

Inter-American Center of Tax Administrations – CIAT

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“A MODERN VISION OF THE TAX ADMINISTRATION”

Case Study 1.3

THE PROMOTION OF TAXPAYER SERVICES

**National Directorate of Taxes and Customs
Colombia**

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Case Study 1.3: TAXPAYER SERVICE ENHANCEMENT

Introduction

Any tax administration that is sufficiently clear about the challenges it must face, understands that the dynamics underlying the fiscal activity must focus on an adequate management of the service and control relationship with taxpayers. With this aim, the Office of National Taxes and Customs of Colombia has adopted as organizational management strategy the automated Single Revenue, Service and Control Model, MUISCA (in the Spanish acronym), the implementation of which has strengthened its organizational and mission collection and control capacities, impacting positively on assistance and communication relationships with taxpayers, reinforcing management agility and transparency, all supported by the use of information technology.

Taxpayer assistance services express a modernizing culture, since they not only provide access facilities and an approach to the tax administration, but they also allow us to approach our “clients”, to strengthen control and to increase the voluntary compliance with tax, customs and exchange rate obligations.

The electronic information services provided by the entity offer diverse alternatives for taxpayers and citizens at large to be informed, updated and to conduct operations relative to taxes, customs and exchange rates, ranging from a specialized and multilevel call-center, to coverage of over 50% of the municipalities. These include customized assistance in our “ConTacto” centers, as well as “electronic services” in our Internet portal.

1. Modernization of DIAN

The new way of managing taxes and customs in Colombia is part of the modernization policy adopted by the Colombian State, which is aimed at achieving better effectiveness levels in the Administration through the incorporation of new technologies into processes that facilitate the voluntary compliance of taxpayers’ obligations; and the provision of services that simplify tasks and reduce costs.

The DIAN is committed to providing facilitation and control services to the economic agents for compliance with the rules of the tax, customs and exchange rate system, in conformity with the constitutional principles of the administrative function and with a view to collecting the right amount of taxes, speeding up foreign-trade operations, facilitating the conditions for loyal competition, providing reliable and timely information and contributing to the social and economic welfare of Colombians.

In furtherance of such purposes, clear and accurate guidelines have been outlined, which will allow the entity to address future problems. Strategic routes and actions have been defined; in particular, the entity’s mission, vision and strategic map have been redefined so that they match information technology changes.

So, the following objectives are pursued in starting up the electronic information services:

To achieve excellence in operations

With the aim of maximizing tax collection in accordance with certain regulations, the challenge faced by the DIAN is one of the largest in State management.

This challenge must be assumed intelligently, processing as much information as possible so as to allow the entity to identify all taxpayers and their status within the public treasury.

To comply with that, taxpayers have at their disposal good guidance, easy and transparent transactions allowing them to fulfill their obligations. The DIAN must strengthen tax, customs and exchange rate control in order to guarantee the performance of such obligations.

In providing a quality and efficient service, the entity contributes largely to the country's economic development; its clients must perceive that the Administration's activities are inspired by the principles of equity and justice.

To redirect the entity towards service

The tax Administration must keep up with modern citizen's situation, which demands more and better products and services "at lower prices". Not addressing this demand is against the ultimate end: tax collection.

On redirecting its activities towards services, the entity facilitates compliance with obligations by taxpayers and customs users while strengthening its controlling and examination capacity, so that all actions undertaken by it, technological programs and innovations may reflect this. Therefore, it has undertaken an integral strategy, providing services that make things easy for those in compliance and getting hold of the right tools to reduce tax evasion, smuggling and exchange rate infringements significantly.

The DIAN has reoriented the organization, its processes and its people towards services; it optimized customs control operations, managed the tax collection network and speeded up and flexibilized the logistics processes that support the entity's management.

To consolidate legitimacy and autonomy

The way tax payment is carried out is key to determine taxpayers' immediate and future behavior with respect to tax, customs and exchange rate obligations, as well as their social responsibility as to the State. Over eighty percent (80%) of the revenues collected by the DIAN originate in voluntary (or induced) compliance.

The DIAN must set an example of good management and transparency to the citizens, not only as to the management of its resources and its administration at large, but also as to provided services, facilitated transactions and a fair and impartial application of the law.

The institutional image is strengthened so that the citizens and the State may grow each time more confident in it, thus generating a favorable concept in the public opinion. This is the reason that procedures are made public and there is an intention to provide ongoing training to officers, taxpayers and system users to allow them an adequate and intelligent use of information and communication technologies.

We believe that the application of new services and new technologies has been critical to simplify tax compliance and has increased the effectiveness and efficiency of examination areas, resulting in a more transparent action of the Administration, delivering information rapidly to users and taxpayers and state entities requiring it.

To contribute to the country's competitiveness

Undoubtedly, the Tax and Customs Administration has a strong impact on the country's competitiveness. The way it guarantees facilitation, services, compliance and the consistency of the rules associated with the tax, customs and exchange rate system is critical for investment (national or foreign) expectations, foreign trade operation competitiveness and the reduction in the time and costs related to the fulfillment of obligations.

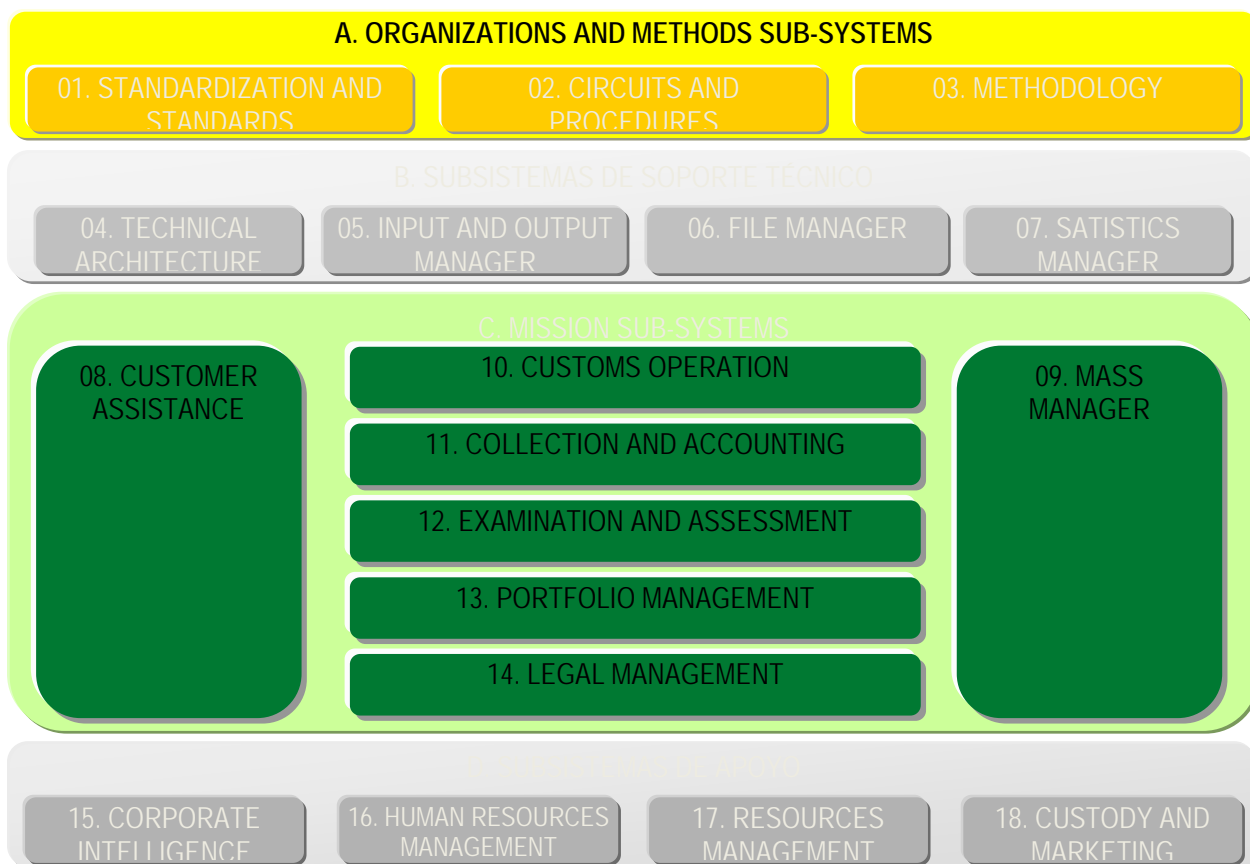
Therefore, the balance between facilitation and control and legal security is a priority for the DIAN; which, combined with the pursuit of a simplification in the legislation and a proactive planning of legislative changes, collaborate with our country's competitive development.

2. Our management model

MUISCA is more than an IT project; it is a model of integral and integrated revenue and resource management that forces the speeding up and simplification of procedures, and its implementation assumes an organizational and process reengineering that inure to the benefit of the administration in many aspects affecting fraud detection and reduction, and the modernization and rationalization of administrative procedures.

The implementation of MUISCA has been key to the progress made by the DIAN in customer service, the creation of the assistance management area at a national and section level, the commissioning of electronic information services intended to facilitate the fulfillment of tax return and reporting obligations and to simplify diligences, improve the institutional image, develop an infrastructure master plan and improve the information and communication system infrastructure; all aspects developed within the frame of the management model.

Within the MUISCA processes that assure the achievement of expected results stand out Customer Service, which implemented, under the quality management policy, the Code of Good Governance, providing clear guidelines as to the entity's service policies.



3. Achievements and results in service enhancement

3.1 Customer Service Management Area

The Sub Office of Customer Service Management of the DIAN was created through the Executive Order 4756 of 2005, an agency that is maintained in the entity's new structure established through the Executive Order 4048 of 2008 as an area in charge of consolidating DIAN's service policies, transforming the internal culture into a customer service culture, facilitating direct and personalized assistance, offering ongoing and reliable telephone assistance and unifying service points and promoting the use of Internet for simple diligences.

3.2 Service channels

3.2.1 Virtual service channel

The **web site:** www.dian.gov.co, establishes a communication channel between the DIAN and clients, providing updated information and tools to facilitate compliance with tax obligations in an agile, reliable, timely and safe manner.

At DIAN's portal you may find information on the entity, technical and general regulations and agreements, figures, management aspects; statistics, management and control, accountability, control entities, budget; electronic information services, diligences, publications, forms, hiring; sales and auctions.

We can carry out registration diligences in the Single Taxpayer Registry; online lodgment of tax returns, tax, customs and exchange rate reporting via files; inconsistency correction services; financial obligation inquiries; electronic payment of obligations; process for the exit of goods; process for import cargo; customs tariffs; documentary management; unloading of aid tools: help program for income reporting from natural persons and data pre-validators; training in electronic information services: manuals, videos, general information, e-courses.

We also provide links to other State portals and identify our mailboxes for legal inquiries dian@dian.gov.co and customer service issues asistencia@dian.gov.co. By writing there, customers and officers are assisted with the use of electronic information services. This web site is designed to communicate problems or concerns, and thus avoid diligences and transfers, and facilitate the interaction with the entity.

Also incorporated into the web page are the Complaint Mailbox: quejas@dian.gov.co, and the Office of the Public Defender of Taxpayers and Customs Users: defensoria@dian.gov.co

DIAN's chat services are intended to provide the necessary information and to assist and guide customers with performing tax obligations.

3.2.2 Call-center

With the aim of training skillful officers and providing adequate service to taxpayers and users, our Call Center offers assistance and guidance on tax, customs and exchange rate matters, as well as ongoing assistance in the use of electronic information services, reception of complaints and claims.

The Call Center hired by the DIAN is made up of fifty five (55) first-level agents and eight (8) second-level agents who are officers at the DIAN.

Also, the Sub Office of Customer Service Management has ongoing internal assistance lines that support the work in the diverse branches.

Results in figures:

CALL CENTER	2007	2008
Incoming calls answered	406,126	400,539
Outgoing calls	64,089	88,189
Assisted customers	470,215	488,728

3.2.3 Presence channel

Our 59 Puntos de ConTacto (Contact Points) are such places and physical spaces allocated to provide personalized assistance and information, guidance services and assistance in connection with the tax obligations of clients and citizens at large, which are located inside and outside the Section Offices of National Taxes and Customs.

The services related to RUT (Single Taxpayer Registry), billing request, issue of the digital mechanism, (external) reporting via files and billing, lodgment of accounting books, rebates, financial obligation inquiries, notices, legal guidance, collection, examination, foreign trade, etc., are provided at such Points.

Also, with a view to decentralizing guidance and service functions, the entity has signed inter-institutional agreements with the Chambers of Commerce or territorial bodies, whereby different regions from those of DIAN's office branches are reached, with officials apt to provide assistance with RUT registration services, special requests, billing, accounting books, etc.

Our Punto de ConTacto Móvil (Mobile Contact Point) allows the management and assistance areas to settle temporarily in strategic sites and events to provide clients with RUT registration and update services, billing, special requests, guidance and assistance.

Self-managed points (kiosks): Are assistance sites located within Puntos de ConTacto. These Self-managed Kiosks are equipped with the necessary physical and technological infrastructure so that users may self-manage the information they will send to the DIAN, such as tax, customs and exchange rate returns, transfer prices, etc.

This self-management task is oriented, supervised and supported permanently by customer service advisors and highly qualified officers.

3.3 Automated and simplified processes, services and procedures

DIAN has implemented electronic information services for the execution, facilitation and simplification of the following diligences, processes and procedures:

Singe Taxpayer Registration (RUT)

As part of the development of the facilitation policy adopted by the DIAN, the new Single Taxpayer Registration – RUT – has been implemented and started out as a basic instrument to locate, identify and classify taxpayers and users. It comprises four registries: the taxpayers’ registry carried by the entity, the national registry of sellers, the national registry of exporters of goods and services and the registry of customs users authorized by DIAN.

From 2004, the DIAN moved from a database containing such client information as name or corporate name, NIT, address, legal representative, indication of whether he/she is responsible for income or sales tax; to a tool that constitutes the only mechanism to identify, locate and classify both individuals and taxable or exempt corporates, persons subject – and not subject - to lodging tax returns, taxpayers under the ordinary or simplified system, withholding agents, importers, exporters and other customs users and taxable persons managed by the entity.

The registration and update of the RUT is carried out through this cost-free service, and special update requests are addressed.

Diligence and online lodgment of tax returns

This service has been implemented for the following forms:

NUMBER	NAME
110	Income tax and supplementary return or income and property tax return for corporates and similar corporations, individuals and similarly treated individuals, individuals and similarly treated individuals obliged to carry accounting books
210	Income tax and supplementary return for individuals and similarly treated individuals not obliged to carry accounting books
300	Bimonthly sales tax return (VAT)
350	Monthly declaration of withholding at source
420	Property tax return and payment
490	National tax payment official receipt
690	Customs tax payment official receipt
520	Tax return upon termination of Import – Export special systems
540	Consolidated Payment return (For Post Office Traffic and Urgent Shipment intermediaries)
600	Export declaration
120	Transfer price individual information return
130	Transfer price consolidated information return

The online document lodgment service allows taxpayers to fulfill the legal duty to declare online from the DIAN's portal in an agile, easy and safe manner, using the digitally certified signature mechanism and fully completing the form diligence, signing it digitally and submitting it electronically to the DIAN.

This service eliminates the presentation of tax returns at banks and financial entities. Reliability and truthfulness of information are guaranteed. It facilitates the fulfillment of tax, customs and exchange rate obligations through the electronic system.

Reporting via files

Service developed and implemented to submit mass information by means of files.

The DIAN receives information on conducted business operations and transactions, information on operations conducted by international traders and import-export special system users, documents for the diligence of exports and the cargo entering the country from financial sector entities, chambers of commerce, stock exchanges, stock brokers, the National Registry of Civil Status, notary publics, typesetters, economic and enterprise groups, corporates and other entities obliged to withhold at source, entities celebrating cooperation agreements, authorized exchange market brokers and post office financial service concessionaires, holders of compensation current accounts and authorized professionals of cash and traveler's checks trading.

The reporting via files service allows user to present the information electronically to the DIAN in XML files that can be generated from the company's internal systems or the use of tools that are available cost-free in DIAN's portal.

This procedure assures that the information reported to the entity is 100% processable and useful for taxpayer and customs user control and follow-up processes regarding omission, evasion and other tax fraud modalities.

Digitally certified signature mechanism

The digitally certified signature mechanism used by clients who opt for the electronic information services guarantees authenticity: that is, there is no doubt about the message issuer's identity; integrity: that is, the message is not altered between the time of dispatch and the reception; no objection to the information, which means that whoever receives or sends a message signed digitally and supported by a digital certificate cannot deny the content of such message.

With the use of this mechanism both the users and the DIAN gain security and reliability.

The DIAN obtained the recognition as a Privately-held Certification Entity by the Superintendency of Industry and Commerce through the Resolution 36119 of December 30 of 2005. This allows mass spread of this security instrument for the benefit of DIAN's management processes, ruling out intermediaries.

Process for correcting inconsistencies

A process that allows the timely identification and correction of inconsistencies in the information submitted to the DIAN in tax returns, customs declarations and official payment receipts, as a basic principle of the management model MUISCA for the purposes of guaranteeing source information for accounting, financial obligation, examination and decision-making processes.

The mass correction of inconsistencies detected in tax returns and receipts of payment of obligations and services managed by the DIAN is primarily intended to: firstly, facilitate the diligence inherent in correcting inconsistencies tied to any one of the documents specified here; and secondly, have quality information that facilitates control and determination of the taxes administered by and the services rendered by the DIAN.

With the purpose of turning this process more operational, the service allows taxpayers to examine the documents containing inconsistencies through the corporate portal, only by including their NIT number. They are also invited via e-mail or telephone to approach the Contact Points to perform the corrections detected through the system.

Process for the exit of goods

A process for carrying out the procedures demanded by the customs regulations, as required for the exit of goods from the national territory with destination to another country or free trade zone. Although this process was automated, a 100%-service coverage was achieved at the level of operations and territoriality. Additionally, new tolls were offered which allow system-to-system electronic transmission and help reduce times and costs in foreign trade operations.

The web service implemented together with the Foreign Trade Ministry for the export process, the information on ratifications and authorizations obtained through the Single Foreign Trade Counter is validated.

Characteristics such as traceability, agility, interoperability, internationalization, facilitation, greater coverage of diligences and operations, information quality

are inherent in this process. This service was implemented in September of 2008 and nearly 1,000,000 operations have been reported to date.

Process for import cargo

Carry out procedures required by customs' regulations to introduce merchandise into the national customs' territory. This process underwent significant changes that guarantee the compliance with international standards on import cargo, intended to strike a balance between the facilitation and control required by this type of foreign trade operations. It will be implemented from May 1 of 2009.

Characteristics such as traceability, agility, internationalization, facilitation, greater coverage of diligences and operations and information quality are inherent in this process.

Payment through electronic channels

The electronic payment was implemented for payment of customs and exchange rate tax obligations through the entities authorized for collection. Collecting entities will put this form of payment at the disposal of the public as from the February 2009.

Process management

All customers may follow up through the DIAN portal the activities carried out using the electronic information services such as inquiring procedure status, verifying users or persons who participated, reviewing execution times of tasks, inquiring about generated documents for transactions and guiding users on pending tasks.

This adds transparency to the operation and minimizes the risks of discretionary behavior of users and officers.

Tariff administration

The web page provides foreign trade users and citizens at large with a cost-free service for inquiring Customs Tariffs, a one-stop point where they can find all the information associated with assessments, requirements, international agreements, supporting documents, ratifications and in general all the information required to import or export goods, based on a tariff sub-item.

Financial obligation

This tool provides online balances of tax, customs, exchange rates, administrative and judicial obligations of taxpayers and customs users. This service allows user to follow up at any time the status of their obligations and their evolution.

This service guarantees that the financial obligation is duly documented at all times, including an integral identification of taxpayers' financial obligations (tax, customs and exchange rate obligations), and allows inquiring about financial obligations, the historical identification of generated balances, their determination and the liquidation of interest for past due obligations.

Results and figures

CONCEPT	2006	2007	2008
Tax returns lodged online	260,161	1,070,298	1,271,035
Requests - Submittal of Mass Information via files	444,380	536,822	546,468
Records of Submittal of Mass Information via files	135,308,765	109,406,857	100,758,872
Inquiries about 2008's Customs Tariff			52,713
RUT			
Registrations	1,212,654	1,131,109	1,290,195
Updates	586,233	549,706	669,323
Special requests		46,103	33,399
DIGITAL MECHANISM			
Issues	47,523	37,377	14,459
Renewals		3,610	2,741
SERVICE			
Customers assisted personally	1,984,083	2,527,144	3,242,555
QRSP received and lodged and Congratulations	12,020	2,030	6,967
Congratulations		8,176	972

3.4 Publication of diligences

Through its technological platform, printing, electronic, telephone means or mail, the DIAN puts the simplification of its diligences and procedures at the disposal of clients and citizens at large.

This spreading strategy is leveraged by telling clients the location of their offices, the filing of claims or complaints, working hours, regulations, functions and other indications necessary to comply with their obligations or to exercise their rights.

3.5 *Training, formation and learning of incumbent officers*

These processes imply the development of actions for the awareness and preparation of all public officers at the DIAN regarding the institutionalization of the service policy and attributes, the ratification of the practice of an adequate communication and the institution values that allow officers to develop a service culture.

Supplementary, the technical skills of public officers in tax, customs and exchange rate matters is pursued, which may add dynamism to the institution in the performance of its mission.

To speed up the above explained process, the **Institutional Service Network** has been set up, composed of entity leaders who will act as agents for the performance of actions targeted at promoting the construction, reinforcement and improvement of a Service Culture at the DIAN. Hence, the spaces for interaction offered by the entity are taken advantage of for knowledge development, bonding, consolidation of a culture based on the exchange of knowledge and experiences, and ratification of the sense of belonging and collective commitment in service matters.

3.6 *Education, formative and update actions targeted at customers and the public at large*

The DIAN performs information, persuasion and reminder campaigns on a permanent basis, as well as update symposiums on tax, customs and exchange rate matters intended to guide and communicate to the clients and the public at large the current and new provisions related to its competence. Also, online-testing environments are scheduled intended to develop skills in the use of electronic information services.

3.7 *Tax culture*

Within the frame of the reinforcement of a tax culture, the DIAN works on diverse fronts identified upon a diagnosis of the needs and variables on which the tax culture work should focus.

Internal actions: Internal campaign on values; issue of the Code of Good Governance; ethical guidelines, social responsibility policies, policies for suppliers and contractors, service policies.

External actions: Communications strategy: radio, TV and street advertising. Institutional presence in shopping malls, fairs and events; Christmas campaign; ConTacto Móvil points in strategic sectors (San Andresito; Centro de Alta Tecnología).

4. Customer service's characteristics

At the DIAN, customer service is defined as the *“set of everyday actions intended to satisfy clients' needs and facilitate the fulfillment of their obligations, guaranteeing their rights”*.

Hence, this service definition is aimed at achieving, maintaining and responding to citizens' trust based upon a transparent behavior subject to the control established by the public entities.

The rendering of this service requires coherence among strategic planning, organizational structure, processes, technology, the people, the culture and organizational learning. All with a view to allowing service effectiveness and positioning the entity as a leader in management modernization in the world context under the conditions of globalization and internationalization of the economy.

To achieve such aims, the entity focuses on the development of a tax culture, adopting education, guiding, information actions and assistance targeted at society, taxpayers, beneficiaries and users in order to facilitate compliance with their tax obligations.

In this way, the service provided by the entity involves information and communication processes that allow knowing the needs and expectations of the entity's internal and external clients and bringing the Tax and Customs Administration closer to the citizens.

In order to develop, the entity needs to frame development within quality standards. This requires that the entity should identify its commitment to clients and users and know their needs in order to do everything within reach to meet them. In this way, both the service provider and the service recipient are rewarded.

The entity works on the implementation and modernization of service channels to make them effective, convenient and secure for clients. To this end, it permanently

measure and assess its impact on client satisfaction, the institutional management and the improvement in the entity's image. It must set follow-up, evaluation and control procedures.

Below are DIAN's customer service's attributes.

Kind treatment: Willingness to treat clients respectfully, fairly, without criticism or judgments, considering specially their human condition.

Modern: The service is provided in convenient, comfortable and safe premises fitted with modern equipment, state-of-the art technology, good presence staff, attractive, didactical and plain-language material.

Personalized: Each client is unique, so they are assisted during convenient work hours and informed on all the conditions that allow them to know how, when, where and why they must fulfill their obligations.

Reliable: Capacity to guarantee client the uniformity of criteria in the guidance, assistance and information delivered, showing interest in solving client's problems. The service is provided within the stipulated time.

Safe: It guarantees confidentiality, an adequate management and safeguarding of the information received from client, facilitates hassle-free access and management thereof for the performance of client's tax obligations.

Effective: It renders a quality, precise, timely and truthful service that meets client's needs and expectations using the entity's resources in a timely fashion.

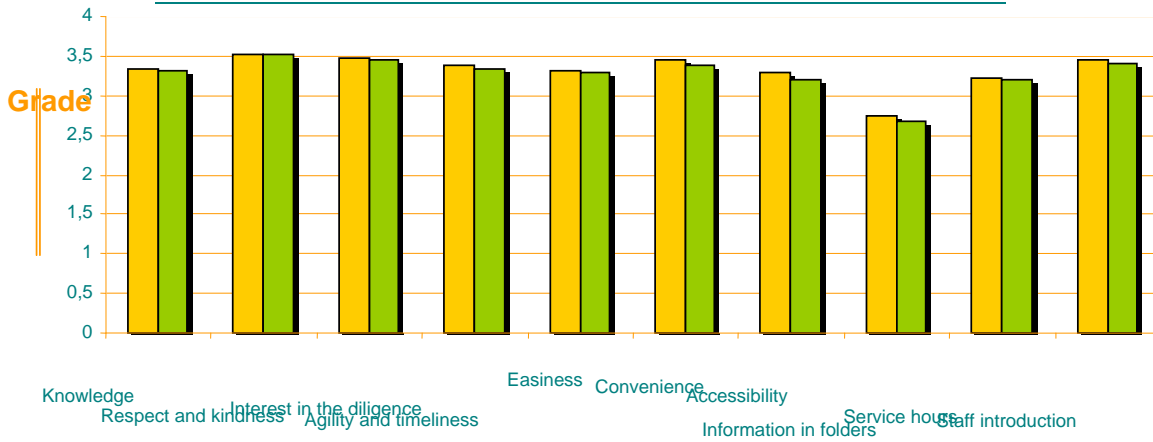
5. Service measurements

Service at DIAN is subject to permanent evaluation by clients and users. This implies the obligation of the entity to define and apply the necessary mechanisms to allow knowing the client's opinion of the attributes of the provided service.

The results deriving from the measurement activities will indicate whether it is necessary to conduct corrective and control actions, implementations, changes, eliminations, among others, with a view to consolidating and maintaining both client's satisfaction levels and the entity's officers' willingness to provide service.

During 2008, the first two service perception surveys were conducted. The specific objectives of this measurement were to assess clients' perception of each of the attributes or characteristics of the rendered service and to establish a number of satisfied clients after they approached DIAN's premises to request a service.

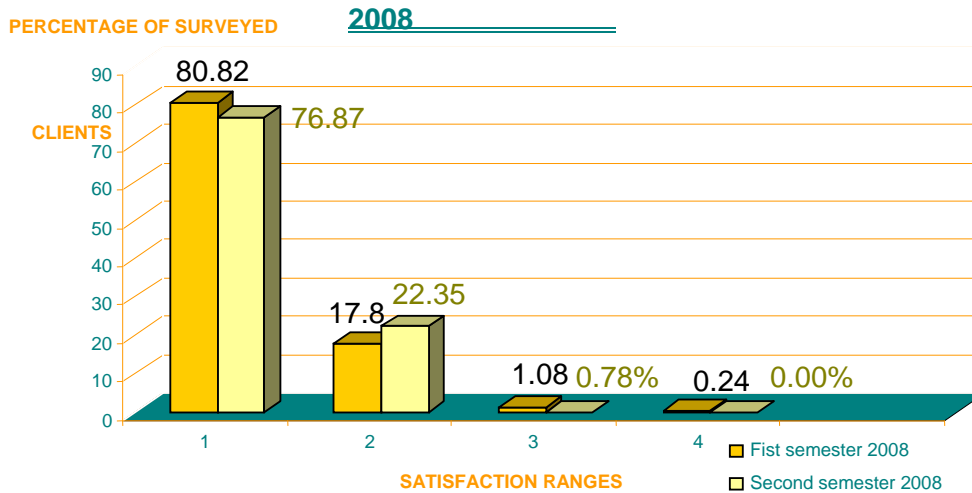
RESULTS FROM 2008's SERVICE PERCEPTION SURVEY



Evaluated factors



RESULTS BY TOTAL NATIONAL SATISFACTION RANGES

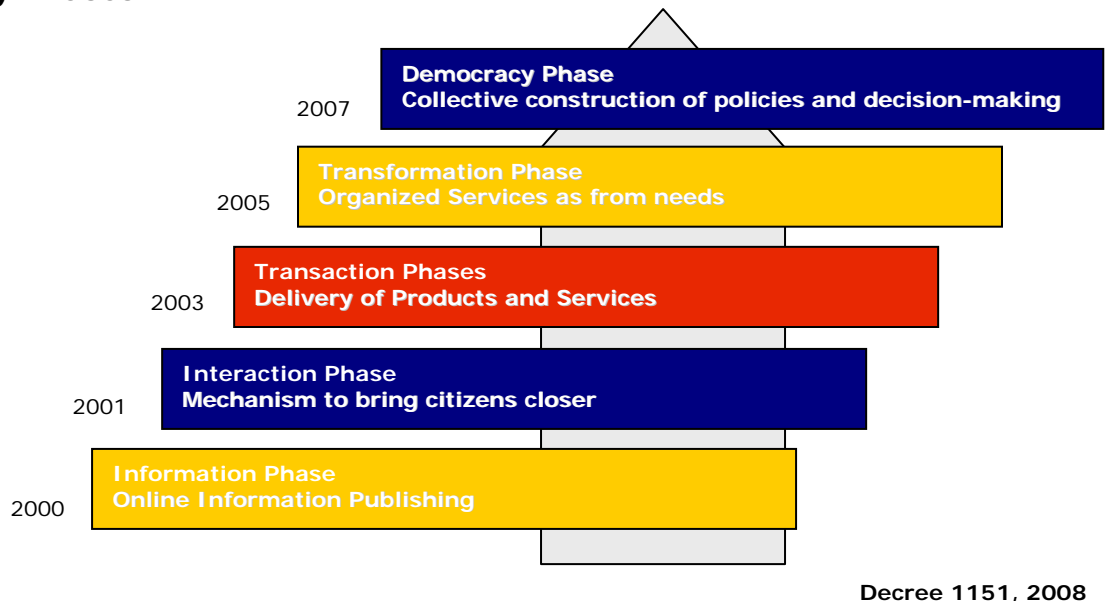


6. Service recognitions

National leadership of the policy called “*Gobierno en Línea*” carried out by the National Government.

Within the frame of the implementation strategy of *Gobierno en Línea*, the DIAN has been undergoing a transformation phase since 2007, becoming one of the nation's leading entities.

Strategy Phases



The Administrative Department of Public Functions and the Ministry of Communications have mentioned the DIAN as an entity providing sector services of *Gobierno en Línea* and taking advantage of its technological platform in the interoperability with other platforms on a government level, as is the case of the Single Foreign Trade Counter and the Asset Laundering Unit.