

Inter-American Center of Tax Administrations – CIAT

44 CIAT GENERAL ASSEMBLY



“THE ROLE OF THE TAX ADMINISTRATIONS IN THE GLOBAL CRISIS”

Topic 3:

STRATEGIES TO IMPROVE VOLUNTARY COMPLIANCE AND TAX COLLECTION

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Introduction

The global crisis that began in the United States plunged most central countries into a deep recession, and had a resulting impact on the economies of our countries. In this context, in Argentina the National Government was determined to overcome the crisis with strong anti-cyclic measures in order to fuel consumption and investment, instead of applying classic expenditure adjustment measures.

In our capacity of managers of the tax policy, we set out to strengthen the companies' working capital with special measures tied to diverse sectors of the economy.

As advisors in the design of tax policies, we established general measures targeted at fostering investment by offering payment facility plans with lower than the market debt financing rates.

Additionally, specific objectives of the TA relating to the performance of obligations were pursued in each case. We will provide an example of some anti-cyclic measures issued and designed inside the TA:

- Tax Agreement: it was an important, exceptional and extraordinary effort of the National State intended to allow taxpayers to finance debt, disclose capital and non-reported personnel.

Based on a strong vote of confidence in the country's economy, the Tax Agreement brought forward 32,800 million pesos and the support of over 205,000 taxpayers.

The disclosure of capital and the regularization of workers are synonymous with being confident in the economic future, since both translate directly into "investments". The State treasury finances the present with a view to the future, betting on the sustainability of the economic activity and the employment, generating in addition the expansion of the taxable base for the coming years.

- Tax obligation deferrals due to an economic emergency, addressing the impact of the crisis on export products, added to a prolonged drought in some regions of the national territory. The National Government ordered a state of agriculture and livestock emergency and postponed due dates.
- Under its capacity of advisor in the design of the tax policy and in response to the strategic call to counteract the crisis with anti-cyclic economic measures, a fiscal credit system was extended, which promotes the incorporation of national components into the production of capital goods.
- By late 2009, special payment plans were established for taxpayers to regularize tax debts incurred subsequently to those included in the Tax Agreement, with interest rates that were significantly lower than market rates. This pursued the alleviation of the fiscal burden of economic actors upon observing the first signs of improvement in the country's indicators.

One of the four core objectives of the TA's 2007-2010 Strategic Plan is to control the compliance with tax obligations, by reinforcing the idea that it should happen voluntarily. To such end, effective controls are pursued which may discourage the adoption of irregular behaviors and may correct deviations, and provide quality services that facilitate such compliance. The key words are "control" and "services".

Voluntary compliance is leveraged within a certain *fiscal climate*. Maintaining a fiscal climate apt for voluntary compliance entails dynamic and ongoing work. And this is because the taxpayers' perception is not only the result of the Tax Administration's actions but also of diverse factors of the political and economic environment of each country; an environment that – besides globalization – is pervious to the world's political and economic trends.

The 43° Resolution of CIAT's General Assembly, "A modern vision of the Tax Administration", warned on the need to be extremely expeditious in adapting the Tax Administration to today's changing environments. It recommended, among other things, the design and implementation of mechanisms and tools to foster and facilitate the compliance of obligations through the recognition of the positive behavior of taxpayers- "Positive benefit".

The giddiness that has characterized the globalization process in the last two decades will jeopardize the organizations that, given their size and organizational culture backgrounds, are unable to respond to the challenge of an ever changing and multifaceted environment.

The technology and communications development paved the way for centralization plans that brought forward extraordinary benefits, such as the unification of data and procedures, the improvements in control and management processes, their extension, and the expansion of taxation universes; but they may also bring about the risk of a TA with slow reflexes.

This demands the agility and deployment of a multifaceted range of facilitation, control and tax compliance inducement actions.

Tax compliance

The first point for discussion in this paper is concerned with the issue of tax compliance and specifically with the strategies implemented by the TA in order to facilitate, control and lead to voluntary compliance.

It is important that we firstly give a short description of the concepts used in the discussion. According to Dino Jarach¹, the tax obligation in general, from a juridical perspective, is a juridical relationship “*ex lege*” whereby a person (primary person, taxpayer or tax-liable person) is obliged by the State to pay a certain amount of money upon verification of the taxable event established by the law.

The tax procedures law provides that the assessment and collection of taxes will take place based on the tax returns that must be filed by the person responsible for paying the tax, in the form and the terms established by the AFIP. This implies that, in principle, the taxpayer or the tax-liable person is responsible for the correct interpretation of the tax legislation, its application to the taxable event, the association of the taxpayer with the obligation, the quantification of the taxable base, the definition of the tax rate and the quantification of the tax². Ultimately, the first way or mechanism to assess the tax obligation is the “self-assessment”, or the assessment by taxpayer.

Then, we could say that tax compliance consists in submitting the tax return timely, including therein comprehensive and accurate information in order to assess the tax obligation and pay the balance thereof, if applicable.

Achieving a tax compliance that purports the verification of all taxable events could not be the goal of any TA. And this is because there is a series of intrinsic and extrinsic factors to taxpayers which lead to non-performance, namely:

- A natural resistance to fulfilling rules or, in other terms, the tendency of society towards illegality and a state of lawlessness³.
- Faulty tax returns in terms of how they are prepared, possibly due to problems in the interpretation of tax rules, a lack of knowledge of such rules, or involuntary mistakes in preparing the tax forms. In this group we may include those complaining about the complexity of the tax regulation, the high number of obligations to be fulfilled or simply the difficulties in accessing the TA.
- Failure to submit and/or pay due balances (delinquency).

Now that we have differentiated the non-compliance groups, in order to define and implement strategies, we must first identify the target groups of such strategies. The tax compliance improvement strategies will then be targeted at the following purposes:

1 Jarach, Dino, *El hecho imponible*, Abeledo-Perrot, 3rd edition, Buenos Aires, p. 73.

2 Koss, Ricardo H., Chapter VI: Tax assessment, 75^o Anniversary of Act N° 11.683, Tribute of the School of Economics - UBA, Edicon, Buenos Aires, p. 228.

3 Nino, Carlos, *Un país al margen de la ley*, Ariel, Buenos Aires, p. 28.

- Facilitation
- Control
- Inducement

We will discuss each of them separately.

Strategies to facilitate tax compliance

- o ***Taxpayer registration***

The first step taken by the AFIP to implement tax compliance facilitation strategies is closely related to the “collection cycle”, understanding by it the total actions to be performed for the full compliance with the tax obligation.

This collection cycle begins with the “registration” of a citizen with the TA, after which it becomes a “taxpayer or tax-liable person” (the term citizen should be construed widely here, for we may include the registration of corporates that become taxpayers).

To perform this first activity, the AFIP focused on a total reengineering of the Single Taxpayer’s Register.

During 2009’s first quarter, the rule governing the creation of the Register System was dictated, which administers the information relative to the attributes and characteristics of the persons, whether natural or artificial, filed therewith.

The strategic objective that led to the system implementation was the integration of the diverse registers in the AFIP into a “Register System” used in real time by all control, customs, tax and social security systems, thus eliminating any duplication of data, and based on the idea of a single agency, single window, single data and the utilization of web technology.

- Single agency: the concept of single agency derives from the merger between the General Income Directorate and the National Customs Administration in 1997, into what today is the AFIP. As a matter of fact, the concept of single agency had had little practical application (in this sense), for every taxpayer who wanted to enroll in the registry would have to undergo two diligences: one in the DGI to obtain the CUIT number and another at any of the divisions of the DGA (General Directorate of Customs) to obtain the foreign trade operator permit. With the implementation of the register system, the registration of taxpayers and tax-liable persons has been fully integrated, for the whole registration process is now performed through one single presentation before the DGI’s division corresponding to the fiscal domicile, thus integrating the steps that used to be performed at the DGA.
- Single window: this concept is applicable not only internally but also to other registration bodies. The National Registry of Corporations is the best example of it.

The General Inspectorate of Justice (IGJ, in Spanish), as the body that administers the National Registry of Corporations, is the first body to use electronic forms to incorporate data into such Registry. The use of IT means and interactive action – in the corporation registration procedure – by the IGJ and other local registration authorities with the AFIP – within the scope of their jurisdiction-, is a significant landmark in electronic governance (a topic we will discuss later here), and will allow the verification of fiscal data of the partners and authorities of new corporations whose incorporation or modification of data is required for registration. This diligence is carried out exclusively – for the implemented corporation type - in the IGJ, and this body is responsible for providing taxpayer with the fiscal data (CUIT number) that are previously forwarded electronically to the IGJ by the TA.

In other words, the concept of single window involves other public bodies which, given their specific responsibilities, participate in the general circuit of the registration of individuals or corporates.

- Single data: the deployment of the organization's IT systems was based on the single data strategic guideline. Evidently, single data conveys a general integrated architecture of all the different services offered by an organization, on the understanding that the oneness nature of the data in the case of the Register system relates to:
 - o A single repository that eliminates the permanent replication of diverse areas, of databases with special registers of taxpayers.
 - o A single, integral and reliable source of information not only for taxpayers but also for the managerial vision.
 - o One document supporting each event.
- Use of web technology: from the registration and after the tax code is obtained, the level of presence security (a topic we will discuss in detail later), the registration, modifications and discharges of register data are carried out through the Internet, with no need to go to any of the AFIP's divisions (whether the DGI's or the DGA's).

The register system is composed of three modules:

- Tax register: the list of natural and artificial persons bound to register in the AFIP and other bodies, even where they are not in a position to acquire rights and obligations and fulfill tax (customs, fiscal and social security) duties.
- Tax registry: it is a general register institution that keeps the data required to identify natural and artificial persons, including other persons likely to acquire rights and obligations regarding tax matters associated with customs, fiscal and/or social security funds. It also includes the data relative to the tax legal personality of registered persons (identification, addresses for tax purposes, obligations and rights).

- Special registries: are register institutions of a particular nature which keep track of the data of persons who by reason of their business are bound to enroll in them in order to exercise tax rights, carry out transactional registrations or enjoy certain benefits, in accordance with the provisions of customs, fiscal and/or social security regulations.

The register system was conceived within the frame of the “opening to the Internet” strategic initiative, which has led the information updated by the taxpayers and tax-liable persons to be performed through the web.

To describe the circuit shortly, a registration number is enrolled by means of a presence diligence for identity validation purposes. Thereafter, the operations are carried out by signing in to the AFIP’s webpage, reporting the economic activity to be developed, the taxes for which the registration is requested and reporting the business domiciles.

In a second instance, the taxpayer may change the reported fiscal domicile, which will be validated with a visit by the post office courier, who will deliver a domicile confirmation code. The entry of such code in the register system will generate the confirmation status of the reported fiscal domicile.

For the purposes of requesting the cancellation of the registration – either wholly or partially – upon the termination of the causes that led to the enrollment obligation, the taxpayers and tax-liable persons must submit the request for cancellation by electronic transfer of data through the body’s webpage.

- ***System sign-up – Fiscal Code***

The second step in the design of facilitation strategies consists in allocating a fiscal code to each taxpayer. At the time taxpayer approaches the AFIP’s division, whether in their own name or on behalf of a corporate to obtain the fiscal code, and, if applicable, in association with such corporate, certain persons are required to provide biometric data and undergo scanning of their documentation.

The fiscal code is a federal registration/authentication/authorization system. This means that we have to analyze the four characteristics deriving from such definition.

1. - Federal: the fiscal code is used by other public administration bodies on a national, provincial and municipal level.
2. - Registration method: is the set of procedures executed by a division (of the State or company) to award the identification code to a user requesting it. The entity (AFIP) acts as a “Registration Authority”.

These procedures define:

- The manner in which the User applies for the identification code.
- The manner in which the AFIP determines the real identity of the individual requesting the identification code for themselves or on behalf of another person (individual or corporate). This procedure validates the identity of the principal and the role of the User=>Principal relationship.
- The manner in which the AFIP delivers to the User the authentication elements of the identification code, for example, the password, a digital certificate or a smart card.

The registration procedures may be carried out directly by the AFIP or through delegation (as is the case of certain fund transfer networks that delegate the execution of these procedures to the banks).

3. - Authentication method: is the set of procedures and techniques carried out by the AFIP to determine that the person that is trying to access the system using a certain identification code is actually the person who was awarded such identification code through the registration methods, along with the relevant authentication elements.

4. - Authorization method: is the set of procedures and techniques executed by the AFIP to determine what services the User may perform with their identification code (closely related to compliance control strategies).

There is a fifth element that is worth mentioning, and is the security levels. These levels are obtained from the combination of the registration and authentication procedures that provide jointly to the AFIP the different levels of security that allow determining that the person that is attempting to carry out a certain service is really the person they say it is.

The model is also based on the concept that interactive services are always operated by individuals (there is no other possibility) and that these individuals may be operating these services on their own or on behalf of another individual or corporate.

Having described the fiscal code scheme, other matters related to the New Information and Communication Technologies (ICTs) gain relevance, since from the time the taxpayer obtains the fiscal code, most diligences in the register system and the filing and payment of tax returns are conducted through the web.

The firm orientation towards the Internet implies an additional effort to bridge the existing digital and cultural gaps. In this sense, the AFIP strives to provide web access to those sectors in the population that are deprived of it and establishes aid methods to facilitate the use thereof by citizens who are not acquainted with it.

The need to bring the on-line desk closer to the citizens has required putting at the disposal of the citizens deprived of web access, alternative channels under similar

assistance conditions. In this sense, the focus has been placed on opening new service centers and exploring social collaboration mechanisms to provide assistance and facilitate Internet access.

In addition, new communication forms and channels have been developed, which have resulted in the availability of more accessible and transparent information and processes, using the potentialities of the available technology in communications-mobile telephony and text messaging.

- ***Electronic Governance***

The sudden appearance of ICTs over the last decades has generated a significant impact on the daily life of society. Aware of this new reality, the National State outlined the adequate frame to drive the intensive use of these new technologies in order to enhance public management on an ongoing basis, offer improved services to the citizens, assure the transparency of the government's acts, facilitate diligences and reduce costs, generate new space for participation, reduce the digital gap by including less favored persons, companies and communities, and facilitate the integration of the national production in the global market.

The result of this purpose was reflected in the approval of the *Executive Order No 378/2005*, which started up the *National E-Governance Plan* after laying the foundations of its scope and objectives. Instruments such as the Internet, call centers, web services, e-diligences and e-documents were used in its implementation.

Ultimately, all the implemented strategies have responded to the National E-Governance Plan.

- ***Preparation of tax returns***

The ICTs have been applied in the preparation of tax returns since 1994, when the first items of application software were developed, which ran on DOS.

This strategic line formulated 15 years ago has remained unaltered over the years, and has accompanied the progress of the ICTs, allowing the development of data exchange systems with taxpayers.

On this regard, we may cite as examples of application the income tax return that contract employees must submit⁴, which is generated without the need to have local software facilities. Besides, the application design drew on the spirit of simplification, which explains the fact that it does not follow the traditional preparation of tax returns but rather is completed through successive steps and has a system of questions that

4 Where they earned total gross profits for the fiscal year equal or in excess of ONE HUNDRED AND FORTY-FIVE THOUSAND PESOS (\$ 144,000.-).

enable or disable further fields⁵ (it should be remembered that in the desk application all the screens are displayed for data loading, and are only restricted by certain initial taxpayer descriptions). Upon completing data loading, the same application allows filing the tax return, after which it issues the relevant receipts.

Another recent example is the enrollment or reclassification affidavit that those who wish to enroll in the Simplified Small Taxpayer System must submit. The preparation and filing are performed in a similar way as that described above, allocating the relevant category and issuing the credential for payment purposes. This concept of simplification has allowed implementing a successful reclassification in less than 30 days⁶, with results that illustrate the magnitude of the reached universe.

Total Accesses: 352,022	
Adherence	65,993
Reclassifications	286,029

Finally, the system called “*Mis Facilidades*” (my facilities), whereby taxpayers and tax-liable persons apply for payment facilities, also reflects the simplification and facilitation strategy followed by the body, which allowed over 100,000 taxpayers to regularize debts for 7,632 pesos in only three months. As in the preceding examples, this system operates in line with the taxpayer, keeping loaded data until the time taxpayer decides to submit their filing.

Today, all tax return filings are carried out through the web (2,300,000 in February of 2010). Large taxpayers are obliged to pay out their obligations through the Electronic Payment Ticket, as well as export rights. Eighty-three percent (83%) of monthly tax revenues is received through electronic payment mechanisms.

- ***Tax Account System (SCT, in Spanish)***

The implementation of the Tax Account System (hereinafter, SCT) as a supplement to the full-cycle control actions that have characterized the body’s actions in the last years entails a quality leap towards the minimization of delinquency and non-performance, thus reinforcing primary control actions by way of systems that collect data, transactions and tax-liable persons’ attributes in their relationship with the body.

5 See final comments of the 43th CIAT’s General Assembly: leveraging mass control activities (tax return and payment).

6 Approval of Act N° 26.565, which modifies the Simplified System (Self-employed workers’ scheme).

We could define the SCT as a computerized transactional information system that allows automating the body's collection processes.

The system's design contains the two first strategic objectives of 2007-2010 Plan:

- I. - Control compliance with tax, customs and social security obligations; and
- II. - Provide quality services that contribute with specific solutions for citizens.

While it is not the intention here to give a detailed description of this system, some essential characteristics, associated with "sub-examination", are worth underlining.

In this sense the transparency of the information is a fundamental pillar to improve tax compliance. Transparency has been defined as one of the guiding principles of the National E-Government Plan, upon establishing that facilitating the access of inhabitants and citizens to the government's acts and the public information through on-line publications, is indispensable. The concept of transparency is applicable to the SCT not only with regard to the accountability of debits and credits, but also because it also includes follow-up of the government's management of balances arising from such accountability.

The actual magnitude of the change could be tightly summarized as follows: until the implementation of this system, taxpayers had no access to the accountability performed by the TA; only those making on-line filings (which at the time the SCT was implemented did not constitute the entire universe of taxpayers) were able to visualize the filing ticket, but not the intrinsic data of filed returns, nor the final accountability of debit and credit balances.

Through the SCT, taxpayers can visualize filings, the accountability entered by the AFIP in its systems, the credit and debit balances resulting from the accountability, in the same way as the internal areas visualize them; in other words, the same system is used by TA's officers and taxpayers alike (concept of single data).

Even though the change is key to the treasury-taxpayer relationship, it is even more significant in light of the fact that taxpayers are allowed to visualize the body's whole management. The demands for payment or the requests for filing can be visualized, as well as notices (which although received by taxpayer from the post office courier, can also be visualized in the system) and the commencement of any debt recovery proceedings.

In addition, the taxpayer or tax-liable person may pay out debt balances, use credits or modify them (from a tax procedure perspective).

Where we refer to the payment of debt balances, we mean the possibility of generating Electronic Payment Tickets from the debt balance of an account in the system. This allows assuring the proper allocation of payment to debt balances.

Secondly, the taxpayer can use the credit balances to pay out other tax obligations (offsetting).

Offsetting of obligations occurs where two persons, in their own right, qualify as creditor and debtor reciprocally, whatever the causes of either debt may be. This terminates the two debts, with force and effect of payment, up to the extent of the lower debt, from the time that both debts began to coexist (section 818 of the Civil Code, hereinafter "CC").

The Fiscal Procedures Act admits that offsetting as a means of terminating tax obligations may be practiced by administrative initiative by the fiscal body or else at the request of taxpayer. The Argentine doctrine points out at the existence of two types of offsetting: automatic and non-automatic.

In the case of the automatic offsetting, and in light of the accountability showed by the system, we observe that upon the entry of a tax return whose tax is higher than the sum total of tax advances (advances, withholdings, payments on account), which were previously allocated to the tax/fiscal period by the taxpayers and calculated by the system itself against the assessed tax, we verify the existence of credit balances of free readability of the same tax in previous fiscal periods, which are used from the oldest period of time until depletion or until full payment of the debt of the relevant period, whichever occurs earlier.

Alternatively, under non-automatic offsetting, the system does not execute any action because it is the taxpayer who has to drive the utilization of credit balances against their debts. Upon action by the taxpayer, whether through a transaction enabled by the system itself of the presentation of the ad-hoc form (F 798), there is a double accountability whereby the original amount of the tax/fiscal period is debited and the target amount of the tax/fiscal period is credited.

Lastly, when we refer to the modification of balances we do it from a tax procedural perspective, because it allows, for example, the reduction in payable advances through the filing of a tax return for such purposes. This operation – the option to reduce advances – occurs when the persons responsible for remitting advances, in accordance with the regulating provisions, consider that the amount to be remitted for such item will exceed the final amount of the obligation of the fiscal period to which such amount should be allocated – net of deductibles from the advance calculation base-, and may opt to make the cited payments on account for an amount equivalent to that resulting from an estimation made by them.

Needless to say, if upon termination of the fiscal year in which such advances should be allocated, the assessed tax is higher than estimated, the compensation interest should

be remitted for the portion of the advances not remitted, as a result of having exercised the reduction option.

In this way, through the implementation of a fast and simple tool, taxpayers can adapt their balances without having to go to an administrative office.

Strategies to control tax compliance

○ **Control system - SCT**

When it comes to control mechanisms, the first idea that comes to mind is “control systems”. Because the main characteristics of the control system implemented by the AFIP have already been discussed when we described facilitation strategies, we will now analyze them from a control perspective.

Before describing the change in the control paradigm conveyed by the SCT, we should briefly recount the history of the AFIP’s control system (prior to the DGI).

Before the implementation of Sistema Dos Mil [*System Two Thousand*] (in 1991), the performance of large taxpayers was supervised by resorting to segmentation. A group of taxpayers would comprise the “portfolio” of an account officer.

In 1991 the control strategy focused on a narrowed universe of taxpayers that accounted for the highest percentage of tax collection. The management of such universe was decentralized.

Later on, it was decided that the universe of taxpayers under control should be expanded. The system Dos mil Regional [*Regional Two Thousand*] was implemented, which had a similar design as that of the former.

After some years of experience and based on the “full cycle” management strategy, in 2006 it was decided that the databases of both systems should be centralized and become managed in a centralized fashion.

Several aspects of this centralization were discussed:

1. - It was a stage prior to the Tax Account System
2. - It homogenized control actions: the preparation of an operating schedule assured the systemic uniformity and universality of control actions on non-performance.
- 3.- It allowed increasing labor quality: definition of a new role for the operating areas, which would be transformed into Account Analysts, participate in the ongoing improvement of processes, resulting in increased labor quality by adding value to daily tasks.
4. - It brought forward a systemic approach: any technological project should be approached systemically, by considering not only the direct impact on a specific area,

but also the interactions and implications in all areas of the organization. This assures that the improvements in the specific area, far from becoming a problem to other areas, will favor them concomitantly and the entire organization will be able to improve its performance. The advancement of information technology had triggered the proliferation of fragmented systems which, while allowing management in the short term, were not apt to be integrated to the new platforms, with the resulting effect of information diversity and disparity.

Eventually we attained the implementation of the SCT and the change in the control paradigm, which does not have to do with the type of management (the centralized management has already been adopted) but rather with a different way of thinking control in the TA.

A significant change in paradigm occurred, which had been developed by the body in the last years. Until then, control actions focused on balances assessed by taxpayers, whose amounts were reflected in the tax returns; while an “ex post” control was performed in respect of concepts that operate as payment on account. With the implementation of the SCT, controls are performed on the assessed tax reported by the taxpayer, discounting payments on account under the records filed with the Treasury’s databases⁷. Put it differently, an “ex ante” control is exercised which allows that the registration and control of balances to be remitted may be performed by the system itself. This change implies a greater control capacity for the Body and a cost reduction for taxpayers.

- ***Tax Code – Relations Manager***

As in the previous topic, the Tax Code is part of the facilitation strategies while at the same time is connected with control activities. It resides mainly in the Relations Management scheme.

The Relations Manager is defined as the individual who, using their Tax Code, performs actions:

- a) on their own behalf,
- b) on behalf of an artificial person as its legal representative, or
- c) on behalf of another individual.

Alternatively, there are other persons who are designated by the Relations Manager to use and/or interact with the IT services or carry out certain acts or diligences.

In other words, an interrelation is generated among the individuals who operate the systems, which allows assigning and delegating responsibilities in the use of IT transactions.

⁷ Some items operate as payment on account, which the AFIP has no previous record of (e.g., similar taxes paid abroad). In this case, the data are taken from tax returns and computed against the assessed tax. The control –in these cases- is “ex post”.

- **Operating schedule**

As for management actions upon non-performance, the AFIP – as stated before – has adopted a centralized management strategy notwithstanding the possibility of the operating areas to perform specific diligences.

The centralized actions are targeted at certain segments of taxpayers, which determine the frequency in which the responsible group operates. So, large taxpayers (nearly 180,000) are requested for payment twice a month, whereas the rest is requested on a monthly, bimonthly, biannually or annual basis, following a specific operating schedule.

Alternatively, debt recovery proceedings, unlike the requests for payment, are not based on the classification of taxpayers but on the amounts due.

Below is a table showing the relevant data of 2009:

Assessments due to lack of payment	
Obligations	4,288,748
Total amount assessed	\$ 13,724 million
Debt Vouchers	
Obligations	1,086,333
Total amount executed	\$ 3,322 million

- **Control of specific economic markets**

The controls are performed over taxpayers, and these have their own particularities as to their economic activity, regional distribution, exploitation modalities, culture, etc.

The TA carries out ongoing control initiatives on specific markets consistently with the divisions determined by the economic activity on the universe of taxpayers. From the point of view of both facilitation and controls, an economic approach is required, in addition to the tax approach, to determine the policies relative to both objectives.

In effect, all activities pay taxes on their sales; however, the modalities of the agriculture business are not the same as those of mining, the production of capital goods or the

food retail trade. In some activities, taxes are evaded by masking production; in others, by sub-billing sales or selling without invoice; or fictitious credits of inexistent third-party agents or suppliers are created. In each case what is pursued is, in addition to discouraging evasion, fostering voluntary compliance, expanding the tax base – without increasing the tax rates or taxable bases – and fighting informality, thus avoiding extra costs to taxpayer and enabling taxpayer the implementation of measures.

So diverse economic markets have been the targets of specific control measures throughout 2009, namely:

- Grains: in 2009, there were modifications to the former control on grain motor transportation, which enabled the Grain Traceability code, an indicator that is obtained from an Internet service and usable in a safe environment with the Tax Code, by entering identification data of the load trucks, the transportation company, the broker, the recipient, the origin and destination places, species and harvest and other data indicative of the load and route sheet. At the destination, it is the recipient taxpayer's responsibility to obtain a settlement code from the CTG. Thus, an electronic control element was incorporated, which is verifiable along the way by possible checking points, compared to the old paper documentation that was prone to falsification, adulteration and mainly the multiple use of one same authorization, as common evasion modalities.
- Foreign Trade (scanner): the TA has 12 trucks fitted with scanners, modern software, which allow – by calculating areas and lines – an internal layout of transportation vehicles, in order to verify loads and cargos. Permanent regional operations are performed. In addition, there are a great number of scanners placed in the most important ports. Non-intrusive, x-ray inspections are supplemented by the presence of dog teams specially trained to detect smuggling goods. In 2009, over 15,000 kilograms of narcotics were detected.
- Foreign trade: the use of the electronic invoice was incorporated, which allowed the introduction of data that did not appear on paper, such as the final destination and the intermediate route of goods, in order to identify possible cases of triangulation likely to alter the value of the merchandise. Obviously, taxpayers will also be able to enter electronic debit and credit memos in the case of any possible cancellations or reimbursements.
- Surety bonds: the electronic invoice was also implemented for foreign trade-related operations. Over one hundred thousand foreign trade operations occur every year in our country, and all of them must be invoiced through this means in order to crosscheck the policy number, the possible endorsements and the exporters' billing. This is a cross-check measure.
- Internal retail trade: there are over 320,000 tax controllers operating in our country. These devices are coupled with the merchants' cashiers and store the sales receipt of every transaction in paper log tapes that should be stored for 5 years. Upgrading of these devices will allow the incorporation of electronic information storage devices, which will transmit to the TA and will enable knowing the set of operations of taxpayers. A census of existing controllers will be carried out and fiscal incentives

will be provided to soften the costs of the technological renovation. This is a facilitation measure that discourages evasion in addition to allowing cross-check controls.

Strategies to induce compliance

- ***Fiscal climate***

The first meaning given by the Royal Spanish Academy to the word “climate” is a set of atmospheric conditions characteristic of a region. In the specific case of the “fiscal” field, the climate would be a set of fiscal indicators.

The Organization for Economic Cooperation and Development (OECD) proposes considering some overall indicators that measure the relationships between the tax revenue and the national income, or more specifically, the relationship between the capital tax and the income earned from such capital. It also suggests the use of combined indicators resulting from the measurement of income taxes, sales taxes and indirect labor costs. This is a suitable approach for making investment-related decisions; however, it is not immediately applicable to the fiscal climate.

In our organizations’ view, a suitable fiscal climate is that which encourages the voluntary compliance with all the obligations arising from the legislation imposed on the country’s economic actors. All the measures recommended by the diverse assemblies of CIAT, such as transparency, ethics, expenditure accountability, facilitation, tax evasion controls and preventive policies and the expansion of the tax base, are intended for a suitable fiscal climate.

In this sense the TAs are active with regards to creating a fiscal climate that they believe is suitable for their missions and functions.

- ***Tax Agreement***

The Tax Agreement was the most important anti-cyclic measure – from the taxation perspective – in 2009.

As far as the tax amnesty is concerned, the final result shows a reported debt – from 169,000 taxpayers – of 14,700 million pesos. It is worth pointing out here that 80% thereof consisted of non-prefinanced debt deriving mainly from the acceptance of the body’s adjustments. Also important is that 40% thereof pertained to income taxes, a share that largely exceeds the percentage of such tax in the normal distribution of tax revenues.

Companies were accumulating debt – either reported spontaneously or adjusted for the AFIP – from the tax that is directly assessed on their activity, and the tax amnesty allowed them financing thereof. The manufacturing industry is the economic sector that

abides by the tax amnesty the most, and if we consider that this sector is largely composed of small and medium-sized companies, the original aim to sustain companies and employment in this world economic crisis cycle has materialized successfully.

Alternatively, the “exteriorization” system allowed the reporting of funds and property for a total of 18,113 million pesos. The economy sector that abided by this system the most were business and real estate services, which concentrated 94% of the total amount exteriorized in investments, property and deposits in the local market. The final sum of the regularization system is equivalent to 11.1 millions worth of construction m2, 4,500 schools or 70,100 trucks. The comparisons illustrate the magnitude of the exteriorization. In addition, the tax base is expanded for the next fiscal years.

- ***Facilities Plan – Anti-cyclic measure***

The payment facilities system was intended to normalize the situation of taxpayers who had a debt with the State Treasury, as a way to turn the page from 2008-2009’s economic crisis.

The implementation of the plan implied an important decision made by the national government. It was an anti-cyclic measure intended to build a launching pad for 2010’s economic takeoff, aimed at sustaining the economy, the production and the employment level.

The final result shows that over 100,000 taxpayers regularized debt for \$ 7,632 million pesos.

- ***Tax information exchange agreements***

Following the outbreak of the crisis, G20 countries proposed increasing transparency and information exchange with a view to fighting evasion and money laundering. .

As executers of one of the national government’s guidelines on this matter, this TA began to sign tax and banking information exchange agreements in 2009 with the Principality of Monaco, the Bahamas, Andorra, Costa Rica and San Marino, which are added to those signed in the previous year. These agreements were recommended not only by the G-20 but also by the OECD, which in its Global Forum on Transparency and Information Exchange constituted a review group, in which the AFIP was a driving force and an active participant.

These agreements will allow collecting information relative to the ownership of corporations, trusts, foundations and other corporates, as well as income taxes or foreign trade operations.

However, obtaining information from other countries is not the only aim; expanding the internal network of information exchange is also required, including public and private

bodies. For example, this TA signed an agreement with the life insurance national authority under which collection of the mandatory life insurance of all workers will be performed through our electronic platform, which allows identifying the policy of each of the 7.9 million employees registered with over 600,000 employers, who will be able to load data only once through a web service created therefor in a Fiscal Climate safe environment, or through the electronic generation of their tax return with the application that the TA makes available to employers for the purposes of reporting payroll, indirect labor costs and social security contributions.

- ***Program “IVA y VUELTA”***

An automobile raffle program was launched for citizens remitting coupons to the body and who report sale invoices of merchants located within the national territory. The number of coupons exceeded 1.7 million, which accounted for over 8 million reported invoices and the participation of more than 150,000 citizens. Thirty-eight (38) raffles were carried out throughout 2009.

The universe of reported merchants was used to select specific cases for examination. This measure was intended to foster tax education, the citizens' engagement in tax control activities and voluntary compliance.

The future

Throughout this paper we have mentioned and discussed the main strategies deployed in 2009 to improve voluntary compliance and tax collection.

This framework outlined at the beginning of 2009 has been sustained over time. Therefore, it is worth describing (below) the main initiatives contemplated for 2010, which will undoubtedly have an impact on voluntary compliance and tax collection.

Approach from the treasury-taxpayer relationship perspective

- ***Comprehensive Electronic Withholding System (SIRE, in Spanish)***

The procedures act provides that the collection of taxes will be performed at the same source when the Federal Administration of Public Revenues establishes what persons and in what cases will act as withholding and/or collection agents.

The generalized collection at source has two major consequences: a) it is an efficient means to avoid tax evasion; and b) for the taxpayer, withholdings have practical effects similar to those of the mandatory reserves for the compliance with fiscal obligations when due.

The Federal Administration of Public Revenues has set forth withholding schemes for different taxes.

The Withholding Agent (hereinafter, WA) takes on the role of a collection agent and replaces the fiscal body. To this end, they are required to fulfill a series of formal and material requirements intended for the proper operation of the “withholding at source” system.

This has brought about diverse inconveniences originating in the AFIP-Agent Withholding agent-Withholding taxable person relationship, among which stand out the following:

- The WAs do not file the tax return evidencing the withholdings, so the Administration is not knowledgeable of the withheld amount.
- The WAs report incorrect withholdings: as a consequence, the TA is unaware of the amount of credit attributable to the person subject to the withholding
- The WAs generate inexistent credit memos in order to reduce the tax burden: through this artifice the remittance of withholdings effectively made is eluded.

In order to reduce to a minimum the dissociations between the information on WAs and on Withholding taxable persons, a fully computerized system connected on-line with the AFIP is proposed.

Basically, the withholding agents will report on-line through the system to the AFIP the withholdings made, and may also generate the corresponding tax return, assessing the amount to be deposited in the Treasury.

The withholdings not stored in the AFIP’s base may be recorded as “subject to verification” by the withholding taxable person. In other words, the sum total of the withholdings and collections recorded by the Treasury, in addition to those added by taxpayer, will be computable against the assessed tax, pursuant to the provisions of the procedures act.

This system reduces the WAs’ administrative burden significantly. Also, it will result in greater benefits for the withholding taxable persons, because they will not have to report the withholdings made from them and will be certain that the operation is known by the Body.

- ***Register System – Registration of biometric data***

From the first quarter of 2010, all the individuals applying for the CUIT must present their identity cards for scanning purposes in order to be registered, and will be required to submit their biometric data (signature, picture and fingerprint). In addition, they will be given a tax code with a security level equal to the Division’s presence authentication mechanism.

As it is the case today, the division will continue registering the identification data and the legal and fiscal domiciles of applicants. Upon completion of the diligence, the division will have the necessary information to proceed with the verification of the domicile reported by the taxpayer, after applying the selection criteria. At this point, and based on the analysis of the taxpayer, there is a possibility that certain cases be validated through the current scheme, that is, by sending the domicile confirmation code through the post office courier, which must be entered in the register system by the taxpayer.

Certainly, the implementation of this strategy will allow:

- Protecting the citizen and their data against tax identity theft
- Counteracting the perpetration of offences through the use of false documentation.

Approach from an operating action perspective

- o ***Strengthening of operating areas***

Here, we should make a brief reflection upon a fundamental and more often than not overlooked element, for the attainment of any organizational purpose: the human resources.

Strategies are designed and carried out by people. Hence, the success both in the design and the performance of the strategies relies on the persons who carry out these two actions.

The recommendations of the 43th Assembly mentioned the enhancement of supporting processes that may allow the strengthening of the tax administration. Among other things, they discussed the development of e-learning platforms for technical training and the creation of indicators to measure performance, with a view to establishing, adjusting, correcting or modifying management plans in accordance with the results obtained along the way.

On this regard, there are also other matters that should be brought to light, as are an adequate overall salary and personal incentive policy, the continued monitoring of the workplace environment and the establishment and dissemination of a code of ethics, all these experiences that the AFIP has been developing on an ongoing basis and with highly successful results.

Going back to the above cited recommendations, an e-learning platform has been set up, called Campus AFIP, through which the Code of Ethics has been disseminated and overall training and technical specialization courses have been provided.

- **Control Panel – Collection advance mechanisms**

The tax phenomenon, understood as a set of acts performed by a society's economic actors under the scope of a TA, may be approached in different ways. It may well be the case of an organization that receives from the social environment the stimuli that trigger its control and management mechanisms, these being dynamic and fast as per the current challenges, or may perceive itself, as stated before, as one more element of the fiscal climate, a dynamic and modifying actor within such climate.

In one paradigm, the perception of the tax phenomenon by the TA is that the economic actors make decisions in the *here and now* of the fiscal climate. In another, the tax phenomenon is investigated, monitored, modified and even driven by the TA's actions. This second more conscious, more active view is construed as starting with the modification of the actions of our operating managers, by raising their management quality with exploration and information monitoring tools made available to them and the establishment of overall objectives, thereby fostering self-control. Naturally, every organization designs strategic plans for the achievement of their objectives and goals, related in this case to the collection of taxes, the performance of which must be monitored and whose basic purpose is the establishment of general guidelines.

These plans will determine the organization's course of action and provide a basis to estimate the degree of probable success in the attainment of objectives. Furthermore, a manager's natural activity is to envisage future lines of action intended to assure the organization's overall objectives.

The information will be a critical factor to it; abundant and diverse information deriving from multiple sources and in different formats, that must be gathered, ordered, handled and used in order to obtain an added value.

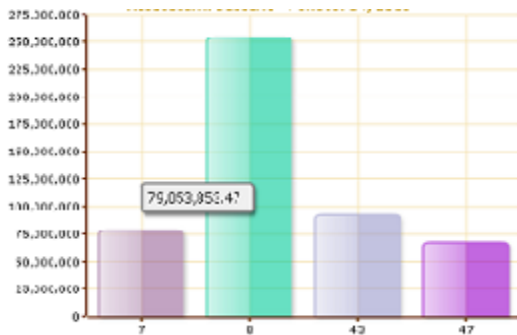
The evolution of business intelligence systems as a result of the advancement of ICTs allows the use of information as a strategic tool, supported by computerized tools, which puts at the disposal of the managerial levels varied information exploitation instruments.

Needless to say, the compliance with the organization's general objectives, reflected in plans, assures the predictability of the decisions made by the top authorities of the National State. In this sense, monitoring of such plans is critical.

The operating area needs updated and permanent information to contribute with its natural speed to the general process of monitoring and assuring collection programs. To this aim, the following is pursued:

- A platform apt to stand as a fast and intuitive work desk for the manager, on-line, customized, with access control, with the possibility to store work sessions, print reports, add and close windows, add features (indicators and communication and analysis). This platform will be the support of the indicators.

- A set of indicators, a packaged feature offering data and graphs to create the vision of a business' aspect. The indicators are proposed as separate features that could be developed over time, all focused on one specific aspect of the collection business, but with general common characteristics. An indicator is a graphic and data functionality that shows, over the time line or the fiscal line (successive accrued fiscal periods), a portion of the evolution of one aspect of the business; e.g., the fiscal debits reported in the sales tax, or the number of hired staff. These business aspects are derived from receipts (documents evidencing a collection event), such as banking or non-banking payment receipts and tax returns for assessment or information purposes.



Tax	Collection
7	79,053,853.47
8	254,661,838.52
43	92,845,377.08
47	68,185,755.80

- A set of indicators shows the whole vision of a particular aspect of the tax business. Each indicator has in addition a space for annotations that displays an explanatory text. What is pursued is to evaluate conducts and monitor the business' evolution; hence, the need to distribute information over some time line, for the purposes of providing an anticipatory projection.
The manager should be able to navigate along three data layers: jurisdictional data grouping in the set chronological line, the universe of relevant taxpayers in such time window and data from a specific taxpayer.
- A set of user's manuals, strongly practical and presenting work guidelines that may not only facilitate management of the tool but also allow the manager to imagine all the analytical possibilities provided by each indicator.

- o **Knowledge management**

The proposal of a knowledge management platform also falls within the frame of human resources strengthening.

The collection, classification and interconnection of the operating knowledge scattered among the TA's agents is pursued, promoting the agents' participation in order to create a tax knowledge community.

This intends to homogenize the scattering and drive new knowledge by way of cumulative and associative natural processes. In this sense, an IT platform will be implemented this year to provide support to such objectives.

Every organization has an amount of knowledge distributed among its members. This knowledge appears in diverse forms and has different origins; i.e., formal, informal, empiric, factual, theoretical, etc. Knowledge is a valuable asset.

On the other hand, such scattering may cause unbalance, contradictions or gaps in each individual or in a group of individuals. Since their beginnings, libraries have had the foundational spirit of “concentrating” knowledge. But viewed as a live, multifaceted matter, the organizational (specialized) knowledge needs a more dynamic platform. Since it is not about compiling (unobjectionable) legislation but rather organizing business knowledge that is useful, scattered, renewable and practical, the engagement of the community in the business is crucial. The assumption is that everybody should have a share of that knowledge.

Ultimately, what is pursued is to generate an intellectual tangible asset apt to be distributed.

Conclusion

The Tax Administration, both in its role of advisor in the design of tax policies and manager and executer of such policy, must become a dynamic and modifying actor within the fiscal climate, and shall procure that the tax phenomenon should be investigated, monitored and even led by the TA’s actions.

From the point of view of strategy formulation, every TA should rely on the use of Information and Communication Technologies, and generate systems that facilitate voluntary compliance and tax collection, operated by the taxpayer on the Internet, with centralized collection management and agile operating managers apt to assure monitoring and collection programs.

The fulfillment of the TA’s overall objectives reflected in plans assures predicting the decisions of the National State’s authorities, and allows implementing public policies of common interest through the use of tax resources.