

TAX ADMINISTRATION ASSISTANCE PROJECT  
USAID/IRS AMMAN, JORDAN

Project Review Summary  
8 August 1982

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**BACKGROUND**

This is a summary of the current status of the Tax Administration Assistance Project from the perspective of the original work plan. It consists of four sections:

1. General Observations
2. Prognosis
3. Tabular Summary
4. Details by sub-project

**II. GENERAL OBSERVATIONS**

- A.** The major factors that effected the planned execution of the project were the following:
- (a) The replacement of almost the entire staff of assessors with new employees who had no previous experience as assessors.
  - (b) The unanticipated delay in passage of the new tax law which strengthens provisions for enforcement and self-assessment.
  - (c) An excessive amount of computer down time.
  - (d) Unanticipated one-year delay in staffing the compliance advisor position.
  - (e) The lack of an Organization and Methods staff capable of assisting with studies and collecting quantitative data for management.
- B.** The most notable accomplishments to date are the following:
- (a) Substantial improvement in the data entry and taxpayer accounts processing system, including incorporation of Arabic names and addresses.
  - (b) Initiation by the ITD of limited but precedent-setting enforcement action for non-compliance, primarily in the withholding tax area.
  - (c) Completion of a comprehensive training needs study, and establishment of methods and priorities for future training.

The areas that present the most significant problems and potential hazards to the success of the project are the following:

- (a) Continued insufficient motivations to the taxpayer to comply with the tax laws - especially the reluctance of the CQJ to impose sanctions for non-compliance.
- (b) Lack of adequate understanding of and appreciation for the self-assessment system, and the corralory needs to make it work effectively.

### III. PROGNOSIS

The arrival of the compliance advisor in early October will provide the balanced program envisioned in the original work plan. The work plan will be revised at that time to reflect the more realistic target dates for sub-project accomplishment.

A project extension of one year is recommended. This will provide a full 2 year tour for the compliance advisor, as was originally intended, and a one year extension for the project manager.

If the new tax law is passed in August 1982 as expected, then the efforts of both advisors will be concentrated on implementing the self-assessment system.

### IV. TABULAR SUMMARY

PROJ.	TITLE.....	STATUS	SCHED. COMP.DT.
1-	ADMINISTRATIVE ISSUES		
1a	Review Prior Files and Evaluate	COMPLETED	Apr 82
1b	Review Proposed Tax Law	COMPLETED	Mar 82
1c	Evaluation of New Tax Law	NOT STARTED	Nov 82
1d	Study of Public Service System	NOT STARTED	May 83
1e	Continual Evaluation	IN PROCESS	Dec 83
2-	AUTOMATIC DATA PROCESSING		
2a	Arabic Names and Addresses	COMPLETED	Feb 83
2b	On-line Data Entry	COMPLETED	May 83
2c	Write Documentation	COMPLETED/REESTABLISHED	Oct 82
2d	Database Purification	COMPLETED	Apr 82
2e	Computer Bills and Notices	IN PROCESS	Nov 83
2f	Process Withholding Payments	SUSPENDED	Feb 83
2g	Third Party Information System	NOT STARTED	Apr 83
2h	Management/Statistical Reports	IN PROCESS	Nov 83
2i	Returns Processing System	NOT STARTED	Feb 83
2j	Computer Hardware Evaluation	ESTABLISHED	Dec 83

3- COMPLIANCE/AUDIT			
3a	Evaluate Prior Recommendations	COMPLETED	Apr 82
3b	Priority/Classification System	NOT STARTED	May 83
3c	Appeals/Objections System	NOT STARTED	Feb 83
3d	Compliance Measurement	NOT STARTED	Nov 83
3e	Audit Techniques Training	NOT STARTED	Feb 83
3f	Accounting Standards	NOT STARTED	May 83
3g	Regulations/Interpretations	NOT STARTED	Apr 83
4- COLLECTIONS/TAXPAYER IDENTIFICATION			
4a	Unidentified Taxpayer Survey	NOT STARTED	April 83
4b	Application of Payments	COMPLETED	Feb 83
4c	Collection Force	NOT STARTED	May 83
4d	Accounting Controls	IN PROCESS	Apr 82
5- MANAGEMENT/ADMINISTRATION			
5a	Security Survey	NOT STARTED	Nov 83
5b	Organizational Adjustment	IN PROCESS	Apr 83
5c	Establish O&M Group	NOT STARTED	May 83
5d	Environmental Study	NOT STARTED	Nov 83
6- SELF-ASSESSMENT			
6a	Tax Return Forms	NOT STARTED	Feb 83
6b	Conversion Plan	NOT STARTED	Nov 82
6c	Public Relations	NOT STARTED	May 83
7- TRAINING			
7a	Training Survey	COMPLETED	May 82
7b	Job Instructions	NOT STARTED	Oct 83
7c	Job Specific Training	CANCELLED	Oct 83
7d	Develop/Present ADP Training	IN PROCESS	Sep 82
7e	Develop/Present Compliance Trng	IN PROCESS	Sep 82
7f	Develop/Present Management Trng	CANCELLED	Apr 83

V. DETAILS BY SUB-PROJECT

PROJ.	TITLE.....	STATUS	SCHED. COMP. DT.
1-	ADMINISTRATIVE ISSUES		
1a	Review Prior Files and Evaluate	COMPLETED	Apr 82

In November 1981, files from pre-project IRS advisory visits were arranged into categories and reviewed for recommendations that might need follow-up attention. Areas selected for immediate activity included (a) accountability controls, (b) taxpayer accounts, (c) review of tax law issues, and (d) the tax withholding control system.

The files are being retained for reference and will be consulted as specific issues arise.

Passage of the new tax law was expected in late 1981. Draft copies of the version under consideration were not available, either in English or in Arabic. The law's provisions were discussed with the ITD legal advisor, and specific recommendations regarding the new law were documented in TTN 8 dated 22 October.

It was learned in March 1982 that some of the administrative and taxpayer motivation provisions had been deleted or weakened by the National Consultative Council. Some general comments regarding tax laws were made in TTN 24, with the request that the ITD make IRS concerns known to the staff of the NCC.

The draft under consideration by the NCC was published in the Arabic press in April 1982. AID obtained an English translation in May 1982. This was reviewed and found to be minimally adequate if properly enforced. No further recommendations were made, however, because it was considered that the process was too far along for IRS input to have any significant effect. The NCC has not passed the law, and it is before the Council of Ministers.

lc

Evaluation of the New Tax Law

NOT STARTED

Nov 82

This is intended to be an effort to correct any administrative deficiencies in the law as it is finally passed, to make it more amenable to successful administration. Since the law has not passed, this project can not be started.

ld

Study the Public Service System

NOT STARTED

May 83

Methods of increasing ITD employees pay have been found through the use of overtime and annual bonus payments. The structure that links pay with seniority and education, rather than level of responsibility, still exists.

le

Continual evaluation of problems

IN PROCESS

Dec 83

An erroneous interpretation of the law (that notifications were required to "assess" taxes withheld from employees) has been corrected so that direct enforcement action is now possible. About 100 cases have been sent to the legal advisor for court action as compared to 1 case last year. No fines or sanctions have been imposed, however, except those imposed by the courts.

Suggestions have been made to resolve the problem of "proof of receipt" of tax notices within the present law by having the assessor deliver the assessment notice at the time of assessment. This has not yet been implemented.

## AUTOMATIC DATA PROCESSING

2a Arabic Names and Addresses COMPLETED Feb 83

Programming technology for processing Arabic on the type of computer installed in the ITD was not well known, even by the computer vendor, and had to be determined by extensive experimentation.

Extra personnel were assigned to key enter Arabic names and addresses during March-June of 1982. The file is now essentially complete. The operation revealed many duplicate name-number combinations, however, and major efforts are now underway to correct these.

2b On-line Data Entry COMPLETED May 83

An on-line data entry system was implemented in March of 1982, but abandoned when a major equipment failure destroyed the required programs and files. A greatly improved system was installed in July, and is now operating successfully. Additional data formats can be added by changing a few parameters, with no required reprogramming. Data is edited as it is entered, thus reducing the number of errors allowed to enter the files.

2c Update Documentation COMPLETED/REESTABLISHED Oct 82

Documentation was completed for the processing system as it was at the start of the project. During May to June 1982, however, a major systems revision was required to resolve problems of file capacity and operational complexity. The result is a simplified procedure that requires the operator to respond to terminal prompting, rather than requiring entry of complex and detailed technical instructions. For this reason, documentation is less essential than before for operational purposes, but still needed for future programming and systems revisions.

2d Database Purification COMPLETED Apr 82

This is, in part, a continuing task. There were extensive errors in the file at the start of the project because of previous equipment failures, and some new errors caused by equipment failures since the beginning of the project. All of these have not been corrected, and the task has been reduced to routine data maintenance. Use of the new on-line data entry system will reduce the types and numbers of errors allowed to enter the files in the future.

Completion of Arabic name and address data entry was required before computer printing of notices could be initiated. ITD programmers are now working on programs to computer print overdue account notices. It is expected that this project will be finished about 6 months before scheduled.

2f

Process Withholding Payments

SUSPENDED

Feb 83

The taxpayer account processing system can already accept payments for withholding taxes, and relatively little additional systems or programming work would be required to detect nonpayers and late payers.

Existing clerical methods are already capable of detecting non-compliance. The cases revealed by the system are not acted upon administratively, however, and there is little real effort to enforce compliance. No further effort to automate this process is contemplated until the ITD demonstrates an intent to use the information to properly enforce the tax laws.

2g

Third Party Information System

NOT STARTED

Apr 83

Emphasis on this project at this time would tend to prolong the delusion that the government can and should get adequate information to properly assess the taxpayer without relying on taxpayer supplied information. It would indicate a general misunderstanding of the value of self-assessment.

This project will not be activated until the self-assessment system is firmly in place, and it is clearly understood that third party information is a valuable audit tool, but not an alternative to self-assessment.

2h

Management/Statistical Reports

IN PROCESS

Nov 83

Historical data for 3 years of transactions (old ledger balances, payments, assessments) were retained on the data entry cassettes. These were used in early 1982 to produce reference listings, and statistical data as a by-product. These data have not yet been properly analyzed or converted to graphic form.

A Collection Priority Report has been produced at intervals which categorizes delinquent accounts in time and amount groupings. Use of the data to motivate collection action has thus far been minimal.

Tax returns are not currently being received from taxpayers. The new law under consideration strengthens provisions for self-assessment, which would require tax returns. The ITD is permitted in the law to implement self-assessment returns on a gradual and phased basis.

A returns processing system would necessarily vary according to the provisions of the law, the timing of its passage, and the capability of the ITD staff at the time implemented. For this reason, no activity is anticipated until the content and timing of the new law are known, and an implementation plan has been devised.

2j Computer Hardware Evaluation ESTABLISHED Dec 83

This is a new project to reflect a continuing effort to insure that the configuration of equipment available to the ITD corresponds with the present and anticipated needs.

Three additional terminals have been installed (for a total of seven) and memory size expanded to 512K. This capacity is adequate for all anticipated data entry operations, for one or two terminals installed in the collections area for account data retrieval, and for program entry and testing.

Considerable down time has been experienced, including almost a full month around November of 1982. This has been very costly in time required to reconstruct files.

3 ASSESSMENT/AUDIT

3a Evaluate Prior Recommendations COMPLETED Apr 82

Files of past recommendations of IRS advisors were examined by Jerry Foytik during his TDY tour, and the major pending items were incorporated into Foytik's reports. These files are still available for use of the long term compliance advisor when assigned.

3b Priority/Classification System NOT STARTED May 83

This project refers partially to the selection of cases for assessment under the agency assessment system, which is already generally satisfactory. Primarily, it refers to the selection of cases for audit under the self-assessment system expected to be implemented in the new law. For this reason, no significant activity is expected until self-assessment returns are being received on a regular basis.

3c

Appeals/Objections System

NOT STARTED

Feb 83

It has been noted in recommendations regarding the tax law that taxpayers may use the objection process as a simple device to avoid or delay payment of taxes, and little or no cost or inconvenience to the taxpayer. Statistical data are needed to determine the extent of the problem, and what can be done to circumvent it.

This project will also attempt to speed the process and reduce the number of procedural steps involved in processing objections.

3d

Compliance Measurement

NOT STARTED

Nov 83

A study of compliance levels requires a lot of detailed work with the employees of the ITD who would conduct the study. This will not be undertaken until after the arrival of the compliance advisor.

3e

Audit Techniques Training

NOT STARTED

Feb 83

This project will not be started until after the arrival of the compliance advisor. The initial task is to clarify for all ITD employees the essential differences between (a) assessment vs. audit, (b) self-assessment vs. agency assessment, (c) accounting audit vs. tax audit, and (d) office audit vs. field audit.

3f

Accounting Standards

NOT STARTED

May 83

The draft tax law gives the Director of the ITD the authority to prescribe accounting standards. Doing so, however, will require close cooperation with professional accounting groups. Awaiting arrival of compliance advisor.

3g

Regulations/Interpretations

NOT STARTED

Apr 83

The draft tax law gives the Director of the ITD the authority to issue interim regulations and interpretations. This project will attempt to establish a formal mechanism for doing this. Awaiting arrival of compliance advisor.

4

COLLECTIONS/TAXPAYER IDENTIFICATION

4a

Unidentified Taxpayers Survey

NOT STARTED

Apr 83

Awaiting arrival of compliance advisor. Project will begin with identifying outside sources of information regarding probably taxpayers.

4b

Application of Payments

COMPLETED

Feb 83

The practice of distributing a single payment over all of the unpaid tax years has been discontinued. Payments are now applied first to the oldest tax year until fully paid, then to later tax years. This has reduced the volume of payment transactions.

4c

Collection Force

NOT STARTED

May 83

The importance of the collection activity has been emphasized in many ways, even to the point of describing all other functions as subordinate to the primary mission of collecting the tax due. Constitutional changes have occurred, however, to create an effective collection force. Awaiting arrival of the compliance advisor.

4d

Review Accounting Controls

IN PROCESS

Apr 82

Conrad Longoria, on his TDY in November 1981, examined the data entry control system in detail. Minor procedural changes were made to insure that payments and assessments were entered with accurate accounting values.

Accountability control over master file postings has not been maintained. Some security is available through password access and trails of all transactions.

5

MANAGEMENT/ADMINISTRATION

5a

Security Survey

NOT STARTED

Nov 83

Security issues are brought to the attention of the ITD as they are encountered. It is anticipated that a TDY assignment will be used to make a more comprehensive survey of security problems in the ITD.

5b

Organizational Adjustment

IN PROCESS

Apr 83

Various recommendations have been made regarding (a) office and field audit groups, (b) a collection force, and (c) an Organization and Methods unit. None of these have yet been implemented. This project contemplates a more extensive study of the organizational needs of the ITD.

5c Establish O&M Group NOT STARTED May 83

Some employees have been identified who are potential candidates for this group, and some have received special training through the Arthur Young Co. contract with the Ministry of Finance to develop a Management Information System. No steps have been taken, however, to formally establish an O&M or similar organizational unit.

5d Environmental Study NOT STARTED Nov 83

The acquisition of a new building for most of the ITD staff, along with new furniture and furnishings, has resolved many of the environmental problems anticipated with this project. The construction of a new building especially for the ITD will probably resolve others. This project will involve a more comprehensive survey of all environmental factors effecting tax administration.

6- SELF-ASSESSMENT

6a Tax Return Forms NOT STARTED Feb 83

The scheduled completion date is based on the assumption that the new tax law would be passed in 1981. The delay in passage of the law, plus the Department's option to gradually implement self-assessment, has reduced the urgency of completing the design for the tax return forms. It is also noted that tax returns were designed by IRS advisors in 1978, appropriate to the old law, and that much of these will still be applicable.

This project will be rescheduled after the tax law is passed, and after an implementation plan for self-assessment is developed and approved.

6b Conversion Plan NOT STARTED Nov 82

This is also based on the assumption that the new tax law would be passed in 1981, and that its effect would be immediate and universal. This project will be started immediately after passage of the new law.

6c Public Relations NOT STARTED May 83

The image and credibility of the ITD has been damaged by the publication of threats to apply penalties for non-compliance, which were not, in fact, applied at all. A few vigorous prosecutions, accompanied by abundant publicity, has been recommended as a means of countering this. This should logically precede efforts to educate taxpayers of their rights and responsibilities under the self-assessment system.

7- TRAINING

7a Training Survey COMPLETED May 82

Robert Freer completed a comprehensive training survey in May of 1982. His recommendations are contained in a series of Tax Team Notes.

7b Job Instructions NOT STARTED Oct 83

The need for job instructions for ADP tasks has been greatly reduced by the implementation of a "menu" system in which the operator responds to options displayed on the terminal. Job instructions for other than direct ADP tasks are non-existent, although strongly recommended in Freer's reports.

7c Job Specific Training CANCELLED Oct 83

This has been combined with project 7b because of the close similarity of subject matter and their mutual interdependence.

7d Develop/Present ADP Training IN PROCESS Sep 82

Two employees received COBOL training from the Department of Statistics, but were not afterwards able to demonstrate any acquired skills in programming.

It has been determined that the most effective training methodology for ADP technologies would be a modular self-study program with frequent monitored tests and frequently required demonstrations of ability to apply the skills learned. Negotiations are underway with the University of Jordan for assistance in developing, and for subsequently administering, such a course.

73 Develop/Present Compliance Training IN PROCESS Sep 82

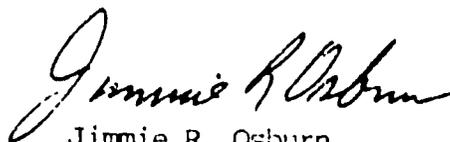
All new assessors have received training in the Jordan Income Tax Law. Most of them have received some accounting training in an effort to overcome background deficiencies noted when they were hired.

No training has been developed or offered for the Collection staff. The duties of the Collector are not adequately defined, but they are generally considered to be passive, not requiring active or aggressive efforts to collect taxes.

Apr 83

A total of 45 ITD employees have received AID sponsored training in the U.S. Eleven of them are still in the Department. Two have attended INTAX seminars since the project was initiated. There are currently no employees, in positions for which such training would be appropriate, who have sufficient mastery of English to justify similar AID sponsored U.S. training.

Freer questioned the appropriateness of management training in an environment where trainees were not expected to apply the management skills learned. Should the concept begin to change, the Public Administration Institute can present management training courses at no cost to the ITD.



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