

Training System & Capacity Building Plan

**-For addressing current challenges
in tax administration**



National Tax Service, Korea

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I

Need for Specialized Training Program



01 Need for Specialized Training Program

Goal

- ❖ To manage future changes in tax administration
- ☞ Realizing "Fair and Trustworthy Tax Administration"



How to achieve

- Enhancing efficiency by running training and operating system together
- Achieving goal with specialized training program



Status

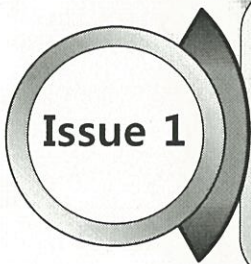
- ① Change in tax administration environment (ex. Growing offshore tax evasion, etc.)
- ② Growing importance of tax administration
- ③ An Increase in the proportion of new hires to total staffs (20,072)





II

Recent Challenges in Tax Administration



Issue 1

- Growing tax-related crimes (offshore tax evasion, tax avoidance by large companies, HNWI)
 - ☞ Success in operating 『Underground Economy Trace TF』
- To tackle the crimes, following policies are introduced

Policies

- ① Revising law to utilize FIU information on “suspicious transactions”
- ② Implementing FBAR
- ③ Signing MOU to exchange information with KCS

02 Growing Unpaid Taxes, etc.

Issue 2

- A growing number of non-compliant taxpayers gives a negative effect to the national budget
 - * The number of delinquent tax cases and the amount of outstanding tax debts are growing
- ☞ 「Div. for Detection and Tracing of Hidden Assets」 has cut down on the large amount of unpaid taxes since 2012

Issue 3

- Growing taxpayers' appeal for taxation
 - * The number of tax appeals and lost cases are rising
- ☞ Procedure for taxpayer relief is 1) an administrative appeal and 2) litigation appeal

Issue 4

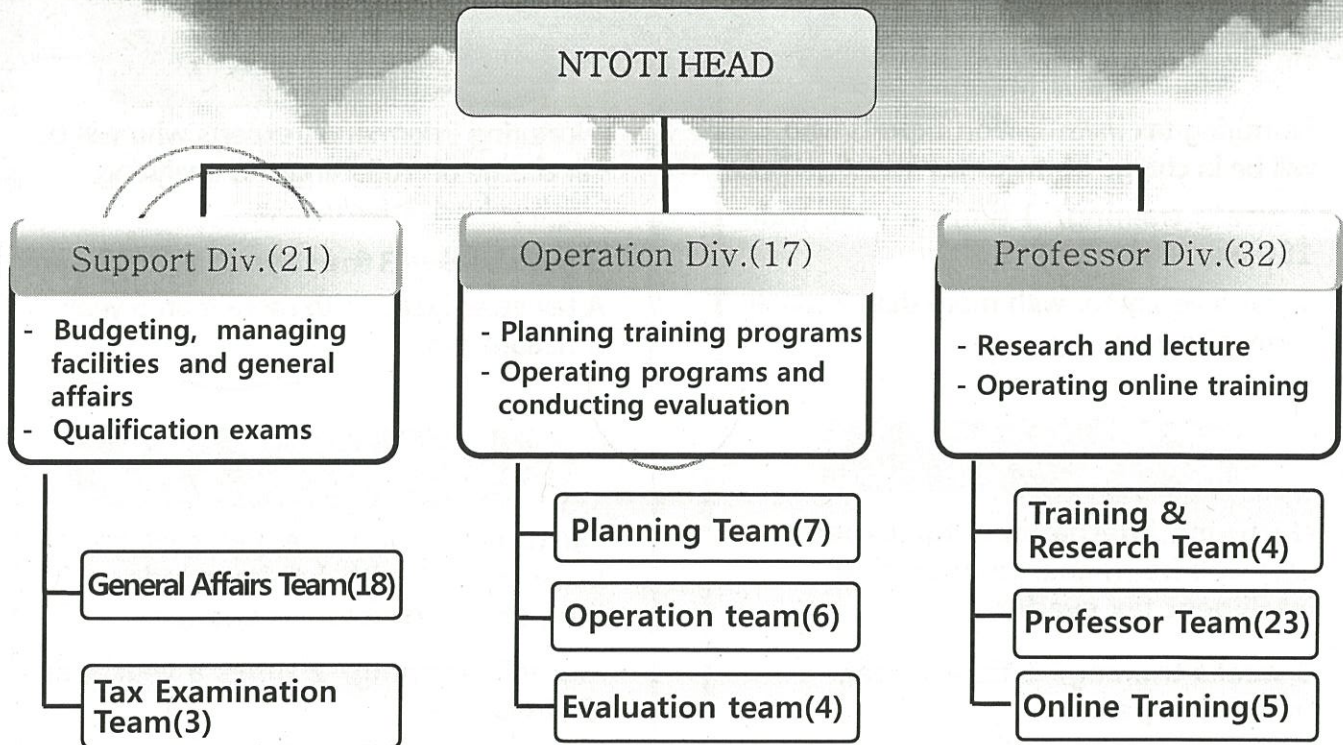
- Difficulty of applying law due to new financial products and frequent revision of tax law
- ☞ Ground for increasing tax appeals



III

Current Capacity Building Program

01 Training Organization and Function



* Provide 16,000 staffs and 10,000 taxpayers with training programs a year



02 Training Direction

Global leaders for the world-class tax authorities

1. Intensive training for new employees
 - ▶ Train basic work ability, work adaptability
2. Systematic demand-based training
 - ▶ Phased/multi-level training
3. Fostering basic work capability
 - ▶ Cultivate integrity, morality and IT ability
4. Expanding self-directed learning system
 - ▶ Obtaining necessary certificate through cyber/on-the-job training courses

1. Early discovery of outstanding individuals
 - ▶ Develop high-potential future leader
2. Fostering the best expert in each field
 - ▶ Tax law, Investigation, Information, Litigation
3. Enhancing global capability
 - ▶ Expand training in specialized fields
 - ▶ Int' l taxation, Offshore tax evasion, Underground Economy
4. Providing superior faculty



03 Specialized Training for Offshore Tax Evasion, etc.

① Tax Investigation Expert

- Nurturing tax investigation experts who will be in charge of major tax investigation
- 4 weeks training/ 3 times a year, train 180 experts
- A tax investigator with more than 7 career years of national tax

② Information Expert

- Nurturing information experts who will be in charge of collecting and analyzing high-valued information
- 3 weeks training/ 3 times a year, train 150 experts
- A tax investigator with more than 5 years of national tax

③ International Tax Expert

- Nurturing international tax experts who will be in charge of tracing intelligent tax evader
- 6 weeks training/ 1 time a year, train 80 experts
- A tax official with more than 3 years of national tax

④ Litigation Expert

- Nurturing litigation experts who will be equipped with full knowledge of litigation and field experience
- 4 weeks training/ 2 times a year, train 100 experts
- A tax official with more than 3 career years of tax imposition/investigation/litigation

04 Training by Areas for Offshore Tax Evasion, etc.

① Foreign Information Course

- Nurturing ability on collecting foreign information
- 1 week work training/ 1 time overseas training
- A tax official with more than 5 career years of national tax

② Financial Derivatives Course

- Nurturing ability on investigating financial derivatives
- 1 week training/ 3 times a year/ train 150 experts
- All applicant

③ Foreign Exchange transaction/ Import & Export trade Course

- Nurturing ability on correlation btw corporation tax & customs duty/ TP investigation techniques
- 3 days training/6 times a year/ train 330 experts
- All applicant

05 Incentives for Outstanding Employees

1. Specialized tax official in international taxation

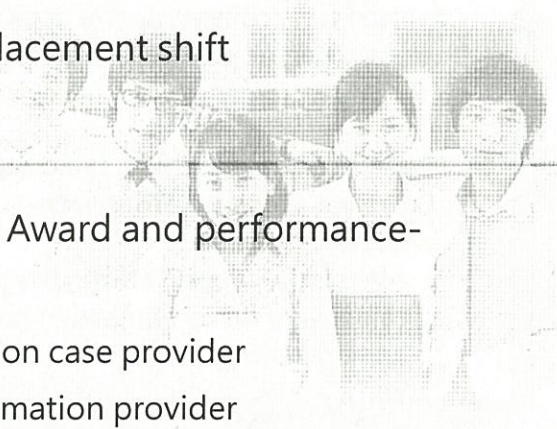
- ❖ Appoint those who completed required training courses or meets requirements
 - Induce long-continued work, extra benefits, priority in promotion

2. Good grade award

- ❖ NTS Commissioner' s Award
- ❖ NTOTI Head' s Award
- ❖ Priority in personnel replacement shift

3. Award to high-valued information collector, etc

- ❖ NTS Commissioner' s Award and performance-based benefits
 - High-valued investigation case provider
 - High-valued work information provider



IV

Way Forward & Conclusion



01

Operation Difficulties & New Challenges

"Overcoming difficulties & challenges through Training Programs"

Operation Difficulties & Challenges

1. There is a limitation to address current challenges with current training system
 - ▶ Need for a comprehensive approach considering all possible elements (e.g. policy, organization, manpower)
2. Due to new tax evasion, financial products, etc., the NTS is facing with new challenges
 - ▶ Need for developing training programs to manage future demand in tax administration

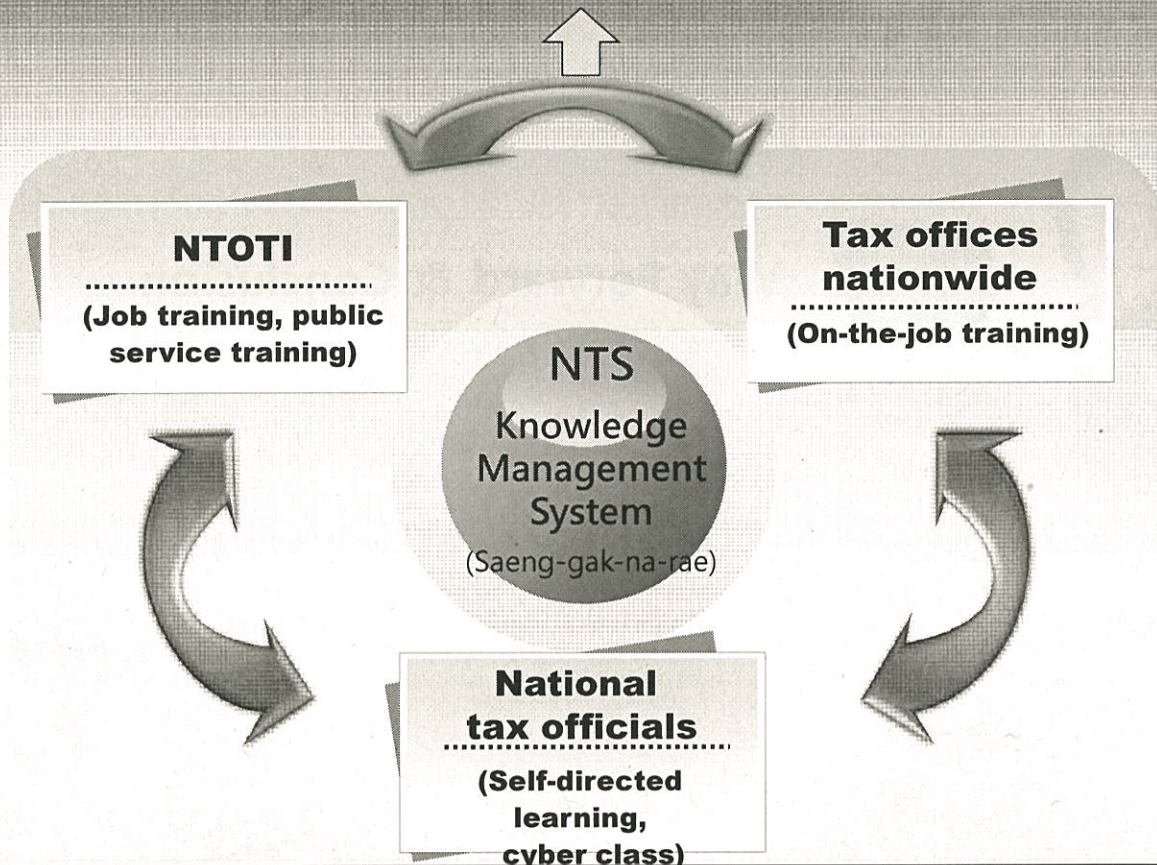
Difficulty & Complexity of Tax Law

1. It takes substantial amount of time to develop professionalism in tax law
 - ▶ Simple knowledge of tax is not enough
 - ▶ Need for practical field experience
2. The complexity and diversity has increased
3. As tax administration is closely related with taxpayer's property right, taxpayers may raise appeals frequently

02

Capacity Building to Manage New Challenges

① Capacity Building with KMS



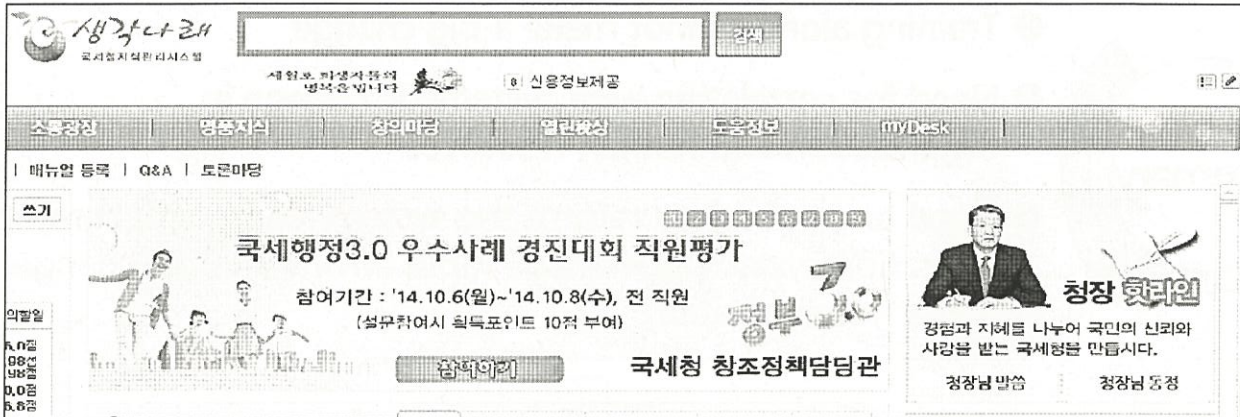
02 Capacity Building to Manage New Challenges

② One-click administration with the New Tax Integrated System

Innovative renovation of 19 years-old TIS

- ☞ Systematic usage in tax resource management, tax investigation and non-compliance management, etc

< First page of KMS that will be launched early next year >



Meet future administrative demand and enhance work efficiency

03 Reform Direction of Training Programs and Manpower Cultivation

Improvement in Training

- ☉ Enhance training program to manage non-compliant taxpayers (large and habitual delinquent)
 - Training in investigation techniques on finding hidden assets
- ☉ Expand specialized training for each field
 - Reorganizing training programs on tax evasion schemed by HNWI
 - Encouraging employees by expanding specialized tax officials system

Improvement in System

- ☉ Cooperation with KCS, FIU to curb offshore tax evasion, etc.
 - Sharing investigation techniques and conducting joint training program
- ☉ Systematic reform in training, organization and human resources to lower tax appeal ratio
 - ☞ Giving high responsibility on over-taxation
 - Reorganizing dedicated div.
 - Reinforcing dedicated div. with new experts

Seeking new change while maintaining current capacity building system

Current Status

- ❖ Need to respond to current challenges preemptively
- ❖ Need for developing professionalism and capacity of tax officials for realizing fair and trustworthy taxation



Summary

- ① Training alone cannot make a big change
- ② Need for correlating with systematic change in organization and human resources
- ③ Need to continue to reform the system along with current operation system to manage rapid environmental change in tax administration



Realizing Trustworthy and World-class Tax Authority

