

Inter-American Center of Tax Administrations – CIAT

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“TAX MORALE AS DETERMINING FACTOR IN IMPROVING THE EFFECTIVENESS OF THE TAX ADMINISTRATION”

Topic 2:

“TAX MORALE AND THE TAXPAYER’S BEHAVIOR”

**State Agency of Tax Administration
Spain**

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I GENERAL FRAMEWORK

When speaking about tax morality, the terms “tax ethics” and “tax morals” are sometimes used alternatively as synonyms.

Previous presentations have already discussed the notion of tax morality. For purposes of this presentation, and with a view to providing a context, tax morality will be defined as the degree of commitment with or adjustment of tax actions undertaken both by the Tax Administration and the taxpayers vis-à-vis the ethical principles and fundamentals contained in the norms and practice of Tax Systems.

Thus, the argument for tax morality can be based on three pillars:

- The ethics of the Tax Administration, in its capacity as public authority responsible for efficient and effective enforcement of a tax system,
- Taxpayer ethics, based on knowing their tax-related duties and obligations, and
- The professional ethics of civil servants, who in their statutory position undertake a series of duties and obligations vis-à-vis the Tax Administration and citizens.

I.1.- The first pillar supporting our argument for tax morality is the ethics of the Tax Administration: the public authority responsible for efficient and effective enforcement of a tax system.

The Tax Administrations, in charge of effectively enforcing the state and customs system, have the main mission of assessing and collecting taxes, in accordance with the basic tax principles of equality, equity, economic ability, proportionality, etc. recognized by Constitutional Law and the legislation.

In exercising their functions, they use a series of public powers and prerogatives under principles such as legality, the general interest, citizen service, efficacy, hierarchy, etc.

All of these have the purpose of continuously improving their efficacy and efficiency in areas where human and material resources are limited and, thus, lead to a tax control model that must combine in-depth actions based on selection criteria and other more superficial ones based on extensive selection criteria.

Consequently, these actions may be grouped in two areas of activity under their strategic policies: on the one hand, combating tax fraud and, on the other hand, the incentive for voluntary taxpayer compliance.

I.2.- The second pillar of the system we are proposing is taxpayer ethics, which should be based on taxpayers' knowledge of their tax-related duties and obligations.

The taxpayer enjoys a number of rights, set forth in the different regulations, relative to the actions carried out by the Public Treasury in enforcing the Tax System. However, they must also face material and formal obligations, which necessarily lead to incurring both direct and indirect compliance costs.

Non-compliance with these obligations and duties is in itself illegal and, therefore, morally and ethically reprehensible.

Taxpayers' non-compliance with obligations is not always the result of attempted tax fraud or avoidance. It may sometimes derive from lack of knowledge or the complexities of the assessment method.

For example, in the Spanish tax system, one should note that taxpayer compliance is based on submitting self-assessments. This assumes that the taxpayer construes and applies the tax regulation applicable and further assesses and pays the amount of the main tax obligation.

These circumstances show an interconnection between the ethics of the Tax Administration and that of its taxpayers, which imposes on the Tax Administration the moral obligation of providing every support and assistance to taxpayers not only to facilitate adequate compliance but also to reduce associated indirect tax costs.

I.3.- As a third pillar of the notion of morality, which supports administrative morals in general and which, in our particular case, we can apply to the tax field, we should briefly mention the professional ethics of civil servants.

There are certain general principles applicable to all civil servants: they should perform their tasks diligently, pursue the general interest in observance of the Constitution and laws, work according to the principles of objectivity, integrity, neutrality, responsibility, impartiality, confidentiality, service dedication, etc.

In addition to these principles, all Tax Administrations should further have a general catalog of basic duties based on ethical principles and rules of behavior, which make up a true code of conduct.

These rules are educational and orientating, but have the added purpose of serving as a limit to lawful activities, since breaching them determines the requirement for administrative accountability, given that the capacity of a civil servant implies specific responsibility and duties vis-a-vis citizens and the Administration. This code of conduct reflects that civil service is based on a set of values which the Administration should maintain and ensure.

The corporate identity of each Tax Administration is based on adequate information, training and motivation of the people who are part of it. In the Spanish case, one of the lines of the communication policy is “The Tax Agency is an organization committed to the people who are part of it”. The intent is for those who work in the Tax Agency to share the work the Agency does for the benefit of society and to engage with its objectives in order to reinforce their sense of belonging.

Building on this three-fold vision or perspective from which tax morality or ethics may be analyzed, we present the most relevant aspects undertaken by Tax Administrations in the area of promotion and development.

II ACTIONS CARRIED OUT BY TAs TO PROMOTE TAX ETHICS, BOTH IN TA AND TAXPAYERS’ PROCEEDINGS

In designing strategies and instruments to enforce integrity programs one should note that the image that the Public Administration in general and the Tax Administration in particular project to society influences citizens’ tax awareness and, thus, conditions the success of organizational missions.

As citizens perceive higher efficacy and professionalism in citizen service and fraud prevention proceedings by the Tax Administration their trust increases and collective tax awareness is enhanced.

Fraud Prevention Plans should consider that to strengthen tax awareness among citizens it is advisable to carry out institutional communication programs which favor voluntary compliance and discourage fraudulent behavior.

Communication proceedings should take place which not only maintain and reinforce the outreach of services provided by the Tax Administration in facilitating tax compliance but also favor fraud prevention.

Citizens and businesses should perceive that the Tax Administration facilitates and simplifies their duty to pay but, at the same time, they should also perceive intensified combat against fraud as a positive step in their own best interest.

In deploying both strategic lines, it is essential to promote and develop the new ICTs, where the Internet may be the most relevant communication means with citizens, as well as to promote external alliances which enable the Tax Administration to reach closer to society through social collaborators and improved taxpayer services.

To plan institutional communication programs jointly, it is important to implement a Communications Strategic Plan with a single coordinating body which sets out the general goals to be achieved and defines action lines, including how to manage them and their cost.

The ultimate communication goal of the Tax Administration is to remind the public opinion about sustained fraud prevention and control actions, as well as to pass on the idea to citizens who comply with their tax obligations that the Tax Administration serves them with more and better means to reduce the cost of compliance with their formal obligations.

However, there are other factors on which the Tax Administration has less influence and which also contribute to raising collective tax awareness, such as the perception citizens have relative to the fairness of the tax system and their degree of satisfaction with the public goods and services financed by taxes.

Although these factors are not directly related with the Tax Administration's proceedings, they should be reckoned with in its communications strategy.

Through the communications actions, citizens and businesses should see a socially responsible and committed Tax Administration. The fight against drug trafficking, environmental concerns – by controlling the traffic of protected animals -, their contribution to promoting lawful trade – by controlling goods at customs -, the sensitivity toward people with disabilities, citizen-tax education, promoting gender equality, etc., are clear examples of said image.

In the Spanish case, the Tax Agency plays a decisive role in advancing the information society by the gradual migration to electronic relationships between citizens and the Tax Administration, engaging different social agents – professional associations, trade organizations, financial institutions, Public Administrations, etc. – which enter into social cooperation agreements and thus enable citizens to benefit from the advantages of new technologies in their interactions with the Tax Administration.

A specific instrument which helps to broaden communication avenues from the Tax Administration to the citizens is the **Service Charter**, which represents the unique commitment to each potential recipient and reflects the acknowledgement of the moral duty of each Tax Administration to provide full support and assistance to citizens and reach higher quality levels in tax proceedings.

Furthermore, this instrument reinforces tax morality and implies an assurance, since it provides, among many other things, a catalog of the rights acknowledged to the taxpayer and the main enforcement rules of the tax system, with references for their ready tracing.

The Spanish Tax Administration Service Charter is published on the Tax Administration's website and, to render this instrument effective, a specific oversight and review system has been enabled to monitor current commitments via specific follow-up indicators.

To know how society perceives the Tax Administration's image which, as mentioned earlier, influences citizens' tax awareness and conditions the success of its mission, it is important to have tools to measure citizens' points of view and perception, such as external surveys and opinion polls, to enable on-going improvement of services and citizen satisfaction.

In Spain, the Tax Agency has a series of external surveys which are part of several studies conducted by external public entities, such as the Tax Studies Institute's tax barometer reports and the surveys of the Sociological Research Center. In addition, the Tax Agency performs its own polls.

Both types are research analysis and studies on the issues relative to public revenues and spending from the methodological standpoint provided by Sociology.

II.1 EXTERNAL SURVEYS

A) THE TAX STUDIES INSTITUTE'S TAX BAROMETER

The purpose of this Barometer is to study the evolution of the Spanish people's tax opinions. To that end, an annual survey is performed on a random sample of 1,500 citizens of over 18 years of age, scattered across 5 segments – businesspeople from different industries, farmers, professionals, employees and retired people) and selected by gender, age, education level, habitat and social/economic category. In the past, a parallel survey was conducted on a strategic sample of 125 qualified informants.

The variables analyzed make up four major set thematic blocks, which are iterated every year to follow-up on their evolution (citizen care, information and assistance services, combat of tax fraud, public services, social services, tax payment and public resource management), to which other thematic blocks may be added for every specific year, based on the aspects deemed worthy of scrutiny at any given juncture.

The results of the last edition are contained in the IEF's Document series under the title "Tax opinions and attitudes of Spaniards in...". In addition to that year's data, there is comparative data with previous years.

The diachronic reading of the past ten years suggests a doubtful popular perception and one that is somehow contradictory relative to taxpayers' compliance. Most of the population has had a perception of positive evolution regarding tax compliance over recent years, while the perception in terms of tax fraud reduction has been lower.

Regarding the **Tax Agency's corporate image**, two thirds of the citizens interviewed are aware of the Tax Agency's services and one third uses them. In addition, citizens who know about these services continue to have a clearly positive perception of them, with the vast majority valuing positively the TA's problem-solving skills.

Asked specifically about given services, opinions are clear: all of them are rated as either good or very good by the vast majority of respondents. By way of example, the service with the highest rating is the electronic signature, followed by the AEAT's website and the communication of tax data. Next comes officials' care to those who approach the AEAT's offices, as well as the draft IRPF (individuals' income tax return), the last place being occupied by the telephone service.

A clearly positive rating is also given to citizen assistance from the officials working in said services.

B) STUDIES FROM THE SOCIOLOGICAL RESEARCH CENTER

The Sociological Research Center performs scientific analysis and study of the Spanish society by conducting qualitative surveys and studies, either on the entity's own initiative or by agreement with public or private non-profit institutions.

It annually performs a nation-wide public opinion research study called "Public Opinion and Tax Policy" on a sample of 2,500 personal interviews at households.

This study deals with information on the degree of citizen satisfaction with the performance of the different public services, an assessment of the amount of resources the Government earmarks to fund these policies, and includes a number of issues relative to the Tax Administration's activity (fair distribution of tax payments, fair tax collection and tax pressure among high, medium and low income segments, valuation of the Administration's efforts in combating tax fraud, etc.).

Specifically, the 2010 report "Public Opinion and Tax Policy" attaches a very high value to the Tax Agency's information and assistance services. This is also the case for the item "satisfaction" relative to service received at the Tax Agency's premises. In 2009, 81.8% of respondents stated they were satisfied or very satisfied with the service and treatment received in the Tax Agency's offices.

II.2 THE TAX AGENCY'S OPINION POLLS

In the Tax Agency's website there is a survey section where citizens who have used the electronic filing system of Individuals' Income Tax Returns may fill out an opinion form including issues relative to the degree of difficulty in obtaining the Income Return Help Program (**PADRE**, as per the Spanish acronym), or the preparation of the return, the degree of overall satisfaction with the Internet filing system and with the five services provided by the Tax Agency which they consider most useful.

Once all the annual tax forms have been processed, the results are posted on the Survey Summary Section of the Website, which is available to the general public.

As an example of the usefulness of the system, in the 2008 Income Campaign results, carried out during 2009, 77.9% of respondents showed very high satisfaction with the Internet filing system.

The five services users have considered most useful in the 2008 survey are: filing of return, queries on rebates, transfer of data available relative to the Individuals' Income Tax, the request, review and confirmation of the Income Draft, and downloading the help program.

II.3 TAX STATISTICS

Once the social perception about the Tax Administration's performance is known, the TA should continue the communication exercise with society by passing on elaborate information enabling further dialog.

Still using the example of Spanish, in the Tax Agency's website there is a section on Tax Statistics which includes Publications, Statistics Reports, Statistics on the electronic window and the annual outreach Calendar of statistical outputs (reports and publications).

Under Publications, reference can be made to the **Individuals' Income Tax Return Statistics**, based on the returns which correspond to the statistics tax year of reference. This publication gathers detailed information on the main items contained in the D-100 model return sorted from different perspectives.

Another very useful statistics is **Economic and Tax Results for VAT** – a census piece of data based on the information provided by economic agents through the "Annual Summary", aimed at offering a rigorous compilation of economic and tax figures.

Statistics provide the main components of purchases, sales, EU imports or intra-community purchases, the tax variables which determine the VAT balance per return and the main tax parameters for VAT: the result of the return, mean type of sale and purchase, pro-ratas, etc., variables which jointly explain the tax due, rendering it a collection analysis tool.

The **Statistics Reports** section shows the monthly Collection reports, the Reports on Sales, Employees and Wages for Large Corporations and Annual Tax Collection Reports.

The section on the **Electronic Window** contains, among others, information relative to Internet Returns and Call Center Statistics.

II.4 TAX ADMINISTRATION ACTIONS AIMED AT ENSURING TAXPAYER RIGHTS

In addition to inquiring into the image the Tax Administration projects onto society and giving this information back to citizens (including a possible analysis shown on its website), the Tax Administration should continue its effort to get closer to society and public transparency.

One should bear in mind that the rights of taxpayers are also part of tax morality and should be protected separately.

A) THE TAXPAYER ADVOCACY COUNCIL

A very useful action in this connection might be the creation of a body which advocates for taxpayer rights.

This entity has the purpose of protecting taxpayer rights, responding to grievances resulting from governmental enforcement of the tax system and making suggestions and proposals in accordance with the procedures established.

The Council not only helps to work closer to taxpayers or reach a better understanding between taxpayers and the TA, which reduces conflict and, thus, claims and grievances, but also to inspire improvements to the TA's work and, ultimately, new tax norms.

It could further be considered as an observatory of the Tax Administration's work, since grievances and suggestions from citizens will provide insight on the degree of acceptance and social satisfaction with the tax system.

In Spain, the **Taxpayer Advocacy Council** is a collegiate body reporting structurally to the Ministry of Economy and Finance, but with expressly granted functional autonomy. Said autonomy is ensured by equal representation of the Tax Administration and professional sectors involved in the tax field.

Citizens may submit grievances and suggestions to a specially designed area in the Tax Agency's website. The logistics and support in processing these requests are provided by the Agency via the Internal Audit Service.

The Council publishes its Annual Report and the Council's activity raises a series of normative proposals focusing exclusively on substantial issues relative to inadequacies or flaws in current norms detected repeatedly in the cases processed through the Council.

B) REDUCING TAXATION DISPUTES

On the other hand, when referring to taxpayer rights, we could also mention the issue of taxation disputes, which indicates disagreement or discrepancy between the Tax Administration and the taxpayer.

It is the result of developing tax ethics, understood as the enforcement of the tax system in specific, individualized cases. It is an undesirable phenomenon; yet, it exists; therefore, it should be studied in order to find its root causes and adopt relevant corrective measures.

For the Tax Administration, in the best case scenario it implies deferral of the tax payable for a long period and, in the worst case scenario, the acknowledgement of incorrect enforcement of the norms, criteria or principles of action and the ineffective use of its resources.

As to taxpayers, they may have a negative perception of the Tax Administration's performance, feel that their rights are not being respected, in addition to having to bear the economic cost for the duration of the conflict.

For this reason, the Administration is compelled to acknowledge this is a major issue and adopt the necessary corrective measures.

Tax Fraud Prevention Plans may take into account this phenomenon and determine palliative measures for any conflicts arising from tax administration actions, such as the regular issuance of reports on tax conflict for each territorial Unit and for the whole of the Tax Administration.

These reports will enable recommendations and proposals for improving the different Units with a view to reducing conflict rates and/or improve their results.

After preparing the report and proposals, results should be assessed which ultimately could give rise to motions to the liable functional bodies with the purpose of expanding them to the Tax Administration as a whole. This will translate into enhanced tax morality within the Administration.

II.5 TAX ADMINISTRATION ACTIONS AIMED AT IMPROVING COOPERATION WITH TAXPAYERS

However, in addition to protecting taxpayer rights, the Tax Administrations should take one step further and establish new communication and exchange spheres which will not only reduce conflict rates but also enable a meeting point between the TAs ethics in its capacity as the public authority responsible for effective and efficient enforcement of a tax system but also taxpayer ethics based on their knowledge of their tax duties and obligations.

Before establishing cooperation or control actions to be performed by the Tax Administrations, TAs should perform risk assessment, control and follow-up that may seriously impair the completion of corporate goals.

This implies identifying these risks, making a previous analysis and subsequent assessment of those which should be mitigated to reduce their likelihood of occurrence while finding ways to reduce their negative impact on corporate goals.

With active involvement from all Departments and Services of the Tax Administration, **Risk Management Plans and Maps** serve to improve the operational management and further strive, among other things, to achieve integrity in civil servants' conducts.

There are many types of manageable risks, but those related to irregular conducts or deviations from ethical and professional values can be limited by means of proactive and preventive process control mechanisms and by developing rules and procedures.

Once this analysis has been performed, Tax Administrations should seek different mechanisms of dialog and cooperation in the spheres detected as favorable to this type of dialog.

A) LARGE CORPORATIONS FORUM

In Spain there has been a recent step toward building a better relationship between the Tax Agency and large taxpayers by enabling a new type of cooperative relationship with a small number of large businesses in a two-phase process:

1st phase –creating a discussion forum with large taxpayers where the major issues arising between large businesses and the tax administration are discussed either in joint or sectorial meetings and the extent of the cooperative relationship model is assessed.

2nd phase – implementing a special framework through which the Administration shall provide an opinion regarding the tax consequences of their business operations within a timing which is appropriate for corporations in exchange for absolute transparency on them, provided that the businesses which voluntarily chose the special framework offer all the information required by the Agency with a view to determining its opinion.

The Large Corporations Forum was established in July 2009 to enforce the first proposal. This entity promotes a cooperative relationship between AEAT and a total of 27 large Spanish businesses to promote further cooperation based on the principles of transparency and mutual trust, by communicating and sharing the issues that may arise in enforcing the tax system.

Noteworthy among the issues put forth for discussion at the Forum are those relative to the establishment of expeditious communications channels to improve the widespreading of general interest interpretation criteria reached by competent bodies (of the administrative, economic-administrative and legal fields), analysis of steps to simplify tax compliance, promoting e-invoicing or establishing more secure communication means for businesses while minimizing disputes.

Likewise, the Forum enhances and values general interest normative projects.

The Large Corporations Forum works through the Plenary and Working Groups, and agreements take the shape of reports or recommendations relative to the issues discussed therein, as a result of which they shall not be legally binding.

At present, there are three Working Groups on:

- the preparation of a Good Tax Practices Code,
- the analysis and reduction of Indirect Taxes, and
- Transfer Pricing

The **Working Group on the Preparation of a Good Tax Practices Codes** has finished its work by adopting a language at the Plenary Forum of July 2010.

The goal of this Code is to improve mutual cooperation between companies and the AEAT based on the principles of good faith and mutual loyalty, the enforcement of responsible tax policies by corporations and transparency and legal security and predictability in rule enforcement.

The starting point is to acknowledge the importance businesses have in society, not only as employers and wealth creators but also as agents for the development of the communities they are in. Businesses are aware of this and have for years tried to strengthen their social responsibility by making an active and voluntary contribution to social, economic and environmental improvement.

Social responsibility includes wide-ranging aspects (environmental, cultural, social cooperation, etc.). However, in recent years reducing tax risks has been a predominant area.

In turn, one of the strategic goals for the TA with regard to tax morality is promoting voluntary compliance with tax obligations by all taxpayers. In the case of businesses, meeting this goal calls for greater proximity, better knowledge of their actions and, especially, providing the maximum legal certainty and predictability to enable better and more efficacious fulfillment of tax obligations.

The Good Tax Practices Code seeks to attain these goals. Businesses mainly undertake to promote tax risk reduction and prevent the conducts that are liable to create risks. The Tax Agency undertakes to increase legal certainty and predictability of businesses, by assisting them in meeting their tax obligations. Both parties commit to reduce disputes in their relations and any conflicts derived from the interpretation of applicable rules.

For the Tax Agency, this Code of Good Practices shall imply enhanced efficacy and efficiency of tax control. On the one hand, for businesses adhering to the Code (23 at the present time) its use will avoid tax non-compliance and costly tax disputes. On the other hand, it will allow for more resources to be used for combating fraud.

B) TAX ADMINISTRATION SERVICES PROVIDED TO TAXPAYERS

Tax Administrations are aware of their duty to perform actions aimed at taxpayer information and assistance.

Citizens are offered multiple means of communication – Internet, telephone, written material (letters, brochures, handbooks, etc.) and personally throughout their office network.

In addition, both tax education campaigns on tax fraud and taxpayer information campaigns are held by the main communication means (press, radio, TV), especially in connection with the annual payment of Individuals Income Tax.

Noteworthy among these actions by virtue of its high interest and results, and as an example derived from the Spanish Tax Administration, is the INFORMA software, which consists of a

database of tax questions and answers that may be queried over the Internet.

In addition to the already mentioned services, aimed at providing information to citizens, the Tax Administration should promote voluntary tax compliance by different actions. By way of example, in the Spanish Administration we can mention the following:

1) Sending a draft Individuals' Income Tax Return and relevant tax data

The Tax Agency provides IT software so that taxpayers may prepare their own return. It also helps them directly in preparing the return, either in their own offices or through cooperating entities.

Likewise, the Tax Agency provides taxpayers with tax data to prepare the Income Return and sends the draft income return to their homes if applicable and so requested.

Confirmation and changes to the draft received may be made in different ways (by telephone, Internet, SMS, etc.)

A relevant piece of data which shows the importance of this action is that, in 2009, over 20 million communications were sent out to taxpayers.

2) IT help software

Returns for most of the major taxes can currently be prepared with the help of IT software, which are used to create most of the returns received, both on paper, CDs and over Internet.

3) Personal appointment service to prepare returns

4) Call center

The Tax Agency has a Call Center and an automated voice recognition service working 24 hours to help taxpayers in meeting their tax obligations.

5) Electronic filing of returns

The use of new technologies has become one of the main issues a Tax Administration should face.

For this reason, the Tax Agency devotes much of its efforts to promoting electronic filing of returns by using some of the ID systems provided for by law.

Currently, over 66% of all returns are submitted in this fashion.

Conversely, taxpayers may appoint a proxy or authorize a social collaborator with a contract signed with the Tax Agency to act as proxy in submitting the different tax returns. The Tax Agency has undersigned over 3,900 Contracts or Adhesion Protocols authorizing social collaborators to file returns on behalf of third parties.

6) Expediting customs clearance

To prevent customs declarations from becoming an obstacle to trade, and without detriment to efficient customs controls, Tax Administrations should implement IT software to avoid delays resulting from public service hours. In Spain, the system has been designed with the purpose of providing service 24X7X365.

As a result of this initiative, the mean time for customs clearance proceedings has been reduced from 63 minutes in 2008 to 36.49 minutes in 2009.

7) Early assessment agreements

This mechanism allows taxpayers to request of the Tax Agency a binding tax assessment provided specific assumptions are met.

II.6 THE WORK OF TAX ADMINISTRATIONS IN PREVENTING TAX FRAUD

While performing actions aimed at strengthening citizens' tax awareness, Tax Administrations are aware of their role as monitors of taxpayers' tax morality, understood as the degree of commitment or conformance with tax proceedings, the ethical principles and fundamentals contained in the norms and practice of Tax Systems.

In this regard, there is a series of activities which Tax Administrations should perform to verify conformance and prevent and correct tax fraud.

In the area of control actions, both extensive and selective checks may be performed.

Extensive actions are those affecting a large number of taxpayers and using the information the Tax Agency has on all returns and, particularly, during the annual payment periods for all tax modalities.

Conversely, selective and investigative actions are projected on groups of taxpayers posing higher risk of non-compliance based on objective criteria.

The Spanish Tax Agency has a planning instrument – the Overall Tax Control Plan – within its strategic priority baseline of combating tax fraud.

In terms of the selective control of taxpayers deemed to pose higher tax avoidance risk, and in an economic and social context characterized by economic crisis, the Plan sets forth the following priority action lines for 2011:

- Work on sectors where there is a higher perception of fraud (professionals, subcontractors, external staff, etc.).
- The underground economy.
- Work on tax engineering or abusive tax planning.
- Transfer pricing.

In addition to these specific actions, on-going work is performed to ensure adequate generic compliance with the tax system according to the relevance of given sectors and activities.

These basic and priority control actions are closed with proceedings aimed at securing effective collection of the taxes assessed by specific actions such as collection risk assessment during the auditing phase; systematic failure to comply with tax payments; follow-up of apparent insolvency cases, etc.

II.7 TAX ADMINISTRATION ACTIONS AIMED AT TAX EDUCATION

Finally, once the iteration process has been put in place with society and having adopted the measures and procedures enabling compliance with the mission, as per the highest standards of tax morality, Tax Administrations have a specific social responsibility.

They are called upon to create tax awareness among future taxpayers in such a way that they embrace tax responsibility as a value supporting co-existence in a democratic society and identify tax compliance as a civic duty.

One of the clearest pieces of evidence of this commitment with the citizenship are **civic-tax education programs**, mostly aimed at children and adolescents in the national territory, which should be part of the measures contained in Tax Fraud Prevention Plans.

In Spain, the program has been implementing a series of activities, such as Open Door Dates and School Visits, undertaken by voluntary teacher teams and collaborating staff in all Delegations of the Tax Agency.

With the purpose of deepening this effort, activities have recently broadened to include new tasks such as delivering courses and holding various activities with Primary and Secondary teachers, as well as delivering courses to Teacher Training and University students.

II.8 TAX ADMINISTRATION ACTIONS AIMED AT PROMOTING CIVIL SERVANTS' ETHICS

The third pillar of the notion of morality mentioned at the beginning is the professional ethics of civil servants, which underlies administrative morality in general and, in this particular case, may be applied to the tax field.

To ensure voluntary tax compliance, it is essential to earn taxpayers' trust relative to the integrity and ethics of the Tax Agency's employees. It is equally important to ensure there is a positive social perception regarding the honesty, integrity and equity of officials in charge of enforced tax collection.

Tax Administrations should develop **control and supervision systems** to prevent and detect irregular behaviors which, in addition to having an internal function, may be an indicator of the Tax Administration's ethics vis-a-vis the public opinion. To that end, it is advisable to create a cross-cutting entity -- an Internal Audit Service -- to perform the following functions:

- a) The exercise of internal control and oversight of all services by designing on-going control instruments to assess efficacy and efficiency.
- b) Advice and assistance to ruling bodies in all issues required.
- c) Support and advice in all aspects of continuous improvement in service rendering and quality standards.
- d) Revision and assessment of internal security and control, as well as prevention, detection and, if applicable, investigation of irregular behaviors.

In the Spanish Tax Agency, the Internal Audit Service conducts actions such as:

1) Managing single users

It consists of checking the adequacy, control and follow-up of the control points which enable access to data required strictly for purposes of fulfilling officials' tasks.

2) Tax Database access control

Checking information access systems, their adjustment and rationale.

3) Controlling civil servants' restrictions

Detecting possible non-compliance with state as well as specific Tax Agency regulations regarding Public Administration staff restrictions.

4) Corrective actions and investigation of irregular behaviors

These actions are carried out based on AEAT's databases and general registries, among others.

Action is prompted by either public or private claims or upon request by official entities such as AEAT departments or the Taxpayer Advocacy Council.

5) Detection

This type of action is based on risks selected previously by the AEAT.

6) Technical assistance and consultancy on combating corruption and promoting organizational ethics with EU and IDB funding. In addition to control or oversight systems, we should underscore the importance of the Tax Administrations' educational activities,

Which focus on raising awareness among officials with management functions at the Tax Administration and others who perform executive functions in the areas of management, assessment, auditing and collection, both of excise taxes and customs duties, on principles and values such as institutional loyalty, professionalism, appropriate taxpayer service, etc., which characterize the organization's corporate responsibility.

III.- FINAL CONCLUSIONS

Tax morality or ethics is a wide-ranging notion which should involve an analysis of different aspects which have been listed and briefly described earlier.

All of these aspects are essential and should not be treated separately but lead to a more integral understanding of tax morality.

All Tax Administrations plan their policies by focusing on effective fulfillment of their ultimate objective or mission, but policies face difficulties which sometimes prevent their goals from being achieved.

Some of these difficulties are structural flaws of the organizations, often linked to working visions, processes and methods which are engrained in excessively bureaucratic, inflexible rather than innovative ideas.

We should also mention the lack of integrity in a few civil servants' behaviors, both in cases of clearly criminal behavior or conducts which are contrary to administrative rules and also in cases of behaviors which are not illegal but undesirable since, once perceived by taxpayers, they would affect the credibility of Tax Administrations and have an undesirable impact on tax compliance.

Thus, ethical promotion policies should work closely with the different areas of the corporate government of the organization responsible for enforcing the tax system.

Promoting, encouraging and designing action plans and policies in line with the highest integrity standards implies working simultaneously and in coordination on different aspects, the most noteworthy of which are:

1) Leadership

The highest authority of the Organization and Senior Management should have a strong leadership role and show an unmistakable and clear position regarding the factors which influence organizations' ethical infrastructure.

2) Legal framework

The legal framework should be seen from a broad perspective, which includes not only substantial tax regulations or procedures but also other administrative provisions which, although unrelated to taxation, serve to regulate relationships between officials and their taxpayers in order to process the grievances and suggestions on the use of public services.

3) Equity

This is an essential aspect to ensure the legitimacy of the system vis-a-vis the taxpayer. Legislation which is perceived as inequitable, even if administered efficiently, will inevitably lead to less trust and respect from the taxpayer and this in turn will lead to further non-compliance.

Laws should be equitable, but so should the way in which they are administered. Citizens must be certain that the Tax Administration will take every step needed to ensure that everyone receives equitable treatment.

4) Transparency

Transparency is another essential part of Tax Administration ethics. Taxpayers have the right to demand high levels of clarity in their interaction with the Tax Administration. This objective can only be achieved if laws, regulations and procedures and tax guidelines are communicated openly and readily to the public and are enforced steadily and consistently.

5) New technologies

Although we are aware of the potential of IT and electronic means in helping Tax Administrations to be more efficient, it should be recognized that automated systems may be vulnerable to manipulation both from inside and outside the organization. For that reason, it is important to ensure that appropriate security controls are in place, and that oversight and accountability systems are established.

Access to the information contained in tax databases and all applications defined as support to tax enforcement should be allocated responsibly and consistently with the degree of responsibility within the organization.

6) Institutional autonomy

It is important to ensure the absence of political influence in specific and individual cases of tax enforcement.

Organizational regulations and those which rule processes should reinforce institutional autonomy in performing the most relevant functions of tax enforcement.

Furthermore, greater budgetary and personnel autonomy contributes to this objective.

7) Effective control and accountability mechanisms

Using internal and external oversight and control mechanisms is essential. An internal control and auditing unit is an important component of an efficient tax administration and should be responsible, among other things, for carrying out investigations in claims of alleged corruption or irregular conduct.

8) Human Resource policy

Finally, Human Resource management policies and procedures have a very important role in promoting ethics within a Tax Administration. The most noteworthy aspects are:

- Staff selection and promotion processes which ensure objectivity, transparency and impartiality, as well as an administrative and professional career.
- Training programs, both for new entrants and current staff members.
- Remuneration policy based on performance and responsibility.
- Performance appraisal systems, both for management and operational staff.