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Preface

Interest in the DTCA from beyond the Dutch borders has led to the writing of this book.

It has not been written on the assumption that, in comparison with other countries, this organisation is thought to be the best, in which case this book would surround itself with an atmosphere of self-importance. And self-importance is a characteristic which the DTCA wishes to avoid. The interest in the organisation results mainly from curiosity as to how the DTCA was transformed, in the late eighties, from a task-oriented organisation (built up around the different tax laws and executive activities) to a market-oriented organisation where the taxpayer, as the most important buyer of its services, takes a central place. The Dutch situation stands out for two reasons:

- the time when this reorganisation took place; the contours of the need to change the organisational structure date from the early eighties; the actual reorganisation dates from the period 1989-1992;
- the availability of extensive documentation; in its restructuring DTCA not only underwent an internal process of change, but has also, due to its market-oriented set-up, paid a great deal of attention to communication with taxpayers and principals about the necessary changes.

Whoever has a message to proclaim wants to be read. Hence this book. We, the authors, have noticed that our colleagues abroad generally struggle with the same problems as we do. Issues which, in similar descriptions and in a similar context, are identical everywhere. The aim of this book is to allow others to share our experiences - no more and no less. The DTCA is not unique.

From the past to the present, we have learnt a great deal from other tax and customs administrations and other political and private organisations dealing with similar issues and the problems related to them in a variety of fields. But each organisation is unique in the original way in which solutions are found. This book only serves as a means to enter into a dialogue about our work and our ideas with other organisations.

This book, as it lies in front of you, is not new in the sense that every single sentence has been written by the authors from start to finish. First of all, much has been derived from the book *De DTCA, een profiel van een organisatie* by V. van Kommer and J.C.F. Muizelaar, who again made use of a wealth of documentation within the DTCA (business plans, annual reports and management reports, a textbook on organisational management and a large number of other notes and policy plans).

For this edition we have also used recent developments with regard to automation policy, personnel, the legislation programme, surveys of customer-satisfaction (fiscal monitor), the intensification of the law enforcement policy, result measurements and future DTCA contours for the next century. We hope that, with the description of the DTCA, we can contribute to the interesting tenet of organisational development within Tax Administrations.

Castricum/Rijswijk, October 1998
Matthijs Alink/Victor van Kommer

Part I: Task and governance

1. Social field of force

1.1. Social field of force

The DTCA does not stand on its own. The organisation derives its significance from the social field of force. Often the DTCA is regarded in its relationship to taxpayers, but there are more actors in society. They too monitor and judge the organisation for its method and results. Schematically, the social field of force within which the DTCA operates looks as follows.

Plaatje: "European Parliament"

1.2. Principal: the Minister of Finance

The principal of the DTCA is the Minister of Finance who, from a political point of view, is accountable to the States General (Upper and Lower Chamber). The States General are the controlling institution and are responsible for the content of legislation.

The legislator acts in two capacities. Firstly, he acts in his capacity as legislator for the Budget and assesses the DTCA in this context as to its results and costs. The economic concepts of "efficiency" and "effectiveness" play a major role in this respect.

On the other hand, the legislator lays down fiscal legislation. Legal concepts such as "legal certainty", "equality before the law" and "lawfulness" are decisive factors here. Both types of law are equally binding on the DTCA.

In the execution of their controlling task, the States General are assisted by two special, independent boards: the Government Audit Office and the National Ombudsman.

1.3. Government Audit Office

The Constitution contains articles which determine the task of the Government Audit Office.

- The Government Audit Office is responsible for inspecting the State's revenue and expenditure (article 76);
- The State's revenue and expenditure are accounted for to the States General in accordance with the provisions of the law. The balance sheet approved by the Government Audit Office is submitted to the States General (article 105, clause 3).

The composition and tasks of the Government Audit Office are described in the Government Accounts Act. Important articles from this Act are:

- article 51: lawfulness inspection;
- This article is concerned with the Government Audit Office's inspection aimed at the assessment of the financial management of the Ministries, funds and state companies. It deals with the assessment of documents supporting the management policy followed, which are prepared annually.
- article 57: efficiency inspection;
The efficiency inspection includes the following elements:
 - a. management efficiency inspection, encompassing all the possible aspects of the (internal) business conduct of (divisions of) the government department; it may also involve an investigation into the presence of certain management instruments or the effectiveness of the management instruments present in a specific division of an organisation, at a certain expenditure flow, or in the execution of a specific policy; some aspects of management efficiency have been defined in rules, in which case these rules are (also) part of the lawfulness inspection referred to in article 51;
 - b. organisation efficiency inspection;
 - c. policy efficiency inspection.

1.4. National Ombudsman

The National Ombudsman has a special task in the relationship between taxpayers and the DTCA. The introductory section (preamble) of the 1981 National Ombudsman Act states "that there is a need for a facility for inspecting the way in which the government has behaved towards a citizen on a particular occasion, and that in connection with this it would be desirable to create the office of National Ombudsman".

The core of this act is stated in article 12, clause 1:

"Any individual may request the Ombudsman in writing to investigate the manner in which an administrative body has behaved towards a natural or legal person on a particular occasion."

1.5. Taxpayers

The relationship with the taxpayer takes a central place in the DTCA's action. This is evident from the permanent task definition and strategic goal formulated by the DTCA. Due to the professional services they supply, the fiscal advisers play an important role in this relationship. The judiciary will act as arbiter in disputes between taxpayers and the DTCA if necessary.

Principles such as legal certainty, equality before the law and lawfulness predominate in relations with taxpayers in the field of fiscal legislation. In order to make these concepts easier to deal with, the DTCA has defined the “taxpayer’s rights”.

“The taxpayer’s rights”

Over the past few decades, the relationship between citizen and government has changed dramatically. Citizens have become more independent and appeal to their rights. The government displays bureaucratic behaviour and is inclined to take up a formal position, hide behind procedures and use more means of exercising power. In order to make this relationship more transparent and guarantee the citizen’s legal protection, both sides should have insight into their rights and obligations. It is also important that it is clear what the two sides expect from each other in terms of contributions and performance, and that these expectations are reasonable and can be realised. Finally, citizens can only adhere to the law if they know their rights and obligations.

To achieve this, the “Citizen’s Charter” and the “Taxpayer’s Charter” have been drawn up in countries such as the USA and the UK; both charters have led to positive results. The DTCA has also prepared a description of the taxpayer’s rights.

This “codification” has been established in consultation with the Parliament, the National Ombudsman, consumer organisations, fiscal advisers and the judiciary.

“The taxpayer’s rights” have been laid down in an information brochure which gives a concise description of the following themes: What can you expect from the DTCA? What are the rules concerning tax return and assessment? What can you do when you do not agree with the DTCA? The brochure also contains the “Complaints Procedure” of the DTCA.

Finally, each citizen may appeal to the All Party Select Commission of the Upper or Lower Chamber. These Commissions can initiate investigations into the actions of the DTCA.

1.6. European Union

Increasingly, the DTCA has to deal with international regulations. The further development of the European Union in particular has a great influence.

The DTCA levies and collects the “own resources” for the European Union. This includes part of the turnover tax on imports, customs duties and agricultural taxes which the Netherlands hands over to the “exchequer” of the European Union. In connection with this, the European Court of Auditors initiates inspections that are comparable to those of the Government Audit Office.

1.7. Relations with other government bodies

The DTCA is an organisation where much data on the income and financial position of taxpayers is stored. Providing data (within the framework of the Registration of Personal Data Act) takes an increasingly important place in the DTCA’s activities. This involves, for instance, providing data to

municipalities and Ministries in connection with combating the misuse or improper use of government regulations and the execution of income-dependent regulations.

Cooperation with other executive bodies, such as the labour inspectorate and the social security executive organisation, has intensified over the past few years.

Data exchange with foreign tax and customs administrations is becoming more and more important as a result of increasing internationalisation and digitalisation.

2. Execution of legislation

2.1. Execution of legislation

The DTCA is a law enforcement organisation, responsible for the execution of:

- fiscal legislation (see the laws referred to under the executive directorates in §11.1 to §11.4);
- non-fiscal legislation.

The latter category includes laws such as:

- Agricultural Tax (Ministry of Agriculture, Nature Management and Fisheries).
- Seaport Duties (Municipality of Rotterdam).
- National Insurance Contributions (Social Funds).
- Provincial Surcharge on Motor Vehicle Tax.
- Land Consolidation and Reallocation Interest (Ministry of Agriculture, Nature Management and Fisheries).
- Stock Duty on Petroleum Products (Ministry of Economic Affairs).
- Anti-Dumping Tax (Ministry of Economic Affairs).
- General Provisions on Environmental Protection Act (Ministry of Housing, Spatial Planning and the Environment).
- Means Test for Individual Rent Subsidy (Ministry of Housing, Spatial Planning and the Environment).

The DTCA also collects for third parties (especially industrial insurance boards). This mainly concerns collection under a collection summons, which largely involves the work of process servers. In addition, tax is collected for other countries in the context of international agreements (collection under a convention).

Furthermore, there are special tasks such as the location (Customs presence at the external borders) and the collection, management and provision of specific information to other departments and government bodies.

2.2. Core tasks

The core tasks of the DTCA are the result of the fiscal and non-fiscal laws, the enforcement of which has been assigned to the DTCA. They determine what the DTCA should enforce.

The core tasks of the DTCA are defined as follows:

1. the levying, collection and control of the taxes imposed by the Government and, as the logical conclusion of this, detecting fiscal frauds;
2. the control and supervision (both fiscal and non-fiscal) of persons and the import, export and transit of goods and, as the logical conclusion of this, detecting customs frauds;

3. any other tasks carried out for other organisations, e.g. the levying and collection of duties that cannot be regarded as taxes levied by the Government (of which the national insurance contributions are the most important example).

2.3. Permanent task definition

The DTCA has defined its permanent task as follows:

“The DTCA carries out the legislation and regulations as instructed as effectively and efficiently as possible, and aims in its actions for the preservation of legal certainty and equality before the law. Service provision to and respect for the public form an intricate part of its actions.”

The budget legislator makes available financial means for the execution of the core tasks. The means available require constant evaluation in the execution of the core tasks. This evaluation is influenced partly by the demands of the external environment on the DTCA, and has resulted in the definition of the permanent task, which translates the Business Plan into policy objectives for the next period. The Business Plan thus constitutes the reflection of the constant evaluation and choices made by its execution, given the core tasks and the means available.

The realisation of the quality requirements imposed on the DTCA has also been included in the permanent task definition. This involves partly the external quality requirements, the requirements the environment imposes on the DTCA's functioning and performance, and partly the internal quality requirements, the requirements the DTCA imposes on itself as a professional organisation in the execution of the tasks imposed.

2.4. Mission

On the basis of the permanent task definition, the DTCA has formulated its mission. The role of the DTCA, as executor of legal tasks on the one hand and as a service-providing body in the establishment of the fiscal obligations of taxpayers on the other, leads to the following mission:

“To maintain and reinforce taxpayers' preparedness to comply with their legal obligations.”

This mission is sometimes summarised in the concept of “compliance”. In this mission, the interaction between the DTCA and its environment takes a central place. It illustrates how the DTCA wishes to execute the tasks it has been given.

3. Taxes in the Netherlands

The main taxes in the Netherlands are:

- Taxes on income, profits and net wealth:
 - Corporation tax;
 - Income tax;
 - Salaries tax;
 - Wealth tax;
 - Tax on games of chance.
- Taxes and duties on goods and services:
 - Import duty;
 - Value added tax;
 - Excise duty;
 - Transfer tax;
 - Insurance tax;
 - Capital tax;
 - Motor vehicle tax;
 - Tax on heavy vehicle;
 - Environmental taxes.

Other important taxes and levies;

- Social security contributions;
- Municipal taxes: property tax.

3.1. Corporation taxes

Taxpayers

Corporation tax is levied on companies established in the Netherlands (resident taxpayers) and by certain companies not established in the Netherlands which receive income in the Netherlands (non-resident taxpayers). In this context the term “company” includes corporations with a capital consisting of shares, cooperatives, and other legal entities conducting business. The main types of company referred to in the Corporation Tax Act are the public company (NV) and the private company with limited liability (BV).

Whether a company is deemed to be established in the Netherlands depends on the individual circumstances. Factors of relevance include the location of the effective management, the location of the head office, and the location of the shareholders’ general meeting. Under the Corporation Tax Act all companies incorporated under Dutch law are regarded as being established in the Netherlands.

Tax base and rates

General

Corporation tax is levied on the taxable amount, which is the taxable profits made by the company in a particular year less deductible losses. The taxable profits are the profits less tax-deductible donations. In principle the profits should be calculated in accordance with the provisions laid down in the Income Tax Act to determine the business profits of natural persons. In

certain cases additional stipulations made in the Corporation Tax Act are also applicable. Under certain conditions it will be permitted to taxpayers to compute their taxable profit in a currency other than the guilder (the “functional currency”) for a period of at least 10 years.

Tax rates

Corporation tax is levied at a rate of 35% of taxable profits.

Determination of profits according to sound business practice

The profits should be determined according to sound business practice and consistent accounting methods. The concept of sound business practice has mainly been developed in case law. For example unrealized losses may be taken into consideration, while unrealized profit may be ignored. The requirement of consistent accounting methods means that the method of determining profits may be changed only if this is compatible with sound business practice. Companies exploiting sea-going vessels may opt for a tonnage-based profit determination, providing that certain requirements are met. An important requirement is that the decision is binding for a period of ten years.

Depreciation of fixed assets

The depreciation of fixed assets for tax purposes is a statutory requirement. In principle taxpayers are free to choose a depreciation method. The method chosen must be in accordance with sound business practice. The linear method of depreciation is generally used. A less common method of calculating depreciation is the declining balance method. In case law, the latter method is accepted only for fixed assets with a steadily declining use with age. A combination of both methods, i.e. depreciation according to a declining percentage, may also be used.

Goodwill may only be written off if the goodwill has been purchased from a third party; goodwill generated by the company itself cannot be written off. An accelerated depreciation is permitted for certain fixed assets, of which the most important are:

- energy-saving fixed assets and other environmentally-friendly fixed assets;
- sea-going vessels;
- intangible assets, providing these belong to a business that had been purchased which was not established in the Netherlands.

This is subject to restrictions.

Stock valuation

The following stock valuation methods are permitted: valuation based on cost, valuation based on cost or market value (whichever is lower), or the base stock method. Valuation at cost is in accordance with sound business practice, unless the market value is significantly lower than the cost. In this system unrealized profit is ignored, while unrealized losses can be taken directly into account. The value of the stock can be determined by either the FIFO or LIFO method. Subject to certain conditions, case law also permits the use of the base stock system.

Tax-deductible expenses; mixed expenses

The basic principle of the determination of the profits is that all expenses associated with business operations are tax-deductible. If an expense can be regarded as commercially sound then its value is not of importance.

However, the deductibility of certain business expenses is subject to restrictions. This concerns mixed expenses, which are business expenses with a private element. Non deductible expenses include costs connected with pleasure craft used for entertainment purposes and fines.

The Corporation Tax Act gives an inexhaustive list of deductible and non-deductible expenses. The following expenses are always deductible:

- profit shares paid to directors and other staff as remuneration for employment;
- profit shares paid to creditors other than founders, shareholders or other persons entitled to shares in the corporation;
- profit shares paid in connection with licences, patents, etc., to persons other than founders, shareholders or persons otherwise entitled to shares in the corporation;
- profit shares paid by an insurance company to its policyholders;
- the costs of incorporation and of alterations in the capital.

In the Netherlands no thin capitalization rules exist. Since January 1997 limitations on the deductibility of intercompany interest expenses have been introduced in the Corporate Income Tax Act. The (interest) expenses on intercompany loans are not deductible in basically two types of situations:

- (interest) expenses arising from indebtedness in the shareholder/subsidiary relation, e.g. in connection with dividends, reduction of capital and capital contributions. However, (interest) expenses remain deductible, if the taxpayer can demonstrate that both the transaction and the loan were entered into for sound business reasons;
- (interest) expenses related to artificial conversion of equity into debt within the group. However, expenses related to these schemes remain deductible, if the taxpayer can demonstrate that either both the transaction and the loan were entered into for sound business reasons or that the interest paid is effectively subject to a reasonable level of profits tax in the hands of the recipient.

The following expenses are never deductible:

- profit distributions other than those specifically designated as deductible in the Corporation Tax Act (see above);
- corporation tax, dividend tax and tax on games of chance.

Reserves

Certain reserves may be formed by making a deduction from the profits. In order to qualify for this deduction the business must keep regular annual accounts. Four reserves are legally permitted, which are the cost equalization reserve, the insurance reserve, the replacement reserve and since January 1997 the reserve for financial risks for multinational companies.

The cost equalization reserve enables recurrent costs to be spread uniformly over a period of time. The insurance reserve ensures that a business which assumes an insurable risk for its own account does not receive less favourable treatment than a business that insures the risk, which can deduct the insurance premiums from the profits. To be eligible for this relief a large part of the risks involved must be insured by other companies or entrepreneurs. A special insurance reserve can be created for risks (debtor risks and currency risks) concomitant with exports. The condition mentioned above does not have to be met for the special insurance reserve. The contribution to these reserves is subject to

restrictions. One restriction is the magnitude of the annual export sales eligible for an insurance reserve, which is a maximum NLG 200,000.

A replacement reserve may be created if fixed assets are lost, damaged, or sold, when the payment received exceeds the book value. To be eligible for this reserve there must be plans to replace or repair the assets. The reserve should generally be terminated in the fourth year following the year in which it was formed.

Under certain conditions a reserve may be formed for the special risks involved in operating as an international group. The risks aimed at concern financing and holding activities.

Investment allowance

The scheme allows a certain percentage of the sum invested in fixed assets in a particular year to be deducted when calculating the taxable profits. Investments are divided into nine tranches, where the percentage of the allowance decreases with increase in investment. In 1998 the lowest tranche was applicable to investments between NLG 3,700 and NLG 63,000 and the highest tranche was applicable to investments between NLG 485,000 and NLG 545,000. The corresponding percentages were 24% and 3% respectively. Certain fixed assets are excluded from the investment allowance. If fixed assets for which an investment allowance was obtained in the past are sold within five years of being purchased then the investment allowance is withdrawn either wholly or in part.

Furthermore, there is an investment allowance in respect of investments in energy saving business assets, placed on an Energylist. For investments over NLG 3,700 up to NLG 63,000 the allowance is 52%. The percentage of the allowance is declining as the investment increases. The maximum allowance is 40% of NLG 200 mln.

Tax-deductible donations

Within certain limits donations to religious, ideological, charitable, cultural or academic institutions or other bodies serving the public good are tax-deductible. The donations must be more than a total of NLG 500. The maximum deduction is 6% of the profits.

Offsetting of losses

A loss may be offset against the taxable income of the three preceding years (carry back) and against taxable income of all years to come (carry forward).

If a corporation discontinues its business either wholly, or in part, then any losses that have not been offset may be compensated with future profits, provided that at least 70% of its shares continue to be held by the same natural persons.

Participation exemption

The Corporation Tax Act has always provided for a participation exemption, which is applicable to both domestic and foreign shareholdings. This exemption is one of the main pillars of the Dutch Corporation Tax Act, and it is motivated by the desire to prevent double taxation when the profits of a subsidiary are distributed to its parent company which is also liable to corporation tax. The main features of this scheme are as follows: all gains from shareholdings are exempted, the costs associated with a shareholding are not deductible, and losses arising from liquidation of the corporation are

deductible only under certain conditions. The corporation distributing dividends does not have to pay dividend tax if the distribution of profits falls under the participation exemption enjoyed by the company receiving the dividend.

Fiscal unity; consolidation for tax purposes

Under certain conditions a parent company may form a fiscal unity with one or more subsidiaries. For corporation tax purposes this means that the subsidiaries are deemed to have been absorbed by the parent company. The main advantages of fiscal unity are that the losses of one company can be set off against profits from another company, and that fixed assets can be transferred at book value from one company to another.

This type of tax consolidation is possible only between a parent company and its wholly owned subsidiaries (in practice 99% is sufficient) when all the companies involved in the consolidation are established in the Netherlands. Other conditions are that the parent company and the subsidiaries have the same financial year, and are subject to the same taxes. A request to form a fiscal unity must be submitted to the Inspector on behalf of all the companies involved. The standard conditions drawn up by the Minister of Finance must be met. These conditions cover a large number of technical aspects involved in consolidation.

The fiscal unity can be terminated upon request, or will be terminated automatically if any of the conditions are not met.

Since January 1997 new regulations apply to leveraged acquisitions, in case a leveraged Dutch acquisition vehicle is used to acquire a Dutch operating company. The aim of these regulations is to prevent the acquisition vehicle to form a fiscal unity with the target company in order to offset its interest expenses against the profits of the operating (target) company. In principle, following to the new fiscal unity rules these (interest) expenses are disallowed (for a period of eight years) to be offset against the profits of the target company.

Mergers

There are three types of merger, which are a stock merger, a legal merger, and business merger. In a stock merger a company's shareholders transfer their shares to another company. This will not generally have any effect on corporation tax, since the participation exemption is applicable. In a legal merger the capital of one or more legal entities is transferred to another legal entity. The legal entity making the transfer thereby ceases to exist. During the incorporation of the European mergers directive in Dutch tax legislation a provision was included in the Income Tax Act allowing certain taxation facilities to a legal merger. This provision does effect corporation tax.

In a business merger a corporation takes over the operations (or an independent part thereof) of another corporation, with a view to combining the operations of the two corporations into a permanent financial and economic whole. If the sale of a business (or part thereof) takes place as part of a business merger then the transfer profit will not be taxed, under certain conditions.

Investment institutions

General

Subject to certain conditions Dutch-based public companies, private companies and mutual funds may apply for recognition as investment institutions for taxation purposes. An investment institution can request to pay corporation tax at 0%.

The purpose of this system is to ensure that persons investing in an investment institution shall not receive a less favourable treatment than persons who invest directly. This would not be the case without a special scheme.

As stated an investment institution does not qualify for the participation exemption, whether it be a parent company or a subsidiary.

Reserves

Institutions are allowed to form two special fiscal reserves, the reinvestment reserve and the rounding-off reserve. The reinvestment reserve is formed by non-distribution of capital gains. The level of the annual contributions to the reserve and its absolute size are both subject to restrictions. If, when establishing the amount of the profit to be distributed, an amount remains due to sums being rounded off then this amount may be added to the rounding-off reserve. The rounding-off reserve may not exceed 1% of the paid-up capital.

Allowance for foreign withholding tax

Under Dutch law and Dutch tax conventions withholding tax levied abroad may generally be set off against income or corporation tax payable by the taxpayer in the Netherlands. As an investment institution is liable for corporation tax at a rate of 0% it cannot make use of this facility. To ensure that persons who invest directly and persons who invest via an investment institute receive equal tax treatment, special arrangements are made for investment institutions allowing the former to offset foreign withholding taxes against income from securities and claims. Under these arrangements an investment institution may obtain an allowance from the Dutch tax authorities which amounts to no more than the withholding tax levied abroad. If not all the shareholders in the investment institution are resident or established in the Netherlands then the allowance is calculated according to the number of shareholders resident or established in the Netherlands.

Administrative aspects

Tax returns and assessments

Taxpayers are obliged to file a tax return every year, within six months of the end of the year concerned. The tax return should be accompanied by all the information required to determine the taxable profits. This includes the balance sheet and the profit and loss account, and all other information requested by the Inspector. If these obligations are not met then a proper tax return has not been filed, and the Inspector of Taxes may issue an estimated assessment. Failure to fulfil these obligations may also have implications for the onus of proof in any appeals procedure.

The Inspector determines the final assessment on the basis of the tax return. The final assessment may be issued not later than three years after the tax year concerned. Prior to the final assessment provisional assessments may be issued, which are offset against the final assessment.

If an Inspector discovers that a final assessment was too low, or that his decision not to issue an assessment was incorrect, then he may issue a revised tax assessment, provided that new information has come to light which he was hitherto unaware of and could reasonably have been expected to be aware of at the time the original assessment was made. A revised tax assessment can also be issued if the tax assessment was intentionally incorrect.

The right to issue revised assessments expires five years, in some cases twelve years, after the end of the tax year concerned. When permission had been granted to defer the tax return then this assessment period is extended by the period of deferment.

Appeals against assessments

A taxpayer who disagrees with a final assessment may appeal to the Inspector. This must be in writing, with a statement of the reasons, within six weeks of the date of the assessment. The Inspector then issues a reply to the appeal in which he gives the reasons for his decision. If the taxpayer disagrees with the Inspector's decision, then he can make a further appeal to the Court of Appeal within six weeks of the date of the announcement of the decision. This appeal must also be made in writing, with a statement of the reasons. A final appeal against the decision of the Court of Appeal decision may be lodged with the Supreme Court of the Netherlands within six weeks of the decision of the Court of Appeal. The Supreme Court gives judgement on issues of law only. It does not re-examine the facts of the case.

Information that must be supplied to the Inspector and administrative obligations

At the Inspector's request a taxpayer must supply all the information needed to determine his or her tax liability. Persons liable to pay tax are required to keep an administration in a manner such that information of importance to the levy of taxes is shown clearly at all times. This administration must be kept for a period of 10 years. According to a recent amendment this period will probably be changed into 7 years. If so requested the taxpayer is also obliged to give the Inspector access to these accounts and documents.

In early 1991 a statutory provision came into force which allows the Inspector to request a company whose capital is comprised of shares held by a foreign majority shareholder for information about this shareholder. Shareholders who jointly hold a majority of the shares on the basis of a cooperation agreement, such as a joint venture, are also subject to this provision. This provision is also applicable to information held by foreign sister companies of a Dutch company. If the same shareholder has a majority holding, either directly or indirectly, in both a Dutch corporation and a foreign company then the latter is regarded as a sister company.

This provision is not applicable if the foreign shareholder or foreign sister company is resident or established in an EU member state, the Netherlands Antilles or Aruba, or in a country with which the Netherlands has signed a tax convention containing provisions relating to the exchange of information.

3.2. Income tax

Taxpayers: residents and non-residents

Under the present Income Tax Act residents are liable for income tax on their worldwide income. Non-residents are taxed only on the income from a limited number of sources in the Netherlands.

The legal definition stipulates that a taxpayer's place of residence is determined "according to circumstances". Several factors are of relevance when deciding whether the taxpayer maintains personal and economic ties with the Netherlands. These include a family home, employment, or registration in a municipal register. Nationality is not a determining factor, but it may be relevant in some cases. The law also provides for a number of special cases. The crews of ships and aircraft with a home harbour or airport in the Netherlands are deemed to be residents of the Netherlands unless they have established residence abroad. Dutch diplomats and other civil servants serving abroad remain resident of the Netherlands. Foreign diplomats and the staff of certain international institutions are exempt from Dutch income tax.

If both spouses are resident in the Netherlands then married couples are taxed individually on their personal income (business profits, salary, pension, etc.) less certain deductions, allowances and premiums. Investment income and non-source related deductions such as certain personal obligations and exceptional expenses are attributed to the spouse with the highest personal income. If only one of the spouses is resident in the Netherlands then their incomes are regarded as completely separate.

Tax base and rates

Taxable income of residents

The tax year for persons is the calendar year. Residents are taxed on their total gross income, which is the income from all domestic and foreign sources less the associated expenses. This income may be further reduced by certain deductions and allowances not directly related to a specific source of income. The balance is the total net income.

This total net income is further reduced by the deduction of losses and a personal allowance before tax is levied. The result is the taxable amount, which is calculated as shown below.

Gross income

• profits from business or professional activities	.....
• income from a substantial holding	.....
• net income from employment and services rendered outside employment	.....
• net income from capital	.....
• net income in the form of periodic payments	.....
	+
TOTAL GROSS INCOME	(A)

Less: Deductions

• contribution to the old-age reserve	.....
• the self-employed persons' deduction	.....
• business-assistance deduction	.....
• personal obligations (special expenses)	.....
• exceptional expenses	.....
• allowable donations	.....
	+
	(B)

TOTAL NET INCOME**A-B**Less: deductible losses **(C)****TAXABLE INCOME****A-B-C**Less: personal allowances **(D)****TAXABLE AMOUNT****A-B-C-D***Tax rates and personal allowances*

Income tax is levied on the taxable amount calculated as shown above. This is a progressive tax. The rates are:

• 36.35%	on the first	NLG 47,184
• 50%	on the next	NLG 56,590
• 60%	on the remainder	

The 36.35% rate is comprised of 8.85% tax and 27.5% social security contributions, whilst the 50% and 60% rates consist solely of tax. A rate of 19.85% is applicable to persons aged 65 and over, as they are no longer liable for several social security contributions.

The above diagram shows that a personal allowance is deducted from the total net income before tax is levied. The level of this allowance is determined by the tax class to which the person is assigned. This level depends on the individual circumstances.

Total Gross income

The Income Tax Act distinguishes five different sources of income, which together comprise the total gross income. The five categories are:

- I. profits from business of professional activities;
- II. income from a substantial holding;
- III. net income from employment and services rendered outside employment;
- IV. net income from capital;
- V. income in the form of periodic payments.

I. Profits from business or professional activities

For income tax purposes the definition of "profits" is the same as that for the assessment of the corporation tax which is to be levied, except that in assessing profits for corporation tax purposes a number of special factors,

notably those which reflect the difference between liability to pay income tax and liability to pay corporation tax are taken into consideration.

There are additional rules for persons conducting a business who are liable for income tax.

- *accelerated depreciation when starting a business;*
- *exemption of profits derived from the liquidation of a business;*
- *transfer of a business to a relative;*
- *discontinuation of a business liable for income tax when it is to be continued as a business liable for corporation tax;*
- *deduction for assistance in the business;*
- *old-age reserve for the self-employed;*
- *deduction for self-employed persons.*

II. Income from a substantial holding

Income, including capital gains or losses, from a substantial holding in a corporation is subject to income tax and is taxed at a rate of 25% insofar as this income exceeds the first tax bracket of 36.35%.

A taxpayer is regarded as having a substantial holding in a corporation if he or she, either alone or with his or her spouse, holds directly or indirectly 5% of the issued capital. If the corporation has issued different classes of shares, a substantial holding also exists if the taxpayer, either alone or with his or her spouse, holds more than 5% of the issued capital of a particular class of shares. If the taxpayer holds a substantial interest in a corporation, *jouissance* rights and debt-claims issued by that corporation and held directly or indirectly by the taxpayer, either alone or with his or her spouse, are regarded as forming part of the substantial holding.

Interest derived from debt-claims forming part of a substantial holding is taxed at the normal rate of income tax. Dividends and capital gains derived from the alienation of shares or from the redemption of debt-claims are taxed at a proportional rate of 25% in the income tax, insofar as this income exceeds the first tax bracket of 37.3%. In case of a capital loss 25% of that loss may be offset against the tax which would otherwise be due. For this purpose an arrangement similar to that for the offsetting of losses is applicable. In case of emigration of the taxpayer the substantial holding is deemed to be alienated. However, the tax due will not be collected as long as the substantial holding is not disposed of. After the elapse of 10 years the remainder of the tax levied because of the deemed alienation at the time of emigration, is pardoned.

For non-residents the income from the substantial holding is only subject to tax in case of a substantial holding in a corporation which is a resident in the Netherlands. With respect to non-resident a corporation is also deemed to be a resident of the Netherlands if it was resident in the Netherlands for at least five years during the last ten years. With respect to non-resident the substantial holding is deemed to have been alienated in case of the transfer of the place of effective management of the corporation from the Netherlands to elsewhere.

III. Net income from employment and services rendered outside employment

This income is comprised of all income other than business income that is received in cash or in kind from present and former employment, together with income derived from services rendered outside employment.

Income from present employment includes salaries, payment, gratuities, tips and certain periodic payments received under social security legislation (in cash), and the free use of a private care and free housing paid for by the employer (in kind). Income from past employment includes pensions, and invalidity, disablement and unemployment benefits.

Salaries, wages and certain periodic payments received under social security legislation are subject to the salaries tax. This tax is withheld by the employer, and essentially an advance levy on the person's final income tax assessment.

Income from activities and services which does not qualify as income from business or employment is considered to be income from services rendered outside employment. To be regarded as income there must be a reasonable expectation that these activities will yield income. Examples are the provision of boarding for lodgers, and fees for services and copyrights.

In principle expenses incurred in connection with employment and the provision of services are deductible from the income derived from these activities. The deduction is equal to the actual expenses less reimbursements or, subject to upper and lower limits, 12% of the gross salary, whichever is larger. A fixed sum is tax-deductible for travel between home and work.

IV. Net income from capital

Net income from capital is comprised of all income from movable and immovable property and rights not related to goods. Only the yield from property and rights is taxable; the increase in the value of the assets is exempted. There is no capital gains tax in the Netherlands.

A special provision is applicable to owner-occupied property. The property is taxed at an imputed rental value, which represents the balance of the revenue and expenses connected with the use of a dwelling. This rental value, which is a positive amount, is assessed on statutory tables. As normal expenses are included in the imputed rental value, no expenses other than (mortgage) interest and ground rent may be deducted.

Interest and dividend received by private investors from designated credit or investment institutions which mainly participate in environmental project are exempt from income tax.

Income from stocks and shares includes cash dividends, stock dividends and bonuses. The final payment to the shareholder following the liquidation of a corporation is regarded as a dividend if it exceeds the average amount paid on the shares concerned.

Notional dividends from foreign investment corporations and funds are income from assets, and are taxed accordingly. In principle the income from the latter is set at 6% of the market value of the shares.

A maximum allowance of NLG 1,000 is granted insofar as dividends subject to Dutch dividends tax exceed related expenses (including interest expenses). Under certain conditions the amount of the dividend allowance can be raised:

- for dividend received from specific private participation companies, the allowance is raised by a maximum of NLG 1,000;

- for dividends received in connection with employee savings and profit-sharing schemes, the allowance is raised by a maximum of NLG 1,000;
- for dividends received from specific participation companies which mainly participate in starting entrepreneurs (both natural persons and corporate bodies), the allowance is raised by a maximum of NLG 5,000. However, in so far as the corresponding interest allowance in connection with starting entrepreneurs is utilized, this amount of NLG 5,000 is reduced.

For married taxpayers the above mentioned amounts of the dividend allowance are doubled.

The dividend allowance is not applicable with respect to dividends from a substantial holding in a corporation.

Interest is more than just the interest received from a debtor or bank. There are special provisions for taxation of the increase from the lower issue price to par value of zero bonds and deep discount bonds, and the notional interest on the bare ownership of rights and claims of which the temporary usufruct is divided.

A maximum allowance of NLG 1,000 is granted insofar as any interest received exceeds the interest paid in connection with sources of income and personal obligations. This is exclusive of the interest paid on a mortgage which is related to the purchase or renovation of owner-occupied property. Under certain conditions the amount of the interest allowance can be raised:

- for interest received in connection with employee savings and profit-sharing schemes, the allowance is raised by a maximum of NLG 1,000;
- for interest received in connection with a subordinated loan to a starting entrepreneur of a least NLG 5,000, or interest originating from specific participation companies which mainly participate in starting entrepreneurs (both natural persons and corporate bodies), the allowance is raised by a maximum of NLG 5,000.

For married taxpayers the above mentioned amounts of the interest allowance are doubled. Furthermore, the taxpayer is entitled to an additional interest allowance when his children under the age of 18 receive interest, up to a maximum of NLG 500 per child.

The interest component of a capital payment from a life insurance policy (and the investment income) is not taxed if the payment occurs because the person insured dies before the age of 72. The beneficiary is allowed the same exemption for payments upon the death of the insured person at or after the age of 72 if the premiums have been paid over a period of at least 15 years. Interest included in payments of up to NLG 60,000 on a fixed date is exempt from income tax if the annual premiums are paid over a period of at least 15 years. This is also applicable to interest included in life insurance payments of up to NLG 203,000 if the annual premiums are paid over a period of at least 20 years. Both exemptions are subject to the condition that the highest annual premium paid for the insurance may not be more than ten times the lowest premium.

Income from capital includes income from life annuities and other periodic payments resulting from either a lump-sum payment or the payment of premiums. These payments are liable to tax over the amount that the payments and the payments received in the past exceed the total premiums or lump sum paid under the policy.

V. Net income in the form of periodic payments

There are two categories of periodic payments, those which are classed as income from capital, and those which qualify as a separate source of income.

Periodic payments forming a separate source of income can be divided into different categories. Examples are:

- payments from the state, such as certain public scholarships and government subsidies;
- periodic payments under family law, such as maintenance payments, unless received from relatives once or twice removed;
- other periodic payments, claimable in court, unless received from close relatives, foster parents or members of the same household, such as maintenance payments to a former partner.

Non-source-related deductions

In certain circumstances payments which are not related to the acquisition of income may be deducted from the total gross income. These non-source-related expenses can be divided into three categories, which are personal obligations (special expenses), exceptional expenses and allowable donations.

I. Personal obligations

The most important expenses which may be regarded as personal obligations are the following:

- premiums for several forms of life annuity payments, such as (temporary) disablement, old age and widows' annuities up to NLG 5,950 or, in certain circumstances, up to NLG 11,900 in the case of (married) couples. If certain conditions are met then this amount can be increased to NLG 83,282, if the provisions for the old age pension are inadequate in relation to current income;
- certain maintenance payments of lump-sum payments which replace these;
- interest on debts. Since 1997, the deduction of interest on debt is restricted. Insofar interest paid is not connected with a source of income, a maximum amount of NLG 7,500 is deductible. For married taxpayers, this amount is doubled. Certain exemptions are applicable;
- losses on specific loans. Under certain conditions a loss on a subordinated loan granted to a starting entrepreneur can be deducted up to a maximum of NLG 50,000.

II. Exceptional expenses

Resident taxpayers may deduct certain exceptional expenses from their total gross income. There are a number of categories of exceptional expenses, each of which had its own specific non-deductible component based on the taxpayers' gross income. For married couples the non-deductible component is calculated on the basis of their joint income.

The following categories can be distinguished:

- medical expenses are tax-deductible when they exceed a certain percentage of the joint gross income, subject to specified upper and lower limits;
- expenses involved in the maintenance of children younger than 27 years of age;
- expenses involved in the support of certain relatives;

- expenses which are made in connection with study or training for a profession. Studies as a hobby do not qualify;
- expenses involved in child care, subject to certain conditions.

III. Tax-deductible donations

Donations to domestic religious, charitable, cultural and academic institutions or other bodies serving the public good in excess of 1% of the gross income may be deducted by resident taxpayers, with a lower limit of NLG 120. Donations in excess of 10% of the gross income are not tax-deductible. Provided certain conditions are met this restriction does not apply to donations in the form of annuities. Contributions to foreign institutions of the kinds indicated above may also qualify, if the institutions have been designated as such by the Ministry of Finance.

Employee savings and profit-sharing schemes

Employers and employees may agree to set up employee savings schemes in which a certain maximum amount of the salary is exempt from tax and social security contributions. Employers in the private sector can set up profit-sharing schemes to provide a tax advantage for both employers and employees.

Foreign employees: the 35% rule

A special allowance is granted to certain foreign employees who are assigned to a post with a domestic employer (i.e. an employer established in the Netherlands, or an employer not established in the Netherlands who is obliged to withhold salaries tax on the salary paid to the employee).

If certain requirements are met, then Dutch employers may grant a special tax-exempt allowance of 35%, which is paid in addition to employees' salaries. The allowance is calculated on the basis of the salary as determined in accordance with the provisions of the Wage Tax Act. To obtain the basis for calculating the 35% allowance the salary is multiplied by a factor of 100/65. Employer reimbursements of school are also exempt from tax. In addition to the 35% rule, expenses incurred in connection with employment are reimbursed tax free.

Foreign employees have to be recruited by or seconded to a domestic employer in the Netherlands. The employer and his employee must first agree, in writing, that the 35% allowance will be applied. Their joint request for the application of this allowance must then be submitted to the Private Individuals Tax Unit (Non-resident Taxpayers) in Heerlen. Once the application has been approved the 35% allowance is applied from the outset. The 35% allowance is applicable for a maximum period of 120 months. This period is reduced by any period of employment with a domestic employer in the Netherlands, or by any time previously spent by the employee in the Netherlands, unless more than ten years have elapsed since the end of such employment, or time spent in the Netherlands. On the joint request of the domestic employer and the foreign employee the foreign employee, with a few exceptions, is regarded as a fictitious foreign taxpayer with regard to the levy of salaries tax, income tax and wealth tax.

Tax returns and assessments

For income tax purpose the tax year coincides with the calendar year. If the financial year of a business does not coincide with a calendar year the results of such a year are attributed to a calendar year.

Salaries tax as an advance levy

Persons in paid employment are subject to a tax on the salary they receive. Employers withhold the tax directly from the employee's salary and pay this on a regular basis to the Tax Department. The rates, deductions, and any exemptions are consistent with those applicable to income tax. This means that in many cases the collection of salaries tax is sufficient and that no income tax return needs to be filed. For many employees the salaries tax is not then an advance levy in respect of income tax, but is in effect the final levy.

Income tax returns and assessments

No income tax assessments will be made unless:

1. the tax due taking into account the salaries tax or dividend tax withheld exceeds NLG 410;
2. the withholding of salaries tax had been reduced upon request of the taxpayer; or
3. the taxpayer has filed an income tax return.

As is the case with corporation tax, provisional assessments and advance levies are credited against the final income tax assessment.

Taxpayers are obliged to file an annual tax return within three months of the end of the relevant financial year. On the request of the inspector the taxpayer is obliged to supply all relevant information needed to determine his or her tax liability. the obligation to keep an administration as explained is also applicable to natural persons who conduct a business or a profession and or have personnel in their employment.

3.3. Wealth tax

Taxpayers: residents and non-residents

Under the present Wealth Tax Act resident persons (resident taxpayers) and non-resident persons owning property in the Netherlands (non-resident taxpayers) are subject to wealth tax if their net wealth exceeds a certain amount. The rules for the determination of the place of residence as laid down for income tax purposes are also applicable to wealth tax.

Resident taxpayers

The wealth tax is levied on the total net wealth, which is defined as the value of the assets less any liabilities. The tax is levied at the beginning of the calendar year. Assets and debts are taken into consideration at their market value. Although both husband and wife are liable for taxation the assets of both are accumulated. A child's assets are taxed under the child's name.

Non-resident taxpayers

Non-resident are liable for wealth tax only if they own certain assets in the Netherlands at the beginning of the calendar year. (In this case the net wealth is defined as the value of the assets less any liabilities in the Netherlands.)

Assets in the Netherlands are:

- assets belonging to a Netherlands permanent establishment and participations (other than through shares) in a domestic business. An example is the participation of a limited partner in a Netherlands limited partnership;
- the following assets not belonging to a permanent establishment in the Netherlands:
 - immovable property (including immovable rights) within the Netherlands;
 - profit sharing rights based on the net profits (not the turnover) of a company managed in the Netherlands, excepting profit sharing bonds, etc., and bonus rights of employees.

Debts in the Netherlands are:

- debts of a permanent establishment in the Netherlands;
- debts secured by a mortgage on immovable property in the Netherlands.

Married non-resident taxpayers are required to state their personal net assets only; a married person's net assets are not added to those of his or her spouse.

Tax base and rates

Exemptions

The legal usufruct together with rights and obligations involving regular payments directly arising from family law, and payments attributed by parents to their minor children are not taken into account for the purposes of the wealth tax.

The following items are exempted from wealth tax for both resident and non-resident taxpayers:

- a part of the business assets of the taxpayers;
- amount payable by the person to whom the taxpayer has transferred the ownership of his business;
- the assets of a business which is to be converted into a limited liability company;
- the value of "substantial interest" shares in a limited liability company established in the Netherlands;
- specific subordinated loans granted to a starting entrepreneur;
- entitlements ensuing from a pension scheme;
- payments ensuing from life annuities that have not yet commenced; annuities that have already commenced are also exempted to a certain sum;
- entitlements and benefits with regard to sickness, disability or accidents, accruing to those concerned or the surviving spouse or minor;
- personal belongings such as items of artistic or scientific values, clothes, food, gold and silver, pearls and precious stones to a total value of NLG 8,000.

Tax rates

The rate is NLG 7 for every NLG 1,000 of net assets (0.7%). There are two categories, which are:

- tax class I single taxpayers;
- tax class II married taxpayers.

The taxable amount for resident taxpayers is the total net wealth less the personal allowance. The taxable amount for non-resident taxpayers is the total domestic net wealth without the deduction of a personal allowance.

The personal allowances for resident taxpayers in 1998 are:

- tax class I NLG 193,000;
- tax class II NLG 241,000.

Special allowances

I. Old-age allowance

The old-age allowance is intended for taxpayers who have little or no provision for pension arrangements, but who have assets which were hitherto subject to wealth tax in their entirety. As a result of this allowance this category of taxpayers above the age of 35 will be in a position similar to those who have pension arrangements that are exempt from wealth tax.

The following amounts may be added to the above allowance:

- single persons over 35: minimum NLG 8,000 and maximum NLG 197,000;
- married persons: minimum NLG 13.000 and maximum NLG 281.000.

II. 68% rule (for resident taxpayers only)

If in any given year the total income tax and wealth tax due exceeds 68% of the taxable income for the year then the excess is refunded. For this purpose the taxable income or net salary of a married, but not permanently separated couple and the related income tax or salaries tax are attributed to the spouse with the highest personal income. This provision is not applicable to minors whose income from assets is taxed with that of their parents.

Tax returns and assessments

The wealth tax is to be paid annually on the total net wealth on 1 January of the relevant financial year. The tax is collected by means of an assessment. The regulations which are applicable to income tax are also applicable to wealth tax.

3.4. Avoidance of double taxation for taxes on income, profits and wealth

General

The Netherlands have two kinds of arrangements for the avoidance of double taxation for taxes on income, profits and net wealth, and for inheritance and gift tax. It has concluded conventions for the avoidance of double taxation with a large number of countries. If no convention is applicable then the unilateral provisions as laid down in the 1989 Double Taxation (Avoidance) Decree of the Netherlands are applicable. The double taxation conventions apply for residents of the Netherlands and for residents of the treaty countries. The above mentioned Decree applies only for residents of the Netherlands.

Methods

The Dutch tax system provides for three different methods for avoiding double taxation on income from foreign sources. Double taxation is avoided

by means of the exemption with progression method, the credit method, or deduction of foreign taxes as costs. These methods are used under the Decree and, with only a few exceptions, under the double taxation conventions.

The exemption with progression method

The exemption with progression method is usually used for income tax, corporation tax and wealth tax. In principle relief is provided for positive and negative items of income from foreign sources, on a per country basis. The exemption method involves a reduction of the Dutch tax on total income. The reduction is calculated as follows:

$$\frac{\text{foreign income}}{\text{total income}} \times \text{total Dutch tax due on total taxable income}$$

If the income from foreign sources exceeds the total income then no full relief for foreign taxes is provided in the year concerned. In such cases relief is provided in the subsequent years.

Foreign losses reduce the Dutch tax base in the year in which they arise as they are offset against the domestic income. However any losses from abroad which are incurred in the preceding years are deducted from the foreign income before relief is granted.

The credit method

The credit against tax method, or credit method, is usually used for foreign withholding taxes on investment income such as dividends, interest and royalties, on a per country basis. The tax reduction amounts to the lower of the foreign withholding tax or the Dutch attributable to the foreign dividend, interest and royalties.

Since the foreign withholding taxes for which credit is allowed are usually levied on a gross basis, whilst Dutch income tax is levied on a net basis, it is quite possible that the Dutch tax attributable to the relevant items of income is not sufficient to provide full credit for the tax levied by the source country. In such cases the excess foreign taxes may be carried forward to subsequent years.

Deduction as costs

In situations in which no exemption or credit is allowed then any foreign taxes paid may be deducted as costs related to the relevant income. In situations in which a tax credit would normally be used then the taxpayer may opt for non-recognition of the tax credit. This option is applicable to the year in which the income is received and to the total amount of all dividends, royalties and interest received in that year. The option will thus result in a deduction of foreign taxes as costs.

Conventions for the avoidance of double taxation

The Netherlands had developed a model convention which is very similar to the OECD Model Double Taxation Convention. The Dutch model has been officially published, and is used as the basis for negotiations.

When concluding tax conventions the Netherlands strives to meet several objectives. The Netherlands have a small domestic market but a large foreign market, with the result that a relatively large number of industrial and

commercial companies operate primarily on an international basis. The country has an open economy, and its policy on tax conventions reflects this situation in the relations with both other EU member states and other countries. Dutch policy aims to remove obstacles to the international flows of goods and capital for as far as possible. To achieve this objective withholding taxes on (non portfolio) dividends, interest and royalties should be as low as possible and preferably 0%. In line with this policy Dutch legislation does not provide for withholding taxes on interest and royalties.

The Netherlands also strive to ensure the capital import neutrality of investments. As a result Dutch investors are able to invest in foreign markets under the same conditions as other foreign or domestic investors. For this purpose the Netherlands exempts all profits obtained by a Dutch parent company from a foreign subsidiary, as well as profits obtained by Dutch companies whose permanent establishment is situated abroad. This ensures that such profits are taxed only in the source country.

In the tax conventions the right to levy taxes is attributed to the signatory states in a manner such that income is taxed by only one state.

The Netherlands have signed many conventions for the avoidance of double taxation with respect to taxes on income, and in a number of cases on wealth as well. These conventions have been made with the following countries:

Australia, Austria, Bangladesh, Belgium, Brazil, Bulgaria, Canada, People's Republic of China, Czechoslovakia (this convention is applicable of both the Czech and Slovak Republics), Denmark, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Latvia, Luxembourg, Malawi, Malaysia, Malta, Mexico, Morocco, New Zealand, Nigeria, Norway, Pakistan, Philippines, Poland, Romania, Singapore, Soviet Union (Convention is applicable to the former member states of the Soviet Union with the exception of Armenia and Moldavia), South Africa, South Korea, Spain, Sri Lanka, Surinam, Sweden, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Kingdom, United States of America, Venezuela, Vietnam, Yugoslavia (this convention is applicable to Bosnia-Herzegovina, Croatia, Federal Republic Yugoslavia (Serbia and Montenegro), The Former Republic Macedonia and Slovenia), Zambia and Zimbabwe. Conventions have also been concluded with Argentina, Estonia, Iceland and Russian Federation, but have not yet come into force.

Agreements of a more limited scope covering only profits derived from shipping (S) and or aircraft activities (A) are in force with Argentina (S, A), Egypt (A), Greece (S, A), Mexico (S), Oman (A), Panama (S, A), Saudi Arabia (A), the United Arab Emirates (A) and Venezuela (S, A). Agreements on international air and maritime transport may also include provisions for the avoidance of double taxation.

Conventions for the avoidance of double taxation with respect to taxes on estates and inheritance are in force with Finland, Israel, Sweden, Switzerland, United Kingdom, and the United States of America.

Unilateral measures for the avoidance of double taxation

Dutch legislation provides for unilateral measures for the avoidance of double taxation in situations in which no other relief is available. These are

laid down in the 1989 Double Taxation (Avoidance) Decree of the Netherlands).

The Decree provides for the avoidance of double taxation on income from foreign sources for residents, including both corporations and individuals. The Decree is applicable to taxes on income, wages and salaries, wealth, inheritances, gifts and lottery prizes. double taxation is avoided by three methods: the exemption with progression method, the credit method and deduction of taxes as costs.

3.5. Value added tax and excise duty

Value added tax (VAT)

In the Netherlands value added tax (VAT, in Dutch “BTW”) is levied at each stage in the chain of production and distribution of goods and services. The tax base is the total amount charged for the transaction excluding VAT, with certain exceptions. Due to deductions in previous stages of the chain VAT is not cumulative. Every taxable person is liable for VAT on his or her turnover (the output tax), from which the VAT charged on expenses and investments (the input tax) may be deducted. If the balance is positive then tax must be paid to the tax authorities; if the balance is negative then a refund is received. The tax paid by the ultimate consumers of the goods or services is not tax-deductible. The tax is based on the VAT rate applicable to the price, exclusive VAT, of the goods or services received.

Taxable persons

The taxable persons are the persons conducting a business, who are defined as those who conduct independent business, including natural persons, corporate bodies, partnerships, associations etc. Combinations of bodies forming a single financial, organizational, and economic entity can be considered as a fiscal unit for VAT purposes. In such cases the supply of goods and services within the unit is not subject to VAT. A public body can also act as a taxable person if its activities do not involved public duties.

Tax base

There are four taxable activities:

- I. the supplying of goods;
- II. the rendering of services;
- III. the acquisition of goods by businesses (since 1 January 1993);
- IV. the importation of goods.

The supplying of goods and services

The term “supplying of goods” (goods are all physical objects, but also include electricity, heating, cooling, etc.) is given a broad interpretation. For example, for VAT purposes the following activities are considered as the supplying of goods:

- the transfer of ownership of goods under an agreement;
- the transfer of goods on the basis of a hire purchase agreement;
- the delivery of goods by a manufacturer who has manufactured the goods from materials provided by the consumer;
- the private use of goods by a business;

- the self-supply of goods, if the goods are involved in exempt transactions for which prepaid tax cannot be deducted, or is only partly deductible.

Services are defined as all activities performed for a remuneration that are not classed as the supplying of goods.

Location of deliveries and services

Although the difference between the supplying of goods and the rendering of services is usually a purely theoretical one, there is a valid reason for distinguishing between them with regard to location. Transactions are subject to the conditions and rates applicable at the location concerned. The location at which the goods are supplied is defined as the location of the goods at the time of supply. An exception is made for goods transported in connection with the supply; in such cases the location of supply is the location at which the transportation began. Another exception is made for a series of supplies of imported goods; in such cases the location of all the supplies is the Netherlands.

The location at which services are rendered is generally deemed to be the place of residence or of establishment of the person supplying the services. However there is a separate regulation for certain services: for example for services involving copyrights and advertising, advice, information, banking, insurance and the services of employment agencies etc., the location at which the services are rendered is the place of establishment of the person to whom the services are rendered. Services involving immovable property are rendered at the location of the property.

Exemptions

Several types of transactions are exempt from VAT. An exemption means that tax for the transactions should not be charged, and that prepaid VAT attributable to those transactions cannot be deducted. Exemptions are applicable to transactions such as:

- the transfer or rental of immovable property, with certain exceptions. For example, the delivery of newly-built property until two years after its is first used, and property when the supplier and recipient have opted for taxable delivery are taxable; however the possibility to opt for taxation is restricted to situations in which the property is used for (almost) wholly taxable purposes;
- medical services;
- services provided by educational establishments;
- social-cultural services;
- most services performed by banks;
- insurance transactions;
- non-commercial activities by public radio and television broadcasting organizations;
- postal services;
- burials/cremations;
- sports (not entrance fees)
- the services of composers, writers and journalists.

Special arrangements for small businesses (persons) and the agricultural sector

Small businesses run by persons enjoy a tax reduction. If a small business consequently does not have to pay any VAT to the authorities then it can, on request, be relieved of the obligation to keep an administration.

For the agricultural sector, i.e. arable farming, cattle breeding, and horticulture, a special provision is applicable which is designed to exclude the agricultural sector from the VAT system entirely. Farmers do not charge VAT and do not have the right to deduct the prepaid VAT. The purchasers of agricultural products from these farmers receive a fixed prepaid VAT deduction of 5.6%. If the tax prepaid by the farmer is more than 5.6% of the value of his sales then this special provision would put him or his customers at a disadvantage; in such cases the farmer then may opt for the usual statutory regulation.

Tax rates

The general rate is 17.5%. A reduced rate of 6% is applicable to the supply, import, and acquisition of goods and services mentioned in annex 1 to the Act. The reduced rate is in the main applicable to foodstuffs and medicines. Other goods and services subject to the lower rate include water, art, books, newspapers and magazine. materials required by the visually handicapped, artificial limbs, certain goods and services for agricultural use, passenger transport, hotel accommodation and entrance fees for museums, cinemas and sport events. The zero rate is intended primarily for exported goods, seagoing vessels and aircraft used for international transport, gold destined for central banks, and any activities which may take place within bonded warehouse or their equivalent. There is also zero rate for goods which are transported to another EU member state on which VAT is levied, because of the acquisition in that member state.

The new VAT system in the single European market

The single European market was completed on 1 January 1993. From this date goods, persons, services and capital may be moved freely within the EU. The transitional arrangements applicable after this date, for which the 1968 Turnover Tax Act of the Netherlands had been amended, contain the following points.

- I. For private persons buying goods in another member state VAT is levied in the country in which the goods are bought (the principle of the country of origin). the exemption on exports from the member state and the obligation to pay VAT on the goods on arrival in the Netherlands are then not applicable.
- II. For trade in goods between businesses in member states VAT is levied in the member state to which the goods are transported (the principle of the country of destination) as the rates and under the conditions of that member state. The business supplying the goods applies the zero rate. The business receiving the goods submits a tax return with regard to the goods purchased in another state.
This transitional arrangement is applicable until the date on which transaction become subject to the country of origin principle.)
- III. The principle of country of destination is also applicable to intracommunity deliveries to exempted parties, farmers falling under a lump-sum compensation scheme, and legal entities not liable for taxation (authorities), unless the total value of the goods purchased does exceed the threshold of NLG 23,000 (ECU 10,000).
- IV. For mail order transactions or teleshopping involving private persons, exempted businesses, legal entities not liable for taxation, and farmers

entitled to a lump-sum compensation scheme a similar provision to that referred to in point III is applicable, but with a threshold of NLG 230,000 (ECU 100,000).

- V. The principle of the country of destination is always applicable to the purchase of new, or almost new, motor cars by private persons or businesses in another member state.
- VI. Every business making intracommunity deliveries to another member state must submit regular notifications with regard the deliveries subject to taxation in that member state (known as the listing requirement). The business will be required to supply further details if this is necessary for intracommunity checks on the levying of VAT.
- VII. Since border controls within the EU for tax purposes have been discontinued the levying of VAT on imports and the zero rate for exports will be applicable only to goods outside the EU.

Imports

Imports are confined to the bringing into free circulation in the Netherlands of goods from countries outside the EU. The rates to be applied are the same as those applicable to supplies of goods in the Netherlands. VAT will be levied either in the same way as import duties or, after the appropriate licence had been granted, in accordance with the deferred payment system.

In the first situation the customs procedure is applicable. This means that the tax due must be paid by the declarant when submitting an import declaration, or that security must be provided for this purpose. In the second situation the tax due is collected from the business for which the goods are destined. The time of payment is then deferred until the time at which the business must submit the periodic domestic VAT tax return. In such cases the time of payment is coincident with the right to deduct the same tax.

There are exemptions for imports, but these do not affect the right to the deduction of VAT on input.

Tax returns and assessments

The period to which returns relate may be monthly, quarterly, or annually, depending on the amount of VAT due. Almost all VAT returns are prepared and dispatched by a computerised system. The system checks that the forms are returned and the amounts in question are paid in good time. The return must be submitted within one month of the end of the period to which it relates. The tax owed must also be paid within this period. Returns for which no tax is due, or a refund is requested, should be submitted within one month.

A significant percentage of retrospective assessments is the result of returns being submitted too late, or the associated payment not being made in good time. As mentioned above these are monitored by a computer system, which automatically prepares a retrospective assessment if a payment is not made, or a return is not submitted in good time. The system uses information from returns relating to previous periods to determine the amount of the assessment for the period in question.

In addition to assessments resulting from the failure to file a return or pay the tax owed in good time, retrospective assessments are also issued if

checks reveal that too little VAT had been paid. It is possible to object and appeal against retrospective assessments; however this does not suspend the obligation to pay the tax deemed to be payable.

Excise duty

Excise duty is levied on the ultimate use or consumption of mineral oils, beer, wine, other alcoholic products and tobacco products. The largest contribution to the treasury comes from the excise duty levied on mineral oils such as petrol, diesel oil for road vehicles, heating oil, and heavy fuel oil. The tax revenue from the excise duty on mineral oils was approximately NLG 10,7 thousand million in 1997. The total revenue from excise duty amounted to NLG 15 thousand million in 1997, equivalent to about 8.8% of the total tax revenue in the Netherlands in that year.

Taxable persons

The number of taxable persons liable for excise duty is restricted by the requirement that excise duty be levied at the time the products concerned are released for consumption. This means that the duty is mainly paid by the manufacturers and the wholesalers. Under the present system a taxable person is required to keep accounts which permit a true and accurate view of all transactions, manufacturing processes, and movement of goods subject to excise duty in connection with the business. These accounts must be suitable for presentation to the tax authorities at any time. Physical checks by the authorities can only complement this audit-based control system.

A special arrangement is applicable to tobacco products. The excise duty is paid by the purchase of excise stamps from the authorities by the manufacturer or trader in the tobacco products.

The harmonization of excise duty in the EU

Excise duty legislation in the Netherlands is fully in accordance with the EU Council Directives on the harmonization of excise duties in the internal market of the European Union. A prominent feature of the harmonization of excise duty in the EU is that for goods acquired by private persons for their own use the excise duty is charged in the member state where the goods are acquired. Excise goods brought into the Netherlands from another member state under these conditions have therefore not been subject to Dutch excise duty from 31 December 1992 onwards. The harmonized excise duty system of the EU also involves general conditions for the storage, movement and monitoring of excise goods in the member states, tax suspension arrangements for the movement of excise products between tax warehouses, comprehensive definitions of excise goods, and regulations concerning excise duty rates and exemptions.

Since the EU excise duty system came into force in the Netherlands on 1 January 1993 indirect taxes on products other than mineral oils, tobacco and alcohol as defined in the relevant EU Council directives are admissible only in so far as they do not give rise to border formalities in trade between member states. In this connection consumer taxes on non-alcoholic beverages, and tobacco products for non-smoking purposes (snuff and chewing tobacco) are still in existence in the Netherlands.

3.6. Environmental taxes

Fuel tax

Fuel tax is levied on mineral oils, coal, natural gas, blast furnace gas, cokes oven gas, coal gas, refinery gas, and residuals which are used in the chemical and petroleum industries (petroleum cokes, liquid and gaseous fuels). Mineral oils are petrol, diesel fuel, heating gas oil and heavy fuel oil. The tax revenue is estimated as approximately NLG 1,458 million in 1998.

Taxable persons

The fuel tax on mineral oils is levied together with excise duty on mineral oils. fuel tax on the other fuels mentioned above is due by persons who extract, produce or import these fuels, and subsequently use them as fuels or transfer them to others for use as fuels. The number of taxable persons liable to fuel tax is restricted as the tax is levied primarily on the manufacturers and importers of fuel.

Tax rates

The rates for the most common fuels on 1 January 1997 are as follows:

Fuel	Unit	Guilders per unit
Petrol	per 1000 l	NLG 25.10
Medium oils	per 1000 l	NLG 27.50
Diesel oil and the like	per 1000 l	NLG 27.70
Heavy fuel oil	per 1000 kg	NLG 32.33
Coal	per 1000 kg	NLG 23.38
LPG	per 1000 kg	NLG 33.08
Natural gas		
0 - 10 mln. m ³	per 1000 m ³	NLG 21.55
> 10 mln. m ³	per 1000 m ³	NLG 14.10

Exemptions

All usage other than as fuel is exempt.

Tax on groundwater

Groundwater tax is levied on the extraction of sweet groundwater. This tax has been levied since 1 January 1995. The tax revenue is estimated at approximately NLG 320 million for 1998.

Taxable persons

The tax is levied on the proprietors of the establishments extracting groundwater. These are, for example, the manufacturers of drinking water, farmers, and industries which use groundwater.

Rates

For drinking water companies the rate is NLG 0.34 per m³; for others the rate is NLG 0.17 per m³. Rebates are applied for infiltrated water.

Exemptions

Exemptions are applicable under certain conditions, for example in case of extraction of groundwater for draining a building site, as well as test-extractions, extraction for use for sprinkling and irrigation land and extraction needed to clean groundwater.

Tax on waste

This tax is levied on the disposal of waste, except kitchen and garden waste in case these are offered separately to establishments operating dumps and incinerators. The tax came into force on 1 January 1995. The tax revenue is estimated at approximately NLG 215 million for 1998.

Taxable persons

This tax is levied from the proprietor of the establishment where waste is delivered for processing. These are establishments which operate a landfill site, or incinerate waste.

Rates

For waste which is landfilled the rate is NLG 29.20 per 1000 kg. Incinerable waste accepted for landfilling at a dump is charged at a rate of NLG 64.20 per 1000 kg as of January 1st 1998. For asbestos, the rate is nihil, provided it is offered separately to the establishment operating the dump. For waste which is incinerated a nil rate is applicable.

Exemptions

Exemptions are applicable for instance for non-purifiable polluted dredging sludge and soil and for de-inking residue.

Regulatory energy tax

The regulatory energy tax is levied on the "small scale" energy consumption of natural gas and electricity. Mineral oil products when used as substitutes for gas by domestic users or small commercial establishments are also taxed. The tax revenue is estimated at NLG 2.0 billion for 1998. The revenues are returned to domestic users and business by way of reductions in other taxes.

Taxable persons

The tax is levied on the energy distribution companies. These companies pass on the tax to their customers.

Rates

Natural gas is taxed to a maximum of 170.000 cubic metres per year, with a tax-free allowance of 800 cubic metres per year. Electricity is taxed to a maximum of 50.000 kWh per year, with a tax-free allowance of 800 kWh. With the exception of electricity, the rates are raised in three yearly stages until 1998. The rates for 1998 are as follows:

Fuel	Unit	Cents per unit
		1998
Natural gas	cubic metre	9.53
Electricity	kWh	2.95
Light fuel oil	litre	8.46
Heating gasoil	litre	8.53
LPG	kg	10.09

A zero rate applies for fuels used for transport purposes and for natural gas used in the greenhouse horticulture sector.

Exemptions

Exemptions are for instance applicable for all usage other than as fuel for natural gas used to produce electricity.

Tax on Uranium

This tax is levied on Uranium-235. The tax was introduced so that nuclear-generated electricity would be taxed in the same way as fuel-based electricity. The tax came into force on 1 January 1997. The tax revenue has been estimated initially at NLG 12 million for 1998.

Taxable persons

This tax is due by nuclear energy companies.

Rates

NLG 31.95 per gram of Uranium-235.

Administrative aspects

Persons liable to environmental taxes are required to keep accounts which give a true and accurate view of all transactions, manufacturing processes, and movements on all products concerned (for fuel tax and regulatory energy tax), on all withdrawal and infiltration of groundwater (for the tax on groundwater) and of the sort, the quantity and the origin of the waste delivered to them (for the tax on waste). These accounts must be suitable for presentation to the tax authorities at any time.

3.7. Customs

Customs duties and the role of the Dutch customs service

In the Netherlands, as in all other Member States of the European Union, the import duties of the European Community have to be paid when goods are brought into free circulation within the customs territory of the European Community. The term "import duties" also covers other import charges such as anti-dumping duties. The Dutch customs authorities are responsible for the levying of these import duties, and they are also charged with the enforcement of a considerable number of prohibitions, restrictions and control measures.

Taxable persons

The bringing of goods into free circulation is one of the many possible customs procedures. This specific procedure confers on the goods the status of Community goods, which entitles them to circulate freely within the internal market of the European Community. The import duties have to be paid by the declarant submitting the customs declaration for free circulation. In many cases importers prefer to use the professional skills and credit facilities of customs brokers, who take care of all the statutory obligations on the importation of the goods.

Tax base

Import duties are calculated on the basis of:

- the classification of the goods concerned in the Common Customs Tariff;
- the origin of provenance of the goods;
- in most cases, the value of the goods.

Tax rates

The rates of European import duties vary considerably, according to the type of goods imported. For example lower customs duties are usually charged on raw materials than on finished products.

Customs procedures in the Netherlands

The final destination of goods brought into the European Community is not always known. Sometimes the goods will be re-exported. On the basis of European working methods, customs procedures have been created which provide for the storage of goods under customs supervision without import duties being charged. Examples of these procedures are transport under customs supervision, warehousing and inward processing. Obviously import duties have to be paid once the conditions for these procedures are not met or no longer met.

The Dutch customs authorities attempt to use the possibilities to facilitate the movement of goods provided by the European regulations to the fullest possible extent whilst still maintaining an adequate level of customs control. Whenever possible an integrated approach is followed. The following examples of this overall approach can be given:

A. comprehensive use of simplified procedures

There are simplified procedures for all the customs matters listed above. The Dutch customs authorities are prepared to accept a business administration maintained for commercial purposes as the basis for its control; this is of course combined with a physical examination of goods when this is necessary. This system has proved effective in practice.

Combinations of simplified procedures

It is possible to go further than the example mentioned above. Sufficiently well-organized companies with automated commercial administrations may apply for combinations of simplified procedures (for example warehousing on the basis of the commercial administration combined with simplified procedures for transport to and from the warehouse concerned). This can even lead to an authorization in which all allowable simplifications are granted to a company, the "integrated customs arrangement".

The agreement of Memoranda of Understanding (M.o.U.s)

To a large extent the Dutch customs service bases its control on risk-analysis, which is most effective when companies are prepared to provide the customs authorities with all available commercial documentation required for assessing the risk involved with goods in the Dutch customs territory. For this purpose the authorities are prepared to agree on M.o.U.s with such companies. These in effect facilitate their customs treatment. The M.o.U.s oblige the authorities to regularly review the customs arrangements with a view to the further facilitation of the treatment of the companies involved.

4. Business philosophy

4.1. Business philosophy

The permanent task definition and the mission indicate the philosophy on which the DTCA bases its actions. The business philosophy contains the points of departure that give direction to the manner of execution of the tax laws and for the order of the main processes (called “throughput”).

Due to the wide variety of (fiscal) laws, social contexts (households, companies), individual situations (income level) and social opinions, not all tax returns, and certainly not all taxpayers, are the same. This means that a uniform method for and treatment of taxpayers cannot be easily realised, and that this is also not necessary.

The business philosophy is based on four points of departure, which are discussed below.

4.2. Target-group-oriented and Integrated working

The first point of departure for the DTCA is to bring together those tax returns and taxpayers that show a certain degree of uniformity, on the basis of which they can be dealt with in the same way. On the basis of the data available, taxpayers are classified according to two general lines:

Being target group oriented: the taxpayers are distinguished on the basis of their characteristics. Taxpayers with the same relevant characteristics constitute a target group. With regard to a specific target group, the DTCA applies the method which is best suited to the characteristics, more specifically to the (fiscal) interest and (fiscal) risk, of that target group: private taxpayers, (large) companies and customs.

Working in an integrated manner: in principle, a taxpayer is dealt with in respect of his total fiscal situation, i.e. all the different taxes, at one location. The administrative structure should provide optimum support to the method on the basis of the integration of all the basic activities. This method concerns both the various taxes and the elements of the process with which the taxpayer is faced, ranging from information and levying to control and collection.

Integrated treatment first of all makes it possible to establish links between the different aspects of the taxpayer's total fiscal situation. This has advantages for the taxpayer himself: he can turn to the same office with all his fiscal matters. This undoubtedly also has advantages in the field of quality improvement and combating fraud. Because of the insight offered into the total fiscal situation, clarity about the fiscal problems can be provided immediately, and any frauds will become more easily visible. The latter aspect in particular contributes to the reinforcement of prevention which is so characteristic of this approach.

4.3. Careful action

The second point of departure can be summarised under the concept of “careful action” by the DTCA. This means reducing the number of mistakes, offering citizens legal protection (by preventing the misuse of official means of power), observing the principles of good governance such as objectivity, notifying and motivating decisions, and dealing with complaints quickly and openly.

Careful action also means that taxpayers are given certainty about their fiscal state of affairs as soon as possible. This means that the DTCA should realise short processing times for tax returns and objections.

It is also important that taxpayers are treated in a manner appropriate to their situation and that any agreements that have been made about the specific treatment are actually observed. In this way, taxpayers should be offered the certainty that the law is applied correctly to their own situation and that of others.

4.4. Service provision

The third point of departure concerns service provision in the narrow sense. Many taxpayers do not have the knowledge to be able to comply with their obligations totally independently. When these taxpayers turn to the DTCA for assistance or with queries, the DTCA should offer this assistance and respond to any queries quickly and in understandable language. Making available up-to-date standard information in the form of leaflets and brochures is a good way of doing this.

4.5. Client treatment

The fourth point of departure concerns a manner of treating the taxpayer which increases “compliance”. This client treatment has the following characteristics:

- Differentiation in how taxpayers are dealt with. Each taxpayer is given the attention he deserves.
The DTCA distinguishes three types of taxpayer:
 - the taxpayer who complies with his obligations of his own accord;
 - the taxpayer who complies with his obligations under the influence of preventive action by the DTCA;
 - the taxpayer who tries to avoid his obligations.
- A proactive attitude towards taxpayers.
This means that neither knowledge about taxpayers nor any action towards taxpayers is linked to the tax return date and the control afterwards. The improved insight into the total fiscal situation of taxpayers is of great importance in this respect, as is the discussion of fiscal issues before the tax return is submitted. This offers opportunities for preventing mistakes in the administration or the tax return, and influencing the conduct of the taxpayer completing the tax return in a positive sense. This broader knowledge about taxpayers focuses on:
 - the current situation of the taxpayers themselves or their company;
 - the profession or industry to which they belong;
 - the taxpayers’ attitude (from “cooperative” to “fraudulent”).

- Constant attention and up-to-date client treatment.
The periodical/incidental attention to the taxpayer is given a more “continuous” nature. In addition to anticipation, the following is therefore important:
 - monitoring and observation: following the taxpayer closely;
 - specific testing and levying: i.e. the reduction of levying and collection risks by establishing the right time for action;
 - taking custom-made measures: establishing the specific measure for the specific taxpayer.

On the basis of the business philosophy, the internal organisational structure of the DTCA has also been brought into line with its relations with the environment. This has led to a target-group-oriented structure.

4.6. Critical success factors

Critical success factors are factors that are of decisive importance to the success of the organisation as a whole. The critical success factors are a result of the strategy.

The critical success factors have been derived from the mission and the permanent task definition of the DTCA. They have been formulated on the basis of the DTCA's administrative task. The requirements imposed by the “social field of force” or the “relevant environment” on the DTCA and the way in which the DTCA translates these requirements into the business process take a central place in this. A few interested parties are distinguished:

- the Minister as the principal and the politically responsible party in relation to the States General and the supervising institution of the Government Audit Office;
- the taxpayer.

In the mission of the DTCA we could discover a whole set of strategic goals. These can be summed up as follows:

- optimisation - even maximisation - of tax collection;
- service provision in accordance with the compliance goals;
- warranting public confidence in the integrity and fairness of the TA;
- fairness, equity and equality in levying and collecting taxes;
- improving productivity;
- optimum fraud prevention in society;
- efficient, effective and proper use of resources;
- motivated, competent and well-trained staff.

These strategic goals are linked to a set of Critical Success Factors and Performance Indicators. Some examples of those currently used by the DTCA are:

Critical Success Factor		Performance Indicator	
1.	Collection maximisation	1a. 1b.	Pay as you earn Cash flow pace
2.	Productivity	2.	The relationship between resources and production achieved
3.	Carefulness	3a. 3b.	Number of objections in relation to the number of tax assessments Number of objections settled in favour of the taxpayer
4.	Completeness	4a. 4b.	Object completeness: the extent to which tax collection is covered by contra-information Subject detection: number of new taxpayers detected as a result of tax administration activities
5.	Satisfaction/acceptance	5.	Number of taxpayers who have accepted and appreciated the way in which the tax authority performs its task
6.	Justice	6.	Number of cases where justice is contested
7.	Confidentiality	7.	Number of cases where confidentiality is contested
8.	Equity	8.	Number of cases where equity is contested
9.	Fraud prevention	9a. 9b. 9c. 9d.	Number of tax audits Number of (proven/suspected) fraud cases Number of assessments with a correction Average amount of correction
10.	Enforceability of tax laws	10.	Calculation gap: difference between estimated costs and real costs
11.	Product quality	11.	Accepted corrections and number of court decisions in favour of the tax administration
12.	Quality of processing	12a. 12b.	Average throughput time of tax assessments and appeals Number of tax assessments to be processed
13.	Expenditure	13.	Relationship between resources (budget and staff) and tax revenue
14.	Staff proficiency	14a. 14b.	Number of staff whose performance is above average Quality: test results
15.	Staff performance	15a. 15b. 15c.	Sickness percentage Mismatch Staff satisfaction quota

These 15 Critical Success Factors, represented here as Performance Indicators, provide insight into the development and progress of (strategic) goals of the tax and customs administration, and so provide information essential for monitoring economic and financial development.

Representing the outcome of tax administration performance in this manner is a relatively new development. More traditional accountability reports provide stakeholders with an elaborate annual report on the main business processes (number of registrations, amount of tax levied and collected, and number of tax investigations held).

This type of annual report presents a clear picture on output, but fails to provide proper insight into the overall effect on society, which of course is necessary when monitoring the development of the economy and the tax administration.

Advantages

These 15 CFSs and Performance Indicators are quantifiable. Quantifying them makes it possible to look at the cross-reference effect if new guidelines/organisational policies are to be implemented. Cross-referencing can be facilitated by indexing the performance indicator outcomes. Indexing enables us to compare information which would otherwise be difficult to compare, and to monitor trends. These are the main advantages of performance indicator information.

It is not so much the actual outcome of the indicator but rather the suggested trend that matters. This provides stakeholders and the management of the tax and customs administration with strategic information about the best organisational options and new policies to be implemented, depending on economic and financial developments. Comparing trends provides the stakeholders and the management of the DTCA with strategic information for adjusting future opportunities and policies.

*Plaatje: "SPIN DIAGRAM"**Limitations*

The set of performance indicators presented forms a balanced system. Focusing on one of the items might involve the risk of neglecting other performance elements. The critical success factors and performance indicators should be linked to the strategy described and the core tasks. Otherwise the tax administration could be far from achieving its mission. Using the critical success factor of *collection maximisation* could involve another risk. A better description would be *optimum collection*. It is the duty of tax administrations to execute tax laws and deal with taxpayers. The administration is responsible for having an efficient logistics system and for providing services to those who need them. Tax administrations are not established in order to increase revenue. Of course the Treasury would like to increase revenue, but this is not the responsibility of the Tax Administration; tax revenue is the result not only of an efficient tax organisation, but also of economic developments, tax rates, sociological influences, etc.

5. Enforcement policy

5.1. DTCA enforcement policy

In determining the added value of a government organisation, it is not only the working processes and the products that are decisive. The manner in which the enforced legislation is executed is also of great importance. For the DTCA, the working method has been laid down in the “enforcement policy”. This enforcement policy, which strives to achieve compliance with the legal regulations, is time dependent and has developed from retrospective control (repressive action) to the prevention of fiscal problems (preventive action). At the same time, the DTCA realised the need for adequate service provision. The main aspects of the enforcement policy are described below.

Three subjects related to the enforcement policy, the SoFi number, the duty of secrecy and professional integrity, are also discussed in this chapter.

5.2. Law enforcement

Law enforcement is interpreted from two different angles: law application and client treatment.

What matters first of all is that the DTCA executes legislation and regulations properly. In essence, this means the correct interpretation of fiscally relevant facts. This is the perspective of law application. Lawfulness, legal certainty and equality before the law are core concepts in this respect. At the same time, the DTCA should make an effort to prevent or reduce the risk of non-compliance by taxpayers as much as possible. This is done first and foremost by supporting the taxpayer where necessary in observing the fiscal obligations. This makes service provision an essential part of client treatment. It is also important to ensure, by means of extensive, general supervision, that the taxpayer indicates the fiscally relevant facts correctly, completely and in good time. Supervision therefore constitutes the second element of client treatment. In those cases where taxpayers do not comply with their fiscal obligations on purpose, the DTCA will act by means of specific fraud combating and detection.

Effective law enforcement takes place when both angles - attention to the tax method and attention to the taxpayer - are considered equally and in relation with one another in the execution of the law.

5.3. Law application

Taxpayers should be able to count on the fact that the law is applied correctly to their (fiscal) situation. They should have the certainty that the law is applied correctly to other taxpayers too. Obviously, this applies equally to the tasks the DTCA carries out for third parties. The strategic goal for law application is as follows:

Unity of policy and execution

To ensure that unity of policy and execution is guaranteed, a number of quality requirements have been formulated. These can be outlined as follows:

- *New legislation and regulations should be tested for aspects of enforceability and executability. Existing legislation and regulations should also be evaluated periodically;*
- *New policy should be publicised immediately;*
- *There should be regular consultation with sectors of society involved;*
- *Where useful and necessary, agreements on law application should be drawn up, laid down and publicised for industries and target groups;*
- *The execution of legislation and regulations should be embedded in a system of quality assurance.*

The DTCA is under more pressure to account for how it strives to achieve unity of policy and execution by taxpayers, existing and new principals and external supervisors, as well as other law enforcement organisations with which it cooperates. Choices should therefore be explicit and convincing. The DTCA wishes to be a transparent organisation and to account for the manner in which it executes its law enforcement task. The DTCA also wishes to present itself as one, unified DTCA; this requires clear and recognisable policy with corresponding and unambiguous execution.

5.4. Client treatment

In client treatment, the main focus is on the attention paid to the taxpayer. The content of client treatment is based as much as possible on the taxpayer's specific situation. Points of departure in this respect are fiscal interest and risk: by means of a selective approach, the capacity available in law enforcement is used as effectively as possible. The guiding principle for client treatment is:

Each taxpayer receives the attention required in his situation

Client treatment is further interpreted in the processes of service provision, supervision and fraud detection.

- *Service provision* strives to support the taxpayer in observing the obligations resulting from legislation and regulations. Service provision concerns not only the supply of information in time and external communication, but also aspects such as responding in good time, reacting to requests, motivating decisions, etc. Service provision has an important preventive function within client treatment.
- In addition to service provision, the *process of supervision* also aims at the taxpayers observing their obligations. By monitoring the submission of correct, complete accounts of fiscally relevant facts in good time, the DTCA ensures that law application is provided with a solid basis.
- Prosecution and repression remain the ultimate remedy within client treatment. The DTCA therefore bases combating fraud on the three different phases of client treatment: prevention through adequate service provision, intensification of general supervision, and detecting (professional) fraud.

5.5. Service provision

The first point of departure of the business philosophy is a service-providing attitude. This requires an open, helpful attitude and makes high demands of communication and service provision. Taxpayers should be aware of their rights and obligations, and be well informed of any changes. They should feel sufficiently supported by the DTCA to comply with the obligations themselves and to exercise their rights. This means, among other things, that taxpayers should acquire certainty about their (fiscal) state of affairs as soon as possible.

DTCA's service provision is characterised by:

- *contactability*: the DTCA can be contacted at different times (physically, by telephone and digitally), as far as possible at the times when the taxpayer wishes to do so;
- *accessibility*: taxpayers are made sufficiently aware of the places where they can get information and support;
- *being customer-oriented*: the DTCA responds to the requirements and needs of the public.

5.6. Supervision

The process of supervision aims to involve all the fiscally relevant facts in the treatment in time and in the correct way. The first strategic goal in this is:

Operating on the basis of the current situation

Linking the time when the fiscal fact occurs as much as possible to the fiscal treatment of this fact will limit the risk of non-compliance. This means that supervision is based increasingly on the current situation: starter visits, on-site observations (OSO's), book inspections based on the annual business report and accounts, and control on the basis of pre-arrival information at the Customs are examples of this. It is important in this respect that information is made available and is processed quickly: well-structured supporting logistic processes and quick treatment are preconditions for effective supervision. Another objective of this is the optimisation of cash flows (pay as you earn).

The second strategic goal for the process of supervision is:

Effective and goal-oriented supervision

Supervision takes place on the basis of "insight into the client's situation" and "insight into the target group". The specific situation of the taxpayer and the fiscal interest and fiscal risk related to this provide the basis for the treatment approach. Selectivity is of great importance in this respect: concentrating mainly on the entries involving risks increases effectiveness. In order to avoid inequality before the law at division or local office level, selection criteria at national level are used. Selection is increasingly automated.

Having knowledge of specific industries and target groups is important for adequate treatment. For this purpose, target-group-adoption offices fulfil the role of knowledge centres within the DTCA. The use of segment treatment plans and standard treatment modules promotes the efficient and unambiguous execution of the enforcement policy.

Collecting and using contra-data forms an important part of supervision. Extensive data streams are processed as much as possible by computer, and incorporated in the assessment.

The exchange of information and knowledge and operational cooperation with other services within and outside the Netherlands - but especially within the service itself - is an additional condition.

5.7. From supervision to fraud detection

The pillars of combating fraud are service provision, extensive, general supervision, and (professional) fraud detection. The criminal prosecution of fiscal (customs) fraud is a necessary concluding factor of client treatment. Taxpayers who display the most far-reaching form of non-compliance fraud are dealt with repressively. This approach serves first of all to correct non-compliance behaviour, but also to achieve preventive effects so as to promote compliance.

The local offices report any suspected cases of fraud to the FIOD. The FIOD deals with those cases that are worth prosecuting. Depending on the cases' suitability, warrants will be issued to the Public Prosecution Service.

An important condition of a good detection rate is having an excellent information position. Through analysis and research, (fraud) risks are listed for use in client treatment, and risk warnings are given that help to discover any committed fraud and provide insight into fraud patterns.

The strategic goal for detection is as follows:

Intensive and effective combating of fraud

The DTCA uses the following quality requirements in fraud detection:

- *Fraud patterns and risks are analysed systematically;*
- *Reported fraud cases are worth prosecuting;*
- *Fraud cases are brought to a conclusion quickly and efficiently;*
- *Subject detection receives special attention.*

External developments indicate that fiscal fraud is becoming more extensive, more complex and more hardened. People and capital are becoming more mobile, and national borders hardly form an obstacle nowadays. The manner in which different kinds of legal persons establish themselves is acquiring a more temporary character. There is increasing concern about organised crime, which extends its influence to the legitimate world.

The note *Fraudebestrijding 1998-2002* contains a number of measures which strive to intensify fraud combating:

- introduction of a dividend notification system for natural and non-natural persons;
- reinforcement of fiscal standard enforcement among (small) companies;
- intensification of combating professional fraud;
- intensified approach to mega-fraud/mega-fraud investigations;
- development of digital investigation;
- making better use of improper transaction report
- high-level group: intensified approach to fraud involving alcohol and tobacco;
- more attention for non-fiscal customs tasks.

5.8. Commission on the Reduction of Administrative Obligations for the Business Sector

The DTCA's goal of increasing its level of service provision involves research into options for reducing the administrative burden on the business sector. The Commission on the Reduction of Administrative Obligations for the Business Sector, set up by the State Secretary of Finance, has submitted proposals for the reduction of the administrative burden. These proposals have been translated into legal and non-legal measures. The Commission has been continued as a permanent consultative body between employers' organisations and the DTCA.

5.9. SoFi number

For the DTCA, adequate registration of taxpayers is a precondition for its proper functioning. Because of the enormous amount of data that have to be recorded once only or periodically/annually, this registration can be carried out only by computer.

For the registration of personal data, such as name, address and date of birth, the DTCA uses the "social-fiscal" number, abbreviated to the SoFi number. The SoFi number is used not only by the DTCA, but also by the executive bodies of employee insurance schemes, for study financing, individual rent subsidy and by the municipal social services. The SoFi number is included in the Municipal Register of Persons. This means that these municipal registers can pass on any changes to the affiliated administrations even faster and better. The SoFi number is mentioned on municipal identity cards, passports, and eventually it will also appear on driving licences.

The number offers major advantages for extensive, automated data exchange, as a large number of administrations have the SoFi numbers. This involves situations where income-dependent subsidies or benefits are paid and the paying institution wishes to check the income stated by the person involved. Examples are: benefits under the Social Security Act (by the municipalities), the allocation of individual rent subsidy (Ministry of Housing), and study financing (Ministry of Education). This is done in accordance with the prevailing provisions of the Registration of Persons Act, better known as the "Privacy Act".

Such exchanges are permitted in the context of combating the misuse or improper use of government regulations. The duty of secrecy of DTCA staff has been cancelled for these situations. However, the exchange does remain limited to government bodies, and the data involved must remain limited to the data the executive body requires in order to execute its task adequately.

The DTCA has produced public regulations for all registrations of persons. These regulations indicate what information is included in a registration, and to whom the information from the register will be made available. They also indicate how the person involved can exercise his right to read and correct his registration data.

As a result of data exchange between the DTCA, industrial insurance boards and municipal social services, a fairly large number of cases of people wrongfully receiving income and benefits at the same time have come to light over the past few years. One of the consequences of this was

the introduction of a new concept in the Dutch language: that of "*witte fraude*" ("white fraud").

5.10. Duty of secrecy

The great importance of the duty of secrecy is widely recognised in society. This importance is two-sided: for the taxpayer it is reassuring to know that at the DTCA his information is in good hands, while for the DTCA the success or failure of taxation depends on the taxpayers' preparedness to be open and honest towards the DTCA. The more the taxpayers trust that the DTCA is careful with the data provided, the more they will be inclined towards openness and honesty.

Providing information about taxpayers to private taxpayers other than the person involved is prohibited. For providing information to other government bodies, the DTCA makes arrangements about safeguarding the secrecy of the data. Finally, each time information is provided, whether or not on request, this is noted down, normally in the taxpayer's file.

5.11. Professional integrity

Lately, attention to the theme of integrity in the public sector has increased considerably. The reason for this is the threat of serious crime infiltrating the legitimate world. A number of bribery scandals involving political office holders and officials has even accelerated the growing public interest in this issue.

Integrity is one of the essential characteristics of public governance. The legitimacy of the actions of the public sector is based on the trust citizens should be able to have in politics and governance. Citizens expect an honourable public sector which is unimpeachable, reliable and careful. If citizens feel that the government and officials are not too worried about their integrity, soon the question will arise of why they, the citizens, should deal with society and its laws and rules with integrity.

This is all the more important to the DTCA, as achieving compliance is the mission on which its actions are based. This objective is based on the assumption that there are gradations among taxpayers as regards their preparedness to observe their legal obligations. The degree of preparedness depends on a number of factors: standards and values with regard to observing obligations, the risk of being caught in the case of fraud, the level of insight into and knowledge of the obligations, economic motives or (political) opinions about legislation and tax class, etc.

Through its own actions, the DTCA tries to have a positive effect on taxpayers' behaviour. The emphasis is on prevention through, for instance, a good standard of service provision. If, however, acting as a service provider does not suffice to maintain or reinforce taxpayers' preparedness, the DTCA will not hesitate to act repressively.

Clearly, taxpayers cannot be expected to comply with their fiscal obligations if the DTCA itself is not honourable. Integrity, therefore, is a self-evident aspect of DTCA business conduct. It involves, for instance, measures in the field of physical protection and the protection of information, the separation of positions, the administrative organisation and internal control. DTCA's integrity was also considered from outside. This led to various measures,

including the complaints procedure, the planning and control cycle and the justification in the Management Report, including the auditor's statement. The developments in account management, as a result of which the number of occasions of direct contact with taxpayers are increasing, and the intensified combating of fraud involve just as many risks for the occurrence of lack of integrity. The DTCA is therefore involved in discussions about a "Professional Integrity Statute", which should deal with the issue from three angles: the DTCA as an honourable organisation, the tax administration officer as an honourable officer, and the tax administration officer as an honourable private taxpayer.

5.12. Control policy

As mentioned, it is the DTCA's aim to increase the level of compliance among taxpayers. This strategy partly consists of avoiding troubling taxpayers who fully comply with their tax obligations, but instead targeting those taxpayers who fail to comply with these obligations. In this way, the DTCA can optimise scarce resources such as audit capacity.

In this scheme, the taxpayer is treated as a client - a client who is trusted by the DTCA until evidence is found suggesting that the client abuses this trust. To be able to operate in this way, information is needed. This information, ranging from fundamental information (signals) as basic as the failure to return tax forms to more elaborate information on the non-payment of taxes, can be used for a risk assessment with regard to the likelihood of (future) non-compliance. The profiles used for this system are based on categories of taxpayers with similar characteristics (industry, farmers, constructors, bars/restaurants, new enterprises). In the local offices, these groups are dealt with by different teams.

Not every group needs the same level of fiscal attention. This does not mean that different taxpayers are normally audited at different intervals of time. It does mean, however, that the extent and depth of the audit varies depending on the type of client.

For this purpose, taxpayers are divided into three categories:

1. low-risk clients;
2. medium-risk clients;
3. high-risk clients.

For every client the fiscal risk is predicted on the basis of the formula:
fiscal trust * fiscal importance * likelihood of fiscal fraud.

<i>Fiscal trust</i>	:	depends on the risks of the individual taxpayer as a person, his adviser(s) and his enterprise.
<i>Fiscal importance</i>	:	the total amount of all the taxes concerning the client.
<i>Fiscal fraud likelihood</i>	:	risks related to the target group.

Although the use of fixed predetermined elements might suggest otherwise, it is the professional judgement - with the aid of the information - of the audit officer which determines in the end how the audit will be conducted.

Risk level of target groups

One element deemed necessary in categorising taxpayers into different groups is that of having sets of information on the different types of enterprise (target groups). These sets (about 100 in total) contain all kinds of information on a group's (non-)compliance characteristics. This information is used to compile and maintain lists with points for attention and standardised (general) audit programmes.

Individual risks

In addition to the group information, information on the fiscal compliance level of the taxpayer himself is also required. Much of this can be derived from TA material (tax payments, tax returns and previous audits). Other information is collected through other official bodies (e.g. social security) and third parties (e.g. banks).

Preparation

Depending on the type of company and its fiscal risk, the head of the team draws up instructions for the audit. This is the auditor's assignment. In each team there are various levels of expertise; these levels vary depending on the average level of difficulty characteristic of the group of taxpayers/companies dealt with in the team. Each audit is assigned to the most suitable team member in each case; the most difficult audits are dealt with by the most highly trained and experienced audit officers. Each audit starts with the assigned team member writing an audit programme. In general this will be a combination of a general audit programme for a specific group with additional points for attention which the audit officer came across during his preparation while using the company's TA information.

Types of audit

Audits can be divided into partial audits, full audits and enforcement audits. On the basis of previous experience, standards have been developed for each of these audits concerning the (average) duration of the audit, the (average) result and the level of competence of the officer conducting the audit.

New type of audit

In 1994 another type of audit was added to this range, the on-site observation (OSO), which differs significantly from the others. Rather than checking fiscally relevant aspects afterwards, as is the case in the first group, the OSO aims to audit the current state of affairs and on-going affairs while they are actually happening.

The definition used for OSO is: "The immediate observation of a business and its activities to systematically select facts that pertain to the present. During the current or a future tax audit of the business these facts will serve as a standard."

Knowledge of taxes and tax-related processes in combination with professional training means that each individual team member has the skills and knowledge needed to deal with the most important aspects of the audits assigned to him - even if these aspects are not within his main field of expertise. If necessary, he can ask for the assistance of a specialist on a specific tax within the team. A team member's expert knowledge on a specific tax is used in the process in order to manage and integrate aspects of all taxes. A team member's level of knowledge is such that he can deal

effectively with the most common problems of the group he is assigned to and is able to detect special problems, which he then submits to the team's specialist. For instance, an Income Tax auditor in the team specialising in supermarkets must be able to apply specific fixed VAT-related calculations applicable to supermarkets. However, when he comes across a difficult problem, e.g. a possible VAT fraud, he will call upon the VAT expert in the team. The objective is that each member of the team should be able to solve 80% of all the major and minor problems that arise. This is partly made possible by the use of several expert systems.

In addition, technical fiscal questionnaires have been developed for each tax, which can be used in auditing books and records. They ensure that nearly always attention will be paid to elements that may have an impact on the amount of all the taxes involved. For instance, the VAT questionnaires direct the auditor's attention to VAT balance sheet items, real estate (leasing, buying and selling) and exempted activities.

Thus each team member is capable of testing and auditing with regard to one or more taxes, regardless of his background or experience. For the taxes outside his speciality he will have sufficient skill to detect and subsequently report possible problems, and seek assistance from one of the team's specialists.

The teams' specialists are also members of a professional group, which provides a means of permanent training. These professional groups meet regularly and exchange information on their field of expertise. If the specialist thinks this is necessary, he can present a problem to the coordinator of his professional group. The coordinator will try to solve the matter, possibly with the assistance of other specialists. There are professional groups for all the different taxes as well as for auditing, collecting and fraud. The structure mentioned above has the advantage that the different specialists are able to assist each other and the other members of the team. As a result, the overall approach of auditing all the taxes in an integrated manner - as part of the client-oriented structure - has led to a high level of efficiency.

Alongside traditional methods of tax control such as auditing bookkeeping systems, other methods are used in combating fraud, including a sector-based approach (special audits within a short period of time of a specific sector, e.g. bars, dentists, travel agencies; in the case of travel agencies, for instance, in order to obtain information on the improper use of business trips by entrepreneurs), data exchange between government bodies, and the compulsory declaration of annual interest earnings by banks.

Some figures on the results of the Dutch tax audit system.

Number of audits and audit density.

Figures x 1,000

	1992	1993	1994	1995	1996	1997
Number of entities registered	675	720	670	700	720	735
Number of audits	97	110	106	146	122	115
Audit density per entity	1:7	1:7	1:6	1:5	1:6	1:6
Audit density for largest companies	1:1.5	1:1.4	1:1.2	1:1	1:0.9	1:1

From 1998, the aim is to audit each tax entity at least once every 6 years on average, with the exception of the largest (200) companies, which have to

be audited every year. For the first category, the 1998 goal was reached as early as 1994, while the figures concerning the largest companies show that this target was reached in 1995.

These tax audits have resulted in the following adjustments.

Adjustments		f	1992	1993	1994	1995	1996	1997
Income tax	amount of income	mln	380	472	440	385	536	661
Corporation tax	amount of profit	mln	2,777	3,293	4,121	4,550	3,536	5,534
Wage tax	amount of tax	mln	375	344	268	210	298	240
VAT	amount of tax	mln	281	444	278	303	459	464

Involvement of the different taxes in the audits

	1992	1993	1994	1995	1996	1997
Income tax						
• involved in an audit ¹⁾	47%	42%	47%	53%	56%	56%
• percentage of adjustments due to audits	-	49%	44%	28%	40%	41%
Corporation tax						
• involved in an audit ¹⁾	8%	8%	11%	9%	10%	13%
• percentage of adjustments due to audits	-	37%	28%	23%	34%	33%
Wage tax						
• involved in an audit ¹⁾	33%	32%	32%	35%	30%	28%
• percentage of adjustments due to audits	-	29%	24%	17%	27%	31%
VAT						
• involved in an audit ¹⁾	61%	64%	61%	57%	64%	64%
• percentage of adjustments due to audits	-	31%	28%	21%	28%	31%

.....
 1) Depends on the number of times the tax was included in an audit.

The results show a balance between quantity and quality. The year 1995 shows a large number of audits, but a lower percentage of adjustments. The results of the years 1996 and 1997 show a better balance between the necessary audit level and the increase in the number of adjustments.

6. Management philosophy

6.1. Why a management philosophy?

In addition to the business philosophy and the enforcement policy discussed in the previous chapters, the DTCA also has a management philosophy. The business philosophy reflects the principles on which the DTCA bases the execution of its tasks. The management philosophy consists of the principles the organisation uses to manage this execution. When management takes place in accordance with these principles, the different elements of the organisation will be enabled to function as well as possible. This means that they will be enabled to achieve their goals, resulting from the permanent task and the strategic goal, as well as possible.

6.2. Origin

The management philosophy (and principles) have not just come from nowhere. While thinking about the business philosophy, the DTCA was constantly looking at the management forms and options that would be best suited to such a business philosophy. The DTCA realised that in this area too something fundamental had to change. It would certainly not be possible to do justice to the strategic goal in an organisation managed strictly officially and rigidly from the top. The business philosophy, after all, was based on the establishment of a flexible organisation, responding to social changes.

The currently applicable management philosophy is partly based on the management and governance trends developed in the seventies, especially with regard to non-profit organisations. The DTCA also considered the experience gained in other government institutions, both at home and abroad.

6.3. Guiding principle

The DTCA decided on the following “guiding principle”: “decentralisation, unless...”. Through this guiding principle, the DTCA achieves the delegation of responsibilities and their relevant powers (and budgets) to the lowest possible level in the organisation. This means that the local offices are equipped, within central frameworks of course, to define their own policy considerations and choices, which respond best to their circumstances. The local offices constitute the lowest management tier. This is where the contacts with taxpayers take place. These local offices are therefore also the most vital organisational elements of the DTCA on the whole in terms of its image.

6.4. Frameworks

A management philosophy cannot consist of a guiding principle only; it also needs to have frameworks. These frameworks can be regarded as some

sort of minimum guarantee which applies to a government organisation such as the DTCA, with a major social interest. The relevant frameworks are:

Effectiveness and efficiency of execution

The effectiveness or efficacy of the executive processes takes a central place in the management philosophy of the DTCA. The execution will be effective when it leads to the achievement of the effects as described in the business philosophy. Management should contribute to this as a separate process.

In addition to the importance of effectiveness, it is essential that processes should also be executed efficiently, or appropriately. We speak of efficiency when a level of achievement established in advance is achieved with as few resources as possible, or at the lowest cost possible. The execution will also be efficient when as much as possible is achieved with an amount of resources or money established in advance.

Manageability and controllability

To achieve this, the organisation ensures that a number of important conditions for its functioning are complied with. These include matters such as the policy execution lines and lines of communication running smoothly, so that any signals can go quickly and clearly from top to bottom and from bottom to top. The organisation also ensures a permanent process of policy development, definition and evaluation, as a result of which the organisation continually "has a finger on the executive pulse" and can learn from the experience gained. The organisation monitors the relationship between the different processes, keeps the number of local offices/independent elements limited, guarantees clear policy lines and ensures sufficient capacity, knowledge integrity and experience on the part of its staff.

Political responsibility

The third and final element in the management philosophy of the DTCA is that of political responsibility. The administrators of Finance are politically, i.e. towards parliament, responsible for DTCA's actions.

The final responsibility for the execution by and policy of the DTCA lies with the highest official, the Director-General for the Tax and Customs Administration. He is also the person with first responsibility, in terms of the political system, for the DTCA's functioning. On the other hand, the Director-General for the Tax and Customs Administration is also the person who looks after the DTCA's interests "in politics".

6.5. Concretisation of the management policy

The guiding principle and the frameworks mentioned above are too abstract for application in the daily business of the DTCA. In order to be used, they must be translated into concrete points of departure. In brief, these points of departure for the local offices of the DTCA amount to the following:

- the local offices are as independent as possible. With regard to staff, organisation and finance in particular, the policy aims at promoting decentralisation, for which purpose the local offices are supported in developing self-management. In terms of execution, the local offices are multiform (they choose, within frameworks, their own specific solutions) and flexible (they respond to changing circumstances in their environment);

- the guidance and assessment of the local offices' results largely takes place in terms of achievements and critical success factors, i.e. the policy spearheads as agreed;
- executive tasks are carried out in executive local offices. In principle, complaints are dealt with by the heads of the local offices themselves;
- the heads of the local offices carry integral responsibility for the treatment of fiscal matters and the local office's functioning;
- the decision-making lines and lines of communication are as short as possible. The DTCA has chosen a horizontal organisation. Decisions are taken by the managers responsible, the line managers, rather than by the supporting - executive - officials;
- supporting processes have the nature of service provision;
- supporting structures are as close as possible to the process to be supported;
- the facility centres are result-responsible (self-managing) offices;
- "overhead" minimisation: only those executive positions are structured that are management- and policy-supportive and add value to the effectiveness of the main processes;
- as regards the fiscal policy and the services provided to taxpayers, the rule applies that uniformity (policy unity) is essential to the whole DTCA, and should therefore be coordinated at a higher tier than that of the local offices;
- the operational processes are controlled within the local offices. For this purpose, production data is produced and tested constantly. Any deviations from plans are reported to the directorates ("management by exception"), partly because of the justification required from the DTCA as a whole.

6.6. Board of Directors

The DTCA decided to assign business management to the five target group directorates. (Policy) coordination at company group level takes place via the Board of Directors, the core of which consists of the (Deputy) Director-General, the Directors of Planning, Finance and Control (PFC; → § 11.3.1) and Personnel and Organisation of the DTCA (POB; → § 11.3.2) and the five target group directors. It is the task of the Board of Directors to ensure that there is common policy at strategic level. This board defines the priorities for the main processes and determines the objectives for the entire DTCA.

The functional meetings of the heads of Target Group Management, P&O and PFC act as a front room of the Board of Directors. With a mandate from the Board of Directors, a functional meeting may decide on matters that require regulation.

6.7. Planning and control cycle

A planning and responsibility system guarantees the quality of the management form chosen. In the planning cycle different documents are important. The core of this lies in the execution of contract management between the Director-General and the directors, and between the directors and the heads of their local offices.

6.7.1. Business Plan

The DTCA Business Plan indicates the main objectives and definition requirements (frameworks) for the main processes and the most important products. These frameworks concern the financial resources available, the main points of the organisation and personnel policy, the choice and priority definition for the (development of) automation systems, internal control, internal communication and participation. Within these frameworks, the directorates and local offices make choices - as is the case in the main processes - for the use and application of support.

The Business Plan is determined every spring, and applies for a period of five years. It is therefore a planning document of a progressive nature.

6.7.2. Policy plans

Policy plans are also prepared each spring for the same period for the different supporting processes. In these policy plans the centrally laid down policy choices are translated into concrete plans, results, projects, actions and budgets. There are, for instance, policy plans for:

- Organisational set-up and Personnel;
- Business conduct;
- Client treatment.

6.7.3. Management contracts

On the basis of the Business Plan and the policy plans the directorates prepare the management contracts. What matters in this respect are the further interpretation of central objectives and (financial) frameworks in terms of the local office level, and the concretisation and further development of the Business Plan for the management contract between the Director-General and the director, in which the agreements and budgets for the divisions are laid down. The definitive proposals are based on the frameworks defined in the Executive Staff Notice. The management contracts also involve a set of agreements about quantified information and other management information to be (periodically) supplied. These agreements have been laid down in the information contract. For the periodical reports to the Board of Directors a set of indicators, based on management information, are used.

The instrument of contract management has been used at the DTCA for the last few years, but it is still in the development stage. A system of "rewards and sanctions", for instance, is still under development. Once the contract negotiations for both the target group directorates and the facility centres have been brought to a conclusion, the contract will be signed. Following this, the definitive financial frameworks will be laid down in budget letters.

6.7.4. Justification documents

Every year, the DTCA accounts to parliament in different ways for the policy it has followed, the results, the quality and the costs of the work carried out. For this purpose the DTCA uses three justification documents: the Annual Report, the Management Report and the Final Law. The last two have an official status.

Of these two, the Management Report is the more extensive document. It contains an extensive discussion of the DTCA's functioning over the past calendar year, and consists of a policy report, a production report and a financial justification of money received and spent. The financial justification

involves a statement of approval from the DTCA's own internal audit office (IAB; → § 11.4) and the Audit Directorate (DAF; → § 10.2). The Management Report is offered to parliament. The DTCA also accounts for its actions in what is called the Final Law, which reflects on the past budget year. The Final Law is drawn up for each budget, in the context of the Government Accounts Act which applies to the central government.

Lastly, the DTCA has an external Annual Report, which describes the DTCA's functioning in a less formal manner. This annual report is available to everyone. Nowadays a summary in English is also available for foreign contacts.

6.8. Fiscal Monitor

6.8.1. Goals and design

As mentioned before, it is important to know how the taxpayer perceives the DTCA's actions and, more generally, how he looks upon the DTCA. The Fiscal Monitor is a measurement instrument, based on personal standardised interviews among the different client groups as defined earlier. It is used to gauge periodically what the taxpayer thinks about the DTCA, and how it could perform better.

As it is the DTCA's task to execute fiscal law, this is exactly what the Fiscal Monitor focuses on, and we wish to find out the taxpayers' views on our performance in this respect. Topics that are dealt with therefore include, for instance *Is the form clear? Does the taxpayer receive his tax refund in time?*, but not *Does the taxpayer agree with his tax burden?* or *Does the taxpayer agree with restrictions on reductions?* Questions of the latter type concern issues on which the DTCA has no influence.

The underlying goal, then, is to check whether the ideas behind the "compliance concept" are supported by what we find when looking at the taxpayers' reactions to the DTCA.

6.8.2. Positioning

The evaluation of DTCA performance is not based exclusively on the Fiscal Monitor. The figure below shows that the Fiscal Monitor is only one instrument in a list of different aspects on the basis of which the quality of the DTCA must be evaluated.

First of all, the DTCA figures are required; the *objective* data on taxes collected, the number of assessments, corrections, complaints, appeals and court cases, etc.

In addition to this data, we also need to obtain insight into *subjective* aspects: experiences, attitudes, expectations and knowledge.

Information on both subjective and objective indicators can be gathered *within* and *outside* the DTCA. The subjective aspect of the quality of telephone contacts can be assessed at the taxpayer's side as well as at tax officer's side; the results can be measured objectively both within the office and through outside research.

The figure below combines the objective/subjective dimensions and the inside/outside dimensions, giving some examples in each category:

	Outside	Inside
Subjective	<ul style="list-style-type: none"> • valuation of brochures • valuation of subject knowledge • external image • valuation of accessibility • fiscal morality • Fiscal Monitor 	<ul style="list-style-type: none"> • perception of policy • job satisfaction • Internal Monitor
Objective	<ul style="list-style-type: none"> • complaints received by the Ombudsman • technological developments 	<ul style="list-style-type: none"> • production figures • quality of field work by tax auditors • number of appeals lodged

The figure shows the importance of looking at the problem from different angles, which produces different results. It is quite conceivable, for instance, that tax officials and taxpayers rate accessibility differently.

Optimum policy development depends on combining all these aspects. The Fiscal Monitor, however, is intended for assessing taxpayers' views and opinions, and has therefore been categorised as a *subjective outside* form of assessment.

6.8.3. Themes

The Fiscal Monitor is concerned with the following elements:

- accessibility (access by telephone and physical access);
- personal, client-friendly treatment by tax officials;
- fulfilment of promises;
- time involved in completing assessments;
- comprehensibility of forms, instructions, brochures and correspondence;
- use of and satisfaction with the "Call-your-tax-official" service;
- treatment of appeals and complaints;
- the checking and challenging methods the tax officials use;
- integral client service;
- taxpayers' attitudes (mistrust, pugnacity);
- underlying characteristics and demographic data.

6.8.4. Client groups

The DTCA has various fairly autonomous divisions for handling the tax affairs of specific client groups. This means that the Fiscal Monitor must produce results at a divisional level as well as for the service as a whole. The research system facilitates subdivision into specific groups of taxpayers (e.g. based on the applicability of certain forms, company size or location).

The Fiscal Monitor puts its questions not only to taxpayers, but also to tax practitioners, as they might be able to perceive changes at a very early stage due to their frequent contacts with the service.

The Fiscal Monitor distinguishes the following groups:

- large companies (divided into very large and other companies);
- business taxpayers (divided into two regions, North and South);
- private taxpayers (complex tax forms and simple tax forms);
- customs clients (frequent and less frequent clients);
- customs forwarding agents;
- tax practitioners (commercial or non-profit).

6.8.5. Types of question and method

Each client group is approached with a group-specific questionnaire, including a few questions that appear on all the questionnaires. The monitor predominantly uses standardised, closed multiple-choice questions. Questions about attitudes are usually in 5-choice Likert format, and are analysed by means of reliable assessment scales.

Three types of question are asked: fixed questions (appearing every year), intermittent questions (appearing every second, third or fourth year), and incidental (ad-hoc) questions.

The main method used in the Fiscal Monitor is that of asking people standardised questions in a face-to-face setting, entering the answers directly into a laptop (CAPI-survey). The more confidential questions are not dealt with orally; the respondents read the questions and type the answers directly into the computer. Each interview lasts for about an hour.

Some smaller client groups with a special characteristic are dealt with by means of a semi-structured, free (qualitative) interview. These groups include very large companies, forwarding agents and non-profit practitioners.

The monitor has a panel design with rotating panels: some of the respondents in a particular year will be approached again the following year; the group of carried-over respondents in the second year is complemented with a newly drawn, random sample of taxpayers. No taxpayer is asked to partake more than twice. Using this system of rotation rules out the risks of selectivity and the same people being interviewed over and over again. Moreover, the panel structure makes it possible to spread out the different parts of a long questionnaire over two years. The panel is also useful for research into individual reasons for change.

6.8.6. Enhancing response

The response aimed for has been set at 60%, which is generally achieved. It turned out to be necessary to rely on a number of response-enhancing measures:

- (within the business client groups:) pre-screening of companies by experienced direct-marketing interviewers to trace the right person in the firm, and persuade him or her to take part;
- sending balanced letters of announcement to prospective respondents on behalf of the DTCA and the field work agency;
- repeatedly approaching cases of half-hearted refusals;
- (in the private taxpayers client group:) revisiting people who were not at home at different times on a particular day;
- extending the period of field work;
- using first-class interviewers.

In some client groups the general questions (all-over judgement about the DTCA) have been used for respondents refusing to respond, in order to check the selectivity of failure to respond.

6.8.7. Recommendations

Critical success factors for research within the DTCA on client satisfaction appear to be:

- including the top management in the process by giving them a role in developing and implementing the research effort;

- striking a balance between the work of outside independent expert researchers and that of internal experts;
- developing and testing the instrument. Sufficient time should be reserved for this; periodic revaluation is important;
- fieldwork gains from approaching respondents in an intensive and skilful manner; a smaller sample with a higher response rate is to be preferred over a larger but selective one;
- to force others to respond to and use the results, these should form part of the regular planning cycle;
- people will only be able to benefit from the Fiscal Monitor and help the DTCA to improve its performance if there is a good communication programme, in terms of both internal and external communications.

6.8.8. Main results

The Fiscal Monitor produces a wealth of information, most of which is very detailed, but some of which concerns main points.

The general evaluation of the DTCA is fairly positive; 2 out of every 3 private taxpayers (and 1 out of every 2 companies) think(s) that the DTCA functions well. Most of the remaining respondents choose the “neutral” option, while only a tiny minority think that the DTCA functions badly.

Over 80% think that the DTCA treats them “normally” rather than “severely”. Below are a few examples of trends observed, both positive and negative, showing that the Fiscal Monitor produces useful results:

- (+) over the years, the DTCA has scored increasingly high marks for the time it needs to produce a tax assessment after receiving a tax return. Nevertheless, taxpayers hope that this time can be reduced even further;
- (o) companies are not aware that they are dealt with by client managers specialising in their type of firm, in spite of the fact that the DTCA has invested much time and money in this;
- (o) accessibility by telephone: problems of a different nature have appeared: while some problems have become less acute (e.g. getting through to a specific office), others have become more important (e.g. getting through to the right person within the office);
- (-) the perceived deterrence against wilful non-compliance is diminishing very slightly.

7. Reorganisation of the DTCA

7.1. Reason

Between 1987 and 1992 the DTCA went through a major reorganisation. This reorganisation was necessary for a number of reasons.

In the mid-seventies the DTCA began to realise that tax avoidance (= acting within the law, but not as intended by the legislator) and tax fraud occurred in the Netherlands too. It became clear that this is a social phenomenon, the problem and extent of which evoked shock reactions. Dutch tax morals were - probably partly also because of the rate levels - obviously changing.

Added to this was the big increase in the number of taxpayers, as a consequence of increased prosperity, as a result of which the total working package of the DTCA grew significantly.

Furthermore, two conclusions within the DTCA reinforced the need for rigorous adjustments. Firstly, it had to be established that the DTCA did not always have an appropriate answer to changes in the social field of force. This meant that the risks involved in execution were insufficiently covered. The DTCA did not, for instance, respond sufficiently alertly to the demand for assistance provoked by the complex legislation. Service provision had not yet been anchored in the DTCA's way of thinking and acting.

Secondly, the DTCA's slow method and bureaucratic behaviour was a good argument for change. Without measures, the DTCA would become alienated from society - a society characterised by more and more dramatic changes which followed each other increasingly rapidly.

7.2. Change of course

The need for change was clear. Unchanged policy would involve great risks to tax revenue and crumbling tax morals. Both the DTCA and politicians were aware of this. In 1976 the then Director-General for the Tax and Customs Administration, Mr. W.J. Bijsterveld, was asked to initiate an investigation into "the extent and forms of fiscal fraud". Under his leadership, the *Interdepartementale Stuurgroep Misbruik en Oneigenlijk gebruik* (ISMO; Interdepartmental Steering Group on Misuse and Improper Use) produced various reports in the years that followed, in which conclusions were recorded that shocked many politicians and government officials. The recommendations formed a directive for the development of "the policy for combating the misuse and improper use of government regulations". This directive applied to virtually the whole government.

7.3. Policy changes

The policy adjustments that were introduced at the DTCA were characterised by two different aspects.

On the one hand, an adjustment of the primary processes of levying, collection and control took place on the basis of the results of various policy and study groups. The point of departure in this was the abandonment of the 100% philosophy: treating each tax return in the same way, at the same level and within the same period of time, in other words with the same

attention, irrespective of whether the problems involved or the fiscal interest or risk were different.

The new approach was based on the assumption that, on the basis of differences in complexity, interest and risk, the treatment of tax returns could and should be differentiated.

On the other hand, the management method had to be thoroughly revised. A fairly centrally led, bureaucratic management system had to be adapted in order to achieve a more decentralised and result-oriented management system, in which concepts such as integral management, decentralisation, contract management and planning and control played a central role. The business culture, i.e. the organisation's standards and values, had to be converted from being bureaucratic, risk avoiding and inward looking into "entrepreneurship", being outward looking and being a service provider.

Initially, this reorientation in terms of both the primary processes and the management method took place on the basis of the idea that the DTCA's organisational structure could remain unchanged.

7.4. Old structure: means- and process-oriented

The old structure of the DTCA was based on different types of tax or means of raising tax. There were separate inspections for Wage Tax and Income Tax, for Corporation Tax, for Turnover Tax, etc. Moreover, the processes of assessment, control and collection were separate. There were some 260 local offices, directed by eight regional directorates. There were also a number of functional directorates.

As a consequence of this organisational structure, an individual taxpayer had to deal with different DTCA offices - each with its own approach, forms and procedures. For combating misuse many different routes were taken, and its success largely depended on the preparedness of local offices to cooperate. Taxpayers who wished to do so could therefore play the different parts of the DTCA off against each other. Only with patience and effort was it possible to acquire an up-to-date and fiscally complete picture of a taxpayer's situation.

7.5. New structure: target-group-oriented and integrated

In order to counteract the problem areas mentioned above, it was decided to join taxes and process stages in the structure adjustment. The structure chosen is outward looking. Rather than the internal constituent process, the integral treatment of the target group takes a central place.

A classification according to target groups was used as the organisational criterion, and this became the main feature of the structure adjustment of the DTCA. The following target groups are distinguished: Private taxpayers, Companies and Large Companies. Citizens and companies with contacts with Customs constitute a separate target group.

This classification is also recognisable at middle management level. There are five divisions or target group directorates: Private taxpayers, two divisions for Companies: North and South, Large Companies and Customs. 101 new local offices now come under these divisions.

The complexity of the treatment of fiscal matters has been taken into account in the target group structure. The complexity varies from straightforward tax returns from private taxpayers to more complex tax returns from companies and very complex situations and tax returns concerning large companies. Another important feature of the new structure is that the different types of tax and working processes have been integrated within one local office. Within each office, separate teams are responsible for the fiscal treatment of certain client groups. This means that the taxpayer can turn to one team for all his fiscal matters. This local office also has all the relevant data directly available, which is essential for dealing with the taxpayer's fiscal matters quickly and as well as possible. This reduces the risk of losing tax money, and considerably improves the technical fiscal quality of the treatment.

7.6. Restructuring of the business process

As we mentioned above, the restructuring process not only involves adjusting the general structure, but also restructuring the business process. This restructuring aims to provide optimum support to the focus on taxpayers. Three elements play an important role in this. Firstly, the restructuring of logistic processes; secondly, data structuring; and thirdly, the content of the actual treatment process.

7.6.1. Logistic management

A critical success factor for the DTCA's functioning is how fast it can deal with tax returns, objections, correspondence and requests. Short processing times ensure that taxpayers quickly acquire certainty about their fiscal obligations. Quick action will also make the taxpayer feel that the DTCA takes an interest in his fiscal position.

In order to realise these short processing times, the logistic processes as regards the flow of documents and money should be adequately streamlined and managed. For taxes involving assessments, e.g. Income Tax and Corporation Tax, this is achieved by working with provisional assessments, which correspond as much as possible to the (material, i.e. "resulting from the law") tax liability. The actual assessment takes place when the tax returns have been submitted, and results in the assessment (official tax liability). For taxes involving tax returns, e.g. Wage Tax and Turnover Tax, this is achieved by means of monthly or quarterly tax allocations. In this way a taxation method is realised which is in line with the "pay-as-you-earn" principle.

7.6.2. Data structuring

The focus on taxpayers is based on the idea that a better quality of levying can be achieved by structuring data by taxpayer or by group of taxpayers, partly in order to better combat misuse and improper use, and partly to better support taxpayers in observing their fiscal obligations. This external focus leads to the requirement that data is organised by taxpayer (or group) in such a way that it can be used in coherence. To be able to do this, the DTCA had to completely restructure its information systems. All the files concerning one taxpayer had to be put together, so that imposition and control could take place in an integrated way. Furthermore, the files of those taxpayers who had some kind of social, administrative, managerial or

financial connection, and therefore had to be dealt with together, had to be grouped together to form “entities”.

7.6.3. Specific treatment process/Income Tax System (IBS)

The changes in the approach to the actual treatment process constitute the third element of restructuring the business processes. Before the restructuring process, the treatment process was mainly “document-oriented”. This means that individual tax returns were checked for correctness and completeness. The taxpayer was, so to speak, a derivative of the process. After the restructuring process the taxpayer became the central focus. Insofar as government bodies can be compared with business organisations, the term “client-orientation” might be used.

The method of treatment varies according to the level of complexity as described above. Knowledge about the industry or business (Companies), the professional group (Private taxpayers) and the flow of goods (Customs), together with fiscal knowledge, provides the basis for this treatment. The objective is to provide the extent and form of attention required in good time, and to use an anticipatory rather than a corrective approach. The optimum combination results in the adequate treatment of the total file of taxpayers. Optimum here means: the combination of forms of treatment which have a clearly preventive effect due to the visible presence of the DTCA and the perceptible risk of being caught, expressed in the effective execution of the treatment.

The change from “document-oriented” to “client-oriented” action also led to major changes within the DTCA: because of the importance of good registration, file management became a separate main process.

The *Inkomstenbelastingstelsel* (IBS; Income Tax System) supports the process from tax return to assessment for income tax and wealth tax. The receipt and content of the tax return are recorded in IBS. The tax return data is fed through the selection system so as to evaluate the fiscal interest and risk. For this purpose, the locally present contra-information from the information administration is used (an automated file which contains information about employers, banks, etc. regarding income and assets). If the evaluation shows that the tax return can be dealt with automatically, the data established is recorded in IBS, and the assessment amount is calculated automatically. Of course any advance payments are taken into account. If, after evaluation, a tax return is considered to involve an element of risk, the system will issue an order for manual treatment. The employee dealing with this tax return is supported by a “client profile” that has been compiled from the data on this taxpayer that is available in the levying and collection files. The client profile enables the employee to arrive at a judgement about the data supplied. After the tax return has been recorded, the data with any corrections is recorded, and the system calculates the assessment amount.

The treatment of objections and requests for reduction is comparable to that of the tax return. In these cases too an order is produced for the relevant employee on receipt of the objection or request for reduction.

7.7. Future developments

In its current form, the DTCA is not equipped to last until the end of the 21st century. Developments in the world of information technology and new ideas in management science are forcing the DTCA to investigate the contours of a new organisational method. This might involve:

- integration of companies and customs offices at operational level as regards client treatment and supervision;
- digitisation of the work involved;
- the trend of the continuing flattening of management levels;
- the trend of the need for having larger, service-providing back offices for data-processing, and more flexible front offices for client treatment;
- the DTCA as supplier and storage place for data dealt with;
- the wish to further develop as an organisation which is ready for action, professional and small in size.

The DTCA has chosen an organic growth model in which process development rather than static structural approach takes a central place.

8. Processes

8.1. Main processes

The main processes of the DTCA are the result of the core tasks, the business philosophy and the enforcement policy. The six processes, i.e. file management, levying, supervision of the execution of non-fiscal legislation, fraud detection, collection and service provision, are discussed in detail below. In addition to these main processes, the DTCA distinguishes supporting processes. These are the processes that enable the organisation to carry out the main processes.

8.2. Main process: File management

The main process “File management” consists of the following constituent processes:

- Data collection
The (active) collecting and processing of fiscally relevant information from and about taxpayers.
- Registration and management
The registration and management of information on taxpayers with the relevant links between taxpayers.
- Making data available
Making available information to the processes of levying and collection.
- Supplying data
Supplying information about the registration of taxpayers to other government bodies and the taxpayer himself.

8.3. Main process: Levying

The main process “Levying” consists of the following constituent processes:

- Registration and management
The registration and management of information derived from tax returns for the purpose of selection and treatment.
- Evaluation of contributions
The evaluation of contributions in order to establish tax liability on the basis of the various contribution acts (income tax, corporation tax, turnover tax, wage tax, etc.).
- Establishing the treatment strategy
Evaluation, assignment and choice of the type of treatment:
 - technical fiscal test, divided into an office test and a field test;
 - revaluation.
- Establishing the basis of tax assessment
Execution of the treatment process, including the establishment of the basis of tax assessment and possibly the application of administrative-legal sanctions.
- Calculation and conclusion
The process of calculating and producing assessments and other decisions.

8.4. Main process: Supervision of the execution of non-fiscal legislation (Customs)

The main process “Supervision of the execution of non-fiscal legislation” consists of the following constituent processes:

- Collecting, registering, managing and making available information
The (active) collecting and processing, registering and managing of information which is relevant to the supervision of the execution of non-fiscal legislation. This relates to both the target groups of this legislation (subjects of the law) and the goods that are affected by this legislation (objects of the law). Also, making available information to the other constituent processes.
- Establishing the treatment strategy
Evaluation, assignment and choice of the type of treatment
- Execution of supervision
- Execution of supervision of compliance with non-fiscal legislation on the basis of the treatment strategy chosen, in the following ways:
 - administrative treatment of the official customs documents;
 - treatment on the basis of documents submitted with the declaration;
 - treatment on the basis of physical handling (the actual control of the goods) at the moment of declaration;
 - surveillance.
- Provision of information
The provision of information about the results of supervision to the appropriate authorities and to the subject of the law.
- Conclusion
Conclusion of the supervision of compliance with non-fiscal legislation by means of:
 - execution and conclusion of the treatment process;
 - transfer to another main process (in particular to “fraud detection”, in the event of any identified offences).

8.5. Main process: Fraud detection

The main process “Fraud detection” consists of the following constituent processes:

- Collection
Selecting the information required and the sources of information to be consulted; requesting and/or finding this information to combat fiscal or customs fraud.
- Investigation
Reproduction of the information in a format which is suitable for submission to those who determine how the suspected fraud is to be dealt with.
- Establishing the treatment strategy in consultation with the Public Prosecution Service
Decision on how the suspected fraud is to be dealt with:
 - no prosecution, but settlement within the relevant legislation, using corrections;
 - settlement within the relevant legislation, with administrative-legal sanctions;
 - criminal prosecution.

8.6. Main process: Collection

The main process “Collection” consists of the following constituent processes:

- Establishing the basis of assessment
Establishing the claims on the basis of tax liability.
- Settlement of claims
The settlement of outstanding claims by ensuring that they are paid, set off or acquitted.
- Collection
Taking measures aimed at collecting the debts of taxpayers who have failed to comply with their obligation to pay.

8.7. Main process: Service provision

The main process “Service provision” consists of the following constituent processes:

- Information
Providing information in writing/by telephone.
- Educating the public
Informing the public about (observing) fiscal rights and obligations.
- Providing assistance
Providing assistance in observing the fiscal obligations.

8.8. Supporting processes

The following supportive processes are distinguished within the DTCA. They are essential to the proper execution of the main processes.

8.8.1. Personnel and organisation

The supporting process “Personnel and organisation” involves the organisational structure, the organisation of the personnel structure (classification according to positions), formation management (management of the personnel structure within a specific element of the service), and the coordination of personnel formation/employment and personnel policy (instruments for appraisal and remuneration, enforcing regulations, etc.).

8.8.2. Finance

An important supporting condition is the efficient financing of the main processes. The most important aspects of this are:

- Budget management.
This includes the annual preparation of the budget and the multi-annual estimates; processing the changes made to the DTCA budget (e.g. executive costs in connection with changed regulations or new tasks); establishing the distribution of the budget and the monthly monitoring of and reporting on the execution of the budget, in terms of both income and expenditure.
- Financial revaluations.
Financial revaluations are investigations aimed at a specific element of the budget. They are executed annually in order to assess whether and how costs might be saved without limiting policy effectiveness too much.
- Purchases policy.

The DTCA's purchases policy aims to achieve financial and efficiency benefits through purchase concentration and the standardisation of contracts to be concluded at local office or division level.

8.8.3. Accommodation

The Accommodation Project Unit, which maintains inventories of the accommodation requirements and demands of the local offices and directorates, has been created for the coordination and execution of the accommodation policy. On the basis of these inventories a nationwide priority list is drawn up, which is submitted to the Board of Directors for decision by the responsible director (currently the director of Business Taxpayers/South). After a decision has been taken, the director of Business Taxpayers/South and the head of the project unit negotiate with the Government Buildings Service about the financing and planning of the projects. The project unit and the Government Buildings Service work closely together in the execution and realisation of the different projects.

8.8.4. Information and automation

To a data-processing organisation such as the DTCA, computerisation and automation are very important in supporting the main processes. The point of departure in this respect is that the requirements made of automation should result from the structure of the working processes and positions chosen.

8.8.5. Communication and service provision

Internal and external communication and service provision support the realisation of the permanent tasks and strategic goal.

All the communications by the DTCA take place according to a coordinating communication concept, which has been derived from the strategic goal.

Under the motto "We can't make it more pleasant, but we can make it easier", this communication concept shows that the DTCA, as an executive organisation, wishes to help taxpayers to make it easier to comply with their fiscal obligations.

In addition to the main process "Service provision" at local office level, the following two principles are used at central level:

- the DTCA ensures that taxpayers are informed well in advance, correctly, in an understandable way and sufficiently at relevant fiscal times about (changes in) obligations and service provision;
- the DTCA ensures that taxpayers are given sufficient support to enable them to comply with their obligations themselves.

8.8.6. Research and development

Research and development, as a supportive process, is an important instrument for (the management of) the DTCA. It gives advice to the Director-General for the Tax and Customs Administration on the basis of policy information obtained from scientifically sound research. The central themes in this are: the executability of the legislation and the effectiveness of legislation or policy. In the "translation" of research results into executive policy, a balance should be struck between political and social requirements and the options of the DTCA as an organisation.

8.9. Information and automation policy

8.9.1. DTCA: an information-intensive organisation

The DTCA is an information-intensive organisation. Information is the raw material, the auxiliary substance and the product of the Tax and Customs Administration. Processing information has always been a labour-intensive process. However, the enormous information streams may now be regarded as a high-tech capital-intensive process. Without the far-reaching support of information technology (IT), the enormous information streams could no longer be dealt with. It is also increasingly becoming possible to carry out the fiscal assessment to a significant extent as an automated, colossal process. Selection systems ensure that many tax returns can be dealt with by computer, whether or not with a correction produced by the computer. In this way, the attention can be focused on the clients and client groups with most risks. New technologies offer options for increasing the quality of these working processes. This applies in particular to the target-group- and client-group-oriented treatment of taxpayers. Legal enforcement can thus be brought to a higher level.

As is the case with other organisations such as banks and insurance companies, new information technology options give an incentive to the improvement of service provision.

Within the context of the business philosophy, social and technological developments give direction to the progress of information technology within the DTCA.

8.9.2. Social developments

Social developments, which occur in many fields and at an ever increasing speed, have a major effect on information technology.

Internationalisation

Due to digitalisation, quicker and better means of transport, and the blurring of former political lines of division, the world is becoming smaller all the time. Both large and medium-large companies will focus increasingly on the international market.

The position of the Netherlands as a distribution country can be further enhanced in this development. It is essential in this respect that customs are connected to and included in the IT developments of the “main ports” and the distribution and transport sector.

The influence and control from the European Union will become more and more perceptible. This development is already taking place in the field customs tasks.

The international data exchange between TCAs will increase.

Dynamics and increased flexibility

Due to globalisation, there is growing economic competition. This means that companies constantly have to adapt themselves to the developments in the different markets. Dynamics and flexibility are keywords in social and economic developments. Opening and working hours are changing in a trend towards a 24-hour economy. Companies appear and disappear more quickly than in the past, and take on new appearances if this is more attractive for economic or fiscal reasons. A growing part of the labour potential is used on a flexible basis. These developments are relevant with regard to client treatment. IT can support client treatment in this respect.

Digital economy

Information technology changes the nature and speed of all kinds of trading processes and provides incentives to new forms of (digital) trade and service provision ("electronic commerce"). Due to these developments, the traditional link to time and place is also losing its significance. The place of action and the location where added value is supplied can be changed more quickly, and are also more difficult to trace.

The fiscal supervision of the activities is also changing its nature due to these developments, and it imposes new requirements on the use of IT for an adequate DTCA response to tax avoidance and evasion.

Data for fiscal levying should be traced more quickly than before and, even more important, it should be converted into information in order to levy and collect tax in time. Fraud detection in the digital economy imposes different requirements on methods and techniques for the identification and location of legal persons and trading activities.

Digital data exchange

Citizens, consumers and companies are increasingly used to, and have a growing demand for, concluding matters via electronic communication. The DTCA should go along with this development in order not to lose its link with society.

Electronic communication is a compliance-enhancing factor - for the citizen because of the convenience involved in using electronic communication, and for the business sector because it lightens the workload. All this means that the DTCA is going through a period of major change towards a "digital DTCA".

Another important element is the growing importance of the cooperation and data exchange with other government bodies. This is the result partly of government-wide activities aimed at the establishment of an electronic government desk, and partly of increased data exchange with (semi-)government bodies in the context of control over income transfers and impositions that have been based on all kinds of legal provisions. The DTCA may be regarded as an important link in the total government enforcement network.

8.9.3. Technological developments

The following trends can be distinguished in the application of information technology.

Internet technology

The Internet is developing rapidly. Internet technology is used on the World-Wide Web and the number of Internet users is growing steadily, and this technology has a major effect on the entire technical infrastructure by applications within companies (intranet) and among partners (extranet). Over the next few years, the context in which this technology is applied will be broadened, from mainly information provision and communication (WWW, browser, E-mail, newsgroups) to cooperation (workgroup technology) and electronic trade (electronic commerce, link to company-critical systems). Important features of Internet technology are the fact that it is relatively easy to use, its platform dependence, its multimedia and multilingual nature, and its rapid growth towards maturity and acceptance. With this technology, users are increasingly able to work with the same technology at the workplace, in their own organisation, and externally.

Telematics

The continuing liberalisation of the telecommunications market will decrease while the demand for more bandwidth will increase. New options are becoming available for electronic communication via fixed or mobile, public or private networks which can be linked to each other. The integration of telecommunications technology and information technology (telematics) is booming, and gives an important incentive to new forms of service provision (e.g. via call centres) to contacts of the DTCA. As a result of the availability of wireless communication, ambulant DTCA staff (e.g. working in control) will be able in the future to communicate irrespective of time and place. This requires the availability of good technical aids and applications for mobile use.

Network computing

The development of ever more powerful hardware continues without diminishing. The processing capacity of computer memories is doubled once every eighteen months. It is expected that this trend will continue for the next few years. The price-capacity ratio is improving all the time. The wish to make optimum use of the capacity of technical infrastructure has led to a trend towards network computers.

Infrastructural building and maintenance

So far, most systems were developed entirely independently and autonomously. In the future, large parts of processes can be regarded as generic from an information-technical point of view. It will only be necessary to build up a system once, and reuse will become an option. The development of new technologies in the field of information infrastructure and advancing standardisation facilitate the building of systems with a modular and flexible structure. By making use of standard components, the user will be able to concentrate more on the implementation of the functionality required.

Data-warehousing and data-mining

There is an increasing demand for the use of automated data sets from the primary process for secondary purposes. In the context of strategic policy-making and legislation preparation, the DTCA needs to be able to query data sets in a flexible manner. Finding links in data that is already available leads to new information, e.g. characteristics that might be a strong indication of fraud. For this purpose, the new techniques of data-warehousing (a facility for consulting data by subject) and the application of data-mining (searching for coherent new information) will be applied.

Multimedia

The strong focus on data (character-orientation) in automation is expanded increasingly to form an integrated, multimedia orientation on data, text, speech, (moving) images and sound. This development is gradually becoming visible in the DTCA's image to the outside world, and the possibilities offered by this integration can also be used for internal purposes. Imaging-technology and setting up electronic files, for instance, facilitates the paper-independent, multiple use of data.

The availability of workflow-management-technology makes it possible to support structured and unstructured data-processing better in an organisation in terms of, for instance, allocation and progress-monitoring.

9. DTCA typology

9.1. DTCA typology

In the previous chapters, we explained what the tasks of the DTCA are and which philosophies the organisation uses in the execution of these tasks. In this chapter, the DTCA will be typified as an organisation from different angles on the basis of the information from the previous chapters.

The DTCA is a government organisation with an enforcement task. This task is the result of legislation. This legislation involves a number of techniques for levying (and collecting) taxes.

The levying and collection processes result in products which taxpayers receive, e.g. assessments, additional assessments and distress warrants.

The organisation can be typified from three different angles:

- on the basis of the legislation (levying techniques);
- on the basis of the products;
- on the basis of the content of the processes.

9.2. Typology on the basis of legislation

The legislation uses two types of levying technique, levying “by means of an assessment” and levying “by means of payment by the taxpayer or payment of salary deductions when filing the tax return”. The first technique is levying by means of an assessment (assessment taxes). The DTCA determines the level of the tax due by imposing an assessment. For this purpose the tax return submitted by the taxpayer is used. After establishing the assessment, the tax due is paid. To bring the time of the taxable fact (e.g. making profits) and the time when payment is due closer together, the legislation provides the option of imposing a provisional assessment in the course of the tax year. An optimum provisional assessment regulation would mean that the final assessment at the end of the tax year would be more like a formal settlement between the taxpayer and the DTCA.

The second levying technique is that of levying by means of payment by the taxpayer or payment of salary deductions when filing the tax return (self-assessment taxes). The taxpayer or person subject to salary deductions is responsible himself for establishing the tax amount due. He files a tax return, and simultaneously pays the tax amount he has calculated himself. This technique can be divided into tax paid by the taxpayer himself and tax allocation (i.e. salary deductions) by third parties. In the first case, the taxpayer pays the tax amount due himself, whereas in the second case the taxes are payable by someone else who, as a person subject to salary deductions, deducts and hands over amounts due.

The figure below shows which taxes correspond to which of the levying techniques mentioned above.

Plaatje "Taxes"

The levying technique largely determines the administrative and treatment process.

The assessment taxes are characterised by the collection and processing of information from third parties (e.g. information about salary from employers and information about interest from banks), with a view to controlling elements of the tax return. The taxpayer will be consulted if necessary in the event that differences between this information and the tax return details have been identified. Another characteristic of this type of tax is the process of reconsideration, which involves the revaluation of tax return data. This revaluation can take place on the initiative of the taxpayer, who may apply for this by means of an objection. The decision on this constitutes the reassessment.

The initiative for a reassessment may also be taken by the DTCA, when new information leads to the conclusion that the initial assessment was too low or too high. If the assessment amount is too low, the DTCA will impose an additional assessment for the correct amount due. If the assessment amount is too high, a "tax relief ex officio" will be issued. Both the decision following the objection and the additional assessment may be appealed against at the Court Division for Fiscal Matters.

With regard to self-assessment taxes, the process of reconsideration is the most important phase for contacts with the taxpayer and/or the person subject to salary deductions. In this phase, the DTCA controls the correctness of the filed tax return in retrospect (because payment has already been made). Again, new information may lead to the establishment of a higher tax liability. This is done by means of an additional assessment. The taxpayer may object to the additional assessment by means of an objection. As is the case with assessment taxes, the decision following the objection may be appealed against.

Due to their different process structures, these two levying techniques have led to different types of organisation. As a result of the reorganisation, this distinction in the DTCA structure has become less clear to the outside world. However, because the legislation has not been amended, these levying methods are unchanged and recognisable within the DTCA offices.

9.3. Typology on the basis of the DTCA products

The DTCA can also be typified on the basis of the products that reach taxpayers. In most cases, this output takes the form of a (formal) document (e.g. an assessment or a distress warrant). The products are usually linked to the type of tax. A product that may concern more than one tax is the control report, which may involve many combinations.

The DTCA has defined the following products:

Act Product	InT	WeT	CT	WaT	TT	Combina-tion of acts
Tax return				x	x	
Provisional assessment	x	x	x			
Final assessment	x	x	x			
Additional assessment (assessment taxes)	x	x				
Additional assessment (self-assessment taxes)				x	x	
Distress warrant	x	x	x	x	x	
Control report						x

9.4. Typology on the basis of the processes

In order to supply the products mentioned, the DTCA has internally combined activities into working processes. Examples include the assessment regulation, also called the office test, the book control at companies with tax liability (also called the field test), the imposition of additional assessments and the serving of distress warrants (in the context of collection).

These working processes are the result of the execution of the legislation enforced. The DTCA has certain objectives in the execution, as the correct execution of the task enforced largely determines the organisation's added value.

Katz and Kahn (1966, 245) point out an element that is essential in this respect in order to understand an organisation:

“to understand what the organisation “does”, we look to the throughput. The throughput of an organisation is its response to the objective task posed by the needs of the environment. One could argue therefore that the throughput embodies the primary goal which the external environment has set for organisational effectiveness, and ought to be defined in terms of success in attaining that goal.”

The DTCA acts in accordance with this quote. By defining objectives for the execution, the DTCA emphasises the structure of the working processes, the interaction between the organisation and its environment, and the effects of this.

The diagram below shows how the DTCA executes the legal tasks that have been assigned to it.

Plaatje: "Social field of force"

The diagram shows that the principal acts in accordance with the views prevalent in the social field of force. The legislation is a reflection of this. The legislator acts for the DTCA in the capacity of preparer of the fiscal, non-fiscal and budget legislation.

As the executor of the legislation enforced, the DTCA accounts for its actions in a task definition, from which the core tasks are derived which concretely state to the DTCA what is to be executed. The core tasks indicate the areas in which certain goals have to be achieved. In general this entails the evaluation and control of tax returns (the input), resulting in establishing the formal tax liability. This establishing of the amount due (the output) takes the form of an assessment in the case of assessment taxes. In the case of self-assessment taxes, this takes the form of the acceptance of the tax return and the payment.

From the task definition the DTCA can also derive its business and enforcement philosophy, the most important component of which is the strategic goal of promoting compliance. By doing so, the DTCA wishes to indicate how it should operate. The business philosophy and strategic goal determine the throughput. On the basis of the core tasks and the business and enforcement philosophy, the six main processes are interpreted.

Various requirements are imposed on the working processes imposed by the different products supplied, resulting from the formulated goals, the legal standards prevailing in society, and the efficiency and effectiveness standards applicable to a government organisation.

Taxpayers receive products such as tax returns, assessments and distress warrants. It is the taxpayers who, in their role as voters in the elections, are in turn part of the social field of force and influence the legislator in his decisions.

The structure of the working processes and the way in which the policy is executed show an organisation which is based on a few basic principles:

- basing the structure of the working processes on logistic requirements;
- data collection and supply;

- client treatment, with the promotion of compliance as its point of departure.

These basic principles mean that the DTCA has acquired the characteristics of an organisation with a “front office” and a “back office”.

Plaatje: “Data collection”

The front office maintains contacts with the taxpayer. The achievement of the strategic goal (compliance promotion) should take place mainly here. These moments of contact and these actions determine the DTCA's image. In addition to this the organisation has a back office, where the (administrative) work largely takes place. Here data and documents are managed, collected and dealt with. Usually there is no contact with the taxpayer here. A characteristic of the DTCA is that most of its products come from this back office. Assisted by automation, adequate data management and the use of SoFi numbers, these processes can take place increasingly fast. This means that scope is created within the organisation for focusing more on the enforcement policy in the treatment of clients, with the emphasis on prevention and active service provision.

Part II: Organisational structure

10. Ministry of Finance

10.1. Introduction

The DTCA is part of the Ministry of Finance. The Ministry of Finance is primarily responsible for financial-economic policy, the efficient management of the State's Finances (budget policy), general fiscal policy and the execution of tax legislation. Within the Ministry of Finance the State Secretary is usually responsible for the last two portfolios.

Because of the Minister of Finance's responsibility for financial-economic policy and the efficient management of government money in particular, he, and therefore the Ministry, has a special position in comparison with the other Ministries. In addition to being responsible for his own policy field, the Minister evaluates the budget proposals of his colleague Ministers, and is responsible for supervising the execution of their budgets. This task package has a great influence on the organisation of the Ministry of Finance. The Ministry is divided into four directorates-general:

1. the Treasury;
2. the Directorate-General of The Budget;
3. the Directorate-General for Tax and Customs Policy and Legislation;
and
4. the Directorate-General for the Tax and Customs Administration.

Furthermore, there are central directorates for the Ministry's own organisation, which come under the Secretary-General.

Organisational diagram

Plaatje: "Minister"

10.2. Secretary-General

As the highest official of the Ministry, the Secretary-General is responsible for the general coordination of the policy of the different directorates-general. There are three policy fields: (international) monetary policy, budget policy and fiscal policy. The Secretary-General is responsible for the functioning of the central directorates and services that come under him. These directorates support the Minister and the directorates-general. They are: the Central Legal Directorate (WJBZ), the Human Resources and Organisation Directorate, the Information Management Division and the Internal Affairs Directorate (IAZ), the Central Information Directorate (CDV), the Internal Budget Directorate (FEZ) and the Audit Directorate (DAF).

In addition to looking after the entire Budget, the Ministry of Finance also has to deal with its own budget.

10.3. Treasury

The Treasury is responsible for general fiscal-economic and monetary policy, at both national and international level. The execution of monetary policy is coordinated by the Nederlandse Bank. The Treasury is also responsible for the management of state loans and participations in companies, and the execution of special forms of insurance for the business sector (e.g. export-credit insurance).

10.4. Directorate-General of The Budget

The Directorate-General of The Budget is responsible for coordinating the government's budget policy. This task consists of the following two elements:

1. general financial policy; and
2. efficient management of government money.
The most important instruments that are used to execute this task are:
 - the procedures involved in the annual preparation of the budget. These result in Finance defining frameworks within which the budget should be drawn up; and
 - supervision of the execution of the budget.

10.5. Directorate-General for Tax and Customs Policy and Legislation

The Directorate-General for Tax and Customs Policy and Legislation occupies itself with preparing decisions with regard to general fiscal policy and preparing fiscal legislation. The best known part of its tasks is the “tax plan”, which is drawn up annually as part of the budget. The preparation of tax conventions, consultation about international fiscal regulations and the executive policy of these conventions and regulations are also part of the field of operation of this directorate-general.

10.6. Directorate-General for the Tax and Customs Administration

The Directorate-General for the Tax and Customs Administration has a more administrative task than the other directorates-general, which fulfil a policy-preparing and coordinating function. The Directorate-General for the Tax and Customs Administration is responsible for administering the execution of tax legislation (including customs legislation) and the non-fiscal legislation whose execution has been assigned to the DTCA. Chapter 11 discusses this in further detail.

11. A more detailed description of the Directorate-General for the Tax and Customs Administration

11.1. Introduction

The Directorate-General for the Tax and Customs Administration is under the authority of the Minister, but together with the Directorate General for Tax and Customs Policy and Legislation, it comes under the task package of the State Secretary of Finance. The Director-General for the Tax and Customs Administration directs the Directorate-General for the Tax and Customs Administration and the DTCA. The DTCA Board of Directors supports him in the latter.

Six executive directorates come under the Directorate-General for Tax and Customs Administration. These executive directorates have:

- a facilitating task with regard to the DTCA;
- a preparatory task in the field of strategic policy definition; and
- an advisory task towards the Director-General and the Board of Directors.

All the executive directorates have a policy supportive task, which means that they enable the Director-General for the Tax and Customs Administration to inform the administrators responsible, and to advise them about the execution of the legislation assigned to the DTCA.

The executive directorates can be subdivided on the basis of the following two criteria:

- directorates with a mainly technical fiscal supportive task; and
- directorates with a mainly governance-supportive task.

11.2. The technical fiscal directorates

The main task of the technical fiscal directorates is to give advice on the application of fiscal and other legislation. They also play a part in the development of the political process as regards tax legislation and execution. The technical fiscal directorates are involved in the provision of information on the introduction of new laws. They are also partly responsible for the preparation of law amendments and dealing with simplification proposals. Four directorates are active in this field:

11.2.1. Tax and Legal Affairs Directorate (AFZ)

The Tax and Legal Affairs Directorate (AFZ) develops policy for the execution of:

- the General Tax Act;
- the Customs Act;
- the 1990 Collection Act;
- the International Financial Assistance Act.

This directorate is also responsible for the development of policy for the application within the DTCA of:

- Civil Law;
- the Act on the Public Nature of Administration;
- the National Ombudsman Act;
- Criminal Law and International Legal Aid;
- the Registration of Persons Act (WPR; the act concerned with privacy legislation);
- the General Law on Administrative Procedures (AWB).

11.2.2. Customs Affairs Directorate (DA)

The main task of the Customs Affairs Directorate (DA) is policy development for the execution of legislation and international regulations regarding the import, export and transit of goods, and border control.

This directorate is also responsible for coordination in the field of customs in the contact network of The Hague (e.g. the Government Audit Office and the Ministries of Economic Affairs and Agriculture) and Brussels (European Commission, European Parliament and the Court of Auditors).

11.2.3. Direct Taxes Directorate (DB)

The main task of the Direct Taxes Directorate (DB) is policy development for the execution of:

- Income Tax;
- Wage Tax;
- Corporation Tax;
- Dividend Tax;
- Tax on Games of Chance;
- legislation for promoting investment;
- the collection of national insurance.

11.2.4. Consumer Taxes Directorate (VB)

The main task of the Consumer Taxes Directorate (VB) is policy development for the execution of:

- Turnover Tax;
- Tax on Private Cars and Motorcycles;
- Excise Duty laws;
- Special Consumer Tax on Alcohol-Free Beverages and Tobacco;
- Environmental Consumer Taxes;
- Motor Vehicle Tax
- Inheritance, Gift and Transfer Taxes and Taxes on Legal Transactions;
- the Act on Notaries;
- the Natural Protection Act.

This directorate also has the final responsibility for coordinating the final account of the Own Resources Allocation/VAT to the European Union and dealing with the control visits of the European Commission and the Court of Auditors.

11.3. The governance-supporting directorates

The governance-supporting task can be defined as the supportive task which enables the Director-General for Tax and Customs Administration to manage the DTCA. The DTCA itself is fully responsible for the execution of

the tax laws and the non-fiscal legislation assigned to it. The work involved in this is called the business process.

The following directorates have their most important responsibilities in this field.

11.3.1. Planning, Finance and Control Directorate (PFC)

The Planning, Finance and Control Directorate (PFC) has the following main tasks:

- preparing multi-annual policy and administrative aims for the DTCA in terms of levying, control, combating of fraud and collection for the nationwide target groups of private taxpayers, large companies, companies and customs;
- analysing and testing the business results on the basis of the policy and governance aims defined, and giving advice on adapting and screening the governance process;
- integrating financial policy, and obtaining and allocating resources to the policy and governance aims defined in annual and multi-annual governance models for the DTCA;
- giving advice on the organisational and executive consequences of policy intentions, bills, directives and regulations;
- translating policy intentions and bills into executive rules for the divisions;
- defining and describing the powers and responsibilities in the organisation of the DTCA that are necessary for the aims defined;
- the execution (possibly by others) of policy research and development of work in support of the strategic actions;
- formulating and coordinating policy in the field of:
 - communication with taxpayers;
 - the provision of information and automation;
 - the purchase of goods.

11.3.2. DTCA Personnel and Organisation Directorate (POB)

The main tasks of the DTCA Personnel and Organisation Directorate (POB) are:

- preparing and formulating the frameworks for personnel and organisation development policy. This includes policy in the field of staffing, training, recruitment, selection, career guidance, legal position, terms of employment and working conditions;
- preparing the DTCA personnel budget, distributing the allocated budget scope among the divisions and other budget holders, and monitoring personnel expenditure;
- testing and giving advice on executive aspects of policy intentions in connection with the (formative) points of departure of the personnel and organisation development policy;
- coordinating and preparing visits from foreign delegations.

International assistance and cooperation

The DTCA is interested in developments in other countries, especially when these concern organisational and personnel issues. As a result international contacts are maintained, both by sending out and by receiving delegations. The Technical Assistance and Cooperation Division of the POB directorate looks after the organisation and coordination of this. In addition to these working visits there are also requests for assistance and cooperation in the

context of aid programmes of the European Union. The DTCA, for instance, provides aid through EU programmes such as “Phare” and “TACIS” to countries including Kazakhstan, Poland, Slovenia, Romania and the Baltic States. Training in the field of customs-technology in particular have an important place in this.

Within the European Union, the DTCA participates actively in two exchange programmes: the Mattheaus project (for Customs) and the Mattheaus tax programme (for VAT and excise duties). Customs attachés in Bonn and Paris were added to this recently.

However, the emphasis in providing Dutch technical assistance lies in the Netherlands Antilles and Aruba.

11.4. Internal Audit Office of the Tax and Customs Administration (IAB)

Another division that comes under the Director-General, in addition to the policy- and governance-supporting directorates, is the Internal Audit Office of the Tax and Customs Administration (IAB). The IAB is responsible for auditing the DTCA. The IAB works with 18 audit groups based in five regional offices.

The Internal Audit Office of the Tax and Customs Administration (IAB) consists of the following three sectors: the “Financial Audit Sector” where, on a limited scale, the control tasks of the administrative organisation and the internal control system are continued; the “EDP Audit Sector”, which is responsible for controlling the computer systems of the Central Administrations and the DTCA Automation Centre, and the “Operational Audit Sector”. The last sector executes investigations by order of the management. These special investigations focus on unity of policy, testability and measurability; here it is not controlling as such, but contributing to improvements that takes a central place.

11.5. Support Unit

Finally, the Director-General is also supported by a Support Unit, which advises him on personnel and organisational policy and the financial management of the directorate-general, excluding the DTCA. The administrative work involved in any decisions taken in this context is also part of the tasks of the Support Unit.

11.6. The main structure of the DTCA

To facilitate the operation of the levying techniques and the processes and the supply of good products the DTCA, just like any other organisation, needs a structure. An organisational structure that may be regarded as an aid or coordination mechanism, and which provides structure to the execution of the tasks assigned to it.

The structure of the Directorate-General for the Tax and Customs Administration has been derived recognisably from the legislation enforced. This is due to the close relationship existing at the Ministry of Finance between principals (the Minister and the States General) and executives

(the Directorate-General for the Tax and Customs Administration and the DTCA).

The DTCA has chosen what is referred to as a “market classification”. In addition to the task definition and the core tasks, it is mainly the business philosophy (how does the DTCA act?) which has been decisive in the organisational plan towards the different client groups.

The organisational plan chosen has led to the following organisational structure.

*Plaatje: “Director-General for Tax
and Customs Administration”*

12. Divisions

12.1. General

From an administrative point of view, the five divisions form the middle management level of the DTCA. A division is an organisational part of the DTCA, responsible for an important, coherent part of the total primary process. Each division consists of: the directorate (as executive body, working for the director as the division's line manager), and local offices or districts, as executive, production-oriented elements with their own responsibilities as regards achieving results. Lastly, each division also has a number of central (administrative) offices. The position of the divisions forms the transition from the central level (Directorate-General the Tax and Customs Administration) to the operational, executive office level. The divisions are comparable in terms of their main structure. This chapter discusses their common and unique features. This chapter also provides a description of portfolio holding, including the implementation management. Chapters 13 to 16 discuss the different divisions.

12.2. Main tasks

The divisions are responsible for the execution of the following main tasks:

- the development, structure and definition (within the framework of the centrally laid down strategic policy) of the integrated multi-annual policy for the main processes concerning their own target group, and guiding the realisation of these processes;
- making a contribution to the strategic policy, to be developed at central level, with regard to the supportive processes in the field of personnel, organisation, finance and automation;
- defining further policy frameworks for their own division, and providing support in the further development of this at unit level or, in the case of Customs, at district level;
- looking after administrative relations with other national and international government bodies and/or coordinating organisations in the business sector.

In addition, the directorate carries out a limited number of executive tasks in terms of tax collection.

12.3. The position of the divisions

The divisions are headed by the directors, each of whom is responsible for the management of one of the (five) divisions.

Each division is responsible for the treatment of a specific group of taxpayers. These target groups have been established on the basis of common features.

In the new structure of the DTCA, the position of the directorates is of a composite nature. As executive bodies, the directorates support the division management in achieving the strategic goals, which have been interpreted

in terms of the directorate's own target group(s), and have been defined centrally.

Interpreted from three different angles this means, among other things:

12.3.1. Policy development

- Developing and formulating policy for the directorate's own target group and the frameworks within which this policy should be interpreted at executive level.
- Formulating advice and policy proposals for the Director-General for the Tax and Customs Administration, the Board of Directors or the Director.
- Developing and defining directives, methods and instruments in order to control the main processes and execute business conduct and management affairs at a level of unity.

12.3.2. Control and guidance tasks

- Testing by the local offices or districts of the efficiency and effectiveness of the aims defined and arrangements reached.
- Analysing by the local offices or districts of the business conduct and management tasks, and testing this on the basis of the governing regulations.
- Ensuring the optimum assignment/allocation of resources (budgets, staff numbers, etc.) to the local offices or districts.

12.3.3. Advice and expertise

- Advising local offices or districts about the application of methods, techniques and instruments in executing main processes and/or promoting the interests of business conduct and management affairs.
- Developing and maintaining specific field and material knowledge aimed at the target group, and transferring this knowledge to the local offices or districts.
- Providing and promoting knowledge and expertise for the entire DTCA with regard to (a number of subjects from) the primary and supporting processes.
- Developing and defining new methods and techniques, and making these operational in conjunction with the local offices or districts.

12.4. Structure of the divisions

There are five divisions: the Private Taxpayers Division, the Business Taxpayers/North Division, the Business Taxpayers/South Division, the Business Taxpayers/Large Companies Division and the Customs Division. The directors of these divisions give direct guidance to the local units and the supporting/central units. The following types of unit are distinguished: Private Taxpayers, Registration and Inheritance, Companies, Private Taxpayers/Business Taxpayers (the Local Tax Offices), Private Taxpayers/Business Taxpayers Abroad, Large Companies, Customs Districts, and Customs Offices.

Each local office comes under one director. Exceptions to this are the Private Taxpayers/Business Taxpayers offices, in which case the Private Taxpayers Director is responsible for the Private Taxpayers Sector, and the

Business Taxpayers/North Director or the Business Taxpayers/South Director is responsible for the Business Taxpayers Sector. Supporting/central offices include services such as the Tax Telephone and the central levying and payment administrations. They are under the responsibility of a division.

To execute their task, the target group directors have supporting (executive) departments. The following executive departments are distinguished: Target Group Management (DGM); Planning, Finance and Control (PFC); Personnel and Organisation (P&O); and General Affairs/Internal Affairs (AZ/IZ).

12.5. Structure and tasks of the directors

In the new organisational structure of the DTCA, the directors have a twofold task at division level. Firstly, they are responsible for guiding and the coordination between the local offices/districts. Secondly, they manage the directorates, act as policy-makers and decide the direction of the lines of conduct to be followed for the target groups, and fulfil the role of adviser of the central management.

Because of the extent and diversity of the problems related to leading the local offices, the director's work is divided between two people: the director and the deputy director. The deputy director is also the head of the Target Group Management division. No matter how the tasks are divided between director and deputy director, the director remains responsible for the division's policy and functioning. As a member of the DTCA Board of Directors (DRB) he is partly responsible for providing policy support to the Director-General. Furthermore, the director is generally responsible for the contacts with the Ministry and the external contacts. He is also responsible for the coordination between the DGM, P&O, PFC and IZ/AZ divisions of the directorate.

12.5.1. Target Group Management Division (DGM)

The main tasks of the Target Group Management Division are as follows:

- organising and coordinating the integral guidance of the main processes of the local offices or districts within the general frameworks established at central level;
- developing a vision and strategy for the division which is expressed by means of, among other things, a multi-annual policy plan;
- developing executive policy for the tasks to be carried out by the division, including the development and implementation of instruments and standards;
- contributing to the development of international regulations with regard to the division's field of operation;
- responsibility for nationwide uniformity in the application of legislation and regulations as regards the domain of responsibilities and the division's field of operation;
- responsibility for the fiscal-specific justification of the results with regard to the division's fiscal objectives.

12.5.2. Personnel and Organisation Division (P&O)

The main tasks of the Personnel and Organisation Division are as follows:

- developing policy in the field of organisation, staffing, education and training, and personnel care and management for the division within the general frameworks established at central level;
- formulating and establishing frameworks for the P&O policy at the local offices or districts, and promoting its implementation;
- giving advice to and supporting the local offices or districts as regards general P&O issues.

12.5.3. Planning, Finance and Control Division (PFC)

The main tasks of the Planning, Finance and Control Division are as follows:

- developing policy in the field of planning, finance and control for the division within the general frameworks established at central level;
- supporting decision-making at division level, among others by supplying financial-economic input/input in figures, and by drawing up periodical reports, plans, management contracts and budgets;
- promoting an adequate administrative organisation which is in line with the different parts of the division, including external control with regard to management and security aspects;
- monitoring activities with financial and logistic consequences, and managing data and information-processing systems with a decentralised use;
- providing financial-economic support to the control function at local office or district level.

12.5.4. General Affairs/Internal Affairs Division

The staff at the General Affairs/Internal Affairs Division carry out a large number of administrative and supportive tasks, which vary considerably in nature. The most important part of this is aimed at the functioning of the directorate itself.

12.6. Consultative structure

The DTCA uses the concept of “line guidance” as a general point of departure in making its management philosophy operational. In the structure of the DTCA, three management levels can be distinguished. For each management level a policy-defining body has been set up in order to make the common applicability of the policy formulated and to be formulated operational via the line.

for the DTCA this is	:	the DTCA Board of Directors (DRB);
for each division this is	:	the Division board; and
for each local office this is	:	the executive meeting and the team meeting.

In addition, there are a number of functional meetings which undertake policy-preparatory and policy-advisory work for the policy-defining bodies mentioned. These meetings are the nationwide functional meetings of the heads of DGM, the heads of PFC, the heads of P&O and the Automation Coordination Council. These functional meetings serve as a gateway to the meetings of the DTCA Board of Directors.

At division level, functional consultation also takes place with representatives of the local offices in the field of DGM, PFC and P&O. These functional meetings serve as a gateway to the division board meetings.

The technical fiscal consultation is discussed in § 12.8.

12.7. Consultation within the division

12.7.1. Division board

Each division has a division board whose task it is to make the policy decisions of the Board of Directors (DRB) further operational, or to arrive at a further policy definition with regard to matters for which the division is authorised. These boards also discuss the progress of the production and of current projects. The participants of the division board meetings are the director, the heads of the local offices/districts, the heads of executive departments and the press officer.

Most of the division boards work on the basis of a system of specialisation, under which the directors may approach certain heads of local offices to discuss specific policy issues.

12.8. Portfolio holding

12.8.1. Introduction

In terms of governance, the DTCA has chosen a structure whereby the target group directors are responsible for the business conduct aimed at the division's target group. In those cases where the business conduct involves political aspects, the Director-General remains the person with prime responsibility.

The structure of fiscal legislation does not correspond entirely to the governance structure. In other words, in many cases the execution of fiscal legislation and regulations and the organisational measures resulting from this transcend the boundaries of one division. The three Business Taxpayers divisions, for instance, are involved in the execution of the same acts, e.g. Wage Tax, Turnover Tax and Corporation Tax. Together with the Private Taxpayer Division, they are also involved in the non-profit part of Income Tax. The desire and need, on the basis of equality before the law, to achieve uniformity in execution, has made the DTCA decide to develop a new way of managing this fiscal field of policy: portfolio holding.

The portfolios are distributed as follows:

Division	Portfolio	Relevant executive directorate of the Directorate-General for the Tax and Customs Administration
Private Taxpayers	Income Tax/non-profit	Direct Taxes Directorate
Business Taxpayers/ North	Turnover Tax Wage Tax Collection	Consumer Taxes Directorate Direct Taxes Directorate Tax and Legal Affairs Directorate
Business Taxpayers/ South	Control General Tax Act Income Tax/profit	Planning, Finance and Control Directorate Tax and Legal Affairs Directorate Direct Taxes Directorate
Business Taxpayers/ Large Companies	Corporation Tax/Var. Taxes	Direct Taxes Directorate

The portfolio holding system does not apply in those situations where the fiscal policy remains completely and exclusively within the limits of one division, as is the case with, for instance, import duties, excise duties, and registration and inheritance. Nor does it apply when the nationwide uniformity of the policy is guaranteed through consultation and policy definition within the boundaries of a division.

12.8.2. Main tasks of the portfolio holder

The nature of portfolio holding has gradually changed as a result of continuing developments within the DTCA; the integrated treatment of taxpayers in particular has become one of the main principles. With regard to the portfolios, the following three main tasks are now distinguished:

- evaluating bills in terms of enforceability and executability;
- implementing new legislation and regulations; and
- formulating fiscal policy.

For the first two main tasks in particular, the rule applies that not only the technical, but also the organisational fiscal aspects should be considered. This includes aspects such as process definition, the adaptation of automated systems (application management), informing the public and training or extra training.

Application management means looking after/maintaining the (central) automation systems used for a tax act, so that the functionalities and results continue to meet the requirements of law and time (and the technical options). At directorate level, application management develops into more policy-based information management, including the project management of automation projects. The executive tasks move towards central administrations.

The third main task can be divided into a number of further defined task areas, such as:

- acting as contact, both internally and externally;
- contributing to the development and updating of policy (in conjunction with the Directorate-General for the Tax and Customs Administration; new policy is submitted to the State Secretary for approval). Any policy decided is made public actively, both internally and externally;
- developing target group policy (industry/target group agreements);

- systematically offering solutions to the legislator for legislation which is difficult to execute/prone to misuse (DGFZ; → § 10.5);
- developing and maintaining relevant specialist knowledge.

The portfolio holder supports the local offices with instruments such as handbooks, standard procedures, (multi-)annual plans and testing models.

The situation described applied to the period 1989-1998. In practice, it appeared that the structure chosen led to executive problems. Therefore a different structuring method was chosen in 1998. The portfolios will be the responsibility of one director. This means that the matrix structure, in which a target group director also managed one or more portfolios, has been abandoned.

13. Private Taxpayer Division

13.1. Introduction and task of the Private Taxpayer Division

To most citizens, contact with the DTCA means contact with a Private Taxpayers office. This means that these offices are the most important offices in terms of establishing the image of the DTCA. Partly because the public is not generally familiar with the DTCA classification, the performance of the Private Taxpayers offices is usually regarded as that of the DTCA on the whole.

The Private Taxpayers Division concentrates on what is by far the largest target group. The local offices and their branches are geographically distributed all over the country, making the private taxpayer division very visible and easy to reach. This contactability is further enhanced by means of the Tax Telephone. About 6 million private car owners notice the existence of the Private Taxpayer Division because it also accommodates the levying and collection of motor vehicle tax.

At the Private Taxpayer Division, the levying of income tax predominates. Of course there are other important methods and processes (the system of withholding tax on wages and social insurance contribution, wealth tax, motor vehicle tax, succession duties, gift tax and the collection summons for third parties), but these are less decisive for the structure of the main processes which, due to the extent of the target group, are usually of a massive nature.

Another important task of the Private Taxpayer Division is to provide information to institutions with a public-law task and to the local offices of the DTCA.

As the manager of data on (taxable) income and property, the Private Taxpayer Division makes an essential contribution to the task execution of (semi-)government institutions that need this data for the establishment or control of income-dependent subsidies and taxation.

The process of the restructuring and further decentralisation should lead to the Private Taxpayer Division becoming increasingly efficient and effective in dealing with the massive treatment of data, which is inherent to its task. At the same time, the Private Taxpayers Division should meet the requirement of individual approach and treatment, and the other quality requirements that are imposed on the products of the DTCA.

The policy of the Private Taxpayer Division is characterised by the aim of increasing service provision, and the strong awareness of the strategic importance of the soundness of large automated data files. Automation is an essential supportive factor for this element of the organisation, dealing with such large numbers of taxpayers.

13.2. Competence of the Private Taxpayer Division

Private taxpayers are natural persons who are neither subject to deductions on wages or social insurance contributions, nor qualify as business taxpayers for turnover tax, nor receive profits arising from a business. With regard to the authority of private taxpayers offices, the following main rule applies: the local office that is authorised to deal with fiscal matters, is the office within whose district the taxpayer is registered in the municipal register.

The following "private taxpayers" come under the authority of the Business Taxpayers offices:

- natural persons, married to or living together with another natural person, who can be defined as entrepreneur. In this case the Business Taxpayers office is also authorised with regard to the partner;
- barge skippers and nationals without a fixed address or place of residence;
- directors and major shareholders of partnerships.

14. North/South Business Taxpayers Divisions

14.1. Introduction and tasks of the Business Taxpayers Divisions

The Business Taxpayers divisions are the parts of the organisation that took a central place in the considerations of the DTCA with regard to restructuring. Integral treatment, which can be subdivided into the integration of methods (various tax acts) and the integration of processes (levying, control and collection) constitutes the essential feature of the Business Taxpayers divisions.

For the Business Taxpayers divisions, with small and medium-sized companies as its target group, far-reaching integration is required. The entrepreneurs wish to be approached by the DTCA as little as possible (but at the same time) for all the methods and processes. In this context, the DTCA often speaks about one desk for the taxpayer, which he can turn to for all his fiscal matters. This integration requires a major input from the Business Taxpayers divisions in terms of file management and logistic control.

Establishment of two Business Taxpayers Divisions

There are two Business Taxpayers divisions: Business Taxpayers/North and Business Taxpayers/South.

The decision to set up two Business Taxpayers divisions, in addition to one Business Taxpayers/Large Companies division, was made for the following reasons:

- forty local offices (Business Taxpayers offices or Business Taxpayers departments of the Private/Business Taxpayers offices) operate in the field of Business Taxpayers. The establishment of a second Business Taxpayers division gives a better balance as regards the span of control;
- the establishment of two Business Taxpayers divisions leads to a better balance in managerial relations, as there are now five more or less equal divisions.

14.2. Competence of the Business Taxpayers Division

Business taxpayers are bodies and natural persons that are not private taxpayers. This means that they receive profits arising from companies, that they are subject to deductions on wages or social insurance contributions, and/or qualify as a company for turnover tax but do not meet the criteria for large companies.

The Business Taxpayers offices have combined the different tax files into entities. An entity is a collection of natural and/or legal persons who are linked to such an extent, in terms of finance, management, administration or social factors, that they are dealt with together for the levying and collection of national taxes. The two business taxpayers divisions together deal with approximately 875,000 entities.

The main rule is that the local office is authorised within the district where the company undertakes its business. For foreign companies that are not established in the State, the location of the permanent branch or the permanent representative in the Netherlands determines the authorised local office (→ DTCA Regulations for Execution, article 16, clause 3).

14.3. Business Taxpayers Local Offices

The head of the local office directly manages the team leaders, the industry coordinators, the head of the supporting service (if applicable), the executive staff and the heads of the administrative units, so that there are only two levels in the local office's management. This is in accordance with the principle of a "horizontal organisation". Each Business Taxpayers office has a deputy head to whom the head has delegated a number of his tasks, usually in the field of target group management.

The head has the final responsibility for the local office's functioning as an executive part of the DTCA. This mainly involves responsibility for execution (within the frameworks established by the Director of Business Taxpayers/North or Business Taxpayers/South), for production quality and quantity, and for the definition of the fiscal processes (within the frameworks of legislation and regulations). This also involves good coordination between the main processes and supportive processes.

The head of the local office is officially tax inspector and collector.

For all the taxation methods, the entire technical process is carried out in teams. A team is an organisational unit, headed by a team leader.

Plaatje: "Relevant environment"

The working package of the teams consists of entities that belong to a specific industry or target group. To prevent a one-sided working package, a team usually has more than one industry/target group. Separate teams for Special Management (for dealing with entities with collection problems) and Starters (for dealing with and assisting starting companies) may have been

set up. A Special Management team does not limit itself to collection problems, but carries out all the tasks (including levying and control) for the taxpayers from the target group.

The team leader leads the team, is responsible for achieving the (fiscal) objectives of the team, and contributes to the local office's functioning. The team leaders always remain directly responsible for the practical translation of fiscal policy into execution.

The following structure has been drawn up in order to pay sufficient and relevant attention to policy- and content-specific aspects:

- For each method/subject special subject groups have been set up for each local office, in which experts in a certain method are represented. The methods/subjects that are distinguished are: Income Tax, Wage Tax, Turnover Tax, Corporation Tax, control, collection and General Tax Act.
- Each subject group has a subject group coordinator, who is managed directly by the local office's deputy head. A subject (coordinator) advises team members on technical fiscal issues.

A subject group coordinator is an expert in his method or process, and in practice operates as a team member. The subject group coordinator has the task of solving or advising on task problems of a technical fiscal nature in his own field, translating fiscal matters and jurisprudence into the daily practice, and monitoring the quality and control of policy execution and the regulations.

The Business Taxpayers offices have "client managers", who are responsible for the coordination and integration of methods and processes in terms of a number of taxpayers. To these taxpayers, they are the immediate point of contact. The client manager can deal with some of the fiscal matters of his taxpayers himself, turning to specialists within the team where necessary.

The administration is divided into units which provide administrative support to the treatment teams and/or carry out a number of tasks for the entire local office. The local offices have started to integrate the units into the teams, insofar as the tasks are team specific, so that the actual evaluation and administrative work involved take place closer together. This has advantages in terms of logistics and prevents mistakes.

15. Business Taxpayers/Large Companies Division

15.1. Introduction and task of the Business Taxpayers/Large Companies Division

Both in terms of target group size and staff involved, the Business Taxpayers/Large Companies Division is the smallest division of the DTCA. However, considered from the angle of “financial interest”, this is the most important division. Approximately 70% of tax revenue is generated by this division.

Given the complex fiscal position of the taxpayer in this division, Business Taxpayers/Large Companies requires specialised treatment. Integration here means mainly coordination between the professional staff of the taxpayer (or his adviser) and that of the DTCA. The most important taxpayers in this division are the largest companies established in the Netherlands, including a number of multinationals. For these companies the DTCA does not have a monopoly position. Multinationals have a certain level of freedom to choose their country of establishment. In addition to the (fiscal) legislation and rate structure, the DTCA's actions are a significant factor for these companies as regards the question of whether or not they will bind themselves to our country. The mission of the Business Taxpayers/Large Companies Division is “the Netherlands - the country to establish in”. The division substantiates this mission by emphasising that the DTCA is always available for preliminary consultation and sharing its thoughts, and that it also observes its own obligations. Other requirements which the taxpayers impose on the Business Taxpayers/Large Companies Division include speed, certainty about fiscal consequences, carefulness and justification of decisions.

15.2. Competence of the Business Taxpayers/Large Companies Offices

The taxpayers of the local offices of Business Taxpayers/Large Companies are entities that may be regarded as large companies.

A Large Company is a company that complies with two of the following three criteria:

- turnover of at least NLG 8 million before Turnover Tax;
- fiscal property of at least NLG 4 million before Corporation Tax;
- a staff of at least 50;

or one of the following criteria:

- a staff of more than 250 (for non-profit organisations: a staff of more than 1,500);
- fiscal property of more than NLG 10 million;
- turnover before Turnover Tax of more than NLG 35 million;
- a municipality with more than 40,000 inhabitants;
- part of a national target group (e.g. the banking business; see below).

The competence for certain nationwide target groups is concentrated in one of the local offices of Business Taxpayers/Large Companies:

- the competence for entities in the banking and securities business and for entities of insurance companies has been assigned to the division's

local office in Amsterdam; this entity also has competence to deal with Insurance Premiums;

- the competence for entities in the sector Oil and Gas has been assigned to the division's local office in The Hague;
- the execution of the environmental consumer tax was transferred to the DTCA by the Ministry of Housing, Spatial Planning and the Environment in 1992; it has been allocated to the division's local office in Rotterdam. The control has been assigned to control officials, who are part of the teams of the division's local offices. Collection and client treatment have been allocated to the Business Taxpayers office, which is authorised for the other methods;
- the division's local office in Rotterdam is the only office authorised to conclude advance rulings (the Inspector's position, determined in advance in the context of tax legislation, jurisprudence and resolutions, as regards the establishment of the entire profits, made within an international group, with activities carried out in the Netherlands);
- this local office is also the point of contact for "potential foreign investors". This desk is responsible for concluding agreements about all the fiscal aspects of an intended investment by a company which is not yet established in the Netherlands. This means that these potential investors know that they only have to turn to one desk to be assured of quick and good assistance; it is the DTCA's contribution to an attractive climate for establishment for investors.

15.3. Business Taxpayers/Large Companies Offices

The taxes which a local office of Business Taxpayers/Large Companies deals with are income tax, the regulation of withholding tax on wages and social insurance contributions, turnover tax, corporation tax, wealth tax, dividend tax and tax on games of chance. Dealing with insurance tax is a specific task of the division's local office in Amsterdam.

The division's local offices have a mixed file of very different companies which require many different treatments by the technical fiscal experts and the administrative staff. The work mainly involves custom-made production for a process which is only partly predictable.

The taxpayers of the division's local offices have been classified under the following three categories:

- | | |
|-------------|--|
| category 1: | the 200 largest companies; |
| category 2: | the companies that take up positions 201 to 600 in the list; |
| category 3: | the other companies that comply with the criteria (approximately 12,000 entities). |

The organisation of the local offices of the Business Taxpayers/Large Companies Division shows many similarities to those of the local offices of the Business Taxpayers Divisions. The teams of the local offices of Business Taxpayers/Large Companies work with "client coordinators". They are the central figures in contacts with the taxpayers of a limited number of entities. Together with the specialists from the team they are responsible for client treatment. The administrative units are of a smaller size because of the limited work flow.

16. Customs Division

16.1. Introduction and task of the Customs Division

The Customs Divisions has a special place within the DTCA, as this part of the organisation is primarily involved in supervision and levying as regards goods streams, while the other parts of the organisation concentrate on money streams (income, profits, property, turnover, etc.). Furthermore, because of the nature of the work, Customs has a strongly international focus.

Dutch Customs has the following main tasks:

- levying and collecting the taxes and excise duties due on imported goods;
- contributing to the Dutch and European market order;
- carrying out tasks whose aim is to protect the quality of Dutch society.

The following constituent tasks are derived from this:

- levying and collecting import duties, turnover tax, excise duties and other taxes and duties due on imported goods;
- administrative and physical supervision and control as regards import, transit, storage and export, related to cross-border movements of persons and goods;
- levying, controlling and collecting taxes as regards the manufacture of and trade in excise goods within the Netherlands;
- issuing licences and deciding on restitution and the release of goods;
- levying Tax on Private Cars and Motorcycles from private taxpayers, and executing the enforcement tasks resulting from this act;
- supervision and control as regards a large number of non-fiscal acts, including the Fire Arms Act, the Opium Act and environmental acts;
- in the context of border control, controlling persons at certain places as ordered.

16.2. Competence of the Customs Division

The local office authorised to deal with customs affairs is either the local office (customs office or district) within whose area the taxpayer lives or is established, or the local office within whose area goods are declared or a taxable event takes place.

The Rotterdam Customs District is also authorised with regard to the import and excise duties of oil refineries, combined in the Oil Contact Commission.

16.3. Customs districts and offices

Customs has 7 districts, each of which has several customs offices. The distinction between a district and an office can be described as follows. A customs district concentrates on the phase preceding the declaration process (e.g. involving the issue of a licence), and the phase following the declaration process (e.g. dealing with objections, appeals and releasing

goods). At a customs office, the main focus of the activities is the declaration and treatment process itself.

Each district and each office consists of teams supervised by a team leader. Teams may be formed on the basis of one or more of the following factors:

- target group orientation (the profile of taxpayers);
- geographical segmentation (customer regions);
- specialisation;
- the processing of the import, transport, transit and export of goods and passenger traffic.

16.3.1. Task of the customs district

Customs districts have the following tasks:

- dealing with applications for licences, with a view to further regulating cross-border goods traffic or the production of and trade in excise goods. The licences concern, among other things, allowing companies in a certain region/industry to manage storage places with customs goods themselves, or to obtain exemptions for import duties on certain goods;
- dealing with monthly declarations of licence holders in the region/industry;
- carrying out administrative checks; these checks consist of systems investigations (evaluation of the administrative organisation of a - potential - licence holder), investigations into the integrity of the (automated) administrative organisation of the - potential - licence holder, and the technical fiscal/customs investigations (controlling the books);
- collecting and administratively processing tax revenue and duties;
- supporting the offices in a certain region in the execution of any tasks delegated to these offices;
- dealing with legal matters within the customs district, including dealing with objections and appeals, penalties, administrative fines and warrants;
- dealing with customs matters concerning specific excise regulations.

16.3.2. Task of the customs office

A customs office has the following tasks:

- the immediate application and enforcement of the system of formalities (the collective name for all the measures necessary to follow and monitor customs goods on which tax is due or may become due), and the supervision of cross-border traffic;
- levying and collecting taxes on imported goods, excise duties and agricultural taxes;
- the execution of other tasks as defined in non-fiscal acts;
- (if applicable) guarding the EU external border.

16.4. Customs Information Centre (DIC)

The Customs Information Centre (DIC) in Vlaardingen receives, combines and distributes information for the Customs Districts.

In addition to this, the DIC is involved in risk analyses at national level, which are worked out in further detail in control plans and selection profiles

at local level. The DIC also functions as a continuous contact point for government services involved in aspects of the task package of Customs, and as a contact point for foreign customs organisations and related services. Through the DIC, Customs complies with the international information obligations (while the Arnhem customs district is responsible for the executive tasks in the field of international customs tax collection). Finally, the DIC supports national or international control actions which go beyond the boundaries of a district.

Partly because of the last points mentioned above, customs attachés have been appointed at the Netherlands Embassies in Paris and Bonn. They function as liaisons with the task of promoting and optimising contacts between the foreign sister organisations and the Dutch Customs and Customs Investigators.

The customs attachés are part of the Technical Assistance and Cooperation Division (ATBS) of the Personnel and Organisation Directorate (POB).

17. Fiscal Information and Investigation Service (FIOD)

17.1. General

The Fiscal Information and Investigation Service (FIOD) is an organisation with a twofold character. Firstly, the FIOD carries out tasks in the field of the main process “fraud detection”. The FIOD supports the DTCA units in combating fiscal and customs fraud. This combating of fraud takes place in particular on the basis of criminal prosecution. The FIOD also uses its expertise to combat serious civil offences and serious organised crime in general.

Secondly, the FIOD has tasks of a facilitating nature in the field of collecting and providing information.

The FIOD carries out the following main tasks.

Developing, coordinating and executing policy for:

- detecting and combating fraud in the field of (national) taxes, and in the field of regulations concerning the import, export and transit of goods and the (EU) rules related to this. This also involves contributing to combating serious organised crime, both nationally and internationally (including providing international legal assistance) on the basis of its own expertise and its core tasks.
- providing information as regards the levying, control and collection on the basis of these regulations. This also involves (contributing to) developing policy for dealing with the target groups, both nationally and internationally, as defined by the DTCA.
- investigation into the misuse or improper use of the regulations mentioned above, including the analysis of the patterns identified in this. Developing detection-technical, control-technical and legal methods for combating these patterns of misuse and improper use.

17.2. Organisation

These central tasks are reflected in the organisational structure of the department, which centres on three areas of activity.

Organisational diagram

Plaatje: “Head of FIOD”

17.2.1. Information

The Information Division supplies the local offices and districts of the DTCA and the Investigation Division with the information they require to deal with their clients in an appropriate manner.

Other agencies may also be supplied with information. The division has a service-providing role, and its main task is to give support. Up-to-date information ensures that trends - e.g. in fraud patterns - are noticed sooner, which is something the entire DTCA will benefit from.

The Information Division comprises three sectors:

Information analysis

This sector gathers, analyses and processes information for the local tax offices and customs districts and FIOD's investigation branch. This ensures that information is always up to date and geared to the target group.

National and international contacts

The international exchange of information is becoming increasingly important in preventing and combating the abuse of tax or customs regulations. This sector of the Information Division acts as a channel for the exchange of information with the tax authorities of other countries and other national or international public sources of information. The FIOD also receives information from abroad, e.g. on fraud cases, via the networks set up by the European Commission.

Research and projects

This sector carries out research into the areas of the economy or society with an increased financial risk to the government because of the possibility of fraud. The findings of a research project are made available to the relevant part of the DTCA. They may also be used for combating serious fraud.

The Information Division ensures that information is gathered and passed on to the local tax offices, where it can be used to check the accuracy of tax returns.

17.2.2. Investigation

The FIOD will conduct an investigation if there is reason to suspect that the tax laws have been violated, for instance if someone has knowingly filed an incorrect tax return, or if the laws on import, export and transit or the excise laws have been broken. It also investigates offences under other relevant legislation, e.g. the Opium Act.

This work requires specialist knowledge. The investigators working for the FIOD therefore have to be familiar with the provisions of the Penal Code and the Code of Criminal Procedure as well as the tax and customs laws.

They have special powers which enable them to investigate certain offences referred to in the Penal Code, such as forgery and swindling.

The former fiscal investigation and customs investigation divisions of the FIOD have been merged to form the new Investigation Division. The regional offices deal with every area of FIOD's investigation work. Each office also has a staff section that is concerned more specifically with customs fraud and whose task it is to deal with the specific problems of customs and EU fraud.

If a local office of the DTCA suspects that a tax return has knowingly been completed incorrectly, and that fraud on a substantial scale is involved, it will notify the Investigation Division, which will then spring into action. There are special procedures and guidelines for reporting cases of suspected fraud. The fraud coordinator at the local office, the DTCA liaison officer, the head or deputy head of the FIOD office and the public prosecutor all have an important role to play.

Provided that certain conditions are met, talks will be held between the DTCA, the FIOD and the public prosecutor in order to decide whether to go ahead with an investigation. The Investigation Division has the power, where necessary, to make use of a number of coercive measures provided under the Code of Criminal Procedure, the General Tax Act and the Customs Act.

These include the power to arrest and detain suspects and search premises with a view to seizing evidence - usually in the form of records and accounts.

Criminal investigations are led by the public prosecutor, but the actual day-to-day running is entrusted to a FIOD investigation coordinator, who is also appointed as an assistant public prosecutor.

Once the investigation has been completed, an official report is presented to the public prosecutor who, on the basis of the report, can summon people to appear in a criminal court.

The Investigation Division also coordinates the compatibility of the DTCA and policy, and cooperation between the DTCA and other special investigation services. Requests for mutual assistance in connection with criminal investigations abroad are channelled via the FIOD, and are often executed by a FIOD office.

17.2.3. Management and support

FIOD policy is determined in consultations at management level between the head and deputy head of the FIOD and the heads of the regional and central offices.

The management of the FIOD is assisted by a policy support unit comprising four sectors. The head of each sector attends the management consultations as an adviser. The heads of the other support services may also attend these meetings in an advisory capacity, depending on the matters being discussed.

Policy support unit

The four sectors of the policy support unit are:

- Policy-Related and Specialist Advice: advises the FIOD management on policy and specialist matters;
- Planning, Finance and Control: responsible for financial planning, administrative information management, information security and internal budget allocation;
- Personnel and Organisation: responsible for personnel policy;
- Information Management: supports the work of the FIOD by developing and managing computerised information systems.

Other support services

There are two support services:

- Investigation Support carries out work for the Investigation Division. This includes surveillance work, forensic support and the provision of the services of computer experts;
- Facilities Management serves the central office in Haarlem and advises the regional offices.

17.2.4. Personnel and Organisation Directorate (POB)

The POB directorate consists of three parts. Firstly, it has a policy sector which is concerned with all the supporting executive tasks. Secondly, it has a General Affairs sector, which looks after the central (directorate) administrations and support divisions. Finally, there is an Internal Affairs division for the domestic tasks.

17.2.5. Information Management Division (IM)

The Information Management Division is responsible for the application management and control of all the information systems that come under the responsibility of the FIOD.

17.3. Relevant context of the FIOD

Due to the nature of its activities, the FIOD often has dealings with other (special) information and investigation services. For the FIOD, the relevant context consists of the DTCA (information and fraud detection), Justice/Public Prosecution Service (investigation), the police and other investigation services (investigation) and foreign services (information and investigation), in particular of the other Member States of the EU.

17.3.1. Developments in the investigative tasks

Society is increasingly developing beyond national borders. In contacts between EU member states and with other countries an increase in information streams is noticeable. This means that we may also expect an increase in requests for international administrative support and international fraud detection investigations. At the beginning of 1994, the Information Management Service took over the supportive and executive work in this field from the Tax and Legal Affairs Directorate.

17.3.2. Public Prosecution Service

The Public Prosecution Service will be given a more directive role in combating crime. The nationally agreed capacity covenant between the DTCA and the Public Prosecution Service provides the basis for cooperation. The selection and acceptance policy for fraud cases is reflected in the reporting, transaction and prosecution directives, amended in 1993. The policy for combating fraud, as part of the enforcement policy of the DTCA, is made concrete, in consultation with the Public Prosecution Service, in policy and capacity plans for criminal prosecution. These plans are implemented in the periodical tripartite consultations. The following parties take part in these consultations: the public prosecutor (for fraud matters), the liaison official for Justice (a coordinating post for each district of a Court) and the team leader of the regional FIOD team.

17.3.3. The Police and the Special Investigation Services

The police were restructured as from 1 April 1993. The aim of this restructuring was to execute the police tasks more efficiently and effectively. Using specialist teams, the police are going to concentrate explicitly on combating financial fraud - mostly in a fiscal context - and confiscating any profits gained through criminal actions. As a result, more attention is paid to the actual demarcation of tasks of the police and the FIOD. The same applies to police activities in the field of the campaign against drugs in relation to the activities of the Customs Investigators.

Cooperation with other (special) investigation services will increase further in intensity and extent. Some forms of fraud require a common approach by the police and special investigation services. These forms of cooperation vary from multidisciplinary teams on an ad-hoc or project basis to core teams for combating serious organised crime to structural assistance to the Financial Support Bureaux.

18. Facility centres

18.1. General

The DTCA decided to accommodate a number of supportive tasks in a separate part of the organisation. These facility centres supply products and services to the management of the local offices. This choice of structure is based on the following arguments:

- concentration of expertise, which means that the organisation can operate on a professional basis, and that its vulnerability is reduced.
- saving costs through downsizing.
- the possibility of these centres becoming fully independent or privatised. This depends on the outcomes of the core task discussions (“make-or-buy”). For the time being, the local offices of the DTCA are still faced with a “truck system” as regards their own facility centres.

There are facility centres for the task areas of automation (the Automation Centre, B/AC) training and communication (the Knowledge and Communication Centre, B/CKC), and recently there has also been a centre for facilitating service provision (the Facilitation of Service Provision Centre, B/CFD).

The development of facilitating tasks within the DTCA corresponds to the aim of more business-like business conduct. Budgets are available for the products in the task areas mentioned at local office level. This is part of integral management: the head of the local office determines which products he wishes to pay for in order to achieve the objectives of his organisation. The local management buys these products and pays for them by means of a setting-off system which shows up the costs. This setting-off system contributes to a higher degree of cost-awareness and a more efficient use of budgets. The agreements about the products anticipated on the one hand and the cost price, the delivery time and the product quality on the other, are laid down in Service Level Agreements.

19. Personnel Policy

19.1. Personnel information

After several years of decline, staff numbers at the DTCA increased by 2,000 in 1997 to 30,500. The most important cause of the increase is restaffing in connection with the reduction of working hours from 38 to 36 hours a week.

For 1999, the staff numbers in the different parts of the organisation are as follows:

Private Taxpayers Directorate	6,515
Business Taxpayers/North Directorate	5,384
Business Taxpayers/South Directorate	6,143
Business Taxpayers/Large Companies	2,106
Customs Directorate	5,682
FIOD	789
Tax and Customs Computer and Software Centre (B/AC)	1,668
Knowledge and Communication Centre (B/CKC)	303
Facilitation of Service Provision Centre (B/CFD)	1,479
Other	334
Total	30,395

The DTCA has group positions with a fixed career outline for staff with technical fiscal and control tasks. These group positions are at different levels: academic level, higher-intermediate level, lower-intermediate level and administrative level.

For 1999, the staff numbers for the different group positions are as follows:

Academic level	1,351
Higher vocational training	3,839
Intermediate vocational training	4,713
Administrative (3 levels)	12,464

In addition, there are individual management positions for managerial staff (1,613) and other individual positions (6,934). The latter category includes highly qualified technical positions in treatment teams, certain discipline-coordinators, and executive and supporting positions.

The job descriptions of the DTCA are based on carrying out tasks in specific working fields or areas for attention. In the future, these will be replaced by a description which focuses more on roles and areas of result with the knowledge and expertise aspects related to this.

19.2. Personnel Policy Plan 1999-2003

The Personnel Policy Plan 1999-2003 mentions a number of core values and main objectives which determine the personnel policy. The main objectives are:

- coordination of the organisational structure, the structure of positions and the allocation of personnel capacity on the basis of developments in the business process;
- obtaining and maintaining a competitive position in the labour market;

- having a flexible work force;
- achieving the efficient employment of the personnel;
- continually promoting the quality of the personnel;
- promoting personnel motivation.

The core values of the personnel policy are:

- the effectiveness of the business conduct is a priority;
- policy choices are based on the principle of integration in terms of the main points and differentiation at decentralised level;
- employer and employees have rights and obligations towards each other, for which they can be held accountable;
- striving for a good working climate, aimed at the optimum development and use of staff capacities;
- personnel must be able to participate in policy-making and business conduct.

19.3. Personnel policy

The Policy Plan outlines the following prospects

Over the next few years, important changes are to be expected in the working processes within the DTCA. Changes in information technology will lead to considerable adjustments in the processing of massive data streams. Many more matters can be dealt with automatically. Those activities that require human intervention will become relatively more and more complex, partly due to increasing internationalisation. The DTCA will therefore invest in the (specialist) research and analysis function and the establishment of knowledge networks and centres. The use of new information and communication technology for all the staff, and also the use of this by the staff, is a fixed element.

The increasing complexity of the work also requires specific methods of approach. Individual fields of expertise are becoming more important than the literal job description. In other words: the formal organisational structure is becoming less significant. Increasingly, the predominant task for personnel policy is to maintain and develop the fields of expertise present among the staff, and to use these quickly in a flexible and multidisciplinary way where necessary, on the basis of balancing the risks. Where the necessary competences are missing, these will have to be brought in from the external market if possible. A great deal of attention must be paid to training, broadening employability and staff motivation. For this purpose, responsibility for the method and execution of the work should be assigned to the staff and their line managers as much as possible.

This does mean, however, that staff should be able to change their role continually, and that the traditional staff/head relationship is becoming blurred. Managing increasingly involves coaching and guiding, and encouraging cooperation - aimed at the optimum use of the potential available. Creating a bond between personnel and organisation is becoming an important success-determining factor.

Developments in the labour market

Important developments are expected to occur in the labour market. For a number of aspects there is a growing shortage in highly qualified/expert staff. Competition with regard to staff supply in this market segment will become fierce. Furthermore, the composition of the working population is changing. In all kinds of respects, it is becoming increasingly diverse: more multicultural, older, and more individual. People who offer themselves on

the labour market will have more and more differentiated requirements with regard to terms of employment and working conditions. The DTCA should therefore focus on new potential market segments in its labour market policy (and communication).

The DTCA will have to work intensively on maintaining and extending a differentiated and attractive package of terms of employment which is sufficiently competitive in the different elements of the labour market, and does justice to the trend of individualisation.

Policy in the next few years

Over the next few years, the personnel policy will be aimed at the following:

1. *obtaining and maintaining a competitive position in the labour market*
This will be achieved by means of active labour market communication, familiarisation with new market segments and offering differentiated terms of employment. Striving for a work force which reflects the diversity in society also plays a role.
2. *having a flexible work force*
Employees will be encouraged to look beyond the boundaries of their current position and to think in terms of fields of expertise (competences) and developing these. Another aim will be the promotion of a dynamic work force. Various instruments will be used for this purpose, e.g. the incomers/leavers policy, mobility programmes, different types of working pool, working in a project-based manner, job changes and interim jobs.
3. *achieving the efficient use of personnel*
This will be achieved by providing insight into and focusing on time use and results achieved, reducing absenteeism, quickly filling vacancies, and stimulating the mutual contracting out of personnel, or the flexible use of personnel (harmonica model).
4. *continually promoting staff quality*
This is done by structurally paying attention to staff appraisals (including evaluations of potential/career options) and encouraging permanent education/staff development, e.g. by offering study facilities.
5. *promoting staff motivation*
Establishing good working conditions and a tailor-made package of terms of employment should contribute to this. In order to acquire insight into the extent to which the staff are satisfied, and if not what the reasons for this are, a staff satisfaction monitor is developed.

19.4. Terms of employment

To maintain a competitive position in the labour market, the terms of employment policy should be adapted continually to the market requirements.

Looking for the optimum balance between the requirements of the organisation and those of the employee is the basic principle in this respect. In this context, the DTCA aims for further decentralisation and differentiation in the terms of employment.

Decentralisation of the terms of employment means that their establishment, which now takes place at the Ministry of Home Affairs for the entire government service, will take place in specific divisions in the future.

Differentiation in the terms of employment refers to the increased freedom of choice in the composition of the individual terms of employment package.

The DTCA wants to follow closely the social developments concerning the redistribution of labour. In principle, job sharing is possible in all the positions. Working hours are regulated within general frameworks at individual levels. There is a nursery regulation which will be evaluated in the coming period.

19.5. Mobility

By changing jobs regularly, concentration of experience, compartmentalisation and a strong inward-looking focus within the different parts of the organisation can be prevented.

The principle used is that DTCA personnel change to a different position once every five years on average. It will be necessary to pay attention to suitable support to the mobility policy, especially at local and regional level. Mobility takes place as much as possible on a voluntary basis, but compulsory mobility is also an option.

19.6. Management Development

In a situation which involves the integration of decentralised executive responsibility, high-quality management becomes very important. For the organisation as a whole, management development is one of the most important instruments to guarantee the unity necessary within the organisation.

Managerial staff are expected to be able to deal with diversity, and to be aware of the importance of creating bonds and motivating and optimising the use of personnel. The changing requirements imposed on staff, such as broader employability, a professional attitude and the ability to operate independently are reflected in the management style required. The task of the management will shift increasingly towards process control, providing frameworks and coaching staff. However, the manager obviously remains result-responsible for the primary process, in terms of both progress and concrete results.

In the coming period, attention will be paid to the changes in the profile of the managerial staff of the DTCA in relation to autonomy, result-oriented management and the concept of integral management.

19.7. Technical Development

Given the increasing complexity of fiscal and customs problems, specific quality of law enforcement should be a spearhead for the development of the service. A network of specialists with expert knowledge will have to support the practice of execution. Technical development aims to check continually whether or not sufficient expertise is available, and is developed

where necessary. In addition, the DTCA offers its staff the opportunity to develop a career in fiscal matters or customs technology.

19.8. Appraisal

At the DTCA, individual staff appraisals take place annually. The DTCA has developed an appraisal instrument for this purpose. This is the Result-Oriented Management method, under which the contribution criteria can be marked as competences at individual level. In order to use staff capacities in an optimum way within an organisation, both the current manner of job execution and the competences desirable for the future are considered in the appraisal. Appraisals are geared more and more towards growth and development. Continually, the emphasis will be on the constant availability of all the necessary competences within a team, taking into consideration the fact that knowledge and skills become out of date.

The DTCA's point of departure is the employee's own responsibility for his career, in combination with the responsibilities of the line manager as a coach. The Result-Oriented Management method provides sufficient clues for both types of responsibility. This evaluation method will be reconsidered in the event of further professionalisation and more autonomy at team level.

Appendix 1 DTCA indicators

Below are a few production data for the most important taxation methods, i.e. Income Tax and Wealth Tax, Corporation Tax, Turnover Tax and Wage Tax.

This overview shows that over the past few years the DTCA has been confronted with an increasing amount of work (increase in tax returns). The DTCA has responded to this with increased production while staff numbers have declined.

Over the past few years, the *cost of collection* of the DTCA (to be defined as the costs involved in the task execution of the DTCA with regard to taxation) has been approximately 1.4% of the taxation and premium receipts on a cash basis.

Figures x 1,000

	1987	1992	1997
Registration			
Income Tax taxpayers	1)	4,811	6,227
of which private taxpayers	1)	3,769	4,937
of which business taxpayers	1)	1,042	1,290
Corporation Tax taxpayers	1)	303	444
Turnover Tax taxpayers	500	628	810
Wage Tax taxpayers	536	395	457
Entities	1)	675	875
Income Tax returns	5,200	5,628	6,956
of which private taxpayers	1)	4,702	5,634
of which business taxpayers	1)	926	1,322
Wealth Tax returns	591	550	610
Corporation Tax returns	175	229	312
Turnover Tax returns	2,800	3,687	4,719
Wage Tax returns	2,010	2,442	2,962
Levying			
Provisional assessments for Income Tax	1,166	2,143	4,406
Provisional assessments for Wealth Tax	255	347	511
Provisional assessments for Corporation Tax	140	213	323
Final assessments for Income Tax	5,062	5,506	6,992
Final assessments for Wealth Tax	588	579	720
Final assessments for Corporation Tax	157	204	287
Additional assessments for Income Tax	51	55	37
Additional assessments for Corporation Tax	2	3	4
Additional assessments for Wage Tax	229	383	375
Additional assessments for Turnover Tax	390	493	644
Reconsideration			
Objections to Income Tax and Wealth Tax	367	332	377
Objections to Corporation Tax	13	14	30
Objections to Wage Tax	1)	24	38
Objections to Turnover Tax	1)	113	199
Collection			
Reminders	3,786	2,417	2,188
Distress warrants	1,734	1,116	1,127
Orders for seizure	829	534	499

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1) Not known on the basis of the annual and management reports of the DTCA consulted.

	1987	1992	1997
Control/Fraud detection			
Book investigations	125	97	115
No. of cases reported to FIOD	2	4	3
Warrants	0.3	0.3	0.4
Revenue (in billions of guilders)			
Cash revenue from Income Tax	4,307	6,360	
Cash revenue from Wealth Tax	1,017	1,393	
Cash revenue from Corporation Tax	16,243	17,373	
Cash revenue from Wage Tax	34,910	57,111	
Cash revenue from Income Tax	34,312	40,637	
Total cash revenue from taxes	112,923	153,467	
Total cash revenue from National Insurance premiums	15,001	14,504	15,675
Backlog			
In collection	15,001	14,504	15,675
As % of the total revenue	8%	6.4%	
Non-collection due to backlog	1,871	1,488	1,348
Backlog as % of the backlog in collection	12.5%	10.3%	8.6%
Staff numbers	32,215**	29,230	30,547
Private taxpayers	1)	6,547	5,857
Business taxpayers	1)	10,435	10,787
Large Companies	1)	1,611	2,049
Customs	6,100	6,781	5,481
Tax and Customs Computer and Software Centre (B/AC) + Central Administrations	2,094	979	1,584
FIOD	372	642	788
Training courses	1)	1,650	263
Facilitation of Service Provision	1)	-	1,558
Other	1)	585	676

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- 1) In 1987 staff numbers were still based on the classification system of the old service which included, among others, inspections for direct taxes (9,800); inspections for corporation tax (1,100); inspections for turnover tax (3,300); customs (6,100); inspections for registration and succession (600); and the national auditing office (1,200).

DTCA GLOSSARY ("THE DUTCH CASE")

aangiftebelasting	self-assessment tax
aanslagbelasting	assessment tax
Afdeling Doelgroepmanagement	Target Group Management Division
Algemene Rekenkamer	Government Audit Office
Belastingeenheid	Local Tax Office
bovenwereld	legitimate world
Directieraad	Board of Directors
Divisieraad	Division Board
dwangbevel	distress warrant
eigen middelen (EU)	own resources
Europese Rekenkamer	Court of Auditors
facilitaire centra	facility centres
fiscaal-technisch	technical fiscal
formatie	staffing; staff numbers
fraudebestrijding	combating of fraud
functioneel overleg	functional meeting
Kaderbrief	Executive Staff Note
Landbouwhoefting	Agricultural Tax
Natuurschoonwet	Natural Protection Act
Openbaar Ministerie	Public Prosecution Service
opsporing	(fraud) detection
permanente opdracht	permanent task
Projectbureau Huisvesting	Accommodation Project Unit
Rijksgebouwendienst	Government Building Service
stafafdeling	executive department
stafdirectie	executive directorate
subproces	constituent process
taakopdracht	task definition
Uitvoeringsregeling DTCA	DTCA Regulations for Execution
Verbruiksbelasting op Milieugrondslag	Environmental Consumer Tax
Zeehavengelden	Seaport Duties

