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	“MINIMISING ERRORS IN TAX RETURNS” 4TH QUALITY CONFERENCE <u>for Public Administrations in the EU</u>	

1) Title of the case

MINIMISING THE NUMBER OF ERRORS IN TAX RETURNS

2) General description of the organisation and/or project

One of the conditions for the state to function properly and carry out the assumed objectives in economic and social terms is that its tax administration should also function properly and effectively, which is especially important in case of the collection of tax receivables. It is in every country that tax administration belongs to the basic civil services.

The core of tax administration in Poland is made by directors of tax chambers and heads of tax offices, who as organs of state administration are all subordinated to the minister responsible for public finances. The heads of tax offices perform their tasks through the tax offices they are in charge of. The Tax Office in Płońsk is one of 401 tax offices operating in Poland and one of 51 tax offices subordinated to the Tax Chamber in Warsaw. The area covered by the Tax Chamber in Warsaw is *mazowieckie* province located in the centre of Poland and comprising among others Warsaw – the capital city of Poland.

The most important tasks performed by heads of tax offices include:

- calculating or determining as well as collecting taxes and budget receivables, which are not of tax nature,
- registering taxpayers,
- receiving tax returns,
- performing tax control,
- dividing and distributing the budget receivables between the budget of the state and budgets of communes (*gmina*),
- performing administrative debt collection.


The Constitution of the Republic of Poland states that the tasks to be performed by the state shall be carried out in a reliable, unbiased and politically neutral way. In accordance with this assumption on 18 December 1998 the Civil Service Corps was established. Its members are among others tax office employees. At present we employ the staff of seventy four, 97% of whom are members of the Civil Service Corps.

3) The main content of the case

Apart from some exceptions the Polish tax system imposes on a taxpayer the obligation to calculate the tax to be paid and transfer it to the account of a tax organ in time as well as submit an appropriate tax return. At present we deal with more than sixty seven thousand taxpayers including nearly four thousand entrepreneurs. In the year 2005 we received almost one hundred and seventy thousand various tax returns along with appendices. The purpose of the implemented practice was to minimise the number of errors made by citizens in their tax returns submitted to the Tax Office. We based the project on two main pillars. The first of them consisted in promoting information concerning tax issues among various target groups as well as trainings and seminars, which was done in cooperation with public and private organisations operating in the area covered by the Office. The other one dealt with modification of the organisation of work. It consisted in introducing procedures concerning the receipt and circulation of tax returns, which would make it possible to eliminate simple errors as early as the stage of the receipt of the documents.

4) The reasons behind the case

Good relationship between taxpayers and tax administration is a solid foundation for a well-functioning state. The quality of such relationship does inevitably affect the way citizens fulfil their tax obligations. In

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the ever changing reality of ours the tax services must have a clear vision of their objectives and constantly adapt their procedures to the changing needs on the part of the taxpayers so that they can as effectively as possible make use of their own resources and minimise the cost and severity of the public burden and benefits.

Taking the above mentioned points into consideration we started implementing this particular project at the turn of 2001 and 2002. The direct reason for our actions was the research on the number and kinds of errors occurring in tax returns submitted to the Tax Office. It turned out that for PIT-37¹ tax returns the percentage of the documents with errors was as high as 6%. The most frequently made errors involved formal mistakes (for example lack of signature) or miscalculation. A large number of errors could have also been attributed to making use of the inappropriate limits, rates or tax free amounts.

Our clients' opinions and remarks suggested that in spite of the several years that had passed tax returns were still documents, which proved very difficult to fill in correctly. It must be stressed that Poland is a country characterised by very frequent changes in the tax law, which results from the political system transformation started in 1989 as well as the accompanying thorough reform of the Polish tax system. As a result of such a situation a necessity arises to provide a flexible and effective system of passing information to the involved parties. For the case that is being discussed here it is also important to remember the fact that in spite of the dynamic development of electronic devices and postal services all over the world including Poland in the years 2000 – 2001 more than 70% of all monthly tax returns and nearly 90% of yearly returns were submitted to the Office in person.

Another reason for taking action was the fact that in the system of return circulation each correction of an error entailed summoning a taxpayer to appear at the Office. Needless to say, it meant that both the Tax Office and the customer suffered in terms of time, money and in other ways.

5) The actors behind the case

The project was an element of the long term strategy and it involved many aspects of our work. It entailed both the internal reform of the Tax Office, that is in particular changes in the organisation of work and the actions taken in the area covered by the Office. We engaged whether directly or not employees from all organisational units of the office. It was the Head of the Office who directly supervised the process of implementing the strategy and the person responsible for the correct implementation of the project was the Head of the present Department of Taxpayer Service, Register and Identification.


While implementing the project we developed very active cooperation with public and private organisations, in particular with:

- the Town Office of Płońsk,
- primary and high schools;
- the Municipal Cultural Centre in Płońsk;
- the Commercial Chamber in Płońsk;
- Mazovian Agricultural Counselling Centre.

6) The process leading to success

The process was planned as one of the links in the long term strategy of quality development in the Office. We defined the general objective of the strategy as: "Achieving and maintaining the high level of customer satisfaction related to the tax services performed by the Tax Office." We conceived the vision which predicted arriving at the situation in which the Tax Office in Płońsk would be perceived as a

¹ PIT-37 – Tax return on the amount of income (or loss) in the tax year

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professional and trusted organisation, which does its best to constantly increase the quality of the performed services, in particular dealing with taxpayers and respecting their rights.

Carrying out of the general objective was based on several detailed ones including ***"Minimising the number of errors in tax returns"***. For the proper revision and monitoring we defined the following operational objectives:

- the number of yearly tax returns with errors,
- the number of monthly tax returns with errors,
- the number of tax returns submitted to the office in person,
- the number of tax returns submitted to the office by post,
- the number and cost of summoning taxpayers to appear at the Office.

For the effective and efficient performing of the detailed objective - ***"Minimising the number of errors in tax returns"*** we planned the following measures:

- entering data from tax returns in taxpayer's presence,
- systematic notification of taxpayers of the errors made most frequently,
- sending information materials and specimens of new tax return forms to taxpayers,
- running educational campaigns in schools,
- providing taxpayers with assistance outside the seat of the Tax Office,
- running trainings for entrepreneurs and farmers on a systematic basis,
- drawing up specimens of applications, petitions, declarations and notifications.

Entering data from tax returns in taxpayer's presence

As our analyses revealed (see points 3 and 4 for more details) the majority of mistakes made by citizens in submitted tax returns could have been eliminated at the stage of the receipt of the documents. However, to attain this objective preliminary check on the formal content and calculations had to be done and the data had to be entered on the computer system POLTAX² at the moment of return submission in taxpayer's presence. In such a situation a taxpayer could correct each identified though unintentional error immediately and on the spot without having to appear at the Office at some later time after having been summoned as a result of the performed check actions.

In the period from September to October 2001 we prepared the appropriate procedure and held trainings for our employees. The mock procedure took place in November and December 2001 and it involved monthly returns. In January 2002 we implemented the procedure for all tax returns submitted by citizens in person and it has been in operation ever since.

It must be added at this stage that the implementation of the procedure resulted in two additional benefits. The work efficiency increased and taxpayers' waiting time for the return of their surplus tax was shortened.


Systematic notification of taxpayers of the errors made most frequently

Since the year 2002 in the periods preceding the time for submission of tax returns we have been running intensive campaigns informing citizens about common mistakes. We most often make use of the local mass media, the Internet, the Infomat open 24 hours a day, notice boards as well as leaflets.

Sending information materials and specimens of new tax return forms to taxpayers

Since the year 2002 employees of relevant organisational units enclose information materials and specimens of new tax return forms while corresponding with taxpayers. Taking advantage of the good

² POLTAX – computer system dealing with tax returns, the same all over the country

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cooperation with the local mass media we use them to remind citizens of the approaching deadlines for tax return submission. This action aims at the elimination of one of the simplest errors, that is submission of a tax return on the form which is no longer used or failure to meet the deadline. Since the year 2003 we have been using the Internet for the same purpose.

Running educational campaigns in schools

In 2003 we prepared two training programmes directed at primary school students as well as high school students (mostly students from senior classes). We carried out the substantial part of the educational campaign in the years 2004 – 2005. In 2005 we combined our training programme with the campaign of the Ministry of Finance entitled "Where do we get money for these expenses – we all pay taxes". Altogether we held 70 trainings, which were attended by almost one thousand five hundred students.

Thus, the training programme for the youngest students among others consisted of a multimedia presentation explaining to them why their parents and close family have to pay taxes and what this money is spent on. One element of the campaign was educational games, which aimed at promoting the appropriate attitude while shopping, in particular keeping receipts. We put a lot of emphasis on organising competitions and in actual fact we did prepare and organise two kinds of contests. The first of them was an art competition entitled "Tax office in children's eyes" and it focused on the educational aspect. The other competition was addressed to teams consisting of all the students of the given class and their class teacher. The competition consisted in collecting the largest number of receipts and apart from its educational function it also had a significant preventative and control message in that it promoted turnover registration as well as transfer of VAT on the part of shopkeepers. The prizes were awarded during joint meetings with the Head of the Tax Office and the Mayor of Płońsk (who, by the way, is also a tax organ).

The educational programme for high school students included training on how to fill in tax return forms, introducing the basic elements of the tax system as well as acquainting the young as present or future taxpayers with the most important obligations concerning tax. This campaign aimed to shape a new generation of taxpayers, who are aware of their obligations, able to fulfil them in an appropriate way and get involved in the economic life of the area. We also wanted them to influence their parents in educational terms.

It must be emphasised that thanks to the cooperation which was started in that time and the experience gained, the training programme in a modified formula has been used ever since and it has become one of the milestones in our calendar of educational campaigns.

Providing taxpayers with assistance outside the seat of the Tax Office

Since the year 2004 during the period of yearly tax return submission (January – April every year) we have been meeting taxpayers at the "Civic Information Point" organised by the Municipal Cultural Centre. Most frequently our assistance concerns the yearly settlement of income tax. Our employees and department heads are on duty in the evenings. Our customers cannot pay a visit to the Tax Office in the working hours mainly because they cannot leave their workplace in that time.

Another form of the assistance we provide taxpayers with (especially the elderly and the disabled) outside the seat of the Office is the practice of paying a visit to people who for various reasons cannot leave their home.

Running trainings for entrepreneurs and farmers on a systematic basis

Creation of new jobs and the economic development of the area is what entrepreneurs are mainly responsible for. That is why we prepared for them a wide range of educational programmes and trainings, especially on value added tax. Farmers are another group which we find important in the social



and economic life of the area and it was for them that we organised trainings on VAT in farming and farm tourism.

It is not only important what message can be conveyed but also how it can be done. In order to assure professional training offer in the year 2004 one of our employees gained trainer entitlements. Bearing in mind the limitations which result from various kinds of disability we also prepared one employee to run trainings in the sign language.

Altogether in the years 2003 – 2005 we ran more than 20 trainings, whose beneficiaries were entrepreneurs and farmers.

Drawing up specimens of applications, petitions, declarations and notifications

Most of the tax forms, including tax returns are drawn up by the Ministry of Finance and introduced through the binding legal regulations. But it is not always the case. In order to make it easier for taxpayers to fulfil their obligations and take advantage of their rights in 2003 we drew up the first system of specimens of applications, petitions, declarations and notifications accounted for by the regulations of the Polish tax law. By making use of our specimens taxpayers avoid the most common error, that is failure to specify all necessary items.

In the year 2005 the system of forms underwent thorough reform during which among others we introduced interactive forms.

7) Results indicating the success


We drew up a system of monitoring errors in tax returns. The data is gained from the computer system POLTAX. Such monitoring and analysis are carried out on a monthly basis. Once a year operational objectives are defined and possibly improvement measures are planned. At present the above mentioned solutions are included in the system of quality management. The number of taxpayers being summoned is determined on the basis of the registers kept.

The results presented below and dealing with customer satisfaction concern the research done by means of quantity method. Such research is carried out on the premises at least twice a year. This task is performed by people that are not directly related to the office, for example trainees. Our customers are requested to fill in a short questionnaire. The satisfaction level specified in per cent is calculated as the arithmetical average of positive comments in 8 to 10 criteria concerning, for example the service time, employees' politeness, their competence or the availability of services.

No	Result	Year				
		2001	2002	2003	2004	2005
1	Number of PIT-37 tax returns with errors	1272	486	426	640	-
2	Number of customers being summoned to appear at the Office	4788	3153	2622	1847	1972
3	Cost of taxpayers being summoned to appear at the Office (EURO) EURO exchange rate as of 6 January 2006	7560	4978	4140	2916	3113
4	Customer satisfaction (%)	59,99	71,20	79,54	91,75	93,05

Table No 1. Results

The results of the last survey revealed that the local community and non profit organisations knew about the initiatives launched by the Tax Office. What is more, these initiatives enjoyed strong approval. We are entitled to say that at present our scope of business is not limited to collecting taxes only. As well as

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this, we also to a large extent shape the economic life in the area. The actions performed by the Office were appreciated by the local government administration, which particularly applied to creating a positive image of Płoński county and at the same time increasing its investment opportunities. The Head of the Office is invited to attend sessions of the Town Council of Płoński and the County Council which are devoted to the area development. Similarly, he takes part in negotiations with new investors, for whom the functioning of their prospective tax office is especially important. Such cooperation among others resulted in the county attracting an entrepreneur who provided 400 new workplaces

It is worth mentioning that we were invited and actively participated in the process of building the local partnership for the development of Płoński area. We took part in the work aimed at the creation of the Integrated Strategy of Rural Areas Development within the project **“Local Action Groups As Independent Rural Initiative”** from **LEADER+** programme.


In 2002 we were given the first award by the Head of the Civil Service in the competition **“The Friendliest Administration Office”**, which was organised under the patronage of the Chairman of the Council of Ministers. In 2004 we were also appreciated receiving the grand prize in the category **“For maintaining high standards of service quality.”** In the same year, in December our application submitted to the European Foundation of Quality Management was awarded **“Committed to excellence”** title after audit activities had been performed. On 13 June 2005 we received the honourable title of **“Entrepreneur Friendly Tax Office 2005”** in the third edition of the competition organised by Business Centre Club (BCC) and the Ministry of Finance. It must be emphasised that this prestigious award is even more important in that it is granted by the entrepreneurs themselves. In November 2005 we were the Laureate in the competition run by the Head of Civil Service and we received the title of **“The Most Modern Administration Office in 2005”** in the category **“Modern Administration Transparent for Everyone”**. This title was granted among others on the basis of the audit performed at the Office by employees of a non government organisation dealing with the transparency of the public life and appropriate functioning of democratic procedures.

8) The main obstacles of the case

One of the major obstacles occurring in implementing our practice is a large number of changes in the tax law. Fast changes are accompanied by short transition periods for the new regulations. As a result, our time to take actions is limited to minimum. Taking into consideration the fact that Poland is a country with insufficient access to the Internet on the part of its society we must look for alternative solutions. One of the advantages of our activity is that we developed very good cooperation with the local mass media (the press and the radio), which are very fast at responding to our requests concerning publicising information that is significant for taxpayers. Sometimes we have to seek for less conventional methods, for example announcements in in churches.

Apart from the benefits that have been elaborated before the implementation of the procedure of entering the data from tax returns on the computer system also forced us to introduce a number of new organisational solutions. It must be said that in spite of longer waiting time the adopted procedure is popular with the customers as they gain high likelihood that the submitted tax return is correct and they will not have to face the inconveniences related to being summoned to appear at the Office. In order to prevent queues and problems related to them, on selected days of the week we introduced the nine hour working days. Additionally, in the periods preceding the time for submission of most popular tax returns we have duty hours in the evenings and on Saturdays. The “First Contact Point” located at the entrance to the Office is a place where customers may settle less complicated matters without having to enter the Customer Service Room.

While discussing the difficulties occurring in the process of implementing the project it must also be noticed that the local community (the area is mainly rural) has insufficient access to electronic mail, which is the cheapest and fastest way of passing information straight to the other party involved. At the moment we know electronic mail addresses of less than 1% of our taxpayers.

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9) Main sources of inspiration behind the case

The most valuable sources of inspiration and ideas are customers' opinions. That is why we pay so much attention to enabling customers to express their opinions on the functioning of the Office. We constantly enlarge the catalogue of tools which we make available for anyone interested.

We also seek for inspiration sources during our study visits to other state and local administration offices as well as private institutions. Similarly, we willingly host their representatives in our Office and we request their opinions on our organisation and solutions.

In our improvement mission we also take advantage of the tools recognised worldwide, such as ISO norms, especially 9000 series, or CAF Model as well as EFQM Excellence Model. Regular internal audits and reviews of the quality management system within ISO norms or self-evaluation on the part of employees and department heads within CAF Model or EFQM are the best opportunity to identify weak and strong points and select the most precious ideas for improvement measures.

The organisation of work in the Office benefited greatly from the participation in the program **"Friendly Administration"** run by the Head of the Civil Service. Completing a detailed survey and remarks on the part of the auditors from the Office of Civil Service were a chance to take a number of useful initiatives whose results have been beneficial ever since.

10) The most important lesson learned

Taking advantage of unconventional methods, for example a competition for children which consisted in collecting receipts while shopping, may be a much cheaper, more effective and friendlier way of supervising "tax control". If they are well planned and used systematically in the long run such methods both improve relationship with customers and society and contribute to the more effective performance of the statutory objectives of the Office. And it seems that there is nothing more valuable than voluntary fulfilment of tax obligations on the part of citizens.

ŁG/RZ

2006-03-29
Ewa Kołakowska
Deputy Head
(signed on original)