

Dutch Tax and Customs Administration Business Plan **2008 - 2012**

Foreword

The Dutch Tax and Customs Administration has reached a turning point in its career. In their present state, its IT systems are unable to offer the public the speedy, efficient service it deserves: private individuals and businesses expect high calibre service with attention for individual needs. Even the usual forms of supervision – monitoring tax returns and company files – are proving too great a challenge. The volume of taxpayers, Customs' clients and those entitled to benefits has increased vastly over the last 25 years and the traditional supervision procedures are unable to do justice to the final result: the right tax assessment, the right benefit, on time.

Like all (semi) government bodies, the Tax and Customs Administration is increasingly dependent on others. Developments including basic registries and the basic facilities in e-government, and advances such as joint enforcement – whether in an administrative or criminal law context or 'out on the street together' – inevitably (and necessarily) determine how the processes of the Tax and Customs Administration are set up. Serving private individuals and businesses likewise places increasingly higher demands on the currency of our data, as does the increasing interconnectedness of processes. In the space of a few years, information on wages has become of central to processes such as benefits, income-related healthcare contributions and the pre-completed income tax return.

Society – and legislation along with it – has clearly become more complex. Employment relations have for a long while extended far beyond 'salaried employment' or 'profit entitlement'. Now, people enjoy income generated by other activities (known as *row-ers* in Dutch), there are self-employed persons without staff (or *zfp-ers*) and directors/major shareholders (or *dga's*). In terms of deductions at source, today we have numerous categories of employee insurance scheme contributions due to which withholding agents now jointly account for the supply of over 230 million data items.

The system of reimbursements and provisions relating to wage tax (in itself a balanced system) has become so complicated that finding the right approach entails a great deal of red tape. Benefits such as rent benefit and childcare benefit also embody extremely specific policy objectives, which involve applicants having to complete elaborate forms. Inheritance tax has become obsolete in today's world, making its enforcement far from simple.

Thanks to an IT system that has gradually become too complex, the political arena's drive to reduce red tape or realise other policy changes cannot always be achieved within the desired timeframe.

The work of Customs is radically changing, slowly but surely. Import duties have declined and there has been a switch from the inspection of goods, from incoming to outgoing. The pace of these changes is uncertain and not only subject to our control. This is proving difficult for our Customs personnel, and is expressed in feelings of restlessness that are all too understandable.

We are fully aware that this turning point is facing us with challenges on all fronts. And we know what we need to do. When it comes to IT, services and legislation, the action to be taken is detailed in the letter outlining simplification measures, from our state secretary to the Lower House. The plans for tackling the wage tax declaration chain are set out in the letter from the Minister of Social Affairs and Employment and our secretary, 'A Comprehensive Integrated Problem Analysis of the Wage Tax Declaration Chain' ('Integrale Probleemanalyse Loonaangifteketen'). And, to improve supervision, we will augment traditional approaches with horizontal supervision and joint measures: intervention teams, haven teams and joint action on the street and in communities. For Customs, the direction is clear, but the pace is, as yet, uncertain.

Implementing all these improvements will take time. It certainly will not happen overnight. This causes a great deal of tension. Tension that results in complaints from private individuals and businesses. Tension that finds an echo in the media. And that also manifests itself in our organisation. Our plans include investing considerable human and financial resources in IT, and in developing contingency plans for manual processing. Our staff and management are making concerted efforts to achieve our promised objectives. What we can do, is being done. In 2007, we performed better in most areas than we did in 2006. We are disappointed to see that, despite our best intentions, mistakes occur nonetheless. Because the number of complaints we have received has increased, mainly concerning deductions at source, benefits and income-related healthcare contributions. It would be impossible to promise no further mistakes in the short term. But we can promise that we will do all we can to avoid errors, or to rectify them. But first we need to move through this transition phase to again get everything as it should be.

Albert van der Meer

Theo Poolen

Willy Rovers

Jenny Thunnissen

Hans van der Vlist

Contents

- 1 Mandate of the Tax and Customs Administration5
- 2 Agreements and deadlines.....9
- 3 Environment and direction 12
- 4 Objectives 2008 – 201217
 - Information and communication technology..... 18
 - Bulk processes and services..... 20
 - Supervision, investigation and application of the law..... 21
 - Benefits 26
 - Customs..... 26
 - Personnel and operational management 27

1 Mandate of the Tax and Customs Administration

Standing mandate

The Tax and Customs Administration is charged with the following duties:

- Levying, monitoring and collecting state taxes;
- Supervising the inflow, outflow and transit of goods;
- Supervising compliance with legislation in the fields of economy, health, environment and safety, economic classification and financial integrity;
- Levying and collecting national insurance schemes contributions and employee insurance premiums;
- Allocating and monitoring income-related benefits;
- Conducting investigations in all of the above areas.

In performing these duties, the Tax and Customs Administration adheres to the following standing mandate:

The Tax and Customs Administration carries out the legislation which has been assigned to it as efficiently and effectively as possible. In its work it aims to maintain legal certainty and equality before the law. Servicing and respecting private individuals and businesses form an integral part of its work.

Respect for private individuals and businesses

Respect for private individuals and businesses is an integral part of all that the Tax and Customs Administration does in the democratic constitutional state. Recognition of civil liberties and the government reserve associated with it should not, however, lead to the government neglecting standards. Responsibility for doing what is expected under democratically established legislation lies with private individuals and businesses. If the Tax and Customs Administration establishes instances of abuse and improper use of regulations, it will respond by defining the limits of what is permitted, leaving no room for ambiguity. The Tax and Customs Administration is very aware of the relevance of legal protection for private individuals and businesses. Its task is to inform private individuals and businesses as accurately as possible, of their rights and obligations. The Tax and Customs Administration takes their interests and views seriously and aims to communicate openly and honestly. This presumes good faith and judiciousness on the part of the Tax and Customs Administration. By being a reliable and efficient organisation, the Tax and Customs Administration contributes to a sense of justice in society.

Legal framework

In establishing legislation the legislator applies the principles of justice, legal certainty and equality before the law, set off against the objects it wishes to achieve with the legislation. Equality before the law requires the Tax and Customs Administration to strive for unity in policy and execution. Equal cases must receive the same treatment throughout the organisation, on the basis of the same principles.

It goes without saying that the Tax and Customs Administration must act lawfully. In other words: it must act in agreement with written and unwritten rules and regulations. Laws, laws of precedent and policy must be applied correctly, compatible with their intent and purport.

In order to be able to execute its tasks, the Tax and Customs Administration has legal powers of attorney. The Tax and Customs Administration uses these powers correctly and observes all legal regulations in place to protect the rights of private individuals and businesses.

Prior to the coming into effect of new legislation, the Tax and Customs Administration indicates which implementation problems may occur and provides relevant solutions. Test criteria assess whether new legislation is understandable, fraud-proof, and verifiable, the administrative burden for private individuals and businesses and the speed with which the new legislation should be implemented. Practicability and the ability to work within frameworks on the basis of implementing policy are essential ingredients for supervision and enforcement. Because, in Holland's complex and open society, the Tax and Customs Administration is not able to exercise 'hundred percent' control that legislation is being complied with. It is increasingly looking for a balance between the desired level of supervision and (the costs of) execution.

Attitude and behaviour

The Tax and Customs Administration must be able to guarantee that confidential data are protected and that data are used solely for the purposes for which they were obtained. This requires integrity in staff who, after all, deal with confidential information and substantial financial interests on an every-day basis.

Each Tax and Customs Administration employee is an ambassador of public interests. His or her behaviour makes a positive or negative contribution to taxpayers' compliance with their obligations. In the execution of their tasks, personnel therefore rigorously observe the core values: credibility, responsibility and due care.

Further to the above, the Tax and Customs Administration finds it important that staff:

- Are committed to the organisation's objectives;
- Act in the way that private individuals and businesses may expect of the Tax and Customs Administration;
- Act correctly and are service-minded;
- Are able to arrive at expert decisions independently;
- Avoid all conflicts of interest in all forms;
- Lead by example and hold others accountable for their behaviour and agreements made;
- Are prepared to give account for their acts and decisions.

Compliance: self-reliance and supervision

This work is all about compliance: the Tax and Customs Administration is here to ensure the willingness (presumed to be present in principle) of taxpayers and benefit recipients to observe, maintain and reinforce legal obligations. Compliance is when citizens and businesses report relevant facts correctly, on time and in full and pay the correct amount on time. In addition to service-oriented and respectful conduct, the Tax and Customs Administration promotes compliance through corrective action and, as a last resort, compliance enforced through the criminal court.

The better the administration knows taxpayers and benefit recipients, the better it can promote compliance. Knowing means: having a clear view of what taxpayers and recipients are doing, the (tax) consequences this involves, the (risk) group to which comparable taxpayers and benefit recipients belong, what tempts them not to uphold the rules, and what is needed to ensure that they do.

The Tax and Customs Administration cannot monitor everything. Nor does it need to. The Tax and Customs Administration focuses on supervising those private individuals and businesses who are at risk of not observing legal rules or who fail to pay their taxes. These risks must be covered. But there are different levels of risk. This means that the Tax and Customs Administration exercises more – or less – rigorous monitoring depending on the level of potential risk and also deploys horizontal monitoring. In addition to the risk, the Tax and Customs Administration also ascertains whether considerable (financial) interests are at stake. To avoid becoming predictable, random inspections are also carried out. In cases of proven fraud, the Tax and Customs Administration always takes firm action.

Some groups of taxpayers and benefit recipients cannot meet, or are not sufficiently capable of meeting, their obligations independently. The Tax and Customs Administration considers that helping to improve the self-reliance of taxpayers and benefit recipients is one of its tasks. This is another reason why it actively informs the public.

Attractive employer

In order to operate effectively, the Tax and Customs Administration must have access to sufficient expert and motivated people. People who are proud of their work and who are committed to the public cause. The Tax and Customs Administration aims to be an attractive employer. Considerable attention and care is thus devoted to healthy labour relations and conditions and to career and competency development.

The Tax and Customs Administration extensively involves staff in its organisation's objectives and in improving and innovating its working procedures. It aims to offer its staff the space and support they need to act responsibly in their working environment, to work in independent collaborations and to build a suitable career as they learn the job.

Performance and accountability

The Tax and Customs Administration strives to be a result-driven, speedy organisation that works accurately and efficiently: in short, to provide excellent work at acceptable costs. If the Tax and Customs Administration wishes to continue to perform well, it must maintain its outward focus, and adapt promptly to new demands and circumstances. The Tax and Customs Administration aims to be an open, learning organisation, executing a coherent whole of processes; an organisation in which employees are able to deliver the results they are keen to deliver.

The Tax and Customs Administration is charged with a public mandate that heavily impacts general financial resources. It is its duty to provide insight into and render public accountability on the allocation of the resources allotted to us. Accountability begins with openness. It is up to the Tax and Customs Administration to demonstrate the relationship between the projected plans, the results achieved and the costs incurred.

The Tax Administration attaches great importance to social responsibility. It has opted for sustainable business operations that should be climate-neutral by 2010. This means that greenhouse gas emissions caused by its activities and purchases are neutralised. The buildings are sustainable, work is carried out in a low-energy manner and the production of waste is prevented. Any waste is reused or recycled wherever possible. The use of biological products is also stimulated. As a basic principle, its employees travel by public transport. In time, the vehicle fleet will comprise mostly economical and hybrid cars. Drivers are also trained to drive economically and safely, and to tank using environmentally-friendly fuels wherever possible.

2 Agreements and deadlines

Precision, respect and equal treatment

- The Tax and Customs Administration does what it has pledged. The provision of general information such as that contained in a brochure or provided by the Tax Information Line, is not a legally enforceable undertaking;
- The offices of the Tax and Customs Administration treat taxpayers and benefit recipients, who are in the same circumstances, in the same way;
- The Tax and Customs Administration does not bother taxpayers and benefit recipients more often than is absolutely necessary;
- The Tax and Customs Administration recognises the right of taxpayers to settle affairs within the legal framework such that the minimum of tax is paid;
- The Tax and Customs Administration assumes that taxpayers and benefit recipients are telling the truth and providing correct, complete information.

Protection of personal data

- Taxpayers and benefit recipients are entitled to the protection of their personal data;
- Taxpayers and benefit recipients are not required to provide more data than needed to determine the tax they need to pay or the benefits they qualify for;
- The Tax and Customs Administration does not disclose details on taxpayers and benefit recipients to third parties. However, there are exceptions to this rule, for instance within the framework of fraud prevention and of exchanging data with other ministries or social security implementation bodies.;
- Taxpayers and benefit recipients are entitled to know which institutions have been given access to their personal data;
- At the request of taxpayers and benefit recipients the Tax and Customs Administration indicates which personal data it holds on them. If necessary, taxpayers and benefit recipients can ask for their personal details to be amended.

Information and external contacts

- Taxpayers and benefit recipients are entitled to reliable information provided by the Tax and Customs Administration. If taxpayers and benefit recipients wish to know the (tax) implications of changes in their personal circumstances, they can make the relevant inquiries;
- Taxpayers and benefit recipients are entitled to know the possible implications of new laws or legislative amendments and how this affects them. Information on these changes will be communicated before the implementation phase wherever possible;
- (Written and electronic) communications sent by the Tax and Customs Administration are:
 - Correct as regards content, and up to date;
 - Grammatically and mathematically correct;
 - Structured logically;
 - Easy to understand;
 - Formulated in an appropriate tone;
 - Presented appropriately and correctly.
- Taxpayers and benefit recipients can ask one of the Tax Information Line staff if they have questions about taxes and benefits. Specific questions about taxpayers' and benefit recipients' personal circumstances are answered by the tax or benefit unit in the individual's own region within 2 x 24 hours;
- In certain cases, the Tax and Customs Administration helps citizens complete their income tax return forms and to apply for benefits.

- The Tax and Customs Administration is easily accessible:
 - website: 24 hours a day, 7 days a week;
 - Tax Information Line: from 8.00 - 20.00 (Monday - Thursday) and from 8.00 - 17.00 (Friday);
 - offices: from 8.00 - 17.00 (Monday - Friday);
 - Customs offices keep different opening hours, varying from 8.00 - 17.00 (Monday - Friday) to 24 hours a day, 7 days a week.
- It is important to know how taxpayers and intermediary organisations view the Tax and Customs Administration. Periodical surveys ('Tax Monitor') and consultation are the means used for gauging this;
- In its information and other activities, the Tax and Customs Administration is keen to work in collaboration with other bodies such as trade unions, citizen's advisers, universities, consumer associations, senior citizens' organisations, intermediary organisations for migrants, etc.

Processing deadlines

- Tax returns that have been submitted on time will result in a (negative) preliminary or final assessment within three months after the deadline for filing the tax return has lapsed. This means:
 - Income tax return: before 1 July;
 - Corporate income tax returns: before 1 October;
 - Value-added tax and wage withholding tax return forms are settled within one month after their receipt.
- 90% of inheritance tax returns result in a final assessment within three months after receipt. All returns concerning gifts from parents to their children result in an assessment within six months after receipt. All other gift returns result in an assessment within three months;
- Returns that have not been submitted on time also result in a preliminary assessment within three months after receipt, with a definitive assessment following within one year after receipt. The legal term for this is three years;
- Applications for care, rent and child care benefits may be submitted up to 1 April of the year following the year of calculation. If a postponement for an income tax return has been granted, this postponement shall also cover the application term for the benefit;
- The benefit is definitively granted within eight weeks of the income tax return being established;
- Applications for benefits and amendments are processed within eight weeks;
- Settling amounts to be repaid with as yet unpaid assessments occurs within two weeks;
- Overpayments are repaid within one week;
- Requests for Declarations for Income Tax Status (verklaring arbeidsrelatie) are generally dealt with within one week;
- Filing a new entrepreneur for income tax and the allocation of a VAT number and a wage tax and national insurance number takes five working days;
- Objections are decided within six weeks after receipt and requests within eight weeks. In case this term is longer, taxpayers or benefit recipients are informed on time;
- Taxpayers or benefit recipients are always informed of pending amendments or the pending rejection of objections and requests. If the taxpayer or benefit recipient is asked questions, he shall be given a reasonable term to answer. This term is defined in advance;
- After receipt of correspondence, a confirmation of receipt is sent out. The Tax Administration aims to process any request for information and other correspondence within one month. A two-month processing term applies if the tax office needs to contact other tax offices or third parties;
- Complaints are dealt with within six weeks. Complainants will be promptly informed if processing is likely to take longer.

3 Environment and direction

Environment and direction

Private individuals and businesses are part of society and, because of that, have dealings with the government as a result of the activities they undertake. The bodies closest to taxpayers are the council, which issues passports and driving licences, amends zoning plans, collects refuse, provides amenities for citizens in difficulties, or the police which both punish and assist. Slightly further away are the Tax and Customs Administration, the Social Insurance Bank (Sociale Verzekeringsbank), the Central Fine Collection Agency (Centraal Justitieel Incasso Bureau), the Government Road Transport Agency (Rijksdienst voor het Wegverkeer). And the furthestmost bodies are the ministries, which formulate policy.

Citizen's direct contacts with government bodies largely determine their views of "the government". Furthermore, the media plays a key part – which should not be underestimated – in shaping the way people see government bodies. Conversely, government agencies also have a picture of "their" citizens. More accurately, there is no single picture: there are (almost) as many views as state institutions. Views define conduct, activities and approach. This applies to both private individuals and businesses and to the government.

The Tax and Customs Administration realises that it is quite an 'eye catcher' within the government. This is because of the numbers of private individuals and businesses that have dealings with the Tax and Customs Administration and with the intrusive way in which levying taxes and awarding benefits affects citizens' personal lives and the running of companies: it always concerns money, obligations and rights. What's more, it also entails complicated legislation which leads to uncertainty (aren't I paying too much? Or, aren't I getting too little?). To a certain point, private individuals and businesses accept their position towards the Tax and Customs Administration. However, they become irritated on discovering an imbalance in the mutual rights and duties. When the Tax and Customs Administration makes errors, it is perceived as unjust by private individuals and businesses which have rigidly adhered to official rules and deadlines.

The Tax and Customs Administration operates in this complicated scenario; constantly living up to its social role demands responding to developments and trends all the time, and with increasing rapidity.

For the period 2008 to 2012 the Tax and Customs Administration has identified the following themes:

What private individuals and businesses want:

- Private individuals and businesses want ever-speedier certainty;
- Large companies are confronted with new legislation that requires them to be more transparent and report the risks they may incur; they don't want to do any work twice, or unnecessarily, and expect supervisory bodies to liaise and use each other's information;
- Private individuals and businesses continue to insist on reducing their administrative burden; here the main thing is how they perceive this: they want to see noticeably less red tape.

What the Tax and Customs Administration offers

For companies, in addition to the traditional form of supervision, the Tax and Customs Administration uses horizontal monitoring. This type of supervision is used on the basis of its view that the majority of companies and institutions can and wish to act socially responsibly. Business people are keen to do business, and realise that in doing so they need to adhere to a number of social norms. In this regard, businesses evaluate the government as a whole and, to put it simply, don't have the slightest interest in how tasks are distributed within the government. They feel that information known to one section of the government is known to the government as a whole. The government recognises that businesses need to provide information once and once only, and is setting up a system of basic registries to put into practice the basic principle "information is requested once, and used by multiple government bodies." The Tax and Customs Administration is taking part in this development, and will be responsible for the income basic registry. The basic registries must be both up-to-date and reliable; the tension between these two criteria, which occurs when a citizen reports a change, and the time it takes to process that change, must be resolved.

For businesspeople, the accountant or tax intermediary is a specialist he hires to prevent getting into tax difficulties; unexpected tax claims are most unwelcome, certainly among companies listed on the stock exchange which are compelled to report such “setbacks”. Businesses want speedy certainty about their fiscal position, preferably without any “messing about”. By entering into supervision agreements with individual large companies, with branch organisations and their members, and with fiscal intermediaries, the Tax and Customs Administration is able to meet this need: businesses and the Tax and Customs Administration put their cards on the table and avoid unnecessary hair-splitting.

Finally, businesses often believe that the Tax and Customs Administration does the work of their accountants or other advisers, over again. This is not necessary; businesses insource them because they are professionals in their field. The Tax and Customs Administration enters into consultation with organisations of accountants and tax advisers to respond to this perception; of course, if they have done their job well, no one needs to re-do their work. This is analysed, for example by making use of certification. The first steps taken in the field of deductions at source and in the field of Customs are being expanded.

Elaborating on these steps involves the assessing software in advance, such as bookkeeping programmes, cash software and the provision of certainty beforehand regarding financial services with tax-related aspects such as mortgages, annuities and pensions.

For individuals, the Tax and Customs Administration is working on the introduction of the pre-completed (or pre-populated) tax return. The Tax and Customs Administration assumes that, like businesses, the majority of private individuals can and will take social responsibility. Private taxpayers are also extremely irritated by having to do things unnecessarily; they believe that if the Tax and Customs Administration has so much data at its fingertips, why request it again? And private individuals also want speedy certainty; they don't understand that first – seemingly without being checked at all, they receive a preliminary assessment based on the tax return they have filed, and only receive a final assessment later; and they have no understanding at all of the reasons for the final assessment being set at zero. In the pre-completed tax return, the Tax and Customs Administration show the details it has on individual taxpayers, which inspires trust in the citizen. The private individual checks the data that has been filled in, corrects it if necessary and adds missing information. The more information available, and the Tax and Customs Administration make agreements on this with the sources of data, the greater the number of tax returns that can be fully pre-completed. This means that definitive assessments can be made immediately and the private individual will no longer need to file a tax return once he has checked the pre-completed data and found it to be in order.

The entire government aims to reduce red tape for private individuals and businesses. Through horizontal monitoring and the pre-completed tax return, the Tax and Customs Administration is playing a key role in reducing the administrative burden.

The business community and the government are pursuing standardisation

Standardisation is being introduced worldwide. Players like the World Customs Organisation, the United Nations (UN) and the OECD are standardising systems and processes. But there are also initiatives from the business sector such as using XBRL and the use of open standards and open sources in computerisation.

There are various reasons for this. The WCO and UN's prime focus is following goods flows worldwide, among other things as a terrorism counter-measure. OECD and XBRL are seeking ways of streamlining the various processes surrounding financial reports through standardisation and harmonisation.

What the Tax and Customs Administration offers

The Tax and Customs Administration is reorganising its Customs service so that it can respond more effectively to global developments concerning goods flows and protecting society against undesirable activities or products. The reorganisation involves three facets:

- Fiscal tasks are decreasing (import duties);
- Customs is switching attention from supervising incoming goods to supervising outgoing goods;
- Horizontal monitoring is fundamental; vertical supervision is applied where necessary.

The Tax and Customs Administration is introducing the use of XBRL in the reporting chain. Firstly by giving the business sector the opportunity of submitting tax returns for the principal taxes in XBRL. Consequently, the business community is likelier to invest in software that supports XBRL throughout the entire chain, from initial bookkeeping to sending reports

to the Tax and Customs Administration, Statistics Netherlands (CBS) and Chambers of Commerce (XBRL as a vehicle for financial reporting) But the Tax and Customs Administration intends to go further and is working on the development of XBRL GL (XBRL for storing data at transaction level). In combination with horizontal monitoring, this will have benefits for both businesses and the Tax and Customs Administration. In the longer term, this can create prospects for the pre-completion of specific data in tax returns by the Tax and Customs Administration or even the (partial) replacement of a periodical bulk inflow of tax returns by retrieving the relevant data required for supervision at a specific moment.

E-government is under development

Overseen by the Ministry of Home Affairs (private individuals) and the Ministry of Economic Affairs (businesses), a number of government-wide provisions are being developed.

What the Tax and Customs Administration offers

The Tax and Customs Administration supports and stimulates the development and use of generic government provisions. When the Tax and Customs Administration, as a major implementing body, opts for a certain provision, this acts as an incentive to its realisation and large-scale application once it has been introduced. The Tax and Customs Administration recognises that private individuals and businesses benefit from uniformity in their contact with the government. Although it appears complicated to reach consensus throughout the government on generic provisions, the Tax and Customs Administration nonetheless is keen to pursue them. Better a uniform regulation at a later date than a number of different rules and regulations sooner.

Government-wide provisions involve, for instance, the common authorization provision (gemeenschappelijke machtigingsvoorziening or GMV), mijn overheid.nl (my government.nl: the personal internet page for private individuals), antwoord voor bedrijven.nl (response to businesses: the personal internet page for businesses), e-forms.

In its organisational architecture, the Tax and Customs Administration has chosen to arrange contacts with private individuals and businesses through government provisions managed by GBO-overheid, the Dutch governmental shared service organization for ICT. This increases recognisability for both citizen and company.

Private individuals set up small-scale businesses

The traditional distinction between salaried employment/entrepreneur has blurred. Growing numbers of people derive income from other activities (and are known as row-ers in Dutch), as self-employed persons without staff (or zzp-ers) and as directors/major shareholders (or dga's).

What the Tax and Customs Administration offers

The Tax and Customs Administration invests in giving start-up businesses the attention they need. In the start-up phase, many new businesses require support and services. Experience has shown that because of that the level of supervision can decrease at a later stage. With a view to simplifying legislation, we are looking at less complex rules for working relationships. At present, that tax rules relating to the various types of social activities do not have neutral effects, which gives rise to involved discussions in the borderline areas between the various rules and regulations.

New businesses can be supported by the way in which legislation is implemented, not simply by legislation alone. Through standardisation and harmonisation, it can be easier for small businesses to meet their obligations. Further developments in the field of XBRL can be helpful in this regard; tax return obligations such as those involved in VAT could cease to be required as a result.

Not everyone can take part in the digital society

Within Europe, the Netherlands has a proportionately high percentage of computers and computer users, and considerable internet traffic. This, however, means that those without access to a computer or to the internet, cannot function as easily in society. In advertisements and campaigns, companies make almost exclusive reference to their internet address and a growing number of travel agents are abandoning colourful brochures in favour of online reservations, while banks are eager to discontinue bank statements, etc.

What the Tax and Customs Administration offers

The vast majority of the Dutch population has dealings with the Tax and Customs Administration. In its contacts with taxpayers the Tax and Customs Administration must take account of all kinds of possible users.

For the income tax returns of resident taxpayers, this means providing three versions of the tax return programme (Windows, Linux, Apple) and a hard copy tax return. In addition, there are special provisions for trade unions, senior citizens' associations and social intermediaries. All these provisions have different backgrounds and, as a whole, generate considerable complications.

On the one hand, society may expect the Tax and Customs Administration to base its decisions on economic grounds, but may on the other assume that, at the same time, it support those members of society who are less self-reliant. This involves a different kind of support for this group (assistance at home, assistance at the counter in using a Tax and Customs Administration computer etc.).

Enforcement agencies should work together

Not everyone meets their obligations. In such cases, clearly repressive action must be taken. In this, enforcement agencies must inevitably work together because it is increasingly apparent that avoiding obligations in one area often involves avoiding them in others.

What the Tax and Customs Administration offers

The Tax and Customs Administration works with other enforcement agencies in the area of monitoring, criminal measures and administration. This is most apparent to private individuals and businesses in the form of joint external supervision. The Tax and Customs Administration has an internal range of enforcement tools to promote or compel compliance with legislation relating to Taxes, Benefits and Customs. Depending on the circumstances, one or more of these instruments is used (an approach can involve the use of a specific mix of instruments). A variety of instruments are also available in collaborations with other enforcement agencies: jointly instigating an audit, a joint action in a particular branch of joint actions on the street or in a community. In response to the situation, the bodies involved will select the approach that is most effective in correcting the undesirable behaviour, and which fits within the scope and authorities of the collaborating partners.

4 Objectives 2008 – 2012

The Tax and Customs Administration has set the following objectives for the period 2008 – 2012:

- The ICT complexity reduction project. The principal goals of the complexity reduction project are to improve services to private individuals and businesses, and to reduce the time needed to introduce new legislation in the organisation. Computerisation must be more flexible, simple, robust and open;
- Setting up the Income Basic Registry and improving data management. The Tax and Customs Administration wants to be able to share and exchange more information with citizens, businesses and other government bodies. In the context of the state-wide system of basic registries, the Tax and Customs Administration will be responsible for gathering, registering, validating and providing data on income (wages, income). The Tax and Customs Administration wants to ensure that these data are current, correct and usable, and will be promptly provided to government agencies which need to use them.;
- Improving bulk processes and services. The bulk processes are being standardised and digitised so that, in a majority of cases, work can be carried out automatically. For private individuals and businesses this means having faster certainty on their tax position. For the Tax and Customs Administration this means that the organisation won't need to spend as much time on traditional laborious processes involving hard copy communications. This advance will free greater capacity for intensive supervision and services. It will also signal an improvement in the calibre of answers Tax Information Line staff provide to private individuals and businesses. The Tax and Customs Administration is working towards creating a situation in which citizens will be able to review and update their own details whenever they like. Private individuals will still be able to make tax returns on paper if they choose;
- Supervision. The Tax and Customs Administration aims to step up supervision. It is expanding its range of supervision activities to include horizontal monitoring, campaigns, communication concerning enforcement, cooperation with other enforcement agencies. The Tax and Customs Administration intends to work increasingly on the basis of trust and agreements beforehand, rather than retroactive monitoring. It hopes to enhance the effect of its supervision and simultaneously reduce the administrative burden entailed in supervision. Supervision will focus on verifying data as speedily as possible, using current information;
- Investigation. Investigation will increasingly focus on major cases and/or cases with significant social visibility. Furthermore, supervision and investigation processes will be mutually enhancing through closer collaboration;
- Benefits. A new Benefits system will be introduced. Additionally, the Tax and Customs Administration, is working on the further simplification of legislation, in tandem with the policy ministries. The objective is to provide citizens with the correct benefit, faster;
- Customs. Working with the business community, Customs is striving to make horizontal monitoring more concrete. The existing licences process is being expanded to a certification system where security and safety are pivotal.

Information and communication technology

Reducing complexity

The Tax and Customs Administration relies heavily on ICT applications for the rapid processing of information flows. Similar to any major organisation in the world that introduced computerised processes at an early stage, the Tax and Customs Administration is now facing a highly complex system of applications and high volume files, and an over-dependency of systems compatibility. The effect of this is relatively high maintenance costs, the lengthy implementation of new legislation and greater risk of errors.

To achieve the desired simplification and, at the same time, to meet the needs and requirements of private individuals and commerce more effectively, it has set up a long-term programme that will ultimately result in the complete restructuring of its bulk processes. A new architecture is being developed which centres on flexible systems and the multiple use of data. If necessary, working procedures will be adjusted to the standard product.

The complexity reduction programme is two-track. The first focuses on maximising the current situation: safeguarding the continuity of the current processes and the ability to make the required modifications. The second concentrates on simplifying and innovating management systems in the longer term. Products and facilities designed in the first phase will be developed generically so that they will also be usable in phase two as well.

In phase one of the complexity reduction programme the following four core activities are the principal focus in 2008-2009:

- Cleaning up existing applications, licences and technologies;
- Providing generic basic facilities for correspondence traffic with private individuals and businesses (port), offering information (portal), checking output completeness and accuracy (production management), linking systems (service bus), management and multiple use of data (data management) and the accessibility of information both linked to individuals or unlinked (content management);
- Migration of existing systems on the new basic facilities and elimination of superfluous systems;
- Connecting new systems to the generic basic facilities.

In the longer term, with a view to completion by 2015, the Tax and Customs Administration will radically reconfigure its processes: there will be less focus on tax legislation and more on operating processes. The most important of these are: obtaining data, determining the basis of tax assessments, formalising rights and duties and settling the financial position. For private individuals and businesses this means responding to key events in their lives and the corresponding tax consequences. Subsequently, information will only need to be provided once to settle all the (tax) consequences, regardless of the tax in question. To see whether the newly structured processes work, two trial projects will be held in two tax districts in 2008. For private individuals, the trial will involve settling the tax consequences that come into play after death, while for businesses it will be a practical pilot for new companies. Once the trial has been evaluated, it will be gradually expanded to more districts, a larger number of taxes and a greater range of events.

Data management

Improving data management is essential to enable sharing more data with people, businesses and other government bodies. The introduction of basic registries simply reinforces this development. The present closed infrastructure which is geared at internal data processing, no longer suffices. It will need to make room for a more flexible structure which makes use of open standards. As regards security, rather than a single security level, the Tax and Customs Administration will use different security levels designed to meet diverse levels of risk.

When setting up the data management system, accessibility, clearness and information security are the prime requirements. Cooperation and the chance to exchange data with other services will be the starting point for the process designs. The data submitted to and managed by the Tax Administration must also be usable in the work processes of other government bodies and other relevant external parties, also outside the Netherlands. In particular, the amount of computerised information exchanges between Customs and international bodies increases yearly.

ICT steering function

The Tax and Customs Administration intends to step up the central management of its ICT processes. An extra member will be added to the Tax and Customs Administration management team, with responsibility for ICT management and architecture. A separate unit will also be created at the Directorate-General Tax and Customs Administration to oversee both the management of ICT developments within the Tax and Customs Administration and the management of interfacing the ICT processes of the Tax and Customs Administration with the processes and products of e-government. The team will support the political and administrative management of the Tax and Customs Administration in overseeing these processes. The team's sphere of work involves the management of operational architecture to safeguard the coherence of ICT developments at the Tax and Customs Administration at the highest executive level. Another action area involves working with other governments and organisations, specifically with regard to which ICT-related activities the Tax and Customs Administration will continue to perform, and which would be better assigned to other parties.

Bulk processes and services

Bulk is digital

The current returns processing procedure dates from the days when the Tax and Customs Administration was entirely dependent on the information provided by taxpayers. The situation has since changed. The Tax and Customs Administration already has a wide range of (tax) data on taxpayers and will be able to further reinforce its information position when the basic registries become operational. This will mean that attention can shift from the retroactive checking of tax returns to the immediate assessment and acceptance of facts. In the distant future, the returns will no longer be pivotal; emphasis will switch to the changes ('events') in the current situation of taxpayers and those eligible for benefits. The revision of the returns process brings major benefits for all involved. It means that the Tax and Customs Administration can shed the hugely complex returns process with its mountains of paperwork. For people and businesses it means greater ease in meeting their obligations and speedier certainty on their fiscal position. It will be many years before the new processes, including the necessary support, will be fully operational. The Tax and Customs Administration's action plan for the simplification process, submitted to the Lower House in mid 2007, considers the process will be rounded off in 2015. In the intervening period in a number of projects, such as the pre-completed tax return and the basic registration of income, parts of the new approach to the tax return process will already have been realised.

The current bulk processes are being further standardised and digitised. Not only the standard processing of tax returns and benefits, but also the mass supervision and administrative process should, in principle, be completed without human intervention. To further enhance efficiency, these – standardised and digitised – forms of communication will be processed centrally. This approach will at the same time free up capacity required for improving services and tightening up supervision.

Pre-completed tax return

The Tax and Customs Administration aims to improve its services to citizens even more with the introduction of the pre-completed tax return (VIA). This will make things more convenient for private individuals as the Tax and Customs Administration will not need to ask them to re-send information it already has in its systems, and will also provide greater insight into the information it already has. The information on the pre-completed tax return will be checked for accuracy and completion by the taxpayer. The taxpayer is able to change or add data if necessary. In 2008 the Tax and Customs Administration will be putting the pre-completed tax return to the test, using its own staff as guinea-pigs. If results are good, the pre-completed tax return will be phased in for all private taxpayers, starting in 2009.

Digital services

Electronic communication is increasingly becoming the prime channel for communicating with the Tax and Customs Administration. This applies both to filing tax returns, imposing tax assessments or applying for benefits, and to providing information services. For 2008, the following electronic services will be offered online. For citizens: electronic requests to postpone tax returns, submitting electronic forms online and filing objections electronically. For businesses: improving the website and expanding digital services via the personal domain.

The pre-completed tax return is digital and will encourage returns to be filed electronically. However, expectations are that some taxpayers will still prefer to make their returns on paper. This will continue to be an option although a hard-copy pre-completed tax return offers significantly lower service.

It will be a number of years before the Tax and Customs Administration will have arrived at the most fully pre-completed tax return. Completely pre-completed returns will not be available prior to 2012. The income basic registry will need to be set up first, and consultation is needed with those providing the information to ensure that the data is correct, and is received completely and on time. To provide a quality service to private taxpayers, the data must be accurate and complete. This type of high quality means convenience for the private taxpayer; low grade information implies

¹ Action plan, simplification operation, Tax and Customs Administration, Lower House, 2006-2007, 31 066, no. 2

the opposite. High grade information is imperative for the pre-completed tax return. The Tax and Customs Administration is gradually accumulating increasing data that provides a picture of the taxpayer. This also enables us to provide private individuals with active, custom-made support, and to help them meet their obligations and exercise their rights in cases in which refunds are due.

Telephone and desk

In the years ahead, the telephone and desk will continue to be key support channels for providing information services. The desk will in due course be transferred to the municipal desk.

A number of changes are also in store for the Tax Information Line. The key aspects remain, of course, accessibility and high quality advice in response to queries. But the Tax Information Line will also assume new activities. These are mainly related to the expansion of services the Tax Information Line offers which will mean fewer referrals to other departments of the Tax and Customs Administration. In tangible terms, this involves the Tax Information Line developing into a client handling centre. Additionally, and in discussion with tax intermediaries, the Tax and Customs Administration is also seeking specific opportunities for improving accessibility for this target group.

- Accessibility: the Tax Information Line aims for accessibility which means that 80 - 85 % of callers should get a member of staff on the line within a hundred seconds of going through the options menu;
- One phone call: the objective is that callers will get the help they need with just one phone call. This means that work that is currently performed at district offices (such as modifying information in the systems and dealing with taxpayers' simple questions) will in future be dealt with by the Tax Information Line;
- Quality: the Tax Information Line maintains a number of quality goals that should result in telephone staff being well trained, in the content of the response not being dependent on the team member answering the call, and on the Tax Information Line always having the most current information. External bureaus check the quality of the information provided, and monitor client satisfaction.

Supervision, investigation and application of the law

Stepping up supervision

The Tax and Customs Administration is working on tightening up supervision. It wants to enhance the effect of its actions and, at the same time, reduce the administrative burden involved in supervision. It is working to accomplish this by pursuing the course developed in the government-broad, framework-setting approach to supervision. The principal challenge over the years ahead is to make supervision more selective and to see where the Tax and Customs Administration shares responsibility with taxpayers. The basis of its actions is trust. And, where trust is justified, the taxpayer's dealings are made as straightforward as possible. In cases where that trust is misplaced, supervision will be stepped up and the Tax and Customs Administration will take effective, decisive measures. By deploying a more diversified approach, it is able to keep its increasing – and highly dynamic – client volume at an acceptable compliance level.

Well-considered choices

The enforcement approach is determined by the best possible balance between the enforcement revenue, and the costs involved. The resources available are deployed where maximum compliance effects are expected. In terms of revenue, the Tax and Customs Administration keeps an eye on tax risks or financial interests, and on the impacts for society (risk management). The various types of enforcement are exercised within its budgetary and manpower restrictions, which mean that there is a framework in place regarding both quantity and quality. Managing and steering enforcement involves well-considered choices that weigh up the compliance effect to be achieved, and the enforcement instruments required.

For dealing with risks, the Tax and Customs Administration has a broad range of enforcement tools at its disposal. Besides preventive instruments such as assessing legislation, communication, services and visits to companies, there are repressive tools such as audits, fraud investigations, administrative fines, etc. Relatively new tools in the mix are measures such as horizontal monitoring, enforcement communication and working with other enforcement agencies. Repressive instruments are not always the most suitable means for bringing about long-term shifts in behaviour. When taxpayers continue to default out of ignorance, communication and services provide by visiting start-up businesses, may prove more effective instruments.

Balanced enforcement choices require segmentation. Segmentation involves breaking down the total pool of taxpayers into groups with shared features such as financial interest, complexity of the tax issues faced, scale, etc. The Tax and Customs Administration has created four segments: Private Taxpayers, Small and Medium-Size Businesses (MKB), Medium-Size Businesses (MGO) and Very Large Businesses (ZGO). The segment's characteristics determine the tools that are used. In the ZGO category, which includes around 2,000 of the largest companies, the nature of the tax issues and the scale of the interests necessitate a customised approach. Around 12,000 companies belong to the MGO segment. Here, individual client handling is key. A similar approach is ineffective in the rapidly-expanding MKB category. For each segment, enforcement management results in a different approach. By standardizing the deployment of the various instruments, the Tax and Customs Administration arrives at a balanced mix of preventive and repressive action.

Enforcement management is designed partly on a national and partly on a regional level. Efficacy and strategic interests determine whether something is steered nationally, or regionally. This differs per segment and sometimes also per enforcement instrument or tax. Tax risks are best determined centrally. Due to their nature, other policy aspects may be better suited to regional management, such as tackling havens and dealing with new businesses. Working with other enforcement agencies is also mainly organised at regional level. A percentage of supervision capacity is conducted by means of spot checks. This not only increases the unpredictability of checks, but also creates a permanent investigation database that provides insight into the current risks faced by entrepreneurs.

Intelligence

The Tax and Customs Administration is reinforcing its intelligence so that administrators and managers will be able to select the appropriate type of enforcement management, and maximise the effect of their actions. Choices are based on knowledge of taxpayers and the efficacy of the enforcement tools to be used. The basis of the intelligence comprises details available to the Tax and Customs Administration: tax returns, the basic registries, collection, recovery, services, investigation, etc. It is also expanding their information and expertise position. New information terrains are being explored to pinpoint phenomena and trends. Some of the key tools are physical supervision ('on the street') to gain insight into economic reality and digital supervision (online). These 'eyes and ears' give staff at the Tax and Customs Administration information on activities that develop outside the official bounds of the modern information society. By systematically measuring, analysing and evaluating the interventions of the Tax and Customs Administration, (the effects of) its enforcement instruments can be understood and it can alter its approach if necessary. This is how the intelligence learning curve has been designed.

The Tax and Customs Administration has decided that all its departments and units (Tax and Customs Administration Regions, Customs, FIOD-ECD and Benefits) will have their own intelligence organisation. Organising intelligence close to the primary process ensures lines are short and information exchange is speedy. It also helps to keep the organisation at a manageable scale. The approach and know-how are shared and the computer systems of the various units are harmonised. The tactical/operational intelligence is structured at regional level.

Horizontal monitoring

Making well-considered choices also means that the Tax and Customs Administration ascertains where it can share responsibility for compliance with social parties.

The Tax and Customs Administration will continue with horizontal monitoring: concluding supervision agreements with large

companies, branch organisations and their members and intermediaries (accountants and consultants). It believes that the majority of people, businesses and institutions can and wish to be socially responsible. By making a sharp distinction between high risk and less risky businesses and leaving certain supervision tasks to bona fide businesses, there is scope in its own supervision activities for tackling those who do not adhere to the rules very closely. So, in this regard, horizontal monitoring proves an effective addition to traditional, vertical supervision, in which (in a top-down approach) the government monitors adherence with the rules.

The starting point works on the principle that supervision is a responsibility shared by all partners in the tax chain. In other words, it is a partnership. In brief, the collaboration is based on the conditions trust, transparency, equality, and acknowledging mutual interests. The collaboration aims at resolving problems beforehand if possible, and preventing double work in the chain. It is a strategy that offers taxpayers speedier certainty; also, fewer time-consuming checks will need to be performed afterwards. By stepping up legal certainty and reducing the administrative burden, the Tax and Customs Administration intends to help create an attractive climate for establishing businesses. It is an approach in which the Netherlands is at the forefront in the international field. The OECD is propagating tightening up the relationship between taxpayers, tax administrations and advisers; the Dutch approach is cited as an example of this.

The (very) large companies segment holds clear opportunities for horizontal monitoring. The approach is in line with international developments relating to financial reporting, which aim to increase and compel transparency. The Tax and Customs Administration intends to reinforce its partnership with this specific target group by intensifying its dialogue with this segment. The goal is that both parties will continue to have an understanding of the current risks and be up-dated on each other's standpoints. Any problems in implementing new legislations, and the consequences of new legislation, will also be discussed. Horizontal supervision also has added value for the Small and Medium-Size Businesses segment (MKB). The Tax and Customs Administration is in dialogue with branch organisations to see if problems specific to various branches can be resolved by concluding an agreement with the individual branch. Agreements on ways of addressing this and the supervision involved are key aspects of the consultation.

In 2005, the Tax and Customs Administration began a pilot project with 20 companies, most of which are listed on the stock exchange. Given the positive outcome, the pilot was expanded in 2006 with another 20 similar companies. Individual supervision agreements have been concluded since with most of these companies. The first part of the pilot has in the meantime been evaluated, and the results were positive. The advantages of this approach are: working with current situations, the Tax and Customs Administration is able to determine its standpoint much quicker and there is greater openness between partners. In the coming years, the line of individual enforcement covenants will be expanded to include other large companies. The degree to which a company can demonstrate that it is in control will be decisive for the form and intensity of the supervision.

One specific area of interest is collaboration with fiscal service providers (accountants and consultants). The Tax and Customs Administration is investigating whether generic agreements can be made with them on the substance and quality of their activities so that taxpayers can receive certainty more quickly. Forms of certification are being considered in this regard. A pilot project has begun in the MGO segment to see if supervision agreements can be made with the company and external adviser at individual level regarding the audit which will be performed at the company by the external adviser.

Checking deductions at source

Horizontal monitoring also plays a key role in ensuring that wage tax declaration details are provided on time to the agencies that need them, and are accurate and complete. Many of the Tax and Customs Administration's processes depend on the prompt supply and verification of wages data. This means that supervision of deductions at source should systematically take place in the current situation and concentrate on acquiring complete data. The objective is, in due course, to obtain 95% of the data on wages through horizontal monitoring and 5% through current supervision. In concrete terms this means

that the Tax and Customs Administration wishes to conclude supervision agreements with large wages administration firms and major self-reporting parties. Monitoring will shift from income tax to deductions at source. The withholding agent will be pivotal and will be helped in getting the wage tax return in order.

Visible supervision

To be a visible enforcer, the Tax and Customs Administration will continue to carry out a large number of audits. In addition to risk-based and interest-based selections, a large number of small audits will be conducted which will focus on one specific risk and be of shorter duration.

To reinforce visibility, audits will be carried out on the basis of theme, wherever possible. Themes involve a project approach which preferably involves several risks faced by objects or subjects, resources, supervision processes and supervision tools. Naturally, enforcement communication is also used as an instrument for enhancing the visibility of the activities. To step up the impact of its actions, the FIOD-ECD will focus on cases with significant social visibility such as combating money-laundering. The number of campaigns carried out to trace unknown taxpayers and flows of income and to recover outstanding tax debts, will be stepped up.

In 2008 the Tax and Customs Administration will be taking further steps towards themed, programmatic enforcement. The current theme, which focuses on real estate, will continue, with attention for trading in immovable property, real estate agents and foreign property owners. The target group campaign in the Private Taxpayers segment is related to this. Here, the focus is on accounting for property in box 3 (particularly real estate). Two themes will be added, relating to deductions at source and the labour market. Sub-themes include illegal employment, recipient's liability, illegitimate temporary employment agencies, bogus ZZP'ers (self-employed persons without personnel).

In the context of visibility, the Tax and Customs Administration undertakes a large number of visits to companies, particularly to start-up companies. This is founded on the conviction that, regarding compliance, the greatest impact on companies' tax return behaviour is achieved when companies are in the start-up phase. Visits to companies perform two key aspects of supervision - service provision and prevention. During the visits, a clear picture of the company is gained and potential risks in the company's administrative system can be assessed. Start-up businesses are informed of their obligations and the criteria their administration must meet. Where possible, these visits will be carried out in collaboration with other parties - Chambers of Commerce, fiscal intermediaries and branch organisations.

Collaboration

Collaboration - both horizontal and vertical - enhances the efficacy of the supervision and reduces the administrative burden by preventing double work.

First and foremost, collaboration within the Tax and Customs Administration is increasing: specifically between the FIOD-ECD, Customs, and Benefits. To improve collaboration between supervision and investigation, tax monitoring staff will undertake checks more frequently with investigation staff. Furthermore, in national and regional campaigns and themes, supervision and investigation are repeatedly seen as interrelated aspects. Both processes will be mutually reinforcing as a result. Stepping up collaboration relates to both strengthening the information position, and the concrete way in which projects are tackled.

The Tax and Customs Administration is also seeking collaboration with enforcement agencies outside the Tax and Customs Administration. Some aspects of fraud, where various types are in evidence, can only be tackled effectively by multidisciplinary teams. Consequently, the Tax and Customs Administration is taking part in intervention teams where the joint focus is on determining the administrative integrity of companies. Within the investigation process, too, it is increasingly working in multidisciplinary teams, where the FIOD-ECD works closely with other investigative bodies such as the VROM Intelligence and Investigation Service (VROM-IOD), the Social Intelligence and Investigation Service (SIOD) and the National Investigation Service (Nationale Recherche) and with other supervisory authorities like the Netherlands Authority for the Financial

Markets (Autoriteit Financiële Markten) and the Nederlandsche Bank. The collaborative effort is often still of a repressive nature. In the period ahead, the collaboration with other enforcement agencies can also give 'advance action' a more central role.

The Tax and Customs Administration has in the meantime concluded covenants with many municipalities experiencing enforcement shortfalls. These are geared at collaboration and exchanging information relating to tackling 'government havens'. When tackling havens, the municipalities take the initiative. The police and Public Prosecution Service are also covenant partners.

Increasing globalisation means that collaboration with partners abroad is of greater importance and intensity with regard, for instance, to requests for mutual legal assistance. Fraud is a cross-border activity and tackling it effectively requires cross-border collaboration. The Tax and Customs Administration wants to help to improve international fraud prevention efforts by clustering knowledge and exchanging information within the European Union. For non-EU countries, the collaboration and information exchange set out in the bilateral conventions serve as a basis for preventive operations. International assistance in collecting taxes is also deployed in the battle to combat international fraud.

The visibility of the Tax and Customs Administration is largely created regionally, in conjunction and collaboration with other enforcement agencies and municipalities. The intervention teams exercise visible enforcement in pre-selected industrial areas, shopping malls and communities. In the intervention teams, the Tax and Customs Administration works with the Employee Insurance Agency (UWV), the municipality, the police, the Public Prosecution Service, the Health and Safety Inspectorate, the SIOD and the Social Insurance Bank (SVB). The national steering group is led by the Ministry of Social Affairs and Employment. In addition, the Tax and Customs Administration also enhances visibility with the aid of on-the-site observations and carries out campaigns using vehicles equipped with scanning equipment. Unpaid tax debts are also an action area, as is the private use of company leased cars. Several separate branches are the subject of exceptional checks, like the taxi branch and prostitution.

Policy decisions

In practice, new questions on the interpretation of fiscally relevant facts and the applicable legislation are constantly popping up. Requests about the legal certainty of individual taxpayers are answered by the inspector dealing with the case. He or she is responsible for dealing with both the qualitative content and the duration of the preceding consultations. The starting point is that legislation should not be too detailed and must leave scope for the officials dealing with cases. This line will be followed in elaborating policy decisions. It is not realistic to think that a policy can fully cover all possible situations in the future. The reality is always more imaginative and resourceful than can be conceived of beforehand. Rather than extensive descriptions of case law, in writing decisions, the emphasis comes to lie on the main points and border within which the inspectors dealing with cases must operate. Policy decisions are presented, in draft form, to representatives from trade and industry and to organisations of tax consultants. Points to be discussed include enforceability and consistency, not whether or not the decisions are desirable.

The goal is to have and adhere to, one policy decision; this will enable all stakeholders easily to find the right policy for a particular theme. To keep the number of policy decisions to a minimum (around 500) a policy decision that has been modified will be re-issued and the old one will be withdrawn. In exceptional (emergency) cases, a policy decision on a specific (sub) theme can be published. These will be temporary decisions, and wherever possible will be given an expiry date and incorporated, as soon as possible, in the general decision on the topic. To keep policy decisions up to date, the currency of all policy decisions is evaluated at least once a year, and adjustments made where necessary. Policy decisions can be reviewed online at www.overheid.nl.

Benefits

The introduction of the new Benefits system is crucial to the Benefits process. Expectations are that this system will be in operation for the year of calculation 2009. The new Benefits system is the first system within the Tax and Customs Administration that is based on events that occur in a person's life. Additionally, it has been decided not to automate every exceptional and complicated calculation. In tandem with the policy ministries, the Tax and Customs Administration is also working on further simplifying the legislation relating to the various benefits. These efforts should result in people receiving the right benefit, faster.

Customs

The Netherlands is an important access portal to the European Union. Each day, huge volumes of goods enter and exit the European Union via the Netherlands: by land, by sea and by air. For the Dutch economy and Dutch business community, it is vital that the flows of goods are processed speedily. The activities of the Dutch Customs department are largely determined by its role as securer of the Union's external border. This role is largely based on European legislation. In 2003, the European Commission set out in legislation the course for the future of the European customs organisations:

- simple, paper-free procedures for the Customs services and market participants ;
- integrated management of the external borders.

Inspired by this direction and the accompanying legislation, Customs has devised a policy line leading into the future. The essence of this policy line is that, wherever possible, the work of the Customs department will focus on the external border: the main ports of Rotterdam and Schiphol. The Customs organisation is being adapted accordingly. In 2007, a plan directed at changing and reorganising the department over 2007-2012, was drawn up.

Simple, paper-free procedures

The European Commission aims to arrive at simple, paper-free procedures for customs organisations and the business community. By making all correspondence electronic, by simplifying the customs system and by working with supra-national regulations, red tape can be reduced for the business community and the level playing field will become fact in Europe.

The Dutch Customs organisation plays an active role in the eCustoms projects that focus on electronic communications at European level. The goal is to have fully digitised the processes by 2009.

Integrated management of the external borders and security

The European Commission has completed legislation regarding the integrated management of the external borders of the EU. An essential aspect here is that improved monitoring of the external borders with regard to security, should guarantee the safety of people and the security of goods in the cross-border flow of goods. The Commission maintains a broad definition of security: society must be protected against all manner of risks relating to the domains public safety, health, economic order and the environment (VGEM). As 'guard of the portal' of the internal market, Customs must ensure that goods that threaten one or more of these domains are halted at the EU's external borders.

Security cannot be promoted without effective collaboration with the business community. Customs intends to set up horizontal monitoring with the business community. The current licence process is being expanded to a system of certification in which security is pivotal. Clients are certified for the integrity of the processes, the organisation and the personnel employed. Here, Customs draws as heavily as possible on the safety procedures and safety initiatives businesses have already developed.

The European Commission will introduce the status of Authorised Economic Operators (AEO's) in 2008. Facilities can be linked to the AEO status, such as fewer checks or priority during checks.

Supervision Policy

In supervision, an important distinction will be made between certified and non-certified flows of goods. Certified businesses will periodically be checked to see if they meet the requirements demanded by the certificate (internal safety controls, integrity procedures, working of the systems, etc). Physical checks are applied with regard to non-certified and unknown clients. Where possible, they will be checked at the external border. This means that the work will shift predominantly to the main ports Rotterdam and Schiphol and that the mobilisation of personnel will also be concentrated there.

The intention is not that Customs will cover all safety risks itself. Customs will continue to be a generic control service that supervises cross-border goods flows. Checking people does not number among its duties; this remains the remit of specialised enforcement and investigation services with which Customs collaborates. The FIOD-ECD will continue to be Customs' investigative apparatus.

Customs intends to become the 'hub' where all information relating to cross-border goods flows converges. It will enter into collaborative arrangements with other enforcement agencies in order to do so. Customs will play a more active role in issuing warnings to various covenant partners regarding high risk despatches and will complete this information with relevant data (client, income and capital) available elsewhere in the Tax and Customs Administration. The development of the intelligence function will therefore receive considerable attention in the years ahead.

The collaboration with customs organisations within the EU will be tightened up. The Dutch Customs organisation will then be able to request checks to be carried out in other member states, but may also be asked to perform checks by other customs organisations. The results of checks carried out within the EU by one customs body will be taken up by the other. This will ultimately result in a joint European operation client-handling process, in which the twenty-seven customs organisations within the EU work as one, as it were.

Personnel and operational management

Personnel

In response to the anticipated outflow of staff resulting from an aging workforce, the Tax and Customs Administration developed a new labour market strategy. This involves early recruitment and pro-actively approaching potential staff, anti-cyclic recruitment, putting the candidate at the forefront of the recruitment and selection procedure, retaining current staff through inspiring loyalty and providing a stimulating working environment. The Tax and Customs Administration aims to be an attractive employer for candidates on the labour market and for incumbent personnel. Consequently, it is investing in reinforcing its image as an employer, with attractive employment conditions, and good development and growth opportunities for those with the abilities and ambition. It also offers individual staff scope for combining their work and private life. In addition, the focus will shift to a personnel policy that is sensitive to the various phases of life, and that celebrates diversity. The Tax and Customs Administration places great value on creating a climate in which staff of all ages and backgrounds can work well together.

In retraining and coaching (incumbent) personnel the emphasis will shift increasingly to the staff's existing competencies and talents. Incumbent staff will have the potential of gaining formal acknowledgement of their skills through Recognition of Acquired Skills (Erkenning Verworven Competenties). The formal recognition will take the form of a diploma.

The workforce at the Tax and Customs Administration is actually overstaffed. This is the case in the following categories: light administrative work, staff, support and facilities. Regionally, there are also differences in over-manning. At the same time, however, there is a capacity shortfall in the primary processes at the Tax and Customs Administration and Customs. Long-term expectations imply that the overstaffing will begin to decrease as of 2010, but that the shortages in the mid-rank and higher-trained fiscal positions will increase. Over the coming years, the Tax and Customs Administration will resolve the overstaffing issue internally by retraining staff for jobs in the primary processes wherever possible.

The Tax and Customs Administration aims to be a culture in which there are no barriers between management and staff and both can work well together. An organisation in which each and every member of staff is committed to his or her work and to the organisation's goals. The Tax and Customs Administration encourages its staff to take a result-oriented approach to their work. In practical terms, this translates as: accomplish whatever has been agreed and be accountable for the results. Workers should encourage each other to achieve the results expected of them, and to observe appropriate behaviour and attitudes. At the Tax and Customs Administration, integrity is highly prized; the guidelines surrounding probity thus comprise the basis for their conduct and behaviour.

Both centrally and at the regional offices, a variety of projects are underway to promote diversity within the organisation, and ensuring its workforce remains diverse. By offering opportunities to those who are less highly educated and other populations (those unfit to work, people returning to work, sheltered workshop personnel and individuals with an unemployment history) the Tax and Customs Administration is investing in socially responsible employer-ship. Thus, its workforce will be a better reflection of society. In 2008, the Tax and Customs Administration will be working to eradicate obstacles staff may be experiencing (due to their gender, ethnicity or phase of life) when seeking promotion to other jobs within the organisation.

Operational management

The Tax Administration has opted for result-oriented management. Responsibilities are clearly defined. Organisational goals and desired performance are translated into separate performance contracts with the various organisational segments. The primary goal is what are the desired effects; in other words, how are private individuals affected by what the Tax and Customs Administration does, and what does it cost? The Tax and Customs Administration believes it has a duty to render accountability for this, and publishes its results, and their costs, in the Management Report and Annual Report.

The Tax and Customs Administration is currently undertaking a large number of strategic projects that affect the entire data management system. These projects are typically extremely complex, share numerous commonalities, are very lengthy and involve considerable financial investment. The Tax and Customs Administration wishes to have a clear picture of the costs and benefits of such changes in advance, so it can manage them efficiently. It intends to make more consistent use of the business cases instrument and will ensure that products are ready on time and according to specification, more systematically. The objective is to interlink the aspects of quality, the duration of procedures, and money more closely in future than it was done in the past.