



INNOVATIVE APPROACHES

to Promote Voluntary
Tax Debt Payment
Support and Assistance
to Debtors



IOTA

Intra-European Organisation
of Tax Administrations

www.iota-tax.org





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Introduction

Following the Executive Council meeting of IOTA in May 2012 it was agreed to establish two task teams to collect information and provide an overview of innovative approaches being taken by IOTA member tax administrations to promote voluntary payment of tax debts. This team was tasked with exploring the various approaches that IOTA member administrations' adopt to support and assist the debtors. The decision to explore the provision of support systems in the area of debt management was driven by the impact of the global economic crisis which has eroded the government coffers for many economies. The biggest challenge for many economies is to protect the cash flow to the Exchequer and reduce the accumulation of debt, particularly when there are challenging economic and financial environments impacting on the effectiveness of debt recovery.

This report is an attempt to capture in a particular time frame the responses that various tax administrations have undertaken to support the cash flow and prevent the accumulation of debt. It is evident from this report that there is a concerted effort across the various IOTA members to revise existing strategies and policies that in the current financial environment that are not 'fit for purpose'. As the impact of the current economic and financial environment varies across the IOTA membership the responses also vary in accordance to severity of the challenge. This report sets out to identify the various responses that tax administrations have undertaken, gives a short description of the policy or strategy supporting the response and gives some indication of its success.

In particular the report focuses on the extent to which various tax administrations attempt to influence the behaviour of taxpayers, particularly those who want to pay but are unable at a particular point in time due to external financial difficulties. An improved understanding of taxpayer behaviour in challenging financial environment will help develop policies that are stronger and more effective in ensuring compliance with tax laws and also help to improve customer service satisfaction. Therefore there is considerable coverage in this report given to how various tax administrations provide assistance to those debtors that wish to pay but are struggling to do so.

While deterrence is a vital tool for any tax administration, it would appear that simply increasing the level of deterrence is not guaranteed to result in improved compliance. A key factor in improving compliance is perhaps the widespread desire to do the right thing. Taxpayers seek to comply because they think it is the right thing to do, not because of fear of punishment if they do not comply. Therefore the extent to which a tax administration assists struggling taxpayers will have a positive impact on the overall compliance achieved. The overall objective of the paper is to establish a repository of potential best practice whereby IOTA tax administrations could use as a first point of

contact in their examination of how they could assist and encourage voluntary compliance in difficult financial circumstances. As part of the process in collating information a questionnaire was developed and forwarded to each member of IOTA. The replies were analyzed and the content of the report attempts to reflect as accurately as possible the main findings. However, as this report is based on data provided by IOTA member tax administrations participating in the series of surveys conducted in 2013 and in beginning of 2014, some of the findings may not reflect the developments undertaken in various IOTA member tax administrations since the report was compiled.

During the development of the material used in this publication, input was provided by the members of Area Group on Debt Management, who supported the efforts to collect experiences of using innovative ways to support and assist tax debtors and encourage voluntary compliance. We would like to thank them all, but more specifically the five Task Team members, Eddie Horgan, Ireland; Bruno Dufayard, France; Sandra Serste-Boelman, the Netherlands; Joao Pedro Vieira Cordeiro, Portugal and Tanja Vukovic, Sweden, who compiled this report.

1. Executive Summary

Tax Administrations play a critical role in securing and delivering most of the financial resources required by Governments to provide services and facilities that improve the quality of life of all its citizens. Tax laws are administered to ensure that tax revenue is collected on time. The consequences of a delay in payments or a shortfall have a direct correlation on the financial resources available to the Government. In general most Tax Administrations have developed a twin strategy approach in the collection of taxes, firstly delivering a quality service to customers so as to make it as easy as possible for them to comply with the due date by delivering significant information and guidance, and secondly developing communications technology based solutions to simplify their systems, reduce costs of compliance and speed up the delivery of services. Allied to the objective of making it as easy as possible to be compliant in due time, Tax Administrations aim to provide a sharp and focused response to those who fail to meet their obligations occasionally or not at all.

In recent times the economic and financial environment has given rise to a number of challenges to the collection activities of Tax Administrations. Experience shows that perhaps the single common feature associated with failure of a business is that, when a company is under extreme financial pressure, payment of tax liabilities is not on the top of its agenda. Unfortunately, and incomprehensible as it is from a Tax Administration perspective, when an enterprise is struggling for its very survival, payments to staff and creditors that enables the company to remain in business, will always have a higher priority than payments of tax liabilities. The impact of the global economic and financial crisis is making it more difficult for some businesses and taxpayers to meet their tax payment obligations on time, even where they are fully committed to do so. The challenge for the Tax Administration is to understand that the compliance risk will vary across a spectrum from those who can't pay to those who won't be paying at all. Therefore, Tax Administrations must focus on the quality and timeliness of their interventions with a particular regard to the scale and nature of the compliance problem to be addressed and resolved and setting a clear and tight timeframe for any remedial action. It is evident from this report that Tax Administrations strive to work with a business or taxpayer towards resolution of the issues that gave rise to the default.

The focus of this paper is to identify those measures and interventions that are used across the various Tax Administrations to assist those debtors that are struggling and therefore to avoid the use of enforcement measures. The development of support strategies for those who wish to pay but have temporary cash flow difficulties is as important as developing direct collection strategies or enforcement strategies. Through the development of support strategies Tax Administrations can, over time, isolate those cases where taxpayers are willing to take the risk of noncompliance as opposed to those who are unable to comply.

This approach has also an impact on how the resources and energies of a tax organisation can be used both effectively and efficiently. It is in this context that the focus of this report is directed to summarise as much information as possible as to how various Tax Administrations across Europe have developed systems, strategies and structures that assist debtors in addressing their difficulties. The report itself does not merely identify several actions, but also tries to name and describe examples of good practice.

There are many examples of situations where a viable business has substantial payments owed by another company that ultimately goes into liquidation leaving the viable business in a situation where its potential income is drastically reduced, or perhaps in times of financial difficulty the banks may reduce a business overdraft without due notice thereby impacting on the ability of the business to meet current tax payment deadlines. The challenge for Tax Administration is to ensure that they get the engagement of those businesses without resorting to the application of enforced confiscation. In getting such engagement the Tax Administration will be required to make available payment flexibilities that in 'normal' compliance circumstances are not made available; while at the same time balance this requirement with the understanding that the tax payment deadlines are the same for all taxpayers.

This report sets out how the various European Tax Administrations address this issue. Information was collected with the help of a questionnaire circulated to the twenty six Tax Administrations that participated in the survey (list of participating countries and links to their website is on Appendix 2) under the following five headings:

- 1. Support and assistance by the use of information technology (IT) developments**
- 2. Challenges that affect the Tax Administration's ability to provide support and assistance to tax debtors**
 - a.) Internal structure and organisation**
 - b.) On-Going arrangements and other measures introduced to provide support and assistance to debtors**
- 3. External structures: the importance of involving key stakeholders in developing innovative approaches**
- 4. Public communication**
- 5. Future plans**

Analysis from the questionnaire clearly indicates that all Tax Administrations that participated in the survey are exploiting the various information technology (IT) services and solutions that are currently available to increase the ability of businesses and individuals to access information on the various Tax Administration websites. The analysis also indicates that the levels of sophistication and interaction varies widely from one

country to another, however there is a common strategy emerging that clearly shows that all Tax Administrations are striving to deliver top quality services and proactively engage with taxpayers, particularly in cases of late or non-payment of due taxes.

This report attempts to be a snapshot of what is currently emerging across Europe in the field of offering assistance to tax debtors that wish to pay but face payment difficulties. The report attempts to achieve a general overview of developments across Europe and highlight some of the emerging good practices. The report does not attempt to give a detailed analysis of how each country addresses the tax debt collection issue, but it does point the reader to issues of interest and learning as well as provides references to websites that can be accessed to facilitate a more detailed analysis of support and assistance to tax debtors.

The report is divided into six headings reflecting how the questionnaire was structured in the first instance. The key theme of the report is the level of support and assistance that is made available to tax debtors and how European tax administrations have significantly advanced in this field with special focus on the following measures:

IT Developments

The result of the questionnaire shows that Tax Administrations across Europe are developing their websites and investing in IT. The focus in this chapter is to examine to what extent Tax Administrations have developed their IT capability to support the payment flexibilities that some debtors will require due to cash flow difficulties. What is emerging across the various Tax Administrations in the context of supporting tax debtors by the use of IT developments can be summarised in three clear stages:

- Providing and Accessing Information - Stage 1
- Facilitating - Stage 2
- Enabling - Stage 3

1. The Providing and Accessing Information Stage is the basic framework by which businesses and individuals can interact with the various Tax Administrations. Tax Administrations across Europe are making use of IT in this context. Nowadays most Tax Administrations have information on their official websites that is directed to tax debtors that are struggling with their tax payment obligations. Tax debtors can find both general and specific/individual information on the various Tax Administration websites. They can obtain information on various tax obligations, payment deadlines, payment possibilities, terms and conditions regarding payment by instalment and contact information. The majority of the Tax Administrations also provide on-line self-services where tax debtors can see their tax debts and upcoming tax payments on-line.

2. It is evident from the responses to the questionnaire that Stage 2 or the Facilitating Stage is key to provide appropriate supports to tax debtors that are struggling to pay their revenue obligations. It facilitates the tax debtor or agent to apply for instalment arrangements, submit tax returns and tax payment on-line in a secure environment, in most instances giving customers all year round access to such services. It is evident from the information collected through the questionnaire that those Administrations which developed IT systems solutions that facilitate interaction are also at the forefront of increasing the electronic submission of returns and payments combined with the on-line requests for repayments or refunds.
3. The IT infrastructure that facilitates a two way interaction has the potential, capacity and capability to automate routine decision making and, in the process, free up resources and enable the tax debtor within the parameters chosen by the Tax Administration. Those Tax Administrations that provide access, enable taxpayers to interact and make on-line submissions of applications for deferred payment arrangements are in effect using their IT systems to empower those businesses and individuals to make decisions that assist them in resolving their cash flow difficulties without having to contact a tax official. Information systems that facilitate the application, process the application and put in place the automatic arrangement are at the Stage 3 or Enabling stage. Those Tax Administrations that can deliver such services set a benchmark for others to follow. Such Administrations are identified in this report, along with those who are in the process of developing such a service.

The more efficient a tax collection IT system is, the more potential it has to enable automation of deferred payment applications. Automated IT systems could potentially check certain criteria as set down by the Tax Administration, and automatically generate the payment schedule without the need for manual processing.

The Internal Structures of the Tax Administration

The focus of the questionnaire was to identify the administrative frameworks that have been introduced or are currently in place to support managing tax debtors who experience debt payment difficulties. In addition to the legal framework, the surveyed countries were asked whether their Tax Administrations had implemented new internal structures/arrangements to facilitate activities providing support and assistance to tax debtors. In summary this area of the report is focussed on identifying how Tax Administrations have adapted to their changing economic and financial environment and how the key outcomes of such adaptation have improved provision of support and assistance to tax debtors.

Arising from the responses received to the questionnaire all participating Tax Administrations have various administrative structures in place that provide a range of concessions to those tax debtors that are struggling to meet their tax obligations. Such concessions range from:

1. Providing additional time in which to pay the tax debt
2. Extending the due date
3. Phasing Payment Arrangement

Such concessions are given when the debtor gives clear financial evidence showing an inability to pay and the reason why a concession should be given. In some Tax Administrations the general idea is to consider if it is beneficial for the 'Public Good' that a business should be allowed such a concession.

It is worthwhile noting that since the commencement of the current economic and financial downturn, 45% of the surveyed Tax Administrations confirmed that conditions set down for granting additional flexibility had not changed. While on the other hand, 48% replied that the conditions for instalment plans had changed by increased flexibility, extended debt payment period, stricter conditions, additional special schemes and use of 'hard & soft' approach.

Tax Administrations' capacity and ability to timely respond to its economic and financial environment in many ways is pre-determined by a number of key factors.

- Whether a Tax Administration can administer payment flexibilities as a concession rather than a statutory right.
- The efficiency of a Tax Administration's organisation structure and procedures would appear to influence the ability of an organisation to respond rapidly to its environment.
- Technological capabilities vary from Tax Administration to Tax Administration and this gives rise to an increased diversity of responses that can be delivered to the customer.
- The capability of a Tax Administration to deliver supports to struggling debtors is influenced by the ability of the various IT systems to support change and enable interaction between the Tax Administration and its customer base.

The chapter focuses on the current capability of the various Tax Administrations in the delivery of inbound and outbound communication with the organisation. It also discusses the various flexibilities that the surveyed countries can offer. It asks the question: how does an organisational structure influence the ability of the administration to respond to its economic environment. Examples of organisational structures are used to demonstrate the various structures in place and how they respond to their customer needs for support and assistance. The question of what is the best structure and its capability is addressed following a review of the responses received to the questionnaire.

Finally, this chapter examines the various risk controls that are in place when monitoring the various phased payment arrangements as well as other flexibilities and concludes by offering insights into developing internal structures that enable rapid responses when support and assistance to tax debtors is required.

External Structures

The main business for Tax Administrations is to generate cash flow for the State. While performing this duty it is important to prevent as many risks as possible in this process. Nowadays the resources available to any Tax Administration are limited and therefore it is imperative to organise as much support as possible for tax debtors through influence on other stakeholders. Therefore, it is strategically important for Tax Administrations to establish relationships with those organisations or groups that can assist with increasing tax compliance and reducing debt. For examples: Relationships with groups such as Tax Agents, Industry Associations, Tax Professionals, Trade groupings such as Hauliers Associations, Farming Associations, Retail Trade etc.

It is evident from the survey that Tax Administrations within IOTA membership recognise the importance of establishing links with these external bodies as this leads to improvements in voluntary tax payment.

There are three key components that influence positive outcomes for Tax Administrations:

1. Keeping all external bodies well informed of the services available to tax debtors, via the website, seminars, conferences and information sessions so that they can be aware of their obligations and engage with the Administration regarding any concerns that they may have. This will ensure that the external parties will deliver the correct message to the wider public making the collection job less challenging.
2. Strive to understand taxpayer's requirements. All of the external bodies are well placed to ascertain what the taxpayer difficulties are and how they can be addressed. External bodies identify issues sooner which will lead to quicker resolutions.
3. Working with external bodies can assist Tax Administrations to develop new strategies in supporting and assisting tax debtors who want to pay. External bodies can advise and collaborate with Tax Administrations in delivering and developing viable solutions and communicate those solutions to taxpayers.

There are many examples arising when co-operation with external bodies leads to reducing and simplifying the administrative burden through the increase of different tax debt payment methods and the flexibility in the timing of such payments.

Public Communication

While the focus on this part of the survey was to gather information on the various means by which Tax Administrations communicates and supports debtors that are struggling with meeting payment deadlines, it also demonstrates how administrations inform and influence the general public. Through effective Public Communication each taxpayer is kept aware of their tax entitlements and obligations, as well as new procedures or policies implemented to address tax payment issues that arise from the current economic environment.

It is evident from the replies received that Tax Administrations uses the method of communication most suited to their needs so as to reach a wide and varied audience. Public Communication is designed to act as a pre-emptive measure to provide information in a compliance stage before they become tax debtors.

The methodology of communication can vary from the traditional standard approach of communication aiming to:

- Issue reminders of new taxes and payment deadlines
- Create a collective awareness in order to avoid the tax penalties, that the tax debtor incurs with the non-payment of taxes, encouraging voluntary payment
- Inform the tax payers when annual taxes are due
- Create a personalised telephone answering service where taxpayers could have their issues resolved
- Improve the search methods of information on-line
- Or modern way of communication, bidirectional or two-way such as:
- Interaction and information exchange via E-services
- Social media: Twitter and Facebook are used to share new and general information, increasing awareness of entitlements and obligations; YouTube clips could assist taxpayers, e.g. how to complete a form.

It is also evident from the country replies received that the cost effectiveness or expertise required for the different methods of communication is reviewed, in that some Tax Administrations may have its own internal press office with necessary structures, or depending on the issue it maybe more efficient to outsource certain aspects, i.e. issues of National Importance.

Future Plans

This section of the questionnaire attempts to capture the strategic opportunities that the various Tax Administrations are considering in the area of viable support specifically directed to struggling tax debtors. It is clear from the various examples presented that there are many on-going 'experimental' initiatives undertaken to try and position the

organisations in the most advantageous way so as to exploit their IT systems to deliver the optimum capacity and capability.

It is interesting to note that almost half of the surveyed IOTA member Tax Administrations indicated that they have new plans to assist tax debtors, but when they were asked to give an account of those future plans they were not yet available.

The future initiatives or plans can be summarised as follows:

- IT Development
 - On-line payments: direct payment via web portal or via e-bill payment
 - E-taxing – reducing paper work and manual payments to free up manpower to be used in other areas
 - IT as a tool for public communication via social media for discussions, explanations and analyses of tax questions, enabling the taxpayer to exchange experience and present opinions and discussions
 - Increase work efficiency through IT Development
- Internal Organisation Structure
 - Centralize the functions of debt recovery units for all tax types
 - Merge departments to organise debt collection in a more modern and professional way
 - Establish teams to deal with the entire recovery process, without being restricted to specific functions
 - Establish a Cross Government debt recovery service
- Amend Policies
 - Amend legislation to enable the Tax Administration to publish paid taxes or to write-off interest if outstanding taxes are paid
- Use Behavioural Analysis to influence the tax debtor. The Tax Administration intends to carry out various actions to analyse the impact that those actions have on tax debtors:
 - Amend the tone of written communication, particularly in letter reminders
 - Automate responses via phone call or warning letters via email or post
 - Outbound call reminders
- Set-up Behaviour Analytics to assess the risk of non-compliance for tax debtors
 - Form predictive systems based on economical and legal movement considerations
 - Identify risk categories and take monitoring measures or insurances from the beginning of their activity

2. Support and Assistance by the use of Information Technology (IT) Developments

New technologies offer new possibilities for Tax Administrations and other authorities to provide information and assistance to the public. As technology develops the expectations from the public increases regarding what service level they can expect from the authorities. Most people have become used to being able to access whatever information they want whenever they want. Authorities are therefore developing their websites and E-services²⁴. E-government is now a well-known term that refers to 'The utilization of Information Technology (IT), Information and Communication Technologies (ICTs), and other web-based telecommunication technologies to improve and/or enhance on the efficiency and effectiveness of service delivery in the public sector.'²⁵ Section number 2 of the questionnaire focused on identifying if and how tax agencies are making use of IT in order to assist tax debtors that are encountering payment difficulties.

The result of the questionnaire shows that there is a three stage development process emerging that consists of:

- **Providing and Accessing Information**

The information provision and accessing capability is the basic information and guidance service that all Tax Administrations are currently providing. The majority of the surveyed Tax Administrations have information on their official websites that is directed to tax debtors that are struggling with their tax payment obligations, for example information about payment by instalment.

- **Facilitating**

In the facilitating stage, Tax Administrations allow the tax debtors to move from information to action by having IT systems in place that for instance facilitates on-line payment and submission of returns and provide on-line instalment applications.

- **Enabling**

The final stage, the enabling, refers to those Tax Administrations that have developed their IT capacity to automate the decision making process that was previously undertaken by a Tax Official.

The findings from the questionnaire will be presented more extensively below.

²⁴ Evans, D. och Yen, D. (2005). E-government: An analysis for implementation: Framework for understanding cultural and social impact. *Government Information Quarterly*, 18.

²⁵ Jeong Chun Hai @Ibrahim. (2007). *Fundamental of Development Administration*. Selangor: Scholar Press. ISBN 978-967-5-04508-0.

2.1 Information and guidance to tax debtors on the official Tax Administration websites

A Benchmarking Pilot Report published by IOTA shows that the Tax Administrations most preferred channel for information and guidance towards the individual taxpayer is the Internet site. Do Tax Administrations make use of their official websites in order to give information and guidance to tax debtors including those who are struggling to pay their tax debts? As expected the answers we received varied between the different Tax Administrations.

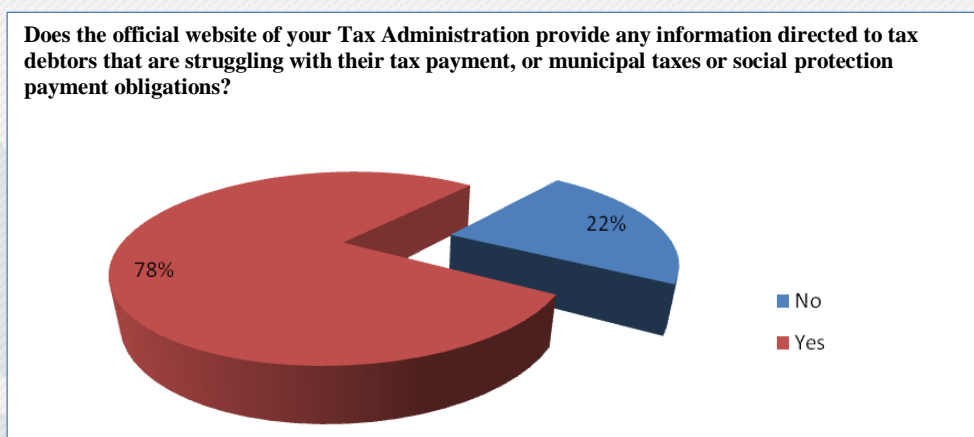


Figure 1 – Information directed to tax debtors on Tax Administration websites (q. 2.1)

The majority of Tax Administrations have information on their official websites that is directed to tax debtors that are struggling with their tax payment obligations. The kind of information that most of the administrations offer is general information about taxes, payment deadlines, payment possibilities and contact information.

Many of the websites also provide tax debtors with Frequently Asked Questions (FAQ) which they update frequently.

The Tax Administration of *Slovenia* has developed the function of FAQ further and provides their taxpayers with a virtual assistant, Vida (Virtual Tax Assistant). You can ask Vida many questions about tax payment. This tool has the same logic as FAQ, except that the taxpayer can type his question instead of search for it.

In addition to information about payment by instalment, for example the *Estonian* Tax Administration has a calculator that can be used by the tax debtors to find the appropriate period during which they would be able to pay their debts.

Italian Tax Administration also has an on-line calculator to show how a tax debtor can phase the payment over the exact amount of instalments. For more information about the Italian system see <http://www.agenziaentrate.gov.it>

Information directed to tax debtors that are encountering payment difficulties is easily accessible on the Irish Tax Administration website. The information is hosted on the homepage of the *Irish Tax Administration's* website (<http://www.revenue.ie>) and can be accessed by a hyperlink, "Tax Payment Difficulties", as you can see in the picture below.

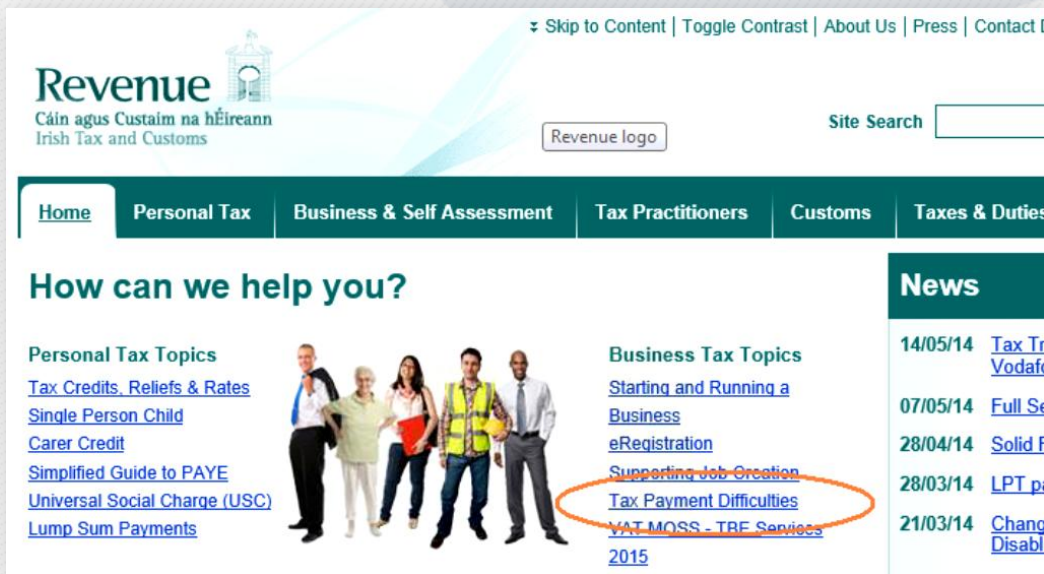


Figure 2 - Irish revenue website

Once you click on the hyperlink you move forward to a new page on the website. Here you can find a lot of gathered and useful information for a tax debtor, such as:

- The Tax Administration's approach to individuals and businesses experiencing tax payment difficulties
- How to deal with tax payment difficulties and engage with the Tax Administration
- What a business should do when problems arise paying its taxes
- Information about enforcement
- Procedures and conditions for instalments
- Application forms for instalment plans

Does your Tax Administration have an on-line self-service where taxpayers can see their tax debts and upcoming tax payments (amount and payment deadline)?

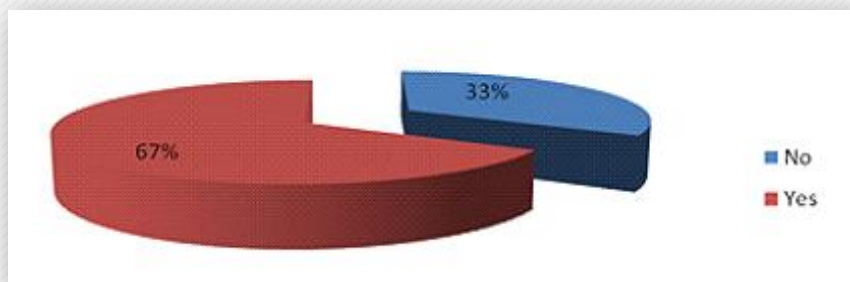


Figure 3 - Information about tax debts and upcoming tax payments on tax administration websites (q. 2.3)

Not only do the majority of the surveyed Tax Administrations have general information about tax payment on their official websites as outlined above, but many of them also have provided tax debtors with access to information about their individual tax debts and upcoming tax payments. In most countries you need to log on with a code to get access to this kind of information.

In *Sweden* electronic identification documents are provided by the national banks. Once you have obtained an electronic identification document you can logon, through the Tax Administration website, and get access to a number of E-services, for example the Tax Account where tax payers and debtors can see their current account statement, tax decisions, upcoming tax debts, payments, payment deadlines and debts for recovery.

2.2 E-services for tax debtors

As presented in the section above, the majority of the surveyed Tax Administrations answered that they have information on their official websites that is directed to tax debtors, such as information about their current tax debt and how to apply for phased payment arrangements. This section shifts focus away from information and more to the actions necessary to obtain assistance. For example; what happens if a tax debtor decides to either pay his debt or apply for an instalment? Can this be arranged on-line?

**Do tax debtors have the opportunity to pay their debts on-line
via the Tax Administration's Website?**

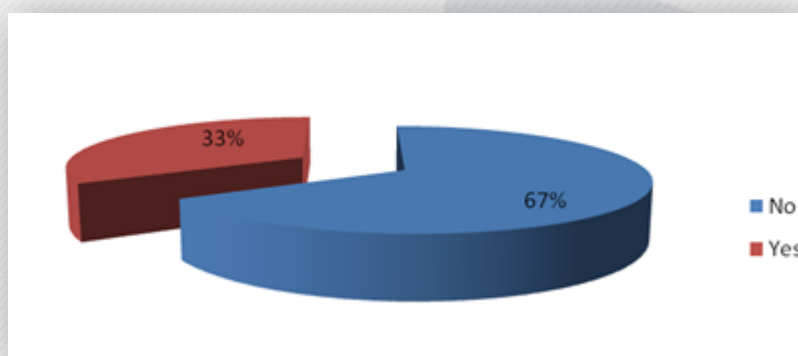


Figure 4 - Possibility to pay tax debts on-line via the Tax Administration website (q. 2.4)

The result of the questionnaire shows that there are several countries that offer e-payment solutions, for example Direct Debit, but only for payment of liabilities before they become a debt, not once they are overdue. Only 33% of the surveyed Tax Administrations have payment facilities available for tax debtors on their official websites. One of those countries is *Estonia*. Today they have a bank link via their E-services, which enables the taxpayer to start the payment from there. They are also planning on implementing payment via E-bill.

Austria has developed a multifunctional e-Government platform, FinanzOn-line. It provides a one-click link to the Tax Administration and is available for citizens, businesses and public authorities. When you logon to the platform you get access to a number of E-services, available 24 hours a day. Tax debtors can for example pay their tax debts, apply for instalment arrangements and consult their tax files via FinanzOn-line. This tool saves time and money for citizens, businesses and the Tax Administration.

In July 2003 *Ireland* launched an award winning on-line system called Revenue On-line Service (ROS). It enables the tax debtor or the agent to view businesses or individuals current position for various taxes and levies. It allows them to file tax returns and forms, and make payments for taxes on-line in a variety of ways using a secure site. This initiative allows tax debtors to access their files 24/7, 365 days of the year and to pay on-line. In 2013 1,520,667 payments were made via ROS with a value of €38.1 billion. It is part of the Tax Administration customer service strategy which makes it a more efficient service for tax debtors. An international benchmarking exercise by PricewaterhouseCoopers and the World Bank shows that in the year 2013, and for the seventh year running, Ireland was the easiest country in the EU in which to pay business taxes.

Can taxpayers or tax debtors use the official web portal to apply for instalments on-line?

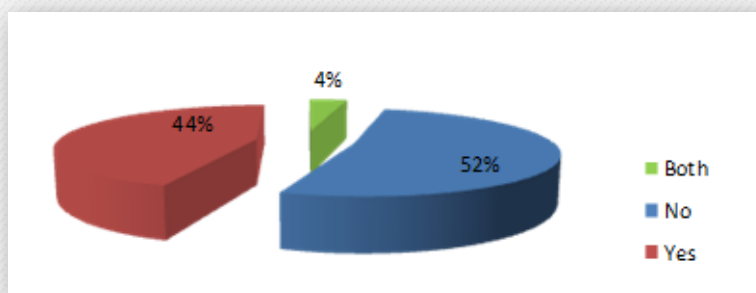


Figure 5 - Possibility to apply for instalments on-line (q. 2.2)

44% of the surveyed Tax Administrations answered that instalment arrangements can be applied for on-line.

United Kingdom answered both yes and no, their reply is therefore defined as “both” in the chart above. In *United Kingdom* you can apply for instalments on-line regarding payment of liabilities before they become a debt, but not once they are overdue, i.e. when they are a debt.

One of the countries that facilitate electronic instalment applications is *Estonia*. The *Estonian Tax Administration* used to have E-application for payment by instalment only for natural persons. The amount of debt qualifying for this method was up to €500. After analyzing the situation, they found that the limit could be raised and the method could be used for legal entities with smaller debts as well. As from November 2013 both natural persons and legal entities can submit an application for payment by instalment through the E-service. The main criteria are that the debt is between €50 - €3,200 and the requested period can be up to 6 months. The *Estonian Tax Administration* finds this method quick and easy – only a few clicks and the arrangement is made. The document is instantly sent to the debtor’s E-service account and notification issues via email or text message.

The *Spanish Tax Administration* has developed a virtual office that citizens and businesses can access via a link on the Tax Administration website. The virtual office contains the possibility for debtors to apply for instalments, enclose the documents required, answer the tax office requirements, and supply bank details where the payments will be charged. These required actions don’t need the physical presence of the tax debtor or a tax official. This system allows the tax debtor to apply, pay and deal with all the procedures on-line for amounts up to €18,000.

It is clear from the foregoing that there is an emerging trend across all of the various Tax Administrations to maximize the capability of their Information Technology systems. This

will enhance the capacity of their systems to deliver an interactive service without the intervention of a case worker or tax official.

Ireland has assigned a specific innovative resource on its website to assist debtors in the current economic slowdown and has put in place measures to promote on-line voluntary payment of tax debts. The taxpayer can download the Phased Payment Application Form (PPA1) under Tax Payment Difficulties; it gives a detailed explanation on how the process works. There are no limits to the amounts involved and an on-line calculator is provided to assist debtors. However, while the debtors can access the website and the application forms, the completed applications are submitted to the Tax Administration in writing. Those applications are processed manually.

Finland and *Estonia* are examples of how the on-line link could operate in the processing of applications on-line. Instalment requests can be submitted on-line for amounts up to €8,000 for Finland and €3,200 for Estonia. In Finland the debtor must complete an application on-line, but the maximum duration of the arrangement is 6 months. In Estonia the tax debtors can log on to its E-services and apply for an arrangement on-line. The system checks whether the tax debtor meets the fixed criteria, if it does the arrangement is automatically generated. The document is sent to the debtor through the E-services instantly. There is thus potential to learn from the experience of all the Tax Administrations. Undoubtedly, putting in place the final link in the IT system would assist struggling tax debtors.

2.3 Contact with tax debtors by the use of Information and Communication Technologies

In previous sections we have confirmed that there are various E-services available for tax debtors on the official Tax Administration websites. This section on the other hand is focused on determining if Tax Administrations have the possibility to use Information and Communication Technologies when they have the need to establish contact with tax debtors or send out important messages to them. However the capacity to deliver premium service differs from country to country across Europe.

The majority of the surveyed Tax Administrations can make use of electronic communication tools when contacting tax debtors. The most common methods are by telephone(96%) and email(81%). 9 out of 27 Tax Administrations, that is 33%, can contact tax debtors via SMS as well.

Does your Tax Administration have the possibility to contact a tax debtor by using the following means: Phone, On-line/email, SMS?

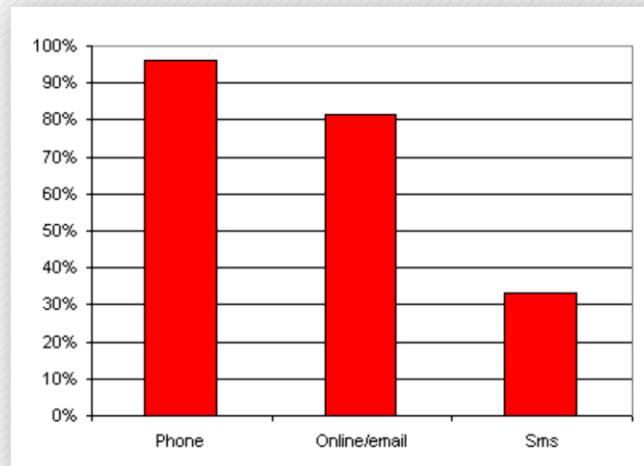


Figure 6 - Contact tax debtors by electronic means (q. 2.6)

We can see that public communication tools are under development across Europe and that E-government projects are running in several countries.

For example the *Slovakian* Tax Administration has recently activated a new official website. That was the first important step in a national E-government project, which requires that all communication between public authorities and taxpayers will be done electronically by the 1st of January 2017.

Several countries have also developed secure email systems for communication between the authorities and the public. In *Denmark* they have implemented a public email box where all communications from the authorities is received. Since November 2013, all Danish companies are required to have a public e-mail box. In November 2014, citizens will be required to use this option as well.

In the summer of 2013 the *Estonian* Tax Administration amended their Taxation Act. It now allows the Tax Administration to deliver documents electronically through their E-services. After the documents are digitally signed, they are sent to the debtors account in the E-services portal. A notification is then sent to the tax debtor via email or SMS to log in to their account. If the tax debtor doesn't open the documents within one week, a paper copy is sent by post. The use of automatic emails and text messages to notify tax debtors of their upcoming and passed obligations has proven to be very popular. Almost 80% of the documents were delivered through the E-services. This service promotes the voluntary payment of tax debts through a 'self-service model' as opposed to manual back office.

Does your Tax Administration make use of IT to send out electronic payment reminders for example by the use of text message, email or automatic telephone calls which provide information by the automatic playback of a message?

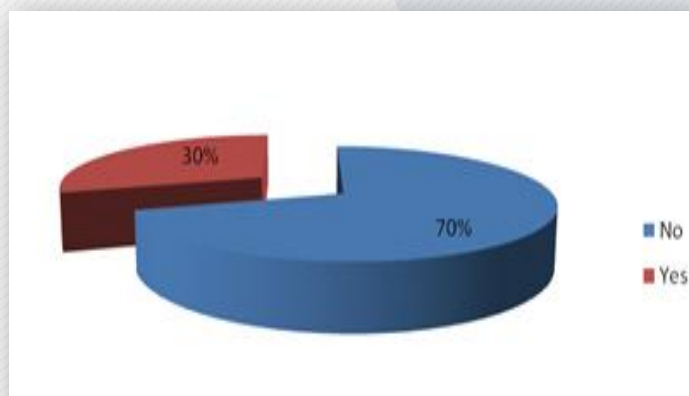


Figure 7 - Electronic payment reminders (q. 2.5)

Sending out payment reminders by using electronic tools has not been fully adopted yet by all Tax Administrations. Only some Tax Administrations make use of IT to send out electronic payment reminders for example by the use of text messages, email or automatic telephone calls which provide information by the automatic playback of a message.

The *Estonian* Tax Administration is one of those that have the possibility to send out electronic payment reminders. They use automatic emails and text messages to notify taxpayers of their upcoming and passed obligations. To get around problems of taxpayers' confidentiality the notifications sent to the taxpayer's email or phone are general, e.g.: 'Please log in to your E-service account to see the document that the tax authority has sent you'. In cases when the documents are needed to be sent to an email account, the document is encrypted under the name of the addressee and only the authorized person can unlock it with his/her ID-card and pin number.

The *Portuguese* Tax Administration notifies all tax debtors of their tax obligations before the end of the statutory period. This warning is made in a personalised manner, by email to each taxpayer, on the 1st day of the date for compliance and then, again, three days before the end of that period. The emails sent to tax debtors rely upon the benefits of the early payment of tax debts.

To those whose phone numbers are available to the Tax Administration and who have not yet met all of their obligations a SMS is also sent out on the last day. These type of measures through the use of IT leads to lower legal costs, interest costs and enforcement measures to tax debtors, instead it engages the tax debtor in the promotion of voluntary payment of tax debts.

Latvia has an Electronic Declaration System (EDS) which is constantly being modernised. Starting from January 2014 an automatic warning system has been implemented. The users of EDS, who have tax debts, after the authentication will see a window containing a warning where the tax debt will be displayed in a detailed breakdown across the payment types. Before continuing work in the system the user will have to confirm that he has seen the information about the debt. In addition all taxpayers, EDS users, will see at the upper part of the page an uninterrupted information band containing the total amount of the debt. If you click on it, detailed information on the tax debts will be opened. The information about tax debts will be shown to the taxpayer until the settlement of the debt.

2.4 Conclusions

During economic downturn it is important to strike the right balance between support and assisting tax debtors in the voluntary payment of tax debts. Tax Administrations' business decision to give such support should drive the development of their IT systems so as to deliver a seamless process that will deliver a one stop virtual shop for the debtor that not only provides information, and allows some interaction, but also has an on-line capability that will process the request of the debtor. It is the ability of the IT system, by using agreed business criteria that will empower the debtor to engage positively with the tax agency. By having special payment arrangements in place it will assist the tax debtors in a timely and effective manner to overcome the challenges of the tax debt payment obligations. As shown in the above examples, many Tax Administrations have clearly utilised IT systems to support their tax debtors through information on their websites, electronic payment facilities and fully automated electronic instalment arrangements.

However, the next step is to complete that interactive experience. But just like all potential solutions there are maybe some internal and external obstacles to overcome. The next chapter will develop these themes. It examines the internal opportunities and challenges that will either enhance or hinder a customer support service in the context of helping tax debtors to pay on time.

3. Challenges that Affect the Tax Administration's Ability to Provide Support and Assistance to Tax Debtors

In this part of the report the Internal Structures of the various Tax Administrations were examined, identifying how Tax Administrations have adapted to the new financial and economic environment. The response of the Tax Administrations to their new environment varies from country to country depending on the particular economic circumstance of the given time. The questionnaire explored the structures of the various Tax Administrations and their ability to adapt rapidly to the changes within the new economic and financial environment. The questionnaire also explored how Tax Administrations through staff training provide a good service, enabling the taxpayer to avail of a deferred payment facility as quickly as possible.

The responses to the survey also gave an indication as to the ability of Tax Administrations to change internally through improved procedures and processes so as to support the introduction of new services that would support struggling taxpayers. It is evident from this report that 78% of all Tax Administrations surveyed have placed information on their website that seek to help tax debtors in meeting their tax obligations (Results to Question 2.1). New administrative facilities have been introduced to advance and promote voluntary tax debt payment for those who are genuinely ready to pay.

In recent times it has been a common occurrence that some financially viable businesses and tax debtors have experienced particular difficulties in meeting their tax payment obligations. A number of external factors have contributed to this, for example:

- Cash flow problems arising from extended and ongoing late payment by their debtors
- Bad debt(s) that have been exceptionally incurred
- A tightening of credit and overdraft facilities by financial institutions

The internal challenge for Tax Administrations is attempting to strike the right balance between supporting and assisting tax debtors and enforcing recovery. On the one hand, a modern Tax Administration is customer friendly and helps tax debtors as much as possible, while on the other hand, all citizens must be treated equally and everyone should pay their taxes by the due date which is the same for all citizens. There is the added risk that in order to assist tax debtors, fraudsters may abuse the well-intended debt payment support services. Therefore there is the additional requirement that Tax Administrations need access to data concerning those tax debtors, to verify the information provided in support of their phased/deferred payment requests.

A.: INTERNAL STRUCTURE AND ORGANISATION

3.1 The current response to the challenges of the financial and economic environment

It is clear from the outset that the overall strategy of making it as easy as possible for customers to pay their tax in a timely manner is widely supported. To promote voluntary tax debt payment, it is important for each Tax Administration to establish structures such as call centres – for both proactive and reactive interventions, that target all individuals and businesses alike. *Azerbaijan, Spain, Ireland, United Kingdom, Poland, Sweden, Slovenia, Italy* and *France* are examples of Tax Administrations whose call centres target all groups.

In 2013, the *Irish* Tax Administration introduced a new Interactive Voice Recognition (IVR) menu for callers which provided information and self-help options. Some 317,000 callers responded to information messages of self-help options and did not select to speak to an operator.

However, according to results of the IOTA Survey, the *Belgian* Tax Administration only calls tax debtors who are susceptible to paying.

Estonia does not have specific call centre target groups but have separate phone numbers for businesses and individuals,

while *Kazakhstan* only contact trustworthy companies.

Where call centres are available they operate under normal office hours.

The above examples are in many instances a carry-over from the various IT developments examined in the previous chapter and are linked to the notion of providing access to the various Tax Administrations.

3.2 Legal framework

As some Tax Administrations are guided by their State Law, the implementation of the law may provide a basis for tax debtors to request a phased/deferred payment facility but it may also restrict the possibilities that are available to tax debtors. Often the Tax Administration is enabled by State law to give further flexibilities, than otherwise would be given by the Tax Administration itself.

For example, new provisions regulating payment arrangements were put in place in *Italy* by the decree law n. 69/2013 which - among the others - has partially modified the instalment discipline. The decree changes include:

- The maximum number of instalments that can be claimed in the event of the taxpayer's economic hardship has increased from 72 to 120 monthly instalments

- The withdrawal of an instalment plan occurs if the taxpayer skips up to a maximum of 8 instalments, whereas previously the instalment was withdrawn following 2 consecutive skipped instalments.

While Azerbaijan has a legal framework in place for the postponement of debt recovery for a period of time, Portugal has no legal framework in place.

The tax code for the Republic of *Azerbaijan* regulates the postponement of debt recovery for a period. For the postponement of debt recovery to be approved tax debtors are obliged to prove at least one of the cases indicated on the tax code. The main stages in this process are: It has to be a written application, no interest will be charged. The application will be reviewed within 30 days. The tax debt postponement may be extended for a period of 1-9 months. A situation may arise when the terms of fulfilment of tax obligations may be extended for later periods, specified by the tax code in the following cases:

- a) Cause of damage to the taxpayer as a result of natural disaster or any other force majeure circumstances. The tax debtor has to submit an account of the event that occurred and the amount of damage incurred.
- b) Threat of bankruptcy as a result of tax lump-sum payment by him. The tax debtor has to submit a detailed account of the financial situation.

As outlined above Portugal has no legal framework in place for regulating the postponement of debt recovery for a period. Their vision is to reduce any possibility for debt postponements and the granting of moratorium on tax debts.

The following questions might arise for Tax Administrations that are governed by State Law and experiencing challenges in reducing tax debt levels posed by severe economic and financial circumstances:

- During the economic downturn could a country amend its legal framework in a speedily manner?
- Where a legal framework exists, is it flexible enough to support the tax debtor?
- Does the legal framework create a risk whereby debt could escalate at a time when the economy is at a fragile stage, particularly in high risk businesses or individual sectors?
- If there's currently no legal framework in place to regulate the phased/deferred payment of debt, does that enable the Tax Administration to create its own policies and procedures and to amend those whenever necessary?

3.3 Does a Tax Administration's organisational structure impact on its ability and its efficiency in offering payment solutions?

In response to the question regarding the structure of the debt collection function; it became evident that there are three broad categories across the IOTA countries:

- Centralised Debt Collection
- Decentralised Debt Collection
- A Mix of Centralised and Decentralised Debt Collection: influenced by the segmentation of the case base, i.e. Large Cases managed centrally and the remainder between Regional and Local geographical units.

Centralised Debt Collection: In Ireland, Malta and Liechtenstein all of the collection and enforcement activities are centralised. The aim of centralising the function is to produce efficiency, good practices, specialised staff and ease of management and control.

Ireland has centralised the collection of outstanding debt due to the exchequer. It has a number of procedures in place to assist tax debtors through the promotion of voluntary tax debt payment. Due to the economic downturn the Irish Tax Administration evaluated the risks to the tax yield, the risks of certain sectors, and the staff resources allocations. Ireland reorganised its central Debt Management function into a tiered structure so that the staff resource ratios reflected the higher risks and key focus in the new economic environment. There are now five tiers with each tier resourced according to the quantum of risk to the Exchequer.

Like Ireland, *Estonia* has a payment arrangement process in place to assist tax debtors that helps in the promotion of voluntary tax debt payment. This process is centralised and undertaken by the Recovery Department which is responsible for processing the application, monitoring and annulment of the arrangements.

Decentralised Collection: In other countries, such as Albania, Austria, Azerbaijan, Belgium, Bulgaria, Hungary, Macedonia and Georgia, the collection function is carried out by local tax offices. Their close proximity to the taxpayers enables them to view the economic status of tax debtors. These Tax Administrations regularly use data mining tools to access historical tax debtor behaviour, e.g. defaulters, reminders of payment, instalments, and claims. It is hoped that decentralising the function will result in utilising the local tax offices' experience and information about historical behaviour to obtain quick analysis and decisions.

For example *Belgium* has over 200 collection offices for Direct Taxes and about 40 for VAT. These offices are decentralised and located all over the country.

A Mix of both Centralised and Decentralised: A further 14 countries have their collection function divided in a different way.

- a.) Segmentation: France, Spain, Norway and Latvia distribute their collection function influenced by the segmentation of the case base or situated to avail of specialised teams

For example, in France there are over 750 local tax offices that assess tax returns and collect tax due from individuals and businesses. In addition, each of the 100 area departments have a specific “PRS” which is a territorial enforcement unit mostly for debt issuing from an audit. However the collection of large debt cases is allocated to one specialised collection unit located near Paris.

Spain is an example of centralised and de-centralised. This can be clearly seen from how the decision making process for a payment arrangement is made.

Similar to Ireland and Estonia, Spain requires information for the processing of a phased payment application. The Spanish Tax Administration carries out a risk analysis before making a decision whether to give an arrangement. In some cases it goes a step further. It may perform an onsite visit to get a better picture of the situation within the company.

In Spain collection management is decentralised in the 17 Regional Collection Departments where the tax debtor has their residence. The location of the Tax Administration’s provincial offices and administrations are shown on the map below. At the regional location there are several groups and teams where the function will be conducted in a flexible way, according to the decision of the Head of the Regional Department. However for large tax debtors with debt over a specified amount, the collection management is centralised due to the special features of those companies.



Figure 8 – Spanish Regional Collection Departments

In *Latvia* the centralised Tax Debt Recovery Department was established in 2011 for recovery and enforcement of all taxes administered by the SRS (State Revenue Services). However payment deadline extensions can only be granted by the SRS Tax Department and 119 local governments pursue taxes on real estate.

- b.) Sharing between local and regional or central units: Other Tax Administrations share their collection function between the local, regional or central units.

Denmark concentrates the management and coordination of their recovery unit in their head office in Copenhagen. This includes setting and maintaining recovery policy and operational procedures for the entire country. However the recovery action itself is carried out by their 28 local tax offices.

The *Swedish* Tax Administration is divided into two separate areas in the payment arrangement process. Swedish Tax Agency (STA) which has one single call centre for all tax related questions including payment support. The STA Official Website gives information on payments, deferments and instalments. The tax debtor applies for a payment arrangement in written form – the only facility available on-line is the application form. The Tax Agency is divided into seven regions. Each region has centralised the collection function to a few tax offices.

The Swedish Enforcement Authority (SEA) has a customer service that answers all types of questions regarding debt enforcement, debt relief and summary proceedings. The SEA represents the creditor, the Swedish State and can make payment arrangements with the tax debtor. To grant suspension of payment and an instalment plan the SEA has to rule that it is a public benefit. Suspension of payment with or without an instalment plan can also be granted if the debtor has personal reasons, such as illness. In this case a postponement of payment can be granted if the debtor is unable to pay directly and it is considered probable that he will pay in the future. However, phased payments can also be granted.

Element/stage of the payment Arrangement process	Level of administration Central/Regional/Local	Unit / department
Application	Local Office	STA
Application	Local Office	SEA
Decision	Local Office	STA
Decision	(Centralised in regions Local Office)	SEA
Monitoring	Central (Automatically through the tax account)	STA
Reminder (if not paid)	Central (Automatically through the tax account)	STA

Figure 9 - Sweden functions

As you can see from the above table functions are divided in Sweden between Local and Central ones and would appear to operate in an efficient and effective manner.

3.4 Conclusions as to which organisational structure is the most effective

Our questions were:

“By having a (de)centralised office, is in your country a clear procedure that maintains consistency throughout the Tax Administration organisation?”

Does it assist tax debtors in the payment process, when the debtor is in need of time and effective support to overcome his challenges of tax debt payment obligations, or does it seem to be more efficient to have a central office, where collection, decision and enforcement are all done within the same office?”

The replies to the questionnaire demonstrate that whether the debt collection function is centralised or decentralised it does not have a major influence on how the administration can respond to its changing environment but it depends on a combination of factors such as:

- The legislative flexibility to grant phased payments or other concessions deemed necessary.
- A clear series of business steps to follow with supporting strategy and policy matters set out both for the public and the Tax Administrators.
- Clear and concise guidelines that ensure consistency of application throughout the entire Tax Administration.
- Supporting IT systems that can automate routine processes and procedures that give rise to on-line decision making and route those cases that require a ‘judgement’ call to those collection units only, whether centralised or localised, that can address the matter.
- Supporting IT systems that can monitor the number, value and throughput of such cases so that appropriate reviews combined with checks and balances will ensure consistency of delivery.

B.: ON-GOING ARRANGEMENTS AND OTHER MEASURES INTRODUCED TO PROVIDE SUPPORT AND ASSISTANCE TO DEBTORS

3.5 Phased / deferred payment processes

In countries where the Tax Administration does offer phased or deferred payment options, as well as taking the legal framework into account, the Tax Administration also sets further terms and conditions required in processing the tax debtor’s application. Some examples include: the compliance history of the company, justification for their application, type of taxes unpaid, financial capacity and guarantees. The benefit of this is that it enables the Tax Administration to verify the information provided in the application and assesses the businesses ability to pay debt over the period of arrangement.

Each country specifies its own phased/deferred payment durations. For example *Spain* has clearly documented and restricted phased payment durations dependent on the amount of the debt.

AMOUNT OF DEBT	NUMBER OF INSTALMENTS (monthly)
300-500	3
500-1000	6
1000-2000	9
2000-4000	12
4000-10000	18
10000-14000	24
14000-18000	30

Figure 10 – Spanish phased payment durations

Since the economic downturn Ireland is a leading example on phased payment arrangements. This has played a vital part in the internal structure of the organisation. It has enhanced the Tax Administration’s ability to find a solution that will get businesses back to timely compliance with the minimum of delay, some additional considerations to those that normally or generally apply may be appropriate in determining how the Tax Administration will respond to such businesses.

Ireland changed its policy and procedure to reflect the current economic environment:

In that regard, a Case Decision Escalation Framework (CDEF) is in place, which provides additional flexibility to those businesses that have a good history of tax compliance but have encountered a temporary cash flow difficulty that requires assistance that is not catered for under the standard guidelines. The CDEF document was devised to enable the front line caseworker to make a ‘judgement’ call based on the circumstances of the case and the supporting financial data available. The CDEF document is counter signed by a senior manager supporting such a call/decision. This counter signature was devised so as to encourage frontline caseworkers to speedily address the issues and give them support by ensuring that their manager agreed with the judgement call made so that in the event that such a case failed there would be no repercussions on the decision maker, but instead a learning which could be applied to similar situations. All parts of the decision are recorded electronically so as to ensure a speedy turnaround time.

This process arises when particular regard may need to be, e.g. when due to external factors that are out of business control, the debtor has to meet tax payment obligations in

It is expected that the fully completed application together with the necessary supporting evidence will allow the Tax Administration to make a decision quickly. Having a centralised office with clearly documented expectations enabled the Irish Tax Administration to be flexible enough to establish new or amended existing procedures that promote voluntary tax payment.

In Ireland, the process of evaluating Phased Payment Applications includes verification that all the information provided are accurate. This is assisted by the third party information available to the Irish Tax Administration under Ireland’s Taxes Consolidation Act 1997. This includes the automatic reporting of deposit interest from financial institutions, reporting of payments details by Government Departments and Agencies, reporting of payment details by life assurance companies, return of values (investment undertakings) and reporting of payment transactions by payment settlers (merchant acquirers). The Irish Tax Administration also utilizes publically available information such as Land Registry and Dunn & Bradstreet.

In *Estonia* prior to submitting an application for a phased payment arrangement, the tax debtor can enter the amount of their tax debt and their preferred instalment duration in to Estonia’s on-line calculator to view a full payment schedule. The tax debtor applies for the arrangement in written form.

Maksuvõla tasumise ajatamise kalkulaator

Koostatud: 02.01.2014 16:10 | Põhinägu summa: 3 000 | Intressi summa: 150 | Valtud ikk: Päevaline tsük | Periood: 12 kuud | Intressimäär: 0.06

Kuu	Kaupäev	Ajatatud põhivõla jääk	Ajatatud intressivõla jääk	Põhivõla makse	Intressivõla makse	Graafiku-järgne tasumine kokku	Täiendavad kohustused	Jooksev intress	Taastatud arvutatud tulumaks (21/73)	Kokku
1	15.01.2014	3 000	150	263	0	263	0	0	0	263
2	15.02.2014	2 737	150	263	0	263	49.27	0	0	312.27
3	15.03.2014	2 474	150	263	0	263	44.53	0	0	307.53
4	15.04.2014	2 211	150	263	0	263	39.8	0	0	302.8
5	15.05.2014	1 948	150	263	0	263	35.06	0	0	298.06
6	15.06.2014	1 685	150	263	0	263	30.33	0	0	293.33
7	15.07.2014	1 422	150	263	0	263	25.6	0	0	288.6
8	15.08.2014	1 159	150	263	0	263	20.86	0	0	283.86
9	15.09.2014	896	150	263	0	263	16.13	0	0	279.13
10	15.10.2014	633	150	263	0	263	11.39	0	0	274.39
11	15.11.2014	370	150	263	0	263	6.66	0	0	269.66
12	15.12.2014	107	150	107	150	257	1.93	0	0	258.93
				3 000	150	3 150	281.56	0	0	3 431.56

a) Maksukohtustuleste täiendavate kohustuste (jooksev intress) vähendamiseks on maksograafiku koostamisel lähtutud põhinõudest, et enne kuubi tasumisele ajatata põhivõlg ning seegi ajatata intressivõlg.
b) Tegemist on näidegraafikuga, mis ei pruugi ühida konkreetse ajatamise loetuse läbivõtmise tulemusena kinnitava maksograafikuga.

PDF Sulge

Figure 12 - Estonia phased payment arrangement

When applying for the phased payment arrangement companies (legal entities) and individuals (natural persons) are treated differently. In respect of companies, details relating to cash flow, profit statements, and balance sheets of the previous year are required. In the case of individuals, an income and expenditure statement is required. Both are required to give an explanation of what led to the debt and how the payment of the

instalments will be guaranteed. Depending on the size of the debt additional security may be required – for example mortgage, registered security over movables or surety. The arrangement can include all tax types, but no fines or penalties. Similar to Ireland, Estonia requests similar documents prior to the granting of an arrangement.

3.6 The application process Automated or Manual?

Technology is an important tool in assisting the Tax Administration and the tax debtor in recent times. In some countries tax debtors can apply for a phased payment arrangement on-line. Under certain criteria being met, the application can be approved and set up on-line. By meeting these criteria all tax debtors are treated equally and fairly. In other instances the application can only be downloaded on-line but the decision making process is made in the back office. Some countries are in the developing process for payment arrangements. By having an on-line application process it can save both time and money both for the tax debtor and the Tax Administration. It enhances the promotion of voluntary payment of tax debts.

3.7 When does a Tax Administration decide not to grant a phased/deferred payment arrangement?

Where there are strict conditions, the process of making a decision on the phased/deferred payment application is more straightforward. In some Tax Administrations the segmentation of the case base facilitates a speedy decision making process for lower value cases and allows more consideration for riskier/higher value cases.

Tax Administration organisations can accept or deny phased/deferred payment arrangements for various reasons. Based on information provided in the Country Profile and at the Group Work Sessions at the Meeting of the Area Group on Debt Management 5-7 March 2014, a number of reasons are common across the majority of countries:

- Incomplete applications
- Not fulfilling terms and conditions
- Historical behaviour
- Lack of ability to pay
- Requests for 'back to back' arrangements following a failed arrangement

Tax Administrations in *Azerbaijan, Denmark, Italy, Luxembourg, Poland, Romania, United Kingdom* may also refuse to grant a phased/deferred payment facility if the tax debtor failed to submit the required information and documentation (including tax returns, e.g. VAT) or provision of incorrect data (e.g. unpaid VAT). In addition, *Denmark, Luxembourg and Poland* may not grant an arrangement where the size of the debt is critical.

Other countries highlight the need to refuse arrangements if the debt arose due to fraud or if the tax debtor does not respond within the agreed timeframe.

How does a Tax Administration balance the need for a rapid decision and processing of the application for payment arrangements with the need to carry out additional verifications and checks? Time varies from country to country, with no robust time frame.

For example, at the Group Work Sessions the following countries responded to payment arrangement applications within a specified time.

Slovakia	Slovenia	Rep. Srpska	Ireland	Portugal	Sweden	Georgia
8 days	30 days	30 days	21 days*	10 days	10 days	Unspecified

**Ireland's Customer Service Standards set out that all correspondence will be responded to within 21 days. However if a phased payment arrangement is deemed urgent, once the application is received it is possible to inform the tax debtor of the decision within 3 working days.*

The time spent on analysing the information provided may be quicker if there's an automated system in place. For example, some countries cross check assets and verify the economic circumstances of the case against information already accessible to the Tax Administration for example on various national databases. Where the tax debtor has provided false or incorrect information in their request or application, a phased/deferred arrangement is denied.

Having analysed the findings on the IOTA Survey all participants agree that if the application has been completed correctly, all information/documentation requested is supplied and all information relating to the case is readily available, then there should be no delay in accepting/denying the arrangement. However, if the case is for a higher value or is outside the guidelines laid down by the Tax Administration then the case may need to be referred to senior management for decision then it may take a little longer to process (for example, the CDEF process in Ireland).

3.8 Other internal deferred measures

The participating IOTA countries were asked which other deferred payment measures are used. Payment by installment was confirmed as a major existing measure.

In seven cases respite or extension of due date are possible.

For example, in *Macedonia* it is possible to extend the date of payment of the tax liability by up to 90 days at the request of the taxpayer. When the application is submitted by a taxpayer who has no tax arrears in the previous tax period, the due date is extended without requiring a guarantee from the taxpayer. In this case the Public Revenue Office makes a decision to prolong the due date and it is not assessed.

In *Belgium*, it is possible to suspend payment if the debtor is at the same time a creditor of the state or a particular organisation with public interest.

In *Romania*, it is possible to extend payment by a maximum of 2 years when taxpayers expect money from European funds.

In *Sweden* and UK, postponement is also possible in the case of sickness or death. Since 2012 the Swedish Tax Agency may grant or extend due date for payment if it's considered beneficial for the public, when for example it would bring concrete negative consequences for the company to be registered to enforcement (Swedish Enforcement Agency).

Extension of the return due date is possible in *France, Ireland and Georgia*.

In *Georgia*, the date for the submission of the annual income, profit, or property tax return shall be extended by three months if a person has paid the current taxes for the period subject to declaring, provided that the person applies in writing to the Tax Administration requesting an extension of the deadline before the expiration of the deadline for filing the tax returns. Any extension granted for the tax return submission shall not modify the deadline for the payment of tax.

In *Ireland*, a few days extension of the due date is offered only to those taxpayers who use the Tax Administration's on-line services (ROS) to file returns with full payment.

3.9 What risks are monitored by a Tax Administration during the phased/deferred payment arrangement?

Once the Payment Plan has been approved and set up the case then needs to be monitored to ensure the terms and conditions are strictly complied. At the recent IOTA Group Work Sessions several countries highlighted similar most common cases of abuse by tax debtors of the special support & assistance arrangements.

- Not following the phased/deferred payment plan
- New debts are unpaid or not filed on time

In those instances, particularly in situations where current taxes are not paid as they fall due, it was agreed by participants that Tax Administrations have the right to cancel the arrangement and commence enforcement.

In some cases the tax debtor applies for an arrangement and at the same time requests a Tax Clearance Certificate. Having obtained the Certificate, the business then stops paying the tax debt. Ireland has tried to resolve that issue by insisting that any business or individual requiring a Tax Clearance Certificate must pay 40% of the tax debt up-front while entering into an arrangement for the balance. In many countries Tax Clearance Certificates are required for public procurement contracts and so monitoring is essential.

3.10 Training staff and offer a better service

Where the processing of phased/deferred payment applications is manual, the dialogue between the Tax Administration and the debtor is very important. How can the Tax Administration create confidence and facilitate the dialogue between them? How do tax officers contact the debtors? Are many channels available to the debtor for contacting the Tax Administration? Training helps Tax Administration staff to empathise with debtors, analyse situations and encourage tax debtors to pay and to be more compliant.

Where Tax Administrations provide training, this can be categorised under 2 headings:

a) General training:

In many countries training consists mainly of seminars for debt collection staff, for example in *Bulgaria* training is geared towards sharing good practices with staff. Other training concentrates on staff management and dialogue with tax debtors. 'How to use the data mining tools' training is helpful as it enables staff to concentrate on the value of debt, historical behaviour and priorities.

b) Communication training for debt collection staff, to encourage debtors to pay:

Training is provided to debt collection staff with a view to improving contact and dialogue with debtors. For example, in *Italy* their Revenue Agency manages some training in order to allow tax officers to improve their taxpayer-relationship skills in order to encourage the voluntary payment of the tax debts.

In *Belgium* and in the *UK*, phone training is provided. In Belgium 'Telephonic Debt Management' is a tool to used recover fiscal debts through personal contact with the debtor by phone, aimed at convincing the debtor to pay his debts voluntary using a client-approach and emphasizing the public interest. Whereas in the UK, the Tax Administration encourage taxpayers to pay and offer them various options, e.g. full payment, direct debit, instalments/payment agreement etc.

In *Spain* training courses deal with how to inform taxpayers about ways to pay on-line, or with instalment or deferment procedures.

In *Azerbaijan*, training is more focused on improving the relationship between society and the tax authorities and to encourage a compliant tax culture:

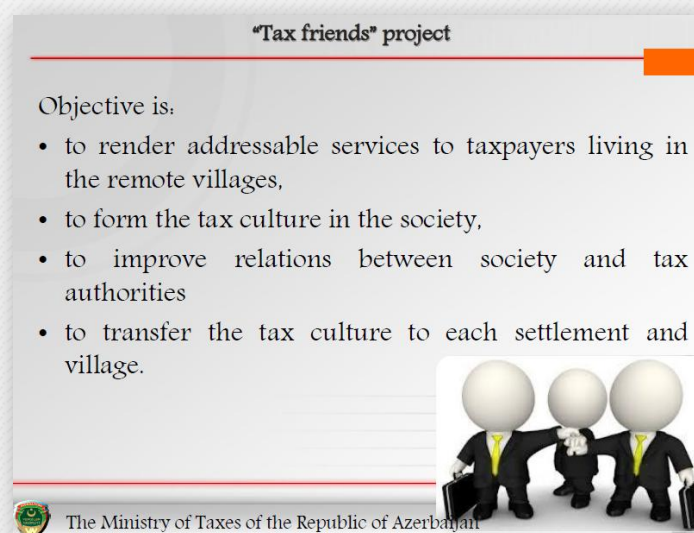


Figure 13 - Azerbaijan Tax friends project

Switzerland decided to add a new strategy of communication training, focusing more on using professional behaviour and strategy language.

In conclusion, the answers to the questionnaire give some tracks to follow:

- Psychological techniques are more likely to encourage tax debtors to be compliant. Training aspects may cover how to improve dialogue via face-to-face contact or phone call, how to develop and maintain channels of communication with the tax debtor, how to encourage payment and to arrange a payment plan.
- Better official written communication bearing in mind the taxpayer's historical behaviour, e.g. nudging.

Staff with strategic training tends to have better results with the taxpayer, through their focus and knowledge of how to encourage compliance.

3.11 Conclusions

The theme of this report is focused on assisting those tax debtors that wish to address their tax obligation but are struggling to do so. It is clear from the foregoing that those countries that have experience of challenging financial and economic circumstances have had to adapt their internal processes and procedures to give appropriate support to those businesses that required additional flexibility. The strategy of making it as easy as possible to pay, which is evident in all participating Administrations, is supported by IT systems that facilitate the ease by which customers can make contact, submit payments and make returns. The challenge for the Tax Administration is to what extent can the 'make it as easy to pay' be extended and supported by the internal processes and procedures so as to give further flexibility to those who are struggling.

The chapter examined the structure of a Tax Administration collection unit and whether or not a centralised or decentralised organization has an impact on the capacity of the Administration to respond effectively. The findings of this report indicate that a combination of factors impact on the ability of an Administration to respond effectively. Tax Administrations that have concessions provided for by State legislation are limited to the specific flexibility as provided for in the legislation.

However countries such as *Ireland* that are enabled to provide concessions as part of their administrative care and duty are in a stronger position to provide the required support. However, an examination of the various administrations both centralised and decentralised indicated that all shared the same risk criteria in regard to the monitoring of phased payments, and they all shared the various stages of application, i.e. whether on-line or manual. When considering the Tax Administration's ability and efficiency in offering payment solutions, their decision on internal organisation structure may be influenced by other factors:

- Strong business case desire to facilitate further flexibilities
- Clear guidelines, processes and procedures
- Consistency of application
- Supported by IT systems that can automate the routine decision making process
- Supported by good governance in regard to the monitoring, recording and evaluating the implementation of the concession granted

Provided the above are available to any Tax Administration the question whether a centralised or a decentralised collection system offers a more appropriate assistance to voluntary tax debt payment cannot be answered neither a positive nor a negative way. Instead of that it is the availability of the above factors that will drive the internal response to the most appropriate assistance that is required by the customer.

4. External Structures: the Importance of Involving Key Stakeholders in Developing Innovative Approaches

In July 2009 the International Monetary Fund produced a paper on *Collecting Taxes during an Economic Crisis: Challenges and Policy option (IMF Staff Position Note July 14.2009)*. In that paper the importance of the stakeholders' involvement is clearly stated. It says that 'tax agencies should establish or, where already established, make better use of consultations with industry associations and tax professionals (tax agents, bookkeepers, other tax intermediaries). These types of associations often have substantial influence over taxpayers' behaviour and can provide the tax agency with valuable assistance in understanding crisis-driven compliance problems, developing workable solutions, and communicating the solutions to taxpayers' (paragraph 69, page 24). It is recognised that tax compliance is supported by the work of third party agencies such as tax practitioners, trade bodies etc. Therefore, the Country Profile sought to measure the collaborative assistance between Tax Administrations and various tax agents and advisers, among those Tax Administrations that participated in this particular project.

It is important for Tax Administrations to work closely with external bodies, particular at a time when tax debtors are struggling due to the current economic climate and financial environment. By having such structures in place with the Tax Administration and external bodies, it benefits the tax debtor as their issues are being brought by the stakeholders to the Tax Administration. As outlined in the Country Profiles a number of countries answer "Yes" to engaging with external bodies in providing support and assistance to tax debtors. The following country examples will highlight this.

4.1 The UK & Portuguese experience

In the case of the *United Kingdom* it gave a positive response to engaging with stakeholders. It works with a number of external organisations. This is outlined on the HMRC Website. It provides information from the main bodies, as a link on the HMRC website. By working with the following stakeholders it devises new policies:

- Business Debtline
- Citizens Advice Bureau
- Stepchange Debt Charity
- Insolvency Services
- National Debtline
- TaxAid
- Debt Advice Foundation
- Your Local Authority

Tax Agents can work with the Tax Administration on behalf of the tax debtor once a signed agreement from the tax debtor has been submitted. It deals with all taxation matters.

Italian Tax Administration is another example where the Revenue Agency collaborates with a number of external private and public bodies as outlined in the Country Profiles. For example:

- Public Administrations
- Professionals
- Intermediaries
- Notaries
- Lawyers
- Tax Advisers Associations

This is an important element as it is providing information and tax assistance to tax debtors. It also made agreements with the Revenue Agency to support the taxpayers by providing information, assistance and representation services.

Portuguese Tax Administration engages with tax debtors by holding seminars, conferences and information sessions. By having a process like this in place it encourages tax debtors to engage with the Tax Administration which could lead to Voluntary Tax Debt payment. Portugal is also engaged with the Chamber of Accountants and Order of Statutory Auditors. By engaging with such stakeholders, it can have a number of benefits for the Tax Administration and tax debtor/agent. By using e-filing and on-line payments, accountants can have a special access to the Tax Administration's web portal.

4.2 The Irish and Spanish experience

Ireland also has this facility available to its agents, where accountants who register with the Revenue On-line Service (ROS) may use a specific inbox to use e-filing/e-payment for their tax debtor clients. By having facilities like this in place it can give assistance to tax debtors who wish to pay but are not set up on-line.

Figure 14 – Irish Tax registration form

The Tax Administration has found that communication with the agents is crucial. In fact the Tax Administration’s recent survey of the small and medium enterprise sector (SME) concluded that larger SMEs rely on their agents to maintain records. Ongoing communication has benefits for all parties involved. Engagement with agents results in influencing tax debtors to pay. The Tax Administration receives tax debtor feedback via their agent. The agents identify issues sooner rather than later.

The Irish Tax Administration’s experience has been that ongoing consultation is essential to ascertain what is important to its customers (tax debtors). An improved understanding of the customers’ needs leaves the Tax Administration in a better position to decide on appropriate strategies to improve compliance. To generate constant feedback by opening up as many feedback channels as possible, the Tax Administration has established a number of consultative fora which now facilitate communication and consultation between the Tax Administration, practitioners and business representative bodies.

In Ireland, the Tax Administration Liaison Committee (TALC) is an open discussion forum for Revenue and tax practitioner representative groups to meet and discuss issues relating to the administration of the tax system. TALC is composed of representatives from the Tax Administration, the Consultative Committee of Accountancy Bodies in Ireland, the Institute of Taxation in Ireland and the Law Society of Ireland, who meet on a regular basis, often monthly. The work of TALC is supported by several sub-committees, which deal with specific areas of Tax Administration, for example Direct Taxes, Audit or Simplification.

The Tax Administration is also involved in the cross Government Department 'High Level Group on Business Regulation'. This group was established to identify the administration burdens placed on businesses, in particular small and medium sized enterprises, arising from Regulation or other administration requirements. The group determines ways to reduce and simplify those administrative burdens and to eliminate them where they are unnecessary. This includes the exchange of data between Government Departments and Agencies where such exchange is permitted by law and can be facilitated by secure data transfer systems.

The small and medium enterprise sector (SME) makes a key contribution to economic activity and employment in the Irish economy and the Tax Administration plays an important role in supporting SMEs by simplifying procedures, providing quality customer service and reducing the costs associated with meeting tax and duty obligations. From November 2012 to March 2013 the Irish Tax Administration conducted its third survey of SME customers (tax debtors). The survey covered four broad areas: Customer Service and Channels of Communication, Filing Annual Income Tax Return, Factors that Influence Compliance, and Shadow Economy Activity. The survey results show that the main reported reason for SMEs having difficulties paying taxes both on time and in full was a temporary cash flow problem (85%). However compared with 2008, SMEs are now almost twice as likely to contact Revenue about their difficulties.

Each of those fora provides an input to the Irish Tax Administration's plans for new policies or internal procedures that may assist tax debtors to submit voluntary payments. For example the following developments were introduced with the agreement of agents and the above fora so as to assist tax debtors during the current economic downturn:

- The Phased Payment Application process ensuring that optimal use is made of submitted data and that duplication and reporting requirements on businesses are minimised
- The internal Case Decision Escalation Framework (CDEF)
- Enhanced simplified filing to reduce the administration burden on businesses
- Guidelines for Approved Intermediaries (AIs) and Personal Insolvency Practitioners (PIPs) with regard to arrangements as laid down in the Personal Insolvency Act 2012
- The introduction of mandatory e-filing has increased sharply the usage of ROS with a high percentage of respondents (88%) expressing satisfaction with the service they received
- Increased variety of payment methods

Spain is another example that engages with stakeholders. As outlined in the Country Profile, it involves a number of external bodies, for example Public Administrations Institutions. By working with these associations and professionals it can act as "social co-

operators” with the Spanish Tax Administration, by providing information, assistance and representation to taxpayers. It has also signed a number of agreements and covenants with many associations and entities in order to supply information and assistance. (Notaries, Real Estate Registration, Local Administrations, Economists Association, Lawyers Association, tax Advisers Association.) Like Ireland and Portugal, Spain is using the advancement of IT to engage with stakeholders on behalf of the tax debtor. A tax agency can act as representatives for a tax debtor to submit refunds, communications, appeal and pay on behalf the tax debtor; this can be all done on-line.

4.3 Bulgaria, Denmark, The Netherlands, Sweden (STA) and Norway

The following countries engage actively with other stakeholders for a variety of reasons: *Bulgaria, Denmark, The Netherlands, Norway and Sweden (STA)*.

For example, *Bulgaria* maintains contact with the National Insurance Institute.

Denmark’s experience shows that there are a number of tax advisors who are themselves in tax arrears. Denmark has initiated a project aimed at reducing the number of agents (tax advisors) in tax arrears. The project focuses on consistent recovery and hopes to influence behaviour through work with professional organisations. The project raises awareness among relevant professional associations that Denmark’s Tax Administration, SKAT, expects agents to maintain a high degree of compliance. The Tax Administration provides support to agents through separate meetings, meetings with their professional associations or through their dedicated agents’ web portal. Denmark has seen benefits from involving industry associations who influence their members’ payment behaviour and encourages members to become tax compliant. There is an expectation that this will have a knock-on effect on the advice the tax advisors provide to their own clients and customers.

The *Netherlands* Tax Administration provides help and coaching to curators and agencies who file tax returns and payments for individuals.

The *Swedish* (STA) Tax Administration co-operates with some 40 different associations. The Tax Administration provides information to the associations, and conversely trade associations assist the Tax Administration to gain an understanding of the different business sectors and possible tax errors and reasons. Contacts with these associations also enable the Tax Administration to obtain the associations’ tax views and wishes. This kind of collaboration is one of the prerequisites for reducing Sweden’s tax gap and is a part of their strategy “Right from the start” and “easy to comply – difficult not to comply”.

Likewise, the *Norwegian* Tax Administration collaborates with several stakeholders to inform taxpayers and to promote tax compliance through education before non-compliance issues arise. The Tax Administration collaborates with public sector entities like The Norwegian Labour and Welfare Service, Norwegian Customs, the Police Department, the Norwegian Labour Inspection Authority and the Norwegian Directorate of Immigration.

All five regional tax offices have their own information centres, who in turn collaborate with different external third parties (public/private sector and international), e.g. Norwegian Oil and Gas Association. The Norwegian Tax Administration, the Police Department, the Norwegian Labour Inspection Authority and the Norwegian Directorate of Immigration have established a Service Centre for Foreign Workers in three major cities in Norway (for more information go to www.sua.no). Norway Information Centres/Tax Payer Assistance Centres collaborate with external parties and tax payers. For example, the unit promotes classes for tax payers starting a business for the first time, give information to external parties, and market tax compliance towards youth through the school system etc. The information/classes give insight into voluntary tax debt payment, and what to expect if the taxes are not paid on time.

In some instances other stakeholders directly influence tax collection decisions.

4.4 Conclusions

Tax Administrations and stakeholders have established strong links over time. In many respects the confidence of an administration in its ability to get things done will lead to openness to changes as it will see the influence of the external bodies as a positive thing and not interference.

The above country examples clearly show the good relationship between Tax Administration and external bodies, which can lead to an increase in compliance and reduce the arrear for the Tax Administration. However, further steps need to be made in using these approaches towards the tax debtors. By having structures like this in place it can promote voluntary tax debt payment – which support and assist tax debtors in a time when they want to pay but they can't pay. As the Tax Administration is engaging with the external bodies, tax debtors are being represented at the same time.

5. Public Communication

Public Communication has been defined as “purposive attempt(s) to inform or influence behaviours in large audiences within a specified time period using an organized set of communication activities and featuring a way of mediated messages in multiple channels generally to produce non-commercial benefits to individuals and society” ([Rice & Atkin, 2009, Rogers & Storey, 1987], quoted by Ronald E. Rice, Charles K. Atkin in “Public Communication Campaigns”, 2013, Sage Publications, Inc.).

It is used by the various Tax Administrations to inform and influence the general public, to make the taxpayers aware of their tax obligations and the procedures in place. During the economic downturn when viable tax debtors are encountering short-term cash flow difficulties, the Tax Administrations communicate to ensure that tax debtors are aware of the flexibility available to them and to ensure the message is dispersed to a wide audience.

Therefore, not only is it important to understand the media used by each Tax Administration, but also if their message (content) to tax debtors is designed and developed in-house or by external agencies.

The means and timing of public communication may be influenced by the type of information the Tax Administration wishes to communicate. In the examples below, you will see how different Tax Administrations use public communication to provide information during peak times of the year, about new procedures or policies, about new taxes, or general information with a view to promote voluntary compliance and to influence the taxpayer’s behaviour.

5.1 Traditional standard approach

Many Tax Administrations use various forms of public communication to get the message across to the tax debtor. The traditional broadcasting media methods used by Tax Administrations are newspapers, television, radio, telephone, and advertisements. These methods of communication reach a wide audience.

For example, *Azerbaijan* uses traditional methods of communication in order to inform tax debtors of the consequences of non-payment and to encourage them to comply voluntarily. They use methods such as television, papers, and advertisements. To do so, Azeri Tax Officials communicate regularly by newspapers and through TV Channels underlining the importance of the fulfilment of tax liabilities. They also broadcast, at least once a month, the procedures used to seize taxpayers’ property.

This method allows the general public to view the measures taken towards taxpayers who do not pay taxes in time, and acts as an encouragement for taxpayers to submit timely payments.

Azerbaijan does not make use of social media like Facebook and Twitter or recur to outside agencies to communicate with tax debtors. The Tax Administration records and analyses the effects of public communication with regard to tax payments and sees an improvement of the payment patterns.

During peak times in the year the *Irish* Tax Administration carries out an extensive communication campaign, for example when the Employer's P35 Return is due in February and when the Income Tax Return is due in October.

This includes:

- Leaflets
- Mail shots
- Electronic Newsletter
- National Media Campaign

Ireland's Tax Administration also provides further assistance to the tax debtor during these peak times by extending the telephone helpline working hours to assist tax debtors and agents to complete these returns. This campaign promotes voluntary compliance where taxpayers are continually reminded through media to file and pay their taxes on-time and giving all the information required to do so. By running these advertising campaigns the Irish Tax Administration can measure its response via the increase in payments received and returns filed following and during an advertising campaign.

During the economic downturn Ireland uses a wide range of communication methods to get the message out to the tax debtor of the importance of engaging with the Irish Tax Administration. The Tax Administration is available to work with tax debtors that are in cash flow difficulty through the introduction of Case Decision Escalation Framework (CDEF), as mentioned earlier in the report. This scheme was made available to tax debtors who have a viable business and good payment track record but are now experiencing tax payment difficulties due to short term cash flow problems. Through the Tax Administration's Press Office an advertising campaign was put in place to promote the importance of engaging with Revenue officials in a timely fashion before the debt arises.

Case Decision Escalation Framework (CDEF)

The CDEF process which was introduced in 2009 continued in 2013. CDEF enables consideration to be given to extension of phased payment arrangements to taxpayers/businesses that previously had satisfactory compliance records but due to the economic downturn have experienced severe difficulty in meeting their tax obligations.

No. of Cases under CDEF Process as at 31 December 2012 & 2013				
CDEF	2012		2013	
	Number	Amount	Number	Amount
Tier 1	46	32.8m	23	11.3m
Tier 2	61	2.4m	82	4.3m
Tier 3	669	38.1m	555	23.4m
Tier 4	833	18.1m	867	13.5m
Tier 5	55	0.5m	0	0m
Total	1,664	€91.9m	1,527	€52.5m

Figure 15 - case decision framework / Irish Tax Administration

The Irish Tax Administration devotes a great deal of time and effort to providing a top quality service to the tax debtor. The key objective is to create high levels of awareness amongst customers as to their entitlements and obligations as well as familiarizing them with procedures and new initiatives.

5.2 Modern means of communication

There has been an advance in technology in recent years. Therefore, some Tax Administrations have been shifting towards modern communication. Such methods are more flexible and efficient and allow greater levels of interaction with tax debtors.

“Social media employ web-and mobile-based technologies to support interactive dialogue and introduce substantial and pervasive changes to communication between organizations, communities, and individuals.” Benchmarking Pilot Report, published by IOTA in 29/08/2013.

Analysis of the questionnaire indicates that the most common methods used by Tax Administrations are Telephone (96%), E-mail (81%), SMS (33%), on-line E-services.

Estonia exploits modern technology by issuing almost 80% of the documents for delivery through the E-services, which is convenient for the taxpayer and cost-effective for the Tax Administration. The Irish Tax Administration has an extensive website available to tax debtors and agents. It offers a wide range of electronic services to meet the expectations of an increasingly e-literate public. This is cost effective both for the tax debtor and the Tax Administration.

In 2013, the *Irish* Tax Administration collected €38.1billion (gross) via the Revenue On-Line Service (ROS). By having an extensive website with dedicated sections both for the tax debtor and agents, and about various tax types, they are encouraged to consult the website in the first instance for information.

Regarding this modern communication between Tax Administrations and taxpayers, some countries created a FAQ section on the tax websites. Within this new feature raised from mutual learning, taxpayers can find different information (e.g. what to do when a bank account has been seized or when the debt has been sent to the bailiff; where the person can find the bank account and reference numbers for the tax authority, etc.).

The website of *Belgium* Tax Administration provides information to the taxpayer about for example the main tasks of the debt recovery services; the payment of debts how to appeal against debts and their recovery; tax refunds, etc.

The *United Kingdom* Tax Administration also uses modern technology to provide information for debtors that have difficulties in paying and require extra assistance.

Analysis of the questionnaire indicates that just a few Tax Administrations communicate through social media, information regarding support and assistance for tax debtors and for general assistance.

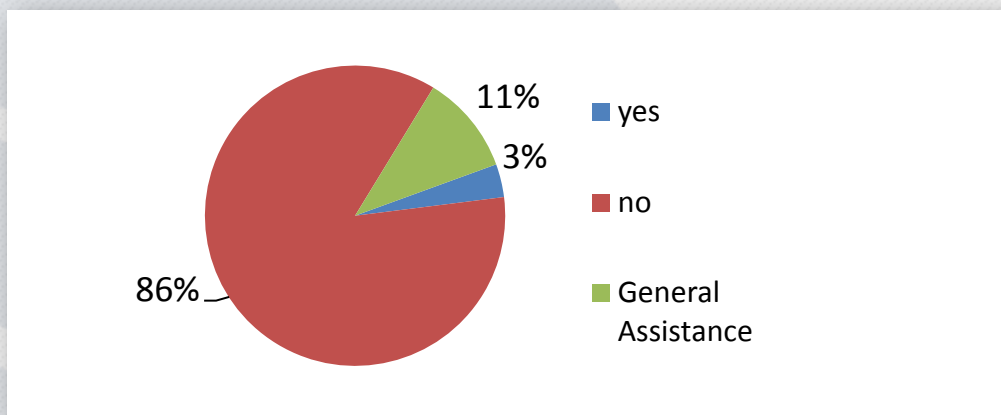


Figure 16 - Communicating information regarding support and assistance through social media

Social media communication is now playing a part in public communication to tax debtors. Some Tax Administrations are using Facebook and Twitter as a means of engaging with tax debtors helping to promote voluntary payment.

Estonia Tax Administration has a forum and Facebook page which allows people to get assistance and discuss any issues that may arise.

Sweden also offers this facility where the customer service answers any general questions that may arise through its Swedish Enforcement Authority (SEA) Facebook site.

Moldova has a Twitter account. By undertaking these initiatives it enhances and improves the existing services for tax debtors to promote the voluntary payment of tax debts through the use of portable devices.

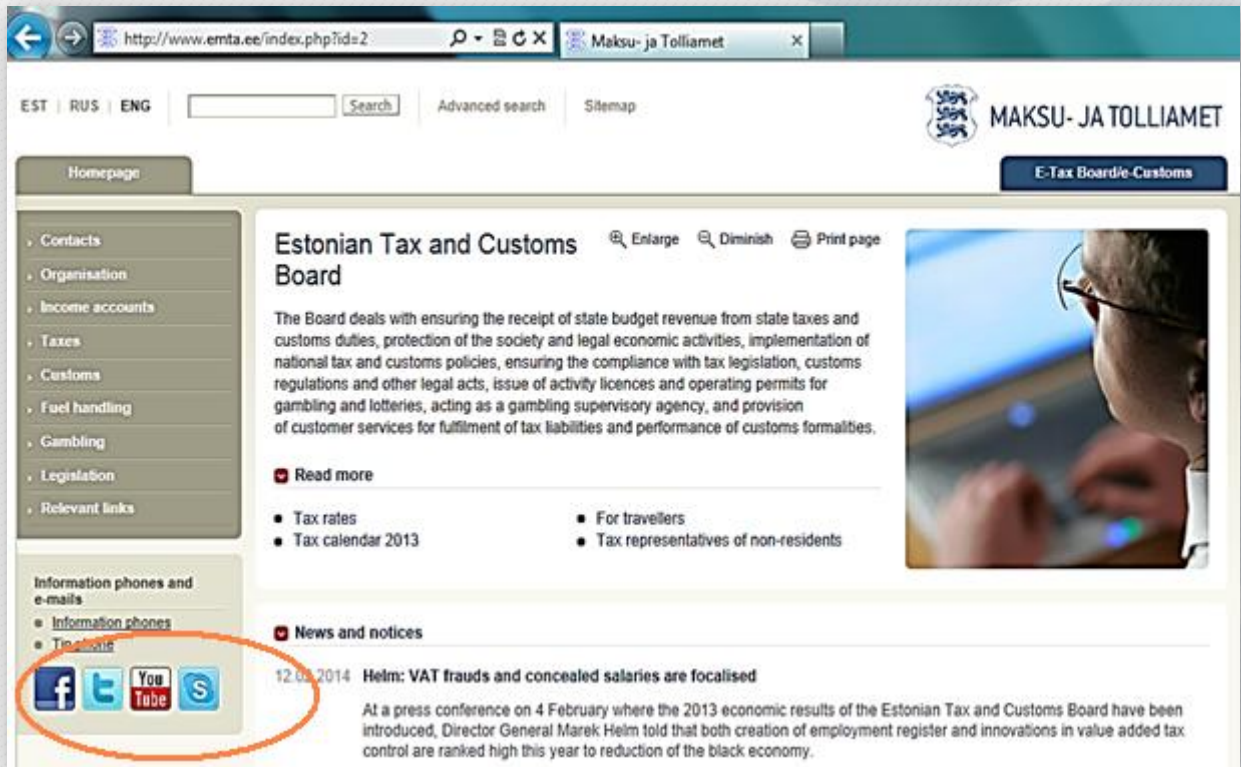


Figure 17 - Estonia Tax Administration website

Moldova and Ireland Tax Administrations use Twitter. The Irish Tax Administration has a number of objectives for using Twitter as a means of communication. It shares Revenue news and general information, increasing awareness of entitlements and obligations. This is an easily accessible channel of communication, with the Twitter account monitored and updated during office hours, from Monday to Friday.

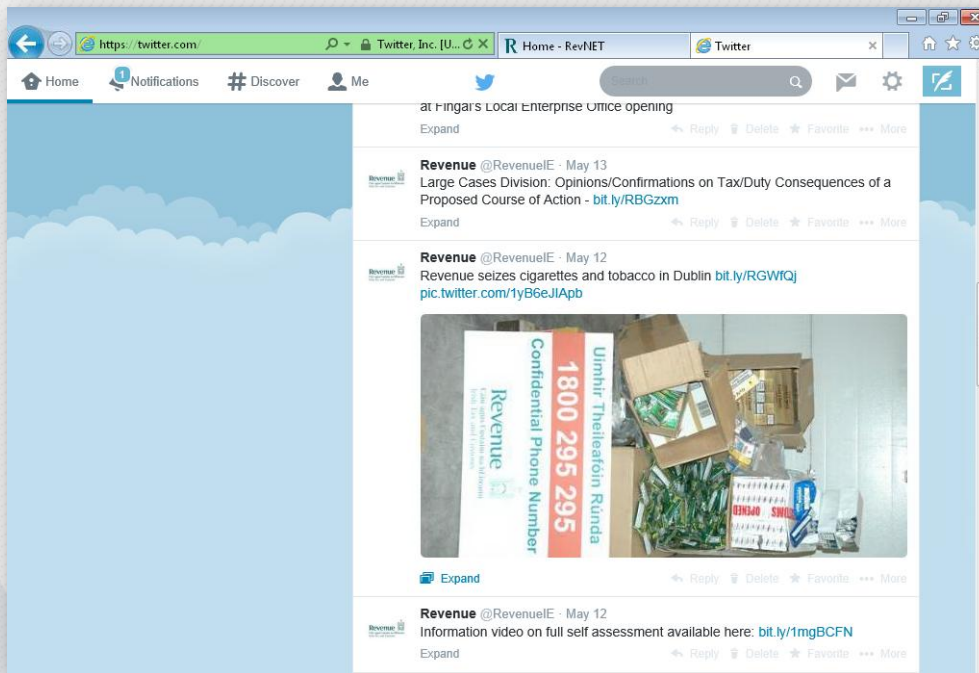


Figure 18 - twitter Irish Tax Administration

The Tax Administration's Facebook accounts are used for answering general queries and getting information out to the tax debtor. This has been very a popular method of communication with the public. *France, Sweden (SEA), Norway and Portugal* use such social media channels as a pre-emptive measure in order to provide information to their tax payers in a compliance stage, i.e. before they become tax debtors.



Figure 19 - Sweden (SEA) Facebook

5.3 Practices and fixtures

At this point we present an example of some public communication practices used by various Tax Administration.

As an example of these practices, in 2013 the *Irish* Tax Administrations faced a major challenge following the introduction of a new tax, Local Property Tax (LPT). Within a nine month timeframe, the Irish Tax Administration prepared the legislative framework and design, built and implemented a fully functioning tax system complete with a comprehensive register of residential properties and valuation guidance.

New E-Services were created specifically for LPT as this new tax impacts on every house owner in the country, regardless of whether they are employees or self-employed. These E-Services include the facility to view valuations at a point in time of various types of homes within a given location, and the facility to submit return forms and pay on-line.

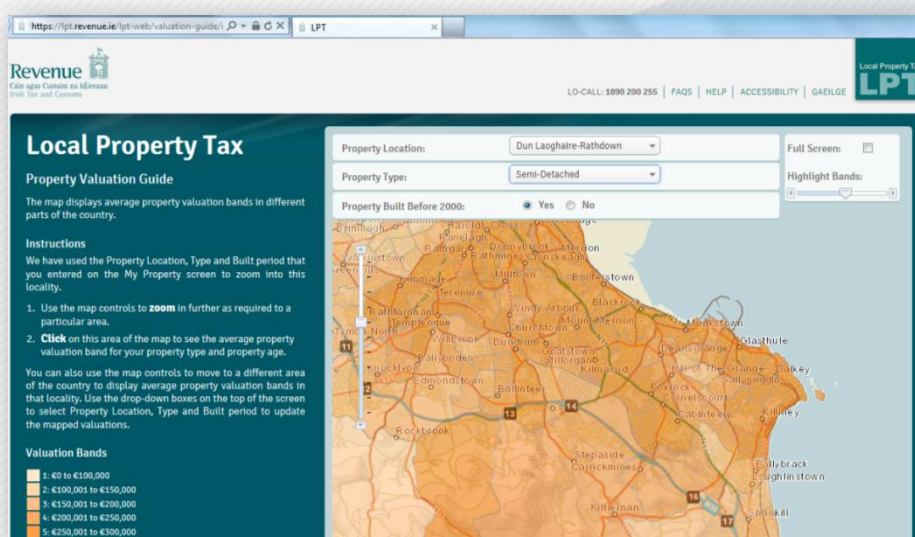



Figure 20 - Irish revenue website for LPT

The Irish Tax Administration provided an extensive advertising campaign. An information advertisement was included in the national and local papers. The website now includes a dedicated page outlining a property owner's tax obligations. A number of Tax Administration Officials took part in a large number of national and local media interviews on current affairs programmes both on radio and television. It issued a briefing note to all Government officials. Many of those Government officials were involved in promoting the Local Property Tax by participating in radio and television interviews. They were available for discussions in their local constituency office to assist tax debtors.

The result of this has been very encouraging. The compliance rate for 2013 LPT currently stands at 94% and €318million has been collected in respect of the charge from July 2013

to December 2013. An on-line easy-to-use pay and file facility was a key feature of the Irish Tax Administration approach and 76% of returns were filed electronically. The intense advertising campaign by the Irish Tax Administration highlights the importance of public communication to tax debtors.



Local Property Tax Collection/Compliance

	LPT collected for Year 2013 (up to 31 December 2013)	LPT collected for Year 2014 (up to 31 March 2014)
Collected	€318 million	€215 million
Compliance Rate	94%	90%

Figure 21 – Measure LPT collection and compliance rate

Other Example: The *Portuguese* Tax Administration uses a number of methods of communication to notify taxpayers of their tax obligations before the end of the statutory period. It emails each taxpayer on the 1st day of the date for compliance and it sends reminders three days before the end of the period. It also sends SMS on the last day where phone numbers are available.

Portugal Tax Administration has an agreement with the Portuguese postal service for the performance of official notifications. It has official videos on YouTube giving useful tips to taxpayers. It also uses a Twitter account. Since 2010 it demonstrates to tax debtors on-line how to fulfil their tax obligations, for example ‘how to fill in an Income Return Form’. Similar to *Ireland* and *Latvia*, *Portugal* also measures the response on payments and returns following an advertising campaign.

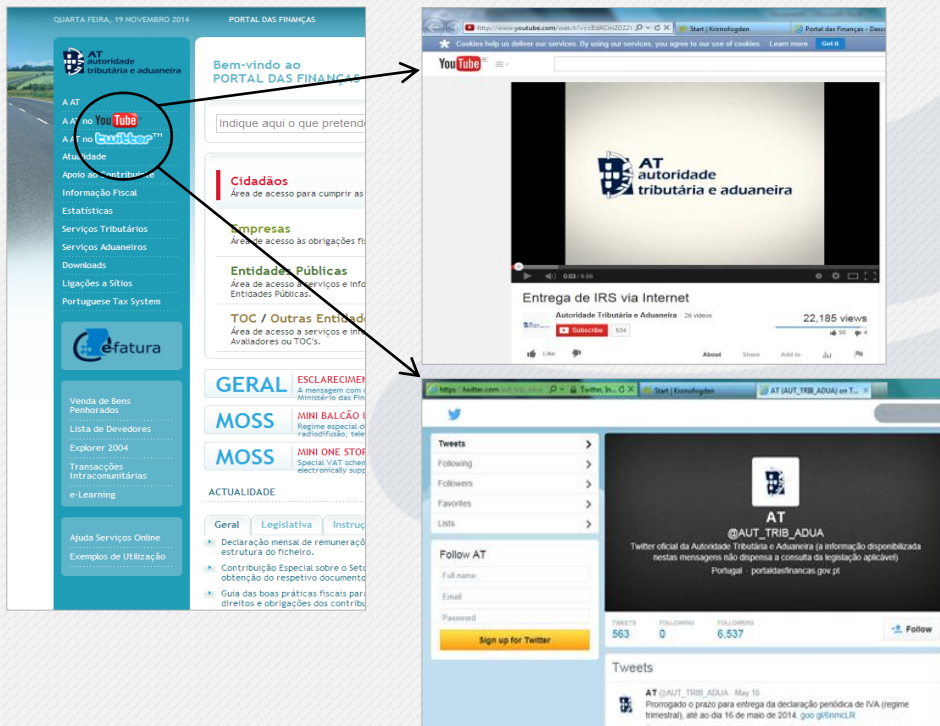


Figure 22 - Portuguese website, YouTube and twitter

It must be outlined that most of the countries use media not aimed towards tax debtors but also to persuade tax payers to be compliant before they become defaulters.

5.4 Outsourcing communication services

Some Tax Administrations such as *Latvia* may decide to outsource some services such as production of brochures, videos and posters to an outside professional entity. The expertise and knowledge may be developed and held internally within some Tax Administration to deal with public communication, for example Latvia's single tax support activity. During Latvia's period of implementing the single tax support measure a direct communication was made with the taxpayers through television, radio, phone and emails. A special section "Tax Support Measure" was added to the official website including the following subsections:

- What is tax support activity?
- How to apply for the activity?
- The process of the tax support activity
- Disputing of the decisions
- Cancelling of the support activity
- Legislative acts
- Applications Forms
- Auxiliary materials
- Questions and Answers

The following chart shows which type of media is being outsourced by the Tax Administrations for public communication:

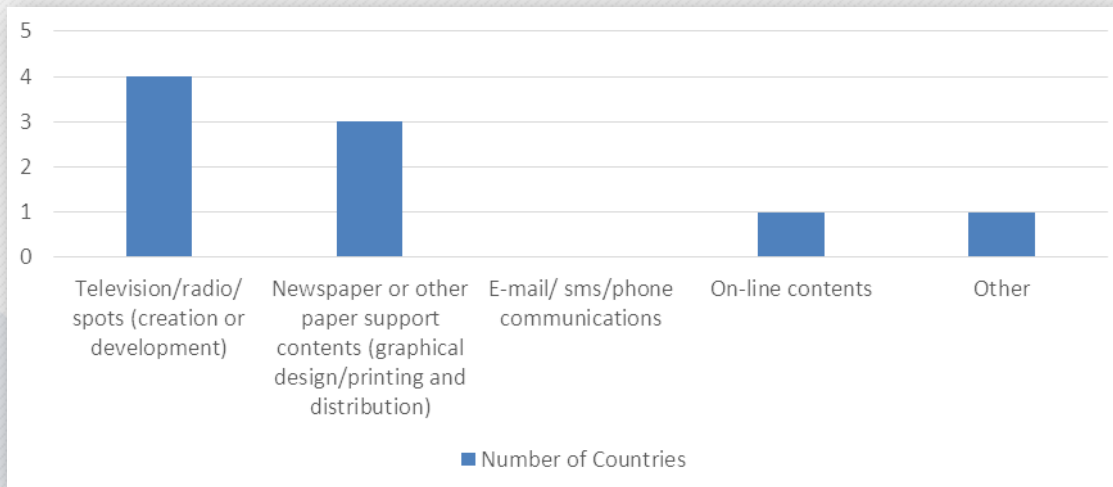


Figure 23 - Outsourced communication services

The next pie chart shows the percentage of Tax Administrations that utilise in-house communication services to provide information to taxpayers.

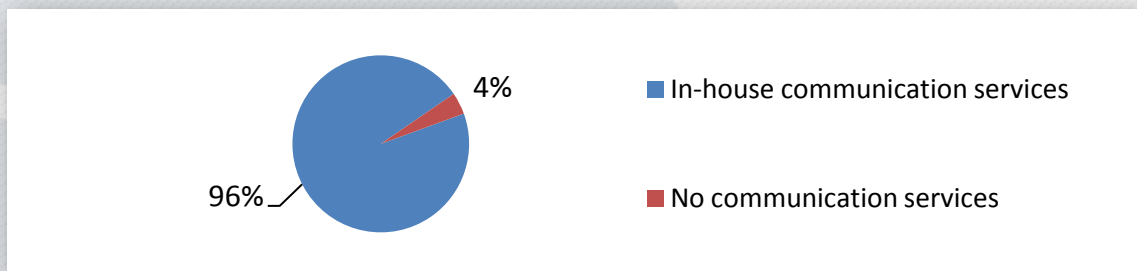


Figure 24 - services communication

In the specific case of The *Netherlands*, while the public communication services concerning payment are carried out by their own Tax Administration, they are also investigating the cooperation with two scientists on economical behaviour.

5.5 Assessment of the impact of communication

When the surveyed Tax Administrations do a follow up of its advertising/communication efforts, they measure the effectiveness of the media used by analyzing its impact on tax arrears payments, and also its increase of compliance (voluntary) payments.

The following graph highlights that most Tax Administrations do assess the impact of its advertising/communication efforts:

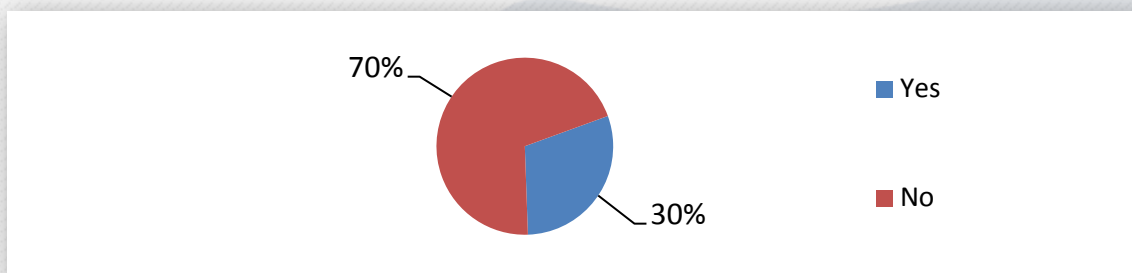


Figure 25 - Advertise assessment

The responses are mostly measured on the improvement in payments coming in and returns being filed after an advertising campaign. The detection of level of voluntary compliance is also measured to assess if more taxpayers are filing and paying their own taxes on a voluntary basis.

As examples: the Tax Administration of *Macedonia* (FYR) assesses the impact of its communication with taxpayers by using surveys, as well as evaluates and monitors the service providers, employee performance and quality of service by using the “Secret Client” method.

Norway uses their central unit and regional offices (including a nationwide international office dedicated to communication), to test some users for quality control measures. Alongside, Norway has analysis teams that review taxpayers’ behaviour information to predict scoring methods.

The *Swedish* experience allows us to assess how the impact of advertising/communication efforts may also be used in order to focus their action on higher risk groups. For example, Sweden (STA) monitors the companies subjected to enforcement monthly. In evaluating comparable groups they see that of those tax payers contacted there are fewer submitted for recovery than of those not contacted. Therefore, each region is assigned with cases from the data mining system to establish contacts with taxpayers according to the predicted highest risk of non-payment.

5.6 Conclusions

Public Communication plays an important part in the promotion of voluntary tax debt payment and to influence the taxpayer's behaviour. During the economic downturn in the last number of years, it is important that Tax Administrations are engaging with tax debtors to support and assist the tax debtor that wants to pay but is experiencing short term cash flow difficulties.

By using both the traditional methods of communication like radio and newspapers, to modern methods of communication like the internet, email and social media, the tax debtor is more informed and able to make a decision on the information it has available to them, to take the next step in addressing the debt.

Some Tax Administration outsources public communication services usually when they communicate by television, radio and spots (infomercials).

The countries outlined above highlight the positive outcome of public communication. This shows the importance of public communications to tax debtors as it can seek the best available option to support and assist them in difficult times.

Both traditional and modern means of communication all play an important part to inform both the tax debtor and Tax Administration. By using the various means of communications, it reaches a wider audience and it keeps the tax debtor informed at all times.

6. Future Plans

This review has focused on what supports are provided by Tax Administrations to tax debtors that are viable but struggling to pay their debts due to financial and economic factors. As can be seen from the previous chapters, the impact of the current economic environment varies from Tax Administration to Tax Administration and the responses as recorded and documented have also varied depending on a range of factors, the key factor being the capability and capacity of an Administrations IT system to support the business vision. In the context of vision, future plans can be seen as an Administrations attempt to articulate its response to emerging trends and develop business strategies to help focus on a particular solution or a range of solutions.

The three stages as articulated in this paper:

- Providing and Accessing ----- Stage 1
- Facilitating ----- Stage 2
- Enabling ----- Stage 3

The above stages can assist with our understanding of some of the complexities involved in trying to assess the impact of the future plans and the anomalies that arise from a review of the responses received to this section of the questionnaire. The results of the questionnaire shows that on average, roughly half of the surveyed Tax Administrations have new plans that they are currently working on the field of tax debtor support. On the other hand, in response to a question on the introduction of new systems to help debtors encountering difficulties, 37% of the 27 Tax Administrations plan to introduce a new system that assists tax debtors. So the evidence from replies to future plans does not necessary support the planned strategies. The variation in responses, as identified throughout the report, may be due to the stages or interaction of stages that the various Tax Administrations find themselves. A review of the questions in regard to flexibility to adapt to change gives an insight to this area.

6.1 Flexibility to adapt to changing financial and economic circumstances

‘Tax Administrations normally have to adapt to the economic, financial and political conditions of their country. The worldwide economic crisis that started off in 2008 has led to an overall rise of tax debtors in most of the countries participating in this bench mark’.

In this report just under 50% answered they are actually able to quickly respond to the rise of tax debtors caused by financial circumstances. However the possibilities in which Tax Administrations can respond also depends on the specific flexibility that legislation provides for. The answer of *Moldova* in particular pointed this out. Their state law about tax procedures outlines the possibility to pay taxes by instalments and the possibility to write off interest.

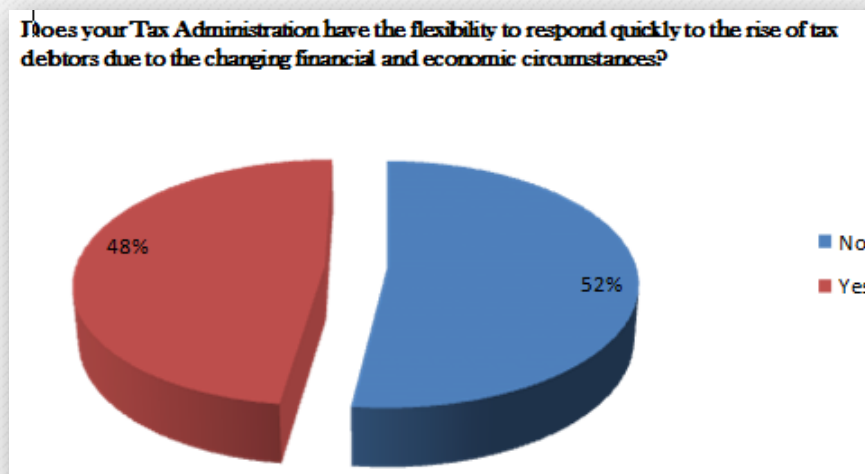


Figure 26 - Flexibility to respond quickly to the rise of tax debtors due to changing financial and economic circumstances

Note that if the answers here are compared to other pie charts, it raises a number of inconsistencies. For example as previously mentioned 48% replied that they have the flexibility to respond quickly to the rise of tax debtors due to the financial and economic change. But how is this reflected in the delivery of such a service within their administration? Only 44% of the respondents have made their official web portal accessible for taxpayers or tax debtors to apply for instalments on-line. In figure 4 of chapter 2, you can see that 67% of the replying countries say they offer no opportunities to pay tax debts on-line via the Tax Administrations website. 56% of the responding Tax Administrations offer no possibility to tax debtors to consult their own tax file on-line. From figure 7 it is gathered that 70% of the responding countries do not make use of IT to send out electronic payment reminders for example by the use of text message, email or automatic telephone calls which provide information by the automatic playback of a message. In chapter 5 you can see in figure 16 that 86% of the respondents do not communicate information regarding support and assistance for tax debtors through social media.

The figure below shows that 63% of the responding Tax Administrations have no plans to introduce new systems to assist debtors that are encountering tax debt payment difficulties.

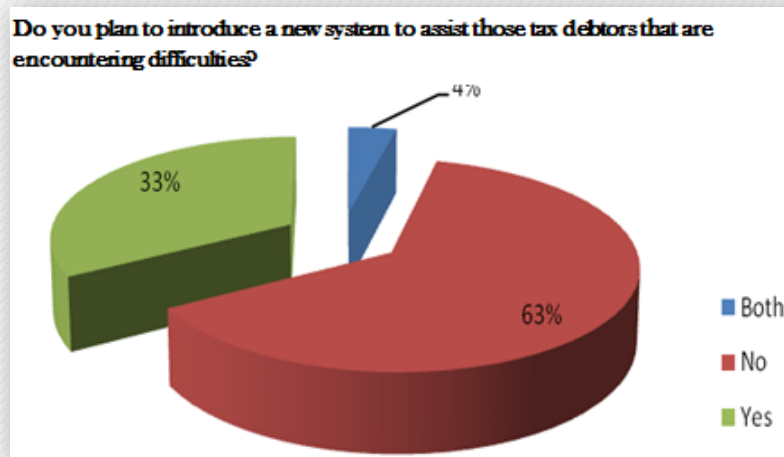


Figure 27 - Plan to introduce a new system to assist those tax debtors that are encountering difficulties

And 59% says they have no plans to use behavioural analytics with regard to influencing tax debt behaviour. These percentages are higher than the percentage of Tax Administrations that say their administrations have the flexibility to respond quickly to the rise of tax debtors. So it is legitimate to say that at least a part of the administrations with possibilities to quickly change and respond to the quick rise of tax debtors, do not respond to the debtors needs. It may not be that the Tax Administrations do not want to respond but perhaps the IT system requires further development to implement such changes, or the administrations business focus is not in this particular area at this moment in time.

6.2 Introducing new changes

Considering the previous observations, it is interesting to see how the answers break down into the different ways to respond. The following graph shows the type of changes which have been implemented by Tax Administrations in order to promote and assist voluntary tax debt payment, ranging from changing practices or procedures, changing policies, reallocation of staff, automation of manual operations, IT support, and outsourcing work.

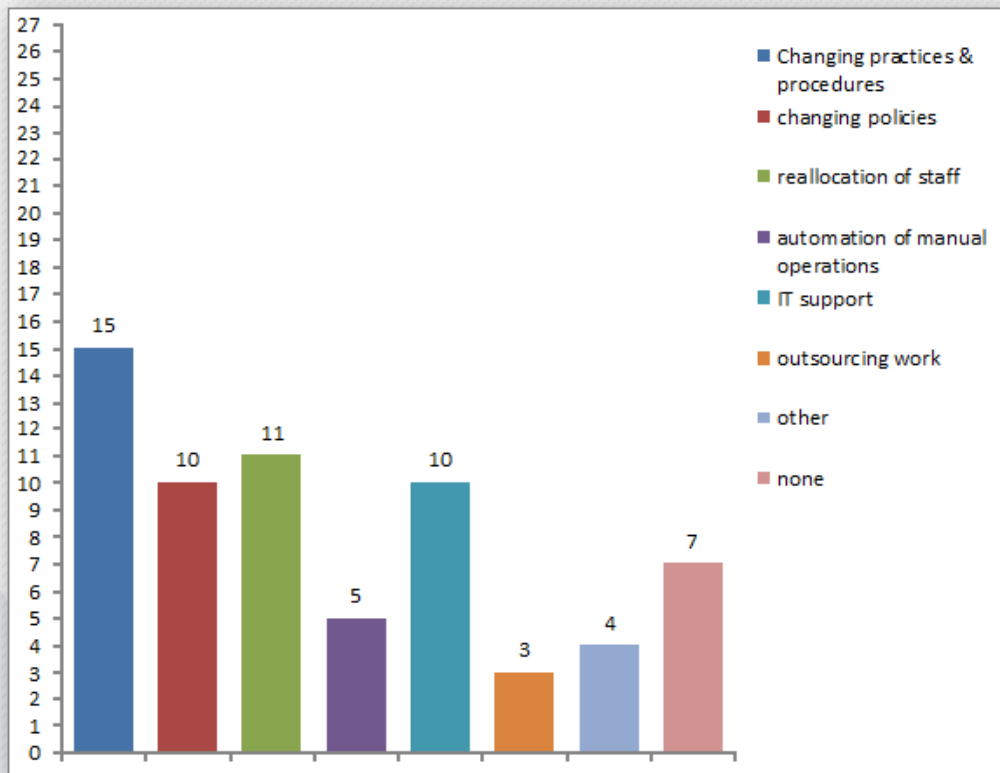


Figure 28 - type of changes implemented by Tax Administrations

Sweden has an ability to adapt to change quickly within the Tax Administration organisation. Since legislation is sometimes decided at short notice before it needs to be implemented, it requires a flexible organisation. For example their temporary legislation on deferral during the financial crises was decided on just a few months before it took effect. This required the Sweden Tax Administration to adjust their IT-support, reprocess procedures, present guidelines, reallocate staff and train employees at a very short notice.

In the *United Kingdom* new teams have been set up recently. These teams pursue debts at an earlier stage, rather than allowing them to progress through the system. Through earlier interventions it is planned to be more successful in collecting debts.

Spain mentions that the Spanish Tax Administration is conducting a continuous effort to improve all the procedures and systems available to face the challenge of the rise of tax debtors and new ways to fraud. It includes a number of measures. The General Taxation Act has been recently modified to achieve more flexibility in the groups and teams responsible for collection. The IT systems have been improved to allow a completely automatic system of collection that can deal with large amounts of data and conduct massive recovery actions with a small quantity of human resources. The Spanish also increased the amount of debt for which an instalment without guarantee could be obtained, from €6,000 to €18,000.

6.3 Future developments supported by new IT opportunities

The IT Development plans vary from country to country. Some Tax Administrations are very advanced in the IT structures that are in place, with some focusing on on-line payments, using IT as a tool for public communications, and others on automating instalment arrangement application processes. The future IT Development plans focus on providing assistance and support to tax debtors, increasing communication and improving systems or procedures.

IT plays a huge part in the possibilities to enhance and improve the existing services to tax debtors. This has already been concluded in chapter 3.11, where it became clear that the strategy of a Tax Administration to support its tax debtors is highly supported by IT systems that facilitate tax debtors. But it was also clearly seen from the results in one of the Group Work Sessions on IOTA's Area Group Meeting (Debt Management), where a number of countries outlined their goals for IT support to the tax debtor. *Finland & Norway* are planning the introduction of direct payment via web portal whereas *Estonia* is in the planning process of setting up on-line e-bill payments.

Finland and *Belgium* plan to enhance public communication with tax debtors through the use of social media.

As outlined in the Country Profiles, *Armenia* is in the process of constructing a 'Tax Service Forum' on-line service. This will contain discussions, explanations, and analyses of many questions on the tax service. The forum will give an opportunity to the taxpayers to exchange experiences and communicate with each other by presenting the opinions and discussion.

Similar to the systems already in place in *Estonia* and *Spain*, the *Belgium* Tax Administration also plans to introduce on-line payment applications that will allow tax debtors to make their own payment plan on-line. The system would make a proposition based on the personal and financial situation of the tax debtor and predict the period of time in which the debtor can pay their taxes.

Like the Revenue On-line Service (ROS) in *Ireland*, *Albania* plans to implement e-payment and e-taxing to give the tax debtor the opportunity to pay on-line. This will benefit the tax debtor because it will know in real time their financial situation according to the Tax Administration. This will allow the tax debtor to plan their cash flow. It will be cost and time efficient for the Tax Administration. It will mean less paper work and payments to process, which will free up manpower to be used in other areas, for example Debt Collection.

The *Irish* Tax Administration on the other hand aims to increase work efficiency through IT Development, thus enabling staff to focus on more complex debt management procedures. The Tax Administration will start the automated issue of Final Demand letters. The new system will identify tax debtors with outstanding liabilities and automatically issue final

demand letters through the use of Revenue's centralised printing facility and generate cases on the system for follow up activity where required. The system is presently at pilot stage and later this year will be rolled out across the debt management areas. A similar system is currently in place for charging interest on late payment of taxes, where Interest Charge letters are being issued automatically.

In response to the questionnaire the following developments were identified:

- In *Denmark* there is almost always an element of co-production of new public services. This means that consumers of certain services participate in the production of good service. They also have a project under development that aims to make it easier on the 300,000 smallest unincorporated businesses to be compliant. This project is named NEM business. The system is based on a close collaboration between banks, accountancy and tax authorities. The companies can reuse the data that is generated by using electronic debit cards. With the use of this data, and a simplification of tax rules, the bookkeeping process can be automated. It is expected that NEM business will have a large impact on tax arrears and the tax gap. NEM business is based on co-production between the Tax Administration, private developers of accounting programs and small businesses. In this co-production it is the private market that supplies the data to the tax authorities.
- In *Belgium* the project "Management of Debtors by telephone" that was launched in 2007 will be strengthened by the use of a dedicated IT Tool. The project focuses on a recovery strategy aimed at convincing taxpayers to pay certain debts spontaneously by providing assistance to the taxpayers for future timely and correct voluntary compliance.²⁶ Once their due date has passed the concerned debts (VAT and withholding tax) are processed for selection/E-selection - in bulk - to the unit of the Belgian Recovery Directorate competent for the so-called data mining. The selection of the concerned tax debts and the development of effective, comprehensive recovery rules require in-depth analyses of all available data, including the fiscal recovery history (payment) of the taxpayer and factors such as legal entity, recovery codes, amount, etc. The purpose of this analyses is to select VAT and withholding tax payers that became only recently in to arrears while using interrelations between all available relevant factors including the payment and return pattern of the concerned taxpayer. In order to do so analytical tools were developed within the department to rate the taxpayers concerned. Tax debts that should be considered for treatment by the phone centres are identified as well as the ones requiring direct intervention by the local collection offices (in most cases but not exclusively through more aggressive recovery actions).

²⁶ A detailed description of this project can be found in the article "Tax Recovery Calls in Belgium" published in the IOTA Tax Tribune, Issue 25.

The *Portuguese* Government has approved a set of exceptional measures for tax and social security debt settlement. The measures aim to provide debtors with the financial balance needs, avoiding businesses insolvency and ensuring the maintenance of jobs, as well as, regarding natural persons, configure the access to an exceptional regime for regularisation of their debts to Tax Administration and social security. They are also working on a risk analysis program named PEPAD. This program analyses the historic finances, the economic consumption behaviour of enterprise managers, the property changes in other enterprises of the same manager or stakeholders, etc. in order to be able to anticipate future debts. They also work on a program for new debtors in order to avoid a continuous increase of debtors.

The *Swedish* Enforcement Authority works together with the Swedish Tax Agency in order to prevent children (0 - 15 years) ending up on the enforcement register with tax debts. They target the parents by publishing information on their website about parent's responsibility to prevent children ending up with tax debts and ending up on the enforcement register.

6.4 Internal organisational structure

Several countries plan to amend their internal organisational structure so that certain procedures are completed in a centralised department or centralised location.

For example, *Switzerland's* Country News Headlines highlights that they are taking on a project entitled 'Intern-reorganisation of tax recovery for 2015'. The new Director of Finances wants to gather all the recovery units for all kinds of federal taxes. The project is to create a Federal Recovery Unit, starting in March 2014.

The Income Tax and Vat Departments in *Malta* are undergoing the process of merging. It is envisaged that one of the prime tasks to be carried out following the merger is to organise debt collection in a more modern and professional way, and to adopt best practices that has proven successful in other Tax Administrations.

The *Estonian* Tax Administration is planning to relocate their recovery department so that there would be several teams instead of each official just having a specific function and having nothing else to do with the debtor after that. The team approach will be responsible for the recovery process. The tasks will be divided between the team members appropriately.

It is envisaged that internal restructuring will assist Tax Administrations in providing a more efficient service to assist tax debtors who are experiencing tax payment difficulties.

6.5 Merging the debt recovery function within a country's government departments

As outlined in the Country News Headlines the *United Kingdom* continues to work with the Cabinet Office and the relevant Government Departments to establish opportunities for a Cross Government debt recovery service. It is a joint venture between the private and public sector and it will be known as the Debt Market Integrator (DMI). It is envisaged that the DMI will be responsible for providing a range of debt management services, which will be flexible and delivered in a manner which treats debtors, particularly those in hardship, fairly.

6.6 Amending policies

Some Tax Administrations are governed by their countries tax law. During the economic downturn some Tax Administrations wish to adopt new law provisions in order to assist the voluntary tax debt payment.

As outlined in Country News Headlines, *Estonia* has a policy in place that tax debt is public information. Each month it issues a list of the top 100 tax debtors. The Estonia Chamber of Commerce and Industry has proposed that payment of taxes would be made public as well. Therefore the Estonia Tax and Customs Board would publish quarterly information on the total amount of taxes paid by different businesses. It is hoped this would raise tax compliance and decrease unfair competition. A bill for the amendment of the legislation has been drafted and it is hoped to be put into force in July 2014. The possibility to write off interest on tax debts is also under discussion and waiting for approval. This amendment would give the Tax Administration authority to make compromise agreements with a tax debtor outside the courtroom, whereby the interest would be written off if the tax debtor agreed to pay the outstanding tax. Presently the country's Taxation Act does not allow any such compromise.

The *Irish* Tax Administration charges interest to tax debtors that are late paying their taxes. This ensures that interest charges accurately reflect the lateness of payment. Therefore it is the tax debtors' best interest to pay tax as soon as possible to avoid higher interest charges. When Ireland was hit by the economic downturn, on the 1st of July 2009 The Finance Act 2009 lowered the interest. The Irish Tax Administration took the necessary steps to assist tax debtors during this difficult time.

Now *Estonia* is in the process of amending their interest policy also. These steps enhance the promotion of voluntary payment by a tax debtor that is experiencing cash flow difficulty.

6.7 Behavioural Analysis to influence the tax debtor

Several countries have plans to make use of behavioural analysis to influence tax debtor's behaviour. The Tax Administrations aim to carry out various actions in the pursuit of outstanding tax debt and to analyse the impact those different types of actions that influence the tax debtor.

Switzerland and the *United Kingdom* are at the moment focusing on their written communication. In Switzerland the tonality of the written communication is changing according to the kind of tax debtor. Both countries are working on an analysis of the behaviour of the tax debtor and plan to adapt their process to this behaviour if possible.

The *Irish* Tax Administration has undertaken projects in relation to hard/soft letter reminders to assess their impact on compliance behavioural patterns. The project is proving to be very successful and it is hoped to release this procedure across the Debt Management areas later this year.

In the recent questionnaire presented at the IOTA Meeting of the Area Group on Debt Management 6-7 June 2013, *Macedonia* states that they would gear their actions towards different groups of tax debtors. Their primary focus is on those tax debtors who would pay when reminded to do so and on those who would pay if the Tax Administration would act on time. For those taxpayers the response is automatic, via phone call, sending a warning to pay the debt through email or by post. For complex cases, i.e. those who do not want or cannot pay, those who need help to pay their debts the Tax Administration makes appropriate strategy or legal arrangements in order to find more appropriate ways to recover debt.

The *Netherlands* and *Spain* are researching the impact of behavioural analysis in the payment of tax debts. In the Netherlands a pilot scheme is running that measures the impact on tax debtor's behaviour by making outbound calls reminding tax debtors of their overdue debts.

It can be clearly seen from the above examples that each Tax Administration uses different approaches to ensure tax compliance in the shortest time frame possible.

6.8 Behavioural Analytics to assess the risk of non-compliance for tax debtors

Through analytics other countries are focusing their attention on the past behaviour of tax debtors, to predict their likely future tax behaviour and their risk of non-compliance. It is hoped that this will enable the Tax Administration to prioritise staff resources to the most high risk categories.

Ireland has developed a predictive liquidation model with the aim of highlighting in advance those companies likely to become insolvent. By predicting tax debtor behaviour, it is hoped that the correct interventions can be carried out first time.

In the recent questionnaire presented at the IOTA Meeting of the Area Group on Debt Management 6-7 June 2013, *Portugal* stated that they had been working on predictive systems. However, behaviour (sociology and psychology) components are not yet in the equation, only economical and legal movements are now in consideration.

Switzerland Tax Administration believes that debt analytics will show them categories of tax debtors that are risky. It is envisaged that they will take measures against them from the beginning of their activity, for example ask for warranty when the new risky taxpayer is asking for a new VAT number.

By highlighting tax debtors that are in a high risk category and monitoring these closely it reduces the risk of loss to the exchequer. The tax debtor is also aware they are being monitored closely.

6.9 A combination of changes in order to promote tax debt payment and assist tax debtors

Some countries intend to implement a variety of changes to increase efficiency, to promote tax compliance, and to assist tax debtors. *Belgium* is one such country. As outlined in their Country Profile, Belgium state they have recently decided to create a Debt Relationship Management Service – DRM. This will integrate and replace the actual management of debtors by telephone. This service will aim to increase fiscal compliance. It will contribute to the achievement of some of their strategic objectives, namely the timely processing of due debts as well as increasing compliance. While at the start this service will still strongly focus on phone contact, it will gradually start to use other means of communication. The work of this service will be supported by the data mining experts who will develop different models to streamline the communication flow. It will select target groups that are most likely to respond to the calls and messages of the DRM service.

The role of the DRM service will be to target all categories of tax debtors. However, for reasons of efficiency a selection will be made based on data mining models.

- Phone: Only debtors who are susceptible of paying are called. No calls are made to debtors who they know won't pay after receiving a call, neither to debtors who will pay spontaneously. The existing data mining model is used to predict in which category a tax debtor falls.

In the future Belgium intends to use other communication channels also:

- SMS: Text messages are a better channel to reach out to younger people. Sending messages will be done by a central computer.
- Facebook: will be considered helpful to contact debtors who are abroad and didn't leave any postal address or other information.

Belgium Tax Administration is taking the necessary steps to promote voluntary payment of tax debts. This will lead to increase timely compliance and reduce the debt on file. It will also lead to the tax debtor filing and paying on time which overall reduces the debt on file.

6.10 Conclusions

As clearly outlined above many Tax Administrations are continuously changing/amending policies and procedures in order to improve/enhance innovative approaches to promote voluntary tax debt payment and provide support and assistance to tax debtors. In Group Work Session 3, the Debt Management Area Groups focused in on 'What's next'. The following priority areas were noted:

- Debt Payment Process
- Performance Management
- Debt Payment Evasion
- Use of Behavioural Economics in reducing tax debt levels
- Cross border co-operation
- Segmentation of debtors (small and medium size)
- Early stage initiatives to increase compliance
- Build stronger cooperation between auditors and debt collectors to achieve best outcome
- Improving IT systems

It is important that Tax Administrations are always mindful of economic changes, to be able to deal with tax issues when they arise. IT Development, Internal Structures, External Structures, and Public Communication each play a vital part in the future plans of Tax Administrations. Many countries can learn from each other about the steps they have taken to protect the exchequer yield, but also assisting the tax debtor at the same time. It is vital to continue to invest in Research and Development in each of these areas to provide a cost and time efficient service to the tax debtor, it also helps the Tax Administration to achieve their goals as outlined in their annual business plan.

Appendix 1: Link to source documents on the IOTA website

<http://www.iota-tax.org/events--activities/workshops-archive-2014-680.html>

Scroll down to:

AG1_2014

Meeting of the Area Group on Debt Management

5-7 March 2014, Lisbon, Portugal

Documents:

AG1_2014 DM Country News Headlines

AG1_2014 DM Presentations from the Plenary

AG1_2014 DM Reporting Back from Group Work

AG1_2014 DM Country Profiles

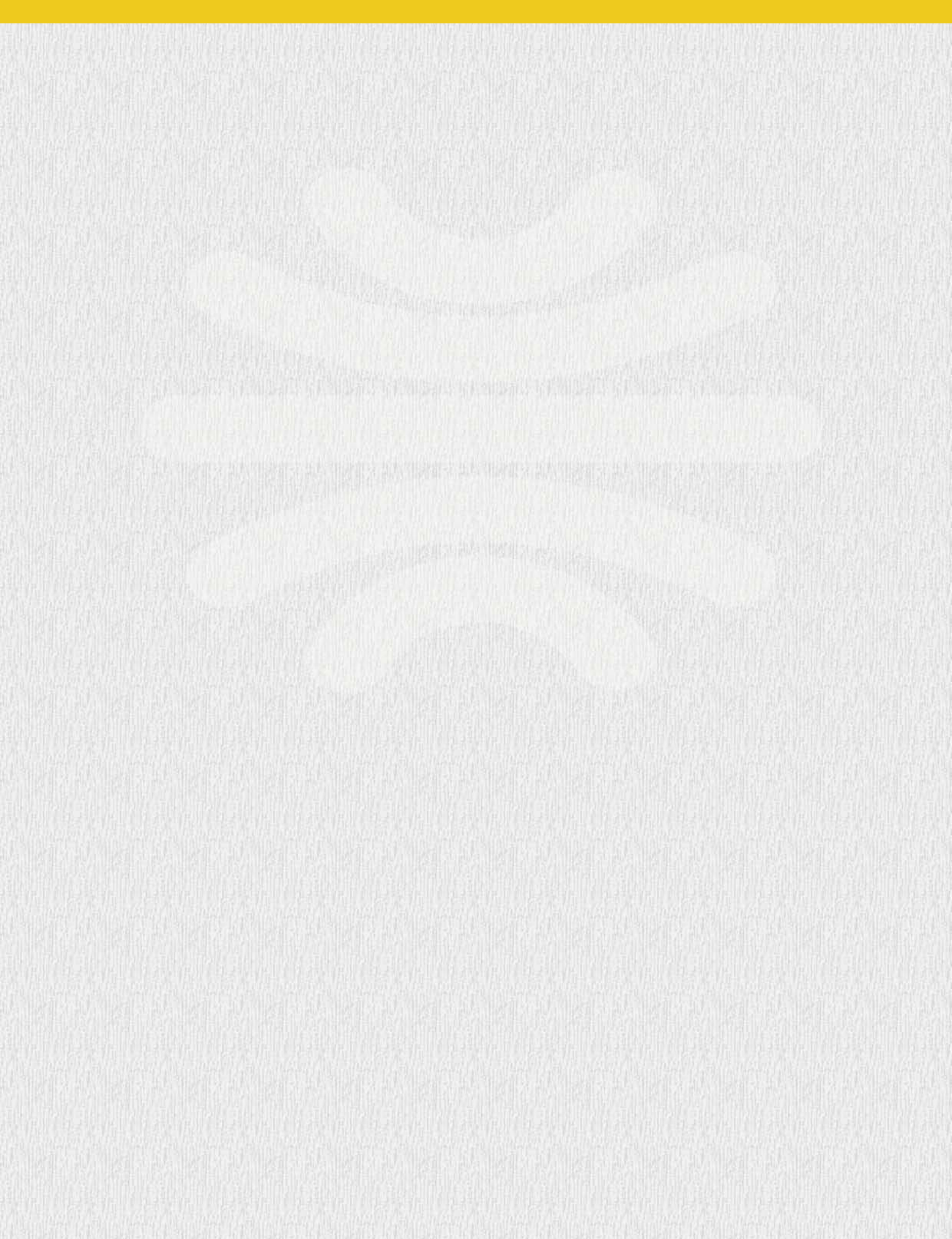
<http://www.iota-tax.org/events--activities/workshops-archive-2013-618.html>

Appendix 2: IOTA Members – Link to Country Websites

Albania	http://www.tatime.gov.al
Armenia	http://www.taxservice.am
Austria	http://www.bmf.gv.at
Azerbaijan	http://www.taxes.gov.az
Belarus	http://www.nalog.by
Belgium	http://www.minfin.fgov.be
Bosnia & Herzegovina	http://www.uino.gov.ba
Bulgaria	http://www.nap.bg
Croatia	http://www.porezna-uprava.hr
Cyprus	http://www.mof.gov.cy/ird
Czech Republic	http://www.financnisprava.cz
Denmark	http://www.skm.dk
Estonia	http://www.emta.ee
Finland	http://www.vero.fi
France	http://www.economie.gouv.fr/dgfip
Georgia	http://www.rs.ge
Germany	http://www.bundesfinanzministerium.de
Greece	http://www.gsis.gr and http://www.minfin.gr
Hungary	http://www.nav.gov.hu
Iceland	http://www.rsk.is
Ireland	http://www.revenue.ie and it's on-line service: http://www.ros.ie
Italy	http://www.agenziaentrate.gov.it

Kazakhstan	http://www.salyk.kz
Latvia	http://www.vid.gov.lv
Lichtenstein	http://www.stv.llv.li
Lithuania	http://www.vmi.lt
Luxembourg	http://www.aed.public.lu
Macedonia (FYR)	http://www.ujp.gov.mk
Malta	http://www.ird.gov.mt
Moldova	http://www.fisc.md
Montenegro	http://www.poreskauprava.gov.me
Netherlands	http://www.belastingdienst.nl
Norway	http://www.skatteetaten.no
Poland	http://www.mf.gov.pl
Portugal	http://www.portaldasfinancas.gov.pt
Republic of Srpska (BiH)	http://www.poreskaupravar.org
Romania	http://www.anaf.ro
Russian Federation	http://www.nalog.ru
Serbia	http://www.poreskauprava.gov.rs
Slovakia	http://www.financnasprava.sk
Slovenia	http://www.fu.gov.si
Spain	http://www.aeat.es
Sweden (STA)	http://www.skatteverket.se
Sweden (SEA)	http://www.kronofogden.se
Switzerland	http://www.estv.admin.ch
Ukraine	http://www.sta.gov.ua
United Kingdom	http://www.hmrc.gov.uk





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