It also presents data on the utilization of the tax, particularly the part devoted to the main public services.

- **Resources for these support communications**

- 1- Above all, the idea is to take advantage of the opportunities offered by the media to assess achievements and develop the image of a service administration.

For example, the creation by the end of the year 2000 of a first telephonic assistance center for tax information, open from 8:00 AM through 10:00 PM and, on Saturdays, until 7:00 PM, constituted an interesting initiative that can be developed from this point of view.

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The real interest brought about by this new service, which has turned out to be very successful, has facilitated things: numerous broadcasts in television, radio or written press were made both locally and nationally, mainly during the first quarter of 2001.

Other opportunities are being taken advantage of, mainly during the strong period represented in France by the income tax return filing campaign. The taxpayer that files his/her return, late at night the last night before the filing deadline, and notices that the lights are also on in his/her neighbors' house, knows that the latter is undergoing the same ordeal as him/her. We could call this a moment of national communion.

During this period of about ten days prior to the deadline, services carry out, each year, extraordinary information actions: assistance to taxpayers at the mayoralities, workers' houses, shopping centers, etc., which the media gladly support and that contribute, here as well, to the improvement of the perception of the tax administration in its service management dimension.

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2 – The second communications resource that allows to «disclose» undergoes the posting of signs in all offices open to the public that publicize the commitments acquired by the officials in what respects to user service.

This policy is still generating certain reservations by the agents but, currently, two measures made it possible to achieve visible progress.

Firstly, during the first year, the signs referred to the previously obtained results and not to commitments assumed for the upcoming period, which brought about fears or debates related to credits or payroll (work posts); then, a cell in charge of the quality of the user service was installed in the within the DGI. “On the ground“ communications during numerous tours of members of this cell to the different departments, the reinstatement of these subjects in DGI publications and its intranet, the holding of user surveys and their publication are means that are used, this time around in internal communications, to strengthen these new focuses.

II. GENERAL COMMUNICATION OF INFORMATION TO THE USERS

The DGI always pays particular attention to its users' information communications, of particular importance in our country where, given the absence of retention at the source, the filing obligation fully lies on the taxpayer.

This communication becomes more persistent during the income tax return filing campaign.

As I was saying, this period is a critical moment, where some officials mobilize to provide attention to and inform the public. I have already mentioned some of the actions developed, but there are many more like, for example, the presence of teams of tax agents in radio stations to provide services consisting in replies to “listeners' questions“.

During this period, that lasts 10 to 15 days, more than 3 million taxpayers are served in tax administration centers and close to 400,000 in diverse public sites that also allow, in a manner more efficient than that at administrative premises, come into contact with weakened public ones. This point must be underscored, as tax return filing is needed for most social assistance regimes. On the other hand, close to 3 million taxpayers receive information by telephone.

In this sense, priority is currently being assigned to two axes:

- **Communicate “in a simple manner”:** This is a concern for all French administrations and there is no doubt that communications secured by simple terms and language increases its efficacy.

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A recent example allow verifying this: this year, a new mechanism was established in France: the employment premium. This is a subsidy that improves the advantage sought after by the return to activity by persons with low income.

The Government entrusted the tax administration with the establishment of this mechanism, under extremely reduced deadlines conditions. The goal was for 8.5 million poor taxpayers that did not know the mechanism and that had to supply specific data in their ordinary income returns.

The good operation of the mechanism was largely based, beyond an exceptional mobilization of agents, on a double communications mechanism: in a first stage, press inserts were published, which widely contributed to a percentage of 2/3 of the beneficiaries of the premium they that correctly filed their returns. In a second stage, a letter drafted in simple terms with the support of social workers was sent to all taxpayers subject to benefiting from this premium: the response rate was 60%, which is above the usual results obtained in this type of situation.

- The second axis, a very important one, consists, as in most of the other countries, in **giving better use to the opportunities provided by the new means of communications and be, somehow, multimedia.**

The first thing is to develop throughout the Ministry of Economy, Finance and Industries the Internet site opened since 1996 and that was reorganized last year, with the establishment of a very complete portal that allows an online access to the information of all the directorates of the de Ministry of Economy, Finance and Industries, particularly the General Tax Directorate.

It is also a matter of the opening, at the end of this year, of a tax portal that provides taxpayers with access to the services that, with this purpose, are developed within the framework of a vast project, COPERNIC, within which the whole information system of the tax administrations is restructured and that attempts to offer an important spectrum of services. As of now, this portal provides access to online filing, online payment, online calculation, etc.; and to the tax information they may need.

Just like in most of our countries, users of these mechanisms, which provide great advantages, become more numerous each year. In first place, in terms of costs: a well-organized WEB site is the most economic means to inform a user, which of course does not exclude the possibility of placing other mechanisms within his/her reach that allow him/her to have access to an agent. Availability is another advantage, since access is permanent, quality as well, as it maintains information updated.

The position achieved by these techniques is expressed by very high usage growth rates.

Therefore, the online calculation module that allows the taxpayer to make simulations of the tax he/she will have to pay according to the options he/she may chose from, was used by 600,000 taxpayers in 1999, 1,600,000 in 2000 and 3,200,000 in 2001.

Of course, the development of the Internet must not make us forget that the same requires, for the user, a good knowledge of writing, which, unfortunately, is not the case for a fraction of the population. Verbal contact, through the telephone or within the framework of the service provided at the agencies must be maintained or developed in a parallel manner.

These are the main characteristics of our general communications policy.

To wrap up, I will finish with one of our objectives for the upcoming period, during which we will have to invest more than we have done up to date in a communication to create awareness among young people with respect to taxation, since the tax civism of these future taxpayers seems to be, more than currently, a strong challenge for the upcoming years

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Case Study

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GENERAL COMMUNICATION POLICY

Matthijs Hendrik Jacob Alink
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*CONTENTS: Why is Communication Important for a Tax Administration?.-
The Instruments Used by the Dutch Tax and Customs Administration to
Communicate with Taxpayers.- The Main Objective and Starting Points
Which Are the Foundation for the Communication Policy of the Dutch
Tax and Customs Administration.- The Role of Internal Communication.*

In this speech, the internal communication with staff members of the DTCA is only briefly discussed. The main point of this presentation is about the external communication of the DTCA with taxpayers.

I would like to start with the first topic that is the question ‘why is communication important for a tax administration?’.

The reason for the Dutch Tax and Customs Administration spending a lot of time and money in its communication with taxpayers stems from the Dutch tax department’s strategic objective. For about 10 years the strategic objective of the DTCA has been the promotion of compliance and countering of non-compliance. Compliance in this context refers to the maintaining and strengthening of the willingness of those required to pay taxes to comply with their fiscal duties.

From this strategic objective, it is clear that we make taxpayers central to running our operations. This is not out of philanthropy, however, but simply in our own interest. The interest being that of levying and collecting taxes for the Dutch State. This is the task that justifies our existence. But we are convinced that we can carry out our task better if we anticipate the needs of the individual taxpayer and give him the attention he deserves. Preferably just by providing services and good communication, but if necessary - in cases of fraud - by means of investigation and prosecution. After all, this is also giving the taxpayers a central role. And it also finally increases compliance.

As you probably noticed, I refer to communication and the provision of service as a single entity. We feel that communication and the provision of service are inextricably linked. Communication is an essential part of providing service. Take, for example, the provision of service by our employees. Every day, either by telephone or at the reception desks of our offices, they are communicating with taxpayers and trying to help them when they have questions. In this case it is in fact impossible to make a distinction between the provision of service and communication.

How do communication and service provision contribute to compliance of taxpayers? To be honest, I have to confess that we do not know this exactly. We do however have strong suspicions and certain signals. To start with, most taxpayers in the Netherlands, by far the majority of them, do comply with their duties to pay tax. This is an important point. After all, for this group the adage is: make it as easy for them as possible and ensure that this willingness continues to exist.

There are a minimum of two conditions that need to be fulfilled if the tax administration is to ensure that taxpayers adhere to their duties:

1. In the first place the taxpayer needs to know what his fiscal duties are. It is true that everyone is assumed to know the law, but this is not as natural as it might seem. Many taxpayers feel that the fiscal system is a labyrinth. The tax administration has a duty, based upon its public function, to provide information in order to guide taxpayers through this labyrinth.

2. In the second place taxpayers need to be enabled to comply with their duties. This requires support from the tax administration. Our aim is to ensure that citizens are confronted with as few barriers as possible. After all, anyone who experiences threshold barriers during contact will in the long run not make use of our services.

If one of these two conditions has not been fulfilled – “knowing what to do and knowing how to do it” – then one can hardly expect that people will do what the tax administration expects them to do. Thus, communication fulfils an important, mainly supporting, role in maintaining and reinforcing compliance with taxpayers.

We have a large number of instruments at our disposal for ensuring that taxpayers are put in a position in which they are able to comply with their duties. These can be roughly divided into five categories:

1. The first category is interpersonal communication, which involves the personal contact between taxpayers and personnel at our local tax offices.
2. The second category is written communication, which involves - among other things - a large package of printed material like folders, brochures, packing slips and instructions.
3. The third category is the telephone service. The DTCA has a toll-free telephone number, the Tax Telephone, where taxpayers can put general questions and request brochures on various subjects. Apart from the Tax Telephone, there are millions of telephone calls annually with the various local tax offices.
4. The fourth category is electronic communication, which is the category that is growing rapidly in recent years. An example of this service is our Internet site.
5. And the fifth and last category concerns mass media communication via television, radio, newspapers and magazines. This form of communication is used to draw the attention of taxpayers to the various products and instruments of the Dutch Tax and Customs Administration.

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I have indicated previously, why it is important for a tax department to communicate with taxpayers. Furthermore, I have summarily indicated which instruments we have at our disposal for this. I would now like to examine further the main objective of the communication policy of the Dutch Tax and Customs Administration.

Derived from the aforementioned 'strategic objective' of the DTCA, the following main objective has been formulated for external communication:

Taxpayers feel empowered by the Dutch Tax and Customs Administration to fulfill their liabilities and to interpret their rights independently; taxpayers feel that they are approached and treated respectfully by the Tax Department.

This main objective means that the DTCA:

- Should ensure that taxpayers are informed timely, correctly, comprehensibly and sufficiently about their fiscal liabilities.
- Should ensure that taxpayers should be made aware of their rights, such as for instance complaints procedures, etc.
- Should ensure that taxpayers experience sufficient support from the Tax Department in order to fulfill their fiscal liabilities themselves.

The second part of the main objective, a respectful attitude from the tax department with regard to the taxpayer, means that our employees should combine their fiscal expertise with a service attitude. In addition, we aim for taxpayers ending up with their questions with an expert on the matter as soon as possible and for them not to be confronted with unnecessary questions from our side.

The DTCA's external communication has a number of starting points as its foundation. I would like to discuss the following aspects with you:

1. Distinction according to target groups.
2. The desired level of communication with taxpayers.
3. The expenses of providing information.
4. The image of the Dutch Tax Department.

1. DISTINCTION ACCORDING TO TARGET GROUPS

The Dutch tax department distinguishes different target groups in its management. There is a primary distinction between four main target groups, i.e. private individuals, enterprises, large enterprises and customs. From this primary division, there is a further division into specific target groups who need an adjusted form of communication and service. Included in this are starting and small businesses, young people, immigrants and elderly people.

Our communication policy is aimed at ascertaining for each of these target groups in which way we can best communicate with them. In this way, we can connect most optimally with their specific need for information and information seeking behaviour. With this, we would like to remark that, related to the principle of equality before the law, it is of great importance to guarantee that no unnecessary great differences are created between the different groups of taxpayers in the level of information. Such differences might be caused by the further use of digital means of communication. For instance, many elderly people do not have a computer at their disposal and cannot gather information through the Internet. In order to prevent knowledge deprivation in these kinds of groups, the DTCA will also keep on using the more 'traditional' written media such as paper returns, clarifications and brochures in the long term.

2. LEVEL OF COMMUNICATION WITH TAXPAYERS

A second point of attention concerns the level of information, which we supply to taxpayers. In other words, what are the limits we pose on our communication?

Our communication has obvious upper and lower limits. There are lower limits, because the minimum of information and implementation - the 'what' and 'how' - needs to be guaranteed. But there are also upper limits. There are, after all, limits to what you can do and what you are willing to do as an organisation. In our case this means respect for the autonomy and privacy of citizens. And taking into account the balance between our public function of informing citizens and our advisory role in the same way as consultants in fiscal matters. We are not there to point out tips and tricks for taxpayers to pay as little tax as possible: fiscal advice is not the tax department's job.

3. EXPENSES OF THE PROVISION OF INFORMATION

An important starting point is that all the information material of the tax department is free for the citizen and is made freely available in an easy way. We should, after all, assume that the information the tax department provides, is in principle necessary for the taxpayer to be able to fulfill his liabilities or to enable him to assert his rights. From this necessity, it is obvious to finance the expenses for information collectively as much as possible and not have them paid by the individual taxpayer who feels the need for information. Naturally, it might occur that a small compensation of the expenses might be asked for extra service. As long as the starting point remains that every taxpayer should be able to gather all the necessary information freely in at least one easy way.

4. THE IMAGE OF THE DUTCH TAX AND CUSTOMS ADMINISTRATION

An important point of attention in our communication with taxpayers is the image of the Tax and Customs Administration. You will not be surprised to hear that the emotion that taxpayers have towards us is basically negative, as no-one enjoys paying taxes. Just think about it: rationally speaking, you may have the idea that the taxes you pay are contributing to society. After all, taxes are used to finance numerous useful and necessary things such as roads, bridges, education, day-care centres for children, and many more social amenities. But although you are aware of this, you're not happy when yet another tax form is pushed through your letterbox. This negative emotion regarding taxes hinders our communication with taxpayers. We have therefore decided to recognise this negative emotion in our statements.

We have even gone one step further and have made our theme line in corporate communication: *'we can't make it any nicer, but we can make it easier'*. This is how we try to clarify the role we have while at the same time making it clear that there are some things we just can't change, that is, fiscal legislation. By having this approach we are making it possible for the image of the Tax and Customs Administration to be uncoupled from negative emotions surrounding taxes. We are, as it were, uncoupling at an emotional level the

negative emotion involved in paying taxes from the organisation that is responsible for the collection of those taxes. By presenting ourselves as a professional, client-oriented organisation with a human face, we are trying to make the payment of taxes by taxpayers - something which they cannot avoid anyway - as 'painless' as possible. We can't make it any nicer, but we can make it easier.

Our mass media campaigns via radio and television are also a way of working on our image in general. We feel that it is important that our image is a correct representation of our identity. We like to convey our identity as having three basic values: credibility, responsibility and precision. These values represent the entity, the personality, of the Dutch Tax and Customs Administration.

The image of the Dutch Tax and Customs Administration brings me to the last part of my presentation, the internal communication. At least as important as working on our image with our communication campaigns, is working on our image by means of the attitude, behaviour and level of knowledge from our personnel. This requires our permanent attention to internal communication.

Internal communication is especially an important condition in realising the set corporate objectives. Main objective of internal communication, therefore, is that employees are up to date on - relevant adjustments in - fiscal legislation and regulations, the policy, the organisation and the environment of the DTCA. This permanent attention is necessary for the employees' motivation, maintaining the support for existing and new policy, forming a 'corporate identity' and ensuring that our employees are able to inform taxpayers correctly and comprehensively.

It is of great importance not to consider internal and external communication separate in the management of the tax department. The last few years, tax departments have spent a lot of time and money on their service and communication with taxpayers, and rightly so. What is often overlooked, is that it is of great importance that internal communication should run parallel to this. Unfortunately, there is a tendency of putting external communication in the first place and internal communication second.

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This is an unwise choice. From every study of the Dutch Tax and Customs Administration, it is apparent that the quality of the last personal contact with one of our employees is what remains longest in a taxpayer's memory. You can spend a lot of money on pretty brochures, a flashy website, etcetera, but in the end the quality of the personal contact is highly decisive to the compliance of taxpayers. So, the best investment is still the one in your own employees.

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REPORT BY GENERAL RAPPORTEUR

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1. (Mr. President, Mr. General Director of the Tax Agency of Spain, Mr. Executive Secretary of CIAT, ladies and gentlemen of the CIAT Executive Council, ladies and gentlemen);

2. The CIAT Technical Conference which has been held in this city of Seville since last Monday 15 and until today, October 18, 2001, has considered as main theme: "The tax Administration at the service of the citizen". It has been discussed, throughout these days, from five different perspectives. First, we have analyzed the tax Administrations' current vocation for taxpayer service, as well as the legal and sociological significance acquired by the taxpayers' rights and guarantees in tax relations. Thereafter, we examined simplification as a manifestation of these social demands, to then face the use of new technologies in tax management, within each Administration as well as more specifically, in the area of information exchange between the tax administrations. Finally, this morning we have considered quality in the tax Administration and the communication policies.

Undoubtedly, as is generally the case in these technical conferences, the lectures and communications have allowed us to learn about the progress of the different tax Administrations, comparatively analyze the various experiences and thus arrive at fruitful teachings in each of our own areas, of our objectives and professional relationships.

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Allow me then, to try to highlight in this report, those main lines of action which I have perceived as common denominator of the different perspectives and contributions from this Conference. Therefore, I will concentrate on three fundamental ideas as possible strategic axes of the tax administrations in the future. First, I will propose that we ask ourselves what can be the future social demands that can be made to those tax administrations at the service of the taxpayers? Secondly, I will invite you to reflect on the impact of the new technologies and finally, on what will be the quality of our administrations.

3. On the first day of this conference, the delegations of Spain, Mexico and Portugal considered the legal consequences of said new vision of the tax administrations at the service of the citizens and the social concern for due safeguard of taxpayer rights and guarantees in their relationships with the Administration. And these delegations coincided in this new positioning of the tax administrations. These administrations cannot currently find their legitimacy in the mere legal demand for taxes, which thus reduces their function to the adequate collection of the latter. On the contrary, tax management in all our countries is based on voluntary compliance as well as social consensus on the ethical and practical need to collect the legally established taxes. As stated by the General Director of the Tax Agency of Spain, tax management must guarantee the citizen's involvement and his trust in the tax Administration and its services. In this way, as stated by Claudino Pita, we would be moving from the slogan of the taxpayer as a customer of the tax administrations to a vision of the latter as their true partner.

In many countries, this scheme has resulted in the political demand for a more precise definition and defense of the taxpayer rights and guarantees. Indeed, as stated by the Portuguese delegation, such rights and guarantees are based on an indubitable constitutional matrix and a general reconsideration of the relationships of the citizens with the public administrations. On occasions, such rights have been compiled in specific laws, as has happened in Spain, or in chapters included in the corresponding general laws or tax codes. Such taxpayer guarantees have given way to the specific implementation in the tax Administration of the idea of instituting the People's Defender or Ombudsman, through the creation of such bodies as the Taxpayer Defense Council in Spain or the Taxpayer's Trustee in Mexico.

Actually, in tax management there has always been said tension between the power of the State for creating and demanding taxes and the citizens' defense of their rights through the establishment of

guarantees vis-à-vis the public authorities with tax powers and accordingly, the limits in relation to such powers. Let us simply recall that such tension is already found at the outset of European constitutionalism and that tax management has always been present in the development of the doctrine on fundamental rights and in the area of individual guarantees vis-à-vis the powers and public administrations. Nevertheless, said taxpayer rights and guarantees are not predefined. That is, the fact that such rights and guarantees have been inserted in some specific way in our laws during the past years, does not imply that at last the tax administrations have accepted the existence of some sort of natural taxpayer rights, but rather, is the result of a change in public opinion, at least in the majority of our countries, with respect to the tax phenomenon, the idea of progressiveness, the role of the public sector and, accordingly, the acceptance of the costs of compliance and the powers of the control bodies of the tax administrations.

As was said in this conference, when talking about tax simplification, the latter does not imply or is linked to the reduction of the tax burden. They are different ideas. However, perhaps these social demands are indeed being evidenced in parallel. That is, in recent years, regardless of the political limitations, in countries with a high tax pressure, as the United States or the member States of the European Union, there has been a certain social demand and a sort of new consensus has developed in relation to the convenience of reducing the tax pressure and the level of public expenditure, along with a budgetary balance accompanied by a redefinition of the role of the State. This new approach has mainly affected the taxation of income which, as has been seen in this conference, continues to be the center of gravity of our tax system, even though society has drastically reduced its levels of tolerance vis-à-vis progressiveness and in many countries, such form of taxation has lost its central position, at least in the State's collection, when not replaced by the generalized use of the withholding systems. Thus, these tax reduction demands may probably have favored such other tax simplification demands and especially this new conception of taxpayer rights and guarantees.

In any case, these ideas would have to be handled with two fundamental precautions. First, our countries frequently show different social realities and very different levels of tax pressures and roles of the tax administrations. This variety can never be disregarded. On the other hand, if there is something that characterizes our world, it is the need to adapt our vision of the future to the strategic surprises that arise, and indeed the current situation suffices as evidence of this statement when

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precisely, recent events have already brought up the need to consider which should be or which is really, in spite of certain situations, the role of the State.

Therefore, it is difficult to know what will be the social demands made to the tax administrations in the coming years, as organizations at the service of citizens. However, I believe that this conference has suggested and, of course, has personally suggested me, some particularly attractive ideas.

As the representative of the International Fiscal Association (IFA) said, the taxpayers and the tax administrations do not live in different worlds and, I would add, either one or the other should never think that they are not obliged to share this common world, although they may live in it, in different rooms.

From the perspective of social legitimacy of the tax administrations, the latter will depend, as stated by the Portuguese delegation, on external factors and the political will of each society of reaching consensus in relation to the levels of taxation, the distribution of the tax burden and the use made of public funds, as well as in relation to the constitutional values on which tax policy is based. Undoubtedly, the level of legitimacy of a tax administration depends, to some extent, on the level of legitimacy of the fiscal system it applies, although the Administration may be another recipient of said system.

Now then, tax administrations may find their own prestige and social leadership in their own area; namely: that of tax management and application. Indeed it is a difficult but essential task, where the tax administrations must promote the clarity and stability of their fiscal norms, avoid errors in management and try to establish their relationships with the taxpayers on the basis of the principle of good faith or, as stated by the delegation of Portugal, on the reciprocal duty of cooperation, truly accepted by the administrations and the taxpayers. On this basis, it will be possible to achieve the balance each society desires, not so much between the powers of the Administration and the rights of the taxpayers, but rather between the desired tax system and the interference in the life of citizens, which is necessary to manage the former.

To conclude this first part, allow me two last ideas. As the Minister of Finance of Spain said, the struggle against tax fraud will continue to be an obvious objective of the tax administrations. Furthermore, citizens will also demand a correct application of the taxes and reject the defects

in tax management which may alter the fiscal system and make some specific taxpayer groups avoid their tax obligations to the detriment of others. On the other hand, we all accept globalization as a characteristic of the current economy. In this context, the tax administration at the service of the citizens will not only be at the service of their own citizens, but also of the citizens and businesses of other countries, investors, immigrants or economic operators. The tax administrations will also be evaluated and compared from outside their own States.

4. As I was saying, a second axis that has become evident in this conference is that relative to the impact of new technologies. In this respect, this conference has brought up a common area of our administrations. As was evident in the presentations by the delegations of Spain, Brazil, Chile, Bolivia, Costa Rica and Guatemala, our administrations have decided not only to use, but also to promote the use of new technologies in tax management. This implies the creation of web pages of the tax administration. As we saw, on examining the web pages of Spain and Chile, they include personalized and non-personalized services. Standing out among the latter is the use of Internet for the dissemination of criteria or resolutions of the tax Administration itself. In any case, personalized services have included the filing of returns and the payment of tax debts. Likewise, these services may also involve the issuance of certifications, the comparison of tax data on a person which may be made available to the Administration or the management of the VIES system in Europe.

The experience of the tax administrations affords us interesting conclusions. First of all, there is a general double concern for security and the legal validity of electronic communications with the taxpayers. In this sense, the tax administrations share the concerns of many other economic and social sectors with respect to the phenomenon of what has been called electronic commerce. For this reason, in tax management such security and legal framework has been sought in systems of electronic certification through a third trustworthy party and through electronic signature. To all of this, one must add the actual security of the transactions through encryption systems that may ensure the confidentiality of the information transmitted. Nevertheless, with regard to this latter aspect, the security of electronic transmission and preservation of data poses, more than a new problem, a new dimension of a problem that is well known to our administrations. The tax administrations have always had sensitive personal or commercial information whose management, transmission and custody have always posed difficulties and has involved a challenge for the Administration,

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to the extent the national laws impose the confidentiality of said information, restrict their use by third parties, including other entities of the same State, or limit the computerized or automated treatment of those data. Therefore, the tax administrations are faced with a new and important aspect of an old problem, although this new electronic form of relationships with the taxpayers stresses the need to take the necessary precautions in the area of security for the confidentiality and preservation of the information.

Another aspect which this conference has brought up is the debate regarding the incentives that are admissible for the use of Internet or the new technologies. There is general agreement regarding the convenience of promoting the filing of returns via Internet or the use of this instrument by the taxpayers. However, the positions differ when it comes to establishing norms or mechanisms that actually promote such use. Our administrations have varied experiences. Thus, Spain requires the obligatory filing of returns in certain cases, particularly by large taxpayers. Costa Rica, on its part, has established a bonus of up to 5% of the amount of the tax debts paid through this means, incentive which the Treasury partially compensates with the amount previously paid to the banking entities for handling these same returns that are now filed via Internet. At this point, it is necessary to admit that the use of Internet in tax management will mainly depend on two conditions, rather than on any other. First of all, said use will be related to the very dissemination of Internet and these technologies in a country or specific society. If these tools are made available to reduced social groups, it will be these same scarce groups that will use them in their relationships with the tax Administration. On the other hand, the first incentive which a tax Administration should handle is the correct and friendly design of its own web page. The latter should provide a broad range of non-personalized services, it should be neutral in the relationships between the Administration and the taxpayers and, of course, should be easy to handle.

Finally, another issue raised in this conference wherein the positions and experiences are different is that relative to the convenience that the administrations create or develop their own applications or programs in this field.

In any case, as stated by the Spanish delegation, let us not forget that the new technologies will significantly facilitate compliance with taxes, without modifying their legal framework.

Undoubtedly, it is currently almost common to say that Internet or the new information technologies constitute tools that will revolutionize our economic and social environment. In any case, allow me, as I already did before, to highlight some ideas that have been suggested from the presentations we have had the opportunity to follow in this conference.

The tax administrations, like the other economic agents or operators have actually decided that they have had no other option but to make the strategic decision of resorting to the use of Internet in their management. To begin, the mere image of modernity has been one of the reasons that have obliged them thereto. However, as said by the delegation of Denmark, we must all analyze the impact which the use of these new technologies will have in our organizations. If you allow me a personal reflection, and using an academic comparison, we all have the temptation, at times, to consider Internet as a new subject. However, perhaps Internet and what Internet means, is not only a new subject as much as a new way of understanding the subjects we were used to handle. In other words, we cannot forget, going back to the ideas suggested by the Danish delegation, that Internet will force us to change our training and, in particular, the training of the tax administration employees. As noted by the delegation of Bolivia, Internet will demand a more informed official. Indeed, Internet will require from all of us, an information effort and will oblige us not only to learn a new tool, but to work, teach and train ourselves in a different manner. Finally, Internet, as any technological revolution will change the production processes and accordingly, the management tasks which the tax Administration has been carrying out internally.

Almost in this same area, there is special interest in a distinction made in its presentation by the Chilean delegation; the differentiation between Internet and Intranet. And let me add the possible creation of personalized and interactive web pages with specific taxpayers. In fact, the creation of Intranet within the current organizations may revolutionize our working methods. Let us consider the possibilities which this tool can offer when sharing information from the personal experiences of the members of said organization and, specifically, from the employees of a tax Administration. In professional organizations, and the tax administrations are so, there has been and continues to exist a trend toward individual work. However, the communication possibilities afforded for the common implementation of experiences and knowledge will favor team work to avoid redundant and inefficient individual efforts. Nevertheless, we should not think that this is going to reduce the role of the individual, except of the one who sets a self-limit to his information.

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That is, it will require better training, a more original and less repetitive value added.

Now then, these same ideas will be transferred to the area of relationships of the tax administrations with the taxpayers. If you allow me, I believe the tax administrations would be making a mistake if they would come to consider Internet a barrier behind which to hide or blur the individual taxpayer. As stated by the delegation of Sweden on likewise describing their electronic services, the relationship between the Administration and the taxpayer may adopt several forms: it may be personal, in writing, by telephone or electronically. These means are to a certain extent independent from the level of personalization or standardization of the communication. Indeed, the electronic vehicle allows a greater level of personalization than the traditional system of written communication. Let us consider that possibility of web pages that may interact with taxpayers, which may show the latter's tax life in the most dynamic sense, allowing a relationship between the representatives of a taxpayer and the public employees who are ultimately responsible for the various management tasks. These instruments could be used for personalized inquiries, answers, requests, notifications, returns, payments.

That is, Internet should be understood as a challenge to the transparency of the tax Administration. Such transparency, for example, is already manifested in the area of non-personalized services, such as the dissemination of the criteria or information of the tax Administration. The web pages of the tax Agency and the Ministry of Finance of Spain are good examples thereof. But, in addition, it is an example that is inserted within the framework of a more general reaction of the legal operators. International organizations, Courts of Justice, bodies of the Administration and creators of private data bases will disseminate classified legal information via Internet, increasing up to unknown extremes, if there is the will to do so, the information available in those areas. In this way, information whose search or individual creation justified many of our efforts in the past will be readily accessible. New changes will be demanded. Such transparency will allow a better knowledge of what we are doing and will likewise facilitate the criticism of our work.

The Danish delegation brought up one of the less discussed and more controversial of the effects of these new technologies; namely: centralization. Does Internet contribute to stress centralization in the management of organizations and to what extent is said process evident,

even in the area of relationships between the different tax administrations of the same State? Undoubtedly, such issues pertain especially to States, as is the case of Spain, with a high level of political decentralization. Certainly, trends toward centralization allowed by information technologies or toward a more global or network vision of the organizations, must be reconciled with the political or sociological limitations derived from the existence of a variety of territorial realities in the same State. Now then, this effect also allows for recalling the reasons existing in the area of efficiency, to ensure that citizens relate themselves to a single tax Administration as stated by the delegation of Canada, although it may act on account of other tax Powers.

To conclude this part, allow me two final reflections. Internet does not work miracles. The contents of Internet will not be better or worse merely because of the fact that they are being conducted via Internet. Again, the tax administrations will have to continue to ensure the adequacy of their actions, the struggle against tax fraud and the perception which the taxpayer has, even through Internet, of how he is treated by his tax administration. The harms of normalization and massiveness of actions could be further stressed through Internet.

On the other hand, the information technologies and economic globalization which they have rendered possible imply new challenges for the tax administrations. The delegations of Italy, Sweden and Trinidad and Tobago highlighted the importance of the exchange of information between the tax administrations and the technological instruments at the service of this objective. These technologies likewise pose questions with respect to key concepts of international taxation. The changes required by these technologies force us, perhaps, to reconsider ideas such as permanent establishment or actual headquarters, which have served for decades to determine the scope of tax sovereignties of the States. All of the foregoing, without taking into account the modalities of fiscal fraud or tax avoidance that may arise from the use of these technologies.

In the specific area of information exchange, there are two ideas worth stressing. First, if initially it was said, actually Claudino Pita stated it, that taxpayers should probably be seen not as partners, but as customers of the tax administrations, you will allow me to say that each tax administration would have further reasons to consider the others as such partners. Let us consider that, with respect to international groups, those administrations are relating themselves to entities that are indeed partners among themselves. And of course, economic globalization calls for cooperation between the tax administrations.

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On the other hand, if the theme of this conference is the Administration at the service of the citizen, the latter will be the one to demand for his own benefit, as well, said cooperation between the administrations. Such cooperation, such simultaneous examinations, such exchange of information, will not only result in a better prevention of tax fraud, but also in a better service to the taxpayer. The adequate application of the Double Taxation Agreements and the broadest objective of elimination of said double taxation, especially in the area of transfer prices, call for such collaboration between the tax administrations. Let us not forget, as well, that within the European Union, the doctrine of the Court of Justice has made of such cooperative administration, the reason why the struggle against tax evasion cannot justify discriminatory measures of a State against the residents in other member States. Rather than adopting discriminatory precautions against nonresident individuals, the administrations should cooperate among themselves to thus allow for a real European space.

5. Finally, continuing with those three strategic axes which I mentioned at the beginning and to conclude this report, I would like to refer to quality in the tax administrations. This morning the delegations of the United States and Canada discussed the evaluation of quality in the tax administrations. As stated by the U.S. delegation, the tax administrations must subject themselves to quality controls in accordance with generally accepted criteria or methods, in order to evaluate the excellence or quality of the organizations.

Undoubtedly, the very notion as to what is a quality administration may turn out to be controversial. Quality should be found, rather than in other factors, within the very level of achievement of the tax compliance strategic objectives. That is, the quality of a tax administration depends on the objectives pursued by this administration. Thus, the determination of these objectives is not neutral, there being a strategic opinion prior to the evaluation of the effectiveness or efficiency of said administration in the achievement of such objectives. Nevertheless, it seems evident that modern tax administrations share, as we had said, some strategic objectives based on the balance between the promotion of voluntary compliance, along with the improvement of the image of the administration before the citizen, on the one hand; and, on the other, the activities for preventing and fighting tax fraud or evasion. In this way, the evaluation of fraud should consider, above all, the level to which that same balance is achieved and the image which the citizens of a country may have of their tax administration.

On this basis, any quality administration should have established adequate systems to follow up the objectives in each of its areas. As the Canadian delegation said, the evaluation of quality should be included in real plans of modernization, the latter being understood as unavoidable adaptation to the changes originating from the evolution of the environment, with the use of indicators, such as the so-called Global Yield indicator, that may allow the follow up of the activity of a tax administration.

In any case, the quality of a tax administration and the image the citizens may have about it will depend, rather than on other elements, on the professionalism of said administration, said professionalism being understood as a combination of integrity, stability, fairness and equality in the treatment of the taxpayers and with respect to the law. Such professionalism constitutes, let us not forget, the central virtue which a tax administration can never lose. As was said by the General Director of the Institute of Fiscal Studies of Spain, the quality of an administration depends primarily on its credibility and reputation.

Finally, with respect to quality, the delegations of France and the Netherlands have analyzed an issue that also affects the general vision of the Administration as an organization at the service of the citizens and the use of new technologies. As these delegations said, any tax administration must design a communication policy that may be at the service of transparency in its relationships with the taxpayers, allow for easily understanding its decisions and the promotion of the tax spirit. Of course, this communication constitutes a complex world that comprises, from the personalized relationship of an employee of the Administration with a taxpayer, up to institutional advertising of the Administration, without disregarding that such external communication must be based on adequate internal communication within the organization itself.

Lastly, of course, I cannot conclude this report without thanking CIAT as well as the Spanish Tax Agency for the honor and satisfaction provided me on giving me the opportunity to participate in this conference and addressing you as general rapporteur. In this respect, I will also refer to those ten years of existence of the Tax Agency of Spain. As other delegations have pointed out, and may Canada serve as example, the tax and customs Administration have some specific aspect that justifies its subjection to a differentiated regime, within the public administrations of a State. Of course, this regime does not guarantee quality, but may contribute to achieve it, as has been proposed and

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undoubtedly has been achieved by the Spanish Tax Agency in the past ten years. Of course, I will not be objective, on referring to the Spanish Tax Agency, but since you have been so kind to listen to me up till now, you will also allow me to conclude my presentation by expressing my admiration for an organization to which I do not belong at present, but of which, in one way or another, I will always feel a part. And also of which I have not doubt that it will maintain and increase, as part of its modernization plans, its fruitful collaboration with CIAT.

Thank you.

CLOSING SESSION

RECOGNITION TO CIAT AND TO MR. JORGE COSULICH AYALA BY THE TAX AGENCY OF SPAIN

As General Director of the State Agency of Tax Administration of Spain, I consider it a privilege to be able to express, before such a distinguished audience, our recognition to CIAT and its Executive Secretary, Mr. Jorge Cosulich.

Why do we think CIAT deserves our high consideration and recognition?

Although some of you are familiar with various aspects of CIAT, I would like to say that the formal establishment of CIAT took place at the General Constitutive Assembly held in Panama in May 1967. Thirty four years ago, CIAT was conceived as an organization intended to provide the services and support required by the Tax Administrations of its member countries through international collaboration in a broad sense.

This conception demands of CIAT permanent presence in many issues: obtaining financing, the collaboration of the more advanced Administrations for carrying out normative and procedural adaptations, training of staff, etc., among other fundamental tasks, in order to adapt the processes for structuring the different Administrations and societies to their respective environments.

The permanent need to respond to the demands of the changing environment has obliged CIAT to analyze with truly international dimensions, the numerous specific needs of each Tax Administration member of the organization.

Obviously, the needs are varying, in the same way as the levels of development of the tax administration of the different countries also vary.

CLOSING SESSION

Since 1967 CIAT has been there, has detected the shortages of the Tax Administrations, has attempted to give each one what seemed most appropriate for its development and has not hesitated in requesting from the most advanced Administrations their generosity in sharing their tax experiences, thus endeavoring to jointly achieve, more developed organizations for the benefit of the citizens.

The Spanish Tax Administration has stretched out its helping hand on the numerous occasions that CIAT has requested our collaboration. We are greatly satisfied and proud of having fully supported CIAT from the different institutions of the Ministry of Finance of Spain, because for us, locating tax issues in a distinguished place for social organization is an evidence of the democratic development of a nation. To affirm one's support is a fundamental attribute of a modern society.

Therefore, in addition to recognizing the significant task carried out by CIAT in its 34 years, on behalf of the Government of Spain I would also like to say, thank you for having taken us into account throughout the greater part of this period. We have gone together a long way and we will continue to be there.

Behind CIAT there is a large number of persons that have rendered possible the great task carried out these years. There are many people that have collaborated and many others who are still doing so at present. All of them, without any doubt, are important but if you allow me, I would like to mention an indispensable person: our dear friend, Jorge Cosulich, Executive Secretary of CIAT, to whom the Tax Agency wishes to render deserved homage.

As you may all know, Jorge was born in Sucre (Bolivia) and obtained his engineering degree at Universidad Mayor de San Andrés (Bolivia) having completed postgraduate studies at the University of Connecticut, in the United States.

He began working at CIAT in 1977, in the Technical Cooperation Unit, which area he directed for several years.

In that capacity, he participated and directed important projects of modernization of the tax administrations.

There, he proved his great capability, affection and understanding of the global needs of the Latin American countries in the tax sphere: norms, managerial procedures, computer resources, staff training, etc.

CLOSING SESSION

In January 1993 he was appointed CIAT Executive Secretary, replacing Mr. Edison Gnazzo, and from that position he has served and we would hope will continue to serve CIAT and each of its member countries for many more years.

Without any doubt, Jorge is a generous man who sacrifices himself and his family in order to be present at all forums and at all times when he may be required to support and serve our Administrations.

Jorge, on behalf of the Agency I would like to say thank you and you may always count on us to continue the long path we still have to travel, in order that the Tax Administrations may ever more be a useful instrument for society and the citizens we must serve.

Finally, I would like to present to Jorge a modest present, to wholeheartedly honor CIAT and its Executive Secretary.

Jorge, thank you for all you have done.

**STATEMENT BY SALVADOR RUIZ GALLUD,
GENERAL DIRECTOR OF THE STATE AGENCY
OF TAX ADMINISTRATION OF SPAIN**

Authorities present, members of the CIAT Executive Council, representatives of the member countries, representatives of international organizations, guests, ladies and gentlemen:

We are concluding a Technical Conference where the technical aspect has been of utmost importance as a result of the issues discussed, but where we have also achieved active and excellent personal and institutional relationships. We hope that the pleasant atmosphere we have all contributed to create may help in achieving the objectives intended by CIAT and Spain in this meeting and that it may also reinforce the excellent relationships already existing between our tax administrations, which are represented here by their high level directors.

As already stated by those who have preceded me, I would like to thank the CIAT Executive Secretariat, the Organizing Committee and, in general, all those who have participated in this event, for their generous effort in its organization. It is impossible to refer to all of them. May this general mention be a recognition to their work.

For my country, this has been a Conference of extraordinary significance. Important projects have been discussed in the area of training as well as technical assistance, which activities are partly a continuation of the important tasks carried out in our already long standing relationship with CIAT but, which, nevertheless, represent new challenges. Such is the case of the Master's program at the Ibero-American sphere, which intends to give form and structure to the long series of training projects currently underway, or to promote the exchange of information and, in general, assistance among our administrations.

It is not my task to extensively refer to the technical issues discussed. We have already listened with interest to the excellent and detailed presentation by the General Rapporteur. However, I cannot disregard this opportunity to briefly comment on some aspects which I deem of great interest.

CLOSING SESSION

Already in the inaugural statement mention was made of the program's intention to incorporate several closely interrelated subjects under the generic and expressive title of "Tax Administration at the service of the citizen".

There is one variable that plays an important role whereby the Tax Administration may fully carry out all its possibilities of action and that is no other than the normative design. A constant effort is being made in a complex environment such as the current one, to simplify, and render more transparent, balanced and secure, the framework of relationships between the taxpayers and the Administration. This effort should have beneficial effects | the priority objective of many tax administrations, which is to improve voluntary compliance.

It is an undeniable fact that normative design, juridical security and the decrease of the indirect tax pressure play an important role in systems based on taxpayer self-assessment. From there follows the importance of strengthening the taxpayer information and assistance service which has been sufficiently proven throughout the sessions.

Brevity and simplification are different concepts and the world has evolved toward increasing complexity. However, the statement is illustrative and exemplifies the dilemma to which we are subjected: the search for equilibrium between complexity and the laudable objective of facilitating and giving juridical security to the taxpayer with clear, simple and transparent rules.

Allow me also to refer to two relevant issues related to our tax system. The first is the law of Taxpayer Rights and Guarantees, point of inflexion in our administrative tax evolution that has managed, in tune with the trends that are being imposed in recent years, to clarify, balance and endow the framework of relationships with the taxpayer, with the necessary transparency. The second, which is the next project of a new General Tax Law which in our system is a basic and fundamental rule in the relationships between the Administration and the taxpayers and evidences the willingness for an in-depth modernization of our tax system.

In this scheme we could not omit referring to technology, authentic base of the revolution we are experiencing in our organizations. Technology affects all spheres: allowing better taxpayer assistance, a better service, facilitating fiscal control and the optimization of human resources. Lastly, but not least important, facilitating greater quality without increasing costs, the restructuring of processes and procedures and improved allocation of resources.

It is true that it poses other challenges such as the location of the staff, which needs to be relocated in new activities with the resulting implications in training and eventual geographical and functional changes. Nevertheless, the society of information and technology exercises and will continue to exercise a permanent influx in our structures and procedures, and will demand flexible organizations, in continuous evolution, that will attribute priority to staff training, which acquires special relevance in an organization with intensive human capital such as that of the tax administration.

I would like to express some conclusions that will allow us to reflect, at least before going back to the frantic pace of our offices.

This Conference has served to continue nourishing our trust in the consolidation of the international organizations in the area of taxation. It is the direction to be followed and CIAT stands out in this respect, because of its strategic objectives, inasmuch as it tends to strengthen and modernize the Tax Administrations. It has recently expanded its scope to the customs area and working groups are being established in basic areas of the Administration. Works dealing with the exchange of information should be increased, while does involving the design of an assistance model in various functional areas should be promoted.

This is truly the objective and the reason why we are gathered here: to attest to the validity of the principles that in due time originated CIAT, to the intensive and unceasing activity it displays, to the active cooperation among its member countries, to the fact that there is still much to be done.

As it has been said so many times:

“... we cannot stop, when around us the entire world is in motion“.

Thank you and have a happy return trip.

CIAT Technical Conference

THE TAX ADMINISTRATION AT THE SERVICE OF THE CITIZEN

Seville, Spain
October 15-18, 2001

Monday, October 15

Morning

09:00-09:30 Inaugural ceremony.

09:30-10:00 Official photograph

Moderator: Javier Etcheberry, Director, Internal Revenue Service of Chile and CIAT Executive Council President.

10:00-10:45 **Topic 1. Normative measures to facilitate voluntary compliance (the taxpayer as central reference of the tax administration).**

Speaker: Salvador Ruíz Gallud, Director, State Agency of Tax Administration, Spain.

10:45-11:35 **Topic 1.1 General framework of taxpayer rights and obligations.**

TECHNICAL PROGRAM

Speakers: Nora Caballero Verdejo, General Administrator of Taxpayer Assistance, Tax Administration Services, Mexico.

Carlos Brito Fonseca, Deputy General Director of Tax Verification, DGCI, Portugal.

11:35-12:00 Recess

12:00-12:15 **Commentator:** Claudino Pita, Director of Programming and Studies, CIAT.

12:15-13:00 Open discussion.

13:00-14:30 Lunch

Afternoon:

Moderator: François Villeroy De Galhau, General Director, Directorate of Taxes, France.

14:30-15:20 **Topic 1.2** **The simplification of norms to promote voluntary compliance and facilitate control.**

Speakers: Horacio Castagnola, Deputy General Director of Administration, Federal Administration of Public Revenues, Argentina.

Alberto Monreal Lasheras, Director of the Tax Management Department, State Agency of Tax Administration, Spain.

15:20-15:35 **Commentator:** Frans Spierdijk, General Secretary, International Fiscal Association, IFA.

15:35-16:15 Open discussion.

Tuesday, October 16

Morning

- Moderator:** Elvin T. Hedgpeth, Deputy Director International, Internal Revenue Service, USA.
- 09:00-09:45 **Topic 2. The use of new technologies for facilitating tax compliance.**
- Speaker:** Santiago Segarra Tormo, Director of the Tax Computerization Department, State Agency of Tax Administration, Spain.
- 09:45-10:35 **Topic 2.1 Personalized Services. Electronic filing of returns and payment.**
- Speakers:** Pedro Luiz Bezerra, Coordinator of Technology, Secretariat of Federal Revenues, Brazil.
- Benjamín Schütz García, Deputy Director of Verification, SII, Chile.
- 10:35-11:00 Recess
- 11:00- 11:15 **Commentator:** Eduardo Zegada Claire, Executive President, National Service of Internal Taxes, Bolivia.
- 11:15-12:00 Open discussion.
- 12:00-12:50 **Topic 2.2 Impact of Internet in information services and other procedures.**
- Speakers:** Adrián Torrealba Navas, General Director of Taxation, Ministry of Finance, Costa Rica.

TECHNICAL PROGRAM

Flemming Paludan, Deputy Director General, Central Customs and Tax Administration of Denmark.

12:50- 13:05 **Commentator:** Consuelo Caldas Cano, General Director of Taxes, National Tax and Customs Directorate, Colombia.

13:05-13:30 Open discussion.

13:30-15:00 Lunch

Afternoon

Moderator: Pieter Vogelaar, Deputy Director International Tax Policy and Legislation, Ministry of Finance, The Netherlands.

15:00- 15:50 **Topic 2.3** **New technologies and the exchange of information between Administrations.**

Speakers: Concettina Ciminiello, General Director, Ministry of Economy and Finance, Italy.

Ragnar Öhrn, Tax Director, National Tax Board, Sweden.

15:50- 16:05 **Commentator:** Haseena Ali, Commissioner and Chairman, Board of Inland Revenue, Trinidad and Tobago.

16:05-16:30 Open discussion.

Wednesday, October 17

FREE DAY

Thursday, October 18

Morning

Moderator: Juan José Rubio Guerrero, General Director, Institute of Fiscal Studies, I.E.F., (Spain).

09:00- 09:45 **Topic 3. Quality programs in the Tax Administration.**

Speaker: Deborah M. Nolan, Deputy Commissioner, Large & Midsize Business, Internal Revenue Service, USA.

09:45-10:30 **Topic 3.1 Evaluation of the quality of public organizations.**

Speaker: Alain Jolicoeur, Deputy Commissioner, Canada Customs and Revenue Agency, Canada.

10:30-11:00 Recess.

11:00-11:15 **Commentator:** Gelson Vinicio Valladares Miranda, Deputy Director General, DGII, Ministry Finance, El Salvador.

11:15-12:00 Open discussion

12:00-12:50 **Topic 3.2 General communications policy.**

Speakers: Dominique Gibrat, Acting Deputy Director of Communications, General Directorate of Taxes, France.

TECHNICAL PROGRAM

Matthijs Alink, Deputy Director Operational Management and Taxpayer Policy Directorate, Dutch Tax and Customs Administration, The Netherlands.

12:50-13:05 **Commentator:** Trino Alcides Díaz, National Custom and Tax Superintendent, SENIAT, Venezuela.

13:05-13:30 Open discussion.

13:30-15:00 Lunch.

Afternoon

15:00-15:30 **GENERAL REPORT** Abelardo Delgado Pacheco, Attorney, Partner of Garrigues & Andersen, Former Director of State Agency of Tax Administration of Spain.

15:30-16:30 Closing.

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(Seville, Spain, October 15 – 18, 2001)

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