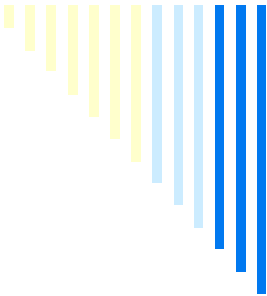


Challenging the Norm in Post Crisis Argentina: Alternative Tax Policies and Social Cohesion

Santiago Montoya
Undersecretary of
Public Revenues
Province of Buenos Aires





Introduction

Argentina 2002:
Political and Economic Crisis
Debt Default, Multiple Currencies



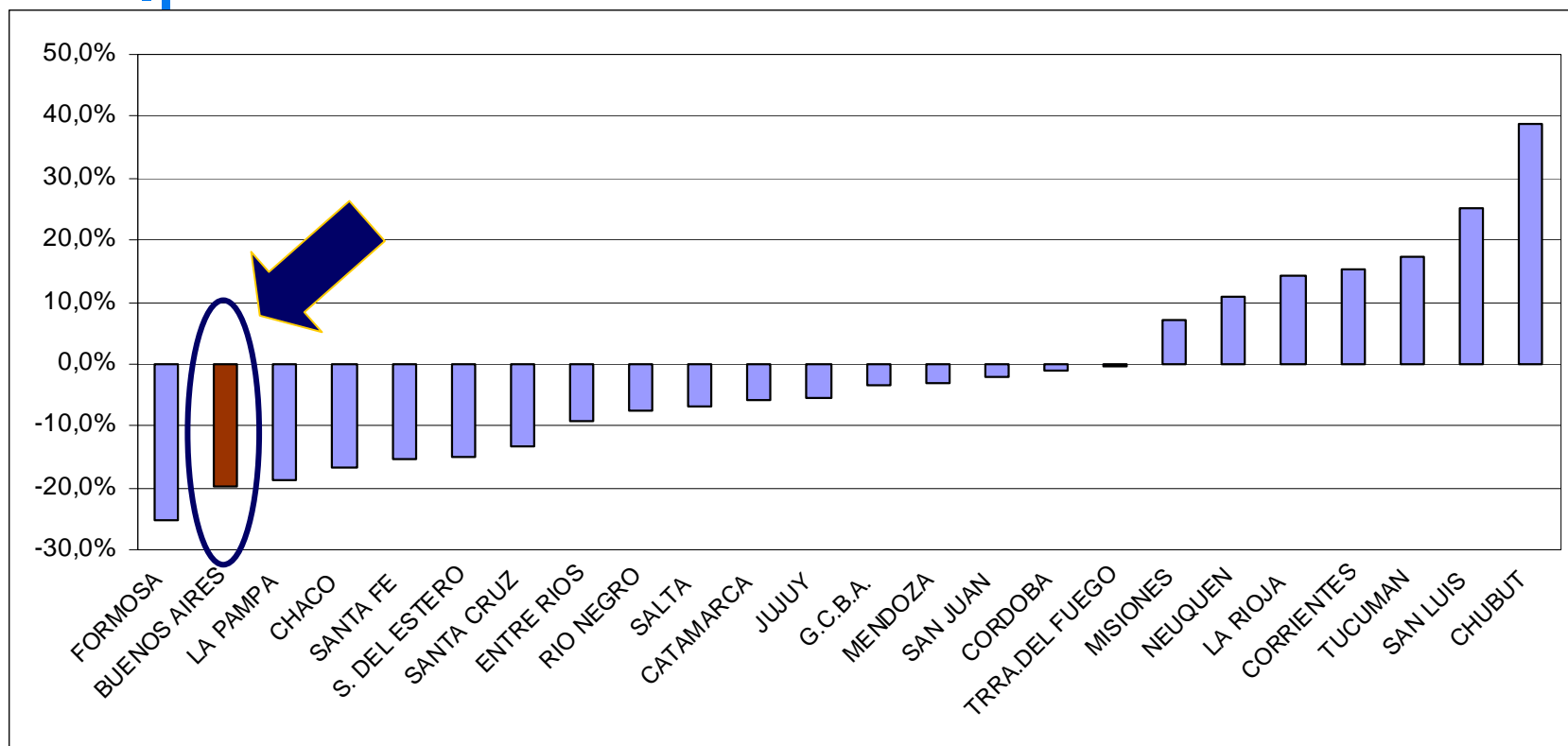
Psychological Contract between Citizens and
Government broken



Tax Collection reaches its worst level



Introduction



**Tax collection in Provinces
2001 vs 1998**



Introduction

Tax Authority–

Administered Taxes:

- **Tax on Gross Income.**
- **Tax on Real–Estate.**
- **Vehicle License Fees.**
- **Fiscal Stamps.**



Introduction

- Problems Detected in Taxpayers Behavior:
- Citizen Sense of duty: generally absent.
 - Problem Awareness Degree: high.
 - Sense of Involvement: absent.
 - Fear to Punishment: none.
 - Fairness perception: non-existent.

Citizen Identity: in Jeopardy
Need of Recovery of Social Cohesion



Introduction

Problems Detected in Tax Administration:

- System: regressive.
- Enforcement Policies: non-existent.
- Quality of Management: poor.
- Quality of Services for Taxpayers: poor.
- Information Quality Available: poor.

Administration Governance: in Jeopardy

Need of Recovery of the Rule of Law



Introduction

Cultural Problems Detected:

- Legal System: obsolete and in need of change.
- Chances of abrupt change: scarce.
- Innovation Acceptance: a challenge.
- Political Support: high.
- Workers Union Support: low.

Government Coherence: in Jeopardy

Need of Producing a Cultural Change



Recovery Strategy

Lines of action:

- Proactive Fostering of Compliance, for effective increase in tax collection.
 - New devices for tax collection
 - Social Actors as Information and Collection Agents.
- Organization Restructuring around key processes: Tax Determination, Collection, Payment Registration, Debtor Pursuit and Inspection, with equity and transparency as rector principles.

Focus: How to conduct the relationship with the citizen–taxpayer.



Criteria for Social Cohesion and Coherence Regain

- ❑ Active Pursuit of Debtors, Elusion and Fraud.
- ❑ Communication Effort for Challenging the Norm.
- ❑ Program of Benefits for Well Behaved Citizens.
- ❑ Participation of All Actors Involved

CULTURAL CHANGE PROMOTION



General Program

- The Center of the Administration changes from Object to Subject.
- Straight Cooperation between public and private sectors, under a new concept: social cohesion.
- **Electronic Government** as a primary interaction tool: electronic payment, electronic reporting and electronic document interchange, identification cards for payment and benefit, intensive use of Web Services.
- “On the field” presence as enforcement principle.



General Program

2002-2007: Main Lines

- Confidence in technological improvement, although discarding technological “assaults”.
- Promotion of inner change, gradually adapting it to acceptance level, in order to reach maturity.
- Introduction of the citizen-centered administration concept, with simplification of processes in mind.
- Relocation of agents, from bureaucratic tasks to action “on the field”, through real incentives to diminish resistance.



General Program 2002-2007: How to Finance

- Provincial Budget Resources.
- UNDP Programs Resources.
- UNPD resources primarily used to design change processes.
- Provincial Resources primarily used to consolidate change sustainability.



Change Program

Tax on Gross Income

Problems Observed

- ❑ High Level of Underreported Income
- ❑ Black Market High Presence
- ❑ Low Level of Compliance
- ❑ Paper-based Work Schema

Change Program

Tax on Gross Income

~~Paper-based taxpayers Income Reporting and payment.~~

~~Own Collection Method~~



IIBB Series Systems (XML Applications)



- Entire Electronic Support
- Direct Reporting Mechanism
- Control over pre-determined base



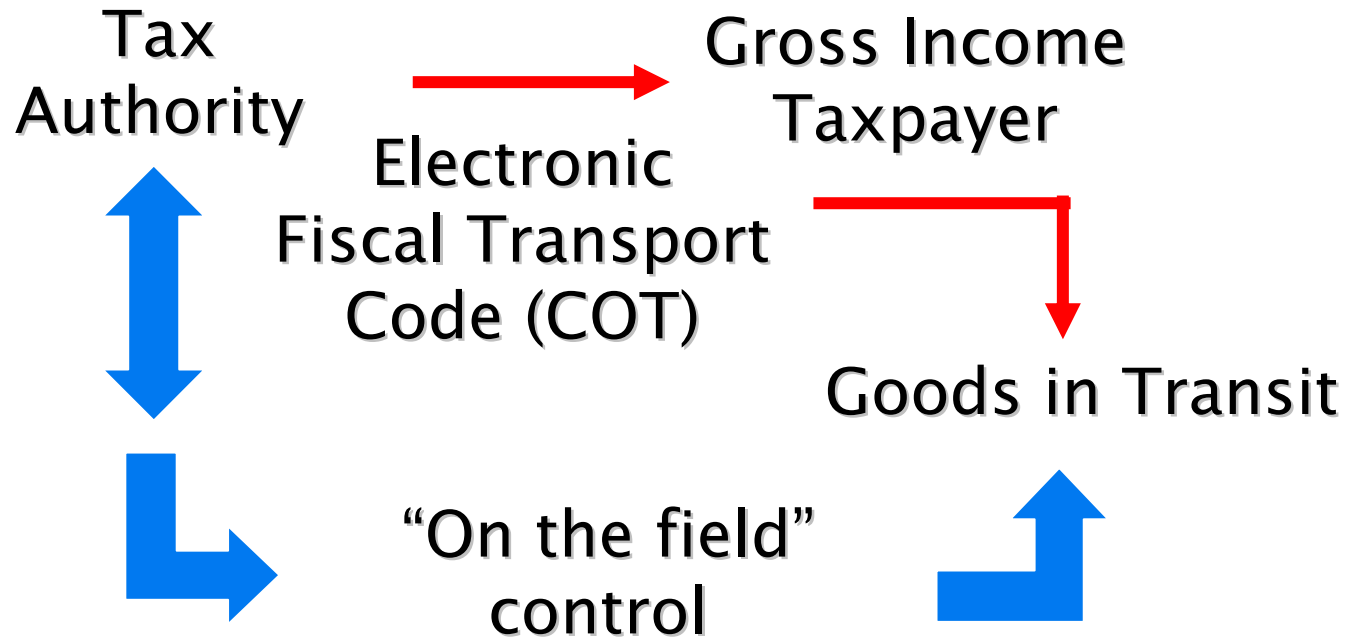
Underreporting Avoidance

SIFERE – OSIRIS for multi-jurisdiction taxpayers



Change Program

Tax on Gross Income





Change Program

Vehicle License Fees

Problems Observed

- ❑ Poor Information on Property
- ❑ Black Market for Used Cars Transfer
- ❑ Lack of Legal Devices for Enforcement
- ❑ Paper-based Work Schema
- ❑ Low Compliance Level

Change Program

Vehicle License Fees

Vehicle Property Registries: Agencies with no connection with Tax Authority = null information interchange

City and Province of Buenos Aires

Radical Reform

GERCYDAS Series Web Systems

Convert Registries in Agents.

Connect client applications running in Registries with a Tax Authority Server.

Agent Statements as XML documents

Other Jurisdictions: file interchange





Change Program

Tax on Real-Estate

Problems Observed

- ❑ Poor Information on Property
- ❑ Lack of Legal Devices for Enforcement
- ❑ Paper-based Work Schema
- ❑ Low Compliance Level



Change Program

Tax on Real-Estate

Reform: Inner Actors involved

- Cadastral Offices
- Provincial Property Registry
- Tax Administration Offices

Reform: External Actors involved

- Measurement Officers
- Actuaries

Change Program

Tax on Real-Estate

Reform Process: Cadastral Offices

- Cadastral records digitalization.
- Block-based GIS reference.
- Web System for interaction measurement officers and actuaries
- Use of Satellite images.

with



Change Program

Tax on Real-Estate

Reform Process: Actuaries

- Actuary as Information and Collection Agent.
- Web based System for Real-Estate Tax Collection.
- XML Application (SIPRES Series) for fiscal stamping collection.



Change Program

Tax on Real-Estate

Reform Process: Provincial Property Registry

- ❑ Web-based system for errands.
- ❑ Electronic interchange of Domain Information.
- ❑ Domain Index for Tax use.





Change Program

Payment System

Problems Observed

- Unique collection channel
- Poor recording of payments
- Slow response to lack of compliance
- Multiple currencies

Change Program

Payment System

Payment Devices Reform

- Use of ~~Payment Form.~~

Reform

- Payment with ID.
- Ciphered Key.
- Payment with Rentas Global Card.
- Accounts for each ID.





Change Program

Payment System

Payment Devices Reform

- Bank Payment in Cash.
- +
- Automatic Account Debt.
- ATM Payment.
- Web Payment.
- Payment by Phone.



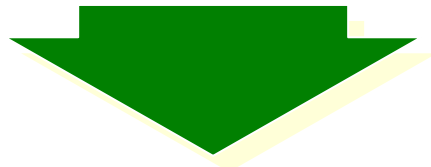


Rentas Global Program

Taxpayer = Citizen

New management model

Introduction of the National Id. Number (CUIT/CUIL/DNI)
as an identification key



Administration centered on the citizen (taxpayer)



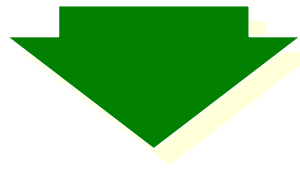
Rentas Global Program

Citizen Centered Administration

Change in Interaction

- Person-to-Person (offices): 100%

By phone: 0 800 999 RENTAS
Web-based:
www.rentas.gba.gov.ar



- Payment
- Address Change
- Queries
- Payment Invoicing
- debt reports
- Payment facilities' schemes

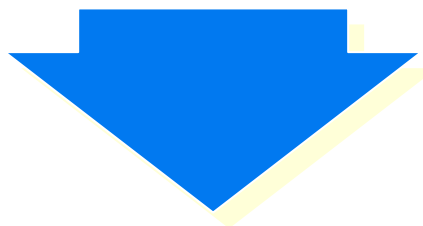
- Call Center: 15%
- Web Site: 35%
- Person-to-Person (offices): 50%



Rentas Global Program

Compliance = Benefit

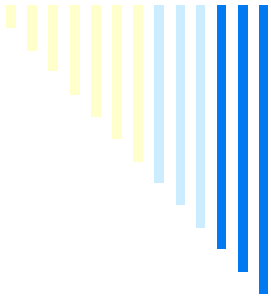
Smart card RENTAS GLOBAL
Benefit system for well-behaved
taxpayers:



reduction in payment obligations (bonus).

Compliance is social value

Discount on Private-owned Stores for Good-Behavior.
Strictly voluntary Cooperation with Society.

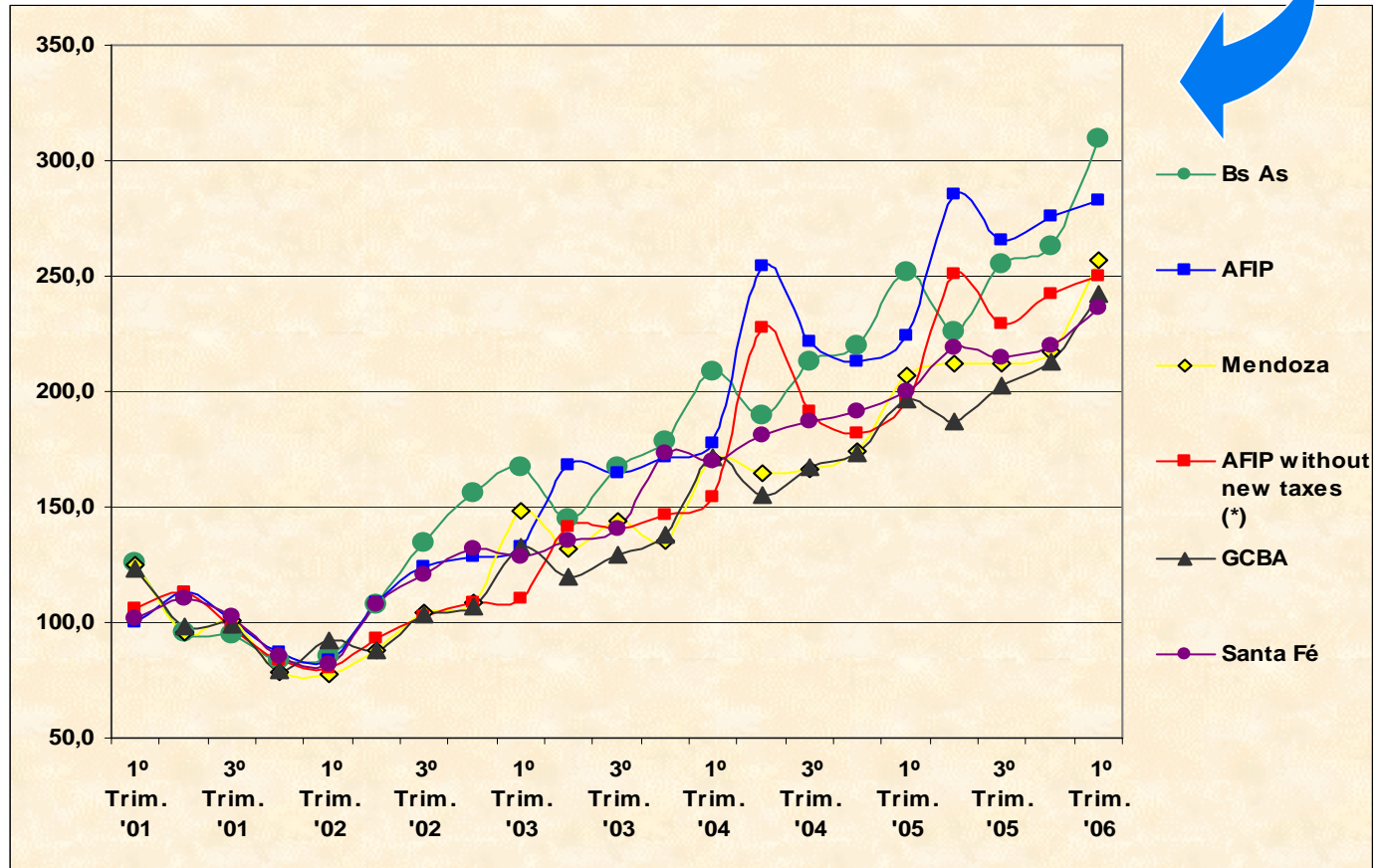


Results

Province of
Buenos Aires



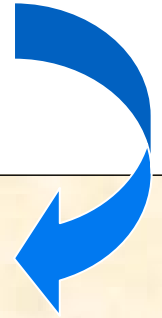
**Tax Collection
Evolution on a
trimester basis
since 2001**
(Average 2001 = 100)



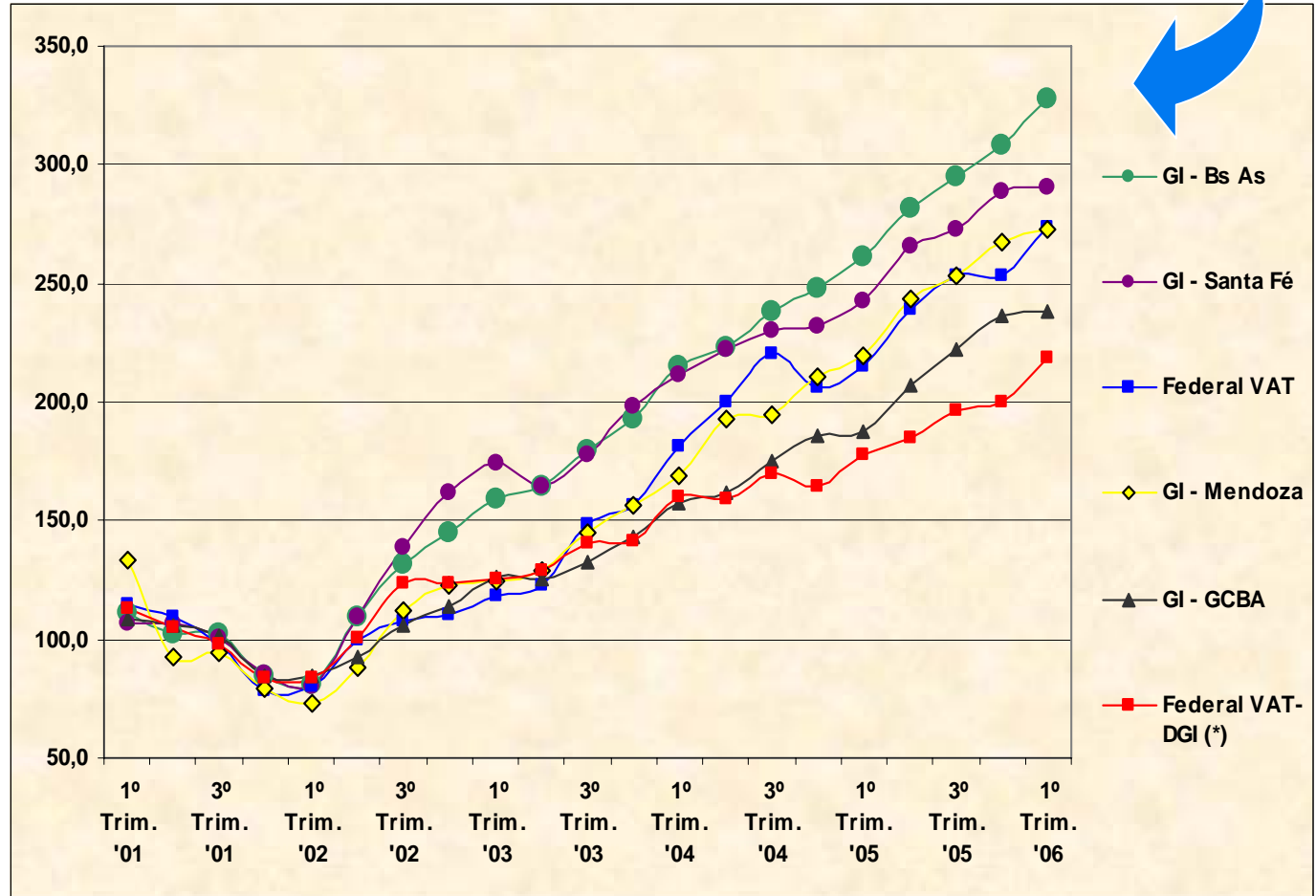
(*) New Taxes (introduced in 2001-02) include: Taxes on Foreign Trade operations & Loans and Debts on Current Account Tax.

Results

Province of Buenos Aires



Gross Income (Provinces) & VAT Federal Evolution on a trimester basis since 2001 (Average 2001 = 100)



(*) Federal VAT-D.G.I. exclude VAT on Foreign Trade Tax Collection.

Sources: Official Tax Collection Agencies



Future Challenges

Province of
Buenos Aires

- **Integration:** Strengthen cooperation with the Federal Government, Provincial and Municipal Tax Authorities.
- **System Reform:** avoidance of regressive taxes, introduction of fair taxes (like “green” and others).
- **One–Stop Government.**
- **Continuous Quality Management.**