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G4G TECHNICAL DELIVERABLE

SUPPORT TO BUSINESS PROCESS REENGINEERING FOR
TAX PAYMENT SIMPLIFICATION REFORM

GOVERNING FOR GROWTH (G4G) IN GEORGIA

16 February 2015

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DATA

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ABSTRACT

The Ministry of Finance (MoF) and Revenue Service (RS) initiated a “Tax Payment Simplification Reform” with considerable technical assistance from the USAID G4G project. The reform aims to replace the 164 separate treasury codes with a single treasury code, allowing the RS to collect and allocate taxpayers’ payments according to the information they provide in their declarations. In order to launch the system in July 2015 the information system, which enables and supports automation of RS operations, must be prepared and fully functional by then. The objective of this consultancy - Support to Business Process Reengineering for Tax Payment Simplification Reform - was to provide RS with advisory support in reengineering business processes and IT tools to implement the Tax Payment Simplification Reform. The consultancy resulted in clear identification of needs for changes in the existing information system and formulation of key concepts, structures and requirements for implementation of identified changes, finally summarized and described in the draft Functional Requirements Document. The present report provides a brief overview of key challenges and decisions, made during the consultancy, outlines the content of the developed document and future maintenance issues, as well as identifies needs for future adjustments and clarification of described information.

ACRONYMS

Acronym	Definition/Description
EPI	Economic Prosperity Initiative
FR	Functional Requirements
G4G	Governing for Growth
MoF	Ministry of Finance of Georgia
RS	Revenue Service of the Ministry of Finance of Georgia
USAID	United States Agency for International Development

CONTENTS

EXECUTIVE SUMMARY	5
APPENDICES	8
A. BACKGROUND	8
B. METHODOLOGY.....	8
C. FINDINGS	9
D. RECOMMENDATIONS	13
E. ADDITIONAL INFORMATION	14

EXECUTIVE SUMMARY

Ministry of Finance (MoF) and Revenue Service (RS) initiated a “Tax Payment Simplification Reform” with considerable technical assistance from the USAID through its EPI and now G4G projects. The reform aims to replace the 164 separate treasury codes with a single treasury code, allowing the RS to collect and allocate taxpayers’ payments according to the information they provide in their declarations.

RS leadership reached out to G4G for technical assistance in modifying RS’ information system, which enables and supports automation of RS operations, according to the requirements of the new payment system. The objective of the Support to Business Process Reengineering for Tax Payment Simplification Reform consultancy was to provide RS with advisory support on business process reengineering to introduce the streamlined and functional tax payment system.

The consultancy, undertaken between October 15, 2014 and February 15, 2015, was accomplished in close cooperation with the RS staff and Mr. Irakli Siradze, G4G Tax Consultant, providing RS with advisory support for implementation of the above mentioned reform. The deliverables of the consultancy have been prepared based on the series of group discussions with RS staff facilitated by Mr. Siradze, in-depth interviews with representatives of Service Department, Department for Administration and Information Technology Center of RS, as well as desk assessment of current and draft tax legislation.

Two major objectives of the consultancy included:

- Clear identification of needs for changes in the existing information system;
- Formulation of key concepts, structures and requirements for implementation of identified changes, finally summarized and described in the draft Functional Requirements (FR) document.

Based on consultations and discussions, the needs for changes to existing RS software were identified, discussed with RS representatives and agreed. The decisions made and agreed during the above mentioned discussions can be summarized as follows:

- New data base structures, intended for processing of full taxpayer’s information, required by prospective regulatory changes will be necessary;
- The link between old and new structures will be established to ensure consistent adjustment and reflection/recalculation of information, dated before July 2015, but processed after launching of the reform through new structures and based on the new business logic. Transactions will be available for view and calculation in both old and new taxpayer’s cards;
- The primary and temporary taxpayer’s cards will be processed through separated data structure in order to avoid operational overload on the primary structures and to enable processing of information structured in different manner;
- The new approach of keeping detailed and uniformly structured operational logs for all kinds of taxes (positions) will be adopted. The detailed information stored in the operational logs, will enable both uniform and structured access to expanded detailed information and uniform generation of different forms (taxpayer’s card annexes) and execution reports for MoF. The operational log will keep structured information on tax/budget ownership and will enable systematic approach for separation of local and central revenues. This approach will enable flexible implementation of future tax reforms, enabling easy decomposition of different kinds of revenues;

- Additionally, an approach of multilevel uniform classification (sublevel classification) of revenues, compliant with MOF’s reporting requirements, will be adopted and will enable flexible reporting mechanism;
- The simple approach of transfer of records between temporary and primary cards through keeping of the common transaction identification system and uniformly maintained and controlled up to date additional (not formally recognized by the taxpayer) tax liability amounts and liability recognition due dates will be adopted;
- The approach to keep additional operational change log for the temporary taxpayer’s structure in order to keep transactions/changes during the tax liability recognition process (e.g. appeal, court proceedings, etc.) without loss of uniformity of information will be adopted. Different recognition processes will be maintained separately and outside of the core taxpayer’s card modules and uniform interface for recording of information from external modules will be adopted. This approach will enable flexible implementation of different recognition processes in the future;
- The currently partially adopted approach for unification of operations according to source of information (electronic declarations, electronic acts, and electronic minutes) will be utilized and actions to reduce manual operations to its maximum feasible level will be adopted;
- Some portion of existing modules (such as electronic declaration, electronic acts, and electronic minutes), providing source (input) information for card processing, requires modifications. Other operations, not automated or not integrated so far (e.g. appeals, bankruptcy, reorganization, etc.) will be initially processed using the existing manual data entry approach. Correspondingly, the manual data entry capability will be kept in place to enable processing of not structured operations, but clear steps for full automation/integration of all operations and elimination of manual operations will be planned and implemented consequently.

All discussed and agreed changes and requirements are reflected in the Functional Requirements Document (FR), which provides:

- Descriptions of uniformed structures and concepts;
- Description of structures of taxpayer’s cards, their annexes, comparison acts, operational logs and operational change logs, including tax, territorial units and operations dictionaries, as well as description of business logic of common operations;
- Systematic description of data/information sources, including source-specific business rules and requirements for processing of information, as well as rules for processing of manual operations;
- Requirements and rules for communication/transfers between primary and temporary cards;
- Description of rules for initial migration of information from old structure, as well as rules for maintenance of integrity between old and new structures;
- Requirements for change in existing external modules, providing inputs for the card information (electronic declaration, electronic acts, electronic minutes);
- Reporting requirements and procedures (revenue execution reports, and etc.).

It must be highlighted, that the significant portion of technical decisions and requirements (as described in the FR documents) were implemented by the RS IT staff simultaneously with working on the FR document and are already in the test mode. However, some portion of requirements (mainly operational business logic and processing of operations and transactions) are under development and/or are not initiated so far due to absence of final operational regulatory decisions. Moreover,

taking into account that the work on development of the FR document was done simultaneously with drafting of the regulatory changes, the document is based on a package of pre-agreed and drafted, but not officially approved and fully complete¹ regulatory packages. Correspondingly, the FR document keeps some portion of issues drafted based on only pre-agreed assumptions and procedures and will require final harmonization with operational procedures/guidelines. These issues are agreed to be fulfilled/adjusted in the future by the RS IT staff once corresponding decisions are made and officially approved. It also should be mentioned, that the FR document is structured in the way, enabling its easy maintenance in the future. Therefore, the document is expected to be continuously maintained in the course of implementation of reforms.

¹ Detailed operational procedures/guidelines are under development.

APPENDICES

A. BACKGROUND

Georgia's treasury code and tax payment system has long been recognized as highly bureaucratic, time-consuming, and costly for taxpayers and government alike. Its complexity forms a basis for errors that unnecessarily and adversely affect tax compliance and contribute to administrative and enforcement costs. To address all these obstacles, the Ministry of Finance (MoF) and Revenue Service (RS) initiated a "Tax Payment Simplification Reform" with considerable technical assistance from the USAID through its EPI and now G4G activities. The reform aims to replace the 164 separate treasury codes with a single treasury code, allowing the RS to collect and allocate taxpayers' payments according to the information they provide in their declarations.

EPI has been providing technical assistance for this reform since 2013, assessing the current system, designing solutions, developing the underlining legal framework, analyzing the impact of reform, and reengineering the business processes and IT tools for implementation. In mid-2014, new leadership at the RS suspended implementation of the reform to undertake a comprehensive review of its objectives and goals. The resulting delay precluded advisors from reengaging, however, RS leaders recently decided to proceed and have set a target "go-live" date of July 2015. The new system and the RS itself must be prepared and fully functional by the July launch date. Recognizing their need for support within this timeframe, RS leaders reached out to G4G for technical assistance.

The objective of the Support to Business Process Reengineering for Tax Payment Simplification Reform consultancy was to provide RS with advisory support in reengineering business processes and IT tools to implement the Tax Payment Simplification Reform.

Under the consultancy, the following tasks, related to accomplishing the scope of work's objective were identified as:

1. Thoroughly analyze the business requirements for the new tax payment system at RS. The analysis should include but not be limited to the present and future tax payment processes, as well as organizational changes and management of the changes of the aforementioned processes.
2. Clearly identify and describe the software functional and technical specification of changes and updates to RS' tax payment system, scope of the software development and implementation process, as well as methodology and assumptions.

B. METHODOLOGY

The consultancy, undertaken between October 15, 2014 and February 16, 2015, has been accomplished in close cooperation with the RS staff (both IT and functional (Service Department and Department for Administration) and G4G Tax Consultant, Irakli Siradze, providing RS advisory support in implementation of the above mentioned reform.

The information was collected and gathered through the following activities:

	Activity	Description
1	Desk review	The review of the following document packages: <ul style="list-style-type: none">▪ Current regulatory acts, relevant to the assignment▪ Draft regulatory acts, intended to be adopted within the frames of the reform▪ Available technical documentation of existing software

2	Workshops	The workshops/discussions with both functional and IT staff intended to establish a common understanding of future changes among different stakeholders, as well as to identify and verify needs of changes in the RS software.
3	In-depth interview	In-depth interviews with IT staff, in addition to small group discussions with participation of selected functional staff, were intended mainly for discussion of existing and proposed functionality, verification of proposed solutions and decision making. See the list of interviewees in Section E. Additional Information

C. FINDINGS

The following issues were identified and correspondingly considered, discussed and resolved (solutions were proposed and agreed)

Issue	Finding	Results (expected/achieved)
Needs for software development/update	The RS does not need to create new information system in order to enable implementation of Tax Payment Simplification Reform. Existing system provides complex capability to process different needs of the tax administration and most of capabilities of the system will remain unchanged or will require some updates to enable implementation of the reform. The only portion of the existing software, which needs significant modification, is module(s) for processing of the taxpayer's card's operations and revenue collection reporting.	<p>The taxpayer's information will be processed in the new environment through new modules.</p> <p>The old taxpayer's cards will be available for view (tracking of historical information).</p> <p>The link between old and new cards will be established to ensure consistent adjustment and reflection/recalculation of information, dated before July 2015, but processed after launching of the reform.</p> <p>The revenue collection reporting will be processed fully through new environment.</p>

Issue	Finding	Results (expected/achieved)
<p>Needs for software development/update</p>	<p>Existing data structure (taxpayer’s card) needs significant modification to enable renewed operations.</p> <p>Two options (1) to process primary and temporary information in the single structure or (2) to process them separately were considered. However, the decision to process primary and temporary cards in different structures/environment to avoid overload of processing on the information on the primary card was made.</p> <p>Information, which is not considered as a part of a new consolidated taxpayer’s card (Natural Resources Fees, Gambling Business Fees, Administrative Fines) will be processed through old environment, but this information will be available for consolidated view.</p>	<p>The primary card data structure is developed and is in the test mode.</p> <p>Data structure for the temporary card will be developed and maintained separately from the primary data.</p> <p>The reports, enabling consolidated view of primary (recognized), temporal (not recognized), as well as additional information (not a subject of consolidated card) in a single environment will be available (including Comparison Act).</p>
<p>Needs for software development/update</p>	<p>There are no significant (immediate) needs for cardinal modification/modernization of processes external to taxpayer’s card maintenance issues.</p> <p>Some portion of modules (such as electronic declaration, electronic acts, and electronic minutes), providing source (input) information for card processing, will require modification to enable proper collection of information, but there are no needs for full scale modification/substitution of the existing modules and processes.</p>	<p>The declaration module (as well as, electronic declaration system) will be updated to reflect changes in the legislation (on-going).</p> <p>The modules for electronic acts and electronic minutes will be updated to enable detailed decomposition of revenues as required by the regulatory changes.</p>

Issue	Finding	Results (expected/achieved)
<p>Needs for software development/update</p>	<p>There are some significant portions of operations, which are currently processed through manual entry operations and significant effort (both IT and operational streamlining) is necessary to eliminate fully manual data entry needs. It is not feasible to enable full automation of such processes within the deadlines for reform launching. However, this issue creates no significant obstacles for enabling renewed processing of the taxpayer's cards.</p> <p>Some operations will be processed through the existing/updated manual data entry interfaces and the list (catalogue) of manual operations will be created. Systemized catalogues of manual operations will create some roadmap for future activities, intended to fully automate operations on the taxpayer's card.</p>	<p>Manual operations will be enabled through the manual data entry interfaces.</p> <p>The list of manual operations will be strictly structured and maintained for future automation purposes.</p>
<p>Decomposition of Revenues</p>	<p>On the background of significant changes in the revenue collection reporting on the RS side, instead of maintenance of the treasury accounts, the approach of multilevel uniform classification (sublevel classification) of revenues, compliant with MOF's reporting requirements, was identified as necessary. Adoption of such classification mechanism on the RS side will systemize and simplify reporting process.</p>	<p>The initial multilevel structure for classification of revenues will be adopted to enable reporting requirements.</p> <p>The revenue classifier will be structured in the manner enabling its future modification without significant changes in the business logic of the system.</p>

Issue	Finding	Results (expected/achieved)
<p>Decomposition of Revenues</p>	<p>In addition to multilevel classification of revenues, the approach of keeping detailed and uniformly structured operational logs for all kinds of revenues to enable uniform approach for decomposition of revenues according to different parameters (territorial budgets, revenue specification, legal status of taxpayers, etc.) is decided to be adopted. The detailed information, stored in the operational logs, will enable both uniformed and structured access to expanded detailed information and uniformed generation of different form (taxpayer's card annexes) and execution reports for MoF. The operational log will keep structured information on tax/budget ownership and will enable systematic approach for separation of local and central revenues. This approach will enable flexible implementation of future tax reforms, enabling easy decomposition of different kinds of revenues.</p>	<p>The uniform structure (operational log) will be developed and adopted and will be used as a uniform base for formation of the revenue collection reports.</p>

Issue	Finding	Results (expected/achieved)
Tax Liability Recognition Process	<p>The following issues regarding processing of operation on the temporary card were recognized: (1) need for uniform processing of recognition of liabilities by the taxpayers (appeals, court processing , etc.); (2) needs for uniform control for the recognition due dates; and (3) needs for transfer of recognized liabilities to the primary card. In response to issues (2) and (3), it was decided to adopt the simple approach of transfer of records between temporary and primary cards through keeping of the common transaction identification system and uniformly maintained and controlled liability recognition due dates. Regarding the first concern, it appeared that there is no single and systemized approach for processing of taxpayers claims. Correspondingly, the feasibility of unification of the recognition process is under the question. Correspondingly, the approach to keep additional operational change log for the temporary taxpayer's structure in order to keep transactions/changes during the recognition process (e.g. appeal, court processing, etc.) without loss of uniformity of information was decided to be adopted.</p>	<p>Change log will be developed for the temporary card to reflect changes in the additional accrued amounts during the recognition process.</p> <p>Different recognition processes will be maintained separately and outside of the core taxpayer's card modules and uniform interface for recording of information from external modules will be adopted. This approach will enable flexible implementation of different recognition processes in the future.</p> <p>The transfer of information between temporary and primary cards will be realized based on the following principles:</p> <ul style="list-style-type: none"> – Keeping a common transaction identification system for primary and temporary cards; – Keeping up to date information on the temporal card with changes traceable through the change log; – Keeping a liability recognition due dates to ensure automated transfer operation.

D. RECOMMENDATIONS

The work done during the current assignment in collaboration with RS staff, in line with needs to harmonize concepts and requirements as described in the FR document with final approved regulatory decisions and procedures will enable launching of the reform in July 2015. However, the proposed and feasible within the stated deadlines solution will require some improvements in the future in order to ensure full flexibility and agility of the system, The following steps for future development are proposed for consideration of RS staff:

- An approach of multilevel uniform classification of revenues, compliant with MOF’s current reporting requirements will be adopted initially, but the proposed classification (as described in the document) must be adjusted, systemized and enhanced to enable desired decomposition of revenues in the future;
- On the initial stage, currently not-automated or not-integrated operations (e.g. appeals, bankruptcy, reorganization, and etc.) will be supported by manual data entry operations, but clear action plan to ensure automation and integration of as much operations as possible must be developed and implemented;
- The FR Document, delivered within the consultancy, could be considered as a base for the modernization of the system (within the scope of the taxpayer’s card processing), but it is recommended to ensure continuous maintenance of the document in the future to enable availability of documented actual capabilities of the software, as well as traceability of future changes in the system.

E. ADDITIONAL INFORMATION

The list of RS officials and staff, involved in the discussion and interviews on different level:

	Name, Surname	Structural Unit	Position
1	Vakhtang Lashkaradze		Deputy Director General
2	Levan Dgebuadze	Service Department	Deputy Head of Department
3	Zaza Gagnidze	Data Processing Division	Head of Division
4	Nana Kharshiladze	Data Processing Division	Deputy Head of Division
5	Lali Daushvili	Enforcement Measures Division	Head of Division
6	Tinatin Giginashvili	Enforcement Measures Division	Deputy Head of Division
7	Levan Gobechia	Department for Administration	Head of Division
8	Shota Pantsulaia	Tax Agreements Division	Head of Division
9	Nodar Kakriashvili	Information Technology Center	Head of Center
10	Tamar Pertia	Software Development Division	Head of Division
11	Kote Machavariani	Software Development Division	Senior Programmer
12	Eka Bezhanishvili	Software Development Division	Senior Programmer
13	Manana Chinchaldze	Project Planning and Management Division	Head of Division
14	Iamze Shalutashvili	Project Planning and Management Division	Senior Analyst

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