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**BUSINESS CLIMATE
REFORM**

Date: 30 June 2007
To: Nato Beruashvili, Fiscal Reform Team Leader
From: Neli Baeva, IT and Tax Specialist
CC: Olin McGill, COP
Re: Proposed Plan for Implementation of Software for Non-Filer Cases

1. Prepare training materials
 - a. Short description of the business process from case identification to closing cases
 - b. User guide for software
2. Schedule training sessions
 - a. Session for 7 out of 17 computerize offices
 - b. Session for 5 out of remaining 10
 - c. Session for the last 5
3. Conduct training
 - a. First someone from Collection will present the business process; legal base for issuing an order for identified cases; structure and content of the notification letter; discuss proper procedure if a taxpayer failed to submit a return and failed to return explanation
 - b. Someone from IT division will demonstrate the software, starting from how this system functionality can be utilized, what the user should enter as parameters, how can go back to cases in order to enter feedback information; what reports can be produced (Report update: Statistical: Total non filers identified on VAT for tax period X: Up to report – X1 received notification letter; X2 was closed since tax return was submitted, X3 submitted explanation- x3.1 zero vat, x3.2 temporary closed, etc...)
 - c. Questions & Answers

Responsible persons:

1. From Collection division
2. From IT Division

Assigned to complete tasks

1. From Collection Division
2. From IT Division

Process Description

- Database contains information about:
 - whether a taxpayer is registered as VAT taxpayer (when taxpayer is registered for VAT information is recorded and entered into system database)
 - submitted tax declarations by tax period (when a tax declaration is delivered by taxpayer a record is made into the system allocating a unique ID number for this declaration)
- Allows request to database for specific tax period (for example February 2007) the system can identify and return list of taxpayers that failed to submit VAT tax declaration for February, 2007. The request has sense after the due date – 15 March, 2007.
- For all identified cases an order is issued. The purpose of the order is ...
- Information about the issued order is entered into the system and linked to the concerned cases.
- Based on issued order notifications, letters are generated and printed. Each letter consists of three parts: information, receipt, and explanation.
 - Information– informs taxpayer about his/her infringement and the fact that it was discovered by the tax authority with legal disclaimer for ...
 - Receipt – documents of the fact that the letter was delivered to the taxpayer. Date of delivery is recorded into the system and is an important – legal provision for imposing fines and taking enforcement measures.
 - Explanation – can be filled in by the taxpayer and returned to the Tax Office. It contains an explanation concerning why the taxpayer failed to submit his/her tax declaration. Information is recorded into the system.
- If the taxpayer submits a return, the system automatically will close the case.
- If the taxpayer failed to submit a return and didn't return the explanation, a fine is imposed.
- Reports necessary to document non-filer cases: During one tax period; During a few tax periods; From the beginning of a fiscal year up to the date of preparing a report – in order to see the progress of applied process.

At each Inspectorate the task for identifying and tracking activities for non-filers via IS functionalities has to be assigned to a responsible party. The appointed person will be responsible for operating the software and organizing all consequent work.

USER GUIDE – NON-FILER CASES

After the 15th of each month the “Non-filers” from TAX_DEP software program, under ... main menu has to be executed for the previous calendar month.

Upon invoking the program, the user is prompted to enter the tax period for which non-filers will be identified. The tax period is a calendar month and has to be entered in the following format: YYYYMM.

Screen image 1

Example: If the user wants to identify non-filers for monthly tax declarations for February 2007: VAT, Income and social from salary, and Excise (currently the software will work only with VAT tax declarations) in the field for tax period value “200702” has to be entered.

The software can be executed only once for a tax period. If the software has been executed for February 2007 and the user tries to run it again for the same tax period the system should issue a message: Non-filers for February 2007 have already been identified! Continue with (1) entering different tax period, or (2) work with identified cases, or (3) exit the system program. Upon selecting an option: the system should request that the user enters a new tax period, present its findings in a list of identified cases or exit.

After a valid tax period is entered, the system identifies non-filers using information from the taxpayers register and information about submitted VAT declarations for February 2007 into the IS database. Identified cases are recorded, in addition to allocating case identification numbers to each case. The updated information is listed on the screen.

Screen Image 2

The user prints the list of new identified non-filer cases along with draft Order.

- *Example of draft order- probably the draft order contains case numbers information*

At that time the user can exit from this program via the “Exit” button.

The draft order is submitted to the For signature and registration. At registration, the order receives a unique order number.

Upon receiving the completed order, the operator should reenter the program and enter the tax period – 200702 selecting option – to work with identified cases. Information from the order, such as Order number, date of order, and etc... is entered and linked to each case from the case load.

The user immediately activates the program to print notification letters for identified cases and the system automatically records the date the letters are printed. Each letter contains the case ID number and order number.

After printing is completed the user exits the program.

Example of notification letter

Printed letters are forwarded to for delivery.

Upon delivery, the receipt section of the notification letter is returned as a receipt of delivery. Receipt of delivery is an input document. After accessing the list of non-filers for the relevant tax period, and selecting the editing button, the user can search for a case, according to the case number printed on the receipt, and then enter the information from receipt – when the letter was received, whether it was delivered to the taxpayer or to someone else, etc.

Screen for entering data from receipt

The process for delivering and recording receipts for delivery for one batch of non-filing cases can can up to one or two weeks depending on the number of non-filer cases.

The taxpayer’s reaction to the notification letter could be:

1. Submit tax declaration with delay

2. Return an explanation for not submitting a tax declaration, the third part of the notification letter
3. No reaction

If a taxpayer submits a tax declaration, once it is registered into the system the case is automatically closed.

If a taxpayer returns the explanation notice, the new information is entered into the system via the “Non-filers” system functionalities which can be accessed by case number. The case is then closed since the explanation should be a legal exemption from paying tax.

Include a copy of explanation notice and screen for capturing information from it.

For the remaining cases, the collection division will take the appropriate action as indicated by law.

The system can produce the following reports:

- List of open non-filer cases for a set tax period (example -February, 2007)
- Statistics on non-filer cases for a tax period – total cases identified, number of cases closed due to submission of tax declaration; %, number of cases due to ZERO month, % ..., number of still not close cases, % (for one Inspectorate for Inspectorate manager or for all Inspectorates by Inspectorates for HQ managers)
- Statistics on non-filer cases for a calendar year – as above but by months up to the date of preparing the report. (for one Inspectorate or for all Inspectorates)

Examples of reports:

/ Suitable screen images need to be incorporated within this simple user guide/