

TECHNICAL CONFERENCE

CIAT2014
SANTIAGO DE COMPOSTELA ESPAÑA

**"The optimization of resources and processes
of the Tax Administrations"**

Santiago de Compostela, Spain, October 6 to 9, 2014





**Inter-American Center of Tax Administrations – CIAT
State Agency of Tax Administration – KRA**

CIAT TECHNICAL CONFERENCE



**“THE OPTIMIZATION OF RESOURCES AND PROCESSES
OF THE TAX ADMINISTRATIONS”**

**Santiago de Compostela, Spain
October 6 to 9, 2014**



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ABOUT CIAT

ABOUT CIAT

CIAT is a public, nonprofit international organization established in 1967, with the mission of providing an integral service for the modernization, strengthening and technical development of the Tax Administrations of its member countries. Its membership currently consists of 38 member and associate member countries from four continents: 31 countries from the Americas, five from Europe, and one from Africa and one from Asia. India is an associate member country.

The Web site: www.ciat.org includes information of a technical and institutional nature, as well as on the various activities carried out such as international meetings, tax studies, publications, training, technical assistance and information technology.

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**Santiago de Compostela, Spain
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TOPIC 1

THE OPTIMIZATION OF ORGANIZATIONAL AND FUNCTIONAL PROCESSES IN THE TAX ADMINISTRATIONS

THE OPTIMIZATION OF ORGANIZATIONAL AND FUNCTIONAL PROCESSES IN THE TAX ADMINISTRATIONS

Raquel Catalá
Special Delegate
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(Spain)

Contents: Introduction. 1. Current crisis context and the road to recovery. 2. Actions taken. 3. Results. 4. Conclusions.

INTRODUCTION

The AEAT is organized territorially into Special Delegations, one for each Autonomous Community (matching the political organization) and in central services, which are organized into departments, which determine the working guidelines, objectives and tasks under the leadership of the Director General.

The Special Delegations are in charge of implementing these guidelines and interact with taxpayers in terms of customer services and in the fight against fraud.

Public administrations are facing a deep transformation process.

On one hand, they are required to increase their effectiveness and efficiency, with fewer resources (doing more with less).

On the other, they are required to have a closer (open and transparent) relationship with citizens and businesses (our taxpayers), placing them at the center of our attention (“empowering them”, a very common English word). (Open gov.).

Tax administrations also face additional and specific challenges, such as increasing collection, combining assistance and control, to obtain the economic resources needed to balance the public accounts.

1. CURRENT CRISIS CONTEXT AND THE ROAD TO RECOVERY

The economic and financial situation of European countries and the USA in recent years is well known. Latin American countries have faced and overcome the crisis phases and their economies are now

growing and emerging, but in Europe and particularly in Spain, we have been immersed in a crisis that was reflected in the fall of both GDP and revenues. However, a number of measures and structural adjustments allowed us to turn the wheel and recover the path of growth, as noted by the OECD and all international institutions.

Everyone has read about the crisis in Europe and especially in Spain. In America, they have experienced this before. The crisis affects public administrations and the Tax Agency (Affecting both the internal resources and the collection). In addition, the economic crisis faced by some countries due to internal imbalances and global issues has increased the challenges of keeping providing public services with less budget and fewer staff.

This austerity policy has been very important to correct the imbalances in public finances and help overcome the economic crisis.



2. ACTIONS TAKEN

With this scenario, our public administrations have to change, we must do our jobs better, and ultimately we have to Innovate In Public Services.

Innovating in the relationship with taxpayers and in our internal management.

Many compare innovation with technological power. In fact, innovation is much more (structures, processes, information, people):



- **Optimization** - taking full advantage of our resources (human, technological, organizational, etc.).
- **Digitalization:** it is essential to evolve from face to face procedures to electronic procedures. Strategic focus, balance between enforcement and incentives. (Of course, strength of the Spanish TA is also allowing flexibility, breaking with physical constraints).
- **Changes in structures** (clustering workplaces, unifying teams in DE Madrid, or adapt them, for example the DCGC and three units attached by type of taxpayer). Standard solutions do not work and the Madrid and DCGC case show it ... Especially we need to be much more flexible, adaptable to changes.
- The AAPP should have the flexibility to change and adapt.
- **Changes in processes** (simplification, reengineering, centralizing tasks rethink services and procedures, etc. – reduction of burdens, proactivity, etc.). That led to results (less days for refunds processes, appeals resolutions, etc. Drafts, days of courtesy...) are improvements.
- **Results and follow-up.** The objectives and implementing a Strategic plan for the medium term (“Where we are, where we want to go, what steps we have to take”). Necessity of a Control Plan. What the organization considers important must be part of the objectives and be periodically measured (“what is not measured cannot be improved”). All results must be objectively measured by the information system, not subjectively.
- **HR Policy.** Linking wages to productivity and results, (the present special plan is perfect). Evaluation of performance, mobility, training, motivation, internal communication, etc. We are losing human resources despite being a strategic sector.

- **Knowledge Management** (Automated actions, INFORMA system, information inventory, CONTROLA program, selection tools for control, co-production of services, collaborative Design in improving the quality, etc.)
- **Permanent, internal and external evaluation.** (SAI, citizens opinions, IEF, CIS, AEAVAL tax barometer)

The importance of digitalization and the promotion of electronic relationship

Recognized in all international reports, including the OECD reports. Needed to overcome the crisis in Spain. Law 11/2007. A digital strategy is necessary.

Digitalization is what allows the centralization of tasks, so it must be mentioned as a first step (including the digitalization of the registry and internal processing, not just the online entry).

Digitalization extends to both taxpayers and to internal processes, (the most difficult part is the cultural change from paper to electronic processing).

The electronic relationship with citizens and businesses depends on many factors: infrastructure, accessibility, training and digital skills, technology, cost, etc. It is important with CIAT countries, since the infrastructural base and even the literacy rate is very different.

Spain has driven this electronic relationship by requiring electronic filing of returns.

Digitization leads to absolute flexibility of the structures, we do not need to have the means to resolve cases where taxpayers are producing them.

There is even an interesting aspect, nothing prevents us to share technology resources of all kinds (including people) in peak periods only jurisdictional and regulatory issues. Here is a great capacity for improvement. We tend to organize common and flexible services.

In the case of the Special Delegation of Madrid, we have followed the following lines:

- Merging workplaces
- Centralizing tasks
- Improving knowledge management

Again, effectiveness and efficiency are the principles governing these changes.

Merge workplaces because we realize that together are more efficient than being in smaller units, mainly the distribution of staff, the quality and specialization of labor and cost savings. In any case, we must seek flexibility in the structures.

We centralize tasks to liberalize human resources engaged in other work; we gain in efficiency, especially with reduced human resources.

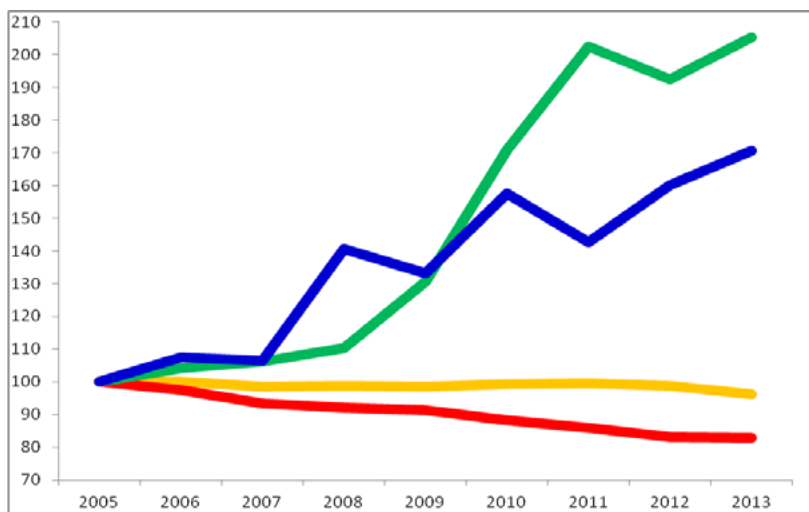
We promote an efficient knowledge management: All information must be in the system to be able to develop automated processing by artificial intelligence processes further.

3. RESULTS

This presentation focuses on optimization, and then you need to go to results.

There are improvements in processing times, which are reduced, in returns that are accelerated, reductions in current expenses, improvement in the quality of the work carried out by the synergies created, campaigns with less costs.

This has allowed improvements



Facing the current reduction of costs and staff, these measures have allowed a growth in official acts, in the tax administration actions and as a result, tax revenues grow as well.

Nationally we have ensured that tax revenues grow more than the economy (measured by GDP), thanks to the work of the AEAT.

4. CONCLUSIONS

In a situation of decreasing human and material resources:

- Merging workplace allows higher quality.
- Centralizing tasks allows having more efficiency.
- Knowledge management allows automation.

Ultimately, with scarce resources we achieve better results.

We must keep working this way.

THE OPTIMIZATION OF ORGANIZATIONAL AND FUNCTIONAL PROCESSES IN THE TAX ADMINISTRATIONS

Paulo Cardoso

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Receita Federal
(Brazil)

Contents: Introduction. 1. Case Study I: Judgment of tax administrative processes. 2. Case Study II: Single Portal for Foreign Trade. 3. Conclusion.

INTRODUCTION

Until 2010, the Federal Revenue of Brazil - RFB managed its activities based exclusively on its organizational structure. In that period, budgetary and personal resources, for example, were allocated only on the basis of its organization chart. The decision regarding which work process these resources would support used to be made by the local manager, who acted based on his/her specific priorities.

The experiences at the RFB at the time, in relation to the management of processes, were focused specifically on the mapping of some processes in the IT area, with a view to subsiding the specification of particular systems, and a few other modeling initiatives, in an isolated way, without predefined methodologies or standards.

In 2011, the RFB produced its first Value Chain, with 13 macro processes and 51 work processes of first level (Figure 1).

During its creation, and as part of the work methodology, the first level work processes were evaluated based on its criticality, understood as the performance gap estimated by the RFB strategy managers, based on their experiences.

This Value Chain and the evaluation of the first level work process criticalities were at the time the main source of information for the production of the RFB Strategy Map for the 2012-2015 planning cycle.

In 2012, after the administrative rule MF nº 203, of May 17, 2012, which approved the RFB Internal Regulations, the Coordination for Management of Institutional Processes (Cproc) was created, within

the General Coordination of Institutional Planning, Organization and Evaluation (Copav). The RFB Business Process Management Office (BPM Office) was then born.

At first, the BPM Office was focused on the definition of a methodology for process management, on the training of civil servants involved in mapping work processes and in the preparation and execution of the RFB initiatives towards work processes mapping.

Thus, the Mapping Methodology of the Current Situation of Work Processes was created and the work processes mapping of several macro-processes in the Value Chain was initiated.

Figure 1. Value chain

From the construction of this Value Chain and the creation of the BPM Office, the RFB actions started gradually to be focused by work processes. It was applied the same way to the strategic planning, the definition of strategic initiatives, the definition of investments in information technology and communication, the allocation of personnel, the management by competences, the risk management and other issues. Process Management has revealed to be the main element in the integration among the various RFB management disciplines.

After the definitive implementation of the BPM Office, its focus became the definition of a more complete process management methodology, including, besides the mapping of the current situation, a processes transformation method, in order to resolve problems and increase its performance, and of a day by day processes management method which aims to guarantee the maintenance of the processes performance at the levels expected by the organization.

1. CASE STUDY I: JUDGMENT OF TAX ADMINISTRATIVE PROCESSES

The RFB has, as one of its attributions, the preparation and judgment of first instance of administrative processes of determination and demand of tax credits and of acknowledgment of credit rights related to the taxes administered by the bureau. This activity is carried out by specialized units – the Judgment Offices of the Federal Revenue (DRJ).

In 2011, the context for this work process was not very promising. There were 17 Judgment Offices working with territorial circumscription, that is, the tax administrative processes were always analyzed and judged at the DRJ responsible for the tax administrative processes from taxpayers of a given geographical location.

Several problems were identified in that context. Maybe the major problem was the fact that all processes were paper-based. Therefore the proceedings were less flexible, costly, time consuming and error-prone.

Moreover, there was an upward trend in the quantity of processes, which represented an increase in the stock of processes awaiting for a judgment. Part of this growth was due to processes that started being created electronically in activities of collection and inspection.

Another problem was the non-existence of equalization regarding the priority stock of process in the Judgment Offices. By law, there are

conditions that make a tax administrative process a high priority one and, thus, it should be judged in a faster way than the others. In Brazil the processes that deal with crimes against the tax order, that deal with high amounts that refer to elderly taxpayers, are given high priority. In the context of 2011, some Offices judged the high priority processes in a satisfactory time, while others did not.

The last problem identified in that context was the small number of batch judgments.

Despite the high number of processes with identical demands, there were few initiatives intended to identify these processes in order to deal with them in batches, applying the same decision for all of them, increasing judgment efficiency.

To change that scenario and to improve the performance of the judgment proceedings, several initiatives were carried out.

The first and most important of them was the end of paper-based tax processes. This was possible with the use of e-Processo, an IT solution for electronic proceeding of processes, which started being used in 2006 and that extended its use until its implementation in all units of the Federal Revenue. In 2011, the stock of all Judgment Offices was digitized, meaning the extinguishing of all paper-based processes in the RFB.

The implementation of e-Processo has brought up many possibilities for improving the judgment process. In 2013, tax processes started being distributed in a centralized way, changing the geographical logic of its division.

Thus, instead of each unit being responsible for judging cases regarding taxpayers of a specific geographic area, there was a specialization of the administrative judges and DRJs that enabled them to handle processes originating from any part of Brazil. This meant a boost in the judges performance as the tax processes started being handled by the most experienced on a specific subject, regardless of where their judgment office was located.

Another improvement on the work process related to the use of the e-Processo was the identification of processes with similar subjects and the formation of batches for nation-wide judgments. Thus, similar cases coming from different parts of the country could be analyzed only once, making judgment more consistent and efficient.

As a result of these improvements in the judgment proceedings, there was an increase in the productivity of around 15% and the inversion of the curve with the amount of processes awaiting (image 2).

Figure 2

Evolution of the stock of processes in administrative proceedings of 1st Instance.



Another positive result was the decrease in the average time of judgment regarding processes considered high priority (image 3).

Nevertheless, an unexpected result was the increase of the general temporality, which means that the average time of the judgments is increasing, despite of the low amount of process a waiting. The explanation for this fact is that, with the insufficient number of administrative judges and with the distribution of the processes being centralized, the high priority process are analyzed as soon as possible, making it difficult to analyze the others (figure 4).

Figure 3
Average time of high priority process judgments

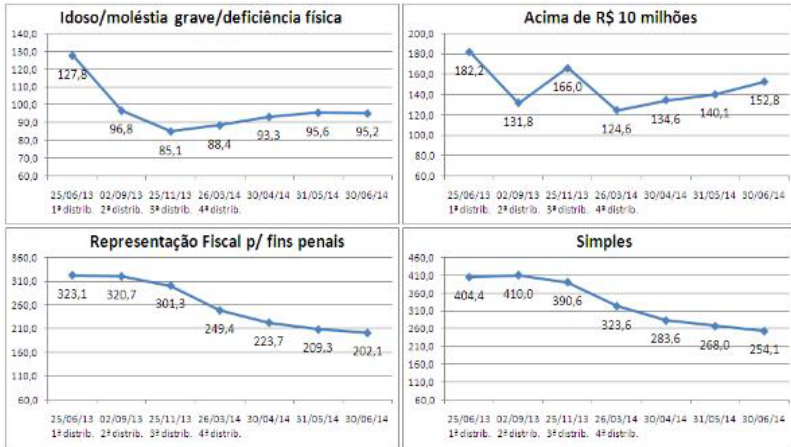
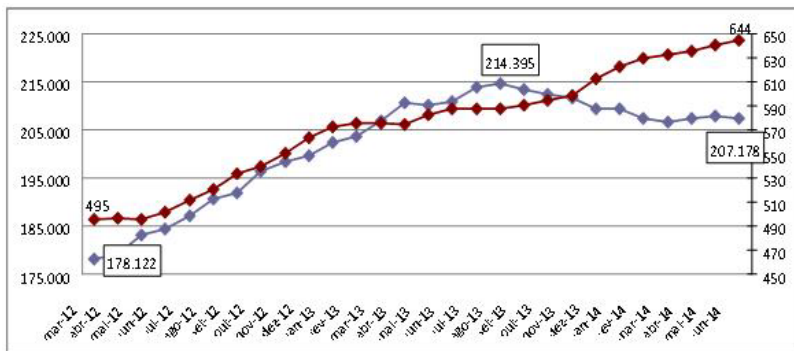


Figure 4
General evolution of temporality



It is worth highlighting that only 0.4% of the amount of processes in stock comprises 60.32% of the credits to be judged. These processes are judged in a satisfactory time.

Nevertheless, 48% of the amount of processes corresponds only to 0.28% of the credits. There is a relatively large number of little value processes that generate a great deal of work, but with little result.

Although there are still initiatives intending to improve the performance of the tax related judgment, with the development of IT solutions that partially automatize the judgments and experiences in order

to increase the judgment productivity, such as telework, part of the current problem faced during the judgment process does not lie in the management itself. It is necessary to reduce the number of administrative processes, through the prevention of litigation.

In this respect, other work processes such as Formulating Tax Legislation Proposals and Formulating Interpretative and Normative Acts, are being improved in order to avoid creating disputes.

2. CASE STUDY II: SINGLE PORTAL FOR FOREIGN TRADE

The Mission of the Federal Revenue is to exercise the tax and customs administration with fiscal fairness and respect towards citizens, benefiting society. There are two major areas where the RFB works, tax and customs.

Regarding the latter, it is possible to identify the Macro-process "Customs Control" in the Federal Revenue Value Chain, with the process "Controlling Importation and Exportation Processes" worth highlighting.

The World Bank's Project Doing Business presents indexes that allow the comparison of the regulations quality of businesses from several countries. One of the analyzed points is the performance of countries regarding trade between borders. According to Doing Business, the exportation of a good in a container in Brazil takes around 13 days to be accomplished. The importation of the same kind of product takes 17 days. On the other hand, the average compliance costs (not including tributes) for the exportation of a container from Brazil are in average U\$2,215. For the importation, these costs can reach U\$2,275. These numbers puts Brazil at the 124th position in the rank of best countries for foreign trade in the Doing Business.

In order to improve this scenario and to increase Brazil's competition place in the international scene, the Single Portal for Foreign Trade Program is being developed.

The Single Portal for Foreign Trade Program is an initiative intended to reformulate the importation, exportation and customs transit procedures. This reformulation seeks to establish more efficient processes, harmonized and integrated among all public and private stakeholders in foreign trade. From the reformulation of processes, it goes to the development and integration of the information flows associated with them and the information systems responsible for managing them. The Single Portal for Foreign Trade Program is

based on three pillars: Integration of the stakeholders, Redesign of Processes and Information Technology.

The integration of foreign trade actors refers first to the cooperation between the government and private sector stakeholders for the planning and development of the Program. A great governing structure was composed, under the joint coordination of the Secretariat of the Federal Revenue of Brazil and the Foreign Trade Secretariat and under the supervision of the Civil House. This structure is made up of twenty-two government bodies that deal with foreign trade. The cooperative integration of the private sector with the Program is essential, through representative entities of the various private stakeholders in the foreign trade operations (importers, exporters, custom forwarder, carriers, depositaries, port terminals, etc), since they are the beneficiaries of the improvements that the Single Portal for Foreign Trade Program will bring.

Secondly, we seek the integration and harmonization of the foreign trade processes and of the data requirement and documents. Presently, there are cases in which the same data or document is required by more than one government agency to accomplish the same transaction and must sometimes be presented in a different way to each of them.

This situation creates reworks for the government and the private sector, entailing unnecessary costs. With the integration of governmental bodies and private stakeholders, we seek to gradually eliminate this situation, with the end of duplicities and redundancies.

The integration between government bodies within the Single Portal for Foreign Trade Program is incremental. The more organs are involved and share with each other, the knowledge on their necessities increases.

In the development of integration, the first step is the simple exchange of data among the stakeholders (those present in foreign trade systems and documents). With the evolution of the mutual understanding of the needs of the involved parties, taking into consideration the objectives of each, it is possible to identify which pieces of information can be shared among the bodies, making it easier for each of them to carry out their competences.

Information here means the collection of data presented in an organized way.

Based on the awareness of what is common in the activities of the bodies, the next step is the exchange of work methodologies, which brings more predictability to operators.

This exchange of methodologies leads to the exchange of tools designed for the implementation of these methodologies. If two or more bodies have the same type of control requirement (physical inspection, for example) and share the same methodology to execute it, it is convenient that they employ the same instrument, an IT system, for example, to that end.

All this evolution leads to the stage of intelligence integration. The wide dissemination of data and information among agents, coupled with the use of uniform methodologies and shared management tools has enabled the creation of intelligence systems capable of identifying irregularities in the operations, based on control and authorization criteria of several bodies, ranging from tax fraud to the non-compliance of technical regulations and environmental norms.

This replaces the fragmentary and individual intervention of each body by the joint and integrated work of all agents, each contributing with their competences and information.

With a more accurate identification of infractions, through integrated intelligence solutions, regular operations tend to happen with minimal governmental intervention possible. It means the creation of a risk management system which is more efficient and comprehensive, concentrating efforts on high-risk operations and allowing low risk ones to go smoothly. This implies increased efficiency in foreign trade procedures, with costs reduction for all parties involved: private operators and government.

Therefore, the integration of information systems is indispensable for the accomplishment of the steps mentioned above. As a rule, foreign trade procedures, which are not integrated today, are managed by information technology systems that do not share data.

The second fundamental pillar of the Single Portal for Foreign Trade Program is the redesign of foreign trade procedures. The formulation of the procedural system of exportation and importation operations in Brazil is based on a structure developed in the 1990's with the introduction of the Foreign Trade Integrated System (SISCOMEX). With the significant evolution of the Brazilian foreign trade over the last decades, the need for different forms of government control arose. These needs concerned the execution of important public policies administered by several

administration bodies and entities in areas such as environment, human health, food safety, public security and consumer security.

Each new control tool entails the creation of a new procedural step, not always in harmony with the general process of a given importation or exportation. With the accumulation of these steps, coupled with the high flows of goods to be controlled, procedural bottlenecks come to light, bringing delays and unpredictability to operations, raising costs.

This situation implies a major effort in the redesign of procedures, with the participation of all parties involved. Firstly, all the existing procedures and requirements for data and documents are being mapped. Thus, a comprehensive picture of current exportation and importation procedures will be created. This picture, together with performance indicators, will allow the identification of bottlenecks and opportunities for improvement.

The next step will be remodeling the procedures, seeking ultimate efficiency and elimination of steps and redundant or unnecessary requirements.

Finally, the third pillar of the Single Portal for Foreign Trade Program concerns information technology. For the computerization of the reformulated procedures, cutting-edge technology resources will be applied. A number of new tools will be developed in order to manage procedures and information flows. Many existing systems will go through integration solutions, so as to enable data already present on a system to be shared among the other systems that may need it.

With the Single Portal for Foreign Trade Program, the time to export from Brazil in 2016 is expected to go from the 13 days necessary nowadays to only 8 days, a period among the best international practices. For importations, the average time in 2017 are expected to go from the 17 days necessary nowadays to 10 days that means a reduction of around 40%. With this saving in time and costs, Brazil is expected to be among the 70 best countries for foreign trade transactions to take place, climbing more than 50 positions in the Doing Business ranking.

According to a reference study on the theme (Hummels, David. Time as a Trade Barrier, 2011), each day less between the time of departure of an imported good from its origin and its delivery to the importer generates a saving of around 0.8% of the value of the good. Thus, having the Brazilian trade flow in 2013 as a reference, the expected reduction in time means a potential annual saving of U\$23 billion for Brazilian exporters and importers.

In addition to the benefits of the private sector, the Single Portal for Foreign

Trade will also represent more efficiency in the performance of public actors, optimizing human and physical resources that support foreign trade transactions. The integration of the bodies that work in customs areas, particularly in fiscal inspections, will drastically reduce the time of importations and exportations subject to intervention by one or more of them. In the reformulation of foreign trade procedures to be promoted by the Single Portal Program, methodologies and tools will be developed, which ensures that when inspections by more than one body are necessary for the clearance of the same cargo, these inspections will be carried out in a coordinated and joint way. The time for the clearance of goods and the costs for storage and transportation will be then reduced.

The risk of damage to the goods will also be reduced, since cargoes will be opened and manipulated only once.

With the Foreign Trade Single Portal, all requirements, licenses or authorizations directly related to trade transactions will be required from operators through SISCOMEX. In other words, by accessing the Siscomex Portal, private stakeholders in foreign trade transactions will be aware of all the requirements they shall comply in order to conclude their transactions. All foreign trade legislation will be available on the Siscomex Portal and all regulations related to foreign trade transactions will be implemented by SISCOMEX. With all the necessary information being available on a single place, the costs for obtaining it will be reduced. With the assurance that all requirements will take place through SISCOMEX, which will be progressively implemented over the next four years, transactions will become more predictable and safe.

The integration of the activity and the systems of the related bodies will enable a more precise organization of the set of information related to foreign trade transactions.

Based on this organized information, new indexes and performance indicators of the foreign trade stakeholders will then be created, in such a way as to allow users to evaluate the efficiency of each actor's performance in the processes.

Bottlenecks will become apparent, enabling timely corrective actions.

For the purpose of ensuring transparency and predictability, a new SISCOMEX service is being implemented, developed to allow legal representatives of exporters and importers to access information on the progress of all their business import and export processes in real time. Previously, operators needed to access four different systems in order to consult Export Register processes, Export Declarations, Import Licenses and Import Declarations.

Today, essential information on all these procedures can be accessed in a simple and quick way with the system “Visão Integrada (integrated view)”.

3. CONCLUSION

When we speak of processes, we intrinsically seek efficiency, compliance, quality, better resources allocation and excellence in services. Organizations with process-based management focus on a continuous improvement of their business processes and make decisions according to their evaluation and the way the strategy is implemented.

The Federal Revenue has been implementing changes in management, seeking to become a process-oriented organization. This implementation involves the following steps:

- i. °The translation of businesses into processes: based on the Value Chain and the Strategic Vision, the general processes map, those most relevant to the organization and those that support them are thus define, as well as those which are critical to the strategic objectives. The result is a better focus on the activities performed by the organization in the accomplishment of its objectives, with a consequent reduction in the existing levels of fragmentation.
- ii. The mapping and detailing of processes: based on the definition of the general processes map, the structured mapping began, with the definition of the process design and patterns, documentation, projections and process improvement, potential for integration and automation. In a complementary way, processes attributes such as executers, associated legislation, job responsibilities and competences, human resources dimensioning, costs and risk analysis are identified.
- iii. The definition of performance indicators: processes management requires measurement, action and continuous improvement. Thus, mapping processes is equally important as defining performance indicators, as well as the control models to be used.

- iv. Continuous improvement and innovation: it aims at the elimination of redundancies and reworks, loss of effort and efficiency, unnecessary costs or risks to businesses through the operating model. To that end, it is necessary to identify opportunities for improvement and innovation, with regards to: growth, simplification, automation or elimination;
- v. The definition of a management model: it is necessary to define a model designed to communicate and direct the actions and functional structure, as well as to eliminate fragmentation and highlight the perception of the relations between processes and decision making.

We know that this transformation is not simple; it involves changes in the traditional way of working and particularly a change in culture. Despite difficulties, this change is already underway and positive results have been obtained.

COUNTRY EXPERIENCES IN THE OPTIMIZATION OF THE ORGANIZATIONAL AND FUNCTIONAL PROCESSES (I)

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Michael Snaauw

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Canada Revenue Agency
(Canada)

Contents: Introduction. 1. About the CRA. 2. Strategic context. 3. Case Study: Discontinuing Counter Service. 4. Conclusion. Annex

INTRODUCTION

The global economic crisis of 2008-2009 had a significant impact on tax administrations around the world. As governments around the globe sought to increase revenues and reduce expenditures, many revenue bodies underwent significant streamlining and cost cutting as part of broader government-wide exercises to help meet reduced spending targets. At the same time, as primary revenue generating organizations, governments looked to tax administrations to establish new and innovative ways to strengthen the tax base. Faced with having to do more with less, tax administrations had little choice but to consider ways to optimize, if not transform, their operations. This was also true for the Canada Revenue Agency (CRA) where new challenges—and new opportunities—demanded tough choices and major changes to how the Agency operates and delivers services.

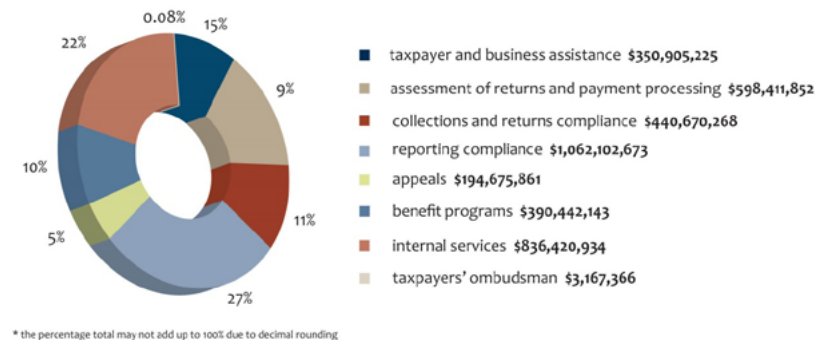
In light of these common challenges, tax administrations can look to their international colleagues for insight and best practices for getting the most out of their precious resources. It is in this context that this paper discusses Canada's, and more specifically, the CRA's approach to optimizing organizational and functional processes. The paper begins with an overview of the strategic context for change in the years following the financial crisis. A case study on the discontinuation of counter service is provided to illustrate the CRA's approach to business transformation and what we believe are some key success factors and lessons learned over the course of the process.

1. ABOUT THE CRA

The CRA is responsible for the administration of tax, benefit and credit programs on behalf of federal, provincial and territorial governments, and First Nations in Canada. In executing this mandate, the CRA directs its main efforts to the provision of taxpayer services and the enforcement of compliance. These activities are carried out by way of an organizational division of responsibility between headquarters branches and regional administrations. Policies, procedures and multi-year program work plans are established by headquarters branches whereas regions are responsible for program delivery and field operations conducted through the CRA's tax services offices (TSOs) and tax centres (TC). Workloads are further segregated within the regions as lower volume, high complexity programs that often include interactions with taxpayers (e.g., audit, collections, appeals) are managed out of TSOs whereas high volume, low complexity activities with little taxpayer interaction (e.g., return and payment processing) occur in TCs.

The Agency is normally funded for any workload change that results from the institution of new or enhanced programs by client governments but receives no budget adjustments for the growth in the volume or complexity of tax and benefit transactions or non-salary price increases. Rising costs for increasing volumes and file complexity, for ongoing systems maintenance, and for any new internal priorities must be funded through internal reallocations of the Agency's existing budget. The chart below provides an overview of the CRA's current (post reduction) operating budget, which totals to approximately \$3.876 billion.

Figure 1
Overview of 2014-15 Planned Spending¹



¹ Summary of the Corporate Business Plan 2014-2015 to 2016-2017
http://www.cra-arc.gc.ca/gncy/bsnss_plns/2014/smry-fn-tbl-eng.html#fntbl

2. STRATEGIC CONTEXT

2.1. The CRA's Approach to Service

The CRA has long recognized the value of service in a self-assessment tax system because with the right tools and information, most taxpayers will voluntarily comply with tax laws. In order to take advantage of constant technological innovation and changes in taxpayer expectations, the CRA continually improves and enhances its service offerings to keep pace with the demand for services that are fast, efficient, and convenient. At the same time, the CRA's longstanding approach has been to direct taxpayers to the most affordable and accessible channel to meet their service needs. Ideally, this results in improved service, greater levels of voluntary compliance and lower administrative costs for both the CRA and taxpayers.

For many years now, the CRA's service approach, like many other tax administrations around the world, has emphasized electronic delivery as a way to meet taxpayers' growing expectation to self-serve online while at the same time efficiently managing service demand and costs, and this emphasis has increased over time. The CRA was a pioneer in Canadian e-government and over the years, the Agency has made substantial improvements to its web presence and e-services suite. Through website redesign, the Agency expanded online content and improved navigation to help taxpayers get the information they need at their convenience. Many transactions can be conducted online through the CRA's secure e-service portals and electronic filing and payment services, and both the range of e-services and the accounts specific information that is available electronically to taxpayers and their representatives continues to expand. During 2012-2013 alone, the CRA added or enhanced 25 online services for individuals and businesses. Taxpayers are responding as uptake continues to increase year over year. For instance:

- In 2000, the CRA introduced NETFILE which enabled individual taxpayers to electronically file their return. In 2012-2013, 76% of individuals filed electronically.
- In 2002, the CRA implemented electronic filing services for GST/HST returns and for corporation returns. In 2012-2013, 70% of corporation returns and 64% of GST/HST returns were filed electronically.
- In 2003, the CRA launched My Account for individuals. Approximately 10% of individuals have signed on to the service and have an account. In 2012-2013, Canadians made 6.7 million logins (an increase of 14.8% over the previous year) and more than 546,000 individuals accessed the portal for the first time.

- In 2006, My Business Account was launched. Currently 1.9 million businesses are using this service either directly or indirectly through a representative. In 2012-2013, close to 2.7 million logins were made.
- Represent a Client was also launched in 2006, enabling authorized representatives who manage the tax affairs of other individual and business taxpayers to do so online. Representatives accessed 8.2 million individual and business accounts in 2012-2013.²

The CRA's telephone service has been, and continues to be, an important and popular means for taxpayers to communicate with the CRA. Over the last 15 years the CRA has modernized its telephone services. Investments in call centre technology and channel integration, conversion to national 1-800 networks, consolidation of 49 call centre sites to 9, and implementation of industry call centre management practices have improved the accessibility and quality of our telephone services to all parts of Canada while maximizing resources and applying industry best practices. On average, the CRA's call centres respond to over 16 million agent answered calls and over 6 million calls answered by automation annually.

The CRA's network of 49 TSOs, which are located mainly in urban centres across Canada, are key points of program and service delivery in the field, including until recently, general taxpayer assistance. At these locations, taxpayers in the vicinity have historically been able to access information (such as forms and publications) or services (for instance, enquire about tax matters or make payments) on a walk-in basis, although by 2007 walk-in advisory service had been replaced by service by appointment as part of early modernization efforts. Even with the implementation of service by appointment, from 2007 until the eventual discontinuation of on-site assistance in 2012 and 2013, TSO payment counters remained open and locations were equipped with print materials, telephone kiosks, drop boxes for correspondence and self-stamping machines for those taxpayers wishing to self-serve in person.

2.2. Budget Reductions – An Opportunity

While Canada emerged from the economic crisis in a relatively strong position, efforts were nonetheless required to rebalance the federal budget and return to a sound fiscal position following the provision of almost \$30 billion in economic stimulus in 2009. This return to balance was premised on controlling direct program spending by

² All 2012-2013 data is sourced from the Annual Report to Parliament 2012-2013 <http://www.cra-arc.gc.ca/gncy/mnml/2012-2013/p2-ssmt-eng.html>

federal departments and agencies, rather than raising taxes. However, from the outset, the challenge was to implement spending reduction measures without compromising the delivery of priority services to Canadians.

Through Budget 2010, the government announced a three-year freeze on the operating budgets of federal departments and agencies which triggered the implementation of a number of permanent cost containment measures across government, the CRA included. Most focused on improving the efficiency of internal operations however this 'belt-tightening' reduced fiscal flexibility within departments, setting the stage in part for more ambitious changes to come.

The following year, the government's Budget 2011 launched the Deficit Reduction Action Plan (DRAP), which required over 60 federal organizations—including the CRA—to review their expenses with a view to achieving a collective total of at least \$4 billion in ongoing savings by 2014-2015. DRAP was not designed as a blunt cost-cutting exercise, but rather departments and agencies were asked to look at the efficiency and effectiveness of their programs and operations to ensure value for money, and importantly, to rethink business processes and service delivery platforms. The government's expectation was that organizations would better align spending with the priorities of Canadians: in the words of the President of Canada's Treasury Board "Our deficit reduction action plan is an opportunity to modernize how we do business—to get government right and ensure the economy can continue to grow and create jobs, and that we continue to invest in the priorities of Canadians."³

Results of the DRAP review were announced in Budget 2012. Almost \$5.2 billion in ongoing savings were identified from a range of initiatives designed to refocus government programs, make it easier for Canadians and businesses to deal with the federal government, and modernize and reduce the government's back office. As one of the federal government's largest institutions, the CRA was also identified as having a key role in reducing the deficit through an annual spending reduction of \$253 million (or 6.9% of its review base) by 2017-2018. This was in addition to the spending freeze implications mentioned earlier.

Signalling transformation again, Budget 2013 announced a number of whole – of - government initiatives designed to further advance the

³ *The Honorable Tony Clement, President of the Treasury Board. "Treasury Board President reaffirms commitment to reduce government spending and return to a balanced budget." August 29, 2011 (<http://www.tbs-sct.gc.ca/media/nr-cp/2011/0829-eng.asp>)*

modernization of government administration and improve service, including steps to better and more broadly leverage technology to transform how citizens interact with government. Budget 2013 also announced an additional ongoing savings of \$60.6 million per year by 2015-2016 through efficiencies at the CRA headquarters operations, and committed the Agency to augment revenues by \$550 million per year by 2014–2015.

Most recently, Budget 2014 reinforced the government's commitment to control the size and cost of government operations including confirming the re-introduction of a two-year freeze on departmental operating budgets, beginning in 2014–15.

2.3. CRA Response to Government Priorities

From its earliest days, the CRA has demonstrated a capacity for innovation and the Agency continually looks for new ways to execute its mandate more efficiently and effectively. Over the years, the CRA has introduced new programs, services and management practices that adapt our business to the changes taking place in society and the shifting needs and expectations of Canada's taxpayers and our government clients.

In 2010, against the backdrop of emerging fiscal pressures, forthcoming transformation, and wider societal drivers, senior management set out to renew the CRA's strategic direction to guide the Agency over the short to medium term. As part of this process, the CRA's major business lines were examined with a view to exploring what could be done differently to achieve better results (and conversely, what could be eliminated or reduced).

What resulted was a shared view of the future and a common vision for business transformation: Vision 2020, a suite of nine strategic directions intended not as a prescriptive solution for foreseeable challenges but rather as a roadmap for success in the coming years (see Annex 1). Together, these strategic directions laid the groundwork for the Agency's approach for contributing to government deficit reduction.

Having them in place enabled CRA management to position discussions on immediate spending reduction measures within the broader context of the Agency's future plans and ensure that major changes to the CRA's business were informed by a long-term strategic view.

Given the climate of fiscal urgency and the government's appetite for modernization, the CRA viewed the deficit reduction exercise to

be as much an opportunity for driving business transformation as to generate pure cost savings, and the intent to develop a transformation plan was established early on. Beginning with cost containment, CRA management established a process to develop and consider options for addressing budgetary constraints, and this approach was carried forward to DRAP. Resources were rapidly mobilized across the Agency to develop proposals, then business cases, for potential transformation initiatives which were then brought forward for management consideration. To provide a shared context for this work, the Agency established a set of guiding principles which were used to conduct the review, which were as follows:

1. Protect activities associated with government priorities and the Minister of National Revenue's mandate.
2. Maintain the Agency's capacity to fulfill its legislated responsibilities such as assessing tax returns, making benefit payments, and resolving objections and appeals.
3. Respect the public's preferences for reasonable service levels from government.
4. Build on and reinforce the transformative direction of the Agency, and assess reduction possibilities based on the Agency's future direction.
5. Minimize the impact on CRA employees in order to maintain the future strength of the workforce to manage the expected continuing annual growth in the volume and type of transactions.
6. Continue to leverage technology improvements to reduce existing costs or avoid future costs.
7. Examine opportunities from an enterprise perspective rather than exclusively by function or business line.

As part of this review, the Agency recognized that its first priority was to identify and capture all efficiency and administrative savings where such reductions would have no, or at least minimal, impact on service to the public and on tax revenues collected. The Agency's second priority was to reduce corporate support activities as much as possible. After that, it was necessary to accept that the residual spending reductions would have to focus on activities where the level of effort would be scalable and there would be program impacts. However, where program output reductions were inevitable, a risk-based model was applied to minimize the overall impact of reductions.

In 2012-2013, the CRA introduced a set of short- and medium-term initiatives—the transformation agenda—through which it would meet its spending reduction commitments announced in Budget 2012 while at the same time modernize. In keeping with the CRA's strategic directions, this agenda emphasized the acceleration of e-services

uptake and broader service delivery transformation that would see the CRA make significant changes to its service offerings.

In the context of this transformation agenda, the CRA announced in 2012 its first transformation initiative: the discontinuation of payment and enquiry counter service from its 49 local TSOs. This initiative is described in more detail below.

3. CASE STUDY: DISCONTINUING COUNTER SERVICE

3.1. The Business Case for Counter Closures

As previously mentioned, starting in 2007, taxpayers needing to discuss tax issues could make an appointment for a face-to-face meeting at their local TSO, or visit a location to make a payment or access a number of other walk-in services. However, in monitoring service use at the TSOs, the CRA observed a number of trends that made the cost of maintaining these 'counter services' an increasingly less desirable option, especially in light of strategic considerations and overall budget pressures.

In the lead up to their closure, demand for counter services was shown to be not only low but also in decline. With visits decreasing from some 1.6 million in 2006 to 450,000 in 2010, walk-in payments and enquiries represented only a small fraction of total volume (6% of all payments and 1.3% of all enquiries). Further, out of a population of some 29 million taxpayers, less than 30,000 appointments were booked in the final year of counter operation and workloads were insufficient to fully occupy the more than 200 employees providing counter services (to the extent that during periods of low demand, staff were assigned to other workloads). In contrast to the average cost of \$7 per telephone enquiry, counter service operating costs were high: internal data put the cost of an average in-person appointment at \$68 for individuals and at \$133 for businesses.

Further, and not insignificantly, the lack of service in non-TSO communities did not fully align with the CRA's philosophy of providing accessible service (in contrast to online or telephone services which can be accessed regardless of location).

Ultimately, the model was deemed unsustainable. On October 1, 2012, payment and enquiry counters were closed at 28 TSOs, and the remaining 21 counters closed on October 1, 2013. With service discontinued, taxpayers wishing to make payments at payment counters would instead need to do so through alternative means

(e.g., online through the CRA's My Payment service, via their financial institution, or by mail).

Likewise, taxpayers seeking advisory services or wanting to make a simple enquiry would be redirected to the CRA website or the 1-800 enquiry lines for answers to their tax questions. External drop boxes remained available for taxpayer correspondence and payments at sites where they previously existed.

3.2. Implementation

In preparing to close the TSOs to the public, the CRA took steps to strengthen the support tools available to their telephone agents who were expected to face additional demand, and to prepare third parties that were known to be frequent users of the payment and enquiry counters. As counter services were discontinued, the CRA enhanced its call centre operations to assist callers who wanted to meet with the CRA in person. Agents also provided support to taxpayers needing to order forms and publications online or find information on the CRA website.

The CRA also leveraged its existing partnership with Service Canada, a federal department that offers a range of whole-of-government services through service centres located in most cities across Canada. Service Canada was able to provide access to telephone and internet kiosks and increase support to Canadians accessing CRA online services at their centres.

To ensure a smooth transition from the provision to discontinuation of face-to-face services, counter closures were implemented in two phases (2012 and 2013 as noted above). To carry this out, the CRA established a Project Team whose primary responsibilities included:

- Validating Phase 1 (2012) and Phase 2 (2013) locations

In collaboration with regional representatives, the Project Team identified locations with smaller taxpayer populations for Phase 1 and larger offices with higher taxpayer visit volumes for Phase 2.

- Establishing a strategy for service delivery changes

To accommodate exceptional situations where there was a *need* for a face-to-face meeting to resolve taxpayer issues—not merely a preference on the part of the taxpayer—a dedicated team of call centre agents was formed to resolve as many taxpayer queries as possible by telephone and, where not possible, to facilitate meetings at local offices.

- Developing external communications plans

A multi-faceted approach to communications was taken to ensure the sufficient and timely provision of information to taxpayers. Communications products offered alternative service options and informed taxpayers about CRA's electronic services.

These products included:

- A Service Options Guide (see Annex II)
 - Informational handouts and pre-closure signs in CRA offices (see Annex III)
 - Question and answer sheets for call centre employees
 - Notices on local offices "Contact us" web pages
 - Stakeholder messaging aimed at people with disabilities, seniors, new Canadians and businesses
- Identifying and mitigating project implementation risks

For both Phase I and Phase 2, the Project Team worked with the CRA's risk specialists to identify and assess risks and determine controls to mitigate them. These risks were subsequently monitored over the course of the initiative.

- Engaging internal stakeholders

To facilitate the effective flow of communication with respect to the initiative and mitigate implementation problems, the Project Team worked closely with multiple headquarters and regional contacts on all aspects of the initiative.

3.3. Results

The discontinuation of counter service was the first initiative implemented under the CRA's transformation agenda and upon completion was considered a success, achieving annual cost savings of \$12 million.

Taxpayers demonstrated less opposition to the closures than expected, and only a minimal number of complaints were received.

During the implementation of each phase, caller feedback collected by telephone agents showed that counter closures had minimal or no negative impact to taxpayers.

Further, strengthening telephone service to minimize demand for appointments enabled the CRA to achieve a 98.55% decrease in

taxpayer meetings in Phase 1 sites for the period of October 1 – December 31, 2012 (compared to the same period in 2011). Only 24 taxpayer meetings have taken place since the closure of Phase 2 sites in October 2013.

The Project Team also conducted a series of feedback meetings with internal stakeholders and received positive feedback from regional officials with respect to implementation and communication with Headquarters.

Finally, as the number of services available online increased, as did take up, the CRA experienced no difference in compliance levels in areas of Canada that did not have access to payment and enquiry counters. This indicated that taxpayers were able to operate and meet their tax obligations without these services being offered face-to-face.

3.4. Success factors

The counter closure initiative drew its success from a range of factors. First, broader trends in society combined with the political appetite for change gave rise to the right conditions for major business transformation, and more importantly, the presence of CRA's robust online and telephone services positioned the Agency well to modernize its in-person services.

Still, context alone did not account for success and the CRA was able to draw on its experience in implementing major projects to shape its approach. This included having the following in place:

- Dedicated resources

Establishing the Project Team enabled staff to focus exclusively on implementation without competing demands from regular workloads.

- A well-defined governance structure with appropriate levels of reporting

In addition to the Project Team, the CRA also established local teams and Regional Directors of Transformation to facilitate the regional aspects of implementation. This structure was situated within a broader branch and Agency transformation governance structure to ensure effective coordination and management of the full suite of transformation initiatives (see Annex IV).

- Flexible implementation plans

A TSO implementation plan that established responsibilities and timelines was developed and distributed to internal stakeholders, and was updated during implementation as required. The Project Team also worked with the Regional Directors of Transformation to tailor implementation to regional needs.

- Effective coordination and collaboration with internal stakeholders

Over the course of implementation, weekly conference calls were held with internal stakeholders to ensure timely communication and discussion of key matters. A single point of contact was also established to maintain the integrity of internal communication processes.

- A systematic process for managing risks and monitoring impacts

Ongoing monitoring of key impact indicators (e.g., taxpayer reaction, effect on call centres, number of exceptional meeting requests, visitor volumes) enabled the Project Team to reassess plans in real time as required. As well, with the two-phased approach, the Project Team was able to re-evaluate risks and adapt existing strategies and tools in advance of the second phase.

- Timely communication and effective dissemination of information to the public

Proactive communication on impending service changes and alternative service options helped minimize the impact on taxpayers. Public-facing employees were equipped to assist taxpayers understand and accept the service changes, and where possible, the CRA engaged external stakeholders (tax intermediaries, other federal departments) to advocate these changes or provide information on its behalf.

- A focus on the taxpayers' service needs

Although telephone and online services provided a suitable alternative for many taxpayers, the Agency recognized that these options, particularly electronic services, would not work for some. Therefore, measures to accommodate certain face-to-face meeting requests were an important factor in the success of the project.

3.5. Lessons Learned

While the implementation of the counter closures was considered a success overall, the experience did give rise to some important lessons with universal appeal, as follows:

- Consider a phased approach

Closing smaller sites first allowed for a more manageable roll-out and importantly, provided an opportunity to gauge public reaction and evaluate and adapt strategies, procedures and communication materials as necessary before the second phase.

- Be prepared to adapt

As the counter closure initiative was part of a larger suite of transformation initiatives being deployed across the CRA, control over certain elements of project implementation such as high-level communications and approval processes rested elsewhere. This required agility and adaptability on the part of the Project Team to keep implementation aligned with changes in direction and focus as well as on track.

- Leverage relationships

The ongoing collaboration and cooperation of all stakeholders was invaluable to implementation. While much consideration was given to formal collaboration with internal stakeholders and traditional external partners early on, more widespread engagement with other groups, including local external stakeholders, was built in as the initiative progressed.

4. CONCLUSION

The government's resourcing model for the CRA has required it to be an organization that has continuously devoted considerable effort to identifying and implementing productivity improvements. The Agency has supplemented its continuous pursuit of improvement and increased productivity with frequent reviews of programs to validate their continued relevance, effectiveness and public policy value. This was demonstrated most recently through the establishment of the CRA's transformation agenda.

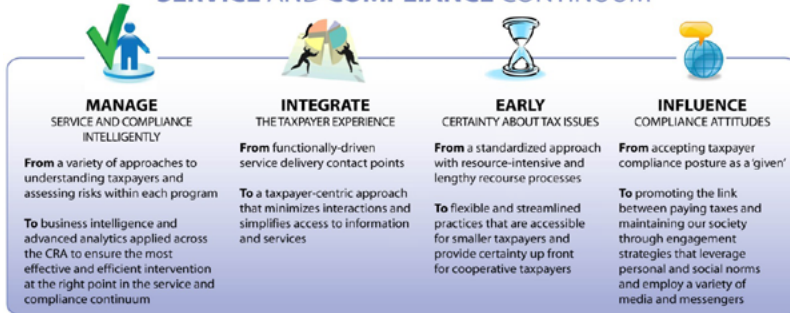
The fiscal challenges of recent years have at the same time given rise to new opportunities to modernize tax administration in Canada to better align with significant changes taking place in society. For the CRA to contribute to government deficit reduction, the realignment and modernization of services meant that inevitably, some would be discontinued. This was the case with the CRA's payment and enquiry counters which were closed as part of the Agency's transformation agenda, enabling the CRA not only to generate savings but also move closer to its vision.

Major changes to business operations come with significant risks and operational challenges. However, with sound project management, effective stakeholder engagement and a strong focus on meeting taxpayers' service needs, these initiatives can be implemented successfully.

Annex I. CRA Strategic Directions

VISION 2020: CRA STRATEGIC DIRECTIONS

SERVICE AND COMPLIANCE CONTINUUM



THE LEVERS



CORPORATE FOUNDATION



Annex II. Service Options Guide

Notice of Service Changes

The payment and enquiry counter services at this office will be discontinued as of October 1, 2013.

How do I...

Make a payment?

Pay electronically through your financial institution's Internet or telephone banking service.

Take your remittance voucher directly to a financial institution. Pay online using the CRA's My Payment service through participating financial institutions.

Mail your payment along with your remittance voucher to:

Canada Revenue Agency

875 Heron Road

Ottawa ON K1A 1B1

For more information, go to www.cra.gc.ca/payments.

Request a form?

Go to www.cra.gc.ca/forms.

Call 1-800-959-8281 for individuals and trusts, or 1-800-959-5525 for businesses.

Change my address?

You can update addresses online via My Account, by calling 1-800-959-8281, by mail, or by fax.

Go to www.cra.gc.ca/newaddress.

Apply for child benefits?

Go to www.cra.gc.ca/benefits or call 1-800-387-1193.

Get tax and benefit information?	
For myself:	
	Quick Access
	www.cra.gc.ca/quickaccess
	My Account www.cra.gc.ca/myaccount
	Videos www.cra.gc.ca/videogallery
	TIPS (Tax Information Phone Service) 1-800-267-6999
	Individual Enquiries 1-800-959-8281
	Benefit Enquiries 1-800-387-1193
	GST/HST credit 1-800-959-1953
	TTY (Teletypewriter) 1-800-665-0354
For my business:	
	My Business Account
	www.cra.gc.ca/mybusinessaccount
	Videos www.cra.gc.ca/videogallery
	Business Enquiries 1-800-959-5525
For my clients:	
	Represent a Client
	www.cra.gc.ca/representatives
Get a statement of income and deductions?	
	Go to www.cra.gc.ca/myaccount or call 1-800-959-8281

Annex III. Posting at Local Offices



The Canada Revenue Agency (CRA) will no longer provide payment and enquiry counter services at this location as of October 1, 2013.

Explore the CRA's full range of tax and benefit services online at www.cra.gc.ca/electronicsservices.



Annex IV. Agency Level Transformation Governance

Structure

To implement its transformation agenda and related spending reduction measures, the CRA established a separate governance and project management framework to ensure that efforts were coordinated and that the Agency remained on track. This new structure complemented the Agency's existing governance structure, specifically the CRA's executive-level Agency Management Committee (AMC) and the CRA's Board of Management (the Board).

First, the CRA put together the Agency Transformation Office (ATO), a centralized project management office responsible to coordinating Agency-wide implementation of the transformation agenda.

An executive-level steering committee, the Transformation Agenda Assistant Commissioner Steering Committee (TAACSC), was also established. Comprised of heads of the CRA's branch and regional operations, this committee was put in place to guide and oversee implementation including identifying and resolving cross-functional considerations and ensuring overall integration of all elements of the transformation agenda. Importantly, detailed discussions undertaken through this forum ensured that further discussions at AMC were optimized to focus on key issues and decision making.

Finally, most branches and regions established their own transformation offices to ensure the smooth implementation of transformation activities falling within their responsibility.

Reporting

The CRA's governance approach featured frequent and ongoing reporting, and a number of different reports were used to update TAACSC, AMC and the Board on the full transformation agenda. Among these were the What's Ahead (30-60-90) monitoring report that was tabled at TAACSC monthly showing activities completed for the reporting period as well as what was planned in the next 30, 60 and 90 days. Also included was the monthly DRAP Report (and later Targeted Review Tracking Report) and Dashboards that were used to brief the CRA Commissioner and the Board respectively on the status of each of the initiatives.

COUNTRY EXPERIENCES IN THE OPTIMIZATION OF THE ORGANIZATIONAL AND FUNCTIONAL PROCESSES (II)

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Contents: Summary. 1. Concept and architecture of the management model of SEFAZ. 2. Strategic formulation. 3. Implementing the strategy. 4. Monitoring and evaluation. 5. Practices and management tools.

SUMMARY

Under the (PROFISCO) program for strengthening the tax administration, the Secretariat of Finance State of Maranhão (SEFAZ) contracted the Inter-american Center for Tax Administrations (CIAT) for the revision, expansion and implementation of the formal model of public financial management.

For processing the information obtained during the SEFAZ information management survey, obtained from the experience of management of information of other tax administrations, the concepts developed by CIAT and the trends in public management by results in Brazil, trying to define the architecture of the model in this context was considered.

The result is a management model based on the concepts of results-oriented management, applied to the context of tax administration and implementation of concepts for measuring the results previously formally established in the Brazilian public sector in the “Guide performance measurement and the manual for the construction of indicators-2009 “of the Secretary Office of the Ministry of Planning, Budget and Administration of the Federal Government of Brazil. This guide is also the methodological basis used to develop performance and effort indicators.

The existence of a management model is necessary but it is not a sufficient condition for achieving institutional results. It all depends on its application, capacity and continuity. Persistence and willingness of the institution and conviction from the highest levels in terms of the benefits id needed in otder to use the model as guidance in addition

to a continuous effort over time until the model is incorporated into the organizational culture of the entity.

From the methodological point of view it is necessary to distinguish between the model and the management to be held in reference to the model. Management is guided by the model, but is not part of the model, since it is only a reference. The way the management will be performed can be a consequence to the application of the model if it is applied, otherwise it will not be so. The successful implementation of the model is achieved when the management and the results are achieved when the provisions of the model are successful applied.

1. CONCEPT AND ARCHITECTURE OF THE MANAGEMENT MODEL OF SEFAZ

1.1. General concept of the management model

Good governance is considered when the government correctly meets its institutional purposes as a result of an excellent use of the available resources for the organization. The management model should be guided by the objectives to be achieved; this is determinant in order to make the required efforts for obtaining the desired results.

We define “management model” as a reference for the administration of an entity that deals with different elements of the management process (planning, organization, management, execution and control) under various perspectives and must find consistency and integrity in the use of the media to generate a performance that will help to achieve the desired purpose. Therefore, the definition of the results becomes a key element of the model and determines the “key factors” that must be formulated, implemented and monitored within the institutional management. The largest permanent result to be achieved by a tax administration is to increase voluntary compliance by taxpayers. Thus, the management model should be aimed at promoting the development of new ways to improve performance and increase the efficiency and effectiveness of tax control and, therefore, provide services to taxpayers, enabling them to better fulfill their tax obligations.

1.2. Architecture of the management model of SEFAZ/ MA

Once the management model is the reference for the entity’s administration and its main attribute is oriented towards results, any model and management component based on it shall have as main focus the results.

The model determines the process by defining the results to be achieved. That is the objectives to increase voluntary compliance, monitoring the taxpayer's obligations and provide services that will facilitate compliance as well as the controls. The next step is translating these goals into real actions and start implementation of the management, which is primarily done through institutional strengthening processes and projects. The last step, which is simultaneously performed with the other two, is to establish target indicators and effort performed; monitoring the implementation and evaluating the results.

In this context, the following chart illustrates the architecture of information management model that was built from three main components: Strategic Formulation, strategic Implementation and monitoring and evaluation; and two auxiliary components: tools and practices.

The first main component is the strategic formulation, which defines reviews and validates the purpose of the entity. Expected outcomes are also defined, analyzing and declaring the strategic objectives, its indicators and targets and the efforts are also defined do declare and prioritize the strategic actions to be performed.

The second major component is the implementation of the strategy, where the action plans to be implemented through processes and projects are formulated supported by management practices, using a set of tools that will provide guidelines for structures and staff processes.

The third component is the Monitoring and Evaluation, where the objectives, results and efforts will be first measured and subsequently

the mechanisms for data collection will be defined and the corresponding measurements and analysis will be performed.

The two auxiliary components are management practices, which are programs and techniques of management or administration, transversely used in the organization to promote better performance and / or support the administration of changes and innovation, and the tools are support instruments for the documentation, execution and administration of the management model.

The functioning of the model can be observed in the following graphic:

The definition of the mission, vision and values draws the formulation of strategic objectives. These objects allow to define objectives and indicators which include measurement standards. From the strategic objectives, the strategic actions are formulated and which will also have indicators and targets. Both goals, the actions and indicators are objects of a weighting process in order to establish their relative importance. The goals and objectives are incorporated as part of the monitoring and evaluation component.

Strategic actions are the basis for the formulation of action plans, resulting in the execution of processes, projects or activities which incorporates the application of practices and tools. These plans also incorporate human, physical and technological resources; therefore,

they must be synchronized with other three special plans: human resources development plan, information technology plan and the administration and finance plan. The need for coordination of the various plans under strategic actions against the plan as well as individual performance of each server should be highlighted.

Incorporating all these elements promotes proper alignment of the organization, staff, processes, technology and budget.

All these elements mentioned before are present in the management administration, which information is incorporated as part of the monitoring and evaluation component to measure the efforts, results and generate ratings for management performance. Results and the notes are subject to analysis and interpretation, leading to feedback management, strategic objectives, actions and action plans.

2. STRATEGIC FORMULATION

The first component of the SEFAZ management model is strategic, aimed explicitly to determine in the context of the mission, the strategic results that must be achieved and establish the effort required to get the results. This requires: 1) to review and validate the institutional purpose, ie, analyzing the mission, vision and values; 2) determine the results to be achieved and announce the relevant objectives in relation to the different analysis perspectives; and 3) identify and prioritize strategic actions and analyze the contribution required by the different units in relation to the achievement of each initiative.

2.1. Review and / or assessment of the institutional purpose

In each of the model it is necessary to review the mission before formulating objectives and strategies, since the mission should provide a guiding principle for determining the various projects that must be performed in different participating units in order to achieve the expected results.

Along with the mission analysis, a review of the corporate vision and values should also be conducted. The vision of the future is a written statement indicating the objective to which the institution is headed in the coming years. It is a framework that defines the objective of the organization, allowing to focus the efforts in the same direction, linking the present to the future.

Corporate values determine the organizational culture and are compatible with the organizational culture. It can be defined as a set

of principles, beliefs and standards that guide senior management of the organization.

The results of the review and validation of institutional purpose is expressed in a document which includes the mission, vision and corporate values statements and explain in detail each of these elements

2.1.1. Formulation of the strategic objectives

Once the institutional purpose is established or validated, it is necessary to define and analyze strategic objectives to be achieved from a new perspective which will guide the organization to achieve high results, changing the traditional thinking where the results are only one measure of the processes or quantities produced.

2.1.2. Perspectives and dimension for the formulation of objectives

The formulation of strategic objectives should be approached from the perspective of the results of a comprehensive manner, taking into account all the elements involved, from inputs used, through the necessary processes for the production of products and services, to the final impact produced.

Such an approach has already been raised by the Brazilian public sector representing the public administration as a value chain "... the main variables associated with the fulfillment of its goals: how many and what inputs are needed, what actions (processes, projects, etc.) are executed, how many and what products or services are delivered and which are the ultimate impacts achieved."

In an entity of the public sector, the impacts are addressed in a broad sense of society and within it, to private sectors; this is why this perspective is called perspective view of society and government.

As products and services they responde to specific needs in different sectors or segments of the public, this perspective is also called as the perspective of clients or beneficiaries.

Processes and projects allowing to generate products or services fall within the perspective of internal processes.

To develop products and services through processes, it is necessary to use the resources (inputs): goods, technology, budget, training,

people and infrastructure, also known as an innovation, learning and growth perspective.

On the other hand, the reference guide for measuring the performance of the Management Secretariat of the Ministry of planning, budgeting and administration of the Federal Government, identifies six basic categories related to the performance ratings “and the value chain indicators. Regarding the results, the efficacy, effectiveness and efficiency is considered and regarding the efforts, the execution, excellence and economy is considered.

In formulating objectives, it is useful to make an analysis of external factors (analysis of strategic factors), as this allows to know the real institutional capacities (strengths and weaknesses) that determine the possibilities for actions that generate the necessary impact (exploit opportunities or neutralize threats) within the context in which it operates. The level of internal capacity determines the ability to perform certain actions or take advantage of an opportunity or neutralize a threat.

The results of these analysis identify possible areas of practice, related to the improvement and strengthening of the institutional capacities. The option to continue with the practice already adopted by the SEFAZ to perform SWOT analysis (strength, weakness, opportunities and threats), not only by the experience gained, but also for being one of the most widely used by the strategic management.

For this analysis to be useful for the formulation of the objectives, it is necessary to generate a matrix for the analysis of the factors (external and internal) which should include the elements to prioritize and improve external factors (opportunities and threats) and internal factors (strengths and weaknesses) that have been selected for the analysis.

2.1.3. Strategic objectives

When applying the perspective approach and its relationship with performance ratings, it is possible to express the strategic objectives through a cause and effect sequence by adding a valuation of efforts to obtain results.

For the perspective of society and government impacts, the effectiveness should be considered. The impacts are directly related to institutional mission and they are aimed at meeting the expectations and needs of citizens. In the case of a tax administration, these

impacts relate mainly to the benefits they bring to the state through tax revenue, more and better voluntary compliance with the taxpayer's obligations; user satisfaction in different service levels of the entity; the quality of services provided to taxpayers.

With regard to products and services from the perspective of clients and beneficiaries, its effectiveness should be considered. The products and services will be associated with the impacts generated and its objectives. The definition of objectives for goods and services in the tax administration is to establish against what sectors or segments of taxpayers will be fighting evasion or non-compliance. It must establish what actions should be taken to effectively control the sectors with high noncompliance levels; what actions will be taken to improve and promote voluntary compliance and to which sectors will be addressed. These new services will facilitate compliance and help to know better the taxpayers.

In the case of key projects and processes for internal processes, the efficiency, performance and excellence must be considered. The objectives set for the processes and designs are those with optimal level of performance in terms of generating the least amount of effort and maximize the result, or the creation of new processes or as required. These objectives seek to address these main issues to generate products and services according to the required specifications, on time and with the least cost and effort.

In the case of inputs and resources as people, technology, budget, training and perspective of innovation infrastructure, learning and growth, the excellence and economy should be considered. The objectives of innovation, learning and growth are generally transversal to all other perspectives and should be directed to better manage available resources for controlling; to improve institutional capacity and therefore the ability to control; to develop human resources; technological development and the creation of financial capacity to ensure stable supply of financial resources for not depend on political factors. The tax administration of the state of Maranhão has financing for modernization with FUNAT- Fund for Strengthening of Tax Administration.

To review the strategic objectives some seminars were conducted with the participation of employees and representatives of various local areas of SEFAZ in order to: I) analyze each possibility to clearly understand its meaning and its scope in the context of SEFAZ, by establishing a possible segmentation of topics to each institutional perspective; II) identify in each perspective and segment analysis, the

management objectives of SEFAZ, by verifying its consistency and relevance to other perspectives; III) validate the causal relationship of the objectives of diverse perspectives.; IV) develop a consensus document, with statements and an explanation of the strategic objectives discussed for each perspective; V) develop a set of strategic objectives allowing to see all mentioned objectives in all analyzed perspectives.

These seminars concluded with analysis activities of the Chamber of Planning and Tax Policy of SEFAZ, led by Secretary of Finance and the Assistant Secretary, in order to generate a final version of the document and the a matrix of strategic objectives.

2.1.4. Indicators

To complete the formulation of strategic objectives, we have established the necessary indicators for each of them, according to the perspectives to which it belongs and the dimension to be measured. The reference guide for measuring the performance of the Department of Management of the Ministry of Planning, Budget and Administration of the Federal Government states that “the basic components of an indicator are: measurement, formula, index, register of comparison and goal.

It also establishes that “in the identification and selection of an indicator is important to consider a set of basic criteria for subsequent implementation the main criterion for an indicator are: Selectivity or importance, simplicity, clarity, intelligibility and communicability, representativeness, reliability and sensitivity, comparability, investigative, stability and profitability.

Some seminars were held in order formulate and revise strategic goals indicators; officials and representatives of various local areas of SEFAZ participated aimed: I) to analyze each objective clearly understand their scope and meaning in the context of SEFAZ, and its perspective and in relation to the performance ratings that are linked; II) Identify the possible ways in which can be measured the attainment of the objective and the variables or factors involved in these measurements; III) Validate, for each one of these forms of measurement identified, that the basic criteria can be met.; IV) choose the best alternative measurement and variables or factors that best fit the basic criteria; V) redirect the indicator or indicators for each objective, including basic components: measurement, formula, pattern matching and goal; vi) validate the causal relationship of the indicators in the different perspectives; VII) develop a consensus document which describes

and explains the indicators for each strategic objective and each of the perspectives and which can clearly identify the performance ratings to which it belongs; and VIII) develop a set of indicators that link the objectives they belong to in all perspectives analyzed.

At this time, seminars also concluded with the analysis of the planning and policy activities of SEFAZ, led by Finance Secretary and the Assistant Secretary, in order to generate a final version of the document and the matrix of indicators.

2.1.5. The weighting of indicators, targets and prospects

To balance the importance different targets and indicators have, considering that management should aim at achieving results, it is necessary to perform a weighting process at different levels:

- first level of weighting and outlook
- second level of weighting and objectives
- third level of weighting and indicators

It must be remembered that in the formulation of these objectives a particular perspective and formulation of indicators are related to them, they are associated with an object and belong to a particular dimension of performance.

Thus, a perspective that has one or more objectives, one objective may have one or more indicators and an indicator belongs to a single dimension. This makes it possible to relate with dimensions of performance through objective indicators and perspectives.

2.1.6. The scale of notes

To monitor and evaluate performance its necessary to established the indicators and objectives, as well as what the scale to measure results. Since not all objectives are expressed in the same way, nor have the same mathematical meaning, it is necessary for each indicator and each goal to have their scale measurement based on the result achieved.

The handbook of the Federal Government states, “the note should reflect the efforts to achieve the target agreed by a particular indicator, which will result in the determination of the values of 0 (zero) to 10 (ten) for each one, according to the relationship between the observed results and the agreed target.” It is suggested the use of a standard scale or scales for each specific indicator, protruding

the capture of the variation of the corresponding stimulation. "The adequacy of the sensitivity of the scale indicator is essential to avoid biased interpretations in the analysis of the measured values by the measurement." The importance of compliance to assign notes is to facilitate comparison of the results of the different objectives and indicators.

2.2. Formulation of strategic actions

Strategic actions represent implementation efforts to be performed in order to achieve the strategic objectives. They guide and join sets of activities or measures necessary for achieving the objectives. Therefore, for formulation uses the same concepts and steps used in the formulation of strategic objectives. A strategic objective in particular may include one or more actions, but an action will only link to a target, although it may have an effect on more than one.

I) To formulate and prioritize strategic actions working meetings were held, with the participation of servers specialists from high level and with representatives of different local areas of SEFAZ in order to; I) analyze each strategic objective and its indicators to clearly understand their meaning and scope in the context of the SEFAZ and the perspective in which it is formulated; II) identify key factors that must be performed to achieve each objective, clearly describing and indicating as objective (once strategic actions are goals in themselves). These factors became the actions to be carried out and at this point, it is useful to incorporate the results of the factor analysis; III) validate effect relationships between actions and the strategic objective to which they belong; IV) develop a list of strategic objectives and strategic actions, indicating the units involved in the development of each action and the start and end dates; IV) carry a weighting of strategic actions within each objective, so that the sum of the weights of the actions with the same goal is 100%; V) develop indicators for each action, including basic components and weighting the indicators for each action; and VI) to establish the grading scale for each action.

Meetings for the validation of planning and tax policy were held, in order to generate a final version of the list of strategic objectives, strategic actions, indicators, weights and scales of notes.

2.1. Results from the strategic formulation

The strategic formulation obtained the following results: 1) statements of mission, vision and institutional values; 2) map of strategic objectives; 3) statement of institutional policies; 4) strategic indicators for each

objective; 5) strategic actions for each objective; 6) indicators of the strategic actions; 7) weights of perspectives, objectives, indicators and actions; 8) grading scales for each indicator; and 9) support and explanation of each of these elements.

It is a fundamental document that should be widely spread and discussed at all levels of the organization, to ensure that each server perfectly assimilate these concepts and their meaning, in order to ensure full commitment of the servers with the elements that establish the purpose of the organization.

3. IMPLEMENTING THE STRATEGY

The second major component is the implementation of the strategy that begins with the definition of the strategic actions that were performed and which performance is reflected in the action plans to be implemented through processes and projects supported by management practices and through a set of tools. The implementation of the strategy is a complex process in which many more people participate during strategy formulation, involving specialists from different areas servers that require an institutional effort according to the goals, efforts and resources.

The action plans are instruments that determine the necessary guidelines of processes, structures and people.

3.1. Formulation of action plans

Action plans establish the activities necessary for the success of the strategic actions. For each one of them a plan is formulated which has one or more indicators, targets and a start and end date.

In general, action plans have a relatively high complexity and they are the link between the high level goals and specific activities through which various types of resources such as financial, human, technological, infrastructure; specifying what should be done; help in performance assessment and to identify corrective action, this allows a better monitoring and encourages the participation of the servers.

3.1.1. Configuration and elaboration of action plans

The requirements for a strategic action determine the configuration and complexity of the related action plan; from there different nonexclusive action plans configurations can be identified, depending on the execution: 1) Improve or develop a new process; 2) a development

project; and 3) performing activities related to the functions of a unit, which are not defined as part of a process.

On the other hand, the action plan is related to the implementation of one or more management practices, it uses a set of institutional uses a set of tools and their formulation and implementation are guided by institutional policies.

For elaborating action plans, meetings were held with the heads of the units in charge of the formulation of the action plan in order to: (i) analyze the strategic actions to determine commonalities and set priorities; (ii) determine the characteristics of the required settings for the plan, reviewing the process or processes involved in defining the need for improvement or redesign; (iii) determine whether is a project; (iv) identify the management practices that apply to include methodologies, steps and requirements in developing the plan; (v) determine the activities to be undertaken and its sequel prior actions or conditions that must satisfy other units; (vi) interrelate activities with the resources, to define the resources to be allocated and establish an action sequence of activities and resources; and (vii) determine the duration of activities and potential dates, especially considering the factors that depend on other areas.

Determine if the current organization is more suitable for the implementation of the plan with respect to the formation of working groups and the jobs, to determine if any reorganization or redesign of the jobs is required.

To inter-relate with actividades with the resources to determine if the allocation is sufficient in terms of quantity and quality:

Regarding human resources, set the number of people required and the skills required.

This analysis should lead to the formulation of the requirements for the development of SEFAZ staff plan (training, people, and skills development) and for the Individual Plan performance of each server (skills development, productivity).

Determine the requirements for financial and physical resources (work materials, equipment, and infrastructure) will be integrated in the financial and business plan.

Determine the need for new tools or adjustments to existing tools, which will be incorporated in the technological development plan.

Coordination meetings were also held with other units to check and synchronize the dates of the crusades activities, establish its feasibility, timing and availability of resources and adjust the plan according to the results of these meetings.

As a result, coordination meetings for the review, adjustment and approval of the action plan with the hierarchical superiors in charge of each unit were necessary in order to: I) validate the formulation of action plans; II) establish joint activities with other units and adjust plans; III) establish general or broader issues affecting several action plans or multiple drives simultaneously; IV) prioritize action plans, taking into account available resources and implementation dates; V) reset the defined objectives for strategic objectives and strategic actions and starting and end dates for each action; VI) adjust the weights, indicators and scales of notes; VII) generate a final action plan for each and every action plans for each unit, including applicable deadlines; and VIII) generate the General Report of the commitments of each unit to achieve the objectives, actions to be undertaken, objectives, performance dates and resources to be applied.

This report is provided in the performance agreement of each unit.

3.1.2. The development of action plans and their interrelationship with other plans

Working Plans: The complex activities of an action plan or activities that require a schedule with greater detail or highly specialized, it can be deployed in specific working plans assigned to groups or persons.

Individual Plans: As part of the management model, all servers must have an individual performance plan focused on the development of individual skills and productivity.

This plan is formulated within the action plans which involved officials since they determine their contribution to the strategic plan and, consequently, their productivity factors. It also allows to establish the capabilities that must be developed by the server for optimum performance.

The individual performance plans are the instruments for aligning people with institutional efforts required to meet the objectives and they are part of the competency management and performance evaluation. In terms of the competences, the knowledge, skills and attitudes essential for each collaborator which is developed according to the objective set out in the strategy and the need for capacity building will be established; in terms of productivity, it will indicate the activities to be carried out by the server and

the results to be achieved in the context of the action plans of the unit to which is linked.

The Individual Performance Plan is the basis for the payment of compensation variable factor which should include the development or improvement of individual skills and the performance of the activity and results.

Supporting Areas Plans: There are three areas of support in the SEFAZ, they are: information Technology, development of human resource and Administration and Finance. Each of these areas is carry out activities and make plans that are transverse to the entity that has a special character because they should contribute to ensure that resources are allocated according to the needs of the áreas action plans.

All requirements identified during the formulation and subsequent implementation of the action plans are finally reflected in the activities and plans which should be conducted by these areas. The importance of these plans lies is that they can integrate similar equirements to provide common alternatives, save cost and reduce the time and implementation efforts.

It must be remembered that the strategic objectives in terms of innovation, learning and growth (inputs) are generally transverse to all other perspectives and should be directed: (i) to have the resources in the best way to exercise controls (people, technology, budget, training and infrastructure); (ii) to improve institutional capacity and consequently the ability to control; (iii) to develop human resources; (iv) for technological development; (v) to create a solid financial capacity that does not depend on political factors.

3.2. Organizational structure of the organization with the projects and processes

The organizational chart does not simply refer to the formal hierarchical structure, but all the elements involved in the management of human resources, physical and financial resources and technological resources.

The mechanisms described for configuring and elaborating action plans as well as for developing working plans and individual performance plans and the interaction with the plans of the support áreas that were described in the preceding paragraphs, ensure an appropriate organization if it is correctly performed.

Therefore some required factors should be considered to have a good organization:

Changes in the strategy produced changes in the structures; however, the structures of the public sector entities have a less dynamic behaviour than that observed in the private sector. For tax administrations, the structures respond to more important processes for which the rules define the essential functions, such as collection or control.

With time the definitions of the functions of these areas have come to the essential aspects of the processes that led to them, which further decreases the adjustments of permanent structures. What is essential for the alignment of structures is that there is no overlapping of functions between different units in charge of the process, no gaps in responsibilities or interference by making decisions that an area should take. It is necessary to ensure that the structure becomes an element that promotes the achievement of targets and allow the flow of processes.

As for the processes more effort is required for aligning, since they are responsible for producing the products or services that ultimately generate the expected impacts. To align processes, their level of operation and control, degree of effectiveness, complexity and importance should be analyzed. The significance of the existence of the process must be validated and establish in more detail what are its main features, requirements and users. For alignment of the processes there are two main practices presented in Chapter 5: Re-engineering and process improvement.

As for the projects, their alignment is carried out from its wording by applying project management techniques that link the objects and activities of the project with the corresponding strategic action.

3.3. Staff organization: Human Resources Development Model

To organize the staff, is required to promote, develop and improve the experience, skills and attitudes of the servers, in addition to their formal knowledge. For this it is necessary to establish a management model based on personnel management skills and human resource management of SEFAZ in the context of its new management model aimed at the following three areas of responsibility: planning and personnel management strategy, personnel management based on skills and personnel administration.

3.3.1. Staff management plan and strategy

This area will be responsible for planning, coordinating and implementing the staff management model based on competency, including the definition, classification and quantification of basic skills and institutional design and documentation procedures human resources, job description and job skills and the inventory of human resources management.

Dictionary of competencies: To start planning it is essential to identify the key skills for success in each position. To do this, a competency dictionary must be designed, which proposes the competencies that should be oriented to the development of the strategic objectives of the SEFAZ. The dictionary will present the meaning of each of the skills and behaviors that are expected to be shown by the servers that occupy different positions in the institution. Subsequently, this dictionary will be the guide to measure the current development of each of these plans and establish training and development. It will also be the basis for procedures such as selection, career development, assessment and performance skills, training and development, climate and culture, and will be a benchmark for measuring and evaluating the performance and potential of each server "versus" their position that has or will have in the future. The main purpose of the dictionary is to serve as a guiding tool for defining and identifying competency behaviors defined as success factors for each of the structural levels.

Processes and procedures: The processes and procedures for managing staff should be defined, designed and updated according to the evolution of strategy and organizational structure. The description of the procedures must address three areas of responsibility: planning, management and administration, where each of them have a specific mission.

The planning area will be responsible for planning activities, designing and evaluating SEFAZ staff management through the following tasks: design and following the staff management model, quantification and definition of staff, description of the functions and powers of the office, organizational communication, processes of the areas and metrics of the management area.

The management area will take care of the activities that contribute to the development and improvement of staff productivity in the SEFAZ through the following procedures: performance evaluation and established powers; Remuneration, training and career development (planning and coordinate the promotion and permanence of servers);

Organizational climate (ensuring a working climate of respect and friendliness); and wellness and occupational health (to ensure the welfare of workers).

The administration area will be responsible for controlling and monitoring compliance with policies, standards and procedures and personnel management through the following procedures: policies and standards for personnel administration, payroll, personnel, database of staff and curricula.

Description of functions and responsibilities of the positions: Based on the organizational structure, the positions should be defined and described. These descriptions are intended to clearly define the tasks, knowledge, skills, attitudes and tools needed to perform a particular job. The benefits expected under the terms of the job descriptions and up to date can be summarized as follows: to know the positions of each working unit, to determine more precisely the profiles of employees, the reliable and consistent tools to assess the staff skills and promote them for a career, guiding the training plan, training and develop skills making evaluation lka s performance and skills.

The job description document must contain the following information: 1) identification of the position; 2) objective; 3) indicators; 4) functions; 5) the position scope; 6) reports under their responsibility; 7) participation in committees; 8) decision making; Profile 9) occupational and 10) competence.

Inventory of human resources available: Once the competencies are identified by position an inventory of human resources of SEFAZ should be done, which aims primarily to identify and quantify the profile of human resources. The methodology used for this activity requires individual interviews that give the opportunity to learn in detail the level of knowledge and skills and attitudes of each server.

The analysis of these interviews will allow to: (i) identify the knowledge, attitudes and skills of each server as well as their motives of life; (ii) discover unknown skills of servers, which will allow them to be included in the list of candidates for promotion and permanence in the position as well as to appoint specific tasks; (iii) determine intervention needs in terms of knowledge, skills and attitudes, as it will be possible to determine the impact of these aspects in the performance of duties; and (iv) identify candidates for the positions.

3.3.2. Staff management based on responsibility

The activities that contribute to the development and improvement of the SEFAZ staff productivity will be responsible for implementing, evaluating and updating the selection, training and development, pay and compensation, organizational climate, improving performance, competition and welfare of employees, to ensure the appropriate skills to improve the current the gaps present in a work environment that fosters commitment, productivity and to improve the quality of life for employees.

Plans for developing staff skills: We must create a plan to encourage the development of knowledge, skills and attitudes essential for each employee to improve their skills based on the target set in the strategy.

The development of this plan will help establish training needs and improving skills, taking into account issues such as: (i) the current gap between the positions and the training and preparation of the servers along with the strategy and plans of SEFAZ; (ii) the perception of the servers about the problems, causes and factors impeding the development of the work to a high level according to their ability; (iii) identify in detail the courses, seminars and programs required by members of the institution to achieve the tasks and responsibilities assigned to each position.

With regard to productivity, the individual performance plan will show the activities that the server must perform and the results to be achieved in the context of the action plans of the unit to which it belongs.

Individual performance plan and performance evaluation: An individual plan should be created which includes the skill development and productivity of the server.

Regarding the development of skills, these are defined according to the requirements and needs of each position, operating manuals, human resource development inventory plan and the above mention skills. With regard to productivity, individual performance plan shall state the tasks required by the server and the results expected to be achieved in the context of the action plans of the unit to which it belongs to.

It is essential to design a tool that allows each server to understand their contribution to the SEFAZ strategy, improve communication between managers and servers promoting feedback and letting each server knows the level of development of their individual skills in order to establish the gaps between the existing and required ones for the

position and thus to propose a plan to improve which will be an integral part of the individual performance plan of each server.

As mentioned above, it is very important to establish an instrument to support the management of the staff which manages equity and justice when evaluating performance and implementing processes and training and to establish performance commitments and improvement in order to know the factors necessary for each position.

The individual performance plan is the basis for the permanent evaluation of performance and competencies, and its elements are: assessment of individual performance plan (including skills, knowledge, attitudes and productivity) and a quarterly follow up. The results of the performance evaluation are the basis for the calculation and payment of individual variable compensation factor.

Organizational Climate: As part of the management staff strategy, an organizational climate survey should be carry out with periods not exceeding one year, which shall have the general purpose to quantify the perceptions of the institution staff in relation to the climate and institutional culture.

Once the information is collected and analyzed, it shall be validated and shared with SEFAZ in order to make commitments to change and establish a trust climate between managers and servers.

The study should cover the following: clarity of direction; Communication and integration; Participation and commitment; managing Style; Salaries and benefits; Development and motivation of human resources; service orientation; working conditions and orientation of results.

Internal Customer Service: On the other hand and to determine the levels of internal customer service and subsequently optimize the procedures of the institution, a study to SEFAZ servers should be performed in which officials will evaluate qualify, efficiency and timeliness of services and products received from every area of the institution. The result of the study should be for areas with their respective ratings and comments.

With this customer service report, SEFAZ will have reliable information that will be as the basis for improving. The positive intervention in areas with low score may be a breakthrough as it could help improve relations between employees, and this will also be reflected in better service to the external customer.

Well-being: Annually SEFAZ must contemplate and plan efforts and resources for a well-being plan, which is to improve the quality of life of its members, contributing to increase motivation and sense of belonging to the institution. The methodology requires the design of a survey that should be answered by servers to carry out the tabulation and analysis of information phases; these results quantify the preferences of workers in terms of welfare.

The survey should measure the preference for various welfare activities such as sports, recreation, arts and cultural events, health promotion and prevention, informal training in arts and crafts. The information statistical design allows annual wellness plan to have schedules and activities that meet the expectations of the staff.

3.3.3. Managing the staff

This area will be responsible for monitoring and verifying compliance of policies, rules and procedures and the human resources management, recruitment and databases, in order to ensure compliance with the existing legislation and the SEFAZ policies which seeks the equity between the interests of the staff and the institution.

Policies and standards of management: it is necessary to administer and enforce the existing standards, monitor compliance with the schedule established in the procedure rules, vacation planning of officials, permissions through licensing and contingency plans to cover staff absences avoiding inconsistencies in the processes and procedures of the institution.

Human Resources Information System: It is necessary that all the above mentioned identified and defined actions can be collected in a tool for processing the analysis and decision making. That is, an information system is needed, which allows all the data collected during the stages mentioned before, be used to achieve the institutional objectives.

3.4. Technology: information technology model

The area of information technology is critical to achieving the strategy of the SEFAZ. For this reason, the governance model must be based on the following factors: (i) alignment with business objective; (ii) management processes based on best practices and market standards; (iii) outsourcing model consistent; (iv) improvement of safety; and (v) evaluation of the implementation of the management model.

3.4.1. Alignment with the objectives

To better serve the institution, ICT initiatives and projects must be aligned with the strategic objectives in the strategic plan of SEFAZ / MA.

In the proposed model, the strategic planning projects of ICT (resulting from the initial interaction in the ICT business areas) and the constant demands of business areas through the ICT filter of a High Level Committee, based on the strategy of the institution and the resources available, approves and prioritizes some and rejects or delays others.

Thus the approved projects will be aligned with the objectives of the institution and will be part of the portfolio of projects being implemented with the participation of business areas involved. In the institution the SEFAZ / MA strategy is established by the Planning Board, including the budget for ICT. Under the government plan, the IT Committee and office projects COTEC (administrative area of technical staff for information technology) was created.

3.4.2. Management and standard processes based on best practices and the market

SEFAZ / MA have developed various ICT management processes, which are being more or less practiced.

However, it is essential to define and faithfully follow the key processes for ensuring the effectiveness of the services. These processes must be aligned with the best practices in the market are adapted / molded to the specific characteristics of the SEFAZ / MA.

The processes defined in ITIL provide a framework adopted by many public and private organizations.

Some implementation processes are known and mandatory, regardless of previous studies, such as those related to the strategic part of the IT planning, demand management, managing service levels, management for information security management incident, and problem in management. Other processes depend on the analysis of its contribution to the management against the feasibility of implementation within acceptable parameters (particularly resources) and taking into account the maturity of the institution.

The methodology for the development of systems, including procedures, standards and artifacts should be sufficient enough not to undermine

the effectiveness of the equipment and be sufficient to ensure complete registration, ownership and preservation of knowledge by the SEFAZ / MA. The process and well-established standards are also essential tools for effective outsourcing. Strict compliance with the processes, patterns and artifacts established for the area of systems development (systems development methodology) is essential to ensure knowledge retention SEFAZ / MA and gain greater independence from contractors working in scope.

Although always urgent actions are required, and many of them, lack of availability of resources, and are held outside of the methodology, so ICT managers should assure that they will follow the established rules.

3.4.3. Consistent outsourcing model

The outsourcing of ICT services was not an option, but a requirement for survival and effectiveness of the SEFAZ / MA. The structural context of the public administration and the limitations of personnel expenditures as defined in the law of Fiscal responsibility the State just prioritizes related positions (to the State) to the detriment of those related to the Middle areas. Even generally accepting the importance and relevance of ICT to the effectiveness of the tax administration it is not expected to change the current framework. Thus, the outsourcing of ICT functions should be seen as permanent and thus should be planned taking into account the parameters of cost, risk, retaining strategic knowledge of business tax , efficiency and constant improvement.

In outsourcing, the process belongs to the contracting entity that hires a service provider to perform specific tasks (or specialized human resources, which only acts under the direction of the contractor). In this type of outsourcing, the institution hires the contractor to execute a process, which internal composition is defined, managed and operated by the provider. In this mode, the best results are obtained with the precise definition of results and by establishing Service Agreements (ANS) with measurable indicators previously agreed.

The first aspect to consider is the definition of areas not recommended for outsourcing.

The best market practices and experiences of the public sector in outsourcing, including SEFAZ / MA it self, guide those decisions. Some are considered as institutional and consensual “high sovereignty”: IT strategic planning; Quality control; Portfolio Management; Data Management; Critical areas of systems development; Requirements analysis and approval (QA systems).

In the area of ICT infrastructure, the outsourcing of activities presents strategic obstacles. Activities in this area are considered “commodities”, “low “institutional sovereignty, with the exception of the administration of databases. SEFAZ / MA seek to place their own tables to attend and follow the designs and structural and operational adjustments and the key processes and technological standards that should be met by contractors. Besides the NSA, it is essential to establish a management outsourcing.

3.4.4. Improve security

The degree of maturity in the use of information systems for information by SEFAZ / MA and the dependence on ICT for business continuity in the event of natural or man-made disasters, determined the need to define a contingency plan including the development of a disaster recovery site. In this sense, SEFAZ built a separate data center in a safe facility. Despite the high costs for implementation and maintenance of these facilities, this investment protects the institution and, more important, safeguards and supports the proper functioning of the state disaster in SEFAZ / MA data center.

Furthermore, the importance for establishing a security Management, SEFAZ is starting a work, with the support of external consultancy, to develop and implement the security model in SEFAZ / MA.

3.4.5. Report on the implementation of the management model

The procedures, methodologies and standards may have their uses restricted, particularly the daily pressures - emergency actions, lack of staff or even in its application. There is a need to establish control to alert the institution while still deviations can be corrected.

In addition to the managers' responsibilities, a permanent external audit with respect to the consistent application of its most important tools and management model is proposed. This action is essential to minimize the risk of loss / dissipation business intelligence either in the processes performed internally or outsourced.

This audit should be completed with permanent information systems, quality, integrity and consistency of information and the results of their processing audits.

3.5. The budget

The budget is a representation of the amount of goods and services that are available to be mobilized in pursuit of strategic objectives. Generally understood to be budget available to perform all activities and in case there is no availability, activities were adjusted to the extent of the budget.

The budget should be aligned with the action plans. This alignment has two directions: first, the level of expenditure should be consistent with the level of income and resources should be to strengthen the areas that need it in order to to achieve results. On the other hand alignment refers to the synchronization timing when formulating the budget and the moment when formulating the plan.

3.6. The implementation of management

In the results-based management model, the management application must occur through the implementation of action plans for activities to be oriente at achieving the objectives according to pre-established sequences and the use of resources allocated.

Proper use of the media should ensure the achievement of the purposes. The management will be successful if the purposes defined and agreed upon in advance and the means used to achieve them. The application of management is making efforts in the use of resources, development of processes, projects and activities. Therefore, these efforts must be carried out within the framework of the strategic plan.

4. MONITORING AND EVALUATION

The third component of the model is monitoring and evaluation that operates in parallel with the other two components. Monitoring and evaluation ensures that n SEFAZ reach what he intends to do. Compare the performance achieved with the expected results and provides the feedback necessary to evaluate the results and take corrective action.

Monitoring and evaluation is performed through a secuenci to determining what is to be measured, to establish performance standards, measuring performance, comparing performance with the default set and take corrective action, if necessary. In this management model results oriented three stages to conduct monitoring and evaluation were established: (i) development of indicators and targets for effort and outcome; (li) measurement efforts and results; (lii) Analysis and interpretation.

4.1. Formulation of indicators and outcome goals

In the SEFAZ management model, the monitoring and evaluation are initiated while the formulation and planning activities are initiated; from the definition of objectives to action plans. Guidelines have been established to measure and evaluate the management. To provide accurate information of a set of elements such as: (i) the perspective analysis; (ii) weights of perspectives for distinguishing the importance that managers give; (iii) the objectives are also weighted to show the importance of each; (iv) objective indicators that are also weighted; (v) actions in which the objectives to which is assigned a relative weight and also has one or more indicators which are split; (vi) indicator objectives; (vii) measurement standards; and (viii) grading scales for assessing the results uniformly.

As presented in the previous chapters, these goals are related to a certain view, and in the formulation of indicators, they are associated with a target and belong to a particular performance dimension. Thus, one view can have one or more objectives; a goal can have one or more indicators and an indicator belongs to a single dimension. This makes it possible to relate perspectives and dimensions of performance targets through indicators.

When the weighting is done the relative weight of each factor, which balances the importance for achieving results is determined. Later the same scheme allows to measure performance results once incorporated into the grade for each indicator.

The first level of weighting (P_{pe}) and the prospects for which a percentage value is assigned to each and the total must equal 100%. The value that is assigned to each perspective determines the importance that senior management represents the results in each one. The more it weighs, the greater its importance.

$$\text{Thus } P_{pe_1} + P_{pe_2} + P_{pe_3} + P_{pe_4} = 100$$

The second level of weighting (P_{ob}) is the objectives performed in each perspective.

For which within each perspective a percentage value is assigned to each of its objectives and the total amount within the perspective must equal 100%. The value assigned to each target determines the importance it has for the senior management within the corresponding perspective. The more it weighs, the greater its importance.

Thus, $E\Sigma Pob_1 + Pob_2 + \dots + Pob_n = 100$

The Weighted Weight (PPo) of a Target, in total objectives, is defined as: $PPox = Pobj_x * Ppex$; where x represents an object that belongs to any weight.

The third level is the weight of indicators in each objective which it belongs to. Within each objective a percentage is assigned to each of the indicators and the total of these assigned values within the target must be equal to 100%.

Thus, we define the weighting (Pin) of each indicator within an objective, where: $E\Sigma Pin_1 + Pin_2 + \dots + Pin_n = 100$

Weight and the weighted total indicator objectives defined as PPi_x , in which: $PPi_x = Pin_x * Ppo_x$, where x represents any indicator which belongs to any objective.

This weighting process is very important, because it shows the relative importance that the objectives and indicators have and which reflects the approach followed by the management. Whichever weighting scheme is adopted, will determine the orientation of the entity in the sense of effort or results. Strategic actions are defined within each objective using the same pattern set. Indicators also include actions within each action.

Upon completion of weights and grading scales are established, the development of indicators and targets is complete.

4.2. Measurement of efforts and results

In our model, the basic unit of measurement is an indicator that reflects the degree to which it meets the goals. From there, the results in the different categories are established according to the ad-hoc indicator, action or objective, but also in what perspective analysis is considered and in what dimension. The following weighting scheme can be established: (I) the indicator in relation to its weight in the objective; (II) the indicator for the total weight, which depends on its weight in the specific objective and its weight within the overall objective; (III) the specific objective; (IV) weighted in relation to their participation in total goals. The scheme also applies to the strategic actions and indicators.

The results thus calculated, other results can be obtained with higher levels and build a table with the results already achieved, including

full management, the total results for perspective, the results of the objective and their weights. A summary of this type allows a full view of the evolution of the main objectives and indicators to adjust management activities or making reformulations of goals level or action plans.

The performance achieved by the efforts (processes, projects, actions) and the use of inputs is measured similarly. As the plans develop strategic actions with indicators and targets and, in turn, each plan activities contain the implementation details, and the model provides the framework to perform the corresponding measurements. Work plans, and individual performance plans are also linked to the activities of the action plan and how are aimed at achieving results, should also be for individual management.

The scheme should be used for the measurement at different levels of the organization and in different time periods in cycles of periodic review of the strategic plan that depend on the discretion of the management levels. As part of the implementation of the management model the following should be established: a) the results reporting cycles and cycles of evaluation; and, b) the performance evaluation cycles.

4.3. Analysis and interpretation

The analysis and interpretation of results obtained in different perspectives, objectives, indicators and actions are closely related to the meaning it had given each during strategic formulation.

A monitoring unit must be permanently dedicated for tracking the results, to understand the causes of them and generate satisfactory explanations to senior management.

Monthly reports must be generated on the behavior of interpretative indicators and the development of efforts and results, as well as indicate the alerts on areas of performance problems or with risk levels in the application.

5. PRACTICES AND MANAGEMENT TOOLS

Practices and management tools are the two auxiliary components of the management model, but they have an important role in achieving results and focus on both the model for formulation action plans to achieve management.

5.1. Management practices

Management practices are programs and technical management or administration used throughout the organization to promote better performance and support the management of change and innovation. It should be considered from the moment the action plans are being developed in order to support the processes, projects or activities.

Below is a brief description of some of the practices that are evaluated and implemented:

Reengineering Process: Reengineering is the fundamental rethinking and radical redesign of processes to achieve dramatic improvements in critical measures, contemporary performance, such as cost, quality, service and speed. In the case of tax administrations as the use of reengineering was popularized mainly by changes that are made possible by the introduction of new information technologies to the tax processes.

In a results-oriented model, reengineering is very useful because it allows you to focus results rather than activities or tasks.

Improving the processes: Unlike reengineering, it does not deal with radical changes, but rather introduces more constant improvements, which together produce changes in time in the institution by the changes generated on the processes. Improve processes is linked to improved quality of a product or service for which it is necessary to accurately determine their specifications, which determine the requirements to be met by the manufacturing process.

Management and Evaluation of Performance: This practice has two components: (i) development of the competency-based human resources model and (ii) the assessment of performance.

The staff management model is oriented to promote, develop and improve the experience, skills and attitudes of the servers, in addition to formal knowledge. This model is the framework for establishing the value of performance as a permanent institutional practice, which focuses on the development of knowledge, skills and attitudes essential for each employee to perform according to the corporate strategy.

In terms of skills, the individual performance plan is intended to diagnose the needs of training which will allow to compare the real training with an ideal one, in order to establish a permanent training

and skills development plan that should be aligned with the strategy of the institution.

With regard to productivity, the individual performance Plan will tell the activities that the server must perform and the results to be achieved in the context of the action plans of the unit to which they are bound.

Project Management: To be effective, it is necessary to implement work cultures that include all activities which are not considered and managed as a project. SEFAZ has experience in this area and since 2006 a project management model was defined which is build based on the best practices recommended by the Project Management Institute - PMI.

Risk Management: In the context of the term “risk management” does not refer to the risk management tax noncompliance, but those relating to management development.

The risk management is responsible for analyzing situations that may occur and to identify potential risks and impacts that can establish the probability of defining specific plans with measures to prevent and eliminate or at least to minimize their effects.

Redesign positions: is a practice associated with the use reengineering process and the integration of information systems to carry out practical management processes.

When the processes are redesigned and change the way they normally carry out operations, many tasks disappear and change. All these factors directly affect the design of workstations to meet operational skills and competencies with the server requirements.

5.2. Management tools

The management tools are support tools for documentation, execution and administration of the management model. SEFAZ uses three tools that were developed and implemented during the implementation of the model, they are:

Monitoring and evaluation system - SAM: SAM is the tool that SEFAZ uses as an operational tool based management model. To do that, it should have the ability to register dimensions, perspectives, objectives, indicators, actions, goals and weights, including strategic guidelines and operational plan and action plan. In SAM, the responsible ones are assigned and the operational plan evaluations are recorded

quarterly. Based on this evaluation, the project management office evaluates and generates the settlement statement-recommendations and conclusions.

The SAM allows management to make reorganization activities of the above items in different categories and balance weights on their relative importance, before the strategic formulation is finished.

With regard to the implementation of the strategy, the SAM can incorporate action plans and their activities as well as their links to processes or projects. In the SAM human resources are also allocated to different activities and other resources considered relevant by management are also recorded. Action plans may be interrelated with the development of human resources plan, information technology plan and the administration and finance plan. The SAM can link specific working plans, which are necessary and relevant. The information on the participation of officials in different action plans should allow feeding the formulation of individual performance plans.

The management information that is relevant for monitoring and evaluation should be recorded in the SAM and on this basis the ratings for the different objectives is determined. The SAM has the ability to perform calculations of various factors weighted analysis objectives, actions, indicators and action plans results as well as the ability to display different reports on the results in the above mentioned categories at different levels of the organization that support the analysis of results.

Process Documentation System PDS: The process documentation system is a tool to record information on how to perform the processes and procedures (POP). The PDS should allow versioning and keep update and record information on attributes such as quality specifications and the stages of the process improvements that have been applied.

Performance Evaluation System SAD: The performance evaluation system model is related to the management of human resources based on skills, individual performance plans and performance enhancement.

The system includes the dictionary of competencies by position, the identification and description of the positions, the inventory of human resources in identifying skills already reached and which must be developed and the identification of training courses.

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The system will also be able to access information from the SAM to know and identify action plans in which each server is involved, and the objectives, indicators and related targets. It registers Individual performance plans and will be used for evaluating the server performance and record the results achieved.

TOPIC 2

THE OPTIMIZATION OF HUMAN RESOURCES MANAGEMENT IN THE TAX ADMINISTRATIONS

THE OPTIMIZATION OF HUMAN RESOURCES MANAGEMENT IN THE TAX ADMINISTRATIONS

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*Contents: Summary: 1. Structure and distribution of human resources.
2. Skills and expertise of the teams. 3. Supporting teams motivation.
4. A renewed and modernized HR.*

SUMMARY

Facing an increasingly constrained context for operating their assignments and growing demanding expectations from their users, financial administrations are constantly looking to optimize their processes and resources.

In the HR field, the subject of the allocation of resources in quality and volume is a sensitive issue, especially in the context of an administration in which tools and stakes evolve. For an administration based on an extended network, the subject of the geographical distribution of resources comes in addition to the adequacy of the profiles of officers to the position which they are to occupy.

The DGFIP uses a system that leaves a large place to the initiative of officers in organizing their mobility while maintaining a selective approach when the managerial or technical stakes require it. This scheme must adapt to changing assignments and stakes, at a time when means restriction leads to a concentration of skills and structures.

The topic of teams competence is also crucial. This competence is detected upstream at the stage of recruitment and must strengthen and develop throughout the career span.

The DGFIP uses a recruitment system largely based on external competitions, and preserves in-house an internal promotion scheme highlighting its deserving employees, particularly to occupy management positions. However, the balance between the two systems is sometimes difficult to find and must maintain some momentum in the management of career paths.

Vocational training is also a powerful tool to enhance individual skills and develop them.

Still largely in the form of traditional “group / teacher” training conducted in specialised structures or locally, it relies increasingly on e-learning tools. It must constantly lead to an effort to streamline needs identification and training organization, so as not to disperse forces.

A major organization must also be able to promote its skilled and motivated staff.

Periodic professional dialogue must allow each collaborator to perform stage points, set goals, and properly identify the agent in his professional context. To do this, the DGFIP relies on the annual assessment scheme applicable to all civil servants.

However, this regulatory tool is not the only lever to support staff motivation. It is appropriate, at all levels, to pay closely attention to the support that can be given in the performance of their job, and to pool as much as possible expertise, which also contributes to the enhancement of “knowledge advisors”. When appropriate, the compensatory or incentive levers can be mobilised, together with the difficulty of finding a balance between individual motivation and teamwork valorisation.

Finally, an efficient HR function must rely on tailored HR tools and processes. In a constrained environment, great vigilance should apply in particular to the detection and monitoring of stressful situations at work. Specific tools must be set up for this aspect of management.

Furthermore, optimization of the HR function can be sought in a more rational organization, combining a concentration of management / remuneration tasks, while maintaining proximity of HR functions and professionalization of the “HR advisors”.

<p>This topic aims to provide a general overview and reflections of all aspects dealing with the strategic management of human resources within the sphere of the Tax Administrations, always focused on optimizing such processes as, staffing, selection, training, creating incentives and motivation, as well as new forms of management.</p>

Users, partners and all economic and territorial counterparts of the financial administrations rightly expect relations based on accessibility and simplicity with their tax and financial public services. By engaging their resources and technical know-how, modernizing and simplifying

their relationship with the user, reducing the time for payment of public bodies, these governmental organisations wish to consolidate compliance and foster an environment of trust conducive to the competitiveness of their countries.

Renowned for their skills dedicated to public finance, financial authorities must still consolidate their expertise and organize the most efficient possible way to meet the profound changes in the State and the economy.

All our administrations are faced with these multiple and complex to articulate expectations, with strong implications in terms of process management and organization, but also still limited human and budgetary resources.

Indeed, executives, officers or collaborators of the administrations are placed in an increasingly demanding context:

- A more difficult economic and social context
- Technologies and processes that evolve ever more quickly
- A level of demand from users increasingly high.

In this limiting environment, the HR function is particularly necessary.

Note: In the following discussion, the HR function includes:

- Staff management
- Managing in a broad sense:
 - Acquisition of Human Resources, recruitment programs, careers transfers and promotions, performance evaluation,
 - Remuneration management,
 - Management of training.
- Improvement of working conditions.

However, “communication” features, sometimes associated with the HR function, will not be discussed.

Therefore, Heads of financial authorities are facing many HR challenges:

1. Are the structure and distribution of human resources adapted to the assignments?
2. Are the skill of managers and officers consistent with the challenges?

3. Does the motivation of teams enable them to reach the expected effectiveness?
4. Is the HR function appropriate to its context?

Without claiming to be exhaustive, the following developments aim to address some aspects of this issue, particularly through the experience of DGFIP.

NB: The leeway that an administration can count on for in its recruitment policy and career management are closely linked to its staff's legal framework. Thus, an administration based on statutory recruitment and career conduct does not stand in the same context as a structure that can rely heavily or exclusively on contracted recruitment.

DGFIP employs for its part officials under common statutory framework for all the French civil service (civil service career), although improvements have enabled recognizing certain specific features for officers from public finances, who have acquired particular statuses. These particular statuses allow DGFIP to specifically recruit its staff, who will thus be able to proceed a full career within its structures.

1. STRUCTURE AND DISTRIBUTION OF HUMAN RESOURCES

Two kinds of questions:

- Does the administration have sufficient human resources to operate in volume and skills structure?
- Is their distribution on assignments and on the territory relevant and optimised?

Volume and nature

Regarding human resources, DGFIP falls within the resources allocated to it under the national budget. It is subject to a double frame:

- A limit on the total number of jobs,
- A limit on its total payroll.

In this context, the paid workforce is currently composed of 112,000 agents, for a total payroll of € 7.1 billion (85% of its total budget).

Within these limits, DGFIP may structure its employment levels as wished.

This structure is currently as follows:

- 29% of category A jobs (management, expertise - including tax audit - designing and steering staff)
- 40% of category B jobs (supervisory and operating staff)
- 31% of category C jobs (task completing staff)

Changes in the workforce reflect a sharp decline as the number of officers fell by nearly 30% in 12 years. Correspondingly, the overall performance maintains a satisfactory level, the intervention rate tax on still getting better (1.02% in 2011, 0.88% in 2013).

Productivity has therefore increased significantly in the DGFIP, thereby contributing to putting more stress on the workforce.

Distribution of the human resources

The merger in 2008 of the General Directorate of Taxation and the General Directorate of Public Accounts to form the DGFIP (General Directorate of Public Finances) has allowed it to benefit from an extensive network that offers high accessibility to all its audiences (professionals, individuals, public authorities). It allows alongside its officers to consider a career in a particularly diverse range of professions.

A mobility system that is largely based on the staff wishes

Given the large volume of the officials involved (112,000) and the historically high number of facilities (over 3000 currently), a periodic mobility scheme, centrally managed and locally refined, has been developed to allow a balanced distribution of human resources.

Basically, it relies on matching periodically mapping of jobs (job type / geographical location), with the expression of the mobility wishes of public servants, either when first taking up their post after recruitment or as part of a personal project of geographical and / or functional mobility.

This map identifies the location and the jobs, itemizing them by blocks of occupations.

For example, as to the category a staff, on non-manager jobs:

- occupations of taxation (audit)
- occupations of taxation (management and collection)
- occupation of land registry
- occupations of public financial management
- governance structures

Mapping, which in the DGFIP is not prepared by the HR department, is updated annually to take into account both job adjustments (on a downward trend), evolution of the workload in the various network components of DGFIP. It aims at ensuring a balance between the different assignments, with regard to workloads, productivity and efficiency respectively obtained in the various business segments, in line with the priorities set by the government.

In order to promote a certain occupational diversification for those who wish and streamline this scheme's centralized management at such a scale, a large share of jobs is assigned relying on objective criteria (including seniority in office).

This rather flexible system allows each officer to find a balance between work and family life, to organize its career path according to its expectations and curiosity for other functions, or, on the contrary, to pursue a path on various occupations within the same skill block (e.g. tax audit).

A clear framework to fill the positions at stakes

At the senior management's level (local Directors of DGFIP and their deputies), evolution wishes are also collected, but appointments result from the implementation of customized career paths and the composition of harmonious management teams.

These executives are therefore appointed by the Minister on proposal of the Director of Public Finances and placed on the most appropriate job in light of their career.

At this hierarchical level, high-ranking civil servants who do not belong to DGFIP are also recruited ("tour extérieur" in French) and enrich the structure with their experience gained from other functions.

In addition, some specific executive or officer jobs, which technicality and sensitivity are proven, are assigned under special arrangements. For example:

- Jobs in some national directorates specialized in tax audit are subject to precise description of the qualifications required and shall be allocated upon the basis of a profile: only officials who have demonstrated their special skills for these occupations along their career can join. The directors of these structures can therefore accept or reject the corresponding job applications.
- It is the same for all jobs at headquarters or within training institutions.

- IT jobs (analysts and developers) are reserved for officials who have the expected qualification.
- Some atypical duties involving scarce skills or with specific constraints are provided on special recruitment (e.g. officers acting within the service of “tax police”).

These jobs account for about 15% of the mapping.

This centralized allocation scheme is then refined locally, the territorial directors being in charge of assigning a specific job to each designated officer in relation with the local organizing method implemented.

These procedures for allocating jobs generally work well and provide a good balance between personal expectations and public service requirements.

+	-
Device suitable for managing a network of 112,000 officers	Not all managers can choose their collaborators
Socially well accepted system	Mapping must be adapted continuously, particularly with regard to the adjustments of jobs
Sensitive positions receive specific suitable treatment	

Evolutions:

Services and jobs mapping must evolve regularly in the lights of budgetary constraints and evolution of the administrative map. As such, the groupings of administrative structures (reform of regions, development of intermunicipal authorities ...) have already or will have significant organizational impact on DGFIP and therefore, on its human resources distribution.

Furthermore, budget constraints associated with the development of digital offerings for users must lead to redefine DGFIP’s territorial coverage, which brings in particular to a consolidation of its local establishments.

As such, DGFIP has been developing for several years the geographic clustering of some small local structures. The steady decline in employment (30% in 12 years) requires incidentally this evolution and merging of small sites in peri-urban area is organized after consulting the local representatives concerned.

In the functional area, the combination of certain duties technically sophisticated, and until now diluted in several services, is also undertaken. This approach led to the establishment of specialized clusters that may have jurisdiction over an entire department or even over several departments in order to further professionalize the relevant officials and standardize practices.

The areas involved are diversified:

- Human resources (see below)
- Accounting of hospital establishments
- Real property assessments
- Tax audit:
 - crosscheck between income and wealth
 - audit of computerized accounting
 - International Taxation

Discussions are also undertaken with regard to the development of telecommuting or remote processing of cases. Regarding the latter, experiments have especially been held to entrust the processing of some cases to services remote from the taxpayer's area of residence.

However, the flexibility of mobility opportunities, which is a strong element of social dialogue within DGFIP, should not result on the other hand in creating areas systematically avoided by officials in their choice. Therefore, beyond the ability of the administration to assign if necessary a public servant an unselected position (especially early in their careers), incentive mechanisms have evolved to grant career bonuses to officials who agree to stay in difficult areas.

As an example, prolonged stay in urban areas considered as sensitive qualifies for a bonus of career the civil servant who works there.

Similarly, some compensatory bonuses granted on certain assignments help increasing their attractiveness (jobs of public reception, some tax audit jobs, IT jobs ...).

2. SKILLS AND EXPERTISE OF THE TEAMS

In an increasingly demanding environment, it is highly strategic to control the skills of the teams, particularly through the recruitment phase, whether external or internal, and know-how to develop these skills throughout the career of officers in the light of the changes in context.

2.1. Controlling recruitments

The resource can be obtained externally (initial recruitment) or internally (internal promotion) advancing some agents to higher level jobs.

2.1.1. Initial recruitment

In the framework of a statutory administration and as to the general French civil service, the initial recruitment at the DGFIP is performed mainly by competition.

The DGFIP thus competes with the labour market to attract the skills it needs. However, the attractiveness of its offerings for recruitment is strong in a tough economic climate. On average, 10 candidates are running for one vacancy externally.

The various competitions are subject to conditions of degrees and their difficulty is adjusted to the level of employment offered (there are three levels of jobs in the French administration: A, B, C).

The content of the examinations (written, oral) is designed to allow different types of profiles and curricula to express themselves through optional tests, which helps attract diversified skills. DGFIP is indeed seeking legal, financial and accounting skills, but also scientists.

For instance, a computer option allows you to hire experts in this field. Mathematics and statistics options are also open, and the corresponding skills can be put to good use in some assignments, especially in the services in charge of the land registry.

Staff members recruited by the way of a competitive examination receives an initial 18-month training for A, 12-month training for B and 1-month training for C. A and B category staff members are first trained in school with academic training and on the field experience during a practical traineeship led by school.

The school careers include a common legal and economic core, followed by a specialization in a block of competence (taxation / public financial management).

2.1.2. Internal promotion (selection, competitive examinations)

DGFIP's specific statuses allow it to organize promotions in ranking within the same category or category changes (C to B, B to A) within its workforce and within budget limits.

Internal competitions or examinations, with a simplified format, make it possible to enhance the professional knowledge of officers without preconditions of education level.

The skills and abilities of officers who could not meet the necessary academic requirements for external recruitment can thus be recognized.

In addition, selections from a choice of candidates proposed by their higher executives are used to identify and promote officers with skills for the performance of duties of a higher level, for the most management positions. It is almost the only method of recruitment, in the category A, to access leadership positions, including the highest.

These promotions are a strong tool for recognition and motivation and allow a large measure of discretion from local managers, who have real leeway to identify potential.

Harmonization is conducted centrally for the most sensitive and most significant advancements. Promotions to higher hierarchical layers, including appointments to jobs of territorial directors, make use of a more centralized process.

All internal advancements are subject to a professional mobility.

+	-
Competitions still attractive and selective	Cumbersome and relative cost of the organisation of competitions
Internal advancement to promote in-house managing skills identified in practice	Need for an appropriate balance between internal/external recruitment
	Some specialized needs are not spontaneously covered (e.g., IT)
	Internal promotion largely based on managerial abilities that can ignore some very technical profiles

Evolutions:

- A discussion on the external recruitment / internal promotion balance is underway. At this point, against a background of merger of the two former directions combined with a strict framing of external recruitment, internal advancements in B or A have

reached consistently higher numbers than external recruitments. If we can be satisfied with the skills upgrading that it allows, though this scheme may eventually lead to an aging workforce and a decrease in diversification of the recruited profiles.

- DGFIP is also looking for optimizing the organization of its competitive exams to reduce costs while maintaining an appropriate selectivity.

A process of simplification of competitive exams is currently underway. It will mean tightening and consolidating optional tests proposed.

Furthermore, in order to carry out economies of scale, recruitment for category C officers are now organized in a unified manner for all the different directorates of the Ministry of Finance, and their implementation has been entrusted to DGFIP.

- As for some recruitment hard to complete by competitive examination, including IT staff, DGFIP has been developing for several years communication operations to promote its technical careers among students educated in IT sphere. The stakes are high because DGFIP has strong IT skills needs, both as systems management, and for developing its internal capacity as the contracting authority and part of the prime contracting for its applications.

Moreover, and especially for this type of profile, for occasional needs that are not provided internally, the DGFIP recruits non civil servants contractual officers.

- The DGFIP has undertaken an enhancement of expertise through internal promotions.

Culturally, the DGFIP associated quite consistently internal promotion to recognition of managerial skills for the access to senior positions. However, it is quickly clear that officers with great technical skills would have liked to go on positioning as an expert to continue the assignments where they excelled in, with an even greater technical level.

The practice of the DGFIP, emphasizing the managerial dimension to progress in their career, thus led them either to leave the technical job they enjoyed seeking promotion on a managerial position, or to give up any promotion project, or sometimes to quit the administration.

Therefore, the need to promote these positions of experts “senior” emerged to offer these experts attractive career prospects. A status

of executive “expert” has been developed. It involves identifying the proven needs of expertise in the network over different occupations (including support functions) and promoting the highest recognized experts.

If this system overall works well, DGFIP is still looking for the right way to develop real expertise pathways that allow concerned officers, beyond the first promotion resulting from their expertise, to move to other duties or harmoniously integrate the managerial sphere.

Know how to build and develop skills

Vocational training in the DGFIP is structured around two objectives:

- Guarantying initial training of officers accessing by competitive exams to a job at the DGFIP,
- Providing continuous training required for officers to improve their expertise and assist them in their suitability for professional development.

In this context, three main types of training actions are implemented:

- Initial training aims to give officers access to a job, vocational training to prepare them for their future work. It is based on a theoretical and practical training coupled with internships during training (discovering and deepening) and practical courses organized in the services of DGFIP at the end of their training in the various institutions of ENFiP,
- Adaptation to position consists in accompanying changes in occupations and / or ranks during their career (35,000 training days per year),
- Continuing training provided by actions undertaken at national or local levels, supports the changes in techniques, regulations and structures. Every year, more than 360,000 training days are organized, each agent receiving an average of nearly four days of training per year.

The supply of education and training at the DGFIP is provided by a single national training operator, the National Academy of Public Finance (ENFiP). Featuring its own assets in terms of facilities and training staff, it controls 6 major institutions of initial and continuous trainings. It also relies on the network of other training facilities located throughout the country.

It is complemented by the departmental -or territorial- network, which also provides training, either as part of the national training plan, or in addition to this one, in order to cover the needs expressed locally.

An annual national training plan is set every year, targeting priorities and to implement new measures in support of new measures or in support of the deployment of new tools.

All trainings are subject to immediate assessments and for certain complemented by a delayed assessment, 3 to 6 months after the training.

Training provided by DGFIP covers every aspect of services operations:

- Preparations for internal competitions,
- Pure technical training on the legislation, procedures or tools,
- Behavioural training (e.g. reception of “difficult” users),
- Management training.

DGFIP’s training drive is considerable. 87% of staff have received training at least once in 2013. Overall, considering all training programs, more than one million training days / officers were provided in 2013.

+	-
A diverse range of training throughout the career	Important resources required and substantial cost / agent
Accurate accompanying through the professional development (job change, promotion)	Efficiency closely linked to the ability for precise targeting of the needs of each officer and respond to it
Training of proximity	Risk of redundancy between the national training supply and traineeships set up locally

Evolutions

- DGFIP is committed to the development of distance learning (e-learning), via a dedicated computer platform. Teachers were trained for designing training modules and training supply is gradually developing in several areas.
- Clarifying the provision of training and the distribution of roles between the different levels of organization of training, ENFIP was established based on the interregional level. Further streamlining of the training offer is obtained.
- A national programming tool for training courses was also designed, which allows easy access to the training offer. It includes training programs and schedules of training centers as well as programs regional or national local Directorates. This will also enable officers

and department heads to have view of the entire training offer, regardless of the level of organization.

- The identification of training needs is also upgraded and is based on a software tool for collective identification through department heads.
- The implementation of a self-diagnostic of knowledge process is experienced.

3. SUPPORTING TEAMS MOTIVATION

The preservation of a high motivation level in a context of budget cuts and work concentrations is a necessary condition in order to preserve the level of execution of assignments. The available statutory levers (especially assessment) are useful but not sufficient.

Assessment of officers

In a statutory civil service, the career of officers must be operated within the frame of the regulations that apply to assessment criteria for civil servants. The assessment mechanism is based on an annual interview for every officer with his immediate supervisor.

Enforceable for all the civil service, this mechanism was upgraded in 2013. This new procedure is compulsory for all DGFIP's staff (including executives) and meets several objectives:

- The dialogue: The occupational activity is subject to an annual interview between the officer and his head of department, it deals with all its aspects,
- The empowerment: This dialogue must allow assessing the occupational activity of the officer as a whole and his personal commitment in working. It deals with the expectations of the officer and those of his supervisor (target setting), with the quality of workplace integration, and, finally, with the assessment of his collaboration,
- Taking into account the professional value in the career progress: During the interview, every officer is informed on the way his activity is appreciated and the real consequences of this appreciation on his career progress. 70% of officers can have an accelerated advancement, part of which 20% can receive a special distinction.
- The improvement of career management: The interview allows better identification and anticipation of the training needs and career developments.

The evaluation made on an officer in the frame of the assessment can be, upon his request, subject to appeal, at the local or national level, with the assistance of a joint body (gathering employee and administration representatives).

+	-
<p>A single process for all officers</p> <p>A dialogue on every aspect of the service</p> <p>A quota system for career bonuses involves making choices</p>	<p>A procedure that only happen once a year</p> <p>A negative perception from the non-rewarded officers</p> <p>A mechanism that is usually contested by labour organisations, which report the risk of arbitrary and the individual dimension of assessment (to the detriment of the working team)</p>

Evolutions

Legally inescapable, the annual statutory assessment process cannot be the only lever that enables acknowledging the merits of the collaborators and preserving their motivation. Other levers, managerial or in the HR area, can be used.

At the managerial level

DGFIP reinforces its support to the executives and their teams to allow them to face the new constraints. Several levers are used:

- A deeper training of executives, especially when taking up their new duties,
- The implementation of the national supporting clusters, gathering teams of specialists in an area, and answering the most acute issues,
- The grouping of the organisation and the steering of some assignments at an higher level than the department (regional, interregional, national), as for instance tax audit, land assessment assignments and property policy of the State,
- Proposing collaborative tools to support professional communities in the technical area. DGFIP is gradually deploying a tool that allows networking, in an open and cross cutting environment, similarly to a social network. It allows pooling skills and making the most of know-how, in order to enable everyone to enhance his expertise.
- Renewal of the management dialogue is being undertaken at every stage, particularly so that the follow-up by indicators can be eased focusing it on the major stakes.
- Recognition of collective success by the executives. This point is especially underlined during management trainings.

- A stronger involvement of the working teams in decision making when these decisions commit the structure, and in looking for some flexibility in the organisation. The local Heads must have some room for manoeuvre to better deal with their constraints.

In strictly HR terms:

- The preservation of gratifying career paths: the diversity of the occupations proposed in the DGFIP, the widening of the professional environment offered thanks to the merger of the two former Directorates, the dimension of the DGFIP's network and the major role given to the internal advancement allow building interesting and diversified career paths.
- The specific status of the A category in the DGFIP enables allocating, without any advancement or movement, in some expertise areas contributing to tax audit or Public accountancy quality, a salary supplement for officers who practise these assignments ("employment status").
- A collective incentive scheme contracted under the overall performance of DGFIP, and measured through 12 strategic indicators implemented for several years now.
- Specific compensatory measures allow recognizing the difficulty of some assignments. For instance, careers in public reception were recently promoted in this way.
- Appreciation of experienced agents is frequently organized in the services of DGFIP by taking over functions as trainers or mentors of younger colleagues. Occasional trainers thus receive additional compensation. This role is valued in the context of the annual assessment process.
- Lastly, the organization of external mobility (to other jurisdictions, in France or abroad or to public bodies) allows some managers and staff to enhance for a specified period, the know-how acquired in DGFIP in positions of expertise or supervision.

4. A RENEWED AND MODERNIZED HR

The HR function in a constrained environment must hold a very special place. It should provide effective management of individual and collective situations, be established on clear rules, known and controlled, manage effective information of officers on their prospects and rights.

Scoping of the HR function at DGFIP is currently provided at the central level, which defines the principles for action and organises the main operations of career management (promotions, mobility), based on proposals from the local level. It also provides the disciplinary monitoring of officers whose conduct is not appropriate.

The local level (in the department) is also operating, in an extensively deconcentrated framework, day-to-day activities of staff management (working time, assessment, local mobility, payroll, management of special situations).

Dealing with difficult situations (incompetence, illness) is locally operated but with the backup of a specialized national cluster.

A human resources advisor is established in each department. His purpose is to inform and advise officers in all matters relating to their career or their compensation.

A partly integrated information system, derived from the former merged directorates, is still in use.

+	-
<p>Local HR management is popular among officers</p> <p>A central services / network partnership that works well</p>	<p>An unmerged information system</p> <p>Local teams highly mobilized by practical tasks (administrative management payroll ...)</p> <p>A variable level of professionalism within the HR function</p> <p>The “ living conditions at work “ dimension is more or less integrated</p>

Evolutions

Two main changes are incurred:

- Structuring the process of improving the living conditions at work.
- Renewal of the HR information and processes associated management system.

Living conditions at work

In an environment under increasing pressure, increased vigilance must be shown over the difficulties of any kind that officers may encounter in the performance of their duties.

DGFIP has been committing itself for several years in a process of improving the living conditions in the workplace, and has developed

a comprehensive approach that focuses on the working environment and organization. This approach relies on several tools:

The single occupational risk assessment Document (DUERP)

DUERP is a comprehensive census, conducted per labor unit, of occupational risks faced by officers. After assessing and prioritizing, preventive actions are implemented as part of an annual program of prevention (PAP) in order to ensure a better level of protection of health and safety of officers.

It fosters a deeper dialogue between officers, the representatives, the administration and the prevention actors.

DUERP and PAP are regularly subject to updates and every time a major service reorganization impacts the conditions of hygiene, safety and working conditions.

The spaces for dialogue (EDD)

Spaces for dialogue, dedicated to living conditions at work were created to reintroduce a collective dimension in the work. The EDD are exchange meetings where officers on the one hand, managers on the other, have the opportunity, on a voluntary basis, to comment on their approach to work and the organization of work with a view to bring out, whenever necessary, ways of improvement. These meetings are led by a “facilitator”, neutral safeguard of freedom of speech, which permits officers to set out clearly their feelings.

The social monitoring scoreboard (TBVS)

The social monitoring scoreboard is a device for preventing and monitoring aimed at promoting social dialogue to define, from a common observation shared by local Heads and representatives of staff, goals for improvement of the conditions of working life of health and of safety of officers. It aims to observe, identify, assess situations with professional risk and permits monitoring their progress periodically. It puts local Heads in a position to take appropriate action. The selected indicators relate to the operation of the DGFIP, health and safety of officers.

Management training for health and safety at work

DGFIP developed a training plan for its executives on living conditions at work declined at every level of the hierarchy, and integrated into the

curriculum of initial and continuing trainings. It is provided primarily for managers and HR heads but also for officers and staff representatives.

This training includes identifying stressful situations to prevent situations of psychosocial risks in general.

Renewed HRIS and management processes

DGFIP is involved in developing an ERP for HR to the intranet format that will be common to the various entities of the Ministry of Finance. It shall be accessible to staff and the tool will allow them to view the details composing of their administrative record, the elements related to their pay, to update certain information about themselves, and complete certain procedures online with their HR service via their manager.

Meanwhile, this tool will provide the opportunity to upgrade the organisation of the HR function by the implementation of pooled platforms for the treatment of administrative management and staff remuneration. This professionalization of management operations will be complemented by the implementation of remote information centres that can inform officers on common questions about their careers and their management.

A tailored approach will still be possible thanks to proximity HR correspondents.

MANAGEMENT BY COMPETENCIES AND ITS ORGANIZATIONAL REFLECTION BY PROCESSES

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(Ecuador)

Contents: Scope. 1. Structural evolution. 2. Institutional change perspective.3. Institutional change perspective. 4. Integral model of structural management of risk by processes (Modelo integral de gestión estructural de riesgos por procesos - MIGERP).

SCOPE

The Servicio de Rentas Internas (SRI) case study will describe the structural evolution since the foundation of the organization. The last milestone is the deployment of an institutional management model based on processes. The key to deploy this system is the quality of our human talent that will be managed through the competence-based management model.

1. STRUCTURAL EVOLUTION

SRI, in its quest for continual evolution, has deployed permanent changes in the organization structure, as follows:

1.1 Phase 1: Creation and transition 1997-2004

- Servicio de Rentas Internas (SRI) was founded on December 2nd, 1997 by national decree No.41.
- The article No. 1 of the decree states that this entity “is an autonomous technical entity, with legal status, constituted by public rights, with own equity, funds and domestic jurisdiction...”
- The article No. 11 states that “... SRI personnel will be technical, qualified and will be subject to a Special Personnel Regulation...”
- The first transitional provision of the law establishes the transition mechanism of the human talent: “SRI will be formed preferably with the current employees and officials of the Revenue General Direction (Dirección General de Rentas - DGR), provided there is a selection process by a specialized enterprise, in which aspects like education, training, worthiness and experience, must be considered”
- The second transitional provision ordered compensation payments to all employees and officials that were not accepted after the selection process, including a calculation formula and establishing maximum amounts for compensations.
- Project Management (Taxpayer Unique Registry (Registro Unico de Contribuyentes-RUC), Invoicing, Tax Declaration, Tax Prosecutors and Special Taxpayers).
- Acquisition and deployment of a new technological platform, by means of a structural change project, supported by the Inter-American Development Bank and the Inter-American Center of Tax Administrations.
- Incorporation of young human talent, with new perspectives that gained expertise with training as well as by working together with the new leaders, that had longstanding experience in the private sector.
- New relations with taxpayers oriented to service and with high quality standards only comparable to the private sector.
- Infrastructure improvements and adequacy.
- Introduction of institutional values, taken from a culture based on results and change evidence in the set of mind of the public sector officials.
- Outsourcing of services - Human Resources.

1.2 Phase 2: Organizational restructuring 2004-2011

- Approach to Institutional Management - Functional Model.
- More flexibility and organizational adaptability to external changes.
- Law and regulatory reforms.
- Specialization in the technical tax area, researching best practices of other Tax Administrations.
- Redefinition of the Tax System functions as part of the State.
- Key law reforms - The Law of Internal Tax Regulation and the Tax Code.

- Change in the organization structure.
- New policy for Human Talent Management. Outsourcing of personnel is not longer an institutional practice. There is a constant search for personnel with a high level of belonging sense to the entity.
- Tax Culture creation.
- New legal framework oriented to promote and strengthen direct taxation and the progressive principle.
- Creation of the Fiscal Studies Center (Centro de Estudios Fiscales - CEF)
- Control, focusing on large taxpayers and creation of economic groups.
- Development of normative, training and control planning according to the international tax policy.
- Creation and deployment of the Simplified Regime (Regimen Simplificado - RISE) to foster taxation social inclusion.
- Legal reforms to strengthen the punitive system.
- Deployment of a Projects Office. Evolution of the concept of Fiscal Citizenship.
- Strengthening of attention channels and remote assistance - Evolution of the Virtual Office concept.
- Strengthening of training programs for employees by means of the Taxation Services School and a Master Science Program in Tax Administration).
- Statements 100% online

1.3 Phase 3: Radical efficiency - Since 2012

- Redefining the model of Institutional process management with focus on risks based on 4 components:
 1. Institutional Component Alignment.
 2. CIAT.
 3. Process Component.
 4. Risk Component.
- Strengthening of the maturity process model.
- Deployment of the Security Management System for internal information.
- Strengthening of taxation control - Serve controlling and control serving.
- Strengthening and deployment of the internal document of Integrity and Ethic Practice. (Práctica de la Integridad y la Ética - PIE)
- Deployment of a new scheme for Electronic Invoicing.
- Modernization of web services.
- Internet-based tax declarations, in order to eliminate paper-based tax declarations. (Social Responsibility)
- Definition of the new organizational structure focused on processes.

- Definition of a new Integral Information System for institutional management.
- Creation of an Integral Component of Technological Applications Program (Componente Integral de Aplicaciones Tecnológicas - CIAT), looking to generate an organizational change by means of improvements and optimization of computer-based tools both for taxpayers and employees.
- Efficiency radical anchored in technology.

2. INSTITUTIONAL CHANGE PERSPECTIVE

When complying with change at organizations, from a process improvement point of view, it is possible to identify two strategies. One of them, known as “kaizen”, relates to the idea of continuous improvement, where you can achieve incremental contributions by means of an integral participation level of the personnel, oriented to processes and motivated due to a permanent change challenge.

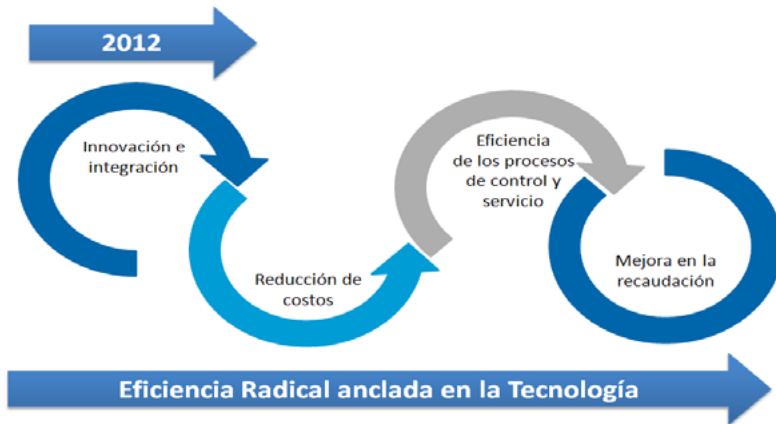
The second strategy leans in the ideas of innovation and radical change, also known as “kairko” and refers to sporadic radical contributions or huge changes done by specialists, often external to the organization. The processes reengineering is a way to achieve change from great innovations that encounter a severance with the previous way of doing things and the generation of substantial improvements in organizational processes, that link an integral and efficient management model, reducing costs and increasing benefits.

The Servicio de Rentas Internas, based on the demand of improving tax collection levels and in the quest for permanent changes, identified the need of growing, not only at an organizational level, but also at the structural and operational level, from a functional approach, generating an increase of its processes (113) and applications (132), excluding the main actors of the taxpayer cycle, establishing limited technical definitions that turn into isolated processes and non-integrated information systems, causing gaps in decision making processes, as well as a global perspective to execute, measure and improve processes at the tax administration.

From 2012, this scenario caused the SRI to consider a radical change in the everyday life of taxation, also leveraging demands to improve services for taxpayers, implement law and regulatory reforms and the current dynamic of information technology, based on the following course of action:

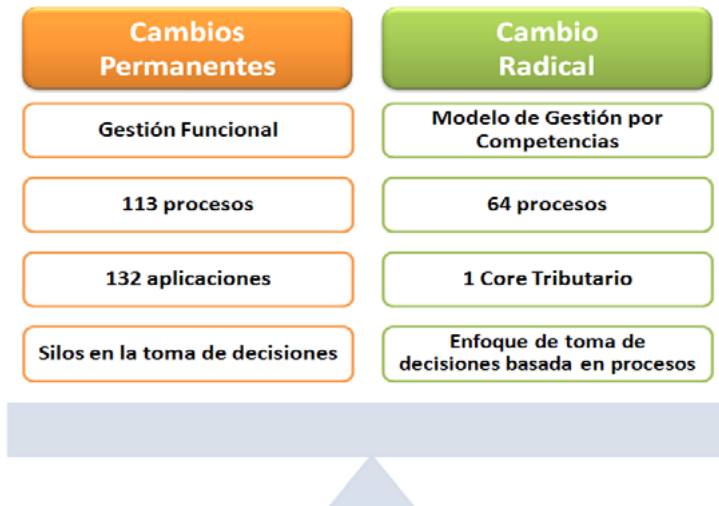
- Innovation and integration of institutional processes.
- Cost reduction based of processes optimization.

- Efficiency in service and control processes.
- Tax collection increase.
- Radical efficiency based on technology.



This approach will allow the institution to comply with the following objectives:

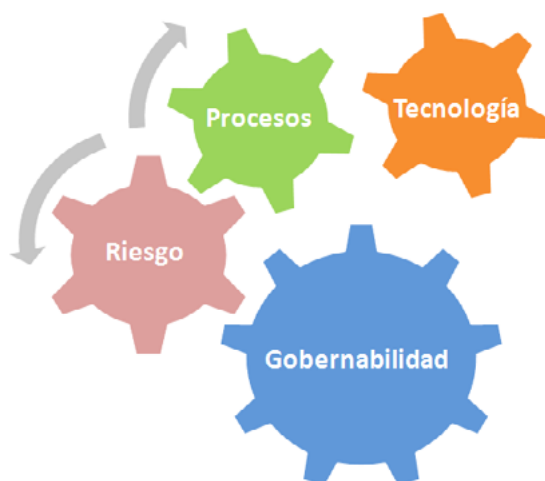
- Decision making based on institutional processes.
- Generate 64 integrated processes.
- Design an integral technological tool for the institution processes.
- Generate a competence-based human talent management model.



3. INTEGRAL MODEL OF STRUCTURAL MANAGEMENT OF RISK BY PROCESSES(MODELO INTEGRAL DE GESTIÓN ESTRUCTURAL DE RIESGOS POR PROCESOS - MIGERP)

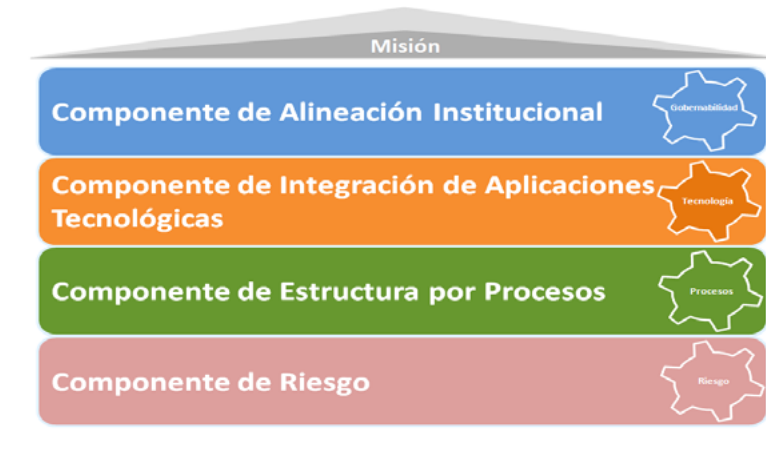
Looking to maintain its perspective of radical change over time, the SRI started in 2012 the restructuring process according to a strategic and operative approach that despite achieving its objectives and managing the entity, was reaching levels of higher difficulty.

The organizational structure was rethought, considering it as a system, with four integrated subsystems: governance, technological structure, processes approach and risk-based management, looking to create synergy and transforming into a logic, congruent and consistent architecture.



This background encouraged to think a change to the current model, in order to manage the administration in an integral model, based on four components:

- Institutional Alignment Component: Governance.
- Integral Component of Technological Applications: Technological structure.
- Process-based Structure Component: Process approach.
- Risk Component: Risk-based management model.



3.1. Institutional Alignment Component (Componente de Alineación Institucional - CAI):

Alignment allows to route the institution to a final point, established in the Strategic Plan, looking to generate more value by means of interaction and not only by the addition of the areas.

The Institutional Alignment Component is the main actor of the Integral Model of Structural Management of Risk by Processes, since it allows implementation and continuity.

Kaplan and Norton, on its book "Alignment", show that most organizations intent to generate synergies in a fragmented and uncoordinated way and don't see alignment as a management process.

In this sense, the Servicio de Rentas Internas, with its strategic plan that allows to know where the Institution is focused and how it sees the future, by means of the Institutional Alignment Component, will create synergy among the national office and the regional units, as well as, among support and management units, by means of better practices of management and communication, oriented to achieve the established objectives, strategies and goals.

This component implements the means and the tools to manage in a better way; with a decision making structure and a level-based follow-up management scheme, generating a planning model that is efficiently managed during the planning period and the execution.

Its structure incorporates Management Levels, Governance Committees, Strategic and Operative Planning, Management and Monitoring Tools and Operational Processes.

3.2. Integral Component of Technological Applications (Componente Integral de Aplicaciones Tecnológicas - CIAT)

The Integral Component of Technological Applications Program compounds a diagnosis of the current situation of the applications and of the technological structure of SRI, according to an approach aligned to the process-based integral management model of the value chain.

Thus, it is necessary to execute a prospective study in order to estimate future scenarios of the tax administration, in order to plan actions to take advantage of those scenarios.

After understanding the current situation, there will be a proposal to develop and implement the model in order to improve processes in an integrated way and in a unique technological platform that must be flexible, highly available, responsive, able to generate and use data, offer internal and external information security, reliable with data and data process, information quality related to information that is received, processed and created in all processes.

These characteristics involve an infrastructure evolution as well as a cutting-edge technological platform evolution, suitable for taxpayers, state and society future demands, incorporating best practices in the tax administration.

3.3. Risk-based Component (Componente de Riesgos - CR)

Risk is the expectancy of taxpayers that do not comply with their tax obligations, in terms of declarations and payment of taxes, using tax evasion techniques manipulating legal provisions or omitting taxable facts. However, in order to execute risk analysis, it is important, not only to define risk, but also quantify it.

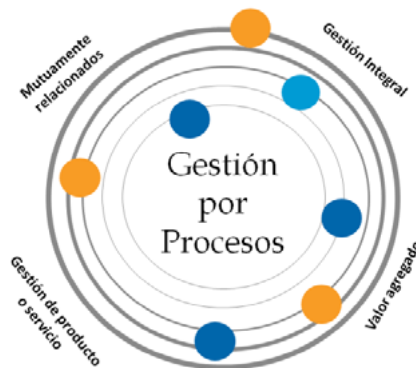
Risk analysis is a proactive and dynamic process that allows to identify, analyze and evaluate risks in a systematic manner, so that the information gathered is also useful for further decision making.

Alink (2008) points out that risk management is a continual and systematic process that depends on people and resources.

3.4. Process-based Structural Component (Componente Estructural por Procesos - CEP)

This component includes two important and decisive phases. The first one is the definition and creation of a Process Logic Map of the tax administration (Process-based Management) and the second one is the deployment of the map in a Process Organic Structure with clear functions in each unit.

3.4.1. Process management



If organizations are considered systems based on a process-based management model, we are assuring that those organizations are founded on the following aspects:

- Set of related elements or elements that are interacting in order to achieve a goal.
- Integration of key elements: roles, responsibilities, documents, registries, systems, decisions.
- Process definition with activities to add value to the institutional management.
- Products and services management from end to end in each administrative unit of the cycle.

SRI after adopting the process-based management approach as a component of the MIGERP Model has established an organizational culture with the following elements:

- The pursuit of continuous improvements in administrative processes taking advantage of the information technology.
- Systemic pursuit of changes to make processes more efficient and effective to add value to the service.

- The replacement of sequential parallel processes, to execute services in a unique point, reduces the quantity of transferences and eliminates “bottlenecks”, “dead time” and “bad quality consequences”.
- The processes realignment to offer taxpayers a unique way of getting in touch, in which they will be served according to their needs.
- The auto regulation of decision makers inside the process management, based on the processes.

3.4.2. Micro components of process-based management

The Processes Map is a graphic representation of the process-based structure of the organization, based on the following:

- **Governing Processes:** Its intention is to analyze the needs and expectations of the taxpayer in order to determine the action guidelines of the institution.
- **Advice Enabling Processes:** Are those processes that intent to complement process activities in the value chain corresponding to law and regulation subjects.
- **Support Enabling Processes:** Those that are intended to supply the organization with resources for the institution activities. Infrastructure, personnel, supplies.
- **Value channel Processes:** Are those that reflect the way in which the organization provides value to its clients and stakeholders, getting into expenses. Reflect the execution and operativeness of the business.

After the design of the Processes Map, the Taxpayer Cycle is identified, residing in the tax administration value chain, that shows the processes that the taxpayer must go through, in order to manage it according to a control or service point of view.

After defining the institutional processes, the procedures must be designed, as well as the business rules, that will encompass policies, regulations, activities, decisions, provisions and restrictions in the operational execution.

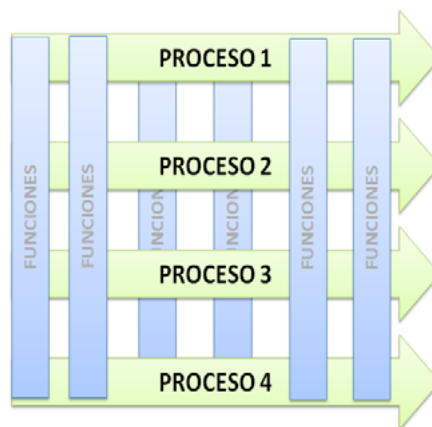
3.4.3. Process-based organic structure

This structure corresponds to the redesign and implementation of a new organic structure based on processes, that adapts well to the institutional processes that have been defined, to the expectations of the taxpayer and the citizen, to the dynamics of information technology and according to the mandatory, progressive and definitive transference of competences based on management decentralization.

After deploying this new organic structure, the Servicio de Rentas Internas (SRI) will be able to:

- Manage processes in an integral, controlled manner, according to a continuous improvement approach.
- Improve the organization level in terms of agility and quality in decision making processes that are critical for the organization.
- Reduce internal unnecessary costs.
- Reduce delivery deadlines (reduce cycle times)
- Improve quality and value gained by taxpayers.
- Improve the technical capabilities of the organization.

Even though process-based structures offer these benefits to the institution, the SRI recognizes that the process approach cannot survive alone, since it is the personnel behind it that make it work and that assures it will sustain and continue over time. The interaction processes-people, allows to generate the so known auto regulation in the institutional management system. Therefore, it is important to incorporate in the activities, a Competence-based Model for Human Talent Management.



4. COMPETENCE-BASED HUMAN TALENT MANAGEMENT

4.1. Deployment of the Competence-based Management System

The model of Human Talent Management based on competences used by the SRI, is based on two characteristics:

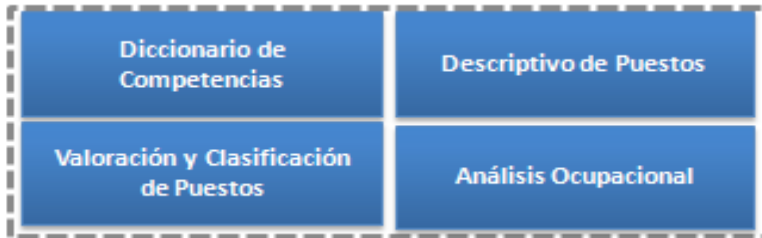
1. Managing the asset that represents competences can be considered as part of a system in which the business strategy, knowledge (knowledge management, institutional learning and competence-based management), technology, processes and resources are related.
2. Competences integrate the dimensions of:
 - a. Personal and social characteristics. (emotional aptitudes based on which one conforms its emotional intelligence)
 - b. Knowledge and technical abilities adapted to the processes of the position.

The establishment of the competence-based management model, encounters, among other things, a cultural change on how the Servicio de Rentas Internas values knowledge (gets it, selects it, organizes it, distinguishes it and presents it), and values the importance of learning from its own experience and focusing on acquiring, storing and using knowledge to solve problems, anticipate problems, protect intellectual assets and increase the intelligence and adaptability of the institution.

Competence-based management is a process that consists of managing the intellectual and intangible asset represented by the people competences.

The deployment of this model at SRI is based on the following steps:

For Competence Profile Design of each position, we will apply an approach that determines that we must work according to the following perspectives:



4.1.1. Competences Dictionary

Competences, under this approach, are units of action that describe what a person should know and be able to do in order to develop and maintain a high level of performance. It includes cognitive, emotional, motor and expertise aspects. The competences are organized around units: roles, positions and processes, which constitute the organizational structure of the organizational management of the SRI itself.

Competences. The competences are all those personal characteristics (knowledge, skills, etc.), required to perform a set of key activities at the highest level of performance. They are all the requirements to be competent in the execution of a job or activity.

The Servicio de Rentas Internas (SRI) Competences Dictionary includes:

- Technical Competences
 - Behavioral Competences
 - Emotional Competences
 - Competence Indicators
1. Technical competences. - Academic knowledge required to carry out activities and functions of a post with the highest level of performance.

Competences are acquired through formal education, training or even experience, demonstration provided. For example: Administration, finance, medicine, electronics, etc.
 2. Behavioral competences. - Working behaviors automated by the practice and experience in the implementation of some specific task.

3. Emotional Competences - (subject) are stable trends of behavior which tend to occur in any situation.
4. Indicators of Competency. - The perceptible manifestation of the competence



The competences described in the institutional dictionary will be the basis for the building of occupational profiles and the development of subsystems of Human Talent like planning of human talent, education, training, professional development and performance evaluation, among others.

In order to ease the identification and selection of competences, the SRI starts from a standard dictionary, which contains information on the skills, taken from several sources:

- Competences of the Ministry of Labor Relations. (Ministerio de Relaciones Laborales – MRL)
- Institutional Competence Taxonomy.
- Skills and Job Skills Dictionary of the Occupational Information System (ONET) of the Ministry of Labor, Government of the United States. (www.onetcenter.org)
- References from the Group HAY / McBer Dictionary.

The assessment of behavioral and emotional preselected competences is based on evaluation criteria compound of:

Relevance: These criteria indicate the degree of relationship with the strategy, performance or critical success factors of the institution or process.

Positions scope: This factor considers the number of jobs required by this competence.

Comprehension level: These criteria indicate the degree of difficulty in understanding the competence and its behaviors.

Data availability: This factor indicates the data availability to measure the behavior of the competences.

The developing process of the competency dictionary is composed as follows:

4.1.2. Position description

The methodology of job profiles survey was born from the need to have an agile working tool. It allows the institution to build and update the job profiles by competences by the aligning of them to the new organizational structure, and by defining positional management indicators that allow the tracking of efficiency, effectiveness and productivity levels of each of the institutional positions, in order to ensure user satisfaction level for the services provided by the Institution.

The objective of the survey is to identify the integral competence profile constituent elements, and to define the mechanism for its survey in order to ensure the quality of the profiles and the optimization of the resources allocated for this work.

The methodological objectives relate to:

- **Identifying the essential activities of the work positions**

The first information that experts must provide is a description of the activities or functions of the job whose profile is to be built or upgraded. In order to do so, the experts make a list of all activities or functions that the job being analyzed is carrying out and those that should be carrying out.

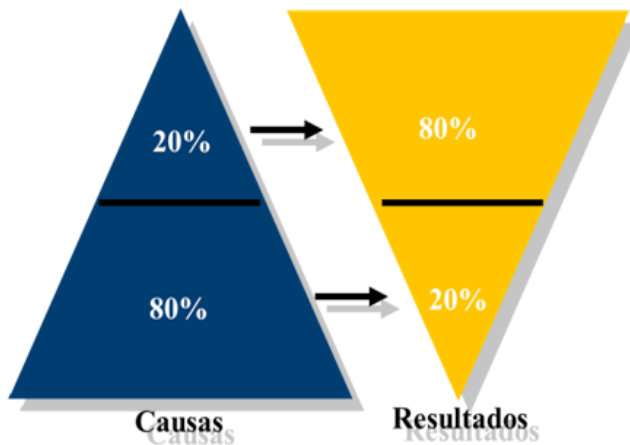
Redaction activities should follow the following format: Always starting with a verb in the indicative mood (checks, enters, processes, etc.) and then describing the object of the verb (ie, the what); it is important that quality, quantity, productivity or time (weekly, daily, monthly) criteria are not added to the complement.

Once the experts have listed the activities of the positions, it is necessary to qualify each of the activities based on the following scales: frequency, consequence of error and complexity. The following table lists the definition of each of these factors and their application question.

Each activity should be classified independently by each factor under a grading of 5 points, meaning that an activity can have a frequency score of 5, 3 in error result and 4 in complexity. The grading scale is defined in the following chart.

When the activities are qualified, it is necessary to totalize them using the following formula: $TOTAL = F + (EC \times CM)$, with the aim of identifying the essential activities of the position, which should not be more than four.

The identification of core activities in jobs is an application of the Pareto Theorem. In its most general form the theorem says: “80% of the results depend on 20% of the causes, and 80% of the remaining causes generate only 20% of the results” The idea is that experts identify that 20% of critical activities (causes) that generate 80% of the results for the organization. The chart below illustrates the Pareto Theorem.



- **Establish Personal Characteristics required (knowledge and abilities) to execute essential activities.**

A competency profile is a description of the knowledge, skills and other characteristics required to perform a job or activity competently.

A profile must be derived from the analysis of the essential activities of the job. In human talent management competency, the profile or model is the core around which all human resources applications spin. If the profile is poorly developed, the resulting applications will incorporate some margin for error.

Having identified the core activities of the position, the knowledge and required skills should be related. For this purpose, the following methodological steps are used.

Knowledge assessment

Knowledge is information acquired via formal education, training or information analysis.

For ludic purposes, knowledge is divided into two concepts: academic knowledge, which is acquired via formal education; and informational knowledge, which is that acquired via information management.

Academic Knowledge

Experts must identify the academic skills necessary to perform the essential activities, based on the question: What knowledge is required for this activity? Note that not all activities of a position require knowledge; there are essential activities that require more skills than academic knowledge itself.

For easier identification, the approved Technical Skills Manual must be provided as a tool of choice. It is necessary to explain to the experts that, in order to fit the requirements of Ministry of Labor Relations it is necessary to identify a maximum of two essential knowledge items for each essential activity.

What is NOT knowledge?

In management skills, it is very important NOT to confuse knowledge with other competences such as skills, abilities, etc. The best way NOT to confuse knowledge with other skills is by applying the following rule:

- Knowledge usually begins with noun terms (economics, accounting, finance, etc.)
- Skills usually begin with a verb (negotiating, inspecting, handling, etc.).

Informative Knowledge

Informative knowledge has been divided into knowledge areas, which are shown in the following chart. A maximum of 5 areas of informational knowledge should be selected; you must specify the knowledge area content if you select: Laws and Regulations, Other Groups and Institutional Data.

Identification of generic abilities

After the definition of the knowledge, it is necessary to identify the generic skills. The best way to identify skills or abilities is by using a dictionary containing skills and their definitions. The skills used in this methodology come from a special taxonomy that has been specifically developed for the Internal Revenue Service.

The process starts with the identification of the primary interaction element of the core activity:

Running any business requires the interaction with any of the following three elements:

Personas	Cosas	Datos
<i>La ejecución de la actividad implica <u>interactuar</u> con personas (individuales o en grupo).</i>	<i>La ejecución de la actividad implica <u>interactuar</u> con cosas. Incluye: equipos, materiales, herramientas, maquinarias, vehículos, sustancias y cualquier tipo de materia prima tangible.</i>	<i>La ejecución de la actividad implica <u>interactuar</u> con datos o informaciones: Incluye: datos numéricos, textos, estadísticas, informaciones provenientes de cualquier fuente y datos de sistemas informatizados.</i>

While it is possible that one activity has more than one interaction, there will always be one and only one primary or principal interaction.

The task of the experts is to identify the primary interaction of the core activities of the position being analyzed.

Identification of specific abilities

After the selection of work skills, it is necessary to identify the specific skills required for superior job performance. It is important that at this point an extrapolation of people occupying the post is made. The goal is to identify what is needed for the position, in addition to what is handled by the people who carry out that position.

Specific skills are divided into:

Computer Programs Management.- Experts should name the software required to handle the position they are analyzing. The name of the software and if it is an internal program (developed specifically for the SRI) or external (eg. MS Office or Office as a generic name) should be identified.

Languages Management. - It is necessary to identify the language, in addition to Spanish, the post needs to handle, at what level and what skills, for example, high level of English: read, written and spoken.

Equipment and other tools handling.- Identifying specialty tools and equipment that should be handle in the position for a subsequent superior performance. The operation of basic equipment, such as computer or phone is excluded.

1. Establish the type of requirement of the competences identified (selection and training).

Once the competence profile has been established, it is a must to determine what skills should be assessed during the selection process, and which must be acquired through training processes. It is Important to highlight that skills can be classified according to their degree of possible change. There are certain skills, such as knowledge, which can be acquired at any time of life. However, other areas have a hereditary basis, so their level of change through training is more difficult (Andrés-Pueyo, 1997). The following chart indicates the extent to which training education and training modify different types of competences.

Grado en que la capacitación y el entrenamiento modifican o desarrollan a diversos tipos de competencias

Tipos de competencias	Grado de modificabilidad
Conocimientos	Fácilmente modificables
Destrezas o habilidades	Fácilmente modificables
Aptitudes o capacidades	Poco modificables
Rasgos de personalidad	Poco modificables
Motivaciones	Poco modificables
Actitudes	Medianamente modificables
Intereses	Medianamente modificables
Creencias	Poco modificables
Valores	Poco modificables

The following example clarifies this notion of the modifiability of skills.

In professional basketball coaches do not “train” the players’ height. Height is a physical trait that cannot be changed. The only thing to do is to select the players for that trait.

Instead, pitching the ball to the basket itself can be improved through training and there are well-accepted performance standards. For example, in a basketball game the player has to score at least 50% of all pitches he made. Launches are a skill, because skills are acquired and developed with practice and experience. The conclusion is that, in a situation of choice, it is preferable to select those features that cannot be modified or trained and train in those characteristics that may be (Cooper, 2000).

According to this example, employees should not be selected by knowledge or skills, but by the less modifiable competences: aptitudes, personality traits, motivations, etc.

However, in practice, organizations can not train on every position selected, either because the organization does not have the resources, or simply because a person starts to work immediately in the position without any previous training. For this reason, it is necessary to ask the experts what knowledge and skills will be acquired by the person once they enter the organization or, conversely, what knowledge and skills should bring the person before entering the organization. Obviously, the competences that the person should bring will be evaluated in the selection process.

The experts must classify the competences Identified according to the following parameters.

- 1 = During job performance (the organization trains the person).
- 2 = Before and during job performance.
- 3 = Before performing the position (the person must be competent).

All skills that have been graded with “3” (before performing the post) should be assessed in a selection process. The skills graded with “1” are training goals, and skills qualified with “2” can optionally be evaluated in the selection process. In addition, these skills can also be object of training.

2. Establish formal requirements for the position: mission, academic education, experience required and position-based management indicators.

Based on the requirements of the international labor competences certification it is important to complete the profile with a supplement to other information:

Position mission

The experts should identify the reason for this position, what position or what there is that is the main contribution of this position to the area or organization. For a mission to be technical, it must meet the following characteristics:

- The statement shouldn't be longer than four lines.
- Only applies to the position mentioned *
- Starts with an
- Not having more than four verbs.
- The verbs used are observable behavior (reflecting action) or referred to results obtained (achieve, accomplish, concrete, etc.).
- Use present tense verbs.
- Do not use adjectives (very, very, large, etc.).
- If adverbs are used (properly, daily, etc.), they are few and relevant to the content of the sentence.
- Do not use stereotypical words (excellent, innovation, passion, etc.)

Position role

It is the information by which the occupational group that owns the job is identified, and within this, the role carried out in order to generate the products or services, as well as the contribution to the fulfillment of the institutional mission.

The role is defined by the level of responsibility assigned to positions within each unit or organizational process based on the implementation of activities and the implementation thereof to the generation of products and services. The standardization of roles is based on the guidelines issued by the Ministry of Labor Relations. A description of the different post roles is presented below:

NIVEL	ROL
No Profesional	Servicios
	Administrativo
	Técnico
Profesional	Ejecución de procesos de apoyo y tecnológico
	Ejecución de procesos
	Ejecución y supervisión de procesos
	Ejecución y coordinación de procesos
	Dirección de procesos

Education and additional training required

Experts should establish formal academic education and additional training required for job performance. It is important to emphasize that it does not refer to the education of current occupants of the post.

For this purpose, it is necessary to identify the last level of education required by the position, years of study, the “Category” and the area of knowledge that the position requires, according to the Annex delivered. The categories and areas of expertise encompass the amateur or professional qualifications within its scope.

For example:

Education level: Undergraduate degree.

Years of study: 5 years.

Category: Commerce, economy, finances, administration and job.

Knowledge area: Administration.

With respect to the additional training, it is necessary that experts identify additional training necessary for superior performance in the position.

There should be identified: Name of training (subject or topic), Knowledge area to which that subject belongs, and the number of hours required.

For registration information and additional training and education, experts should receive the “Areas of Knowledge Dictionary “ annex.

Experience required

In this instance, the expert team provides the experience required to fill this position. It is important to make the same emphasis on the sense that it does not refer to the experience of the current occupants of the post, but to what the job requires. For this purpose, you should describe the type and time of previous experience required.

Positional Management Indicators

Management indicators are quantitative elements to measure the expected results of an activity to determine whether: (a) they comply with certain specifications and, in turn, determine whether (b) the activity has been performed in a competent manner.

In general, indicators of management positions are classified into four groups:

Effectiveness. It focuses on the control of results. They evaluate the relationship between the results obtained and the expected value. A general formula is given as:

$$\text{Efficiency} = (\text{activities} / \text{scheduled activities}) * 100$$

Efficiency. It focuses on the control of resources or system inputs. It evaluates the relationship between resources and their level of achievement. Its general formula is expressed as:

$$\text{Efficiency} = ((\text{activities} - \text{activities failed} / \text{scheduled activities}) * 100$$

Opportunity. It focuses on the control of the time used to perform the activity. Its general formula:

$$\text{Opportunity} = (\text{programmed Time to Complete Activity} / \text{Time taken to perform the activity}) * 100$$

Satisfaction. It identifies the degree of compliance with the expectations and requirements of customers with their work. Its general formula:

$$\text{Satisfaction} = (\text{Satisfied customers} / \text{total customers}) * 100$$

The experts will identify the results for each core activity, the direct customer of each, as well as the metric to measure the main feature of this product.

For the definition of management indicators by the experts, the following information is required:

Indicator Name: The name of the indicator quickly shows what the indicator will measure. For example, project management efficiency, effectiveness in issuing reports, Level of Customer Satisfaction.

Calculation formula

At this point, the variables involved in the calculation of the indicator and the mathematical interrelation are defined. For example, (Total verified taxes declaration / Total assessed tax declarations) * 100.

Verification source

It identifies the place where the values of the variables involved in the calculation of the indicator will be taken. The source of verification can be data records or information systems. For example: Control log, allocation registry, and applications control system.

Effectiveness goal

It is the ideal indicator level of performance against which the result of the measurement of the indicator is to be compared. The goal must be expressed in the same unit of measure as the indicator. For example: 100%, 40 units, and \$ 10,000 recovery.

Customer or Beneficiary / Interface

All activity produces a result or product (good or service) that serves someone inside or outside the institution. At this point, the experts should identify the outcome of each of the essential activities. The area or position that benefits from, or uses that result. Other forms and denominations to determine clients or beneficiaries of the activities are also known as "Interface".

With the delivery of these details, the survey and consequently, the work of the experts, are concluded.

4.1.3. Assessment and classification

The job evaluation process is the process that allows analyzing and comparing job descriptions, in order to assign each position a number of points, to place them into an order of classes, which form the basis for the deployment of a management remuneration technical system.

The job assessing is a system for determining the relative value, or ranking of each position within the structure of positions in the institution.

Additionally, job assessing helps establishing the essential differences among the positions and the individual value of each job class.

From the perspective of the new trends in human talent management, positions must be graded according to the level or degree of development of the required competences. It can be noted that a post with high levels of responsibility requires high levels of skills development. The more important the positions for the organization, more critical skills are required.

As mentioned, there are two types of factors or rating scales:

- Traditional grading factors
- Competency grading factors

Traditional factors examine the relative dimensions of the complexity of work and level of responsibility of the positions. Competence factors examine the competence development level required for each position.

These two types of grading factors (traditional and through competences) are not proposed as two competing approaches, but rather complementary. While traditional factors appreciate the nature and characteristics of the work assigned to the positions, competence factors examine the requirements of jobs in terms of skills.

Methodology for scale job evaluation career process (Max SP7 grade 13)

Process considerations

- a. The assessment and classification take the policies, rules and procedures issued by the Labor Ministry, as a reference.
- b. The definition and classification of positions shall be established based on the operational functionality of the units and organizational

processes, linked to the mission, objectives and products and services portfolio.

- c. The assessment and classification must be harmonic with the implementation of the organizational structure and with the Integrated Human Talent Development of the Civil Service System.
- d. The relevance of the factors, competences and sub-factors for the assessment, will be determined by the management operating characteristics carried out by each unit or organizational process, depending on the portfolio of specific products and services and their degree of impact on institutional mission.

For this purpose, the process is carried out taking into consideration the following:

1. Determining of factors and competences
2. Establishment of sub factors
3. Establishment of degrees of sub-factors
4. Description of sub factors and their degrees
5. Grading of factors and sub-factors
6. Assigning points to the degrees
7. Grading the positions.

Methodology for the strategic positions assessment process

The system used for evaluating the positions is called “of points”, which provides a standardized methodology and comprises the steps of

1. Selection of job grading factors.
2. Description of factors.
3. Grading of factors.
4. Determination of factors degree of decomposition.
5. Specification of grading values.
6. Factors assessment and positions grading values.

The factors and levels are general remarks that attempt to define the characteristics that distinguish the positions, so it is necessary to break it down into certain primary conditions to be identified and then used in the valuation.

The factors and levels are general remarks that attempt to define the characteristics that distinguish the positions, so it is necessary to break them down into certain primary conditions to be identified and then used in the grading. To use these factors and levels, it is necessary that they meet certain general characteristics such as:

Objectivity, factors and degrees must unequivocally distinguish particular conditions of positions, additionally to be measurable and easily appreciated through the senses or non-complex administrative means.

Generality: the factors and degrees must be common and present in most of the positions to be evaluated.

Functionality: each factor and grade selected should measure a special functional part of a position or a distinctive aspect that discriminates it in a simple and easily identifiable manner.

Position assessment factors selection:

Following the points methodology, the position assessment factors are selected on base of the nature, scope and functional competence of defined positions within the institution.

Such position assessment factors, designed for the evaluation of strategic positions correspond:

Considering that these factors do not act independently, but rather they manifest technical interrelationships, a method for combined factors assessment has been provided, as an efficient way to assess the positions and interrelate its components according to their affinity and effect on the organizational results.

This harmonious relationship is stated in the following evaluation charts:

Pondering of position evaluation factors:

Analyzing the weight and relative importance of each assessment factor of the positions on their final result, the following quantitative assessment has been determined for each of the structured assessment tables:

Unified salaries scale

It is the process by which, based on the occupational group that corresponds to each position, the unified pay according to the following scale established by Resolution No. MRL set - 2012- 0021, of January 27, 2012, is set, whereby updates the 20 occupational groups, each of which contains different professional and non-professional positions, which are part of the public sector. For its implementation,

the Handbook of Institutional Stalls, prepared in accordance with the Technical Standards of the Civil Service Job Classification Subsystem is required by the institution, organization, agency or state enterprise, with the approval of the Ministry of Labor Relations.

Position classification

It is a technical process by which the positions of an organization are grouped, based on the similarity of certain factors such as the complexity of tasks and responsibilities on different aspects, for example the variety and difficulty of the tasks, economic and administrative responsibilities, the impact of the results and management skills.

The SRI positions will create occupational groups or families of similar positions according to their evaluation, which gathering will respond to the score obtained, according to the scale of assessment intervals provided by the Ministry of Labor Relations and Strategic Jobs Assessment Report.

4.1.4. Occupational analysis

The job analysis is defined as “the process of identification through observation, interview and study of the activities and requirements of workers and technical and environmental factors of the occupation. It involves identifying the tasks of the occupation and the skills, knowledge, aptitudes and responsibilities required from the worker for the successful deployment of the occupation, which distinguish it from all others.” Agudelo, 1993.

Position-person analysis

The position-person analysis is determining the tasks comprising a job and skills required by servers or workers in order to accomplish satisfactory performance that distinguishes it from others.

The method of analysis is to identify the activities carried out in the workplace in relation to the requirements (knowledge, experience, skills, etc.) that should meet the people who fill these positions.

It is a systematic process designed to gather information about the way the work is carried out, as well as the personal characteristics that are required. To do so, a cross-checking is performed between the positions and people profiles requirements, establishing compliance gaps in order to determine location policies.

After studying the occupational analysis of the position and the servers, an Assigning List Project of the new charges is issued, with people located correctly in the positional structure of the institution. It is sent to the field governing body, the Ministry of Labor Relations, who has the faculty to assess and classify the SRI positions into remuneration scales approved for the purpose by an operative act binding on the Service Internal Revenue.



4.1.5. Conclusions

The competency model is the fundamental input to guide the Human Talent Management and the investment of the competence assets in key processes for SRI.

In what managing is referred to, an exchange of information that allows each process to obtain the competences as an input occurs, and, to

the model, information for maintenance and upgrade.

Some of the reasons for the institution's change to a competency management scheme are:

- Competence-based management model at the SRI, aligns human talent management with the organization strategy, increasing its ability to respond to new environmental demands.
- Competences are the knowledge units that allow the operation of human capital management.
- The proper management of competences assets ensures the support of the institution competitive advantages.
- Positions, posts or roles are designed on basis of the competences required for the process to achieve maximum performance.
- The added contribution via competences can even be quantified in monetary terms.

Therefore, applying a Competence Management System for the Internal Revenue Service outlines the proper administration of the Integrated Human Talent System, in order to generate productivity and competitiveness in this institution, based on a structure that closes work cycles anchored in an integrated management processes.



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MANAGEMENT BY COMPETENCIES AND ITS ORGANIZATIONAL REFLECTION BY PROCESSES

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(The Netherlands)

***Contents:** 1. The Netherlands Tax and Customs Administration in a nutshell. 2. Organisation. 3. NTCA to 2017 – Objectives. 4. The task of the HR function. 5. HR ready for the future: the organisation. 6. HR ready for the future: the staff. 7. HR ready for the future: leaders and managers. 8. Ready for the future: the way forward*

1. THE NETHERLANDS TAX AND CUSTOMS ADMINISTRATION IN A NUTSHELL

The Netherlands Tax and Customs Administration (NTCA)'s standing mandate

The NTCA implements:

- the levy, audit and collection of state taxes, health insurance contributions, national insurance contributions and employee insurance contributions;
- the supervision of compliance with legislation on the import, export and transit of goods, and with the legislation in the economic, health, environmental and security fields, economic planning and financial integrity;
- the award and audit of income-related benefits
- the performance of investigations in all the aforementioned fields.

The NTCA performs these duties as effectively and efficiently as possible, and on the basis of legal certainty and legal equality.

What does the NTCA contribute?

What does the NTCA contribute to Dutch society? It provides for:

- funds for the Treasury;
- income support for the cost of rent, healthcare insurance, childcare and children;

- combating risks to society posed by goods including weapons, drugs, counterfeit medicines and narcotics;
- protection of society against fraud.

The NTCA's mission

The NTCA's mission is to:

Maximise the degree to which individuals and enterprises are voluntarily prepared to fulfil their statutory obligations (compliance).

Every year the NTCA processes 55 million tax returns and issues 9 million benefits, whilst Customs processes 12 million containers and 51 million passengers. The individual manual inspection of all these returns, declarations, applications, goods and passengers is impossible. Moreover, it is neither necessary nor desirable. Studies and practice have revealed that although the investigation and punishment of offences is sometimes necessary, as such this is insufficient to motivate individuals and enterprises to comply with the regulations. Investigation and punishment are primarily intended to protect society, as well as to demonstrate to well-intentioned individuals that compliance with the regulations is the standard and that divergent behaviour will not be accepted.

Individuals and enterprises can be motivated to comply with the regulations in a climate in which compliance is self-explanatory, and in which individuals and enterprises feel an inner motivation to comply with their obligations. The NTCA intends to promote the best possible climate, by creating an environment that offers the maximum possible support and encouragement of good behaviour.

Compliance can be promoted only when individuals and enterprises can trust the NTCA. They will place this trust in the NTCA only when its integrity is raised above all shadow of doubt. Consequently, this lays the foundations for the NTCA's actions. All its staff bears the joint responsibility for this trust, which is manifested in the form of its basic values of credibility, responsibility and due care.

Expectations

What do individuals and enterprises expect of the NTCA? There is no such thing as 'the' individual or 'the' enterprise. However, knowledge is available about the expectations individuals and enterprises have of the NTCA. This knowledge is as follows.

Justice

Studies have revealed that trust in the tax administration is one of the factors determining compliance with the regulations. This trust is partly dependent on the experiences individuals and enterprises have of the support provided by and justification of its actions. An equal, impartial, respectful and supportive treatment of individuals and enterprises contributes to the trust in and the authority of the NTCA. This in turn has a beneficial effect on the compliance of individuals and enterprises.

Speed

Speed is a factor of importance to the extent to which individuals and enterprises appreciate the actions taken by the NTCA. Consequently, the NTCA has already made many efforts to speed up its processes. Its Benefit process, for example, is focused fully on making the monthly income support payments to the recipients of benefits in time: in the absence of these payments they would be unable to pay their healthcare contributions, rent or childcare fees. Customs has also for many years been aware of the importance of speed to the import and export of goods: it carries out its inspections as quickly as possible so that the delay in the flow of goods is minimised. Nevertheless, the Tax Monitor reveals that individuals and enterprises are of the opinion that everything can and should take less time. The NTCA continues to work on improvements to its speed to the benefit of well-intentioned individuals and enterprises.

Protection

Individuals and enterprises expect the NTCA to take action against persons and legal persons who deliberately disregard the regulations. The tolerance of offences against the regulations has decreased over the years. The NTCA is expected to take corrective action against offences, irrespective of the person concerned. This visible equal treatment ensures that well-intentioned individuals and enterprises will also comply with their obligations. These corrective actions are not restricted to protecting society from tax and benefits fraud, but also extend to protecting society from persons and organisations that, for example, perpetrate care or immovable property fraud or are engaged in the import or export of prohibited narcotics or weapons.

Clarity

Individuals and enterprises wish to know what they can expect and receive the clear and clear information they need. Meetings with

entrepreneurs reveal that 'no hassle with the NTCA' is being assigned an increasingly higher priority. The Tax Monitor reveals that individuals and enterprises perceive that the NTCA has lacked transparency in recent years.

Correctness

Individuals and entrepreneurs wish to receive correct information from the NTCA.

Incorrect letters on, for example, benefits or income tax are often immediately followed by articles in the newspapers. The Tax Information Line is also expected to give completely correct answers. In addition, entrepreneurs wish to be able to rest assured that they will not be confronted with corrections to their tax returns after the end of tax return periods, or with corrections to Customs declarations that have already been settled.

2. ORGANISATION

General

The Director General (or Commissioner) of the NTCA is responsible for the management of the Administration and, together with his deputies, is a member of its Management Team. The following officers are members of the Management Team:

- * CIO (Chief Information Officer)
- * CHRO (Chief Human Resource & Communications Officer)
- * CFO (Chief Financial Officer)
- * Tax Matters (Chief Tax Officer)

The directors of the most important divisions (Taxes, Customs, Benefits, Fiscal Intelligence and Investigation Service, Tax Information Line and Central Records) are also members of the Management Team.

The NTCA has a staff of 28,857 FTEs, the large majority of whom are assigned to the Taxes Division (15,662 FTEs).

3. NTCA TO 2017 – OBJECTIVES

To offer the public and businesses the treatment they deserve, the NTCA responds to public and business expectations: fairness, speed, protection, clarity and accuracy. To this end, the service relies on the professionalism and motivation of its entire staff.

This translates into the following spearheads for the years to the end of 2017:

- opportunities for staff;
- enforcement policy;
- digital NTCA; and
- partnership.

In the process of realising these spearheads, the NTCA can continue to build on the available opportunities. This route also offers solutions to the challenges the service sees facing it.

HR issues

HR and organisational issues are a vital part of the spearheads until the end of 2017:

Enforcement policy

The NTCA is making a robust effort in the further development and refinement of the range of compliance risk management strategies. This implies more customised work and, therefore, choices to be made by staff, which must not lead to randomness. This puts different demands on the qualities, competencies, skills and experience of staff and managers compared to the current situation.

HR will have a major role in this development, such as:

- Talking to the NTCA's managers about the necessary composition of their team/unit:
- How do you develop your team towards the required and desired level so that citizens and companies are treated in accordance with their behaviour?
- What steps do you, as manager, have to take in this?
- Talking to managers and staff about shaping and elaborating these staff developments.

Mobility

These days, we see large-scale job mobility. This is a combination of forecast mortality rates, regular staff turnover and a strong recruitment drive following political decisions.

The staff in- and outflow also creates opportunities for promotion. Also, some staff at the NTCA also have been in service for a long time and, partly because of their duties and a long-term job freeze, do not have great mobility. This creates stagnation in the development and restructuring of organisational units. The service must include this group of colleagues in the organisational developments. Another issue is the proper harmonisation between incoming and serving employees. The HR department talks to staff about this, focusing, for example, on the following questions:

- What do the managers need to cope with mobility or, in fact, stimulate it?
- What questions do staffs have about mobility?

Computerisation and digitisation of the work

The way in which the business pursues its targets is constantly changing. This trend will continue in the years ahead because of, among other things, digitisation and computerisation of the work. It is clear at the Taxes and Benefits divisions that this development will materialise in the short term. In the information supply chain, it is primarily the focus on creating more robust systems, rationalisation and, to a lesser extent, innovation, that will determine whether activities disappear or change.

At Taxes, for example, this raises the spectre of staff with lower qualifications for whom there will be other or no work in the future. At Customs, the age profile of the staff raises questions about deployment in roster or shift work. The business dictates how work changes. Insight

into the impact on staff is obtained in dialogue with HR, both in quantity and quality. The NTCA has to decide how to deal with this issue, partly on the basis of the government-wide from work to work policy.

Cooperation

Work inside the service is organised in chains, which requires cooperation at all levels.

HR, too, is increasingly working together in the different chains, both internally and externally. The single-tax-service (one-stop) idea demands cooperation inside the HR function. The quality of recruitment, selection, follow-up planning and mobility, among other things, is strengthened through cooperation. The main principles underlying the design and setup of these processes are robustness and flexibility.

A good example of cooperation across the divisions is the fertile breeding ground at the tax hotline for Taxes. HR also cooperates outside the NTCA, e.g. government-wide developments, all in close partnership with our relevant environment, such as universities and colleges.

4. THE TASK OF THE HR FUNCTION

Business continuity

Continuity of the business is the NTCA's highest priority. HR contributes towards this as part of its permanent task by ensuring that the right person is or can be working at the right place and at the right moment. The mobility question and changing demands on the competencies, skills and experience of staff will test continuity in the coming years. For HR, this means an extra focus on this permanent task.

Sustainable productivity

To be able to guarantee continuity, it is important to go along with the trends in the work. It is essential here that the service's main asset, its staff, is and remains prepared for this.

A second focus has thus been determined for the years ahead: increasing the capital by further investing in the development of the staff. The aim is for our staff to be sustainably productive in the meaning of flexible, deployable and professionally mature (FIT):

- Flexible: ability to change along with the work.
- Productive: actually working.
- Professionally mature: the level of knowledge, skills and competencies ensures that work can be performed optimally within the teams.

Expertise and using the available professional room are essential in this context.

This requires investments in staff development, including offering facilities, training and the space to work as effectively and efficiently as possible.

Modernisation

To be and remain this attractive employer, and to retain the leading position in the labour market, it is paramount that the NTCA continues to modernise and push beyond standard solutions. Future challenges require different solutions. The HR function therefore also has the task of continuing to renew and innovate its own working methods.

Permanent task for HR

The right person:

The right person in the sense of qualities, competencies and experience appropriate for the results to be achieved and the team within which the work is done.

At the right place:

The correct person there where work is in supply or work can be done.

At the right moment:

The correct person in view and available when there's work to do.

5. HR READY FOR THE FUTURE: THE ORGANISATION

5.1. HR function

Ambition

In 2017, HR will be a fully-fledged partner of the operating units based on the medium-term strategy and from the one-stop concept. HR anticipates this inside and, more importantly, outside the NTCA. HR thinks along proactively and facilitates the business in realising the organisational targets. Prompted or otherwise, thought is given to the state of affairs inside teams, units and organisation units. The first and final principle in this is always: the right person, in the right place, at

the right moment. Directors, managers and staff see HR staff as a vital discussion partner that, based on expertise and skills, creates added value, both in taking (strategic) decisions and in the day-to-day business.

This added value is evidenced by:

- HR sits with the right people at the right time: when internal and external developments are translated into the consequences for the work and the staff.
- A mature dialogue has been started. The business knows what it can ask from HR. HR can make clear what the added value is.
- Advice is asked and taken over.
- Unsolicited advice is also taken seriously.
- Target groups have been identified for the different HR advisors to enable customisation within existing teams.

Organisation

The current fragmentation of the HR function inside the divisions and facilitating units does not contribute to effective and efficient working. Joining the government-wide developments from this position is not desirable. The NTCA is working towards more uniformity in the HR processes and how the HR function is organised. This will increase efficiency, freeing up more capacity for other things. The hardware HR uses the government-wide system for civil-service departments and the online personnel system for staff and managers (P-Direkt), are prerequisites for getting the basis of the HR policy in order. Both instruments form a solid basis for realising a transparent labour market and, therefore, encourage in- and outflow.

Result 2017

- The basis is in place: the government-wide system for civil-service functions and the online personnel system have been implemented and are operational.
- We know which HR processes are the same service-wide and where different service components are required.
- Business partnership has been defined at strategic, tactical and operational level and has broad support within the organisation.
- HR advisors know what is expected of them.
- The impact of the government - wide developments on the HR function are known.
- The NTCA pursues a strategy with respect to the government-wide developments.

5.2 Looking ahead

Situation analysis

To be ready for the future, the NTCA must know what lies ahead. The future is uncertain by definition and, therefore, unpredictable. The organisation therefore performs regular situation analyses to have proper insight into what is happening around it and how it impacts on the organisation. A distinction is made in the situation analysis between the public, government departments and the NTCA. Each context has its own dynamics with specific trends.

The situation analysis has to be considered in its totality to show the full significance for the NTCA. Introducing government-wide operational management, including HR activities, is a good example of a development taking place in the environment and facing the NTCA. In this example, the decision “when do we join and under which conditions” is an important one. Other considerations may be whether the NTCA wants to lead, follow or not join at all. By looking ahead, the impact of the developments on the NTCA is identified in good time and, together with the business, can be translated into concrete consequences. A significant component of these developments are the movements on the labour market. How will demand and supply on the labour market develop and what are the implications for the in-, through- and outflow of NTCA staff? The organisation already has experience with a labour-market strategy based on labour-market surveys that resulted in a successful labour-market campaign. Given the human resources issues and trends for the years ahead, the labour-market surveys remain one of the spearheads of the situation analysis.

Strategic human resources plan

The situation analysis and, more specifically, the labour-market surveys, provide input for preparing a cyclical organisation-wide strategic human resources plan (SPP). This is an organisation-wide plan that provides systematic insight into where and when personnel movements can be expected, quantitatively and qualitatively. The human resources plan is regularly revised based on internal and external developments.

Regular use of the instrument improves the quality and reliability of the forecasts. The strategic human resources plan is also the feeding ground, for example, for central recruitment and selection as implemented by the Employability Centre (EC). The recruitment

and selection process is approached more systematically and on a greater scale, thus gaining in quality. An SPP helps you identify longer-term developments, making it possible, for instance, to recruit for replacement rather than for vacancies.

This leads to fewer peaks and troughs in staffing levels. Focusing on longer-term policy cannot entirely prevent possible tension in day-to-day issues and obstacles in the primary process. This continues to be a priority.

Scenario planning

A strategic human resources plan (SPP) provides insight into the quantitative and qualitative side of the human resources policy. The expected quantitative and qualitative effects of the HR policy are identified through HR analytics. Facts and figures thus form the basis for the HR policy and make the policy plausible. SPP and HR analytics are two instruments for indicating the expected major movements. The consequences of the pursued (HR) policy over several years and for the entire organisation thus come into view.

The next step is scenario planning. The variables assumptions on which the models of both SPP and HR analytics are based are the dials that can be adjusted. Different scenarios can be elaborated based on 'if, then' cases. Future trends and their possible consequences are concretised and become manageably unpredictable. The NTCA is ready for the future.

HR in control

It is important to keep the finger on the pulse during the current year. A properly-designed control cycle is the most appropriate instrument for this. Questions such as: what is the progress? are there risks? and does management steer on the control measures to be implemented? are the most obvious. At the end of the year, a substantiated conclusion is formed about whether the objectives and results have been achieved or not, and adjustment is also possible during the year where necessary. The outcome of the control cycle determines the policy development for the forthcoming period. Objectives can be revised and new results agreed. Where strategic human resources planning and HR analytics specifically show an organisational picture, it is possible in the control cycle, in addition to a number of generic KPIs per division, to also formulate customised KPIs. This also, apart from the organisation policy, does justice to the specific HR issues per division. The HR control cycle is linked to the organisation-wide planning & control

cycle, comprising management contracts and four-monthly interviews, among other things. Where necessary, adjustments are made based on the monthly reports.

Result 2017

- Developments relevant to the NTCA in picture.
- The NTCA implements measures based on different scenarios.
- Succession planning is taken to hand: no longer recruitment for vacancies but for succession.
- Maximum guarantee of business continuity in human resources sense.
- Checks in place on results of pursued policy.

Gradual mobility

To ensure continuity of the primary process, gradual mobility is paramount. The organisation-wide strategic human resources plan is the basis for identifying staff movements. Because of organisation-wide insight into the trends, divisions know themselves and from each other when there is a need for a specific type of employee, i.e. recruitment and selection starts on time. Staff from a division becoming mobile en masse will gradually find their way somewhere else in the organisation. Staff whose jobs disappear also benefit from gradual, as in supervised, mobility. The EC fulfils a facilitating role here at the behest of staff and managers.

Result 2017

- Fewer peaks and troughs in staffing levels.
- Business continuity better guaranteed.

Staff representation

In the eyes of the board of the NTCA, the staffs are the most important asset. This means that being and staying in touch with staff is an important issue for both the board and managers of the service. For the organisation and the divisions, staff consultation has an important role in representing the interests, wishes and signals of staff. This is the formal route. Staffs also have various informal channels for representation and influence, e.g. staff meetings, ongoing improvement projects, the intranet, etc.

Increasing awareness among staff of the influence they can also exercise informally is part of staff representation, at central and unit level. It is also important for staff representation to be able to

continue keeping up with the changing context. This requires further professionalisation of the positions they have formally and informally. To keep the quality and professionalism of the representation on par, facilities are available for the representative bodies wishing to get on with their development. The ministry of the Interior and Kingdom Relations has implemented steps for setting up a government-wide works council. The NTCA is taking part in elaborating the substance and shaping of the consequences of this council. Pursuant to the Works Councils Act, rules and regulations are being drafted. There will also be a ballot with the members of the existing works councils electing from their members who will sit on the government-wide works council. The topics for the agenda of the government-wide works council will be decided by the interdepartmental committee of the Secretaries-General.

Setting up government-wide staff representation therefore also requires extra attention in the departments. The NTCA, represented by the deputy Commissioner (HR & Communication), takes part on behalf of the staff.

Result 2017

- Professional staff representation that represents the interest of the staff with an eye on the future, both centrally and locally.
- The NTCA has good contact with the government-wide works council and can look after the interests of the service from this position.

6. HR READY FOR THE FUTURE: THE STAFF

Opportunities for staff

Transparent labour market and mobility

A transparent internal labour market is vital for encouraging mobility. To achieve this, the NTCA, in addition to strategic human resources planning, is working on further professionalising the central recruitment and selection procedure and structural deployment of the government-wide civil-service function system, the so-called review and Werkplus. The review is in the first instance only used for managers. An internal transparent labour market is one thing. The managers also have a vital role in this by constantly being in discussion with their staff about their wishes, dreams and aspirations, thus being very familiar with the qualities and ambitions of the staff. Mobility is a standing agenda item, also with those members of staff who seemingly have no wishes

or ambitions in that field. Managers have an important role with this group in starting an awareness-raising process on the way towards possible mobility. It is also up to staff themselves to remain in touch with their managers and make optimum use of the facilities.

Result 2017

- Staff, managers and career advisors and supervisors know where in the service to find potentially suitable candidates for positions.
- Staff know when and where there are vacancies and know what is expected of them regarding the required knowledge and skills.
- Staff are aware of the contribution of mobility towards their sustainable productivity.

Employment terms and conditions and legal position

Beginning 2014 the House of Representatives passed an initiative motion to bring civil servant jobs into line with market employment contracts ('Wet normaliseren rechtspositie ambtenaren'). The Senate will vote on the proposal during 2014. The initiative proposal will take effect as soon as other legislation has been accordingly amended, which may take up to 2.5 years. There will be a new (amended) Government Personnel Act, again containing specific matters for the government. Pursuant to the new act, civil servants will fall under the regular labour market instead of civil servants' law. The ministry of the Interior and Kingdom Relations has a leading role in the consequences for employment terms and conditions and the legal position. At the same time, the support staff of the Management team of the NTCA will attend a course on the identified consequences for the NTCA and which appropriate actions are required, e.g. reclassification of the current human resources implementation plan (PUB), training different staff target groups and initiating communication drives.

Moreover, developments in the employment terms and conditions for civil servants are important to the NTCA. From a good employer perspective and to offer an attractive package of employment terms and conditions fit for the NTCA's organisation, insight is necessary into what is required for employment terms and conditions. This not only applies to the present, but also to the future. Therefore: what area attractive employment terms and conditions in 2020 for serving and future staff fit for the NTCA and taking into account the direction in which its situation develops? The ministry of the Interior and Kingdom Relations is responsible for the employment terms and conditions of civil servants. The organisation makes clear at an early stage what its requirements are to be attractive employers on the labour market.

Result 2017

- The NTCA can market itself as an attractive employer on the labour market with employment terms and conditions fit for the prevailing environment and developments.

Insight into staff competencies

As an organisation, the NTCA wants to be future proof. This requires knowledge about what staffs know and can. This is necessary in order to know what type of staff the service requires for (mass) mobility. Activities that contribute towards identifying these include discussions between staff and managers, up-to-date reporting in P-Direkt and knowing which competencies are required for achieving the agreed results with the team. The challenge here for managers is to ask the right questions: is my team able to achieve the agreed results and thus contribute towards the organisation's objectives? The onus on staff is to reveal themselves: what can I do and what do I want? Staff must actively engage with their manager and take responsibility for their own career and conditions under which they can realise it, e.g. the opportunities offered by 'Het Nieuwe Werken' [new working methods]. Staff and managers indicate in result agreements where and when the work is done. HR's task is to facilitate managers and staff in obtaining insight and then assist them in drafting development plans for a team and individual members of staff. The NTCA is working towards an organisation where all staff feels valued and respected and where differences are welcomed and utilised – briefly: where every quality counts.

There are several reasons for this. It is important to the NTCA to create an environment where everybody feels safe and listened to by colleagues and the management, both for serving and new staff members. Optimum use of a range of expertise and opinions contributes towards the operating result. At the same time, it increases awareness of the situation and ensures that the organisation, in the way it pursues objectives, can better gear up to society. In this context, the NTCA commits to offering work to people with limited abilities.

Result 2017

- By knowing the competencies of the staff, in the broad sense, it becomes clear where there may be gaps.
- It is also clear which internal people can move on (horizontally or vertically) or what needs to be filled via external recruitment.
- The relationship between manager and staff is more reciprocal.
- Shaping the career is a responsibility of the employee in consultation with the manager.

Learning and development

Structured learning and development are offered by the Academy and linked to demands made by the work. This creates opportunities – to give shape to career paths and learning curves, both horizontally and vertically, inside the NTCA. Staff productivity is increased by enabling them to develop with the work or find new work independently.

Staffs know their talents and grab opportunities. This requires that our staff take the reins and shape their own development with the aid of the available facilities. The work at the NTCA is constantly changing. The norm, therefore, is continuous development within personal abilities but such that the staffs remain FIT (flexible, productive, professionally mature).

Result 2017

- Development is the norm.
- Staffs are and remain FIT.
- Timely insight is gained based on the strategic human resources plan into what is required to let individual or groups of staff develop or to train, within operational teams. This contributes towards the sustainable productivity of the staff and increases opportunities on the (internal) labour market.

Talent management

To be ready for the future, the NTCA ensures a fertile environment of young or new talent for management (traineeship), experts (Tax Talent Traineeship), projects (IT) and the government trainees. These talents are offered tailor-made programmes to develop and distinguish themselves so the NTCA can hold on to and interest top future talent in the organisation, while still keeping an eye on the changing perspective in labour relations for new generations entering the labour market. Talents get the opportunity within the NTCA and can also further develop and enrich somewhere else with experiences in a different setting. This does not preclude future return. If opportune and desired, return at a later stage in their career is certainly not excluded; on the contrary, it is strongly encouraged.

Result 2017

- The talents, both from inclusivity and from classical talent development, set the standard for the rest of the organisation.
- There is basically enough potential within the NTCA for filling vacancies.

7. HR READY FOR THE FUTURE: LEADERS AND MANAGERS

Leadership and management development

Organisation-wide view

The NTCA requires more leadership at the top and more management and steering on results in the layers below. To be able to manage change, it is important that managers understand and know the complexity of the organisation and translate the continuing changes correctly into consequences for the work and the staff. The managers of the NTCA are well aware of the organisation-wide (including enforcement management, lean and 'Het Nieuwe Werken') trends and business unit-specific developments while sufficiently present on the work floor so they know what's going on there. Pointers from staff are put on the agenda with the responsible party and translated into business unit-specific or, sometimes, organisation-wide policy. To encourage cooperation, managers can be deployed across the divisions unless the context is so specific that it requires explicit knowledge and skills.

Engagement

Managers are capable of engaging with their staff concerning the work to be done and results to be achieved. This requires that managers do not often change from position; only then can a bond be forged with the staff and insight obtained into the functioning.

The question that regularly arises is whether and how the skills and capacities of the staff match the work to be done. If this match leaves room for improvement, it is up to the manager to make the necessary effort to support and facilitate. Only then can staff and managers together achieve the agreed results.

Management talent

Structural talent development and inflow of (management) talent contribute towards vitalising the organisation. From a joint perspective, there is also a focus on talent already present in the organisation. An annual review at different levels and across the units provides insight into who our talents are and where they are now. A review not only identifies the talent, but also the expected staff flows. Knowledge can then be followed up and shared in good time. The impressions of the identified talents are shared in a regular MD meeting across the NTCA's divisions. Members of the NTCA's MT jointly determine the strategic functions for the service and who is eligible to fulfil them. The

summary of who the NTCA has as potential and where and when these people can or should take a next step helps to further professionalise the organisation.

HR as primary management task

Within a total of tasks, HR is one of the primary tasks of managers; it's not something that's added on. This creates an integral view of: the organisational developments, the work and the staff, which increases the effectiveness and efficiency of the managers.

The tasks of the managers and leaders of the NTCA are getting increasingly complex through the rapidly changing context. It makes demands on their competencies, skills and experience, especially on how they take staff along in the changes. The leadership and MD training and development programme focuses on the usefulness and need of HR and organisation development. There is also a focus on development for all the leaders and managers within the ranks, with non-commitment not being an option.

Whoever wants to grow and develop within the NTCA must show that they are working on their development on all aspects of the management profession.

Result 2017

- Leaders and managers demonstrate that they are in touch with the developments in the environment and within the NTCA.
- With the aid of HR instruments, they are able to translate organisation-wide objectives into targets for the (individual) members of staff.

8. READY FOR THE FUTURE: THE WAY FORWARD

Contact

The NTCA does not operate autonomously but is always in contact – with the public, with taxpayers and with the other government departments. The operating units also do not stand alone but are largely interdependent in the realisation of the different organisation- and business unit-specific objectives.

The NTCA keeps abreast with developments within central government, especially with the government-wide strategic HR policy. Where possible, the NTCA tries to exercise influence and possibly remain

ahead and set the tone. As the largest implementing organisation in the government, the NTCA works together with fellow implementing services:

The judicial services institutes ('Dienst Justitiële Inrichtingen') and the Directorate-General for Public Works and Water management and also with large independent administrative organisations, such as Uitvoeringsorgaan Werknemersverzekeringen [social security agency].

Through the developments in work processes, the different operating units of the NTCA face increasing interdependencies in order to achieve the organisation's objectives, including the HR objectives. Working together on the HR issues produces more than the sum of the component parts: looking forward together and building a network. For HR this means a network of HR directors who learn from each other what the developments in the different parts are, and who talk to each other about what the contribution towards it from HR side is. Best practices are shared and, where successful, become the standard. Activities and responding to issues are tackled together where possible. Not each a solution on its own but in togetherness, strengthening and supporting each other. To draw more from coherence and uniformity it is important that the different roles and responsibilities are clear: what can, may and must you expect from one another? When do we challenge each other?

The roles within the organisation are divided between the central level, the operating units and the support departments:

Directorate General NTCA (central level, support from the Chief Human Resource Officer):

- Making a connection between developments inside and outside the NTCA and the consequences for the policy for HR and organisation development.
- The results that the HR policy should achieve are formulated and central steering on achieving these results is clear.
- Preparing clear policy frameworks. These are sufficiently complete to largely determine the HR policy within the operating units. The remaining is for implementing couleur locale within the operating divisions (e.g. Taxes, Customs).
- Direction and cooperation where it leads to effectiveness and efficiency.
- Best practices are identified and serve as basis for generic policy for the divisions and units of the NTCA.

Operating divisions:

- Implementing the policy for HR and organisation development within teams.
- Signalling bottlenecks and issues with the implementation and execution of policy.
- Signalling developments in the work that require an organisation-wide response.
- Taking initiatives to improve and renew.
- Taking the lead in elaborating best practices across the divisions.

Facilitating (support) divisions (Employability Centre, Centre for Knowledge and Communication, Centre for Facilitating Services, Programme office):

- Organisation-wide spearheads in the HR policy are tackled in programmes and projects.
- Driving and supporting implementation is the most important task.
- A programme is ended when it is sufficiently embedded in the standing organisation that transfer to the line does not threaten continuity.
- Some tasks are accommodated centrally to support knowledge and activities taking place across the divisions.

COMPENSATION AND INCENTIVE MODELS LINKED TO ACHIEVEMENT OF GOALS AND OBJECTIVES

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There are three types of remunerations in the Spanish officials' compensation system:

- Fixed basic compensations linked to the requirements for entering the public function (what the official is)
- Fixed complementary compensations linked to the characteristics of the job (what the official does)
- Variable complementary compensations linked to the performance of the job and achievement of objectives (how the official does what he does)

This latter compensation component which is basically focused on the productivity complement has special relevance in the compensation models existing at the AEAT, within the framework of the general model of the Spanish public function and it acquires ever more relevance, the greater the qualifications required of the official and the latter's responsibility.

A brief description will be provided below of the measured productivity in the tax examination area, the most complex and advanced of those existing at the AEAT.

This model, which is applied to the examination staff carrying out tax examination and verification functions, endeavors to contribute to achieve the objectives entrusted to the examination area, by guaranteeing the staff within its sphere of application, correspondence between the volume and quality of the work carried out and its variable remuneration.

In order to render this guarantee effective, the model uses objective and measurable allocation criteria, linked to the job as well as to its performance, and the level of participation in achieving the objectives of the organization.

As previous step, the Examination Area prepares a study that quantifies the effort and dedication required by a specific type of verification action, given the initial complexity expected, as regards technical knowledge and anticipated time for its development and a specific number of points is assigned to each of the different types of verification or action existing in the catalogue or list of possible actions.

The starting point is the differentiation between the various types of verification programs and their relative complexity, differentiating between types of taxpayers, activity sectors, different issues to be tested, etc., since it is not the same to examine a wage earner, a professional or a large business; and likewise, it is not the same to make a general verification as to verify the requisites for a deduction, etc.

The purpose behind this is to have an indicator that may allow for rendering homogeneous the workload to be assigned to each examination unit. Based on this study, each action to be carried out is initially assigned a number of Homogeneous Actions (HA) or points. (By way of example, the preparation of a report may involve 0,50 HA, the verification of a merger 14 HA, etc.).

Subsequently, some weighting coefficients are established, which take into account specific concurrent objective circumstances in the specific taxpayer to be examined (volume of invoicing, number of periods to be verified, etc.), which convert the Homogeneous Actions (HA) into Weighted Homogeneous Actions (WHA). In weighting, use is made of a series of coefficients determined at the beginning of the year in the Plan itself.

Annually, the AEAT's Examination Plan establishes some objectives for the different executive or operational units, in terms of a number of Weighted Homogeneous Actions to be carried out. The level of compliance with objectives by an examination unit is measured by the quotient between the WHAs carried out and those assigned as objective.

In order to pay this complement the examination area annually has available an amount (or productivity fund). Subtracted from this fund is the amount that will be devoted to the nonexecutive units (such as the coordination and planning units, or the taxpayer selection unit, etc.) which receive an average level productivity payment, with the largest amount being left for the executive units which, depending on their performance may obtain variable low, medium or high level compensations.

The allocation of amounts for compensating the executive units for their measured productivity takes place in a cascade process. In the first step, the amount available is distributed among the Territorial Dependencies according to their level of compliance with the objectives and the number and type of employees measured by the amount of their fixed compensations (VOR). In a second stage, the Territorial Dependencies distribute the amount received among the Examination Teams and Units that are dependent on them according to the same criteria and, finally, the amount allocated to each time is distributed among its members.

The quantification of the amount to be allocated to each Examination Dependency and Team or Unit is done by brackets, in such a way that all Dependencies and Teams or Units have access to a minimum initial amount or first bracket. Finally, the amount allocated to each Dependency, Team or Unit undergoes significant relative variations, with the productivity incentive being perceived in different amounts according to the previously mentioned parameters. Only the Examination Dependencies and Teams or Units that exceed specific levels of compliance with the objectives have access to the second and third productivity brackets.

The individual distribution among its members of the amount allocated to an examination team or unit is done in proportion to their VOR (or fixed compensation indicator), weighted on the basis of a job performance evaluation coefficient.

The actual payment of this compensation is made through a system of on account payments (if worthy results have been obtained in the previous calculation periods) with a definitive settlement (or additional final productivity payment) once the period has been closed and the results are known.

This system of classifications of programs and actions according to tables and measures affords great objectivity and fairness.

There are two types of on account payments:

- Monthly: Standardized amounts according to the previous year's results, although it is possible to make some modifications or adjustments in fixed cases, if the circumstances justify it.
- Complementary payments: Generally, once a year, in December, according to the results through November 30, a significant regularization is made. The right to participate therein is based on a certain level of compliance. Monthly payments received on

account are deducted from the amount that corresponds to each official, based on the previously mentioned criteria, but without the need for reimbursement in case this transaction would turn out to be negative.

The definitive settlement is calculated in April of the following year, with the definitive results of the year, and the amounts received on account, monthly as well as complementary are subtracted therefrom, again without the need for reimbursement in case of a negative result.

-Finally, the model allows for compensation in special situations (for which purpose a small part of the productivity fund, specifically 5%, is reserved) in order to recognize efforts that stand out from the general procedure, such as exceptional results, innovation on the job, development of new action or cooperation techniques in working groups. The compensation in these cases is agreed with the Director of the Examination Department, at the request of those officials in charge of the different Dependencies.

The method calls for previous planning and control work in order to compare and render homogeneous the efforts and workloads, for a fair distribution of the tasks to be carried out and the objectives to be achieved, so that the objectives may be achievable by all the units and teams, there being a need for discipline regarding reporting and control of follow-up of results, which is done through the computerized internal follow-up system available at the AEAT.

The system has been in operation for decades, with continuous improvements, it being considered that systematization affords the productivity system great transparency and fairness.

COMPENSATION AND INCENTIVE MODELS LINKED TO ACHIEVEMENT OF GOALS AND OBJETIVES

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*Contents: Abstract. 1. By way of introduction. 2. System description.
3. Benefits and difficulties presented by the system. 4. Conclusion.*

ABSTRACT

The retribution system we refer specifically is called "Hierarchical Account". Its concept is corresponding most clearly to incentives related to the achievement of goals. It is the most representative because it covers the entire payroll, distributes most significant funds and relies on the performance of the Federal Administration: the collection and enforcement of taxes that are the basis for state funding in Argentina.

In summary, it is a system with feedback: a small fraction of taxes provides additional remuneration to those who collect them, and they are aware that their individual and collective efforts result in a tangible improvement in their income and development opportunities.

The system is financed by the National Treasury, funded with the Federal Administration collection. The Federal Administration is legally empowered to appropriate a monthly percentage of the collection.

After attributing 5% to reward perfect attendance, 70% of the remaining funds are distributed to the Federal Administration personnel (General Portion). The entire staff share also the remainder (30%), but it is weighted according to an evaluation of efficiency, semi-annually carried out by the department heads.

Employee are rated according to their dedication, their ability and effort at developing their office tasks for a period to be determined in quality, quantity, time frame and the available resources. The staff is then categorized in seven groups.

At a final stage, each director coordinates the joint review and discussion of the criteria used in the evaluation by their direct subordinates.

Finally, every department head issues the final ranking, notifies and meets with each of the evaluated agents in order to expose the motives for their decision and agree on policies to improve the future performance of the employees.

The selective portion is not distributed directly to the staff. To prevent any deviation from affecting negatively the equitable distribution of the account, each unit of the first structural level receives an amount proportional to the weighted sum of the salaries of its staff (Funds by Area or FONAs).

Although the system has limitations that must be addressed, it is positively evaluated because it provides the Federal Administration Staff with tangible proof of the results obtained by the organization through their work, so they can consider them as their own; moreover, it provides the headquarters with a tool to engage actively in the professional growth process of their agents.

The next step is the unification of the so-called customs and taxation subsystems into a single Hierarchical Account.

1. BY WAY OF INTRODUCTION

The Federal Administration of Public Revenue of Argentina has a long history in the implementation of staff incentive through incentives and compensation mechanisms. The mere synthesis of the practices employed since 1997, and those that previously served similar purposes in the merged organizations outweigh the framework of this paper.

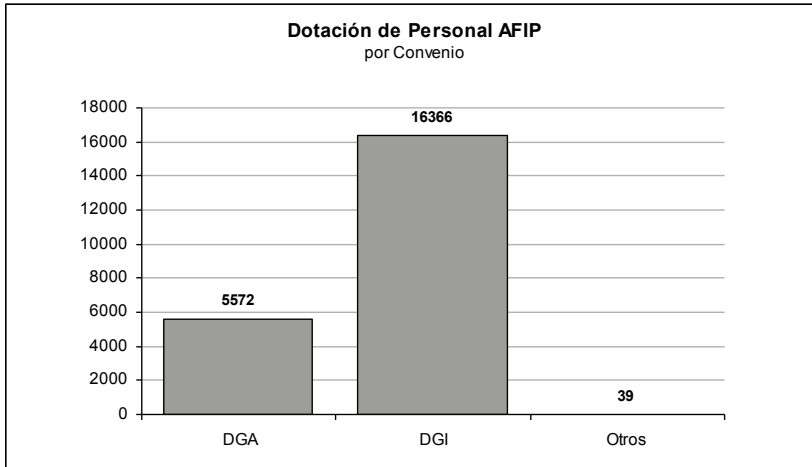
The current system did not arise spontaneously but was the product of many years of experimentation and design, and although we are aware of issues that cause difficulties, it is the best we have been able to develop so far and we spare no effort in trying to keep improving it.

The AFIP originates from the merger of two organizations, the former National Customs Administration and the former General Revenue Directorate; and there remain differences reflected both in structural system issues as well as with implementation rules and in some cultural divergences.

The former DGI also included the collection and control functions of the social security contributions system. It subsequently gives rise to the current General Directorate of the Social Security Resources, in response to a policy decision to give to social issues a level equivalent

to Customs and DGI. For labor law purposes, the personnel is included in the Collective Labor Agreement of the DGI

The Agency currently employs nearly 22,000 agents, according to the labor regime presented in the following chart:



Each institutional integration process requires constant effort from all the agents involved, which allows addressing the issues and decision-making processes that this Administration has firmly adopted to reach a fully satisfactory institutional system.

This said, and developing our topic: we will refer exclusively hereafter to the compensation system called “Hierarchical Account” which among other remaining compensation systems is the one that most clearly meets the basic concept of incentive related to reaching specific targets.

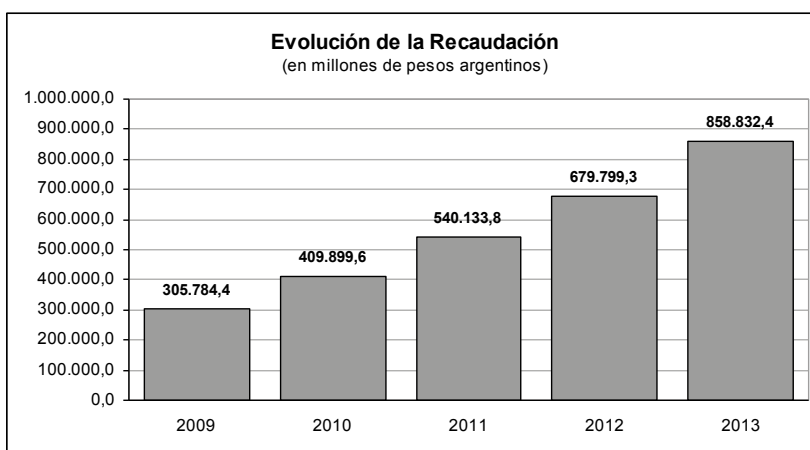
Furthermore, we consider it as the most representative since it covers the entire payroll, receives and distributes most funds and, in short, finds its rationale in the substantive action of the Federal Administration: the application, collection and enforcement of taxes that are the basis for the financing of the National Government.

It is, in short, a system with feedback: a fraction of the taxes is used to reward those who collect them, knowing that their individual and collective efforts result in a tangible improvement in their income and concrete development opportunities.

2. SYSTEM DESCRIPTION

The first element to consider in understanding the structure and operation of this incentive system is the origin of the funds are distributed, which are from the National Treasury; the primary source of funding is the collection management of the Federal Administration itself. The administration is legally empowered to appropriate a monthly percentage of the funds collected and to integrate with them the Hierarchical Account that we are mentioning. Since 2009, the aliquot is fixed at SEVENTY CENTS PER HUNDRED (0.70%) of the total revenue collection from the AFIP.

In this graph, we can see the evolution of the total collection during this Federal Administration period of the last five years:



While this revenue growth is conditioned by multiple factors related to the economic activity and cannot be attributed to the actions of the personnel, the incentive links a portion of the officers' compensation to their joint effort for the Agency's results, which is the main goal.

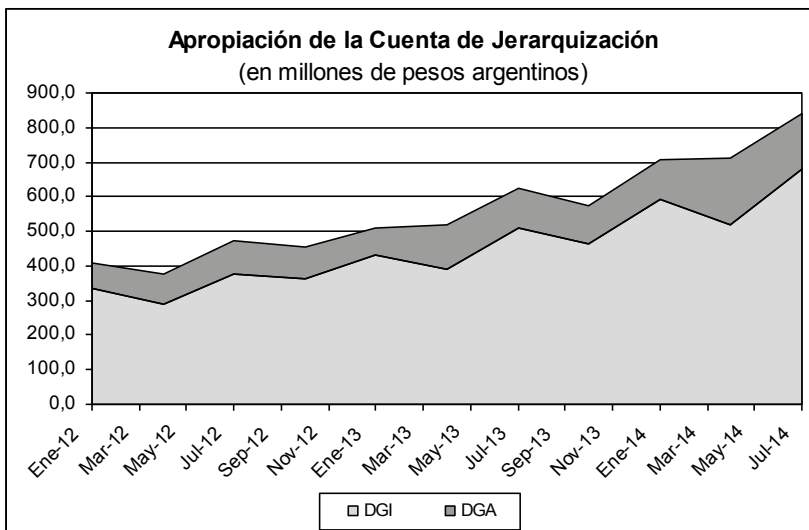
Now, as we said earlier, due to historical reasons, some differences persist, requiring the persistence of two sub-systems, which respectively apply to Customs agents on one hand and the Tax and Social Security Resources agents on the other hand.

To explain this, let us remind again that the Federal Administration was born from a merger of previously independent organisms with different organizational purposes and styles, each with its own labor and hierarchical organization, which imply noticeable differences that still exist in the remuneration scheme assigned to the functions.

Consequently, the total amount of fund attribution is primarily divided between the parts distributed to the personnel governed by the customs regime and those under the tax and Social Security regimes.

While the subsequent distribution is identical in both cases, this partition sought to reflect its original participation in the formation of the collection Agency. (We need to remember here that the exclusive mission and goal of the Directorate General of Taxation is the collection of national taxes, while the Directorate General of Customs is primarily a control-oriented organization and its contribution to the collection is subsidiary).

On the graph below, we can see how the monthly attribution of funds to the Hierarchical Account has evolved in line with the increase in collection during the last two and a half years, and simultaneously observe the relative proportion used to remunerate the personnel for each sector:



As said earlier, the process for the monthly distribution between staffs remains identical for each of the sub-systems, so for clarity reasons we will refer to them as if they were one.

The first step is to separate 5%, that will be used as incentive to perfect attendance; i.e. that will be distributed to all those who during the corresponding month have not incurred absences of any kind, except holidays. Since its implementation by this Administration, this element has a positive influence to limit some causes of absenteeism.

The remaining amount is divided into two parts: the largest of these, which we call “General”, is equal to 70% of the remaining fund and will be distributed, without exception, to all the agents of the Federal Administration. This way, each officer has a secured proportion of the revenue collected by the organization for which she or he works, or what is the same, they have a participation in the results.

A smaller portion of 30% is the one we call “Selective portion.” It is also shared by the entire payroll, but is weighted through a performance evaluation that Managers hold bi-annually, and thus comes to represent an acknowledgment of the individual contribution by each employee in achieving the corporate goals.

We will return in detail on the topic of evaluation. It is however convenient, for clarity purposes, to explain the general mechanisms that define the levels of participation of the Federal Administration Agents.

Distribution of general portion

We should note that we do not use flat distribution mechanisms in any case. On the contrary, in order to ensure greater equity, the distribution is carried out in proportion of various factors that we will explain succinctly.

The salary structure of the Federal Administration is not the focus of this paper, and its complexity widely exceeds its margins. Let us just establish that all portions mentioned are distributed in proportion to the salary of each employee, and not to their total real wage but a weighted figure that represents and replace it to this effect, and that we colloquially refer to as “taxed”.

The goal of adopting the “taxed” as a basis for distribution is to consider only the substantive aspects constituting the compensation, therefore any compensatory or occasional remuneration is in itself excluded from the calculation as a way to avoid distortions that would extend over time a temporary inequality.

Performance evaluation

Several systems were implemented over the years, related to the evaluation of the agents performance, almost all based on types of evaluation by factors.

After the merger that created the AFIP, an evaluation system was implemented, based on Requisite Organization developed by Elliott Jaques, which continues to be in use today.

Specifically, the managers are expected to evaluate their direct subordinates by assessing globally the degree to which each one has committed their ability and effort to the development of their tasks during the period determined, in the quality, quantity and time set and given the resources made available to them.

Those who evaluate agents responsible of other employees are also asked to consider the managerial performance and the results obtained by the unit led by the subject.

As a result, the staff of each structural unit is cased in a scheme like this:

		BAND
OUTSTANDING PERFORMANCE		A
TOP HALF	HIGH	B
	MEDIUM	C
	LOW	D
BOTTOM HALF	HIGH	E
	MEDIUM	F
	LOW	G

The upper and lower halves indicate if the performance level is located above or below what is expected in the fulfillment of the tasks carried out during the period.

Divisions (High, Medium or Low) imply a finer consideration of the merits evaluated, while the outstanding performance is reserved for special cases where it is judged that an employee has carried out some work worthy of being noted.

This is followed by a period of balancing, defined as a sub-process during which each manager coordinates the joint review and discussion of the criteria used for evaluating the direct subordinated managers

In other words, it is intended that by comparing the distribution patterns of individual ratings that each manager has determined and pooling the evaluations, we can achieve uniformity of these criteria

in the context of a given unit, for which the balancing meetings proceed from bottom to top, up to the higher authority in charge of the structural level.

Finally, each manager reviews his or her evaluations, now in the light of the criteria agreed in their area with their peers and superiors, and issues the final grading, notifies each agent for legal purposes and meets with each of the agents that have been evaluated in order to communicate the result of the evaluation. They present the grounds for their decision and agree on policies to improve the future performance of the evaluated agent.

This is perhaps the most important contribution that this evaluation system has provided: the mandatory practice of the interview, which becomes to be a space of periodic exchange between an executive and his or her agents. They provide the opportunity to review both the application and effectiveness of improvement actions prepared in the earlier occasion, as well as agreeing which actions are considered appropriate in the immediate future.

Selective distribution portion

Now, we have seen the level of significance given to the judgment of leaders at all levels and how this affects the allocation of selective portion of the Account Hierarchy, and we have also explained the proportional mechanism regarding the compensation of each agent (the “taxed”) applied to the distribution.

In addition, let’s consider that within the Federal Administration, large areas (in terms of number of staff size) which carry out the substantive work of the Agency, coexist with smaller areas that concentrate the skills on legal, technical or procedural aspects of the institution, added to mid-size support areas that provide general support.

How to avoid in this context that certain areas, justifiably or not, may establish evaluation schemes higher than others, thereby generating more funds for the benefit of their agents and, in consequence, detrimental to other departments?

The constant support for a proper exercise of the power to evaluate as a desirable and required management practice is of course the most important tool, since from there each executive knows that his performance as an evaluator shall be taken into account when he himself will be evaluated by his or her superiors.

However, an additional mechanism has been provided to prevent any deviation with negative impact on the equitable distribution of this Account. It is the funding by Area, known as FONAs. It consists in assigning to each first structural level unit an amount proportional to the sum of the weighted compensations (or “taxed”) of the staff that integrate them.

Through this simple mechanism, the directorates of a given unit are able to be as strict or as lax as they wish when issuing their evaluations, knowing that the consequences of their decisions will be circumscribed to their own domain.

If what we have said so far is clear and understandable, we just need to explain now how these evaluations are finally translated into a distribution of funds.

Simply, each rank is assigned a percentage applied to the “tax” of the employee. The total of the funds allocated to a FONAs is distributed among the employees of the area, in proportion to their taxable weighted rating.

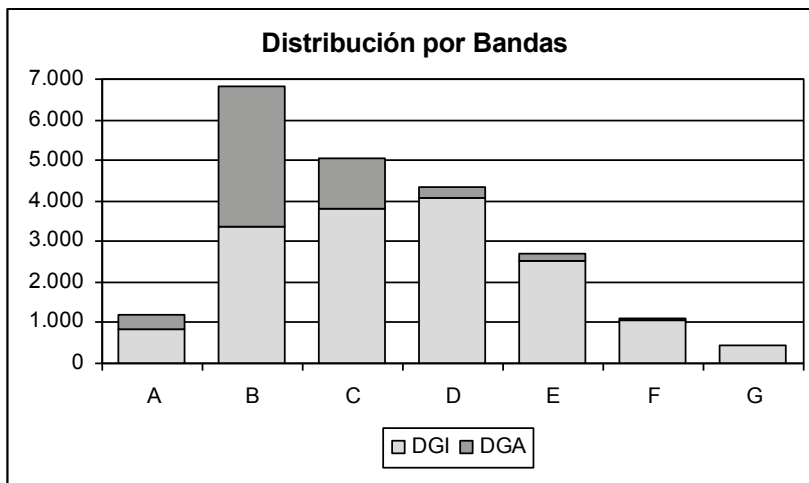
RANK	PERCENTAGE
A	105
B	100
C	85
D	70
E	50
F	25
G	5

Since the Federal Government is not authorized to withhold funds in the Hierarchical Account, they must be distributed entirely among the personal beneficiary of the system, and the non-allocated amounts among employees in the lower rankings are all redistributed respecting the proportionality, which resets the count to zero until the crediting of the following month funds.

Concretely, each area at General Sub-Directorate Level (or FONAs) defines a specific distribution of evaluations that correspond to their own conception regarding the performance of their agents and the salary levels that are appropriate according to the intended incentive.

For example, we can see in the following table the general distribution of evaluations per rank in the Federal Administration. We note that in

the DGI field, the allocation follows a normal curve, while the General Customs Directorate has implemented a system of greater focus on the higher ranks, a difference that stems from in the distinct organizational cultures that we have previously mentioned.



3. BENEFITS AND DIFFICULTIES PRESENTED BY THE SYSTEM

As already mentioned, the current system used by the Federal Public Revenue Administration for financially motivating the personnel is the product of many years of experience and learning, however we are still aware that some issues keep requiring our attention.

Let us mention the main advantages we observe.

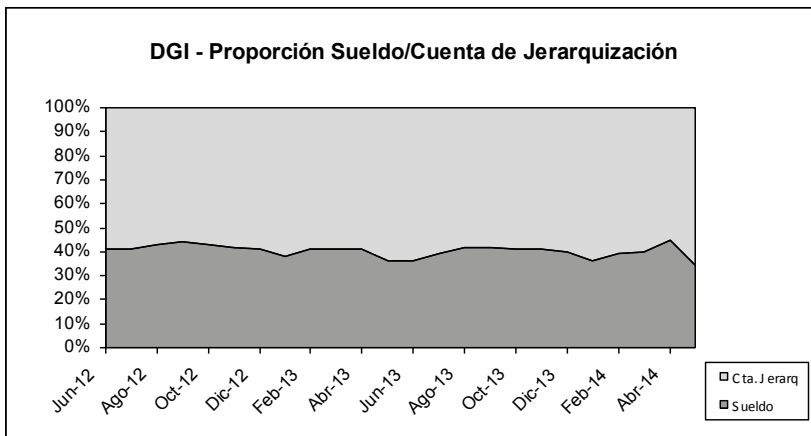
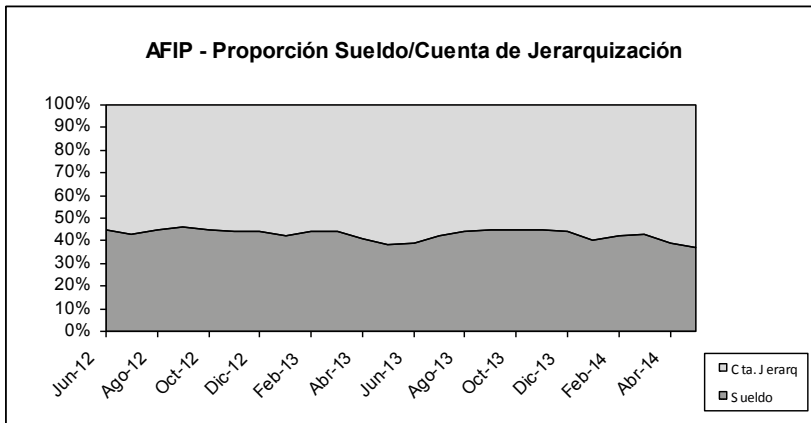
First, the mere fact of having such a tool to provide financial incentives to our staff must be considered as positive, and it is not surprising that the search for ways to solve their shortcomings become an institutional challenge first order.

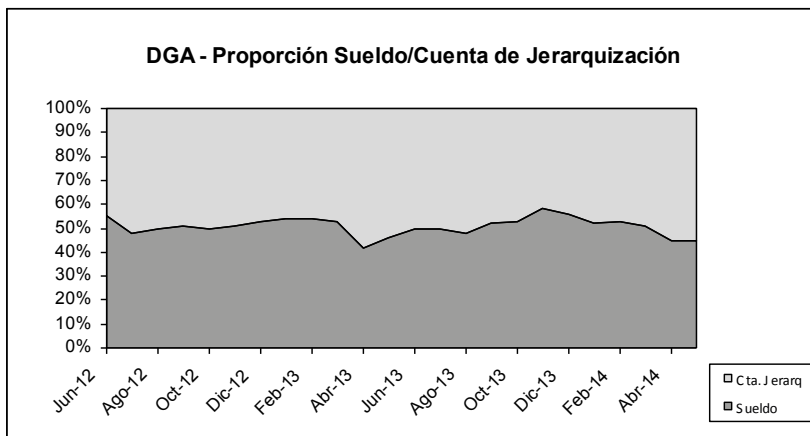
Secondly, the stimulus itself is effective. This is coupled with the ongoing exploration and design of more sophisticated techniques of collection, the determination and the application of new technologies for control and border control of goods, with the incentive for voluntary compliance, with controls and campaigns to promote compliance with the obligations of social security. In short, all policies issued by the Government of Argentina and implemented by all levels of the Federal Public Revenue Administration, among other effects result in a steady increase in revenue, and determine that the relative weight of this incentive also increases steadily.

In return, everyone has to be aware that the fluctuating component in staff remuneration should not exceed certain reasonable percentage levels.

A provisional management action to address this problem was the decision to reduce the selective portion from 50% to the current 30%, limiting the impact of subjective evaluation in the distribution without affecting its incentivizing nature.

The following graphs illustrate the evolution that has been recorded in this area, both in the whole organization and its components:





In another point, with regard to the allocation of funds by areas, that we have called FONAs, we have explained that they prevent that areas with permissive assessment criteria receive more funds to the detriment of other areas with more stringent parameters. However, the disadvantage is obvious: two people with similar characteristics under identical conditions and located in the same rank, eventually may receive different amounts of the incentive to work only in units belonging to different FONAs.

This is a drawback, but we consider it as minor, and in fact, it does not reach significant variations in practice; however, it is a specific problem of the system.

The assessment itself, whatever the method practiced, is a practice widely perceived as useful and essential for improving the staff performance, professional development and the preservation of an appropriate working environment.

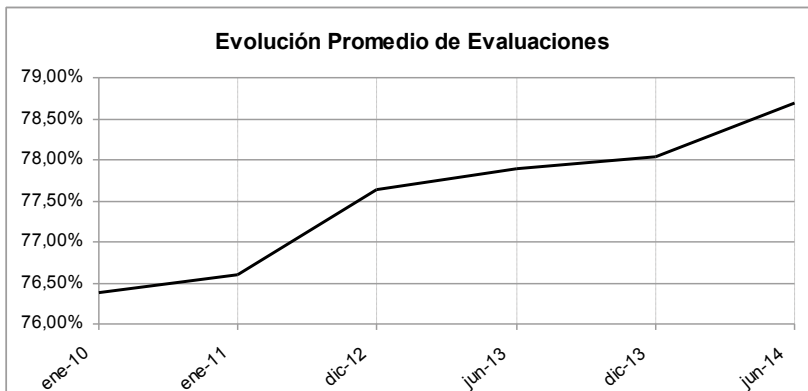
In the scope of our Federal Administration, a common objection is the high degree of discretion granted to the evaluators. In our experience, the same criticism was applied to the evaluation by factors.

The basic problem, we believe, is not in the evaluation method, but in the use of any non-objective method for the distribution of the Account Hierarchy. Furthermore, there are well-known limitations to set objective mechanisms for measuring the performances of all the staff in an organization with the size and complexity of Tax Administrations.

However, because of its clear condition of statutory incentive, with a distribution conditioned in part to the evaluation, its financial nature

and its monthly distribution, it automatically becomes an inseparable part of the regular compensation for each employee. They tend to consider it as a part of the legal intangibility that protects the rest of their assets.

Not surprisingly, in this context, the evaluations show a marked stability, with a small but noticeable upward trend caused by the lack of willingness to create situations of conflict that headquarters naturally display. This is illustrated in the following graph:



In other words, each area gradually consolidates a scenario in which the most experienced agents with demonstrated skills over the years have reached the highest ranking and keep them without difficulty, while those who are gradually incorporating the organization join the mass of those evaluated in the lower rankings, to progress upwards only through much dedication and effort.

This last development is not by itself a problem, but it becomes so to the extent that the fluid mobility between ranks, particularly between and towards the highest ranks, is hampered by circumstances unrelated to performance, and that in an indeterminable number of cases a high rating may actually reflect a level of performance more historical than actual.

Experience shows that, to evaluate the performances, the managers tend to decide a priori the level of incentive attribution and then adjust the assessment to reach the preordained result. This implies that the evaluation and incentive determine each other.

Somehow, the formulation of the overall judgment that we require from the evaluators is probably the same result that would obtain by using any other instrument of greater complexity.

4. CONCLUSION

Concluding this presentation, we confirm our conviction that the application of the system presented here is mostly positive, since on one hand it gives the Federal Administration Agents the possibility of having a tangible proof of the results obtained by the organization through their work; and so they can somehow participate to them.

Moreover, it provides the Department heads with a tool to engage actively in the professional growth process of their subordinates.

However, our task is not over yet.

Each system limitation that we have detected is a challenge in the constant search for better alternatives that would gradually improve the system, understanding perfection as creating conditions for fulfilling the incentive function in a framework of increased equity.

The next step, which must inevitably take place and as we have explained, is the unification of the sub-systems of customs and taxation, to have a unique Hierarchical Account. We believe that this way we are not only progressing in the simplification of processes but, more importantly, towards the integration of our organization into a more egalitarian regime and the strengthening of the merging process that has started many years ago and is displayed in the Single Agency Model.

COMPENSATION AND INCENTIVE MODELS LINKED TO ACHIEVEMENT OF GOALS AND OBJETIVES

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Contents: Summary. 1. Performance evaluation model applied to the tax administration of Guatemala. 1.1. Alignment of performance evaluation with goals and objectives of the institution and organizational development. 1.2. Legal or regulatory basis for the performance evaluation of the SAT linked to the fulfilment of goals and objectives. 1.3. Implementation of performance evaluation in tax administration 1.4. Performance evaluation factors and their application in tax administration. 1.5. Performance evaluation factors and their weightings. 1.6. Components of performance evaluation and its application in tax administration. 1.7. Historical record of performance evaluation. 1.8. System of compensation and incentives associated to the performance evaluation applied in tax administration

SUMMARY

Remuneration is one of the most important instruments to achieve the objectives of the Human Resources Directorate of an institution. A proper management of compensations and incentives will allow: 1) To attract people who will more reliably perform their tasks, 2) motivate the personnel and 3) retain employees. The remuneration management must continually adjust to the needs and particular objectives of each organization.

Remuneration models intend to be equitable in the payment of wages to employees depending on their level of responsibility and contribution to institutional goals, either watching the evolution of salaries for professionals who hold equivalent position in other institutions to maintain competitiveness.

Internal equity concept a compensation system can use the concept of internal equity when trying to pay according to the degree of contribution that the person makes to the institution. Put another way, the impact of their work can have the same results.

Greatest contribution or impact, higher wage shall be responsible. To measure the impact or outcomes, we usually begin by defining the responsibilities of the job in question. Once defined the work normally through the techniques of analysis and job description should be assigning a value to the requirements, skills, and tasks to perform in such positions.

This process is called performance appraisal. It is normally an internal measurement, and with assessment score. Once the position is appraised, it is possible to classify it in groups of similar level of responsibility, building the groups, levels and salary ranges.

Concept of external equity The compensation system seeks to find the best possible balance between paying wages that attract and retain the best professionals, and manage efficiently the wage costs by regularly comparing their practices of compensation with those of other leading organizations in their sector and set their compensation parameters on the basis of this review. This principle implies that if a company paid below their reference market, this affects its ability to attract and retain the best talent. But if you pay above the market of reference, in the long-term the costs will be higher than those of competitors, which will make the company less competitive and could even threaten the job security. To achieve the mentioned balance, organizations undertake studies of the labor market with respect to wages. To do this, they tend to agree to participate in salary surveys where they share data on actual wages paid to their employees in comparable positions.

The concept of incentive Performance-based compensation allows incentivizing most those whom, within the same level of responsibility, contribute more, and less to those who contribute less, using different criteria of comparison, whether they are absolute, relative, or a combination of both.

It is important to note that both criteria of performance and responsibility level are always associated. It would be absurd to pay exclusively based on performance, for example paying an excellent operator more than an officer of great responsibility with a normal performance.

Normally, a performance-based model is implemented along with a performance evaluation system. This assessment often gives rise to a score which in turn serves as input to start the remuneration review mechanism based on performance.

Therefore, to describe the performance-based compensation, we need the following elements: individual goals/ equipment, evaluation factors,

results, qualification and other tools that facilitate decision-making for wage revision consistent with assessments of the performance level.

1. PERFORMANCE EVALUATION MODEL APPLIED TO THE TAX ADMINISTRATION OF GUATEMALA

The performance evaluation of the SAT is the systematic and periodic process used to estimate quantitatively and qualitatively the degree of effectiveness and efficiency for approaching the institutional objectives and goals; showing the breaches in order to minimize them, and this way achieves a greater institutional effectiveness.

The process of performance evaluation is based on factors that measure comprehensively and specifically the expected products or results, which ultimately reflects the overall performance of the SAT.

These factors include objective elements of measurement based on the institutional philosophy of effective management, focused on continuously improving processes and systems to facilitate the compliance of tax and customs obligations by taxpayers.

The performance evaluation:

- Is an instrument that is used to verify the degree of compliance with the goals and targets established at the institutional and personal level
- Provides systematic, objective and comprehensive measurement of institutional performance and professional conduct
- It is limited to a period of time, which is usually annual with semi-annual or annual evaluations
- Is used as an input for the incentives and compensation development processes

1.1. Alignment of performance evaluation with goals and objectives of the institution and organizational development

The performance of the Tax Administration Superintendence is based on the conceptual model that considers the performance of an organization as the product of the contribution of each organizational level according to their functions. Agents form working groups that generate value in terms of performance, this contribution must reflect both the immediate superior hierarchical levels as well as at the level of the organization.

The results of the intermediate levels of the Organization, constituted by Intendancies and Directorates, and the departments and divisions

that comprise them, will correspond to the management results according to their functions.

Institutional goals are then developed, by the contribution of the different levels of organization and behavioral perceptions included in the performance measurement at individual level.

We consider that the systematic appreciation of the performance allows its measurement at different levels of the institution.

In the Superintendence of tax administration - SAT-, the Performance Evaluation Model, represents the process which evaluates the Institutional Management Performance, of each of the bodies and dependencies of the different organizational levels and staff belonging to them; in order to promote greater institutional effectiveness.

Institutional/strategic measurement is based on the fulfilment of goals and institutional and intermediate objectives (collection and management goals)

The measurement of organizational/personnel development is based on behavioral factors and competition. Organizational development refers to planned changes in the organization that focus on the quality of human relations.

The agents of change in organizational development attach little value to concepts such as power, authority, control, conflict and coercion and, on the other hand, emphasize basic values such as:

Respect for persons. It is considered that people are responsible, aware and engaged and that they should receive a dignified and respectful treatment.

Trust and support. The healthy and effective organization is characterized by trust, authenticity, openness and a supportive climate.

Power equality. Effective organizations downplay the hierarchical authority and control.

Confrontation. Problems should not be hidden, they should be discussed openly.

Participation. The more the agents that are affected by changes participate in the decisions about them, the stronger will be their commitment to implement those decisions.



1.2. Legal or regulatory basis for the performance evaluation of the SAT linked to the fulfilment of goals and objectives

The performance evaluation is an institutional process which is based on article 43, paragraph 2), of the internal regulation of the Superintendence of tax administration, Directory Agreement Number 007-2007, and in article 20 of the Work and Management of the Superintendence of tax administration Human Resources Regulations, Directory Agreement number 2 - 2008.

Within the components to be considered in the evaluation are included, as a minimum, institutional collection goal, project management, goals at the group level when appropriate, behavioral factors and development of competencies required for the position once they are implemented. The weighting of behavioral performance assessment factors may not exceed fifteen percent (15%) of the total grade.

1.3. Implementation of performance evaluation in tax administration

The process of the SAT performance evaluation is an annual process that involves the following components:

- Establishment of goals for collection, management and/or processes
 - a. Estimation of goals for the collection in charge of the tax administration
 - Organizational performance should be evaluated based on the results obtained in the tax revenues, which must respond to the revenue targets established for the Superintendence of tax administration.

- b. Establishment of goals and objectives of the management / processes
 - The results of the different hierarchical levels subject to performance evaluation according to the standards will be evaluated considering the contribution in the implementation of processes and programs, according to the results of performance indicators for evaluation.

- c. Definition of actions or projects
 - The progress of a project/action is defined as the ratio between the number of activities completed and the number of activities of the project/action scheduled assessment date, regardless of the distribution in the sub stages of the project/action.
 - The evaluation is made on scheduling activities to be executed for the current year (for each of the projects/actions properly documented by the agencies and departments of the institution, which must comply with the institutional guidelines established by the planning and institutional development directorate.

- Establishment of performance evaluation rules: Rules, weights, periodicity, organizational levels subject to evaluation
- Programming computer tools for registering the performance evaluation process
- Orientation and training to the personnel subject to evaluation: Workshops, publications
- Progress and results of performance evaluation reports
- Obtaining inputs for feedback and registration for use in remuneration and incentives processes.

1.4. Performance evaluation factors and their application in tax administration

The process of performance evaluation is based on factors that allow measuring integrally the products or results obtained in compliance with the objectives and institutional goals, aligned with the strategic Foundation of the institution.



1.5. Performance evaluation factors and their weightings

The performance evaluation is composed of objective factors and a behavioral component, distributed and weighted as follows:

1.6. Components of performance evaluation and its application in tax administration

Collection goals

All dependencies will be evaluated by the fulfilment of the overall collection goals to 31 December. Managements of special contributors large and medium-sized, regional and city halls of customs and revenue management will be evaluated both for the General objectives and the specific goals.

Organizational performance should be evaluated based on the results obtained in the tax revenues, which must respond to the revenue targets established for the Superintendence of tax administration.

Projects and actions

The progress of a project/action is defined as the ratio between the number of activities completed and the number of activities of the project/action scheduled at the assessment date, regardless of the distribution in the sub stages of the project/action.

The evaluation is performed on scheduling activities to be executed for the current year, from each of the projects/actions properly documented by the organs and agencies of the institution, which must comply with the institutional guidelines established by the management of planning and institutional development.

Indicators

The monitoring indicators for performance evaluation management allow to know the State or situation of the processes or programs, quantifying performance and compliance with them to establish goals that determine best results until you reach an optimal state.

Behavioral factors

Behavioral factors are key personal characteristics that promote and maintain effectiveness and efficiency in a high-performing organization. They are reflected in everything a person does, monitored through specific actions and modifiable, and observable aspects by which to assess and promote organizational culture, factors are reflected in competition with associated behaviors and their respective expected behaviors.

1.7. Historical record of performance evaluation

The system called PROSIS keeps the historical record of the performance evaluations, shown as follows:

1.8. System of compensation and incentives associated to the performance evaluation applied in tax administration

The incentives associated with the performance evaluation are as follows:

- Performance Productivity bonus
- Criteria used for promotions
- Revenues for the Training Plan
- Criteria used to grant international scholarships

TOPIC 3

**TOOLS AT THE SERVICE OF OPTIMIZATION OF
RESOURCES, PROCESSES AND
DECISION - MAKING.**

TOOLS AT THE SERVICE OF OPTIMIZATION OF RESOURCES, PROCESSES AND DECISION-MAKING

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Contents: 1. The strategy of building a tax administration. 2. E-invoice system. 3. Results.

The strategy of building an electronic tax administration based on resources in Portugal.

1. THE STRATEGY OF BUILDING A TAX ADMINISTRATION

In past years, the Portuguese Tax and Customs Authority has developing a strategy for building an electronic tax administration through the computerization, automation and virtualization of their internal processes and interfaces related to taxpayers.

That strategy's main objective is the valorization of human resources, making them more available for tasks of higher value, as well as a substantial reduction in compliance costs, especially for noncompliance with tax obligations from taxpayers.

That strategy was implemented through the following projects:

1.1. The creation of the web site on the Internet and the expansion of its characteristics

Through the Finance website, the tax and customs authority receives all electronic tax returns filed by companies. Portuguese companies that are liable to VAT do not submit returns on paper to the Portuguese Tax and Customs Authority.

For individual taxpayers, approximately 94% of the statements are submitted over the Internet. Currently, all service are submitted electronically, so Portuguese citizens do not need to move to the physical facilities of agency to solve any problem.

1.2. Full automation of the enforced collection system

Currently, tax debt collection processes are fully electronically processed, including procedures for detecting assets for seizures, establishing the embargo procedures, the electronic auction for confiscated assets, the entire payment procedure from the conversion of confiscated assets, as well as citations, notification and interaction with borrowers. The procedures liability of directors and managers to pay tax debts of the respective companies are also automated. This automation allows the TA to process completely the debt collection processes, according to the law. Because of the increased efficiency of the enforced collection system, the TA systematically reversed the increasing trend of setting tax debts. Despite the grave crisis the country is experiencing, the volume of noncompliance fell consistently. Currently, each year the volume of arrears decreases, being 2013 the lowest ever, since the statistics are performed.

The Portuguese taxpayers currently have an awareness and a keen understanding of the effectiveness of the enforced collection of tax debts, and this perception is generating a high noncompliance deterrent effect. This resulted that public institutions increasingly expect that the TA will collect their debts, even those that are not of tax nature. The TA began collecting a substantial amount of non-tax debts, which were previously collected by the courts, particularly the toll rates of highways, consultation fees in hospitals and college tuition.

As soon as the TA began collecting those debts, the voluntary compliance to those agencies grew dramatically.

1.3. The integrated automation system of sanctions

Detection of tax offenses and procedures to the implementation and collection of fines, are carried out in a fully automated electronically. The implementation of this system allows the TA detects all violations and complete all processes on average, in less than 2 months.

1.4. Application of the process management system

The implementation of procedural management system dematerialized all the internal processes of the TA. This system is based on the digitization of all services and subsequent electronic processing of all internal processes and tasks, as well as the dematerialization of processes. On the other hand, the system services are part of a network, allowing processes to be available immediately without the need for physical movement between services. This system has changed the paradigm on how the tax administration works, since

the teams no longer have to be physically in the same space to work together. Today, thousands of employees permanently interact as a team, and are electronically in constant contact, although they may physically be hundreds of miles away.

1.5. Electronic Notification System

Through the Electronic Notifications System implemented in 2010, the TA started to communicate electronically with all taxpayers performing business activities.

All communications between the TA and all VAT taxpayers are conducted through electronic media, thus completing the full digitalization of the relations between the TA and the companies.

1.6. The e-invoice system

The electronic invoicing system, by which all companies are required to report electronically to the TA until the 25th of the month following their issuance. This system is changing the paradigm on how the Portuguese tax and customs authority works, as discussed below.

1.7. Result

The implementation of the above system, as well as other electronic systems, was conducted as part of a strategy to build an electronic tax administration, which produced substantial and continuous growth of the efficiency, effectiveness and regularity of the tax administration. This growth was accompanied by a substantial reduction of internal resources, corresponding to about 20% in 5 years.

2. E-INVOICE SYSTEM

The E- invoice System as a tool to support compliance and fight fraud and tax evasion.

2.1. Objectives of the system

The implementation of electronic invoice system in Portugal is underway since 2013.

The vision of the system consists of the implementation of a collaborative tax administration, focused on preventive, substantial, and permanent improvement of voluntary compliance with tax obligations.

The aim is to produce change of the paradigm in the functioning of the TA and its relationship with taxpayers, in particular as follow:

- The TA has structured information over the country's economic activity in real time;
- The TA opens a new operational role in its activities to promote voluntary compliance with tax obligations by interacting with taxpayers and using information and communication, resulting in the immediate processing of invoices, transport documents and taxpayer returns data. This new feature will have an important effect in increasing voluntary compliance and the efficiency of the whole system;
- Relieve the system and recognizes the important role of citizens in the tax system's efficiency to promote tax fairness and equality in the fight against the informal economy.

The three resources set out above – information in real-time, interaction with taxpayers, which is parallel to their compliance, and the important role of citizens in the system efficiency generating products for the system:

- A new collaborative phase of the TA with taxpayers and citizens;
- A comprehensive view of the fight against informal economy, including the TA, businesses and citizens;
- An important prevention effect of tax evasion and tax noncompliance;
- The availability of information for subsequent inspection functions, enforced collection and penalties for violation.

The e-invoice system establishes a new paradigm of tax administrations, based on the information, unlike the classical paradigm based on authority. The information is Exchanged and integrated. This exchange is the new role of TAs to work with taxpayers, increasing the levels of voluntary compliance, to reduce and try to eliminate the compliance costs for taxpayers and the State.

The power of information in inducing voluntary compliance is contrasted to the authority power in case of non-compliance. The information exchange is inclusive. The authority is necessary and sometimes exclusive. The information prevents and represses, and the authority induces and compels. Exchange information and promote willingness is the fundamental instrument for voluntary compliance.

Therefore, authority and information are compatible. The implementation of a new tax administration function, based on the exchange of information, prevention and education, is not antagonistic to the traditional functions of the tax administration (audit and inspection

functions, coercion and punishment). Instead, it has two functions that complement each other, are not mutually exclusive and enrich each other as well, because the effectiveness of one party contributes to the effectiveness of other.

The electronic invoice system is based essentially on the role of three groups of agents of the tax system - the companies, the state and citizens. Each has a vital and irreplaceable role in the efficiency of the tax system.

2.2. The role of Companies

In Portugal, all companies are required to:

- a. Issue invoice for all transactions even when the customers do not ask for them. The obligation to issue invoices covers all companies, even when they are exempt from VAT, regardless of the business volume.
- b. Have software for invoicing subject to prior certification by the TA (except companies that have a business volume equal to € 100,000 if they do not choose for computer invoice program). The certification of the software ensures the data and prevents omitting invoices. The systems also ensure the numerical sequence of the invoices issued.
- c. Save all the copies of the invoices issued. The companies mentioned in the previous section should keep an electronic file of all invoices issued, called Images SAF-T (PT), which reproduces all invoices issued, and presents a monthly report to the AT on all invoices.
- d. Report all the invoices issued to the TA, until the 25th of the following month. The information on invoices always is always submitted electronically in 4 possible ways, which the TA makes available to companies:
 - With the introduction of SAFT file through the Finance website. This presentation is immediate and very simple;
 - By Web service between the invoicing systems of companies and the Tax Authority which communication is in real-time;
 - The manually entry of invoices in the finance site. This option is only used by smaller companies;
 - By issuing invoices directly in the finance website's. The TAs have available an invoice system on the Finance website, which can be used free of charge by independents.

- e. Previously notify the TA of all merchandise transport documents that are issued. This is possible through the various options mentioned above and it must include all the details on the amount and description of goods transported as well as the time and place, beginning and end of the cargo.
- f. Provide regular monthly or quarterly VAT returns, reporting the operations performed, with the following description:
 - The value of sales;
 - The value of VAT paid on those transactions;
 - The value of VAT deductible of purchases

2.3. The role of the State

The State (Tax and Customs Authority), plays, among others, the following activities in relation to the information received:

- a. Processing the received data:
 - The electronic invoice system performs an immediate and automatic processing of all invoices received;
 - When companies send periodic VAT returns, the TA already has the information for the same period:
 - The value of the business;
 - the amount of VAT paid;
 - The amount of deductible VAT;
 - The amount of VAT to be submitted to the State
- b. Exchange of information and anomaly detection

Due to the aforementioned data the TA automatically detects anomaly of companies that:

- Issued invoices and did not submitted the periodic VAT return;
- Submitted the periodic VAT return, but not all taxes and transactions;
- Deducted a higher VAT as reported by suppliers;
- Issue but do not report invoices;
- Without being registered or being exempt they report the VAT and not pay;
- They did not reported to the TA the invoices issued, but which VAT customers deducted;
- Issued transport documents, but not invoices;
- Receive transported goods, but do not issue invoices

c. Interaction and exchange

The Tax Authority and Customs shares with companies and offers on its website:

- All information on detected anomalies;
- Notify electronically to companies with anomalies to:
 - justify those anomalies;
 - Voluntarily correct all detected disconformities and anomalies;
- All interactions between the TA and companies are electronically through Finance website;

Inspection, coercion and sanction actions will only start if companies do not justify or voluntarily regularize the detected anomalies.

2.4. The role of Citizens

The role of citizens is the most important of the three partners (companies, state, citizens), in the fight against informal economy, evasion and tax fraud. This struggle is not only of tax administrations or of States. The most important role and the informal economy and tax evasion belong to citizens, since they are endemic plight of societies.

Such phenomena have a high social cost, measured in financial terms, and it specifically affects every single citizen. Therefore, the fight against the informal economy by citizens is a basic attitude of justice.

The electronic invoice system essential in public awareness of its role in the ongoing dissemination of information. In this sense, the system provides that all citizens should:

- Require the invoice for all purchases made;
- Receive a tax benefit corresponding to 15% of VAT if supported by invoices stating their tax identification number (NIF) in 4 sectors:
 - · Accommodation
 - · Restaurants
 - · Hairdresser and Beauty institutes
 - · Maintenance and repair of automobiles
 - · Maintenance and repair of motorcycles
- For each invoice received with NIF, is entitled to participate in 4 draws for a car.

3. RESULTS

After almost two years since the beginning of the implementation of electronic invoicing system, it is possible to make a consolidated balance sheet of its impact. We can say that the balance is very positive. In the enunciation of key impacts, we follow the previous topic, beginning with analyzing the impact of the system together with citizens.

3.1. Citizens

Before implementing the system, the expectations for citizens to commit themselves in the fight against the informal economy and tax evasion did not match. Some of us were expecting a weak adhesion to this call. Others expected an important commitment. Nearly 21 months have passed since the entry into force of the system, and this has allow us to conclude that this commitment has exceeded the most optimistic expectations. In fact:

Out of the approximately 10 million Portuguese citizens:

- a. 8.6 million take part in the Lucky Invoice Draw, because they inserted their tax identification number on invoices for purchases made;
- b. In 2013, over 2.4 million citizens demanded their invoice with NIF from purchases to hotels and restaurants.
- c. Until July 2014, more than 1.7 million citizens demanded invoice with NIF, from purchases to hotels and restaurants.
- d. Over 2 million taxpayers deducted from their personal income tax, an annual amount of 250 euros, corresponding to the incentive to demand the invoice
- e. The operating rules of the lucky Invoice draw are as follows:
 1. All invoices issued with NIF give customers the access to the draw;
 2. The e-invoice system adds all purchases made per month for each consumer;
 3. For every 10 euros of purchases made by each consumer, the system assigns one coupon;
 4. Every Friday an Audi A4 is raffled;
 5. Every six month, an extraordinary draw in done raffling 3 Audi A6;
 6. Each coupon, allows the holder to participate in the draw for the following month, as well as to the draw corresponding to the following draw;

7. Each consumer is given an average of 27 coupons per month;
8. In general terms, about 220 million coupons are attributed per month;
9. The TA also has available an application for Smartphones, where every consumer can consult the coupons and verify if he has won the lottery.

The implementation of electronic invoicing has a strong impact on public opinion in Portugal, undergoing repeated news in several Portuguese media.

3.2 The Companies

Portuguese companies met in the best way with the obligations to report the invoices to the Portuguese tax authority. In fact:

- In 2013 more than 4.2 billion invoices were reported to the TA.
- In 2014, the number of reported invoices increased about 12%.
- The number of invoices reported with NIF by buyers, who are the ultimate consumers, increased about 48% compared to the previous year;
- The number of companies reporting invoices in 2013 was about 700,000;
- In 2014, the number of companies reporting invoices were 1 million corresponding to the universe of all Portuguese companies;
- For an approximate period of 1 year nearly 13 million transport documents, which involves more than one billion of goods transported;
- The communication channel to the AT of load documents used by businesses, is approximately 87% via Web service in real-time between the computer systems of companies and the TA.

3.3 The State

The implementation of the electronic invoicing system had a major impact on tax revenue collected by the state. In fact:

- In 2013, VAT revenues increased 3.5%, reversing a downward trend since the emergence of the sovereign debt crisis;
- The revenue growth of VAT paid by companies of the 4 sectors which grants benefits to consumers, was 8%, clearly reflecting the impact of electronic invoice system on the efficiency of tax revenues collection;
- In 2014, the VAT collection is growing at around 7%, a much higher growth than the economic growth and private consumption, about 1% and 2%, respectively.

- Personal and corporate income tax also reflects a strong growth in 2014;
- The TA estimates that the impact of the fight against the informal economy and tax evasion produces an overall growth in tax revenues in 2014 of about 700 million euros, representing approx. 5% of annual tax revenues.

THE MANAGEMENT INDICATORS: MAP AND SCORECARD

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Contents: Summary. 1 .Introduction. 2. Who Directs the IRS to Be Measured?. 3. Who Measures How the IRS Performs?. 4. What are the Sources for Measuring the IRS' Performance?. 5. How Does the IRS Implement the Performance Measures?. 6. How Does the IRS Evaluate the Implementation of Programs?. 7. Challenges of Measurements. 8. Conclusion.

SUMMARY

The Internal Revenue Service (IRS) has developed three measures of success: customer satisfaction, employee satisfaction, and business results. These are the essential indicators used to evaluate the operation of the IRS and determine how well the IRS achieves its objectives. Each of these measures has a separate set of criteria that must be used to determine if success has been achieved. These measures represent the implementation by the tax administration of federal directives regarding the measurement of performance as well as the internal implementation of statutory mandates for the IRS. While the IRS measures may be unique to the tax administration, every organization within the federal government must measure its success. The goal of measures is to assess whether the mission of a particular organization has been achieved as well as to measure achievements within that organization. The IRS was restructured in 1998 and given a new focus, in part because of concerns that too much emphasis on quantitative success rather than qualitative success was undermining the level of service provided by the IRS; this results in short-sighted and short-term goals that might not fulfill the overall long-term goals of the IRS. All divisions within the IRS use these three measures to determine whether the division has satisfied its goals for the year. The performance measures are balanced so that each part of performance is given the same weight in the evaluation process. This paper provides an overview of performance measures applying to every organization within the federal government and then focuses on how the IRS measures its success.

1. INTRODUCTION

Everyone wants to know how well they do. All high-performance organizations, whether public or private, want effective performance measurement and performance management systems, since it is only through such systems that they can remain high-performance organizations.¹ However, it is not always easy to measure performance, and that is equally true in the federal government.

Over twenty years ago, President Clinton signed the Government Performance and Results Act of 1993 (GPRA), which provided for the establishment of strategic planning and performance measurement in the Federal Government.² The GPRA was the centerpiece of Congressional actions during the 1990's to address the persistent federal deficit and improve the effectiveness of federal programs.³ The GPRA tried to shift the focus of government decision making and accountability away from a preoccupation with the activities that are undertaken - such as grants dispensed or inspections made - to a focus on the results of those activities, such as real gains in employability, safety, responsiveness, or program quality.⁴ Using the mandate of the GPRA, the United States Department of Treasury and the Internal Revenue Service (IRS) issued strategic plans and reports on how well they have accomplished their strategic goals. However, the GPRA is not the only measurement mandate or tool. This paper will discuss various ways in which the performance of the IRS is assessed.

2. WHO DIRECTS THE IRS TO BE MEASURED?

The federal government, including the IRS, is required to measure both large and small aspects of its programs to determine the effectiveness of the organization. This section discusses the authority for many of these requirements.

¹ *National Performance Review, Serving the American Public: Best Practices in Performance Measurement (June 1997)*, available at <http://govinfo.library.unt.edu/npr/library/papers/benchmark/nprbook.html>

² *Pub. L. No. 103-62, sections 3 and 4*, available at <http://www.gpo.gov/fdsys/pkg/STATUTE-107/pdf/STATUTE-107-Pg285.pdf>

³ *U.S. Government Accountability Office (hereafter GAO), Publication No. GAO/GGD-97-109, The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (June 1997)*, 3, available at: <http://www.gao.gov/assets/160/155907.pdf>.

⁴ *GAO at* <http://www.gao.gov/new.items/gpra/gpra.htm>

a. Office of Management and Budget (OMB)

The OMB, the largest office within the Executive Office of the President of the United States, serves the President of the United States in implementing his vision across the Executive Branch.⁵ The OMB assists the President in preparing the budget and helps implement the commitments and priorities of the President. The Office of Performance and Personnel Management (OPPM) works with agencies to encourage the use and communication of performance information and to improve results and transparency.⁶

OMB carries out its mission through five critical processes, one of which is management, including oversight of agency performance. In 1992, OMB issued Circular No. A - 94, Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs.⁷ These guidelines generally apply to any analysis used to support government decisions about programs or projects that will result in measurable benefits or costs extending for three or more years into the future.⁸

This helps promote efficient resource allocation.⁹

b. U.S. General Accountability Office (GAO)

The GAO is an independent, nonpartisan agency that works for Congress. Often called the “congressional watchdog,” GAO investigates how the federal government spends taxpayer dollars.¹⁰ The GAO has published GAO/AIMD-10.1.15, Business Process Reengineering Assessment Guide (May 1997),¹¹ to help auditors review business process reengineering projects in a federal setting, determine the soundness of these efforts, and identify actions needed to improve the prospects for their success.

Achieving major levels of cost savings and performance improvement often requires that agencies redesign the business processes they use to accomplish their work.

⁵ http://www.whitehouse.gov/omb/organization_mission/

⁶ <http://www.whitehouse.gov/omb/performance>

⁷ <http://www.whitehouse.gov/sites/default/files/omb/assets/a94/a094.pdf>

⁸ *Id.*, section 4.a

⁹ *Id.*, section 1

¹⁰ <http://www.gao.gov/about/index.html>

¹¹ <http://www.gao.gov/assets/80/76302.pdf>

c. Congress

Congress may set performance goals, broad or specific, as part of laws that it enacts, such as the Government Performance and Results Act of 1993. In early 2011, the President signed the GPRA Modernization Act of 2010,¹² an update of the GPRA of 1993. The GPRA Modernization Act provides that each agency must include a strategic plan on its public website by the first Monday in February. This strategic plan must include goals and objectives, how the goals and objectives are to be achieved, and a description of how performance goals posted on the public website contribute to the general goals and objectives.¹³ Every year, the agency must provide an update on the agency's performance, available on the public website.¹⁴

Specific to tax administration, Congress passed the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA).¹⁵ Section 1204(a) of the RRA prohibits the use of records of tax enforcement results (ROTTER) to evaluate employees or to impose or suggest production quotas or goals with respect to such employees. Instead, one of the standards for evaluating employee performance will be the fair and equitable treatment of taxpayers by employees.¹⁶

Under the RRA, the Treasury Inspector General for Tax Administration (TIGTA) was established to provide independent oversight of IRS activities.¹⁷ TIGTA promotes the economy, efficiency, and effectiveness in the administration of the internal revenue laws. It is also committed to the prevention and detection of fraud, waste, and abuse within the IRS and related entities.¹⁸

The Office of the Taxpayer Advocate also was established by the RRA and is led by the National Taxpayer Advocate (NTA).¹⁹ The Office of the Taxpayer Advocate, referred to as the Taxpayer Advocate Service (TAS), is an independent organization within the IRS. TAS' role is to ensure that each taxpayer is treated fairly and knows and understands his/her rights.²⁰

12 Pub. L. No. 111-352, available at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ352/pdf/PLAW-111publ352.pdf>

13 *Id.*, section 2, amending 5 U.S.C. 306, which refers to the performance plan required by 31 U.S.C. 1115

14 31 U.S.C. 1116

15 Pub. L. No 105-206, available at <http://www.gpo.gov/fdsys/pkg/PLAW-105publ206/pdf/PLAW-105publ206.pdf>

16 *Id.*, section 1204(b)

17 *Id.*, section 1103

18 <http://www.treasury.gov/tigta/>

19 Pub. L. No 105-206, *supra*, section 1201(a). See Internal Revenue Code section 7803(c)

20 <http://www.irs.gov/Advocate>

d. Executive Orders

The President of the United States can manage the operations of the Executive branch of Government by issuing Executive Orders.²¹ For example, in 1994, then-President Clinton issued Executive Order 12893, Principles for Federal Infrastructure Investments, which states that benefits and costs of infrastructure investments should be measured.²² In 2009, President Barack Obama issued Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs.²³ In that Executive Order, he directed OMB to identify Federal programs with the highest dollar value of improper payments made and establish annual or semiannual targets for reducing those improper payments.²⁴ In March 2010, OMB issued guidance on how to identify the programs.²⁵ Using these criteria, OMB identified the Earned Income Tax Credit program as a high-priority program because of the amount of improper payments.²⁶

3. WHO MEASURES HOW THE IRS PERFORMS?

External groups measure the effectiveness of the IRS and its programs. TIGTA performs audits every year and follows up to see if recommendations have been implemented. The GAO also performs audits of federal programs, including those of the IRS. The NTA annually reports to Congress. The NTA reports identify the top problems encountered by taxpayers during the previous year and recommend actions to address these problems. In addition, the IRS also measures its own programs.

²¹ <https://www.federalregister.gov/executive-orders>

²² 59 Fed. Reg. 4233 (January 31, 1994), available at <http://www.gpo.gov/fdsys/pkg/FR-1994-01-31/html/94-2261.htm>, section 2(a)(2)

²³ 74 Fed. Reg. 62201 (November 25, 2009), available at <http://www.gpo.gov/fdsys/pkg/FR-2009-11-25/pdf/E9-28493.pdf>. This Executive Order is similar to the Improper Payment Information Act of 2002, Pub. L. No. 107-300, available at <http://www.gpo.gov/fdsys/pkg/PLAW-107publ300/pdf/PLAW-107publ300.pdf>, but it further increases Federal agencies' accountability for reducing improper payments while continuing to ensure Federal programs serve and provide access to their intended beneficiaries.

²⁴ *Id.*, section 2(a)

²⁵ http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-13.pdf

²⁶ <http://www.paymentaccuracy.usaspending.gov/high-priority-programs>

a. Treasury Inspector General for Tax Administration

TIGTA issued over 25 reports in the first half of 2014, in areas such as the Affordable Care Act,²⁷ improper payments,²⁸ processes,²⁹ and the filing season.³⁰ Although all reports are publicly available on TIGTA's website,³¹ certain information in the report may be redacted for privacy reasons.

b. Government Accountability Office

The GAO's Mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. The GAO provides Congress with timely information that is objective, fact-based, nonpartisan, nonideological, fair, and balanced. GAO's work is done at the request of congressional committees or subcommittees, is mandated by public laws or committee reports, or is undertaken under the authority of the Comptroller General. While the GAO prepares reports in many topics

27 TIGTA, Reference No. 2014-43-044, *Affordable Care Act: Accuracy of Responses to Exchange Requests for Income and Family Size Verification Information and Maximum Advance Premium Tax Credit Calculation* (July 3, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201443044fr.pdf>; and TIGTA, Reference No. 2014-33-032, *Affordable Care Act: Despite Initial Challenges, the Internal Revenue Service Successfully Implemented the Branded Prescription Drug Fee* (May 16, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201433032fr.pdf>

28 TIGTA, Reference No. 2014-40-027, *The Internal Revenue Service Fiscal Year 2013 Improper Payment Reporting Continues to Not Comply With the Improper Payments Elimination and Recovery Act* (March 31, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201440027fr.pdf>; and TIGTA, Reference No. 2014-10-017, *Millions of Dollars in Potentially Improper Claims for the Qualified Retirement Savings Contributions Credit Are Not Pursued* (March 26, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201410017fr.pdf>

29 TIGTA, Reference No. 2014-40-041, *Processes Were Not Established to Verify Eligibility for Work Opportunity Tax Credits* (July 1, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201410017fr.pdf>; TIGTA, Reference No. 2014-40-038, *Processes to Determine Optimal Face-to-Face Taxpayer Services, Locations, and Virtual Services Have Not Been Established* (June 27, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201440038fr.pdf>; and TIGTA, Reference No. 2014-40-011, *Processes for Ensuring Compliance With Qualifying Advanced Energy Project Credit Requirements Can Be Strengthened* (February 6, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201440011fr.pdf>

30 TIGTA, Reference No. 2014-40-029, *Interim Results of the 2014 Filing Season* (March 28, 2014), available at <http://www.treasury.gov/tigta/auditreports/2014reports/201440029fr.pdf>

31 <http://www.treasury.gov/tigta>

other than tax, areas of recent work in tax include audits,³² the IRS budget,³³ and tax refunds.³⁴ GAO also sends annual Management Reports to the Commissioner of the IRS based on their audit of the IRS' financial statement and both identifies weaknesses in internal controls and recommends actions that enhance the controls.³⁵ GAO reports are publicly available on GAO's website.³⁶

c. National Taxpayer Advocate (NTA)

In addition to assisting taxpayers, the NTA is required to report annually to Congress and identify at least 20 of the most serious problems encountered by taxpayers and recommend appropriate action.³⁷ These reports are all publicly available.³⁸

d. Internal Evaluations

The IRS also measures and reports its achievements. The IRS releases statistical information as well.³⁹

1. Statistics of Income

The Statistics of Income (SOI) Bulletin is issued quarterly by the Statistics of Income Division of the IRS. The report provides the earliest published annual financial statistics obtained from the various types of

32 GAO, Publication No. GAO-14-746T, *LARGE PARTNERSHIPS: Growing Population and Complexity Hinder Effective IRS Audits, Testimony Before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate*, by James R. White, Director, Strategic Issues (July 22, 2014), available at <http://www.gao.gov/assets/670/664917.pdf>; and GAO, Publication No. GAO-14-479, *IRS CORRESPONDENCE AUDITS: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden, Report to the Committee on Finance, U.S. Senate (June 2014)*, available at <http://www.gao.gov/assets/670/663840.pdf>

33 GAO, Publication No. GAO-14-605, *IRS 2015 BUDGET: Long-Term Strategy and Return on Investment Data Needed to Better Manage Budget Uncertainty and Set Priorities, Report to Congressional Committees (June 2014)*, available at <http://www.gao.gov/assets/670/664083.pdf>

34 GAO, Publication No. GAO-13-515, *TAX REFUNDS: IRS Is Exploring Verification Improvements, but Needs to Better Manage Risks, Report to the Committee on Finance, U.S. Senate (June 2013)*, available at <http://www.gao.gov/assets/660/655020.pdf>

35 See, e.g., GAO, Publication No. GAO-14-433R, *Management Report: Improvements Are Needed to Enhance the Internal Revenue Service's Internal Controls (July 2, 2014)*, available at <http://www.gao.gov/assets/670/664599.pdf>; and GAO, Publication No. GAO-13-420R, *Management Report: Improvements Are Needed to Enhance the Internal Revenue Service's Internal Controls (May 13, 2013)*, available at <http://www.gao.gov/assets/660/654563.pdf>

36 www.gao.gov

37 IRC section 7803(c)(2)(B)(ii)

38 <http://www.irs.gov/Advocate/Reports-to-Congress>

39 www.irs.gov/taxstats

tax and information returns filed, as well as information from periodic or special analytical studies of particular interest to students of the U.S. tax system, tax policymakers, and tax administrators. Selected historical and other data tables, previously published in every issue of the SOI Bulletin, now are published only on the IRS Website.

2. Data Book

The Internal Revenue Service (IRS) Data Book is published annually by the Internal Revenue Service and contains statistical tables and organizational information on a fiscal year basis. The report provides data on collecting the revenue, issuing refunds, enforcing the law, assisting the taxpayer, and the budget and workforce. The Data Book provides no analysis.

4. WHAT ARE THE SOURCES FOR MEASURING THE IRS' PERFORMANCE?

In the RRA, Congress directed the IRS, consistent with its current performance planning procedures established under the GPRA, to establish a performance management system that will establish "goals or objectives for individual, group, or organizational performance."⁴⁰ As a result, the IRS has provided its performance measures in a number of sources, including Regulations and the Internal Revenue Manual.

a. Regulations

The IRS implemented the performance requirements in the RRA with the adoption of regulations providing rules relating to the establishment of a balanced performance measurement system.⁴¹ The regulations note that the IRS must set performance goals for organizational units and measure the results achieved by the units with respect to these goals.⁴² The IRS established a balanced performance measurement system, composed of three elements: Customer Satisfaction Measures, Employee Satisfaction Measures, and Business Results Measures.⁴³ A performance evaluation system for individual employees is also required.⁴⁴ The performance measures should be objective, quantifiable, and measurable; they will be used to measure the overall performance of various operational units.⁴⁵

⁴⁰ Public Law No. 105-206, *supra*, section 1201, adding 5 U.S.C. section 9508(a)(2)

⁴¹ T.D. 8830, 64 Fed. Reg. 42834 (August 6, 1999), amended in T.D. 9426, 73 Fed. Reg. 60627 (October 14, 2008)

⁴² Treas. Reg. section 801.1(a)(2)

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ Treas. Reg. section 801.2

Each employee of the IRS is evaluated using the critical elements or standards established for the position.⁴⁶ In addition, all employees are to be evaluated on whether they provided fair and equitable treatment to taxpayers.⁴⁷ No employee is to be evaluated based on tax enforcement results.⁴⁸ Members of the Senior Executive Service are to be evaluated in another, but specific, way.⁴⁹

The regulations provide information on the meaning of customer satisfaction, employee satisfaction, and business results for the operational units.⁵⁰ A “customer” could include an individual taxpayer, an organizational unit, an employee within the IRS, and an external group affected by the service performed.⁵¹

The subject of the regulations – the balanced measures of Customer Satisfaction, Employee Satisfaction, and Business Results – were described in more detail in *Modernizing America’s Tax Agency* (Modernizing), a publication by then-Commissioner Charles Rossotti in 1999.⁵² Chapter VII of Modernizing discussed these performance measures.⁵³ The report noted that for years, enforcement statistics were a key issue in measuring performance. In the 1990’s, in fact, the performance of the IRS district offices was ranked, in part, by a quantitative performance index in which enforcement statistics comprised about 70 percent of the weight of the index. Although front-line employees were not supposed to be evaluated using these quantitative measurements, this policy was not always followed.⁵⁴

As establishing appropriate quantitative performance measures is both required by law (GPRA) and essential for the proper operation of the IRS, the balanced performance measures were developed as part of the IRS modernization effort.⁵⁵ These measures support and reinforce achievement for the IRS’ mission and overall strategic goals.⁵⁶ Modernizing provided general guidelines on the levels at which measurement should take place. At the strategic level, the measurements are applicable to the agency as a whole and to each of the four newly-created operating divisions (Wage & Investment,

⁴⁶ *Treas. Reg. section 801.3(a)*

⁴⁷ *Treas. Reg. section 801.3(b)*

⁴⁸ *Treas. Reg. section 801.3(e)(1)*

⁴⁹ *Treas. Reg. section 801.3(c)*

⁵⁰ *Treas. Reg. section 801.4 through 801.6*

⁵¹ *Treas. Reg. section 801.4*

⁵² <http://www.irs.gov/uac/Modernizing-America's-Tax-Agency>

⁵³ <http://www.irs.gov/pub/irs-utl/perform.pdf>

⁵⁴ *Id.*, 48

⁵⁵ *Id.*

⁵⁶ *Id.*

Small Business/Self-Employed, Large and Mid-Sized Business,⁵⁷ and Tax Exempt /Government Entities).⁵⁸ At the operational level, the measurements are applicable to the “functions” of the operation, such as customer service, field collection, and field examination.⁵⁹

b. Internal Revenue Manual (IRM)

The Regulations and Modernizing set the general tone and provided an overview of the balanced measures to be used in the future. The detailed meaning of the IRS Balanced Performance Measurement System is set out in the IRM in section 1.5, Managing Statistics in a Balanced Measurement System. IRM 1.5.1 provides the detailed guidelines for the implementation of the balanced performance measurement system. Each of the three components of balanced measures – customer satisfaction, employee satisfaction, and business results – must be considered when the IRS sets organizational objectives, establishes targets, assesses progress and results, and evaluates individual performance.⁶⁰ The IRM confirms the general statements in Modernizing that balanced measures are used at both the strategic level and the operational level to measure organizational performance and that the balanced measures approach is the basis for evaluating employees at the individual level.⁶¹

Each component of the balanced measures has a goal.⁶² The IRM provides both the goal and the general guidelines on how to achieve the goal. For example, the goal of Customer Satisfaction is to measure how well the IRS provides accurate and professional services to internal and external customers in a courteous, timely manner.⁶³ The IRS measures how well it meets this goal with information gathered from a census or from a statistically valid sample of the taxpayers serviced by a particular operating division or who have recently interacted with a particular IRS program.⁶⁴ The goal of customer satisfaction should be considered even when developing strategies to improve other business performance measurements, such as business results.⁶⁵ The goal of Employee Satisfaction is to measure how well the IRS

⁵⁷ This division changed its name to Large Business & International in 2010 as part of an organizational shift to improve international tax compliance. See <http://www.irs.gov/uac/IRS-Realigns-and-Renames-Large-Business-Division,-Enhances-Focus-on-International-Tax-Administration>.

⁵⁸ Modernizing, *supra*, 49

⁵⁹ *Id.*, 50

⁶⁰ IRM 1.5.1.2(1)

⁶¹ IRM 1.5.1.2(2)

⁶² IRM 1.5.1.5(1)

⁶³ IRM 1.5.1.5(1)(a)

⁶⁴ IRM 1.5.1.8.1(1)

⁶⁵ IRM 1.5.1.8.1(3)

creates an enabling work environment for employees by providing quality leadership, adequate training, and effective support services.⁶⁶ The goal of Business Results is to measure how much work the IRS produces in a quality manner and to provide a meaningful outreach to all customers.⁶⁷ Business Results are assessed through measures of output (quantity) and efficiency (quality).⁶⁸ Output measures consist of output-neutral production and resource data, such as the number of cases closed, work items completed, and hours expended. Efficiency measures consist of data such as case/call review data, accuracy, and timeliness. Measuring both quantity and quality helps ensure that a productive quantity of work is generated in a quality manner.⁶⁹

Each organization within the IRS must establish a comprehensive approach to measure the three goals; a clear strategy to use all the elements of balanced measures in strategic, operational, and business planning; and a commitment to ensuring, explaining, and demonstrating how the goals are used in the business decisions of the organization.⁷⁰

5. HOW DOES THE IRS IMPLEMENT THE PERFORMANCE MEASURES?

a. Agency-Wide Strategic Plans

One of the purposes of the GPRA was to help managers improve service by requiring planning.⁷¹ Each agency was required to submit a 5-year strategic plan that would be updated and revised at least every three years.⁷² In addition, each agency was required to provide a performance plan for the overall budget.⁷³

Beginning with the Fiscal Year 2000, the IRS issued multi-year Strategic Plans to help memorialize its mission and goals and to outline its plans to achieve those goals.⁷⁴ The IRS Strategic Plan (Fiscal Years 2000-2005) was the first strategic plan published in recent history.⁷⁵ It outlined the new IRS Mission Statement, as well as the IRS' three

⁶⁶ IRM 1.5.1.5(1)(b)

⁶⁷ IRM 1.5.1.5(1)(c)

⁶⁸ IRM 1.5.1.8.2(1)

⁶⁹ *Id.*

⁷⁰ IRM 1.5.1.14(1)

⁷¹ GPRA, *supra*, section 2(b)(4)

⁷² *Id.*, section 3, adding 5 USC 306(b)

⁷³ *Id.*, section 4, adding 31 USC 1105(a)(29) and 31 USC 1115

⁷⁴ Publication 3744, issued in 2001 (<http://www.irs.gov/pub/irs-prior/p3744--2001.pdf>), and revised in 2004 (<http://www.irs.gov/pub/irs-prior/p3744--2004.pdf>), 2009 (<http://www.irs.gov/pub/irs-prior/p3744--2009.pdf>), and 2014 (<http://www.irs.gov/pub/irs-prior/p3744.pdf>)

⁷⁵ Publication 3744 (2001), *supra*, 13

strategic goals and objectives: top-quality service to each taxpayer in every interaction, top-quality service to all taxpayers through fair and uniform application of the law, and productivity through a quality work environment.⁷⁶ This was to be accomplished with the new Strategic Planning, Budgeting and Performance Management process.⁷⁷

The RRA required the IRS to revise and restate its mission to place a greater emphasis on serving the public and meeting taxpayers' needs.⁷⁸ The current IRS mission is to:

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

Thus, the IRS has a two-part mission: service and enforcement, with each part equally important. Approximately 98% of the taxes collected are paid without active intervention by the IRS.⁷⁹ Many of those taxes are collected at the time the income is paid – through withholding taxes on wages, for example. Other taxes are collected at the time the taxpayer voluntarily files a tax return. The role of the IRS is to help the willing taxpayers (service) while ensuring that the unwilling taxpayers do not burden their fellow taxpayers (enforcement).⁸⁰ The strategic plan is a framework for developing senior management involvement and guidance. The first Strategic Plan incorporated the strategic goals identified as Customer Satisfaction, Employee Satisfaction, and Business Results.⁸¹

The mission and the 3 strategic goals are to be the anchor points against which everything at the IRS is measured.⁸² Each goal has objectives to help define the goal.⁸³

The IRS has continued this strategic framework through its later strategic plans. The goal of "service to each taxpayer" has generally been translated into the "service" component of the framework. While that has been a goal in each of the 4 Strategic Plans that have been issued (2000 – Top quality service to each taxpayer in every

⁷⁶ *Id.*, 3 – 5

⁷⁷ *Id.*, 13

⁷⁸ *Public L. No. 105-206, supra, section 1002*

⁷⁹ *Publication 3744 (2001), supra, 15*

⁸⁰ *Modernizing, supra, 1 - 2*

⁸¹ *Publication 3744 (2001), supra, 79 - 80*

⁸² *Id.*, 18

⁸³ *Id.*

interaction;⁸⁴ 2005 – Improve taxpayer service;⁸⁵ 2009 – Improve service to make voluntary compliance easier;⁸⁶ 2014 – Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance⁸⁷), the objectives to measure how well the goal was achieved have changed as previous objectives were satisfied or have been revised because of changing circumstances. For example, in the section for the “service” goal, an objective in 2000 was to “Convert most interactions with taxpayers and practitioners to electronic means as rapidly as possible.”⁸⁸ At that time, 77% of returns were still filed on paper.⁸⁹ The RRA provided a goal of 80% electronic filing by 2007.⁹⁰ The 2001 Strategic Plan identified areas of change necessary to improve electronic filing (such as enhancing technology to enable electronic filing of more forms).⁹¹ This goal has been achieved – the 2014 Strategic Plan noted that 83% of returns were filed electronically for FY 2013.⁹² The electronic filing goal has now been increased to 90% by 2017.⁹³ In addition, an objective in the “services” goal for the current strategic plan relates to reducing “customer burden”, and one of the strategies to achieve this goal is to “expand the availability of electronic filing and provide easily accessible payment tools for all taxpayers”.⁹⁴ Another services goal relates to “digital customer service”, which includes enhancing online self-service offerings such as “Where’s My Refund” that taxpayers can use without involving a customer service representative.⁹⁵ Thus, the strategic objective is the same (taxpayer service), but the goal and the strategies to achieve the goal have changed.

Every year, IRS divisions must set “goals” for the division that are developed in accordance with the Balanced Measures. These division measures help determine how well the IRS is achieving its overall goals.

b. Taxpayer Assistance Blueprint

In 2005, Congress directed the IRS to conduct a comprehensive review of its current portfolio of services and develop a five-year

⁸⁴ *Id.*, 23

⁸⁵ *Publication 3744 (2004)*, *supra*, 12

⁸⁶ *Publication 3744 (2009)*, *supra*, 13

⁸⁷ *Publication 3744 (2014)*, *supra*, 22

⁸⁸ *Publication 3744 (2001)*, *supra*, 43

⁸⁹ *Id.*

⁹⁰ *Public L. No. 105-206*, *supra*, section 2001(a)(2)

⁹¹ *Publication 3744 (2001)*, *supra*, 43

⁹² *Publication 3744 (2014)*, *supra*, 6

⁹³ *Id.*, pg. 37

⁹⁴ *Id.*, pg. 27

⁹⁵ *Id.*, pg. 23

plan for taxpayer services.⁹⁶ The plan was to (1) be developed in collaboration with the IRS Oversight Board and the National Taxpayer Advocate (NTA) and (2) include long-term goals that are strategic and quantitative, and balance enforcement and service.⁹⁷ In response, the Taxpayer Assistance Blueprint (TAB) initiative was implemented. It was a two-phase process. The IRS issued its Phase 1 report in 2006⁹⁸ and its Phase 2 report in 2007.⁹⁹ The Phase 1 report identified strategic improvement themes by researching IRS services relative to taxpayers' needs and preferences.¹⁰⁰ The Phase 2 report outlined areas for services improvement and provided a 5-year plan for taxpayer services – the TAB Strategic Plan.¹⁰¹ Beginning in 2008, the IRS, Oversight Board, and NTA issued an annual report to Congress for four years; in April 2013, the group issued a final report, which was a summary of the activities of the five years.¹⁰² The final report identified service improvements that have been made and indicated that the Strategic Plan for 2009 through 2013 incorporated the concept of improving taxpayer services and that its next Strategic Plan would also incorporate improving service in every taxpayer interaction.¹⁰³

6. HOW DOES THE IRS EVALUATE THE IMPLEMENTATION OF PROGRAMS?

The IRS issues both formal and informal reports to help measure success. Congress has directed the IRS to provide reports on various IRS programs. For example, in the Ticket to Work and Work Incentives Improvement Act of 1999,¹⁰⁴ Congress provided that, no later than 90 days after the end of each calendar year, the Secretary of the Treasury shall prepare and publish a report with very specific information about advance pricing agreements.¹⁰⁵ The information includes the number of applications filed during such calendar year for advance pricing

⁹⁶ *Conference Report 109-307, Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Reversion of Funds)*, 209, available at <http://www.gpo.gov/fdsys/pkg/CRPT-109hrpt307/pdf/CRPT-109hrpt307.pdf>

⁹⁷ *Id.*

⁹⁸ *The 2006 Taxpayer Assistance Blueprint, Phase 1, April 24, 2006*, available at <http://www.irs.gov/pub/irs-pdf/p4525.pdf> (2006 TAB Report)

⁹⁹ *The 2007 Taxpayer Assistance Blueprint, Phase 2*, available at <http://www.irs.gov/pub/irs-pdf/p4579.pdf> (2007 TAB Report)

¹⁰⁰ 2006 TAB Report, i

¹⁰¹ 2007 TAB Report, 1 - 2

¹⁰² *Annual Report to Congress: Progress on the Implementation of The Taxpayer Assistance Blueprint*, available at <http://www.irs.gov/pub/irs-pdf/p4701.pdf>

¹⁰³ *Id.*, iii

¹⁰⁴ *Pub. L. No. 106-170*, available at <http://www.gpo.gov/fdsys/pkg/PLAW-106publ170/pdf/PLAW-106publ170.pdf>

¹⁰⁵ *Id.*, section 521(b)

agreements as well as the advance pricing agreements executed cumulatively to date and during such calendar year.

Similarly, in the Conference Report¹⁰⁶ to accompany the Consolidated Appropriations Act, 2001,¹⁰⁷ Congress noted that the IRS had recently publicized a pilot program for a pre-filing agreement¹⁰⁸ and indicated that the Secretary of the Treasury would make publicly available an annual report with information such as the number of applications received and withdrawn, the number of agreements completed, and the types of issues resolved by the agreements.¹⁰⁹

The IRS issues the following reports to reflect compliance with Congressional mandates and to show its progress in achieving various goals.

a. Advance Pricing Agreements Report

Every year the IRS issues an Announcement and Report concerning Advance Pricing Agreements. As noted above, this report is required by law. The Announcement for 2013 was issued on March 27, 2014.¹¹⁰ It follows the format required by the statute and is a general snapshot of the program to show areas of continuing challenge or areas of improvement. For example, 111 APA applications were received in 2013, representing a decrease from 126 applications received in 2012, although an additional 42 user fees filings were received in 2013. Almost 75 percent of the bilateral applications filed in 2013 involved Japan or Canada. A total of 145 APAs were executed in 2013, which includes 77 APA.¹¹¹

Because the report is issued every year, it is easy to compare annual results. For example, in the announcement for the 2007 calendar year, it was reported that 92 APA applications were filed and 81 APAs were executed.¹¹² The average time to complete any type of APA (new or renewal, unilateral or bilateral) in 2007 was 33.7 months; in 2013 the average time was 36.2 months.¹¹³

¹⁰⁶ *H.R. Rep. 106-1033, Making Omnibus Consolidated and Emergency Supplemental Appropriations for Fiscal Year 2001*, available at <http://www.gpo.gov/fdsys/pkg/CRPT-106hrpt1033/pdf/CRPT-106hrpt1033.pdf>

¹⁰⁷ *Pub. L. No. 106-554*, available at <http://www.gpo.gov/fdsys/pkg/PLAW-106publ554/pdf/PLAW-106publ554.pdf>

¹⁰⁸ *Notice 2000-12*, 2000-9 I.R.B. 72

¹⁰⁹ *H. R. Rep. No. 106-1033*, *supra*, 1010

¹¹⁰ *Announcement 2014-14*, 2014-16 I.R.B. 948, available at <http://www.irs.gov/pub/irs-irbs/irb14-16.pdf>

¹¹¹ *Id.*, 951

¹¹² *Announcement 2008-27*, 2008-15 I.R.B. 751, 757, available at <http://www.irs.gov/pub/irs-irbs/irb08-15.pdf>

¹¹³ *Id.*, 757; *Announcement 2014-14*, *supra*, 960

The recent report shows increased efficiencies within the APMA program, since the number of pending APAs decreased in 2013. However, the bar chart also shows that the number of pending APAs at the end of 2013 was still higher than in some prior years.¹¹⁴

The APA report includes a general description of APAs executed in 2013, as required by statute.¹¹⁵ Additional statistical information, such as types of tested parties (U.S. service provider, non-U.S. service provider, U.S. manufacturer, etc.) and time to complete new and renewal APAs also is provided.¹¹⁶

b. Competent Authority Report

The IRS issues an annual report on cases handled by the Office of the United States Competent Authority (USCA) under the Mutual Agreement Procedure of U.S. tax treaties.¹¹⁷ The USCA includes both the Advance Pricing and Mutual Agreement (APMA) Program and the Treaty Assistance and Interpretation Team (TAIT). This report contains statistics on cases handled by both APMA and TAIT including information on requests received, cases resolved, and pending cases. Advance Pricing Agreement (APA) information is reported separately in the APA statutory report (discussed above).

c. Pre-Filing Agreement Program

In early 2000, the IRS implemented a pilot Pre-Filing Agreement program.¹¹⁸ The purpose of the program was to enable both taxpayers and the IRS to resolve before the due date of a tax return the treatment of issues otherwise likely to be disputed in post-filing audits. This cooperative effort was intended to reduce the costs, burden, and delays encountered in post-filing examinations. The program was made permanent in 2001.¹¹⁹

Congress required the IRS to issue an annual report relating to the pre-filing agreement program operations for the preceding calendar.¹²⁰ The report was to include statistical information (e.g., applications

¹¹⁴ *Announcement 2014-14, supra*, 952

¹¹⁵ *Id.*, 955

¹¹⁶ *Id.*, 957, 960

¹¹⁷ <http://www.irs.gov/Businesses/Corporations/Annual-Competent-Authority-Statistics>

¹¹⁸ *Notice 2000-12, supra*

¹¹⁹ *Rev. Proc. 2001-22, 2001-9 I.R.B. 745, section 2.02. The scope of the program has also expanded over the years. See, e.g., Rev. Proc. 2009-14, 2009-3 I.R.B. 324, available at <http://www.irs.gov/pub/irs-irbs/irb09-03.pdf>*

¹²⁰ *H.R. Rep. 106-1033, supra*, 1010. *The reports were required for the shorter of 5 years or the duration of the program.*

received, agreements completed, average length of time to complete an application) as well as descriptive information (e.g., types of issues resolved, model agreements).¹²¹ For example, the first report indicated that, as of the end of 2000, 19 applications were filed: 7 were not considered appropriate for the pilot program, 1 was withdrawn by the taxpayer, 4 were still in process, and 7 were executed.¹²² The average time to complete an agreement was 166.1 days.¹²³ The IRS issued reports to Congress for 5 years and continues to provide the statistical information on its website.¹²⁴

d. Offshore Voluntary Disclosure Programs

In 2009, the IRS announced the first offshore voluntary disclosure program.¹²⁵ In this program, taxpayers who came forth voluntarily and disclosed offshore accounts that had not been reported to the IRS previously would have to pay taxes, interest, and penalties associated with the failure to report, but would be able to avoid criminal prosecution for such failure to report. Other disclosure programs have been announced since 2009.¹²⁶

Although the IRS has no statutory obligation to report information on the programs, its successes are announced from time to time. For example, in the 2009 OVDP the IRS received 15,000 disclosures prior to the Oct. 15 closing date that year; the program led to another 3,000 disclosures after the closing date.¹²⁷ It resulted in the collection of \$3.4 billion in back taxes, interest and penalties.¹²⁸ By June 2012, the IRS had received 33,000 disclosures from the 2009 and 2011 OVDP programs and had collected more than \$5 billion in back taxes,

¹²¹ *Id.*

¹²² *Announcement 2001-38, 2001-17 I.R.B. 1138, 4 – 5, available at <http://www.irs.gov/pub/irs-utl/report1-38.pdf>*

¹²³ *Id.*, 8

¹²⁴ Available at <http://www.irs.gov/Businesses/Pre-Filing-Agreement-Program>

¹²⁵ See <http://www.irs.gov/uac/Statement-from-IRS-Commissioner-Doug-Shulman-on-Offshore-Income> for the statement of then-Commissioner Shulman on the program and http://www.irs.gov/pub/newsroom/memorandum_authorizing_penalty_framework.pdf for the guidance he discussed

¹²⁶ See <http://www.irs.gov/uac/Second-Special-Voluntary-Disclosure-Initiative-Opens;-Those-Hiding-Assets-Offshore-Face-Aug.-31-deadline> for the 2011 program; [http://www.irs.gov/uac/IRS-Offshore-Programs-Produce-\\$4.4-Billion-To-Date-for-Nation's-Taxpayers;-Offshore-Voluntary-Disclosure-Program-Reopens](http://www.irs.gov/uac/IRS-Offshore-Programs-Produce-$4.4-Billion-To-Date-for-Nation's-Taxpayers;-Offshore-Voluntary-Disclosure-Program-Reopens) for the 2012 program; and <http://www.irs.gov/uac/Newsroom/IRS-Makes-Changes-to-Offshore-Programs;-Revisions-Ease-Burden-and-Help-More-Taxpayers-Come-into-Compliance> for the changes and modifications to the 2012 program

¹²⁷ <http://www.irs.gov/uac/Second-Special-Voluntary-Disclosure-Initiative-Opens;-Those-Hiding-Assets-Offshore-Face-Aug.-31-deadline>

¹²⁸ [http://www.irs.gov/uac/IRS-Offshore-Programs-Produce-\\$4.4-Billion-To-Date-for-Nation's-Taxpayers;-Offshore-Voluntary-Disclosure-Program-Reopens](http://www.irs.gov/uac/IRS-Offshore-Programs-Produce-$4.4-Billion-To-Date-for-Nation's-Taxpayers;-Offshore-Voluntary-Disclosure-Program-Reopens)

interest, and penalties.¹²⁹ In June 2014, the IRS announced that the three voluntary programs had resulted in more than 45,000 voluntary disclosures from individuals who have paid about \$6.5 billion in back taxes, interest and penalties.¹³⁰

e. Refund Fraud

An area of significant importance to the IRS is stopping refund fraud.¹³¹ At the beginning of the 2014 filing season, the IRS indicated that it had stopped 14.6 million suspicious returns, and protected over \$50 billion in fraudulent refunds in the period from 2011 through November 2013.¹³²

f. Identity Theft

Identity theft is one of the fastest growing crimes.¹³³ Tax-related identity theft includes the theft of a social security number to file a false income tax return and claim a tax refund. Incidents of tax-related identity theft have increased exponentially in the last five years. Identity theft is a priority area of investigation for the Criminal Investigation (CI) division at the IRS. For Fiscal Year 2011, CI initiated 276 investigations into identity theft; for Fiscal Year 2013, this number was 1492.¹³⁴

The IRS measures its success in this area by refunds stopped. The IRS suspended or rejected 5.7 million suspicious returns worth nearly \$18 billion in calendar year 2013;¹³⁵ through the end of May 2014, about 3.7 million suspicious returns had been stopped.

The IRS has opened over 800 new investigations into identity theft and refund fraud schemes; the total number of active cases is more

¹²⁹ [http://www.irs.gov/uac/IRS-Says-Offshore-Effort-Tops-\\$5-Billion,-Announces-New-Details-on-the-Voluntary-Disclosure-Program-and-Closing-of-Offshore-Loophole](http://www.irs.gov/uac/IRS-Says-Offshore-Effort-Tops-$5-Billion,-Announces-New-Details-on-the-Voluntary-Disclosure-Program-and-Closing-of-Offshore-Loophole)

¹³⁰ [http://www.irs.gov/uac/Newsroom/IRS-Offshore-Voluntary-Disclosure-Efforts-Produce-\\$6.5-Billion;-45,000-Taxpayers-Participate](http://www.irs.gov/uac/Newsroom/IRS-Offshore-Voluntary-Disclosure-Efforts-Produce-$6.5-Billion;-45,000-Taxpayers-Participate).

¹³¹ <http://www.irs.gov/uac/Newsroom/IRS-Combats-Identity-Theft-and-Refund-Fraud-on-Many-Fronts-2014>

¹³² *Id.* Many, but not all, of the instances of refund fraud also involve identity theft, discussed in the next section. For examples of investigations involving refund fraud, see <http://www.irs.gov/uac/Examples-of-Questionable-Refund-Investigations-Fiscal-Year-2014>.

¹³³ <http://www.irs.gov/uac/Newsroom/IRS-Intensifies-Work-on-Identity-Theft-and-Refund-Fraud;-Criminal-Investigation-Enforcement-Actions-Underway-Across-the-Nation>

¹³⁴ Criminal Investigation, 2013 Annual Business Report, 10, available at <http://www.irs.gov/pub/foia/ig/ci/REPORT-fy2013-ci-annual-report-02-14-2014.pdf>

¹³⁵ Written Testimony of John A. Koskinen, Commissioner, Internal Revenue Service, before the House Oversight and Government Reform Committee, Subcommittee on Government Operations, on IRS Actions to Reduce Improper Payments, July 9, 2014, available at <http://oversight.house.gov/wp-content/uploads/2014/07/Mr.-Koskinen-Testimony.pdf>

than 1,900.¹³⁶ In its interim report on the 2014 Filing Season, TIGTA noted that the IRS has expanded from 80 to 114 the number of identity theft filters in use to identify fraudulent tax returns at the time of processing.¹³⁷

TIGTA has reviewed the problem of identity theft. A 2012 report included 8 recommendations (1 was a legislative recommendation) to develop or improve processes that would increase the IRS's ability to detect and prevent the issuance of fraudulent tax refunds resulting from identity theft.¹³⁸ The IRS agreed with the recommendations. TIGTA issued a follow-up report in 2013 and noted that the amount of undetected potentially fraudulent refunds for Tax Year 2011 was down by \$1.6 billion from the \$5.2 billion for Tax Year 2010 that TIGTA had identified in 2012.¹³⁹ At the same time, however, it noted that additional work was needed to address the 2012 recommendations and it made two additional recommendations.¹⁴⁰ The IRS implemented one recommendation in July 2014 when the Commissioner reported that no more than 3 refunds could be deposited to the same bank account.¹⁴¹ TIGTA continues to review IRS efforts and will issue additional reports on the subject, continuing to help measure IRS success in combating identity theft.¹⁴²

g. Earned Income Tax Credit Improper Payments

Improper payments relating to the Earned Income Tax Credit (EITC) have been identified as a significant problem for many years. In early 2002, the IRS issued a report that indicated that between \$8.5 and \$9.9 billion of EITC claims representing 27 to 31.7 percent of total claims should not have been paid.¹⁴³ The IRS, TIGTA, and the GAO continue to review the EITC program to measure the amount of improper payments and to identify steps that might help reduce these improper payments. In 2004 TIGTA noted that the IRS had taken

¹³⁶ *Id.*, 6

¹³⁷ TIGTA, Reference No. 2014-40-029, *supra*, 12

¹³⁸ TIGTA, Reference No. 2012-42-080, *There Are Billions of Dollars in Undetected Tax Refund Fraud Resulting From Identity Theft* (July 19, 2012), 11 – 18, available at <http://www.treasury.gov/tigta/auditreports/2012reports/201242080fr.pdf>

¹³⁹ TIGTA, Reference No. 2013-40-122, *Detection Has Improved; However, Identity Theft Continues to Result in Billions of Dollars in Potentially Fraudulent Tax Refunds* (September 20, 2013), 3, available at <http://www.treasury.gov/tigta/auditreports/2013reports/201340122fr.pdf>

¹⁴⁰ *Id.*, 11 and 17

¹⁴¹ 2014 Tax Notes Today, *Koskinen Announces Limits on Electronic Refunds*, July 2, 2014 (Doc 2014-16474)

¹⁴² TIGTA, Reference No. 2013-40-122, *supra*, 12

¹⁴³ Internal Revenue Service, *Compliance Estimated for Earned Income Tax Credit on 1999 Returns* (February 28, 2002), 3, available at <http://www.irs.gov/pub/irs-soi/0202compeitc.pdf>

steps to better select returns for examination before issuing refunds and recommended actions to improve the examination process, which the IRS agreed to take.¹⁴⁴ In 2009, TIGTA indicated that the IRS estimated that between \$9.6 billion and \$11.4 billion (23 percent to 28 percent) of the \$41.3 billion in EITC claims paid for TY 2004 returns were paid in error.¹⁴⁵ In 2011, TIGTA reported that the IRS estimated that improper EITC payments continued to represent approximately 23 to 28 percent of total EITC payments, or \$11 to \$13 billion in improper payments.¹⁴⁶ Further, an IRS report to TIGTA¹⁴⁷ did not include any quantifiable targets to reduce EITC improper payments, as required by Executive Order 13520 (Reducing Improper Payments).¹⁴⁸

Almost 66 percent of tax returns claiming the EITC are prepared by a paid preparer.¹⁴⁹ For tax year 2011, the IRS revised Form 8867, the Paid Preparer's Earned Income Credit Checklist, to make the paid preparer more responsible for performing due diligence on a client and confirming eligibility for the EITC. At the end of 2011, Treasury issued regulations governing the use of Form 8867.¹⁵⁰ Nevertheless, for Fiscal Year 2013, the GAO estimated that the improper payments of EITC were \$14.5 million, a 24% error rate,¹⁵¹ and a TIGTA report indicated that the IRS estimated that between \$13.3 billion and \$15.6 billion of improper EITC payments were made, representing an error

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- ¹⁴⁴ TIGTA, Reference No. 2004-40-004, *The Selection of Earned Income Tax Credit Returns for Examination Can Be Improved to Further Prevent Erroneous Payments* (October 2003), 9, available at <http://www.treasury.gov/tigta/auditreports/2004reports/200440004fr.pdf?FILTERNAME=%40URL%5C&FILTERVALUE=%2Ftigta%2F>
- ¹⁴⁵ TIGTA, Reference No. 2009-40-024, *The Earned Income Tax Credit Program Has Made Advances; However, Alternatives to Traditional Compliance Methods Are Needed to Stop Billions of Dollars in Erroneous Payments* (December 31, 2008), 1, available at <http://www.treasury.gov/tigta/auditreports/2009reports/200940024fr.pdf>
- ¹⁴⁶ TIGTA, Reference No. 2011-40-023, *Reduction Targets and Strategies Have Not Been Established to Reduce the Billions of Dollars in Improper Earned Income Tax Credit Payments Each Year* (February 7, 2011), 1, available at <http://www.treasury.gov/tigta/auditreports/2011reports/201140023fr.pdf>
- ¹⁴⁷ *Id.*, Appendix IV
- ¹⁴⁸ *Id.*, pg 6
- ¹⁴⁹ TIGTA, Reference No. 2012-40-119, *The Majority of Individual Tax Returns Were Processed Timely, but Not All Tax Credits Were Processed Correctly During the 2012 Filing Season* (September 26, 2012), 15, available at <http://www.treasury.gov/tigta/auditreports/2012reports/201240119fr.pdf>
- ¹⁵⁰ Treas. Reg. § 1.6695-2
- ¹⁵¹ GAO, Publication No. GAO-14-737T, *IMPROPER PAYMENTS Government-Wide Estimates and Reduction Strategies, Testimony Before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives* (July 9, 2014), 4, available at <http://www.gao.gov/assets/670/664692.pdf>

rate of 22 to 26 percent.¹⁵² A review of the chart in this TIGTA report shows no improvement in reducing EITC payments for the 11-year period identified in the report.

7. CHALLENGES OF MEASUREMENTS

a. Some Programs Are Difficult to Measure

Some goals are more easily measured than other goals. An example of an easily-measured goal is the number of tax returns that are electronically filed. In the RRA, Congress set a goal of having 80% of returns filed electronically within 10 years.¹⁵³ The IRS measures electronic filing of returns every year. The first year that it surpassed the 80% number was 2011.¹⁵⁴

It is more difficult to measure success when the program being measured does not have an easily quantifiable goal. An example of this type of program is the Compliance Assurance Process (CAP). In 2005 the IRS announced a pilot program for large business taxpayers called CAP.¹⁵⁵ The CAP program is a method of identifying and resolving tax issues through open, cooperative, and transparent interaction between the IRS and a taxpayer before the taxpayer files a return. It requires a contemporaneous exchange of information relating to proposed return positions and transactions that may affect the taxpayer's federal tax liability.¹⁵⁶

The objective goal of the CAP program is to reduce taxpayer burden and uncertainty while assuring the IRS of the accuracy of tax returns before they are filed. The CAP program should reduce or eliminate the need for post-filing examinations, which saves time and resources and provides quicker guidance on tax issues.¹⁵⁷ Other goals of CAP are to allow the IRS to provide a more efficient use of audit resources and to allow taxpayers to better manage tax reserves and ensure more precise reporting of earnings on financial statements. In March 2011, the IRS announced that the CAP pilot program was being expanded

¹⁵² TIGTA, Reference No. 2014-40-027, *The Internal Revenue Service Fiscal Year 2013 Improper Payment Reporting Continues to Not Comply With the Improper Payments Elimination and Recovery Act (March 31, 2014)*, 5, available at <http://www.treasury.gov/tigta/auditreports/2014reports/201440027fr.pdf>

¹⁵³ Pub. L. No 105-206, *supra*, section 2001(a)

¹⁵⁴ <http://www.irs.gov/uac/2012-Filing-Season-Statistics>

¹⁵⁵ Announcement 2005-87, 2005-50 I.R.B. 1144, available at <http://www.irs.gov/pub/irs-irbs/irb05-50.pdf>

¹⁵⁶ IRM 4.51.8.2, available at http://www.irs.gov/irm/part4/irm_04-051-008.html#d0e60

¹⁵⁷ Announcement 2005-87, *supra*, 1144

and made permanent.¹⁵⁸ CAP now includes a Pre-CAP program, which provides taxpayers with a clear roadmap of the steps required for gaining entry into CAP, and a new Compliance Maintenance program.¹⁵⁹ The CAP Maintenance program is available to taxpayers who have been in CAP, have fewer complex issues, and have established a track record of working cooperatively and transparently with the IRS.

Both TIGTA and the GAO have audited the CAP program.¹⁶⁰ Both reports state that the IRS has not developed a plan to evaluate CAP data; as a result, the IRS cannot show whether the stated goals of CAP are being met.

TIGTA reported that the CAP program is being administered in accordance with IRS policies and procedures. However, in spite of the length of the pilot program (6 years) and the 2-year history with the permanent program, the IRS has yet to develop and implement a plan using objective measures and standards to thoroughly evaluate CAP data.¹⁶¹ Assessing the CAP program carefully might identify revisions that would further enhance the process and help taxpayers assess whether the CAP program is providing enough benefits to justify costs.¹⁶² Although the IRS performs quality reviews of the CAP program each year, and the scores have been high, the IRS has not yet established a target goal for the CAP quality score.¹⁶³ In addition, the sample size has decreased as a percentage of CAP audits, and the sample selection methodologies differed from year to year. A more consistent approach would have made the results more comparable.¹⁶⁴

Overall, both taxpayers and examiners are satisfied with the CAP experience. CAP audits were completed sooner overall and achieved

¹⁵⁸ *IR-2011-32*, March 31, 2011, available at [http://www.irs.gov/uac/IRS-Expands-and-Makes-Permanent-Its-Compliance-Assurance-Process-\(CAP\)-for-Large-Corporate-Taxpayers](http://www.irs.gov/uac/IRS-Expands-and-Makes-Permanent-Its-Compliance-Assurance-Process-(CAP)-for-Large-Corporate-Taxpayers)

¹⁵⁹ *IRM 4.51.8.3*, available at http://www.irs.gov/irm/part4/irm_04-051-008.html#d0e60

¹⁶⁰ *TIGTA*, Ref. No. 2013-30-021, *The Compliance Assurance Process has Received Favorable Feedback, but Additional Analysis of Its Costs and Benefits Is Needed* (February 22, 2013), available at <http://www.treasury.gov/tigta/auditreports/2013reports/201330021fr.pdf>; and *GAO*, *GAO-13-662, CORPORATE TAX COMPLIANCE: IRS Should Determine Whether Its Streamlined Corporate Audit Process Is Meeting Its Goals* (August 2013), available at <http://www.gao.gov/assets/660/657092.pdf>

¹⁶¹ *TIGTA*, Ref. No. 2013-30-021, *supra*, 4

¹⁶² *Id.* *TIGTA* also suggested the program could be a source of new user fees.

¹⁶³ *Id.*, 7. The scores ranged from 91.8% for TY 2006 to 98% for 2009, with the numbers increasing every year.

¹⁶⁴ *Id.* *TIGTA* noted that the IRS plans to use a standardized random sampling methodology beginning in FY 2014, when audits from the first CAP permanent year (TY 2012) will be reviewed.

tax certainty earlier. While the CAP audit examiners generated a larger five-year average of additional taxes, more staff hours have been used in the CAP audits, which makes the hourly rate of additional taxes from a CAP audit about one-third that from traditional audits. A CAP audit on average consumes 2,911 staff hours per return, while a traditional audit consumes 855 staff hours per return.¹⁶⁵ While the IRS provided examples of emerging issues identified from CAP audits that imply increased audit coverage, it is not known if this justified the additional staff hours without a cost-benefit analysis.¹⁶⁶ LB&I should not diminish its ability to audit large business that do not comply with the tax laws and choose not to volunteer for the CAP.

The GAO reported that the IRS has not evaluated whether the CAP program is meeting its goals and has not established a full set of performance measures and targets to evaluate the effectiveness of the CAP program.¹⁶⁷ Although it is not easy to measure concepts such as “certainty” and “administrative burden,” the GAO suggested that the general IRS guidelines for conducting program evaluations could be applied to CAP.¹⁶⁸ GAO recommended that the IRS evaluate the CAP process, develop measures and targets for the goals, consistently capture data to track goal progress, track resolution of tax issues and resource savings, develop a plan to expand Compliance Maintenance, and verify that audit staff understands attempts to clarify related guidance.¹⁶⁹

b. Emphasis on Short-Term Performance

A common complaint about using numbers to measure success is that achieving the number becomes the goal and people forget the purpose of the work itself. During hearings about the IRS that were held in 1997 and 1998, employees complained that their performance evaluations were based, in part, on numbers that emphasized short-term performance and meeting short-term goals of efficiency rather than on a balanced focus on efficiency, quality, and taxpayer service.¹⁷⁰ As a result, the performance measures did not align with the ultimate objectives and mission of the IRS. In the RRA, Congress made it clear

¹⁶⁵ *Id.*, 14. Figure 5 shows that the average annual hours per return for a CAP audit have been decreasing.

¹⁶⁶ *Id.*, 15. In the Management’s Response, the IRS stated that a comparison of staff hours used was not a meaningful classification because CAP audits a limited population of the largest taxpayers, while traditional audits examine all sizes of corporations. *Id.*, 31

¹⁶⁷ GAO, GAO-13-662, *supra*, 12

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*, 27

¹⁷⁰ National Commission on Restructuring the Internal Revenue Service, *A Vision for a New IRS*, pgs. 21 – 22 (June 25, 1997), available at <http://www.house.gov/natcommirs/report1.pdf>

that the IRS was not to use records of tax enforcement results either to evaluate employees or to impose or suggest production quotas or goals with respect to such employees.¹⁷¹ Supervisors must certify quarterly by letter to the Commissioner of Internal Revenue whether or not tax enforcement results are being used in a prohibited manner.¹⁷²

Although the IRS has established a new system for balanced measures that focus on customer satisfaction, employee satisfaction, and business results, the National Taxpayer Advocate (NTA) has identified issues relating to performance measures as a “Most Serious Problem” in several Reports to Congress.¹⁷³

For example, the NTA has stated that “[t]he IRS lacks adequate means to measure the effectiveness of its efforts to address tax complexities through education and outreach.”¹⁷⁴ Also, while each operating division of the IRS has a customer service component in its mission statement, “no division evaluates its compliance performance based on the level of ‘world class’ customer service provided.”¹⁷⁵ Instead, operational performance is rated against business measures focused on efficiency (such as cycle time or average call time) rather than on operational effectiveness (did the IRS’s actions achieve the desired voluntary compliance result?).¹⁷⁶

The Reports to Congress have identified specific problems that show that the emphasis on quantity may conflict with the goal of quality. For example, if a telephone assistor’s rating is based on time spent per customer; he/she may not take the time necessary to address all issues of importance to the taxpayer.¹⁷⁷ As a result, taxpayers may need to call multiple times, and the IRS incurs additional costs in continuing to deal with the taxpayer trying to resolve a problem.

A similar problem can arise with payment agreements. While the revenue officer’s analysis should include the current financial positions

¹⁷¹ Pub. L. No. 105-206, *supra*, section 1204.

¹⁷² *Id.*, section 1204(c)

¹⁷³ For 2004, see MSP A-5, *Education and Outreach*, <http://www.irs.gov/pub/tas/ntafy-2004annualreport.pdf>, pg. 52; for 2008, see MSP # 10, *Customer Service Within Compliance*, http://www.irs.gov/pub/tas/08_tas_arc_intro_toc_msp.pdf, pg. 158; for 2010, see MSP #3, *IRS Performance Measures Provide Incentives that May Undermine the IRS Mission*, http://www.irs.gov/pub/tas/2010arcmsp3_irmsmeasures.pdf; for 2013, see the letter to Congress submitting the report, where the NTA discussed problems such as the need for better measures and the need to integrate service and enforcement, at <http://www.taxpayeradvocate.irs.gov/userfiles/file/2013FullReport/Volume-1.pdf>, pg ix

¹⁷⁴ <http://www.irs.gov/pub/tax/ntafy2004annualreport.pdf>, 52

¹⁷⁵ http://www.irs.gov/pub/tas/08_tas_arc_intro_toc_msp.pdf, 158

¹⁷⁶ *Id.*

¹⁷⁷ *Id.*

of the taxpayer, the revenue office may not take that financial analysis into account when the payment agreements are negotiated. For example, field collection achieved an 84% quality score for FY 2007, but 22 percent of the taxpayers defaulted on these agreements. In the NTA's opinion, the payments amounts were too high in many cases, and the defaults resulted in rework and increased taxpayer burden. If the IRS had an "outcome measure," such as percentage of taxpayers fulfilling the payment agreement for a given period, they the IRS might develop a more taxpayer-centric approach to payment agreements.¹⁷⁸ The NTA found support for this conclusion in recent budgets, which increased funding for enforcement and reduced funding for taxpayer service.¹⁷⁹ Thus, the NTA concludes that the IRS does not establish goals or measures for its compliance programs that adequately evaluate their performance or long-term effects on voluntary compliance from the taxpayer's perspective.¹⁸⁰

8. CONCLUSION

The federal government and the Internal Revenue Service have a number of directives about measuring success. In both its Mission Statement and its Performance Measures, the IRS focuses equally on service and enforcement. Service focuses on a single taxpayer and providing to that one taxpayer the appropriate level of service to enable the taxpayer to file a correct return and pay the correct amount of tax. Enforcement focuses on the entire taxpayer population and requires that each taxpayer pay the correct amount of taxes so that every taxpayer feels fairly treated overall; as a result, the taxpayer remains willing to comply with taxpayer responsibilities. The third leg of the measures, employee satisfaction, ensures that IRS employees feel engaged, informed, and adequately trained so that they can help the IRS achieve the taxpayer goals of service and enforcement. Every organization has to determine the appropriate measures of success, analyze how well the measures were achieved, and determine its success. This is a continuing process that evolves over time.

¹⁷⁸ *Id.*, 162

¹⁷⁹ *Id.*, 162

¹⁸⁰ *Id.*, 169 - 170

THE MANAGEMENT INDICATORS: MAP AND SCORECARD

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Contents: 1. The Indian Direct Tax Administration: An Overview. 2. Vision, Mission and Values. 3. The Tax Administration Structure in India. 4. Challenges before the Indian Direct Tax Administration. 5. The Strategic Plan. 6. The 'Citizen's Charter'. 7. Technical Performance Indicators. 8. Tax-audit Quality Indicators. 9. Management Performance Indicators.

1. THE INDIAN DIRECT TAX ADMINISTRATION: AN OVERVIEW

1.1. Direct taxes are the major source of tax revenues to the Government of India. The direct tax collection has witnessed an increase of amount five times from Rs. 1330 billion in 2004-05 to about Rs. 6380 billion in 2013-14. The contribution of Direct Taxes to the Central Tax Revenues has grown from 44% to 54% during the same period. The even increasing contribution of Direct Taxes to the national exchequer is the outcome of Tax Department's approach to have a clear focus on its goals to be able to continually review its policies, operating approaches and procedures for being responsive and adaptive to the changing business and legislative environment.

1.2 New technological development, accelerated globalization and exchange of information between revenue authorities offer both challenges and opportunities for the Indian Tax Administration. The Income Tax Department had undertaken an exercise to re-align their business processes and develop management indicators covering different aspects of tax administration to continuously evaluate its performance over a variety of tasks it undertakes so as to identify the areas requiring further improvement and thus streamlining the weaker links.

1.3 It was brought out in studies conducted in the Department that for a taxpayer to comply, systems and processes ought to be simple, responsive and taxpayer friendly. With a globalizing economy, growing

incidence of cross border commercial transactions, influx of global companies as well as the internationalization of Indian corporate, it became imperative that the tax administration in India should establish a technical, legal, policy & institutional framework that would admit and facilitate the Department to move towards the best practices in tax administration.

1.4 The Department has, thus, embarked on process of e-delivery of tax-payer's services as the consumer front end of the comprehensive computerization of the Income Tax Department. A series of steps have been taken towards addressing the concerns of the taxpayers with an overall objective to provide a robust platform on which an efficient, robust and effective tax administration shall rest.

2. VISION, MISSION AND VALUES

2.1. The vision of the Income Tax Department (ITD) is to be a partner in the nation building process through progressive tax policy, efficient and effective tax administration and improved voluntary compliance. To realize its vision, the tax administration has adopted the following roadmap.

- (1) To formulate progressive tax policies
- (2) To make compliance easy
- (3) To enforce tax laws with fairness
- (4) To deliver quality services
- (5) To continuously upgrade skills and build a professional and motivated work force

2.2. The values that the Tax Department strives to inculcate are Integrity, Accountability, Responsiveness, Professionalism, Innovation and Collaboration with stakeholders and partners.

2.3. The vision, mission and values of the Tax Administration can be achieved by an enabling policy environment and augmenting the revenue mobilization apparatus for optimum revenue collection under the law, while maintaining taxpayer confidence in the system. The strategic planning for this purpose has to be done in dynamic settings taking into account external challenges & opportunities and internal strengths & constraints. The Vision 2020 document and a Strategic Plan covering the five year period 2011-15 are the documents guiding the Tax Administration in achieving its ultimate objectives.

3. THE TAX ADMINISTRATION STRUCTURE IN INDIA

3.1 The Central Board of Direct Taxes (CBDT) is an apex body of the Income Tax Department in India working under the Ministry of Finance. CBDT formulates the inputs for policy and planning of Direct Taxes in India and at the same time it is also responsible for administration of Direct Tax Laws through the Income Tax Department.

It is headed by a Chairman and comprises of six Members. They supervise different areas of tax administration and monitor the performance of field offices allocated to them ('called zones')

3.2 The functions performed by CBDT as assisted by tax authorities deployed in field offices are:

- Formulating the policy regarding direct tax laws and their implementation
- Assessment and collection of direct taxes; developing strategy for revenue enhancement; recovery of taxes; widening of tax base
- Framing and implementing the general policy regarding
 - Organisation of the set-up and the structure of the Income-tax Department
 - Methods and procedures of the work of the Income-tax department
 - Measures for disposal of assessments, collection of taxes, prevention and detection of tax evasion and tax avoidance
 - Recruitment, training and other matters pertaining to service conditions and career prospects of the personnel of the Income-tax department
 - Grant of rewards and appreciation certificates, including sammaan awards to taxpayers
 - Infrastructure requirements of the Income-tax department
 - Computerization of the Income-tax Department
- Operating the first appellate machinery comprising of Commissioners of Income-tax (Appeals) to perform the work of disposal of appeals against the orders of the assessing officers
- Having an investigation machinery with the aim to curb tax evasion and unearth unaccounted money
- Coordination with the other investigation and enforcement agencies
- Handling the taxpayers grievances
- Dissemination of information relating to direct taxes.

3.3 The whole country is divided into 18 territorial divisions and each division headed by a senior commissioner (Principal Chief Commissioner) who monitors the work of tax administration under his

division. The total manpower in the Income Tax Department is more than 78,000 who provide services to around about 35 million taxpayers spread across the country.

3.4 In its functioning, the CBDT is assisted by 8 Directorates which play a vital role by developing a positive liaison between the field formations and the CBDT. These Directorates work in different areas indicated below-

- Directorate of Income-tax (Systems)
- Directorate of Income-tax (HRD)
- Directorate of Income-tax (Administration)
- Directorate of Income-tax (Vigilance)
- Directorate of Income-tax (Legal & Research)
- Directorate of Income-tax (Logistics)
- Directorate of Income-tax (Risk Assessment)

There is one more Directorate of Income-tax (Training), which addresses the training needs of tax-administrator.

4. CHALLENGES BEFORE THE INDIAN DIRECT TAX ADMINISTRATION

The challenges faced by the Indian Direct Tax Administration are classified as under-

- Policy Intervention Challenges
 - Developing Comprehensive Database
 - Developing Research Capabilities
 - Estimation of the Tax Base & Revenue Leakages
 - Complexities in Tax Laws
- Challenges for Efficient & Effective Administration
 - Assessment and Reduction of Compliance Risk
 - Human Capital Challenges
 - Development of Real Time Knowledge Sharing Mechanism
 - Technology Challenge
- Challenges for Improved Voluntary Compliance
 - Removal of Barriers to Voluntary Compliance
 - Reduction in Compliance Cost
 - Meeting increasing aspirations of Taxpayers
 - Transition to an era of E-governance
 - Faster resolution of disputes

5. THE STRATEGIC PLAN

The following strategic initiatives linked to the enablers forming part of the Vision of the Direct Tax Administration have been identified as under for realisation of its goal -

- To Formulate Progressive Tax Policy
 - Estimating the Tax Base & Developing a Revenue Forecasting Model
 - Instituting Study on Plugging of Tax Leakages
 - Setting up of a Research Unit
-
- To Provide Efficient Tax Administration
 - Developing Data Warehouse & Business Intelligence Solution
 - Developing Mechanism for Monitoring Tax-exempt Sector
 - Meeting the Challenges of International Tax Administration
 - Ensuring Surveillance of Fund Flow that Impact the Physical and Economic Security of the Country
 - Ensuring that Tax Practitioners and Departmental Personnel Adhere to Professional Standards
 - Developing a Tax Collection Strategy
 - Aligning HR Strategy to Goals
 - Strategic Technology Initiative
 - Real Time Knowledge Management
 - Single Window Facility for Taxpayers
 - Strengthening Partnership with Tax Practitioners; Tax Deductors; and Third Party Partners

6. THE 'CITIZEN'S CHARTER'

CBDT is committed to maintain high standards of service to the taxpayer as declared in its 'Citizen's Charter', which is a declaration of its vision, mission and its commitment towards maintenance of standards of service delivery to the tax payers. The timelines mentioned with respect to each of the key services mentioned therein are expected to be adhered to by each of the income-tax authorities responsible for providing such services to the tax payers.

7. TECHNICAL PERFORMANCE INDICATORS

7.1 In order to maintain focus on measurable activities, that are necessary for revenue mobilisation, CBDT also devises, on an annual basis, a Central Action Plan (CAP). This Plan consists of two parts, viz:

1. Focuses attention on certain key result areas that are required to be achieved in a prescribed time frame as they are intricately linked towards the efforts for budget target collection;
2. Focuses on certain strategies with respect to specific areas that may act as a guidance tool to be followed to achieve the basic objectives. It also includes an advisory to the supervisory authorities for action.

7.2 The key areas in respect of which targets are prescribed under the CAP include –

- Targets pertaining to direct tax collection ('budget target'). The targets for collection of tax out of demand raised during the year and the demand raised earlier but remained uncollected (arrear demand) is fixed separately. The overall targets for the entire country are allocated among various field units directly responsible for revenue collection
- Targets prescribing the time-bound scheme for processing of returns of income and audit of tax bases
- Targets for widening of tax base – aimed at identifying the non-filers and stop-filers of returns
- Targets related to settlement of objections raised as a result of Overview – (the Overview is done internally as well as by a regulatory Constitutional Authority)
- Targets related to various aspects of compliance, spot verifications and collection of tax deducted at source
- Targets related to finalisation of prosecution and compounding of offenses under Direct Tax Laws
- Targets in respect of disposal of first stage appeals arising out of tax disputes
- Targets related to training of tax administrators, creation and updation of infrastructure, systems security issues etc.
- Targets pertaining to e-delivery of tax-payer service and computerisation

7.4.1 The above targets are monitored both at supervisory level in field offices as well as at the apex, i.e.CBDT level. There are well established communication channels for monitoring evaluation of performance at different levels. These include monthly reports, zonal meetings and video conferencing etc. The annual individual performance appraisal statements, to be submitted at the yearend by each tax administrators, to his supervisory officer includes parameters like prescribed targets relevant to different activities and their achievement-status, reasons for shortfall, if any, etc., on the basis of which performance of an individual worker is evaluated.

8. TAX-AUDIT QUALITY INDICATORS

The quality of tax-audit is monitored through the system of 'inspection' and 'review'.

While conducting inspections, supervisory officers are required to examine and comment on the overall functioning of the tax-officer including handling of matters related to tax-audits, adherence to prescribed rules and regulations etc. The purpose of reviews is to ascertain whether all issues arising for consideration in the relevant audit have been considered.

9. MANAGEMENT PERFORMANCE INDICATORS

9.1 A Performance Monitoring and Evaluation System (PMES) for various Governments, Departments is in existence in India. Under PMES, each Department is required to prepare a Results-Framework Document (RFD). The Tax Administration Department is also covered under this.

9.2 Results Framework Document pertaining to Direct tax Administration is essentially a record of understanding between the Chairman CBDT and the seven Directorates (mentioned in para 3.4), being the Responsibility Centres. This document contains not only the agreed objectives, policies, programs and projects but also success indicators and targets to measure progress in implementing them. To ensure the successful implementation of agreed actions, RFD may also include necessary operational autonomy.

9.3 The RFD seeks to address three basic questions: (a) What are organization's main objectives for the year? (b) What actions are proposed by the organization to achieve these objectives? (c) How would someone know at the end of the year the degree of progress made in implementing these actions? That is, what are the relevant success indicators and their targets which can be monitored?

9.4 The RFD should contain the following six sections:

1. Organization's Vision, Mission, Objectives and Functions.
2. Inter se priorities among key objectives, success indicators and targets.
3. Trend values of the success indicators.
4. Description and definition of success indicators and proposed measurement methodology
5. Specific performance requirements from other departments/ organizations that are critical for delivering agreed results.
6. Outcome/Impact of activities of organization

9.5 CBDT has issued a Results Framework Document which requires tangible and measurable progress to be made on each of the stated objectives by the seven Directorates that will form the basis for evaluating their respective performance under the RFD as per the time bound objectives. RFD lists out various objectives and actions under each objective. Each objective and each action under the objective are given a weightage. Further, each action has a success indicator such as on-time submission, degree of implementation, setting up of infrastructure, etc. The completion of actions under the objectives is evaluated based on the success indicator i.e., completion date, % completed, etc., and the following scoreboard indicates the performance:

Success indicator achieved	Scoreboard
100%	Excellent
90%	Very Good
80%	Good
70%	Fair
60%	Poor

9.6 The objectives or performance obligations and their weightage are given as under:

Objective	Weightage
Efficient Functioning of the RFD System	4%
Enhanced Transparency/improved delivery of Ministry/Department	4%
Reforming Administration	7%
Single window facility for taxpayers	2%
Digitization of records	1%
Review of Strategic Plan 2014-15	1%
Digitization of Registers	1%
State of the art infrastructure to make efficient delivery system & pleasant environment for taxpayers & administrators	3%
Setting up of Local Area Network (LAN) in the office of DIT(EB)	1%
Digitization of records of DIT(EB)	1%
Digitization of records of DIT(BPR)	2%
Analysis of disposal of appeals by CIT(A)	2%
Improved litigation management to facilitate speedy resolution of disputes and eliminate unproductive litigation.	14%
Review of Citizen's Charter	2%
Better communication with Tax Payers	12%
Strengthening IT enabled services taxpayer services	14%
Better management and development of Human resources in the Income Tax Department to enhance Tax payer services	15%
Strengthening of the Vigilance administration and improving vigilance awareness	14%

9.7 A typical RFD document is styled in the following manner-

Column 1	Column 2	Column 3	Column 4		Column 5	Column 6				
			Success Indicator	Unit		Target /Criteria Value				
Objective	Weight of objective	Actions	Success Indicator	Unit	Weight of success -indicator	Excellent	Very good	Good	Fair	poor
						100%	90%	80%	70%	60%
Objective 1		Action 1								
		Action 2								
		Action 3								
Objective 2		Action 1								
		Action 2								
		Action 3								
Objective 3		Action 1								
		Action 2								
		Action 3								

9.8 For the financial year 2013-14, RFD of the CBDT containing inter-priorities among key objectives, success indicators and targets pertaining to the Responsibility Centres (Directorates) of CBDT were prepared, finalized and approved by the Finance Minister. It is pertinent to mention that the key objectives, success indicators and targets criteria of the Responsibility Centres were resolved and communicated for incorporation in the RFD 2013-14 by the Responsibility Centres.

9.9 The CBDT has carefully reviewed its priorities in line with the Vision 2020 document and strategic plan 2011-15 with a view to evolve a strong strategy for achieving focused, effective and meaningful implementation of the taxpayer services that will also facilitate voluntary compliance for the Department.

TEMA 4

METODOLOGÍAS PARA LA MEDICIÓN DE LOS COSTES DE CUMPLIMIENTO Y LA PERCEPCIÓN SOCIAL SOBRE LAS ADMINISTRACIONES TRIBUTARIAS

METHODOLOGY FOR MEASURING THE TRANSACTION COSTS OF THE TAX ADMINISTRATIONS

Miguel Pecho

Tax Studies and Research Director
(CIAT)

1. Thank you for giving me the opportunity to present our work to this distinguished audience.

I am not here to present a tax treaty issue. I am going to talk about TTC.

Maybe you are familiar with the concept, particularly with the concept of the cost of compliance. There is a vast literature on the field and much empirical work done.

What I am going to present to you in these minutes are the outcomes of a study that explored this issue for the SMEs of two Latin American countries.

As was mentioned, this study was conducted under the UN-DESA and CIAT Cooperation Program.

PARTE I.

2- Before presenting the outcomes of the study, let me start discussing some general concepts.

TTCs are the total amount of money spent by society to comply with the tax system.

Their main components are the costs borne by taxpayers when complying with their obligations (what is known as CCs) and the costs faced by the Tax Authority for ensuring compliance by the taxpayers (what I am going to call administrative costs).

In addition to the tax liability itself and the losses caused by market distortions, TTCs are another economic cost of taxation.

It is worth noting that the compliance costs may arise not only from in-house efforts of the taxpayers but also from external efforts. In the first

case I am referring to the costs associated with the time to prepare tax data, filing returns or attending requirements from the NTA, the cost of the accounting software used to prepare the information, the staff remuneration, training expenses, and so on. In the second case, costs are usually associated with the fees paid for external tax advisory. It will be interesting to see later on, how important this component is for SMEs.

3- There are many studies that show a negative correlation between compliance costs and the willingness to pay taxes. The so-called BISEP's Model, endorsed by FTA, IMF, OECD, CIAT and others, has highlighted the role of CCs in determining the taxpayer behavior. Not only the probability of being audited or the sizes of the penalty or fine rate play a role in his/her final decision to comply.

Also determinant is how easy it is for taxpayers to comply.

This easiness is reflected in the magnitude of the CCs. For those who have shown willingness to do the right thing or try to do it but do not always succeed, a good or effective compliance management program should try to reduce CCs as much as possible in order to promote voluntary compliance.

4- How big are the CCs? This slide shows different measurements in percentages of GDP mainly for OECD countries. The figures have been taken from different studies published from 1989 to 2011. On average, CCs are around 2% of GDP. The average for OECD countries is 1.34%. However, you should be aware that here I am combining different coverage of taxes, different periods of analysis, different methodologies, etc.

But it is always helpful to put all the information together in order to have a better idea of the problem. As you can see, there is no data for most LATAM countries. Just some efforts for Peru made by IFC in 2008.

5- One study that fills this gap of information is the Paying Taxes Report, which is annually published by the WB. This slide shows figures for countries of Central and South America and the Caribbean. Basically, the purpose is to measure the time for complying with the corporate income tax, labor taxes (particularly payroll taxes and Social Contributions) and other consumption taxes.

According to the 2013 Report, the average hours intended to comply with the tax system has been reduced 6% in Latin America between

2006 and 2012. This is a tremendous progress. However, there is still much work to be done in the future, in order to catch up with the OECD economies, which on average reduced 20% the hours intended to comply in the same period.

Even though this report has appropriate information on LATAM countries, for the purposes of our study it has some caveats. It is not focused on SMEs, it does not cover the entire life cycle of the taxpayer (only considers filing returns and payments), and it does not consider simplified tax regimes in force in most LATAM countries.

6- Finally, the importance of monitoring CC is based on the fact that the time to comply has a negative impact on productivity and the level of informality. For example, a recent study of IDB (THE FISCAL INSTITUTIONS OF TOMORROW – published in 2012) shows, with high degrees of significance, that in most LATAM countries the time needed to prepare and pay taxes is negatively correlated with labor productivity (with a coefficient of 0.28) and positively correlated with informality (with a coefficient of 0.29).

PART II

7- Moving to the second part of my presentation, I am going to talk about the methodology we have followed. We developed a Handbook for measuring TTC based on previous experiences and the contribution of delegates from tax authorities of different CIAT member countries.

The focus of the handbook is the SMEs because of the important role they play in the economy of most Latin American countries.

Another reason to focus on SMEs, is that in the region there are plenty of examples of simplified tax regimes created specifically for them. For example, 14 of 18 countries allow SMEs to choose between the general tax treatment and Simplified VAT, Simplified CIT or the well-known “monotributo” which replaces both taxes (and sometimes social contributions) with a single tax liability.

Since CIAT works together with the tax authorities and sees the effort made to simplify procedures and processes for the benefit of SMEs, it was also our interest to narrow the scope of our study to them in order to test the effectiveness of to improving voluntary compliance.

8- This is the general overview of our methodology. As I mentioned before, we not only measured the compliance cost borne by taxpayers but also the administrative costs incurred by the tax

agencies. At the end the budget of the NTA is borne by the entire society.

In the case of CC, as it is usual, we use surveys to collect data from the SMEs. The Handbook develops a basic Questionnaire. Then we worked together with the tax authorities to adapt it to the reality of their own countries. I would like to highlight that the surveys were addressed directly to TAXPAYERS. We did not apply the surveys through tax intermediaries, as has been the approach of other studies.

In the case of Administrative costs we used internal information from the tax agencies. I must thank the 2 pilot countries for providing us with detailed information from their budget execution.

In the case of internal costs of CCs, the idea behind the calculation is quite simple: we found the time used by taxpayers to comply with their obligations (I mean the hours per year used to comply); then we used an estimate of the remuneration or the salary paid in the economy per-hour worked to multiply it by the time to comply obtained previously.

Then we added some other fixed cost. When the taxpayer answered that he/she hired an external tax advisor, we used the fees paid for the service as the external cost.

9- It is important to mention that our measurement is based on the entire life cycle of the taxpayer. In contrast with other studies, we considered not only the filling returns and payment processes but also other macro processes such as REGISTRATION, ORIENTATION AND ASSISTANCE; ATTENTION OF TAX INSPECTIONS AND ENFORCED COLLECTION AND REFUNDS AND CLAIMS. This consideration is important to be highlighted because, as we will see later on, an external tax advisor (a tax intermediary) is frequently hired to respond to requests from the NTAs or to carry on specific transactions.

10- On this slide I am showing the general idea behind the administrative costs measurements. From the conventional structure of the budgeting and reporting of NTAs (I mean remunerations, administrative expenses, financial expenses and so on), we worked together with the tax officials to allocate those expenses into the macro processes pointed out previously.

This has been an excellent exercise because there is limited experience on Activity-based Costing within tax agencies. As you may know Activity-based costing is a methodology that identifies

activities in an organization and determines the cost of each activity by allocating resources to all products and services according to the actual consumption of each one.

So, this is basically what we have done for administrative costs.

PART III

11- As I have mentioned in the introduction to my presentation, we applied this methodology in two Latin American countries. They were Costa Rica and Uruguay. Both countries have similar size and economic conditions. Both show an important number of SMEs, as compared to total firms of the economy.

Additionally, they both allow SMEs to choose between a general tax treatment and various simplified tax regimes.

But more importantly for capacity building purposes, both countries showed no experience measuring TTC. As I previously mentioned, there is limited experience in most LATAM countries in measuring TTC. This is why we consider that our work is important for filling an information gap in this region.

12- As I said on the previous slide, both countries have an important number of SMEs. The definition of SMEs used in both countries is similar to the one used in most LATAM countries. It is based on annual sales or purchases and the number of employees which is usually less than 10 in the case of Micro enterprises, less than 50 in the case of small enterprises and less than 200 in the case of Medium enterprises.

Considering the registered taxpayers that show activity within the last year, SMEs represent 66% in Costa Rica and 70% in Uruguay.

SMEs may choose between the general tax treatment and simplified tax regimes. In Costa Rica and Uruguay there is a Simplified VAT and a Simplified CIT. In Costa Rica SMEs with annual purchases below One hundred thousand dollars may apply for these simplified tax regimes. In Uruguay the threshold is below 40,000 dollars for Simplified VAT and around Four hundred and eight thousand dollars for Simplified CIT. In addition to these regimes, in Uruguay there is also a "monotributo". In this case, only SMEs with annual sales around 20,000 dollars may apply.

To our surprise, we found that only a small percentage of SMEs applies for a simplified tax regime: just 12% in Uruguay and 10% in Costa

Rica during 2012. We assume that this situation may be due to the complexity of the so-called simplified tax regimes, the limited effort of the NTAs to promote their benefits or simply because SMEs may think that being part of a simplified tax regime could leave them outside their suppliers or clients. This is a strong reason in the case of VAT.

13- This slide summarizes the main outcomes of our work. We found in Costa Rica that TTCs represent 1.78 percent of the GDP and in Uruguay they represent 1.49. If we analyze the components of the TTCs we see that CCs are much higher than the administrative costs: 15 times in the case of Costa Rica and 7 times in the case of Uruguay. It is clear from these results that the taxpayers bear much of the TTC.

Although the size of the global CCs is higher in Costa Rica, it is worth noting that the average CC (I mean per SME) is higher in Uruguay. This is due to two reasons: 1) the number of SMEs is higher in Costa Rica, and 2) the amount of the GDP is higher in Uruguay.

14- Continuing to drill down through the data, I am going to explore more about the hours per year incurred to comply with the main processes. This slide shows that the time to comply is 138 hours per year in Costa Rica and 241 hours in Uruguay. You can observe that the accounting, filling returns and payment processes are the more expensive processes followed by the registration, orientation and assistance processes.

It is important to compare these results with those obtained by other studies, for example, the Paying Taxes report. Even though the focus of that report is not the SMEs, we may use its outcomes as a benchmark. In the 2013 Paying Taxes report the filling returns and payment processes represent 126 hours in Costa Rica and 196 in Uruguay, while in our study they represent just 86 and 150, respectively. It seems that our results show less time consuming processes for the SMEs.

15- Our results also confirm the regressiveness of the CCs that were found in other studies carried out in other countries. In terms of the annual turnover you may see in the slide that in both countries (Costa Rica and Uruguay) micro enterprises bore higher CCs than small and medium enterprises.

On the other hand, you can see the effectiveness of the simplified tax regimes in reducing the cost of compliance. While the SMEs that chose the general tax treatment bore a cost of compliance of 1.59 % of GDP in Costa Rica and of 1.23% in Uruguay, the SMEs that chose

any of the simplified tax regimes reduced their costs almost 20 times in Costa Rica and 15 times in Uruguay.

This is such a great finding of our study: to confirm the effectiveness of the simplified tax regimes in reducing the cost of compliance. Unfortunately, as we saw in previous slides, this advantage is not being taken into consideration by most SMEs, at least in Costa Rica and Uruguay: just 10% of total SMEs in the former and 12% in the later.

16- Since the governments may use the revenues collected from any of the simplified tax regimes for the benefit of the SMEs (for example, in the form of preferential loans), it may be useful to show the CCs net of the revenues in order to have an idea of the real economic impact of the simplified tax regimes. This slide shows the revenues collected in LATAM countries from different simplified tax regimes. In the case of Costa Rica, they collect around 0.02% of the GDP and in Uruguay they collect around 0.1%. While in Costa Rica the revenues collected are lesser than the CCs, in Uruguay it is the opposite. This means that in Uruguay the government is in a better position to use the resources collected for the benefit of the SMEs.

17- Contrary to the general acceptance that the SMEs in any of the simplified tax regimes do not need external tax counseling, our study shows that an important percentage of them do hire tax intermediaries. As you may observe, we are talking about 44% of them in Costa Rica and 37% of them in Uruguay.

This is another surprising result, which means that maybe the NTAs should work closer with the tax intermediary community in order to deliver better tax services to SMEs.

But this result could also mean that the SMEs still find very complex the so-called simplified tax regimes. So, additional efforts should be made by NTAs in order to further simplify procedures and processes. Additionally, greater efforts should be made to promote the tools made available from NTAs to the SMEs community "free of charge".

18- Finally, on this slide I show the administrative cost by main tax processes. In any NTAs staff expenses drive the result of their budget. As you well know NTAs are basically entities that provide services, so the human resource is the main input.

Moreover, with higher degrees of professionalization and specialization of the tax officials, remunerations and salaries have become the main component of the budget.

But some processes themselves are more expensive than others. For example, Inspections and Examinations are more budget consuming than filling returns and payments, because the latter have been automated in most NTAs.

Our study shows that in both countries (Costa Rica and Uruguay) the more expensive processes without a doubt are Inspections and Enforced collection, but because of the difference in staffing and maybe difference in the focus of the strategic goals, these expenses are higher in Uruguay.

19- SUMMING UP:

CCs borne by SMEs in Costa Rica and Uruguay are still high: 1.78 percent of the GDP in Costa Rica and 1.49 in Uruguay.

Our results also confirm the repressiveness of the CCs that other studies found for other countries. In terms of annual turnover you saw that in both countries (Costa Rica and Uruguay) micro enterprises borne higher CCs than small and medium enterprises.

Also the effectiveness of the simplified tax regimes in reducing the cost of compliance borne by SMEs was confirmed. Unfortunately, it seems that this advantage is not being taken into consideration by most SMEs, at least in Costa Rica and Uruguay, because as you remember, just 12% of total SMEs in Uruguay and 10% in Costa Rica apply any of the simplified tax regimes.

The net impact of simplified tax regimes (taking into account the revenues collected) is lower in Uruguay. This means that in Uruguay the government is in a better position to use the resources collected for the benefit of the SMEs.

Finally, our study shows that an important percentage of SMEs do hire tax intermediaries. As you observed, we were talking about 44% of them in Costa Rica and 37% of them in Uruguay. So, maybe the NTAs should work closer with the tax intermediary community in order to deliver better tax services to SMEs.

20- I cannot conclude my intervention without thanking UN-DESA, particularly the Financing for Development Office for sponsoring this

study, for the confidence and the kindness. It is always a pleasure to work with you guys, Dominika and Harry. Thank you very much for your support.

I must also thank the NTAs of Costa Rica and Uruguay.

We have learned a lot from them. I believe that the project has also achieved its goal of the skills of tax officials in this field. They now are going further and are conducting new studies using the database gathered.

We are also working with the Brazilian Tax Authority in a similar project. Our people are working with the Executive Committee of Simples Nacional, which is the major simplified tax regime in Brazil, and SEBRAE, the public entity in charge of the SMEs.

And we have already received requests from 3 more countries to apply our methodology: Ecuador, Guatemala and Panama.

I am sure that you all have seen the importance of this project for not only Latin American countries, as this can be applied in any other developing countries in other continents.

We believe that it is essential to continue supporting this type of studies for the improvement and effectiveness of tax systems around the world.

Thank you very much for your attention.

METHODOLOGY FOR MEASURING THE TRANSACTION COSTS OF THE TAX ADMINISTRATIONS

Gustavo González

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Contents: Summary. 1. General Considerations of Tax System in Uruguay. 2. Tax Transaction Costs in Uruguay. 3. Strategies to reduce transaction costs. 4. Some conclusions and recommendations.

SUMMARY

This report summarizes the experience in Uruguay in terms of measurement of tax transaction costs in 2013, based on the methodology developed by CIAT - UN / DESA.

With regard to the research design and obtained results, the report draws some of the subject matter presented in the publication of CIAT - UN / DESA, "Measurement of tax transaction costs in small and medium enterprises."

Tax transaction costs represented 1.5% of GDP for 2012 in Uruguay. Out of this total, 1.31% were costs of tax compliance by taxpayers and 0.19% for administration costs of the Tax Administration.

The average cost per company rose to \$ 2,255 per year. In the case of microenterprises this cost was \$ 2,020 while for small amounted to \$ 3,599 and large \$ 4,372. These differences are explained by the external costs incurred by companies, especially in the use of external advisers that represents almost 75% of that cost. Considering these costs are fixed, when analyzed as a percentage of sales, it can be observed that compliance costs are regressive for microenterprises accounting for 1.21% of their sales, while for small and medium accounted for 0.28% and 0.03%, respectively.

The study showed that 64% of companies stated they used external advisers for the compliance of tax obligations. This information is interesting within the scope of the study and evidences certain opportunities for improvement in some proceedings. This point is addressed in more detail in this report.

Regarding administrative costs, the remuneration category is the most important in the budget of the DGI (Government Tax Administration). Therefore, the resource allocation methodology per installed capacity is consistent with the calculations. There is a high concentration of administrative costs in the process of tax control: 0.128% of GDP, out of a total of 0.19%.

The report also introduces some of the recent strategies used by the DGI to reduce compliance costs and, at the end; some suggestions about the universe and frequency of measurement are established.

1. GENERAL CONSIDERATIONS OF TAX SYSTEM IN URUGUAY

As part of the commitments made by the Government, from the Law No. 18.083 (Uruguay, 2006) was implemented a New Tax System (NST) with the following primary objectives:

- To promote a more equitable distribution of the tax burden, giving greater participation to direct taxes.
- Improve the efficiency of the tax system.
- Generate an adequate incentive to productive investment.

To do this the previous tax system was simplified by reducing the number of taxes and eliminating disrupting taxes low revenue ones, existing exceptions and exemptions were reviewed and the Individual Income Tax was introduced.

Thus the DGI went from managing a universe consisting of taxpayers mostly comprised by Entities to one primarily formed by taxpayers from Individual Income Tax (IRPF).

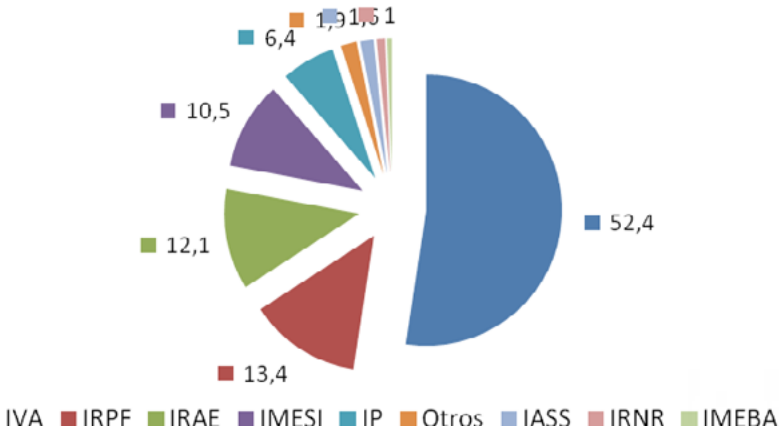
Before the reform of the tax system it had about 215,000 tax obligations, while once it was incorporated it escalated to over 550,000 obliged. The Uruguayan New Tax System consists of:

- Consumption tax
 - Value Added Tax (VAT)
 - Excise Tax (IMESI)
- Income Tax and Utilities
 - Income Tax on Economic Activities (IRAE)
 - Tax on the Sale of Agricultural Goods (IMEBA)
 - Individual Income Tax (IRPF)
 - Tax Assistance Social Security (IASS)
 - Income Tax for Non Residents (IRNR)

- Property Tax
- Wealth Tax (IP)
- Property Transfer Tax (ITP)

Figure 1 shows the composition of the different taxes from the New Tax System in Uruguay for the total gross revenue during 2012.

Figure 1
Composition of Total Gross Revenue (2012)



It is clear that the composition of tax revenue in Uruguay is concentrated heavily on the income of VAT (52.4%) followed by the Individual Income Tax (IRPF) and Income Tax on Economic Activities (IRAE) with 13.4% and 12.1%, respectively.

The DGI is an Agency of the Ministry of Economy and Finance (MEF) of Uruguay, responsible for the administration of the internal revenue of the country. DGI's mission is to secure the income from the States resources proceedings from the domestic tax system through the effective implementation of the standards that support it, promote the voluntary compliance of the taxpayers, combat fraud and tax non-compliance in a framework of respect for their rights, acting with integrity, efficiency and professionalism in order to offer a good service to citizens.

DGI's budget comes from allocation that the MEF assigns for each five-year period of Government.

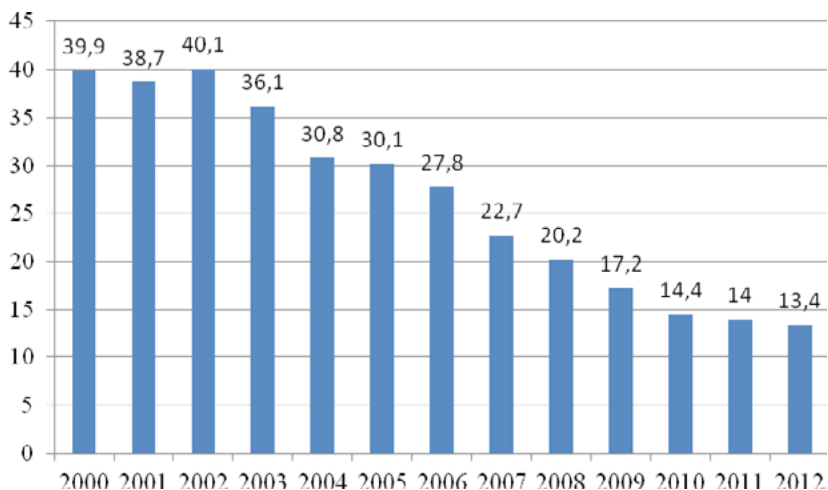
With the Decree No.166/005 (May 30, 2005) the restructuring of the DGI was approved as well as the under exclusive contract policy for its Officials.

Tax evasion, tax avoidance or tax fiddle consist on the deliberate attempt to avoid paying taxes established by Law. It is an illegal activity. It should be distinguished from tax circumvention, which refers to actions seeking to avoid paying taxes but making use of maneuvers permitted by Law or the gaps in it.

The fight against tax evasion is one of the main activities carried out by the DGI in order to effectively implement the tax Laws and promote voluntary compliance of taxpayers.

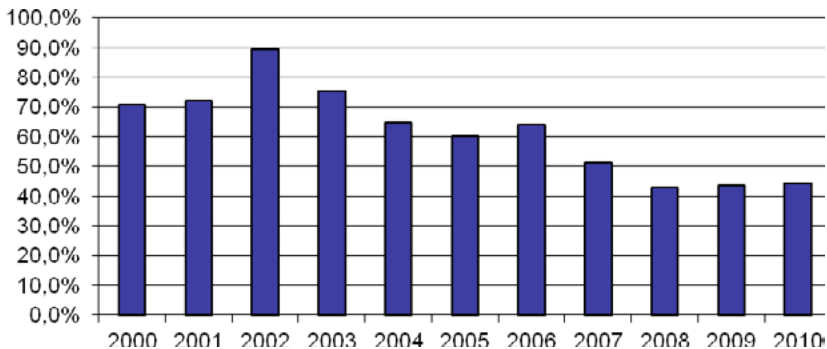
The DGI regularly makes estimates of VAT evasion with the purpose of assessing the degree of effectiveness of its work and the consistency between this indicator and the behavior of the level of the economic activity. As shown in figure 2, one of the most important achievements of the DGI, facing the challenge of achieving sustained improvements in the voluntary compliance by taxpayers, has been a sustained reduction in VAT evasion in recent years.

Figure 2
VAT Evasion in Uruguay (2000-2012)
(% of potential collection)



The graph 3 shows the behavior of IRAE evasion during the period 2000 to 2010.

Figure 3
IRAE Evasion in Uruguay (2000-2010)
(% Of potential collection)



2. TAX TRANSACTION COSTS IN URUGUAY

The study of tax transaction costs proposed by CIAT for its pilot implementation in Uruguay had two components: Administrative Cost and Cost of Compliance.

Administrative costs are those that are incurred by the State to administer the tax system, while compliance costs are those incurred by taxpayers to comply with the tax system.

The measurement process followed the methodology proposed by CIAT - United Nations - DESA for these pilot projects. The research strategy was designed jointly by the consultant team hired by CIAT - UN / DESA and the DGI's Economy Consultancy.

Tax Transaction Costs consist of:

$$CTT = CC + CA$$

Where:

CTT = Tax Transaction Costs
 CC = Taxpayer Costs of Compliance
 CA = DGI's Administrative Costs

Definition of Micro, Small and Medium Enterprise (MIPyME)

The National Direction of Crafts, Small and Medium Enterprises of MIEM (Ministry of Industry, Energy and Mining) is responsible for the policy advocacy or encouragement from the universe of enterprises known as MIPyMEs.

The classification criteria of companies have been established in Decree No. 504/07 (Uruguay, 2007) and are shown in the following table.

Classification of companies criteria

Company Type	Employed Personnel	Annual Sales excluding VAT should not exceed equivalent to:	Annual Sales in \$ weights and \$ (UI to 31.12.2012)
Micro Enterprise	1 - 4 people	2,000,000de IU	5 million (\$ 260 thousand)
Small Enterprise	5 - 19 people	10,000,000 IU	25.2 million (\$ 1.3 million)
Medium Enterprise	20 - 99 people	75,000,000 IU	189.5 million (\$ 9.8 mil.)

UI: Indexed Units

() Employed personnel is defined for this purpose as those employed in the company as well as its owners and / or associates for which contributions are made effective to the Social Security Administration. Annual turnover is defined as the net sales excluding the value added tax, after returns and / or bonuses.*

It was considered that it was appropriate that the measuring of transaction costs take into account the same definition of MIPyME established by the MIEM. The distribution of taxpayers according to this categorization is shown in the following table, where approximately 65% are microenterprises and small enterprises 26%.

Number of taxpayers by size

Type of company	Taxpayers	
	Quantity	%
Micro	56,239	65%
Small	22,446	26%
Medium	7,010	8%
Large	1,380	2%
	87,075	100%

Note: According to 2009 IRAE payments

Source: Economic Consultancy - DGI

Contiene a las empresas para las cuales se dispone tanto de datos de ventas como de empleo. Contains companies for which data are available both sales and employment.

Selection Criteria Sample

The following criteria for the definition of the Universe of Taxpayers as well as for sample selection were agreed:

- √ Belonging to the following categories of taxpayers: CEDE¹, NOT CEDE and Small company.
- √ Owning brand ACTIVITY.
- √ Excludes IMEBA taxpayers.
- √ Established address criteria is considered.
- √ There is a strong concentration of taxpayers in Montevideo, however, the ONLINE survey allow reaching taxpayers whose established address is located outside of Montevideo.

The survey was adapted to the legislation and reality of Uruguay, was mainly revised by Taxpayer Assistance and the Economic Consulting team as well as other experienced Officials of DGI.

The simple random sampling method was adopted but in three segments, CEDE, NOT CEDE and minimum VAT. The formula for determining the sample size for each segment was as follows:

$$N = \frac{P \cdot \alpha^2 \cdot Z^2}{(P - 1) \cdot e^2 + \alpha^2 \cdot Z^2}$$

Where:

$P = 236,612$

$\alpha = 0.5$

$Z = 95\%$

$e = +/- 3.5\%$

$N = 250$

Thus, the sample resulted, for the purpose of this study, of at least 250 valid questionnaires for each segment; which means a total of 750 valid questionnaires. It was decided to select three times this amount in each segment to ensure the required amount. It was arranged for the Call Center of the DGI to contact taxpayers by telephone in order to remind them to complete the survey received within the deadline.


In order to promote filling of the online survey, an invitation (letter and survey) was sent to an additional number of taxpayers selected for having an email in the Single Tax Registration (RUT), taking advantage of the good response from those who have a registered. Email

¹ CEDE: Special Control on Business. They are those that because of their category or sales volume are included by the DGI in a special group in order to have more control.

It was found that a proportion of taxpayers relied on an external advisor who ultimately external advisor was finally met the survey of several of its customers.

The following table shows the sample for each taxpayer category.

Table - Final Sample

Regime	Complete Survey
VAT Minimum	234
CEDE	580
NOT CEDE	337
 TOTAL	1,151

Measuring the tax compliance costs

The cost of compliance is the sum of the Internal and External Costs. Internal costs include labor costs and non-labor costs.

Direct labor costs are those costs in which the company uses its own resources in addition to human resources for which receives a payment for the undertaking to meet tax obligations. Within the Internal costs are also included non-labor added value incurred by the company.

Furthermore, external Costs are defined as those which the company entrusts to a third party to meet the tax liability. The assignment to a third party entails a charge or payment for the compensation.

Total tax compliance costs

Based on the sample data, evaluations of each of the components tax process by consolidating all hours multiplied by its respective value adding costs and external costs to taxpayers of the sample were performed. Calculations were made for each subset of the population, namely regime type and type of business.

Sample data were extrapolated alongside the expansion factors calculated with the information of the sample divided by the total of the population subject to study, resulting in the following values² [2] .

² *The expansion factor for a study based on a sample is the figure that acting as a multiplier allows to take those data samples to the population, i.e. expand the sample. This factor is calculated based on the probability of selection of items in the sample, being the expansion factor the inverse or reciprocal of the probability of selection of the elements.*

Considering all activities in which the company uses its own resources, direct costs in terms of hours (per year) for the fulfillment of tax obligations are shown in the following table.

Tax Compliance Costs - Internal Times - T A
(Hours per year)

Size	Hours Year
Micro enterprise	135
Small enterprise	269
Medium enterprise	319

This reflects an average time, in hours per year, dedicated to the fulfillment of tax obligations of 241 hours. The determination of the total amount (total cost) is the sum of each of the subsets of the population.

In order to quantify the internal or direct costs, i.e., assign a value in monetary units, it is essential to choose the value per hour of work of a professional who is in charge of accounting records, filling of returns and payment. To this end, it was enlisted the Continuous Household Survey, from which the occupations were identified. It considered the average earning which was \$ 125 per hour (\$ 6.25 dollars). This is the value used to quantify the hours destined to comply with tax obligations when the company made use of its own resources.

Some features of the results I: regressivity of compliance costs

If we analyze the information by company type, microenterprises, given their number and level of concentration, represented a participation of 0.80% of GDP. Finally, the SMEs because of their irrelevance in the study accounted for only 0.36% and 0.15%, respectively.

Tax Compliance Costs - Uruguay (% of GDP)

TOPIC 4.1 (Uruguay)

Regime	Size of Firm			Total
	Micro	Small	Medium	
CEDE	0.03	0.05	0.06	0.14
NOT CEDE	0.72	0.29	0.09	1.09
VAT Minimum	0.06	0.02	0.00	0.08
TOTAL	0.80	0.36	0.15	1.31

It was proceeded to calculate the total sales of the population based on the averages of each of the ranges by weighing the number of companies of the whole population.

Thus, compliance costs represented 1.05% of total sales (weighted average according to all taxpayers by company size). As can be seen, in the segment of micro, compliance costs represents 1.21% of total sales while for small and medium were 0.28% and 0.03%, respectively.

Tax Compliance Costs - Uruguay (% Total Sales)

Regime	Size of Firm		
	Micro	Small	Medium
CEDE	0.48%	0.07%	0.01%
NOT CEDE	0.65%	0.19%	0.02%
VAT Minimum	0.09%	0.01%	0.00%
TOTAL	1.21%	0.28%	0.03%

Thus, compliance costs are regressive³ [3] for these companies in Uruguay being much more significant for microenterprises than midsize companies. Tax compliance costs for 2012 in Uruguay are summarized in the following table, for micro, small and medium enterprises.

³ [3] Although the term is associated with regressive taxes, it is chosen to represent that the larger the size of the company the lower its transaction cost.

Tax Compliance Costs (% of GDP and annual sales)

	% GDP 2012	% Annual Sales
Microenterprise	0.80	1.21
Small Enterprise	0.36	0.28
Medium Enterprise	0.15	0.03

This feature of regression is valuable information for Tax Administration, because it is useful when targeting strategies to reduce compliance costs. But a second reading of this result could be signaling the relevance of reviewing the extent of the simplified tax regimes currently in force in Uruguay.

While the result was expected, since much of the compliance costs are fixed, rather than proportional to the volume of sales, the differences of magnitude according to size are considerable, and, in particular, a compliance cost on average equivalent to 1.21% of sales in the case of micro, has, from the point of view of its economic importance, nearly the range of a tax.

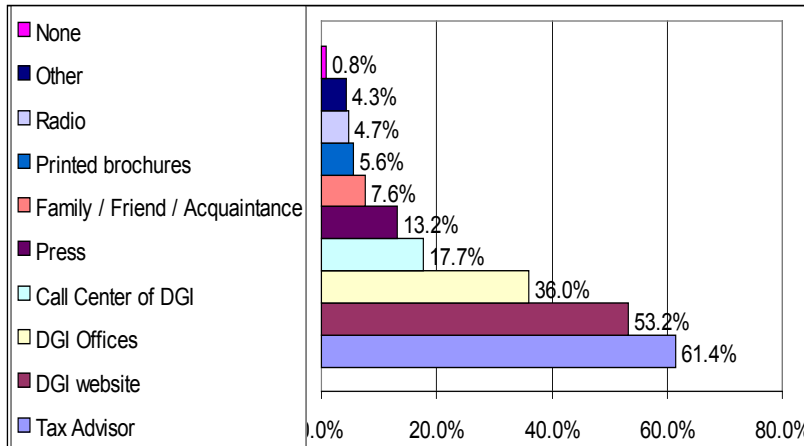
From these results, a complementary exercise that could contribute useful information to the above review would be to compare, for each taxpayer segment size, the absolute amount of cost of compliance with their contribution to the tax revenue. If the ratio is very high, especially if it is close to 1 or even higher, it would be indicating us that the social cost associated with tax collection is almost as or higher than the latter, and this without considering any measure of excess burden. It would then be indicating us a high level of inefficiency, which may not be corrected only by reducing the time to comply with tax obligations.

Some features of the results II: the importance of the figure of the tax advisor

According to survey results, 64% of the observed population responded that enlists an external consultant to meet various tax proceedings.

One could infer that the larger the company the higher the spending on tax advisors given the greater complexity of cases. On the other hand, it is also possible to regulate the role of external consultants whose ability to cope with the tax system is greater than that of the taxpayer, either through training (tax accounting) or relevant experience.

Figure 4 - Means used to obtain tax information



When the taxpayer was asked what was the reason to enlist the services of an external consultant, there were two reasons mostly given, “the adviser provides information in greater detail than the DGI” and “lack of time to go to the DGI to request information”.

This result supports multiple readings, of which we want to highlight two. First, together with the results of the previous graph, they are indicating a high relative weight of the figure “tax advisor” as an intermediary to comply with tax obligations. In Uruguay, this role is played usually a Public Accountant.

However, except in the case of large companies that perform tax planning, it is uncommon for micro, small and medium enterprises to recruit a specialist in the field. A Public Accountant is hired, who usually provides various services such as: bookkeeping and/or signing the books, follow all the necessary proceedings required by State Agencies that are linked to the economic activity of the company (this service may be, in turn, outsourced by the accounting firm), provide economic and financial business advice, compose the payroll for the payment of salary and contributions to Social Security and, of course, being responsible for the payment of taxes and other tax obligations.

Reasons to hire third-party services

	First reason	Second reason	Third reason
There is little information in the offices of the DGI	3.6%	2.3%	3.3%
There is little information on the website of the DGI	0.7%	2.1%	2.0%
There is little information in the Call Center of the DGI	0.8%	2.1%	2.6%
DGI officials failed to properly explain the consultations	5.5%	7.5%	3.5%
The tax advisor provides information in greater detail than the DGI	28.3%	11.1%	4.4%
For lack of time to go to the DGI to request information	17.2%	12.4%	6.4%
It is cheaper to hire a tax advisor	4.0%	4.1%	4.1%
NS / NCNS / NC	1.2%	1.2%	1.8%
Other	4.3%	3.6%	3.9%

Of course, it will depend on the size of the company and the developing of their information systems, how much of these services they decide to obtain from an external consultant and how much from its workforce. But the point is that Public Accountants can provide all the aforementioned services, and even others. Therefore, in many cases, when the company hires a “tax advisor” in fact is hiring a professional who provides various services which include tax obligations.

Therefore, in many cases for taxpayers, the opportunity of using the services offered by DGI is dual: first, the most direct, which is the monetary value of their time and, second, the use of a professional service which they are already affording and that, perhaps, would not hire in the absence of their tax obligations.

Within this aspect there are other elements to highlight and is that the Tax Administration in relation to the taxpayer faces a problem of conflict of interests and asymmetry of information that the tax advisor does not. It is not "on their side", or at least it appears to be so by the taxpayer (which ultimately is what counts) and does not reach the level of business knowledge that is accessible to a tax advisor.

It is also expected in average the tax advisor is able to fulfill his/her services at a lower social cost than that incurred by the taxpayer; this result would be expected as a direct benefit from specialization and economies of scale.

Thus described the situation, it seems that the strategy of the Tax Administration should not be to take the costs of compliance to such an extent that the taxpayer can dispense tax advisor. The latter fulfills a useful role and its presence can not be explained solely by the need to address tax obligations. Therefore, the strategy should include both reduce the cost of compliance for taxpayers who do not hire external services (through decreased time and simplification of procedures and avoiding transfers), and for those who hire them. In the latter case, the operating costs incurred by the tax assessor are reduced, but under this situation, it is functional to reducing compliance costs.

The second reading we wanted to highlight in relation to these results, is that they are giving the signal that there is indeed much space to reduce service times and procedures and, thus, reducing the opportunity cost by using the services offered by the Tax Administration, increase the likelihood that they will be used to improve the quality of these services (in terms of completeness and accuracy of advice or information given), which also leads to increase the likelihood that they will be used.

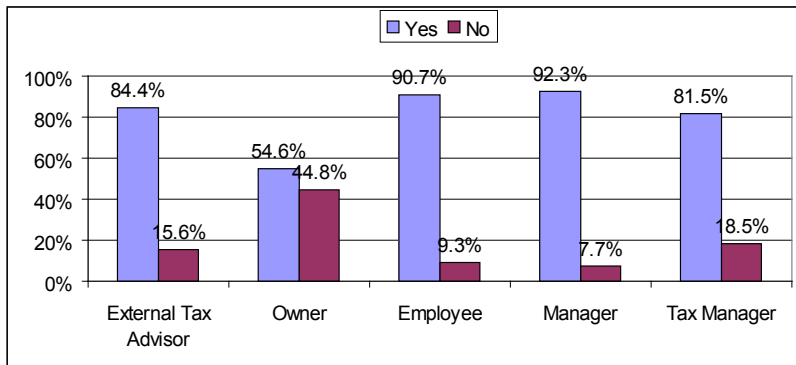
In this sense, the more likely response is concentrated in the services the Tax Administration might be able to provide through the Internet.

Some features of the results III: Internet use

75% of taxpayers use Internet to meet their tax obligations. When we observe this information by position held within the company, we notice that both the external tax advisor as well as the Manager and Head Tax Manager demonstrate significant familiarity with virtual platforms compared to other people, especially the owner.

The latter case, where the rate of Internet use is clearly distanced from the other posts (54.6% use, while among the other posts the percentage varies from a minimum of 81.5% to a maximum of 92.3%) is illustrative of this particular behavior. Because of the characteristics of this survey, the figure of the “owner” is conceivable in smaller companies (micro and small), companies which in many cases do not possess an infrastructure (technological and human resources) to operate an Information system moderately developed. In those cases or the company is so small that the owner meets all the tasks related to the management of information, or entrust them to a tax advisor.

Figure 5 - Use the Internet to meet their tax obligations vs position held



Regarding the channel used to update the record, 59% of taxpayers have been updating it by attending to the DGI’s Offices and 41% through the DGI Website. This indicates that there is significant room for reducing compliance costs by channeling this process of record updating through the virtual space. However, it should be noted that some of the possibilities that are available today to update the record through online services, were not at the time of the survey.

Tax administrative costs

The new organizational structure of the DGI was approved in September 2011.

According to that organizational structure, below the updated number of staff in each Division box is displayed.

Number of employees (Division)

DIVISION	Number of employees
ADMINISTRATION	164
TAX PAYER SERVICE	189
GENERAL DIRECTORATE	75
SUPERVISION	256
LARGE TAXPAYERS	63
INFORMATION TECHNOLOGY	99
INTERNAL	343
EXTENSIVE COLLECTION AND CONTROLS	155
FISCAL TECHNICIAN	69
TOTAL	1,413

The current organizational structure of the DGI reflects the typical structure of a tax cycle process oriented Tax Administration.

Considering the Process Map by the DGI in 2012, the following steps were followed for the determination of the cost of Tax Administration:

- Step 1. Identifying the essential procedures and sub procedures of the DGI.
- Step 2. Determination of the quantity and value of the Officials who are responsible for each procedure and sub procedure.
- Step 3. Identification of Support Procedures within the DGI.
- Step 4. Determination of Organizational Units (UUOO) responsible for carrying out Support Procedures.
- Step 5. Cost of essential procedures / sub procedures as well as Support Procedures.
- Step 6. Cost allocation of Support Procedures for each essential procedure / sub procedure.
- Step 7. Getting the cost of essential procedures / sub procedures of the DGI.

**Costs of Tax Administration - DGI 2012
(For Process Noun)**

Noun Process	\$ - Pesos (mill.)	US\$ (mil.)	%
A. INFORMATION AND ASSISTANCE	219.95	11.00	11.5
B. MANAGEMENT TAX REQUIRED	372.80	18.60	19.5
C. MANAGEMENT FUND	205.57	10.30	10.8
D. CONTROLS EXTENSIVE	309.00	15.40	16.2
E. CONTROL INTENSIVE	619.25	31.00	32.5
F. MANAGEMENT	143.00	7.10	7.5
G. TAX REGULATIONS	38.00	1.90	2.0
TOTAL	1,906.00	95.30	100.0

Finally, in order to make comparable measurement of the costs of tax administration of the DGI of Uruguay with other measurements made in other countries, it is necessary to compare the cost of management with respect to a reference value such as GDP.

Considering the GDP of Uruguay in 2012 (\$ 51,013,878 million), DGI's costs of tax administration are 0,187%, Control concentrates 0,128% of GDP. The rest of procedures (services, collections and the rest) have an average attendance of about 0,019% of GDP each.

**Costs of Tax Administration
(% of the GDP)**

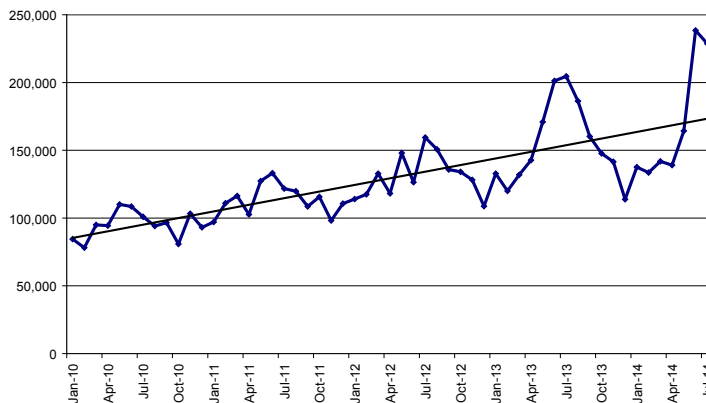
Services	0,022%
Control	0,128%
Collection	0,020%
Other	0,018%
TOTAL	0,187%

3. STRATEGIES TO REDUCE TRANSACTION COSTS

Services via Internet

For several years the DGI is multiplying its service offerings over the Internet, avoiding physical displacement of the taxpayer and decreasing the time of the proceedings. The following graph shows the evolution of the number of visitors to the website of the DGI between January 2010 and July 2014 (the “peaks” are campaign periods for filing income tax of natural persons). The average annual growth in that period was 11%: while in 2010 the average was 95,000 visitors per month in the year ended in July Mobile 2014 monthly average was 161,000.

Figure 6 - Number of visitors to the website of the DGI



The following table shows in more detail what has increased the number of visitors to the website of the DGI. In particular, shows the evolution in the use of the main services available. By “personalized services” refers to services whose use requires a user ID and “not personalized services” is the opposite.

As can be seen, with the exception of consulting Certificate of Annual Effective (CVA), growth rates were markedly higher in personalized services, which are those that are directly linked to specific procedures (sending statements, making payments, queries payments, issuance of documents).

DGI: evolution of the use of certain Internet services via

Service	Period	Annual growth rate (average)
Custom Services		
Issuance of certificates	2009 - July 2014	27%
Consultation payments	2009 - 2013	17%
Affidavits	2009 - July 2014	17%
Payments	2009 - July 2014	37%
Withholding	2009 - 2013	27%
No Custom Services		
Ticketing payment	2009 - July 2014	2%
Calculation of surcharges	2009 - July 2014	6%
Annual Consultation Certificate Validity	2009 - July 2014	42%

In particular, the services related to proceedings (not accessory to them) have grown at such rates that, on average, are doubling their usage volume every 3 years.

This result is perhaps the most notable because they are services that generate greater time savings for the taxpayer as it prevents them from having to attend to the Tax Administration Office in order to fulfill the obligation of the procedure. However, the services related to the preparatory stage and / or inquiry of status of the proceedings is also vital for the first to be successfully carried out.

The case of CVA query deserves special mention. The CVA indicates whether the taxpayer is up to date with their obligations to the DGI. The web service allows anyone entering the company Single Tax Registration (RUT) Number to verify if it up to date with tax obligations. As it is a completely open inquiry service (it is enough to know the company RUT number of which we want to identify the information) is used by many businesses and organizations as a rating of the companies with which they are related.

It then works as a sort of “clearing”. In the mobile year ended in August 2014 it received, on average, 7,094 visits per day.

Internet services are also useful to reduce the times of the in person procedures. In this regard, it is interesting to note two devices that are available in the DGI from a relatively short time. On the one hand, the online agenda that has been able to avoid waiting time for in person attendance. This online agenda, as it entails a preset time and care put into operation ensures a standard of productivity. On the other, the tray communications, a device that is accessed through the website of personalized services and operates as an email between the taxpayer and the Tax Administration. Its increasing use has led in many cases to avoid the physical presence of the taxpayer in the office of the DGI and / or contribute to efficiently prepare the proceedings before the taxpayer has arrived to the Offices.

Electronic bill

The operating system documentation by Electronic Invoices (CFE) recorded its first transaction in August 2012. For that, previously, the DGI along with several organizations prepared and worked for several years. At the time of writing this report there are 298 operating taxpayers, who have issued more than 230 million records since the start of operation. Taxpayers already issued CFE for the equivalent of just over 22% of traditional documentation approved in 2011, with nearly 750 contributors that should be incorporated to the system before the end of the year; it is expected to reach 29%.

This system benefits all involved. First it contributes to the whole society by promoting greater care for the environment; secondly, companies will experience a noticeable drop in operating costs; Tax Administration will substantially improve the quantity, quality and appropriateness of the information received, allowing it to refine the control of taxpayer compliance.

In this context, the DGI understands that the scenario of a universalized CFE regime represents a spreading of the benefits for the whole society. This does not only answer to a question of scale, but also to specific benefits that derive from universalism: lower entry costs for taxpayers, lower costs of tax compliance (a universal CFE regime could make feasible the elimination of certain obligations relating to submission of tax returns and / or information returns), quality information for making economic decisions.

The performance of the CFE regime is evaluated and constantly monitored. In this sense, the current evaluation of the DGI is that the widespread use of CFE for all taxpayers would be unattainable in a reasonable time at the current rate in which the ability to bring tax administration support is growing.

For this reason, the DGI is reviewing the strategic direction of this project and is evaluating a design that involves a CFE income plan that takes into consideration almost 100% of taxpayers, within five years, using for that a scheme approval of billing service providers. This scheme decentralizes the process of validation of taxpayers as electronic issue / receivers and thus multiplies the capacity for growth.

Unlike the current situation, in which each company is responsible for all certification process individually, the new mechanism can handle different options for the widespread use of electronic invoicing by simplifying login mechanisms.

4. SOME CONCLUSIONS AND RECOMMENDATIONS

The experience of applying the transaction tax costs measurement methodology proposed by CIAT to Uruguay has been successful. This is the result of a consistent methodology and research strategy -designed jointly by the consultant team hired by CIAT - UN / DESA and the DGI Economic Advisory - who managed to properly exploit the infrastructural capacity of the tax administration and the country in general.

The measurement results represent a useful contribution to the assessment and design review procedures in the DGI, not only those related to attention and assistance to taxpayers, but for all essential procedures that make up the tax cycle. Of course, it is also a useful tool when allocating resources.

The study group (micro, small and medium enterprises) is a very important set of taxpayers administered by DGI, which ensures a

high level of representation. However, since the implementation of the current tax system in 2007, the DGI multiplied its taxpayer base several times, for which it would be desirable, in future measurements, to incorporate a unit that includes compliance costs associated to individuals.

Considering, in particular, the developments of Internet services offered by DGI and the prospects for future developments of e-invoicing, it would be advisable to make such measurements every two or three years to assess whether the extension in the use of these services results in significant reductions on compliance costs.

METHODOLOGY FOR MEASURING THE TRANSACTION COSTS OF THE TAX ADMINISTRATIONS

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Contents: Summary. Presentation. 1. Cost of tax compliance. 2. Compliance costs. Annex 1: Survey on compliance costs. Annex 2. Annex 3

SUMMARY

In Costa Rica, the Directorate General of Taxation (DGT) conducted in 2013 a pilot plan for measuring tax transaction costs for small and medium enterprises. It was implemented with the support of the Inter-American Center of Tax Administrations (CIAT) and the Department of Economic and Social Affairs of the United Nations (UN), based on the “Manual for the measurement of tax transaction costs in small and medium enterprises” developed by these organizations.

Tax transaction costs consist of administrative costs incurred by the State to manage the tax system and compliance costs incurred by taxpayers to comply with the tax system.

The measurement of compliance costs was conducted through a taxpayer’s survey, in which the proposed by CIAT- UN DESA methodology was used, but adapted to the particularities of the Costa Rican tax system. Thanks to the UN support, for the vocabulary, terminology, the extent and scope of the questions, an outside consultant was hired to conduct interviews with taxpayers, with a time average of 30 minutes for the processing and analysis of the information collected.

The costs measurement of the tax administration was performed using the methodology described in the manual, allocating resources by installed capacity, distributing the executed budget in each of the tax sub-processes called cost centers, using information from the budget and from the human resources department of the DGT.

The tax transaction cost represented 1.78% of GDP for the year 2012, of which 1.67% is attributable to taxpayer compliance costs and 0.11% to the tax administration costs.

The pilot plan was successful. It allows having an indicator to measure the impact of the various initiatives taken by the tax authorities regarding the tax obligations of the taxpayers' compliance costs. The intention of these initiatives is to simplify the system and lower the compliance costs in the next measurements to be made, and perform adjustments according to the comments given by taxpayers as well as improve some aspects detected through the measurement.

PRESENTATION

The Costa Rican Tax Administration is aware that the measurements and monitoring are necessary in order to assess if over time the efforts on the simplification of tax procedures and processes in order to promote voluntary compliance are actually reflected in a reduction of tax transaction costs, assuming that in the medium term this will contribute in strengthening tax revenues.

Consequently, in 2013, the Directorate General of Taxation (DGT), responsible for the administration of internal taxes (unlike customs) has measured the tax transaction costs for small and medium enterprises. It was a pilot plan executed with support from the Inter-American Center of Tax Administrations (CIAT) and the United Nations (UN) Department of Economic and Social Affairs, based on the "Manual for the measurement of tax transaction costs on small and medium companies" developed by these organizations.

The Republic of Costa Rica, borders to the north with the Republic of Nicaragua and southeast with the Republic of Panama. In 2013, its population is 4,652,459, its territory covers 51,100 km², it limits to the east with the Caribbean Sea and to the west with the Pacific Ocean.

In 2012, the GDP was 44.638 million dollars a growth of 5.1% compared to 2011, an inflation rate of 4.6% with a tax collection managed by the Directorate General of Taxation which totaled 3,793 million dollars and it had 600,212 registered taxpayers of which 0.08% are Large Taxpayers (487 companies) and the average exchange rate is 508.20 colones.

The result of the measurement indicated that the tax transaction costs (TTC) represented 1.78% of GDP for 2012, 1.67% attributable to taxpayer compliance costs and 0.11% to the tax administration costs.

In order to share experiences, some opinions will be presented that have arisen with the implementation of this methodology and the results achieved. We will also present the strategies of simplification and the reduction of administrative barriers that have been developed or are to

develop, that have an impact on the reduction of compliance costs for taxpayers, in particular for micro, small and medium-sized enterprises.

1. COST OF TAX COMPLIANCE

Tax transaction costs are the Administrative Costs incurred by the State for administrating the tax system and the Compliance Cost incurred by taxpayers to comply with the tax system.

For applying the methodology established by the CIAT and the United Nations -DESA, the following steps are performed:

Table 1
Phases of the study of measurement of the TTC in SMEs in Costa Rica

Phase 0: Start	
Identification of the general context, a detailed knowledge of the regulatory and administrative framework of the tax (s) to be analyzed. It is important to understand the institutional framework, the maturity of processes and political support for a possible tax simplification reform.	
Phase 1: Preparatory	
Definition of the associated financial resources for the project as well as education and training of the local technical team. At this stage, it is important to analyze the financial viability of hiring an external provider to conduct the survey, as well as the quality of internal information that allows the determination of the TTC:	
Phase 2: Analysis	
Step 1	Identification of information obligations, tax requirements as well as key internal indicators of DGT on the transactions tax cycle.
Step 2	identification of rules relating to the tax and the procedure
Step 3	identification of segments of relevant enterprises for the study
Step 4	Identification of the population and frequency of the transaction
Step 5	Identification of related regulations
Phase 3: Measurement	
Step 6	Compliance costs measurement
Step 7	administrative costs measurements
Phase 4: Reports	

TOPIC 4.1 (Costa Rica)

Step 8	Extrapolation at national level of data obtained
Step 9	Final report of results and determination of the simplification plan

Source: Manual for Measuring tax Transactions Costs in Small and Medium Enterprises

The MSME definition used was the one raised in the tax transaction costs measurement study of SMEs developed by CIAT and the United Nations, which is included below:

**Plane 2
MSME Definition**

Criteria	Micro enterprise	Small Enterprise	Medium Enterprise
Number of workers	Up to 10	Up to 50	Up to 200
Annual Sales	Up to 100 thousand Dollars	Up to 2 million Dollars	Up to 5 million Dollars

Source: Manual for Measuring tax Transactions Costs in Small and Medium Enterprises

In Costa Rica, the tax system includes MSMEs (not exclusively), so it was decided to extract and differentiate this group of companies within the study. This may evaluate the impact of the scheme in this group and its relation to the tax transaction costs. Therefore, the population framework differentiates companies from the traditional system from the simplified regime.

The population framework was defined based on the submission of the 2012 annual tax return and the returns submitted by the Simplified regime companies, which is submitted quarterly (which includes information on the sales and income in the same form).

The information on the number of workers was obtained with the fieldwork of the survey, because the tax authorities did not have it.

Those companies that had no activity were no included, i.e. those that did not reported information or reported information with zero activity. Following this assessment, a low incidence of taxpayers that report no registration or report low activity was detected.

Thus, the population subject to study was the following:

In order to have information for the study, the agency responsible for DGT budget should provide the information. For compliance costs, a primary information from the taxpayer through a survey was required.

The survey proposed by the CIAT-UN methodology for measuring transaction costs in small and medium enterprises was considered and the special characteristics of the Costa Rican tax system was adapted with the participation of officials from the DGT. The survey can be found in Annex 1.

For collecting the information with the support of the CIAT - United Nations DESA Project, the market research company Synapsis¹ located Costa Rica was recruited to be in charge of processing data. The methodology adopted was a face-to-face interview with the taxpayer for twenty minutes.

The team had 16 interviewers who first began the process contacting taxpayers by telephone with the intention of making appointments. In order to leave no doubt regarding the definitions and scope of the questions a pilot test was performed. The evaluation results were satisfactory.

The criteria for sample selection were as follows:

- Active Taxpayers (not omitted in the fiscal year 2012) to February 28, 2013 within the General and Simplified Tax System.
- All taxpayers defined under the parameters of MSMEs, excluding Large Taxpayers Department and Regional Companies (Getes).
- All sectors are included except for the public administration, education and agricultural sectors.
- The scope was set for all those conducting their business within the greater metropolitan area, which falls from the cantons of Athens in the province of Alajuela to Paraiso in the province of Cartago and Alajuelita in the province of San José to Santa Barbara in the province of Heredia, for a total of 31 counties and 163 districts.

A simple random sampling method was adopted with the following results:

¹ <http://synapsis-rs.com/site/>

$$N = \frac{P \cdot \alpha^2 \cdot Z^2}{(P - 1) \cdot e^2 + \alpha^2 \cdot Z^2}$$

- N= Sample value
- P= Number of Taxpayers ranges defined in SMEs
- α= Standard deviation of the population (0.5 Suggested)
- Z= confidence level (95%)
- e= acceptable error limit (3%)

Where:

P= 346, 369
α= 0.5

Z= 95%
e= +/- 3.5%

N= 780

The sample showed at least 780 valid surveys, which also was grouped for both the general and simplified regime.

2. COMPLIANCE COSTS

To calculate the annual hours that a taxpayer must spend on average in order to comply with his tax obligations, a profile of the taxpayer was defined for both the traditional system and the simplified regime. These profiles were used to annualize the data so that the cost information had a uniform treatment and it could be standardized to annual data. It should be noted that the profile is an assumption in the methodology of this document.

It is known that returns, claims and tax control processes are not permanent processes for taxpayers. However, for the purpose of this paper, it is assumed that all taxpayers have at least a participation (event) in the annual process.

Table 4	
Taxpayer profile	
Traditional Regime	Simplified Regime
<ul style="list-style-type: none"> • Submits 12 Returns on General Sales Tax (Form D-104) • Submits 1 Annual income tax return (Form D-101) • Submits 1 Annual statement summary of customers, suppliers and specific expenses (Form D-151) 	<ul style="list-style-type: none"> • Submits 4 Statements under the tax simplified regime (Form D- 105) • Submits 1 Annual statement summary of customers, suppliers and specific expenses (Form D-151) • Submits 1 return request

<ul style="list-style-type: none"> • Submits 3 Self-assessment of partial payments - income tax (Form D – 108) • Submits 12 Withholding at source (Form D - 103) • Submits 1 return request • Submits 1 claim request • Receive 1 visit/contact form DGT for control purposes 	<ul style="list-style-type: none"> • Submits 1 claim request • Receive 1 visit/contact form DGT for control purposes
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The taxpayer was asked on how long it takes to fill, file and pay each of the tax obligations, monthly, quarterly and annually, respectively. Thus, if a taxpayer mentioned that the process of filling out a return takes a number of hours (in case the taxpayer indicated minutes, it is divided into 60 to transfer it to hours and this way facilitate the interpretation) per month this was multiplied by 12 to obtain the annual data.

These times were accumulated and extrapolated to annual periods using the expansion factor for each type of taxpayer and tax regime. The expansion factor is interpreted as the number of firms in the population, which represents a company in the sample.

The estimate of the total for a given variable is obtained, first, by weighting the value of the variable by its expansion factor and then by adding all the companies in the sample.

In addition, in relation to the returns, claims and control processes, it was assumed that this process only occurs once a year and therefore the finding of the survey corresponds to an annual period.

For the purposes of the study, the minimum salary of a professional accountant published by the Ministry of Labor and Social Security of Costa Rica² for the second half of year 2012 was taken as the average salary in order to calculate the cost incurred by the taxpayer. This salary was set at ₡ 441.531 colones at the December 2012 average exchange rate for buying and selling ₡ 508.20 31 with an hourly wage average of \$ 4.8.

Calculating Costs and Administrative Expenses

Taxpayers in the process of meeting their tax obligations must present expenditures in printing invoices, documents, purchase ledgers, legalization of accounting records and books. The survey developed

² <http://www.mtss.go.cr/>

required the taxpayer to estimate these expenses on a monthly basis and thus incorporated in the calculations of the compliance costs.

This calculation has 5 components:

1. External costs on the enrollment and registration process, invoicing, forms, ledgers, or other legalization.
2. Additional Costs generated by the tax administration actions in the tax control.
3. Costs generated by an application for refund
4. Costs generated by a request for claims
5. Costs for the use of an external consultant

Each of these costs were aggregated by taxpayers on a monthly basis so that they can be extrapolated to annual data.

Main results of Tax Compliance Costs

With the results of the implementation of the survey, an evaluation was performed for each of the components of the tax process which includes; enrollment and registration, declaration and payment, tax returns and claims control and consolidating all hours (according to profile) multiplied by your salary, adding administrative costs and external costs to taxpayers of their salary. Calculations were made for each sub population group i.e. by type of regime and type of business.

The following results were obtained for 842 companies in the sample. According to the sample size calculation the number of valid surveys should be 780, but 800 were requested to the contractor, which performed 842.

Table 5
Surveys by type of business

Size of enterprise	Sample		Total
	Traditional Regime	Simplified Regime	
Micro	531	203	734
Medium	96	6	102
Small	6	0	6
Total	633	209	842

Source: CIAT- UN DESA Survey.

Thus, the following results for the 842 sample companies were obtained.

Table 6
Annual Tax Compliance Costs
Sample 842 Taxpayers, 2012
Thousands of dollars

Regime	Size of the Enterprise			Total
	Micro	Medium	Small	
Traditional Regime	1206	208	20	1434
Simplified Regime	226	8	0	234
Total	1433	216	20	1668

Source: CIAT- UN DESA Survey.

The determination of the total amount (total cost) is the sum of each of the subsets of the population.

In order to calculate the amounts for total population, these data were extrapolated to the expansion factors calculated with the information of the sample divided by the total population subject to study, resulting in the following values³.

Traditional Regime	521	364	300
Simplified Regime	161	30	0

Source: CIAT- UN DESA Survey.

As it can be seen, the expansion factors are quite homogeneous. For the traditional system, the data are 521, 364 and 300 for each type of business, respectively and somehow heterogeneous in the case of the simplified regime given their representation of each type of business in the population. In the case of small businesses in the simplified regime is a company representing 30 companies.

³ The expansion factor for a study based on a sample is the figure that acting as a multiplier allows to take the sample data for the population, that is, expand the sample. This factor is calculated based on the probabilities of selection of the elements in the sample, and the expansion factor the reciprocal or inverse of the probability of selection of the elements.

**Annual Tax Compliance Costs
Costa Rica, Taxpayers 2012
Thousands of dollars**

Regime	Size of Enterprise			Total
	Micro	Medium	Small	
Traditional Regime	628749	75661	5851	710261
Simplified Regime	36437	239	0	36676
Total	665186	75900	5851	746937

Source: CIAT- UN DESA Survey.

The total cost of compliance in Costa Rica for 2012 is estimated at \$ 746 million, which represents 1.67% of GDP. If we analyze the information by type of enterprise, micro enterprises, given their number and level of concentration, represented a cost of \$ 665 million with a share of 1.49% of GDP. Finally, the SMEs that its insignificance in the study accounted for only 0.17% and 0.01%, respectively.

**Table 9
Annual Tax Compliance Costs
Costa Rica, Taxpayers 2012
GDP Percentage**

Regime	Size of Enterprise			Total
	Micro	Medium	Small	
Traditional Regime	1.41	0.17	0.01	1.59
Simplified Regime	0.08	0	0	0.08
Total	1.49	0.17	0.01	1.67

Source: CIAT- UN DESA Survey.

It should be noted, that sales information of the population subject to the study is not available and the survey only required ranges from sales to which each firm belongs. Therefore, we proceeded to estimate sales using the average of each range and multiplying by the expansion factors for each of the types of business, providing as result the total sales by type of business and taxation regime.

Compliance costs accounted for 2.14% of total sales. As it can be seen, in the micro segment, compliance costs represent 4.30% of total sales while for small and medium accounted for 0.5% and 0.17%, respectively.

Average Costs by Company

The tax system generates enterprises in Costa Rica the average annual cost up to \$ 2.156. These results were calculated by dividing the total cost by the number of firms in the population. However, total costs had a higher average for medium enterprises (\$ 3.254) than for micro (\$ 2.150). This leads us to conclude that there are factors that the larger the company the higher fixed costs are, as it will be seen later, for costs and external expenses.

Table 10
Tax Compliance Costs
Average Cost by Company, 2012
In dollars

Regime	Size of the Enterprise			Total
	Micro	Medium	Small	
Traditional Regime	2272	2165	3254	2266
Simplified Regime	1115	1316	0	1116
Total	2150	2160	3254	2156

Source: CIAT- UN DESA Survey.

However, when analyzing these costs as a percentage of sales it can be seen that microenterprises have a greater burden as a percentage of sales a company taking the traditional system costing up to 4.5% of their sales. This cost decreases, as the company becomes larger having a medium company up to 0.2% of sales. Thus, compliance costs are regressive for companies in Costa Rica these costs being up to 20 times more important for microenterprises than medium companies are.

Table 11
Annual Tax Compliance Costs
Cost by sales percentage, 2012
Percentage

Regime	Size of Enterprise			Total
	Micro	Medium	Small	
Traditional regime	4.5	0.5	0.2	2.2
Simplified Regime	2.2	0.3	0	1.1
Total	4.3	0.5	0.2	2.1

1/ Sales calculated based on the average of the defined range

2/ Total sales were calculated by weighting by the number of taxpayers by size of enterprise

Source: CIAT- UN DESA Survey.

To calculate the number of hours that a company intended average in Costa Rica to comply with tax obligations, they worked with time averages of the companies of the sample for each of the tributaries processes where intended hours of company staff.

The information and registration, declaration and payment, returns, claims and tax control processes were considered, neither costs nor external costs were included in order to have a total average number of hours for a company.

Table 12
Annual Tax Compliance Costs
Hours used and annual average cost per Regimen, 2012
Annual average cost in dollars

Regime		Size of Enterprise			Total
		Micro	Medium	Small	
Traditional Regime	Annual hours	129	161	111	134
	Annual Cost	623	776	537	649
Simplified Regime	Annual Hours	66	78		66
	Annual Cost	317	375		320

Source: CIAT- UN DESA Survey.

It is noted that the traditional system companies spend on average 129 hours a year to comply with their tax obligations, by multiplying the number of hours by the average hourly wage, the cost is \$ 623 per year. These hours are to be a comparison of the cost that represents the payroll in the operation in a company of the tax system. In the case of companies in the simplified regime, the number of hours in the year amounted to 66 at a cost of \$ 317 on average.

When the taxpayer was asked on what means he used to obtain tax information they indicated the following: 42% use an external tax advisor to obtain tax information, only 23% used the DGT website, and 19% reported at the windows.

When asked about the reason to hire the services of an external consultant 42% sated the following reasons: 76% said that with them they receive more detail information than with the Tax Authority, 67% said due to the lack of time to go to the AT and 39% said that AT

officials failed to explain the consultations. Additionally, 26% felt that it is cheaper to hire a tax advisor. This group sees that their opportunity cost is high and therefore preferred to hire someone to do it.

Information and Registration

The information and registration process includes 3 sub processes of the taxpayer, including enrollment or updating of data, training of tax administration on tax matters and finally the accounting records. Taxpayer were asked to answer how many hours they spent on each of these activities.

This way, companies spent on average 44 hours to complete these 3 processes. As we can see in the case of company size, the cost is slightly higher for medium enterprises as opposed to micro and small. This is explained by the number of hours spent to fill accounting record where the larger the company the greater the tax system complexity and thus more time dedicated to bookkeeping.

Table 13
Annual Tax Compliance Cost
Time used for Information and Registration in the Traditional
System, 2012
Average annual cost in dollars

	Size of the Company			Total
	Micro	Medium	Small	
Annual hours	42	49	51	44
Training	13	15	8	13
Registration or updating	2	2	3	2
Accounting registers	28	32	41	29
Annual costs	205	238	247	210

Source: CIAT- UN DESA Survey.

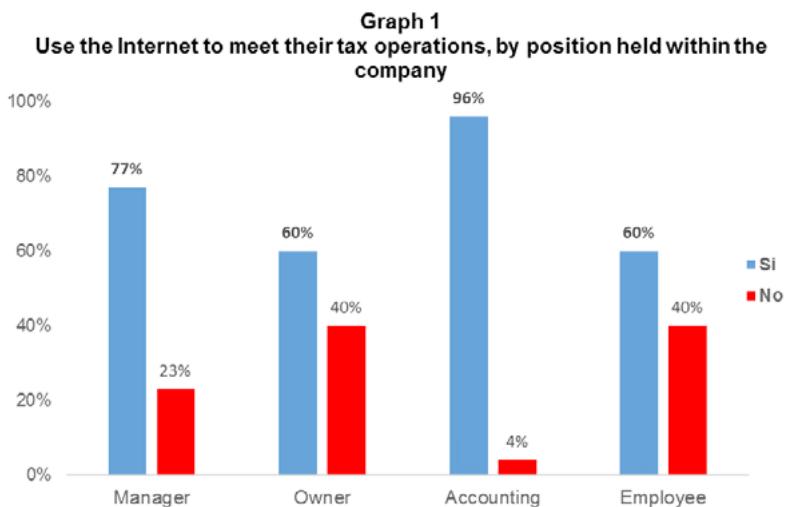
Regarding the registration process, this is 2 hours on average. However, since only 4% were enrolled last year, the hours are overvalued for new taxpayers, whereas the registration and updating virtual data is recently implemented. According to information from the DGT, this process takes on average less than one hour.

It can be seen that regardless of the type of registration and type of taxpayer regime, no statistical differences were found in the time to train or inform tax obligations, most state that they use on average 1 hour or less per month.

When they were consulted on the average time they take to be train per month, there are no significant differences by age, sex, or province. However, 65% of those in accounting positions admit using less than an hour, as opposed to other positions (manager, owner, and employee) where only 50% admit to be in this range.

On the other hand, 66% of taxpayers use the internet to meet their tax obligations. Out of this percentage, 66% makes operations from the office of the company, while 36% do it from home. It is common to find in MSME segments using internet from home given the level of commitment that companies have with their own development and growth.

When we see the information on the position held in the company it shows a greater familiarity with virtual platforms counters compared to other people who play a position in the company who to 96% use the Internet to meet their tax obligations. In addition, it can be seen that both the owners and employees of the company are less likely to use the internet to meet their tax obligations.



Fuente: Encuesta CIAT-UN DESA.

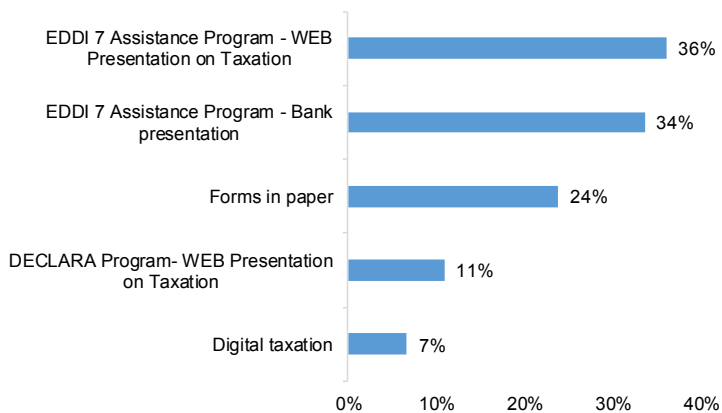
Regarding the channel used to update the registry, taxpayers are using virtual channels. Therefore, 53.7% of taxpayers used Tribunet to complete their transactions while 43.3% meet the tax authorities to complete the process while 0.5% said they used the tax kiosks. The remaining 2.5% responded with various answers such as through the accountants or the banks.

When we analyzed the data by position held in the company, again you can see that accountants use more virtual tools, compared to other positions in the company. Counters 89% update information online while the other positions use about 50% of the virtual tool.

The return and payment process includes filling out forms, Submission (in person, virtual, etc.) and finally the process of payment (bank, virtual, etc.). On average a company in the traditional system allocates 83 hours per year for activities relating to the returns and payment, this represents 62% of total hours (134). Medium size companies have an average of 60 hours, which can be explained by the level of automation that these companies have developed as well as the more trained staff to fill in the tax forms. In the case of companies in the simplified regime, the average number of hours is 17 hours. This considering that the regime has a quarterly submission of returns and according to the profile only show a summary of customers, suppliers and specific annual expenses however the statement is in person and not virtual.

70.3% of the companies took about an hour or so to fill out forms, this is statistically significant for all three types of company.

Graph 2
Methods used by the taxpayer to fill the tax return



Source: CIAT- UN DESA Survey.

As can be seen, 63% of taxpayers use the EDDI7 program for completing their returns 33% of them are filing in banks and 30% do so via the Web. 48 % of the returns are submitted via the Internet, and 21% have them in pre-printed forms. This universe corresponds to the simplified regime companies that at the time of the study did not have

a virtual tool for filing returns.

Regarding payment mechanisms, the high usage of cash (75%) in the payment of tax obligations can be noted. This could explain the 25 hours per year that companies allocate to this activity and may be the reason why medium companies having greater access to payment instruments has fewer hours (19) intended for this activity (remember that are six companies and no conclusions can be made). The channels to facilitate the payment process although they are the tax administration responsibility, should go hand in hand with the financial system that offers taxpayers the payment tools and instruments.

Those using the financial system for the payment of taxes (24%) 59% used the company account and 38% used their personal accounts while 3% used the account of a third party. It is important to note that tax transaction costs are additional costs such as banking that are not within the scope of this study. In that sense, the fact that companies use personal bank accounts to pay tax bills is a way to reduce financial costs but does not support the banking process.

Tax Control

The tax control is limited to the requirements of business information, checking differences, inspection of accounting records, among others. 9% of respondents said they had met some action or requirement from the tax administration in the last 12 months. These results show the presence and coverage of the tax administration in the study period. Of these 43% said that they had requested business information (documentary verification), 20% for verification of differences in the affidavits. The average attention span of these requirements was 3 hours. Less than 10% of taxpayers said it had incurred some extra cost.

69% of taxpayers who had some tax administration process solved the requirement in an hour or less, 12% between 1 and 2 hours and 19% in more than two hours.

In the process of Returns and claims, only 1% of respondents said they had made a request for refund in the study period. 33% of respondents indicated that they had used an external consultant at an approximate average cost of \$ 200 for the process.

Although a significant percentage used external consultants for the return process, 67% of companies prepare the request directly: The average time for filling the application was one hour. This would assume that the hiring of outside counsel not only aims to make the request but

to monitor the process of processing (phone calls, emails, etc.).

Only 2% (15 companies) of respondents said they had made a claim in the study period. 73.3% of respondents indicated that the process did personally or through an employee and the other 26.7% used an external consultant. Additionally, the average service time was between 1 and 6 months. Finally, 46% of respondents said it took over 2 hours to do the same.

Costs and external costs are a significant component of the costs of tax compliance in Costa Rican companies. Almost 76% of the cost of compliance is intended for external costs and expenses. Thus, companies spend \$ 1.654 U.S. dollars per year in costs and external costs \$ 2.156 correspond to the total cost of tax compliance.

Table 14
Tax compliance Costs
External Costs and Expenses, 2012
Average cost per Business in dollars

Regime	Size of the Company			Total
	Micro	Medium	Small	
Traditional Regime	1760	1514	2732	1738
Simplified Regime	848	941	0	849
Total	1664	1511	2732	1654

Source: CIAT- UN DESA Survey

A central issue in the transaction and tax costs, which support the objectives of the study on tax transaction costs, is that 47% of respondents said they used external tax advisor to meet their tax obligations.

Table 15
Tax compliance Cost
External Expenses, 2012
Average cost per Business in dollars

Regime	Size of the Company			Total
	Micro	Medium	Small	
Traditional regime	787	550	1417	764
Simplified Regime	262	315	0	262
Total	732	549	1417	717

Source: CIAT- UN DESA Survey

The activities that taxpayers required a support of an external consultant were registration and filling accounting records (20%), the usual procedures in tax administration (19%), updating and recording of information (19%) and submission of affidavits (18%). These results indicate that it is quite common in MSMEs to use external advisors in supporting ledgers filled, despite that this activity has a low level of difficulty, it is unlikely for companies to transfer the responsibility to a third party.

The taxpayer's opportunity cost for this activity is high and thus, it is transferred to a third party who surely has fairly defined both procedures as well as software tools for a reasonable amount develops the activity process. The average of external cost to develop these activities is \$ 120 dollars a month, according to the survey results. It should be noted that counseling is not a unique activity; it could include more of them, and this way increase its value.

67% of those who used an external consultant indicated that their cost is less than \$ 100 per month, 32% said the payment will represent between 100 and 1000 dollars a month and only 1% said it exceeded \$ 1,000 monthly.

Additionally, the taxpayer was asked if he had any other costs not covered by this survey, 3% mentioned administrative penalties and 4% mentioned the interest payments.

Administrative Costs

Administrative costs represent the State expenditure to administer the tax system. According to the information from the executed budget, it was 0.11% of GDP in 2012

The goal is to distribute this expenditure executed in each of the tax / cost center sub-processes. For calculating these costs budget information and human resources of the Directorate General of Taxation, and to implementing the methodology for measuring transaction costs of tax was required.

The DGT is an organization that operates under a "Functional Structure" model essentially based on a set of Directorates at central levels, with national jurisdiction on operational tasks, and an operative territorial decentralization assigned to the Territorial Tax Administrations assigned to Regional Directorates and a Directorate for large Taxpayers at national level. In these core areas there are activities that are classified as regulations however for purposes of this methodology were assigned to the sub-processes. Thus, the activities for control policy, collection and taxpayer service were distributed to its sub-processes, respectively (see Annex 2).

Regarding the operational directorates, they manage a departmental structure with profiles assigned to each of the areas that allowed each of them, to be assigned to each of the sub-processes (see Annex 3).

For this purpose, each step of the methodology is described below as followed:

Step 1: Executed budget

For the year 2012 it increased \$ 51 million having a drop of 10% from the year 2011, 70% of the budget is allocated to salaries followed by service category with a 25% field. The budget represents a 0.11% of GDP (44.638 million dollars). The reason for the budget decrease is explained by the current transfers' field. In this area in 2010 and 2011, pending outstanding returns were included from previous years that were run during those years.

Step 2: Expenditure Budget by Function

The budget for remunerations was assigned based on the participation of the remuneration paid to officials of each of the areas in 2012. Thus, it was necessary to assign based on the function that officials within each area perform, and the area HR has profiles disaggregated by each of the tax sub-processes. It is noted that some tax processes are across areas of DGT as the Unified Tax Registry (RUT), which not only belongs to the Collection area, but also has profiles within other areas of the organization such as the Taxpayer service area. Just for a methodological aspect, it was necessary to assign the heads of

the operating units⁴ to the taxpayer services processes so that their contributions remain identified within some of the processes.

In the General Administration, the following Directorates were included: General, Directorate and Sub-Directorate, Integrated Management Directorate, Inter-institutional Relations Tax Directorate, Tax Technology Division, Information Management Directorate, International Taxation Policy and Technical Directorate of the regional tax entities. It should be noted that the Technical Standards Authority is an advisory and municipal assistance entity with a rather limited role in taxation.

Thus, the audit area is receiving an increase of budget allocation (34%) given the amount of human resources that are allocated to this process.

Table 16
PHASE 2: EXPENDITURE BUDGET 2013
in dollars

Expenditures by Major Function	Expenditure on Salaries	No. of Employees	% Total of Employees	Average Monthly Salary
Support and Services	6,359,892	184	19	2880
Returns and Payment	5,429,044	151	16	2996
collection	2,367,649	69	7	2859
claims	1,989,308	58	6	2858
Returns	302,441	9	1	2800
Auditing	12,092,928	364	37	2769
General administration	6,553,986	138	14	3958
TOTAL	35,095,249	973	100	3006

Step 3: Installed Capacity by Major processes

The capacity installed by each thread or defined cost center was calculated. For it, 240 business days were considered which serve as or the distribution of resources in the later sections of the methodology. In this case, the overall administrative costs was not considered since this activity must be distributed in each of the tax sub-processes.

⁴ Understood as the managers and support staff from the Tax Administration Management.

Step 4: Estimating administrative costs for key processes

This step implies to distribute the administrative costs to each of the tax processes. Thus, the remunerations of the process of general administration, expenditure on goods and services, expenditures on materials, current transfers and special accounts accumulate. These costs plus the executed investment and infrastructure should be distributed in each of the tax sub-processes. For this, we use the installed capacity distribution, which distributes the total expenditure on each of the sub-processes.

Table 17
Step 4: Calculation of administrative costs by
key process in USD.

Cost Center	% installed capacity	Total Administrative costs	Total current costs	Total indirect costs	Current costs in remuneration and general administration	Infrastructure investment
Assistance and services	22%	11315845	6359892	4955953	4632873	323080
Returns and payment	18%	9496158	5429045	4067113	3801977	265136
Collection	8%	4226131	2367649	1858482	1737327	121155
Claims	7%	3551511	1989308	1562203	1460362	101840
Refunds	1%	544851	302441	242411	226608	15803
Audit	44%	21897095	12092928	9804168	9165032	639136
Total	10%	51031592	28541263	22490330	21024180	1466150

Step 5: Calculation of administrative costs by tax

Finally, with the information on the executed collection the costs to each of the relevant taxes were distributed to each of the central thread defined costs. Note the importance of the sales tax and income tax in the total expenditure.

Table 18: Calculation of administrative costs by type of tax in 2012 – in USD

Step 5: Administrative costs by tax in 2012									
In Dollars									
Taxes	Total Collection	% Collection	Total Administrat. costs	TOTAL GASTOS ADMINISTRATIVOS POR PROCESO					
				Assist. and services	Return and payment	Collect.	Claims	Refunds	Audits
Income tax	1754579207	46%	23607676	5234812	4393009	1955047	1642961	252053	10129794
General Sales tax	1150420429	30%	15478784	3432296	2880353	1281860	1077236	165263	6641776
Tax on energy	382833617	10%	5150986	1142190	958516	426574	358480	54996	2210231
Tax on vehicles, ships and planes	200519545	5%	2697969	598253	502049	223430	187763	28806	1157669
Others	304437726	8%	4096177	908294	762233	339221	285071	43734	1757625
TOTAL	3792790523	100%	51031592	1131584	9496158	4226131	3551511	544851	21897095
IN GDP %	8.50%		0.11%	0.03%	0.02%	0.01%	0.01%	0.00%	0.05%
IN COLLECTION %			1.35%	0.30%	0.25%	0.11%	0.09%	0.01%	0.58%

Actions implemented

The result is the first measurement performed in the country, an important contribution for evaluating the costs incurred by a taxpayer in order to keep up with their tax operations, without taking into account the tax amount paid.

We must recognize that the pilot plan developed in our country was successful, thanks to CIAT and UN DESA support for hiring the company that conducted the fieldwork.

Thanks to this effort, today we have the indicator, which can measure the impact that they will hereafter the initiatives developed by the Tax Administration focused on simplifying the tax system.

Simplifying the tax system can focus on the following aspects: simplifying procedures, improving regulations (through agreements with other institutions or tax intermediaries), implementing training plans (through improvements in taxpayer assistance, facilitating electronic solutions, etc.) and generally improving the tax administration.

Indicator also considers the impact of the costs incurred by the Tax Administration to support of the tax system, which will also reveal the effect of initiatives aimed at reducing unnecessary administrative costs.

It is also important to note that the study has shown the value to decision-making aimed at improving the services to capitalize the

surveys directed to the taxpayer and thus assess the success of the Tax Administration's initiatives from the user perspective and information about their situation, as applied in this study. This way it is possible to obtain information from citizens and businesses at the level of tax awareness, confidence, interest and recognition of the institution, obligations, reform programs, among others, and thus be able to better channel the improvement initiatives.

Listed below are each of the actions taken by the DGT before and after the of compliance costs study, in order to facilitate compliance to taxpayers.

Through simplification strategies and reduction of administrative barriers, the organization has been able to promote a series of initiatives to make the fulfillment of obligations of taxpayers increasingly simple. The strategies implemented that are part of our best practices are detailed below:

In 2013 the Fiscal Assistance Nucleus (NAF) started, these are offices for the attention of basic queries on tax matters for low-income taxpayers, assistance is provided by students from universities with accounting and business administration advanced levels carriers, as part of their university community work or assistant hours. The opening of the NAF makes Costa Rica the first Central American country to put this initiative and the second in Latin America, after Brazil, promoter of the same in practice.

The NAF is a connection between the tax authorities, universities and the public as part of the commitment to social responsibility that the tax administration has with taxpayers to facilitate the fulfillment of their obligations, as well as with institutions of higher education and the community. This project also allows students to gain a basic understanding of the tax system and legislation applying to real cases, while raising awareness of the importance of taxes on society. For these purposes, the Tax Administration is responsible for training students on taxation and the use of electronic tools, as well as the attention of those queries that cannot be analyze in the nucleus.

In 2013, before the implementation of the Contact Center Project, some activities were performed. In the first phase, tax questions were updated on the Website and 984 questions and answers in total were posted on the Web site. In a second phase, focused on the implementation of a Call Center, the development of requirements, training, tool design consultations and development of guideline implementation was achieved, thus being the basis for the centralization of telephone

consultations, so that taxpayers have a single consultation channel where the responses are properly standardized.

Technological tools , have been developed which are evolving towards the creation of an eGovernment enabling to better serve and achieve better quality of incoming information to the computer systems validating the correct entry of data as well as what the savings represent to the tax authorities by reducing the digitalization services done by the banks.

From October 1, 2013, the mandatory use of the aid program “Digital Processing of Tax Returns” EDDI-7 has been established. It is a means for the preparation and submission of income tax (ISR) and General Sales tax (ISV) returns from the Simplified Tax Regime (RTS), and now separate forms should be presented for the ISR and for the ISV in order to ensure proper classification for each RTS income tax. In a second phase, the submission and payment will be made on line as well as it has already been achieved with other taxes. Within the EDDI-7 system, an xml extension will be submitted online to the banking connectivity system via the Web site Direct Taxation (TD@), so payments via the Internet at the site of their respective financial institution can be made.

This way, this group of RTS taxpayers will join the use of virtual transactions, as one of the measures to reduce the tax transaction costs.

In addition, for the income tax return developed with EDDI-7 tool, the file xml for filing the return online through the site and canceling TD @ by connectivity through the system or in cases of collection agencies was also achieved. This also opens the possibility to print three of them through the EDDI-7 and submit them to the collecting entities, which are authorized to cancel them. Initially it was intended to force all taxpayers to submit online returns only but there were stability problems in the systems, especially because the launching date coincides with the release of other taxes, so it was finally decided to achieve the stability of the systems but always allow the taxpayer to have the two options for submitting the returns.

Similarly, for partial payments of income tax, the connectivity system has been made available: they are generated by automatic processes of the tax administration, so that taxpayers can cancel them electronically on websites or directly on windows of authorized financial institutions. Previously, taxpayers had to buy and fill the respective standardized printed form or use a receipt, which was also printed

Changes in the legalization of books Because of recent legal changes, taxpayers do not need any more to legalize the books for tax purposes, but instead submit only accounting records that do not need to be legalized. The obligation to legalize the books are left only for the corporate books, i.e. only for legal entities, the National Registry is appointed as responsible for such legalization, so it would not generate transaction costs to the taxpayer .

Invoicing project Pilot initiatives that are part of the Digital Government Project have started. They are related to the implementation of different invoicing systems by taxpayer: electronic invoicing, electronic ticket, authorization by automated pre- printed and printed vouchers, and in the future the use of tax and fiscal printer drivers is expected, all with the aim to facilitate and simplify the obligations of taxpayers for invoicing and facilitate control by the tax administration.

Guides and FAQs on the Web We have worked on developing step-by-step guides for filling returns found on the DGT website and by which the taxpayer can easily get friendly. We have also developed a site with tax questions that the taxpayer can check for answers and if they have still doubts they will be answered from a central office.

Agreement with the Ministry of Economy, Industry and Trade of Costa Rica (MEIC) The possibility for the Ministry of Finance to negotiate an agreement to regulate and establish a framework for collaboration on training, conducting regular activities and the provision of materials aimed at the SME sector is being proposed. This, with the understanding that if the SMEs staff is well trained and informed, cost per incomplete paperwork or processes showdown tax defaults in this sector would be reduced. This will also reduce the taxpayers need to use external consultants or accountants and leave that option only for very special cases.

ANNEX 1: SURVEY ON COMPLIANCE COSTS

ANNEX 2**DIRECTORATE GENERAL OF TAXATION**

AREAS

Central and Regulatory Directorates

Directorate and Directorate General
Integrated Tax Management Directorate
Directorate for Interinstitutional Taxation Affairs
Tax Information Technology Directorate
Regulations Directorate
Directorate of International Taxation and Technical Taxation
Taxpayer Service Directorate
Directorate of Revenue
Directorate-Area Collection and File Doc
Extensive Tax Control Directorate
Management Control
Directorate of Tax Intelligence
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Central Regional Directorate
Adm. San Jose West
Adm. San Jose This
Adm. Lemon
Northern Regional Directorate
Adm. Alajuela
Adm. Heredia
Adm. North Zone
Pacific Regional Bureau
Adm. Guanacaste
Adm. Puntarenas
South Regional
Adm. Cartago
Adm. South Zone

ANNEX 3

Areas and Profiles		
Area	Profile	
Extensive. Tax Control	Managers	
	Resolvers	
	Jefaturas	
	RUT Manager	
	Other	
	Manager Assistant	
Intensive Tax Control	Support Staff	
	Auditors	
	Resolvers	
	Head Offices	
	Subdirector	
Collection, Control and Tax Services Sub-Management	Support Staff	
	Managers	
	Resolvers	
	Others	
	Tax Analysts	
Collection	Support Staff	
	Managers	
	Resolvers	
	Jefaturas	
	Manager Assistant	
	Returns	Manager
		Reviewer
		Manager
		Support Staff
		Others
Collection	Support Staff	
	Manager	
	Reviewer Manager	
	Head Offices	
	Manager Assistant	
Checking Account	Support Staff	
	Manager	
	Reviewer Manager	
	Head Offices	
RUT	Manager Assistant	
	Managers	
	Head Offices	
Taxpayers services	Support Staff	
	Managers	
	Assistant Manager	
	Head Offices	
	Resolvers	
Assessment	Others	
	Support Staff	
	Expert	
Economic and Tax Research Studies Sub-directorate	Manager assistant	
	Tax Analysts	
manger Level/ administrative Staff	Manager Assistant	
	Manager	
	Head Offices	
	Resolvers	
	Manager	
	Support Staff	

**PRESENTATIONS OF THE
CIAT TECHNICAL CONFERENCE**

Presentations of the CIAT Technical Conference

Presentations in PDF format of the main topics and case studies discussed at the CIAT Technical Conference, according to the technical program of the event. They may be found in the links which indicate the languages in which they are available.

Presentations

Topic 1: The optimization of organizational and functional processes in the Tax Administrations

Brazil	Spanish English
Spain	Spanish English

Case Study 1.1: Country experiences in the optimization of the organizational and functional processes (I)

Canada	Spanish English
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Topic 2: The optimization of human resources management in the Tax Administrations

France	Spanish French
Presentation: ATAF	English

Case study 2.1: Management by competencies and its organizational reflection by processes

Ecuador	Spanish
The Netherlands	English

Case study 2.2: Compensation and incentive models linked to achievement of goals and objectives

Spain	Spanish English
Peru	Spanish

Topic 3: Tools at the service of optimization of resources, processes and decision - making

Portugal	English Portuguese
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Case study 3.1: The diagnostic tools: Experiences from their application in different countries

TADAT. IMF [English](#)

CIAT [Spanish](#)

OECD [English](#)

OECD [English](#)

Case study 3.2: The Management indicators: Map and scorecard

USA [Spanish](#)

USA [English](#)

India [English](#)

Case Study 4.1: Methodology for measuring the transaction costs of the Tax Administrations

CIAT [Spanish](#)

CIAT [English](#)

Uruguay [Spanish](#)

Costa Rica [Spanish](#)

Case Study 4.2: Social perception regarding the operation of the Tax Administrations

Spain- IEF [Spanish](#)

CIAT [Spanish](#)

CIAT [English](#)

TECHNICAL PROGRAM

CIAT TECHNICAL CONFERENCE
Santiago de Compostela, Spain
October 6 to 9, 2014

DAILY SCHEDULE OF ACTIVITIES

**MAIN TOPIC: “THE OPTIMIZATION OF RESOURCES
AND PROCESSES OF THE TAX
ADMINISTRATIONS”**

MONDAY, OCTOBER 6

09:15 - 10:00 Inaugural ceremony

Statement by the CIAT Executive Secretary, Márcio F. Verdi

Statement by the CIAT Executive Council President

10:00 - 10:30 Inaugural Speech conference, State Secretary of
Budgets and Expenses, Marta Fernández (30´)

10:30 - 11:00 Official photograph, coffee and integration

**TOPIC 1: THE OPTIMIZATION OF ORGANIZATIONAL
AND FUNCTIONAL PROCESSES IN THE TAX
ADMINISTRATIONS**

Moderator: Paulo Cardoso, Undersecretary of
Federal Revenues, Secretariat of
Federal Revenues of Brazil

11:10 - 11:40 Speaker: Raquel Catalá, Special Delegate of
AEAT, Madrid, Spain (30´)

11:40 - 12:00 Commentator: Enrique Lavín, Manager Central
Analysis and Evaluation, Tax
Administration Service, Mexico
(20´)

12:00 - 12:20 Discussion (20´)

Case Study 1.1: Country experiences in the optimization of the organizational and functional processes (I)

- Moderator: Khurshid Sattaur, Commissioner General, Guyana Revenue Authority
- 12:25 - 12:45 Speaker: Brian McCauley, Assistant Commissioner and Michael Snaauw, Assistant Commissioner, Canada Revenue Agency (20')
- 12:45 - 13:05 Speaker: Paulo Cardoso, Undersecretary of Federal Revenues, Secretariat of Federal Revenues of Brazil (20')
- 13:05 - 13:25 Discussion (20')
- 13:25 - 14:45 Lunch

Case Study 1.2: Country experiences in the optimization of the organizational and functional processes (II)

- Moderator: Raúl Zambrano, Technical Assistance and Information and Communication Technology Director, CIAT
- 14:55 - 15:25 Speaker: Isáac Gonzalo Arias, International Cooperation and Taxation Director, CIAT (30')

Public Data Project for use in the Tax Administration.

- 15:25 - 15:55 Speaker: Myrthes Frota, Planning Administrator, SEFAZ / Maranhão, Brazil and Ana Lucia Dezolt, Senior Specialist in Fiscal and Municipality Management, IDB (30')

SEFAZ's Management Model.

- 15:55 - 16:25 Discussion (30')

TUESDAY, OCTOBER 7

TOPIC 2: THE OPTIMIZATION OF HUMAN RESOURCES MANAGEMENT IN THE TAX ADMINISTRATIONS

Topic 2: The optimization of human resources management in the Tax Administrations

Moderator: Marta Beatriz González, Deputy Minister of Taxation, State Undersecretariat of Taxation, Paraguay

09:05 - 09:30 Speaker: Xavier Menette, General Public Finance Administrator, General Directorate of Public Finances, France (25')

09:30 - 09:50 Commentator: Logan Wort, Executive Secretary, ATAF

09:50 - 10:10 Discussion (20')

10:10 - 10:30 Coffee and integration

Case study 2.1: Management by competencies and its organizational reflection by processes

Moderator: Miriam Guzmán, Minister-Director, Executive Directorate of Revenues, Honduras

10:35 - 10:55 Speaker: Ximena Amoroso, General Director, Internal Revenue Service, Ecuador (20')

10:55 - 11:15 Speaker: Jolanda Denis, Deputy Commissioner, Netherlands Tax and Customs Administration, The Netherlands (20')

11:15 - 11:35 Discussion (20')

Case study 2.2: Compensation and incentive models linked to achievement of goals and objectives.

- Moderator: Charles Cudjoe, Commissioner of Collections and Enforcement, Board of Inland Revenue, Trinidad & Tobago
- 11:40 - 12:00 Speaker: Manuel Jose Rufas, Director of the AEAT Human Resources Department, Spain (20')
- 12:00 - 12:20 Speaker: Angel Ruben Toninelli, Director General, Federal Administration of Public Revenues, Argentina (20')
- 12:20 - 12:40 Speaker: Omar Franco, Management and Collecting Intendent, SAT, Guatemala (20')
- 12:40 - 13:00 Speaker: Tania Quispe, National Superintendent, National Superintendency of Customs and Tax Administration, Peru (20')
- 13:00 - 13:20 Discussion
- 13:20 - 14:30 Lunch
- Integration afternoon

WEDNESDAY, OCTOBER 8

TOPIC 3: TOOLS AT THE SERVICE OF OPTIMIZATION OF RESOURCES, PROCESSES AND DECISION - MAKING

- Moderator: Stefano Gesuelli, Head of the Permanent Mission of the Finance Guard at CIAT, Italy
- 08:35 - 09:00 Speaker: José María Pires, Deputy Director General, General Directorate of Revenues, Portugal (25')

09:00 - 09:15 Commentator: Miklós Kok, Executive Secretary, IOTA (15')

09:15 - 09:35 Discussion (20')

Case study 3.1: The diagnostic tools: Experiences from their application in different countries.

Moderator: Socorro Velázquez, Institutional Planning and Development Director, CIAT

09:40 - 10:00 Speaker: Enrique Rojas, Senior Economist, IMF (20')

Presentation of the R/A-FIT Project and of the TADAT Evaluation Tool.

10:00 - 10:15 Speaker: Miguel Pecho, Tax Studies and Research Director, CIAT (15')

Presentation on collaboration in the R/A-FIT Project; request of data to countries.

10:15 - 10:30 Speaker: Grace Pérez-Navarro, Deputy Director, Centre for Tax Policy and Administration, OECD (15')

Data Bases and other Tools to support R/A-FIT.

10:30 -10:40 Commentator: Miklós Kok, Executive Secretary, IOTA

10:40 - 10:55 Discussion (15')

10:55 - 11:20 Coffee & integration

Case study 3.2: The Management indicators: Map and scorecard

Moderator: Daniel Alvarez, Senior Specialist Public Sector, World Bank Group

11:25 - 11:45 Speaker: Nipa Khimani, Executive Assistant-Technical, Internal Revenue Service, USA (20')

11:45 - 12:05 Speaker: Anita Kapur, Member (L&C), Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, India (20')

11:05 - 12:20 Discussion (15')

12:20 - 12:35 Recess (15')

Round Table: "The Tax Administrations of the XXI century: Optimization and quality of their processes"

Moderator: Márcio F. Verdi, Executive Secretary, CIAT

Members of the Table:

- Angel Ruben Toninelli, Director General, Federal Administration of Public Revenues, Argentina
- Michel Jorratt, Director, Internal Revenue Service, Chile
- Guarocuya Félix, General Director, General Directorate of Internal Taxes, Dominican Republic
- Santiago Menéndez, General Director, State Agency of Tax Administration, Spain
- Saverio Capolupo, General Commander, Finance Guard, Italy

14:05 - 14:30 Discussion

14:30 - 16:00 Lunch

19:30 Official dinner

THURSDAY, OCTOBER 9

TOPIC 4: METHODOLOGIES FOR MEASURING TRANSACTION COSTS AND THE SOCIAL PERCEPTION ON THE TAX ADMINISTRATIONS

Case Study 4.1: Methodology for measuring the Tax transaction costs

Presenter and Moderator: Rajul Awasthi, Senior Public Sector Specialist, World Bank

09:05 - 09:35 Speaker: Miguel Pecho, Tax Studies and Research Director, CIAT (30')

09:35 - 09:50 Speaker: Gustavo González, Economic Counseling Coordinator, General Directorate of Taxation, Uruguay (15')

09:50 - 10:05 Speaker: Carlos Vargas, Director General of Taxation, Costa Rica (15')

10:05 -10:15 Discussion (10')

Farewell remarks by the State Secretary of Finance and AEAT Presidente, Miguel Ferre

10:30 - 11:00 Coffee and integration

Case Study 4.2: Social perception regarding the operation of the Tax Administrations and Tax Compliance

Moderator: Luis Cremades, Head of the Permanent Spanish Mission at CIAT

11:05 - 11:25 Speaker: José Antonio Martínez, General Director of the Fiscal Studies Institute, IEF (20')

11:25 - 11:45 Speaker: Miguel Pecho, Tax Studies and Research Director, CIAT (20')

11:45 - 11:55 Discussion (10')

**Presentation of the CIAT-SECO (Switzerland)
cooperation program**

Speakers: Isaác Gonzalo Arias, Director of
International Cooperation and Taxation,
CIAT / Carlos Orjales, Manager, Federal
Secretariat for Economic Affairs,
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12:10 - 13:40 Closing Ceremony

**General Report: Carlos Vargas, General Director of Taxation,
Costa Rica (30')**

**12:40 - 12:55 Invitation to the 2015 General Assembly in Lima,
Peru**

**12:55 - 13:10 Invitation to the 2015 Technical Conference in
Rome, Italy**

**13:10 - 13:25 Presentation of recognitions, CIAT Executive
Council President**

**13:25 - 13:40 Statement by the CIAT Executive Council
President**

13:40 - 15:10 Lunch

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Santiago de Compostela, Spain
October 6-9, 2014

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