

NEAR EAST EVALUATION ABSTRACT

PROJECT TITLE(S) AND NUMBER(S)

MISSION/AID/W OFFICE

Income Tax Assistance

A.I.D. GRANT NO. 278-0247

USAID/JORDAN

Project Description: This project is a technical assistance /training effort, implemented through a PASA with the IRS, aimed at improving the capacity for income tax administration within the GOJ Department of Income Tax (DIT). Project objectives will be achieved by: (1) Development and implementation of improved operational systems for income tax assessment, collection, clerical processing, and administrative services; (2) development of the GOJ capacity for training in management and systems development; and (3) enhancement of the operational automatic data processing capacity within the DIT.

AUTHORIZATION DATE AND U.S. LOP FUNDING AMOUNT	PES NUMBER	PES DATE	PES TYPE
August 17, 1981	\$1,000,000	83-1	MARCH 1983 <u>X</u> Regular <u>Other</u> (Specify)

ABSTRACT PREPARED BY:	ABSTRACT CLEARED BY,	DATE	
STANLEY A. STALLA	CONT, RROMANO <u>RS</u>	<u>3/25/83</u>	Special
ASSISTANT PROJECT	PRG, DLEATY <u>LD</u>	<u>3/27/83</u>	Terminal
DEVELOPMENT OFFICER	PO, TPEARSON <u>TP</u>	<u>3/28/83</u>	
MARCH 23, 1983	RLA, KODONNELL <u>JK</u>	<u>3/28/83</u>	

- (1) This interim project evaluation was originally scheduled for the 2nd quarter of FY 82 as an in-house review aimed at reviewing the GOJ's progress in staffing the computer facility and keeping its equipment operational, and at assessing the general degree of support accorded the project. However, a decision was made to postpone this evaluation to the 2nd quarter of FY 83 because: 1) the arrival of one of the two key long-term IRS advisors (the compliance advisor) was delayed almost one year, and this advisor was to participate in the development of a revised workplan and in reviewing project objectives with respect to audit/assessment/compliance; 2) the IRS backstopping office had planned an annual project review/evaluation for December, 1982; and 3) the GOJ was in the process of implementing the self-assessment provision of the new 1982 Income Tax Law.
- (2) To date, a total of 31 months of long and short-term technical assistance has been provided, and approximately 90 person months of training have taken place. The advisors have made substantial progress in the development of a tax administration capability, particularly in respect to ADP applications. The most notable accomplishments to date include substantial improvement in the data entry and tax payer accounts processing system, initiation by the DIT of precedent-setting enforcement action for non-compliance, completion of a comprehensive training needs study and establishment of methods and priorities for future training. However, project implementation is approximately one year behind schedule due to the delayed arrival of the tax compliance advisor, the massive internal reorganization undergone by the DIT and, uncertainty surrounding the composition and passage of the comprehensive revision to the Income Tax Law. In order to obtain assistance in the implementation of the self-assessment provision of the new tax law and the restructuring and re-building of the DIT, the DIT will request a one year extension of the project. Because of a lesser level of expenditure to date than envisioned, as well as a restructuring of the training component, the proposed extension will not require additional funding.

- (3) A good deal of progress has been made toward improving the DIT's operation systems for collections of revenue, and for administrative procedures (document entry and workflow). Less progress has been made in the area of income tax assessment, primarily because of the learning process involved in changing (as stipulated under the new tax law) from an agency-assessment to a self-assessment system, and because of the massive reorganization to the DIT, with a resultant need to train new employees in such areas as assessment, undertaken at the end of 1981. Because of the urgent, unanticipated training requirements presented by the DIT's administrative reorganization, the DIT has devoted an even greater than anticipated effort to meeting its ongoing training requirements, particularly in accounting, tax law and assessment. The preparation of an ADP programming course, in conjunction with the University of Jordan and for the use of the DIT and other GOJ entities, is proceeding as scheduled. Primarily due to the presence of the IRS ADP advisor, a great deal has been accomplished toward the development of a fully operational ADP system. The data base has been improved to the point where information can be abstracted for management use. The DIT staff are improving their technical skills in writing program modification and adjustments.
- (4) As this interim evaluation is being written only 18 months into the project, at a stage when some components of the project have just begun the implementation phase, it is premature to discuss lessons learned. This topic is more appropriate for the terminal evaluation, which is scheduled for six months after project completion.

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PES - Related Documents Available in NE/TECH

- A. Sheldon / Bollinger memo dated 9/13/82
- B. Tax Team Note No. 6 " Preliminary Work Plan "
- C. Review of First Year Activity and Second Year
Work Plan, November 1, 1982
- D. Tax Team Note NO. 45 "Conditions Precedent,
In-country Training"
- E. Director DIT/Director USAID Letter on Training
May 31, 1982
- F. Self-Study Course Development Project
- G. Tax Team Note No.s 22 and 59 "Organization
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CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-44

1. PROJECT TITLE Income Tax Assistance Project		2. PROJECT NUMBER 278-0247	3. MISSION/AID/W OFFICE USAID/Jordan
5. KEY PROJECT IMPLEMENTATION DATES		4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <u>93-1</u>	
A. First PRO-AG or Equivalent FY <u>81</u>	B. Final Obligation Expected FY <u>81</u>	C. Final Input Delivery FY <u>84</u>	<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION 6. ESTIMATED PROJECT FUNDING A. Total \$ <u>1,551</u> B. U.S. \$ <u>1,000</u> 7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>8/81</u> To (month/yr.) <u>2/83</u> Date of Evaluation Review

B. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
(1) Upon receipt of GOJ request for project extension, prepare action memorandum to the Director requesting approval of PACD extension for 1 year, i.e. until 12/31/84.	Project Officer D. Sheldon	8/15/83
(2) In conjunction with project extension prepare revised financial plan and revised implementation plan. Tentative revisions included within PES.	Project Officer D. Sheldon	8/15/83
(3) With project extension prepare revision to PIO/T recognizing extension for approval by the Director.	Project Officer D. Sheldon	8/15/83
(4) With PIO/T revision, negotiate PASA amendment with IRS to provide additional services required for extension.	M/SER/CM	9/30/83

B. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS <input type="checkbox"/> Project Paper <input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network <input checked="" type="checkbox"/> Other (Specify) <u>PASA with IRS</u> <input checked="" type="checkbox"/> Financial Plan <input checked="" type="checkbox"/> PIO/T <input type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
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11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles) Douglas L. Sheldon, Project Officer James Osburn, PASA Team Leader	12. Mission/AID/W Office Director Approval Signature <u>Walter Bollinger</u> Typed Name <u>Walter Bollinger, Director</u> Date <u>March 22, 1983</u>
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Item 13 Summary and Current Status of the Project

The Income Tax Assistance Project Agreement, signed August 26, 1981, provided a total of \$1,000,000 to the GOJ Department of Income Tax (DIT). The project represented a follow-on to previous short-term activities and was conceived as a technical assistance/training effort aimed at improving the capacity of income tax administration within the GOJ Department of Income Tax (DIT). To achieve this objective project efforts were directed towards:

1. Development and implementation of improved operational systems for income tax assessment, collection, clerical processing, and administrative services.
2. Development of the GOJ capacity for training in management and systems development.
3. Enhancement of the operational automatic data processing capacity within the DIT.

The project was initially envisioned as a 27-month effort with the PACD established December 31, 1983. With the satisfaction of the initial CP's on September 6, 1981, a PASA agreement was signed with the IRS to provide the necessary technical assistance and to provide training within the U.S.

The first long-term advisor, the Team Leader/data processing specialist, arrived in October 1981, and the initial workplan (Document B) was prepared in November 1981.

To date 31 months of technical assistance long and short term, have been provided. USAID has also provided (or assisted in the provision of) approximately 90 person months of appropriate training. The advisors have made substantial progress in the development of a tax administration capacity particularly in respect to ADP applications. Attachment C summarizes accomplishments and progress in the areas of: (1) administrative issues in tax law and policy; (2) automatic data processing; (3) assessment/audit; (4) collections/taxpayer identification; (5) management/assessment; and (6) self-assessment and training. The most notable accomplishments to date include: substantial improvement in the data entry and taxpayer accounts processing system; initiation by the DIT of limited but precedent-setting enforcement action for non-compliance; completion of a comprehensive training needs study and the establishment of methods and priorities for future training.

Despite considerable progress to date, implementation is behind the schedule detailed in the project paper because:

1. The arrival on-site of the second long-term advisor for tax compliance was delayed one year.
2. The DIT underwent a massive internal reorganization in which most of the auditors/assessors were dismissed from service.
3. Considerable uncertainty surrounded the composition and passage of the comprehensive revision to the income tax law.

The technical assistance component of the project was based on the concept of a balanced team consisting of an ADP advisor and a compliance advisor supplemented by appropriate TDY assistance. The delay in the compliance advisor's arrival upset that balance, though the effect was partially offset through short-term assignments.

The tax law represented a major imponderable in assessment procedures. Until July 1982, it was not at all clear that the GOJ would choose a self-assessment scheme which would require a comprehensive revision of assessment procedures.

The dismissal of a high percentage of the assessors created a major gap not easily filled; the organization was left with far too few employees capable of actually assessing or determining tax liability. Assessments dropped off, revenues declined, and emphasis shifted to training newly hired replacements.

Each of the three issues delaying project implementation has now been resolved in a satisfactory manner:

- An exceptionally well-qualified compliance advisor arrived in October 1982.
- The DIT has survived the personnel and morale crisis generated by the internal reorganization, and is probably much stronger for the experience. The first group of new assessors/auditors is now trained and in the field, and the new employees are for the most part better qualified and more highly motivated than their predecessors.
- The new tax law which was passed August 21, 1982 and effective retroactively on January 1, 1982, provides for the implementation of self-assessment, and stronger provisions for compliance enforcement.

With both of the advisors now at post and the external factors largely resolved, the stage is now set whereby project implementation can proceed unhindered. Although the situation is considerably different than the one which prevailed during project design, the PASA advisors are clearly in a position to help guide the DIT through the initial period of uncertainty. The GOJ appears to be quite firm in its commitment to self-assessment and to the restructuring and rebuilding of the DIT, and will shortly request an extension of the project for one year for that purpose.

This evaluation supports the proposed project extension. The accomplishment of the project purpose is now dependent on the DIT getting off to a good start on self-assessment and completing the process of rebuilding the staff. Because of a lesser level of expenditure to date than envisioned, and a restructuring of the training component, the proposed extension will not require additional AID funding. However, the GOJ contribution will increase in order to provide adequate support for the project through 1984.

The project goal and purpose remain unchanged and attainable. The focus of the evaluation is to clarify project design, review project inputs and outputs in relation to the external factors, and measure progress to date toward achievement of the project purpose. The products of the evaluation will include a revised project implementation plan and budget.

Item 14: Evaluation Methodology

The Income Tax Assistance Project Agreement called for an initial evaluation approximately six months after the arrival of the long-term advisors, initially scheduled for September/October 1981. Because of the delay in the arrival of one of the advisors, and in view of other factors, the project evaluation was rescheduled for early FY 83. (Document A: Sheldon/Bollinger memo dated 9/13/82).

The Project Paper envisioned the initial evaluation as an in-house exercise aimed at determining the level of support accorded the project by GOJ officials, and the success in staffing and operating the computer facility. The specific objectives of the evaluation were the following:

- Review the progress of the DIT in hiring, training, and retaining ADP technicians.
- Review the operational status of the installed equipment and processing procedures.
- Assess the reaction of GOJ employees to project activities and the extent to which project methods are supported by GOJ officials.

The evaluation criteria were established on the basis of concerns raised during project design, and as a result of short-term technical assistance to the DIT in the 3 years preceding the project.

It became evident during the early months of the project that the initial concerns expressed in the evaluation criteria did not pose any serious problem to implementation. As discussed more fully under Item 16, Project Inputs, the new computer has been functioning adequately, and the local service representative has been able to keep it running. The Income Tax Department has to date recruited and retained sufficient staff including an ADP section chief (Attachment E). The new Director General and other senior officials of the DIT have been very supportive of the project.

Other factors, however, have had a significant effect on project implementation and should be addressed in the context of an evaluation. These factors, which are discussed in Item 15, External Factors, are the organizational effects of the dismissal of most of the department's auditors/assessors, and the effects of the new tax law.

This evaluation was prepared from reports listed in The Table of Contents and from discussions with the PASA advisors and GOJ officials at the DIT.

Item 15A: Administrative Reorganization of the DIT.

Shortly after the signing of the Project Agreement, the DIT underwent a prolonged administrative crisis. As a result of an investigation by the Ministry of Justice, approximately 60 employees of the DIT were dismissed for corruption. A total of 50 employees were arrested in October 1981 of which 45 were eventually convicted. Approximately 10 other employees were dismissed by the new Director General prior to October, 1981.

The investigation resulted from a widely held perception of a significant degree of corruption within the DIT. The GOJ apparently made the decision to investigate the DIT thoroughly in March/April 1981. At the same time, and as a part of the reorganization, a new Director General was named to preside over the housecleaning.

The Project Paper makes reference to the public perception of corruption and to the GOJ intention of addressing this concern. Project Paper analyses also addressed a number of points concerning the DIT's procedures which were verified by the investigation.

- The agency assessment system as implemented by the DIT was essentially a face-to-face negotiating process between the assessor and the taxpayer with few checks or balances. This unrestricted and unsupervised direct contact provided easy opportunity for bribery. The system placed almost total reliance on the assessor.
- The Tax Law of 1964 was in many respects a very general document. Many areas were left open to interpretation or subject to additional instructions. While supplementary guidance was issued in some cases, and court rulings clarified other points, there was no codified set of regulations on how the law was to be interpreted and administered. While individual tax liability particularly for salaried workers was relatively straightforward, the determination of liability for business was very much open to question. This problem was exacerbated by the lack of any generally accepted accounting standards. With the uncertainty of interpretation of the tax law, and a multiplicity of accounting procedures/practices, the basis of any tax assessment was entirely a judgemental decision on the part of the assessor which could not be checked or reviewed. This uncertainty made it extremely difficult for business to calculate its tax liability in advance and provided the assessor with a great deal of latitude within which he could assess liability.
- Partially due to the two factors stated above, supervision within the Department was very weak. The almost total reliance on the judgement of the individual assessor made such supervision as was present, meaningless.

The investigation resulted in a purge of virtually all the assessors within the DIT and a significant number of management personnel including the Deputy Director of the DIT and the Chief of the Amman Office. While necessary and appropriate, the action left a great organizational gap.

This situation had been anticipated by the Director General who moved quickly to rebuild the DIT. Prior to the October purge, 15 new assessors had been hired and were by November 1982 partially trained. The new employees were pressed into service to keep the office functioning. The attention and emphasis of the DIT switched immediately to recruitment and training.

Between November 1981 and April 1982, a total of 129 new assessors were either hired or transferred to the DIT from other Ministries. Since April 1982, an additional 60 assessors have been hired. The immediate priority of the DIT became to provide training adequate to bring a group of new employees with diverse backgrounds, to a point of productivity. As could be expected revenues dropped off with the assessment staff decimation and the remainder of the staff demoralized. With the strong support of the Council of Ministers, the Director General was able to provide some additional financial incentives above the normal pay scale, and to recruit new staff from other Ministries, principally the Ministry of Education.

The new group of 129 assessors have, in general, a higher level of academic achievement than the employees whom they replaced. Virtually all of the new employees are university graduates. A total of 115 of the new employees possess adequate backgrounds in business administration, accounting, law, and economics.

Three specialized training programs were developed to compensate for the differences in educational background within the group of new employees and to prepare them for their jobs. All new employees were given courses in tax law and auditing. Those with little or no background in accounting were given a special four-month comprehensive course. Employees with some accounting training or experience were given a shorter review course.

By May/June 1982 the situation eased. The new class of assessors was going into the field, teamed up with some of the remaining assessors. The levels of assessments and revenues increased accordingly. From several additional months of experience under the close supervision of senior assessors and supervisors, the new employees are now moderately qualified and productive.

The initial training of the new assessors can only be considered an outstanding achievement, attributable largely to the personal efforts of the Director of the DIT. He actively participated in the development of the training courses and closely monitored and supervised the course presentations. From December 1981 until March 1982 a significant proportion of his time was devoted to the training program.

The IRS training advisor Mr. Freer concluded after monitoring the training programs and reviewing the course materials: " The DIT has done an excellent job of planning, developing course materials and conducting training for the new assessors."

Training of new assessors continues. The second group of 60 new employees underwent coursework training in the summer and fall of 1982, and are now receiving field training.

An unexpected positive development which occurred during the reorganization period was the increased importance of two functions which had been previously neglected: the actual collection process and the data processing function. While the new assessors were in training the number of assessments naturally dropped and revenues declined. To maintain the fund flow to the treasury the DIT turned its attention to collecting amounts previously assessed but unpaid. The ADP advisor assisted the computer section in developing an on-going collection priority reporting system, which enabled the DIT to identify quickly, large open accounts and focus efforts on those accounts with the largest possible return. As a result, the collection process tightened up. Collection agents have been active in going after taxpayers with large unpaid balances. Unprecedented numbers of cases have been turned over to the courts for action. The result has been a significant reduction in outstanding taxes due. Withholding also represented an area in which the IRS advisors long recommended remedial action. With the assistance of a short-term advisor, the DIT identified many cases where companies were either not withholding taxes or were not paying to the Department taxes which were withheld. Remedial action was undertaken and withholding revenues increased. Another method used by the DIT to increase revenues was the initiation of tax prepayments. The company or business normally waited until the assessment process prior to paying any tax. The DIT initiated the practice of a "pre-assessment" payment by which the taxpayer paid a portion of his tax based on his last complete assessment. The balance would be paid when the final assessment was made.

Each of the collection methods detailed above was largely dependent on the use of computer generated data. Perhaps for the first time, DIT management and particularly the Director, saw firsthand how such data could be used effectively to address a particular management problem. Previously, management perception of the computer facility was focused on the record-keeping aspect of data processing. Partially because of this the DIT is increasingly interested in making additional uses of the information available.

ITEM 15 B: The Tax Law Of 1982.

The basis upon which income tax is levied underwent a major revision with the enactment of Law No. 34 on August 21, 1982. The Law made changes in the rates of taxation, the methods of assessment and collection, and in the authorities granted to the DIT to implement and enforce the Law.

Revisions to the Tax Law had been under discussion for a number of years. A draft of the current law was reviewed by the Council of Ministers, and a number of government and public committees were established to study it and recommend necessary changes in 1980. After the Law revisions by the Ministers and senior GOJ officials in light of the current investigation of the DIT and the impending reorganization of the Department in 1981, another draft was

approved and published for public comment in the newspapers. The final law was finally approved by the Council of Ministers and signed into law by the King on August 21, 1982.

1. Changes in the Tax Base and Rates

Contrary to an assumption in the PP, the new law signified changes in the income tax base and rates. The most important changes to the tax base were the inclusion of a provision for limited taxation of capital gains from the sale of real property, and a significant clarification in the definition and taxability of interest income (all of which are taxable). The law also strengthens in specific language the provision for the taxation of income, profits, or gains from any source not specifically excluded or exempted under the law. Sources of exclusions and definitions of income are clarified considerably.

The tax rates were significantly reduced, particularly for individuals, providing a degree of recognition for the inflation which occurred since the passage of the 1964 tax law. For employees, particularly in the medium to low income category, the law provides substantial relief. Under the 1964 law, approximately 550 JD of income was fully exempted from tax (i.e. those with incomes greater than this were subjected to some tax liability), an amount which corresponded roughly to the family income of the "poorest of the poor" in Jordan. Depending on the nature of the family, and qualifying exemptions, the new law raises the income level at which taxation begins to approximately JD 1400. Rates of taxation were correspondingly reduced throughout the scale. An employee in the private sector with an income of JD 1,800 has a tax liability of approximately JD 11 as opposed to JD 49 under the previous rates. The tax liability of a middle income family (JD 4,000 p/a) would be reduced approximately 45%. A business (sole proprietorship) with a net of JD 50,000 would receive a reduction in taxes of about 25%. Part of the reduction in rates particularly for employees at the lower end of the scale is attributable to increases in allowances and exemptions of income from taxation.

2. Assessment and Collection Methods and Procedures

The law provides for a major change in the system by which income taxes are assessed. This change, which was retroactive to January 1982, was from a system of agency assessment to one of self-assessment. Under the agency assessment system, the DIT was responsible for identifying and contacting the taxpayer, assessing tax liability from information either provided by the taxpayer or from other sources, and collecting the revenue. Under the self-assessment system much of this responsibility passes to the taxpayer. He is responsible, for filing a return in a timely manner, calculating tax liability and making payment of taxes due. The role of the DIT is therefore to monitor and review the tax assessment process and enforce compliance where necessary. The law also provides specific implementation procedures including incentives for early filing,

and penalties and interest for failure to file. The Director General of the DIT has been delegated the specific authorities to issue forms, instructions, notices, as necessary to implement self-assessment.

The law provides a number of measures to strengthen the collection process including the following:

- Tax withholding procedures are clarified and strengthened with a provision that deductions must be paid over to the DIT monthly, with the imposition of specific penalties and interest. There is also a provision that the employer must pay from his own funds any withholding taxes due but not withheld from the employee. By not withholding the employer therefore assumes personal liability for the deductions which should have been made.
- The issue of proving contact with the taxpayer for serving notice is resolved with a provision that the forwarding of a notice through registered mail to the last known address represents sufficient evidence of receipt or notice of taxes due or of any pertinent correspondence.
- The law clarifies taxpayer rights and obligations in relation to objections and appeals filed against assessment. The new requirements include a statute of limitations (30 days for filing an objection); a prepayment of 50% of the last final tax assessment which must be paid before an objection can be filed; a prohibition against entering additional facts or deductions not claimed previously in the assessment process. The burden of proof in appeal and objection shifts to the taxpayer who must establish with evidence that the assessment was excessive or incorrect, in contrast to the previous system where the DIT was required to prove the validity of the assessment.

3. Authorities granted to the DIT

The law significantly strengthens authorities granted to the DIT for the implementation and interpretation of income taxation. Additional authorities granted to the Director of the DIT include the power to:

- determine and issue such forms, notices, and instructions necessary for the implementation of the law;
- redelegate any authorities granted to him to Category 1 employees of the DIT;
- issue regulations interpreting provisions of the law;
- issue directions to any group of taxpayers on the accounting methods and procedures to be utilized in preparing financial statements for tax purposes; and
- revoke the license of any certified accountant or auditor for failure to comply with provisions of the law, with the consent of the Minister.

4. Relationship of the Tax Law to the Income Tax Assistance Project

The tax law represents, in respect to the Project, a significant step in the right direction. The changes in the law partially address some of the concerns expressed in the PP in relation to the equity of the law. The law similarly provides the legal basis for reducing at least some of the inequity in administration or implementation of the law. Lastly, the law provides an improved basis for implementing and administering the system of income taxation.

a. Social Equity

Primarily due to inflation, the rates contained in the Tax Law of 1964 had caused a significant "bracket creep" which placed an increasing tax burden on the level of society least able to afford it: the poor and lower middle income groups. The new law provides substantial relief to these groups, in effect exempting from taxation urban wage earners with incomes of JD 1400 or less. The tax burden remains modest (under 10%) up to an income of perhaps JD 4,500. The law retains the progressive tax scale, and benefits are weighted more to the lower income groups, although reduced for all taxpayers.

b. Equity of Implementation

As noted in the Project Paper, the uneven application of the law represents the greatest inequity of income taxation in Jordan. Employees of the GOJ and large corporations are much more likely to be assessed simply because they are easily located, and for this reason, they pay a disproportionate share of income tax. The agency system of assessment was a major source of inequity in tax administration because of the almost total reliance on the judgement of the assessor which made the assessment process unpredictable and open to corruption. The lack of clarity in the law, and the paucity of accounting standards further increased the wide variance within which the law could be applied.

The new law provides a legal basis for addressing most of the inequities in the implementation of the law. While it is not reasonable to assume that the above problems will be solved either within the life of project or the near future. The law indicates the GOJ cognizance of the problems and the desire to move toward reducing the inequities of administration. The GOJ is in fact depending on the wider application of the law; the reduction of tax rates is presumed to be offset by bringing new taxpayers into the system and by increasing the frequency of assessment. The self-assessment process also reduces the face-to-face contact and negotiating process between assessor and taxpayer. The self-assessment process also forces the DIT into standardized assessment and review procedures which will permit assessment review and supervision. The DIT now has the authority to issue regulations and guidance on the implementation of the tax law, and on accounting standards to be used in preparation of tax submission reports and statements.

The DIT will require a considerable transition period to utilize successfully the new authorities. The implementation of self-assessment is a process of years. The taxpayers must become accustomed to what is expected, and the DIT must, by trial and error, develop internally the systems and procedures for implementation and compliance enforcement. The authority to issue regulations, interpretations and accounting standards is not synonymous with the actual issuance of such guidance, which is as well a process of years.

- c. Basis for Implementation and Administration of Income Taxation. The law provides an improved basis for the administration and implementation of income taxation particularly in respect to the assessment and collection process and in respect to authorities granted to the DIT.

A key element of the assessment and collection process emphasized by the IRS advisors has been the provision of incentives to the taxpayer to comply with the law. Such incentives can be positive (in the form of reductions for early payment) or negative, (the imposition of interest, fines, penalties, and criminal prosecution). These sanctions also serve a useful purpose in that, if applied properly, they represent "object lessons" and may have a spread effect. The DIT has been in the past somewhat hesitant in applying even such measures as were available. The new law does, however, contain expanded provisions for all of the above incentives. Although the provisions are a step in the right direction, they may not be sufficiently severe to have the intended effect. The most important factor will probably prove to be the willingness of the DIT to take the undoubtably unpopular step of imposing these measures.

The measures detailed in the previous section of the new assessment and collection methods and procedures are all very positive developments which have long been advocated by the IRS advisors. The implementation of self-assessment will, over time, provide a predictable, efficient, and reasonably equitable system of taxation. The change in orientation which will occur within the DIT will greatly reduce the opportunity for corruption and will permit the DIT to expand its limited resources more profitably by concentrating on cases with a higher probability of increased collections. The changes in the law in respect to tax withholding should permit greatly increased revenue from this source, even with the number of employees in effect exempted from withholding by the new tax rates. The changes in the appeal and objection process and the notification responsibilities address points that have been extremely troublesome in the past. The effect of these changes should be to reduce the time lag between assessment and collection, and reduce the administrative burden of the DIT.

ITEM 16: Project Inputs.

The project budget detailed in the Project Agreement and the Project Paper includes a U.S. contribution of \$1,000,000 and a GOJ contribution of \$551,100 for a total project cost of \$1,551,100. The U.S. contribution under the Project Agreement budget consists of \$751,400 for technical assistance and \$248,600 for training. As indicated in Attachment A, expenditures from the U.S. contribution total \$324,900 through 12/31/82.

A. Technical Assistance

The Project Agreement initially called for 48 months of long-term technical assistance to be supplemented by 12 months of short term assistance, for a total of 60 months of effort. Long-term assistance is provided by a Team Leader/ADP advisor and a tax compliance advisor. The Team Leader/ADP advisor arrived on schedule in October 1981. The arrival of the tax compliance advisor was delayed approximately one year. The initial candidate for the position developed a medical problem and could not obtain clearance. The second candidate decided against a long-term tour in Jordan after a TDY assignment. A third candidate was rejected on the basis of grade and scope of experience. A highly qualified candidate for the position was identified in August 1982 and arrived at post in October of that year.

The delay in filling the tax compliance advisor position obviously had an adverse effect on project implementation. The audit/assessment function is the central and most basic function of the DIT. While TDY assistance helped to some degree, it was simply not possible to undertake the activities envisioned in the initial work plan (Document B) until the long-term advisor arrived. Accomplishments were accordingly not balanced as indicated in the PASA advisors' summary of project implementation (Document C). Significant progress was made in other areas of the project, primarily collections, training, and ADP applications. Accomplishments in areas related to audit and assessment were much more modest.

To date a total of 22 months of long-term assistance has been provided compared to the 34 months scheduled in project implementation plan. A total of 9 months of short term technical assistance has been utilized to date. A collection advisor provided 1 1/2 months of assistance, which was used to follow-up previous recommendations concerning fund control mechanisms and collection procedures. A new data entry and validation system was also developed. A tax compliance advisor on a 2 1/2 month assignment reviewed assessment techniques and practices, and worked with DIT on strengthening withholding procedures and follow-up. A training advisor was present for 2 months during which time the training component of the project was redesigned and finalized. The advisor also assisted in the DIT in making necessary arrangements to satisfy the then outstanding CP under the project.

Another tax compliance advisor provided 1 month of assistance in July 1982. A media advisor provided 1 month of assistance in November 1982 helping the DIT prepare TV, radio, newspaper, announcements, and press releases to educate the public on the implementation of self-assessment. Currently, a specialist on computer training and education is working with the University of Jordan on the development of computer programming courses for the DIT.

B. Technical Assistance with an Extension of the PACD

An extension of the project for an additional year will result in increased funding applied to the technical assistance portion of the project. As indicated in the proposed budget revision, (Attachment B) USAID would provide an additional 12 months of long-term technical assistance for a total of 60 months, and an additional 5 months of short-term technical assistance for a total of 17 months under the project.

The additional long-term assistance represents an extension of the services of the Team Leader/ADP advisor for an additional year. The assignment originally scheduled from 10/81 to 10/83 would be extended to 10/84. The additional short-term assistance represents (over the service already delivered), another 2 months of service for the specialist in computer training, 4 months of service for TDY personnel to perform training in audit techniques in July/August 1983, and an additional 2 months of short term assistance in compliance measurement procedures late in the project. The tasks for the advisors during proposed project extension are detailed in Attachment D, the revised workplan.

The additional technical assistance inputs are essential to meeting the objectives of the project in view of the delays which have occurred to date both in respect to the late arrival of the compliance advisor, and to the new tax law. The extension will permit the advisors to work with the DIT over two full self-assessment cycles after which time the necessary procedures should be in place and the early implementation problems overcome.

C. Training

The training component of the project consisted of a provision of \$105,600 for participant training in the IRS INTAX course (24 person months) and two special training programs to be organized at IRS Washington, (4 person months), and a provision of \$143,000 for the development of an in-country training capacity for the DIT. To date, as indicated in Attachment A a total of \$19,400 has been expended from the training component of the project.

Partially because of the administrative reorganization of the DIT it became apparent early in the project that the training component would have to be modified considerably. The development of the internal training capacity had been largely undefined. It was envisioned to consist of the development and presentation of a series of short courses which would be directed at specific requirements for practical training. One element was the emphasis on institutionalizing the courses which were developed, in recognition of the on-going need for training within the DIT. Because of the uncertainty of this component, implementation was subject to the satisfaction of Condition Precedent 4.2 of the Agreement which required the DIT to furnish AID with specific course development proposals and an entity or institution capable of developing and administering the training. A short-term training advisor was provided by the IRS to assist the DIT in preparing a comprehensive training plan, and to review training courses already developed.

The DIT proceeded on its own initiative to develop "basic training" courses for new employees in the fields of accounting, assessment, and tax law, in response to the situation which resulted from the administrative reorganization in October 1982. (Item 15A, External Factors). The training advisor considered the method and approach used in the courses excellent.

In developing the training plan the advisor considered how project resources could best be used to supplement the DIT's efforts within the scope of the project agreement and the outline of the project paper. The training advisor made a number of recommendations which were accepted by the DIT and transmitted to AID for review and approval and in satisfaction of CP 4.2 (Document D, Tax team note No. 45 "Conditions Precedent, In-country Training" and Document E, Letter from Director of DIT to USAID Director on Training). The revised training component under the project for in-country training consists of the following elements:

1. Audit/Assessment Training

The project will assist the DIT in providing additional tax law and accounting training to new employees of the DIT. The cost of this training will be approximately \$35,000 over the extended life of project which will be used to fund the services of instructors provided by the University of Jordan.

USAID will assist the DIT in developing an additional course on audit techniques for use in self-assessment. The course will be presented by short-term advisors provided by the IRS. As this is a new concept to the DIT, the emphasis will be on development of course materials so that the DIT can continue to present the course, in conjunction with other in-house training courses. The costs of the development and initial presentation of the course are estimated at \$7,000, exclusive of technical assistance costs for the IRS instructors.

2. Automated Data Processing (ADP) Training

The necessity of a continuing source of ADP technicians has been a concern since the design stage of the project. The need for ADP training will be continuous, but, given the small size of the DIT, it is not feasible to consider the development of an internal ADP training function. It was determined therefore to examine options which would institutionalize ADP training, outside of the DIT, where the training would have potential applicability to other entities, as well as the DIT.

The recommended approach to ADP training was the development of a self-study course of approximately 50 modules which would be presented and administered by the University of Jordan for the DIT and for any other GOJ agencies which wanted to use the course. The DIT would use the course under close supervision to train new and lesser qualified members of the computer section as an initial control group. A total of \$67,000 is budgeted for the development and initial presentation of the course. With AID's approval, an agreement was signed between the University of Jordan and the DIT to develop and administer the course.

3. Participant Training

After reviewing the requirements of the DIT for management training, the training advisor recommended reducing the formal participant training element of the project, because most of the appropriate individuals within the DIT had already attended INTAX seminars, or were not sufficiently qualified in English. The participant training component has therefore been reduced to 6 participants or 18 person months, with one special training program to be organized for the Director. The revised estimate for participant training costs is \$47,100.

D. GOJ Inputs

The GOJ inputs under the project consisted of operational support to the project advisors, the provision of personnel, and the provision of the computer facility. The GOJ has in general provided the inputs specified. There have been some developments with respect to these inputs which are worthy of note.

1. Provision of the Computer Facility

As noted previously, the operational status of the computer was a major project concern during the design stage, which was reflected in the initial evaluation criteria. It is obviously vital that the DIT and the local service representative keep the equipment functioning.

There has been a certain amount of computer down-time during the initial period of project implementation, particularly in December 1981. The length of down-time was never satisfactorily explained by the service representative; however, the computer was repaired successfully in January 1982. Since that time the computer has functioned properly and only required minor and routine maintenance. While the down-time would be considered excessive by U.S. standards the fact that it was repaired and has worked well since indicates the capacity to keep the equipment operational. The computer was also moved during the first year of implementation, when the DIT changed locations. The ADP advisor assisted the DIT in preparing and monitoring the contract for site preparation and installation in the new building. The successful move and reinstallation also indicates a sufficient level of technical capacity.

Because of the success to date with ADP applications, the GOJ is expanding the computer system with the purchase of additional hardware. The DIT has ordered equipment valued at \$45,000 consisting of additional terminals, printers and disc drives, which will be used to provide taxpayer account information to the collection section.

2. GOJ Personnel

The Project Agreement calls for the assignment of at least three counterparts with whom the advisors would work. The provision of these counterparts is a minor issue which has never been completely resolved. The problem is partially due to circumstances, and the DIT is trying to address this problem.

The three counterparts designed in the Project Agreement were to work with the advisors in the functional areas of: (a) ADP applications; (B) tax compliance and assessment; and (c) training. The GOJ named three employees to serve as counterparts, but two of them were dismissed from the DIT in the administrative reorganization. The third counterpart, the Chief of the Computer Section has fulfilled in an exemplary manner the expectations for a counterpart in the area of ADP applications. The administrative reorganization caused a significant degree of confusion within the DIT and hindered the designation of new counterparts in the areas of tax compliance and training. An additional factor was that most of the employees with a sufficient level of responsibility who were also qualified in English were dismissed. Since the compliance advisor was not present during the initial year,

the lack of a counterpart did not represent a serious problem. Because of the DIT's focus on training the new employees and his personal interest, the Director effectively served as the counterpart for training. The DIT did identify counterparts for the short-term advisors. With the arrival of the tax compliance advisor in October 1982, a new tax compliance counterpart was named, but he has not been able to devote an adequate amount of time to the project until recently. He has also indicated that he will shortly leave the DIT for a position outside of Jordan. The counterpart issue thus remains muddled.

As can be noted from the above, the DIT is aware of the need for counterpart personnel and is attempting to address the problem. The Project Officer and IRS Team Leader discussed this point with the Director in January 1983 and are confident that the matter will be resolved. One of the advisors' recommendations which could have an effect on the counterpart issue is the proposed creation of an organization and methods section (O&M) within the Department, described in Document G. This sort of working group, with a broad authority to review procedures and make recommendations would provide a very appropriate counterpart presence particularly for the tax compliance advisor. The DIT previously formed such a group on an ad hoc basis which was called the Research and Studies Group. Although still on the staffing pattern of the DIT the group was disbanded when its members were needed elsewhere during the reorganization.

The Director is still considering the recommendations and has not reached a decision on the establishment of such a section within the DIT.

Item 17: Project Outputs

The project outputs remain as specified within the Project Paper: (1) improved operation system for income tax assessment, collection, clerical processing and administrative services; (2) a functional capacity for training in systems development/maintenance (ADP, management, and accounting); and (3) a fully operational ADP system.

A. Improved operational systems

This output refers to the non-automated systems which represent the means through which the DIT accomplishes its purpose - - enforcement of the tax law/collection of revenue. Project efforts are aimed at improving procedures, workflow, and prioritization of effort.

Project inputs (Item 16) indicates that a good deal of progress has been made toward achieving this output, particularly with respect to collections and administrative procedures (document entry and workflow). For reasons indicated elsewhere, the accomplishments to date in the assessment area have not met the expectations expressed in the initial workplan.

The revised workplan and the training section of Item 16 indicate the activities which will be undertaken in ensuring that this output is realized by the proposed PACD.

B. Development of a functional capacity for training

This output refers to addressing the need for meeting the on-going training requirements of the DIT. Project efforts are aimed at developing and presenting appropriate short-term courses to train new employees and upgrade the skills of existing employees. The output also refers to the new retention within the DIT or elsewhere, of a capacity to continue such in-service training after the completion of the project.

Because of the urgent requirements surrounding the administrative reorganization, this output actually received considerably more attention during the first year of project implementation than was anticipated (see External Factors 15A, and training section, Item 16). The DIT has developed and institutionalized highly successful courses in accounting, tax law, and assessment. The courses have now been presented several times. Initially, instructors from the University of Jordan were used. Later course sessions have utilized personnel from within the DIT. By the completion of the project these courses will be presented entirely from within the DIT's resources. The project intends to expand internal courses by adding a course in audit techniques for self-assessment.

The implementation of self-assessment will require over the next few years a substantial revision of internal procedures, which will involve some on-the-job retraining of employees in their new responsibilities.

The preparation of the ADP programming course is proceeding in conjunction with the University of Jordan. The intent is to institutionalize this course within the University for the use of the DIT and other GOJ entities which may be interested.

C. Development of a fully operational ADP system

This output is directed towards the efficient provision of ADP support through development and implementation of appropriate programs, and the identification of management applications for the information contained with the data base.

Due primarily to the presence of the ADP advisor throughout the initial year of project implementation, a great many of the project accomplishments to date pertain to the achievement of this output. The data base is now cleaned up to the point where information can be readily extracted for management use as described in Item 15A. The staff are improving in their technical skills in writing program modifications and adjustments.

Item 18: Project Purpose

The project purpose remains, as stated in the Project Paper: To enhance the institutional capacity for income tax administration within the GOJ.

As indicated in Item 17, Project Outputs, significant progress has been realized toward achieving the desired project outputs. The project purpose is attainable within the life of project with the proposed extension.

Item 19: Project Goal

The project sector goals remain, as stated in the Project Paper: To increase the generation of domestic revenue and to enhance the capacity for public administration within the GOJ. Progress towards goal remains satisfactory, given external factors and delay.

PROJECT BUDGET & EXPENDITURES TO 12/31/82
PER PROJECT AGREEMENT

U.S. \$ (000.0)

<u>Inputs</u>	<u>Total Costs</u>	<u>Expenditures as of 12/31/82</u>	<u>Pipeline</u>
<u>Input 1 - Technical Assistance</u>	751.4	305.5	445.9
Long-term:			
2 advisors, 48 p/m	557.1	222.5	334.6
Costs	(381.3)	(157.3)	(224.0)
Mission Costs	(175.8)	(65.2)	(110.6)
Short-term:			
12 assignments, 12 p/m	194.3	83.1	111.2
PASA Costs	(158.9)	(66.7)	(92.2)
Mission Costs	(35.4)	(16.4)	(19.0)
<u>Input 2 - Training</u>	248.6	19.4	229.2
Participant Training	105.6	12.7	92.9
8 employees @ 3 mos. INTAX Seminars = 24 p/m 2 employee special program @ 2 month = 4 months			
Development of Training Capacity	143.0	6.7	136.3
	<hr/>	<hr/>	<hr/>
PROJECT TOTAL	1,000.0	324.9	675.1

PROPOSED BUDGET REVISION FOR INCOME TAX
ASSISTANCE PROJECT

U.S. Contribution (000.0)

<u>Project Inputs</u>	<u>Revised Budget</u>	<u>Original Budget</u>	<u>Variance</u>
<u>Input No.1 - Technical Assistance</u>	814.3	751.4	62.9
Long-Term Technical Assistance (2 advisors for 62 months)	636.2	557.1	79.1
PASA costs	491.9	381.3	110.6
Mission support costs	114.3	175.8	(31.5)
Short-Term Technical Assistance (9 advisors for total of 17 months)	178.1	194.3	(16.2)
PASA Costs	141.3	158.9	(17.6)
Mission support Costs	36.8	35.4	1.4
<u>Input No.2 - Training</u>	155.7	248.6	(92.9)
Participant Training	46.7	105.6	(58.9)
(INTAX seminars, 6 employees for total of 18 months)			
(One special program at IRS for 2 months)			
In-Country training and development of Training Capacity	109.0	143.0	(34.0)
Accounting/tax law training	35.0		
Audit techniques training	7.0		
ADP training course development	67.0		
<u>Contingency</u>	<u>30.0</u>	<u>-0-</u>	<u>30.0</u>
Project Totals.	1,000.0	1,000.0	-0-

ATTACHMENT C

Proposed revision to Implementation Plan with extension of PACD

The long-term advisors are presumed to be following revised work plan detailed in Attachment C.

Key Project Implementation Actions completed thru 2/28/83

	<u>Date</u>
--- Project Agreement signed	8/81
--- Implementation letter No.1 issued	8/81
--- Initial CP's satisfied	9/81
--- PIO/T issued and PASA Agreement signed	10/81
--- Long-term ADP advisor/Team Leader arrives	10/81
--- Short-term Collection Advisor arrives for 1 month assignment	11/81
--- Short-term Compliance Advisor arrives for 2½ months assignment	2/82
--- Two participants depart for 3 months of training at IRS INTAX seminar	3/82
--- Short-term Training Advisor arrives for 2 month assignment	3/82
--- Comprehensive training plan submitted to AID for approval	5/82
--- Short-term Compliance Advisor arrives for 1 month TDY	7/82
--- Remaining CP on in-country training satisfied	8/82
--- DIT signs agreement with University of Jordan for assistance in developing ADP training to be funded by AID	9/82
--- Long-term Compliance Advisor arrives at post.	10/82
--- Short-term Media Advisor arrives for 1 month TDY to help with publicity for self-assessment	11/82
--- IRS/TAAS Director arrives for Program Review.	12/82
--- Short-term ADP Training Specialist arrives for 2 month TDY to help University of Jordan with the development of ADP course.	1/83

Revised Project Implementation 3/1 to 12/31/84

Long term advisors continue on basis of revised work plan

--- Mid-term Income Tax Assistance Project Evaluation completed.	3/83
--- Director of the DIT departs on invitation special program to CIAT conference for visit to IRS. Team Leader accompanies.	6/83

- Two short-term advisors arrive for 2 month TDY to develop and present initial course on audit techniques. 8/83
- Initial trainees from the DIT begin taking first modules of the ADP training course. 9/83
- Two participants depart for INTAX seminar 9/83
- Two TDY advisors arrive for 1 month TDY in compliance measurement and to assist with accounting standards. 10/83
- ADP course completed and initial ADP training 12/83
- IRS/TAAS Director arrives for program review 12/83
- Two additional participants depart for INTAX Training. 3/84
- Project Review and close-out activities 9/84
- Long-term advisors depart 10/84
- Project Assistance Completion Date 12/84
- Final Project Evaluation 6/85

ATTACHMENT D
PROJECT SCHEDULE

*ND	JFM	AMJ	JAS	OND	JFM	AMJ	JAS	OND	
									ADMINISTRATIVE ISSUES
*..	...	...	...	...	...	...	...	...	1a Review prior files & evaluate
*..	...	...	...	...	...	...	...	...	1b Review proposed tax law
.CC	CCC	...	...	.CC	...	...	...	...	1c Evaluate new tax law
...	...	...	...	CCC	...	...	...	...	1d Study public service system
...	...	...	...	...	...	...	CCC	...	1e Reevaluation legal/policy problems
									AUTOMATIC DATA PROCESSING
*..	...	...	...	...	...	...	...	...	2a Arabic names-addresses
*..	...	...	...	...	...	...	...	...	2b On-line data entry
...	...	...	...	AAA	...	...	...	...	2c Update documentation
*..	...	...	...	...	...	...	...	...	2d Database purification
...	...	...	AAA	...	...	...	...	...	2e Computerized notices
...	...	AAA	...	...	...	...	...	...	2f Process withholding payments
...	...	...	...	...	...	AAA	...	...	2g Third party information
..A	AAA	...	...	...	...	AAA	...	...	2h Management/statistical reports
...	...	...	...	...	...	...	...	...	2i Returns processing system
...	...	...	...	AAA	...	...	...	...	2j Computer hardware evaluation
									ASSESSMENT/AUDIT
*..	...	...	...	...	...	...	...	...	3a Evaluate prior recommendations
...	...	...	CCC	...	...	...	...	...	3b Priority/classification system
...	...	...	...	CCC	...	...	...	...	3c Appeals/objections system
...	...	...	...	...	.TT	CCC	...	...	3d Compliance measurement
...	...	TTC	...	...	...	...	...	...	3e Audit techniques training
...	...	...	...	..T	CCC	...	...	...	3f Accounting standards
...	...	...	...	...	...	CCC	...	...	3g Regulations/interpretations
									COLLECTIONS/TAXPAYER ID
...	...	...	...	CCC	...	...	...	...	4a Unidentified taxpayer survey
*..	...	...	...	...	...	...	...	...	4b Application of payments
...	...	...	...	...	CCC	...	...	...	4c Establish collection force
...	...	CCC	...	...	...	...	...	...	4d Review accounting controls
									MANAGEMENT/ADMINISTRATION
...	...	...	...	...	BBB	...	...	...	5a Security survey
...	...	...	BBB	...	...	...	...	...	5b Organizational adjustment
...	...	CCC	...	...	...	...	...	...	5c Establish O&M group
...	...	...	...	...	...	...	CCC	...	5d Environmental study
									SELF-ASSESSMENT
.BR	BBB	...	...	...	...	...	...	...	6a Tax return forms
.BB	BBB	...	...	...	...	...	...	...	6b Conversion plan
TT	.TT	...	...	...	...	...	...	...	6c Public relations
									TRAINING
*..	...	...	...	...	...	...	...	...	7a Training survey
...	...	...	...	B3B	...	...	...	...	7b Job instructions
...	...	...	BBB	...	...	...	...	...	7c Job specific training
...	TTT	AAA	AAA	...	...	...	...	...	7d ADP training program
...	...	...	CCC	CCC	...	...	...	...	7e Compliance training program
...	...	...	...	...	...	CCC	...	...	7f Management training program

* = completed prior to rescheduling 1 Nov 82

A=ADP advisor, C=Compliance advisor, B=Both advisors, T=TDY advisor

Planned Activities: Data Processing Advisor

The major planned activity of the ADP advisor involves three important areas of tax administration:

Third Party Information Systems
Management Information Systems
Data Integrity and Security

A. Third Party Information Systems

The recent change to self-assessment means that fewer taxpayers will be audited - but that the audits will have to be carefully selected to insure that the most productive "pay-off" cases are audited. This involves two elements, only one of which was predicted in November of 1982. The planned activity involved the use of sample data to spot check third party information (imports, exports, government contracts, etc.) against tax returns. The second element, the unanticipated agreement to assign new universal taxpayer numbers, has made it possible to computerize much of this data so that it can be made on a much more universal check basis. Efforts of the extention year, therefore, will be directed toward receiving third party information with taxpayer's identifying number, and processing the data in such a way as to automate much of the cross-checking process.

B. Management Information Systems

The Department does not have the ability to collect and summarize data in a way that is meaningful to management. While good management information is usually one of the primary reasons for installing computer methods, it is also one of the last objectives to be achieved - because a complete and accurate data base is necessary before meaningful and reliable information can be extracted. During the extention period, efforts will be made to consolid-ate the various much-improved processing procedures into a comprehensive management information reporting system.

C. Data Integrity and Security

Any hurried program to install computer methodology will involve a lot of calculated risks. One must evaluate the benefit of having thousands of names-addresses on computer files that have not been verified, as opposed to having mere hundreds that have been verified. Other risks involve inputting data without accounting controls immediately, as opposed to waiting six months for proper controls to be established. Toward the end of the "crash program", however, attention must be increasingly focused on maintaining and improving the validity and security of what becomes a substantial investment in the data base. For this reason, the extention year will be used to implement both integrity and physical security systems that have been at least partly neglected during prior stages.

Jimmie R. Osburn
Project Manager

RETENTION OF ADP TECHNICIANS

The project paper described several potential problems in the recruitment and retention of ADP technicians. The following is a review of the situation after the first project year.

1. At the beginning of the project, there were four assigned ADP technicians (programmers/analysts/computer operators) and four assigned data entry operators. All of the ADP technicians had received some training in COBOL programming, but none had completed a successful working program.

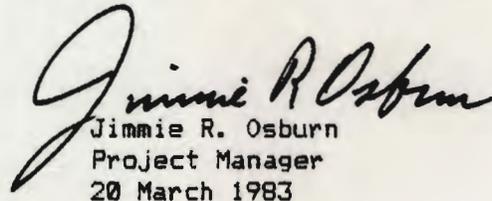
2. Two of the ADP technicians left the department at about the 9th project month, before developing any significant technical skills. They were immediately replaced by two new employees, who were given several months training - 2 months in the U.S. via a Ministry of Finance contract with Arthur Young Company, and 2 with the Department of Statistics of the GOJ. Their potential has not yet been determined.

3. One of the new employees, hired immediately after the project began, is the ADP Manager - who is still with the Department. He has a 2 year certificate in ADP technology from a U.S. college. He has recently completed a few minor but successful programming efforts. He is a competent manager of the data processing section.

4. The Department has rotated employees into data entry operations, so that there is an abundance of people who have been trained for this work. One of the data entry operators has become increasingly effective as a computer operator. Computer operations have proceeded in recent months with very little requirement for technical assistance.

5. It has proven to be neither practical nor possible to attempt development of skills to a level competent enough to design and program new ADP applications for the Department. Contractual arrangements with professional software houses have been recommended for this, and there are several companies in Jordan capable of doing this. The Department's objective is to develop skills adequate to operate, maintain, and make minor adjustments to these processing systems.

In summary, it appears that the anticipated problems of retention of technicians have not materialized, nor are they likely as long as the technical skills remain at the maintenance level. It is still quite likely that if the Department manages to develop Systems Development skills, then it will be difficult to retain the people who possess them.


Jimmie R. Osburn
Project Manager
20 March 1983