



Annex C8 – Case Study Spain

Annex to: Does e-government pay off?

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Appendix I: Literature, interview partners and sources of information

1 AEAT Spain

A portal for online tax declaration and other tax related services

1.1 Background information

Objectives

The Spanish Tax Agency (Agencia Estatal de Administracion Tributaria, AEAT) continuously tries to improve services with the use of ICT. The objective of AEAT is to develop and implement digital services and suggest legislative changes that improve service, usability and efficiency for all parties involved, including end-users. For tax payers this means AEAT helps to meet tax responsibilities, simplify procedures, and facilitate earlier tax refund. This report discusses the electronic services for businesses (among others the monthly filings of VAT) as well as for citizens (mainly the income tax applications).

Motives

AEAT has always considered internet an excellent tool to improve efficiency and services offered to companies and citizens. In 1996 the first services were offered via internet. The demand was much higher than expected and AEAT decided to include internet as the instrument to develop its informative and interactive services in its Modernisation Plan. From January 1999 it was obligatory for large companies to present their tax declarations via the internet to AEAT. SME's requested the same kind of service and since the third quarter of 1999 services are available to them too. Now the service is available for all types of taxpayers.

Organisations involved

AEAT is in charge of the effective tax and customs management at the national level and is the initiator of technological innovations regarding tax management. A multi-disciplinary team was created in the Tax Computing Department to co-ordinate the development. The AEAT co-operates with financial institutes, as an extra channel of communication. Customers can file their applications through banks, for example.

National e-government context

Spain was the first country in the European Union to offer online tax filing and has become an innovator in the area of online taxation. However, the overall e-government maturity of Spain is not yet high. Programs are traditionally developed alongside departmental or regional lines with little co-operation and open communication.¹ The Spanish Government presented its new e-government plan in May 2003

¹ Benchmarking E-government: A global perspective. Assessing the progress of UN Member States. UN DPEPA and ASPA, 2002.

(“*Plan de Choque para el impulso de la Administración Electrónica*”). This document sets out the renewed strategy and action plan to implement e-government in Spain. The objective is to re-launch the drive towards electronic public services with a “sharp choc”. The plan comprises 19 measures that will have to be implemented by the end of 2005, and are organised around 4 strategic axes:

- Facilitate the access to electronic public services for all citizens.
- Develop interactive and transactional services that meet users’ needs in terms of usefulness, accessibility and sophistication.
- Enable data and information interchange between administrations, at the central level but also with regional and local administrations.
- Support the internal change and re-engineering efforts of public administrations.²

Major projects have been set up to improve the public administration using ICT. National identification and sharing administrative information are two examples of recent issues the government is facing. Collaboration between several public organisations is important for the success of these projects.

1.2 Process description

Actual situation

The many services provided via the internet are organised according to the type of taxpayer (large companies, SME’s, tax practitioners, professionals and other taxpayers). Tax declarations are filled online and tax payments can be made by online banking. For filing tax return, citizens obtain a Digital Certificate from the Spanish Federal Reserve. For businesses, the AEAT portal offers services like declaration of corporate tax and VAT.³

The majority of services have been developed and implemented following the same template as the VAT declaration which is described here (also see figure 1). Information submitted by users is stored centrally for reuse. After a company has submitted its information it is informed about the amount to be paid. Payments can be made by normal means or through the AEAT portal. In this case a digital signature can be used, provided by AEAT. After validating the server connects the user directly to the associated bank. Payments take place using a NRC (complete reference number). After this the company submits the declaration (digitally signed and with the NRC). CERES (the Spanish identity management organisation) and trust centers check the signature and the NRC is checked with banks. If a refund should be made, the application sends the information to the refunding system, where order to refund is generated. Before making the payment the system checks whether the company has any debts. If yes, the refund is used to pay this debt.⁴ Many tax related services have been developed since.

² E-Government Factsheet Spain, <http://europa.eu.int/ISPO/ida>

³ Upgrade, Volume IV, Number 2, April 2003. www.upgrade-cepis.org

⁴ Backoffice reorganization. Danish Technological Institute and Institut für Informationsmanagement Bremen. 2004.

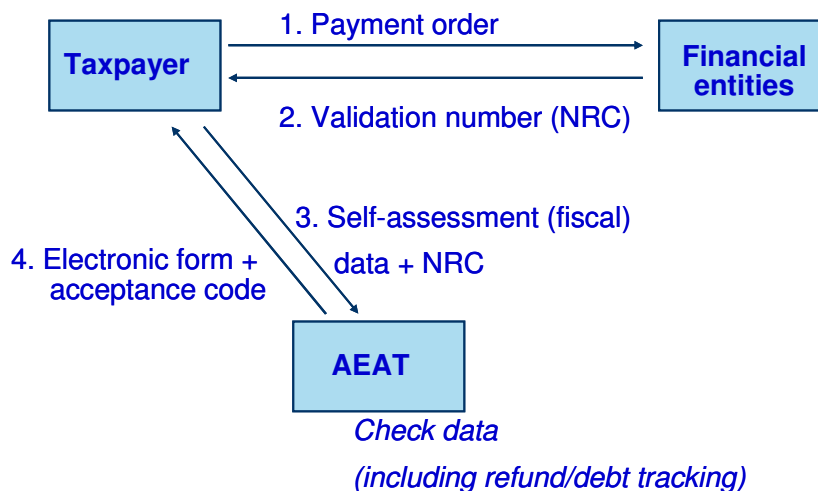


Figure 1: Electronic filing process

Main differences

The majority of processes and working routine between the different organisations involved were already in place before the electronic services were created. The process has been automated, which means, with respect to the administration and checking of applications, a lot of work no longer has to be done manually, and involves less paperwork.

Ten years ago all the processes were already in control and systems were prepared for future developments. Therefore, major challenges had to do with the integration of front and backoffice ICT-systems, integration with banks, security issues and the legislative frameworks.⁵

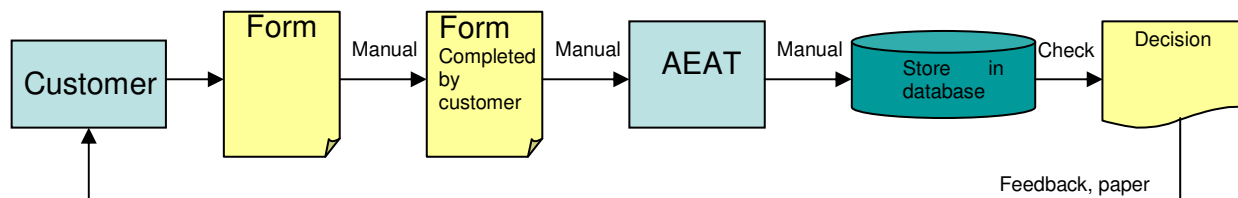
Channel for income taxes 2002	Specifics	Process time
Paper forms	Traditional procedure, customers fill in a form, manual filing process.	About 80 days
PDF-files	Customers receive a prefilled form with a unique code, customers check and sign the form. The unique code makes the processing easier and faster.	About 20 days
Internet (since 1999)	Forms are submitted online, using a NRC for authentication. Automatic filing process.	About 7 days
Intranet	Forms are submitted through intranet by an employee assisting the customer at the desk or by telephone.	About 7 days

Table 1: Channels for filing income taxes in 2002

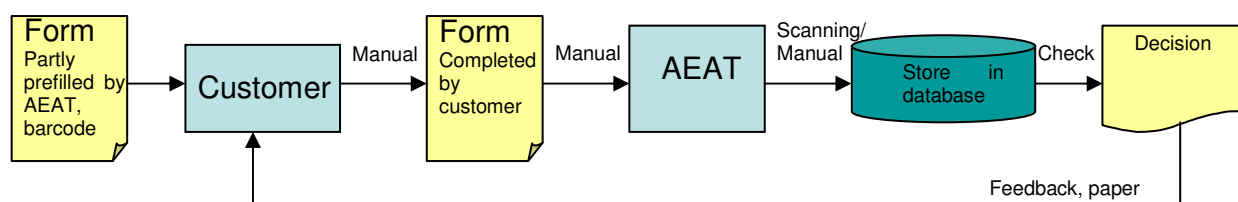
⁵ Backoffice reorganization. Danish Technological Institute and Institut für Informationsmanagement Bremen. 2004.

The differences between the processes using the different channels are shown in the figure below.

Paper forms



PDF files



Electronic forms

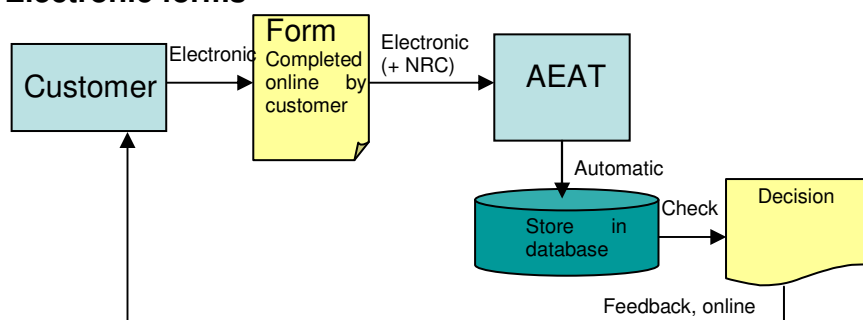


Figure 1: Filing process using different channels

1.3 Improvements

By using the internet, an extra channel for filing taxes has been made available for customers. Furthermore, the service level has been increased by improving the explanatory information (online, on paper and CDrom), and the helpdesk-function. This way actual customer contact with the AEAT is avoided as much as possible. The customer can find a lot of information online, general information as well as specific information about applications.

The workflow regarding the processing of applications is easier, for customers and for AEAT. Less processing time is needed for electronic applications and the amount of paperwork has been reduced. First of all, thanks to the use of PDF-applications (with a unique barcode), and, more important perhaps, the online services. This way the

number of errors is also reduced. The potential savings in process time and costs are high using the internet services.

The use of internet meant AEAT needed a high security level to protect information and customers's privacy.

AEAT continuously improves the service level by optimising existing services and adding new innovative services. For example, AEAT started a pilot for accepting pre-filled tax notifications (the forms are already filled in). Customers can accept by phoning, via the internet or by sending an SMS. Furthermore, transparency is increased by offering detailed information online, about AEAT, service and information about the process on applications. The procedure to provide digital (tax) certificates is also an example of a simplified procedure to service customers and improve efficiency.

1.4 Returns on investment

For customers

Customers are more flexible, they can present their declarations at any time (24/7) at any place (no physical presence needed). This saves both time and costs. Transparency is high, the internet offers comprehensive information about the taxation process, customers can track and trace their own filing information and consult the AEAT online. The service-level is high and is growing continuously thanks to new services offered, and the improvement of existing services.

For AEAT

In general, the objectives of the organisation (to combat fraude and service the tax payer) can be better achieved using the digital services.

Reducing red tape, transaction time and costs were important reasons to start offering electronic services. Over 22,000 large companies now file monthly through the internet-channel, they represent more than 600,000 filings a year.

<i>The monthly filings of large companies (VAT) used to take AEAT 2 months in order to get the quality of data right. Now, one day after filing all information is available.</i>

This is a major improvement, at the organisational level as well as macroeconomically. Although large companies form only about 1% of the total business, they represent 70% of the total income.

Since it is obligatory for larger companies to use the digital service, this means the saving of costs is relatively high, although there are no figures available to sustain this. For other taxpayers the use of digital services is not obligatory, but the number of users is growing.

With respect to the income taxes (for citizens), all online filed applications are almost free of process cost, except for development and maintenance of the system. This

now is about 12% of the total amount of almost 15 million declarations (see table below). Before it would take about 80 days to process and finalise an application for income taxes and get the quality of data right. Now, using the PDF-files with the unique barcode, this takes less than 20 days and using the internet it takes about 7 days.

Income taxes 2002	Number of applications
Total	14.761.232
PDF (barcode forms)	11.366.298
Internet forms	1.720.115
Manual	925.819
Other	749.000

Table 2: Channels and number of applications for income taxes

The quality of data has improved because less errors are made because of controls in the program and because it is easier to identify and correct errors once they have been made.

The customer satisfaction is good, but not growing in spite of the efforts to improve the service level. AEAT thinks this is due to the growing expectations of customers regarding electronic services. In 2000 and 2001 87% and respectively 81% of the customers were satisfied or very satisfied.

1.5 Changes in the backoffice

Organisation

As stated above, the process itself has not changed much due to the use of electronic services. Therefore, the organisation itself has not changed much either. However, there are some backoffice changes which are worth mentioning.

Functions have shifted from administrative to more service related jobs. For example the helpdesk and call center functions have been created or extended. Also, ICT has become more important in terms of development of new services and maintenance of all the services offered, which meant a growing importance of and a growth in the ICT department.

Finances

It is difficult to give an exact estimate of costs for the development of electronic services since this was not a typical project in which investments were clearly distributed in advance. AEAT has been developing the services, building on the core systems and database already available. Step by step the services have been extended. The initial investments (development costs) have recovered, since operation costs are now much lower.

Policy and legislation

Tax legislation changes constantly in Spain. Every year the AEAT deals with administrative and technical adjustments due to changes in the legislation. With respect to the

electronic services, some laws that could have countered the AEATs' ambition have been harmonised. Furthermore, new laws have been created in order to make it mandatory for larger companies to use the online service.

However, some barriers still exist in the legislation. For example, the law prescribes that for every application an administrative act is necessary. This process can, of course, be simplified if this administrative act were to be replaced by an automatic transaction. Efforts are made to change this.

Personnel

A lot of paperwork (for example typing over applications) has been eliminated and new requirements and functions for personnel were needed. Also the electronic services have made it more necessary to invest in ICT-skills. However, it's difficult to say this growth is due to electronic filing only. In general the number of employees is stable, but the amount of work is growing since the number of taxpayers is increasing every year.

Administrative organisation

The administrative process has changed due to the electronic processing as mentioned in paragraph 1.2. AEAT wishes to enlarge the number of applications filed through the internet, and is also trying to improve the service level by sending drafts of the application in advance. If correct, customers can accept the data by sending a confirmation via internet, sms, telephone, et cetera. This means an administrative change of the process as well.

Information flow

As mentioned earlier on, the security level was an important issue. Customers are still reluctant to use and fully trust electronic services. This is why a more expensive and demanding solution has been implemented in order to ensure the highest possible security level.

For the identification of users identification numbers are used, in co-operation with financial organisations (NRC's).

Technology

AEATs' strategy was to build around the core that was already there. Design and implementation has been relatively easy since new services are based on the existing and integrated ICT infrastructure and central database. Open standards are used to be able to communicate with third parties and to process data filed. A high level of active and passive security is guaranteed. AEAT has an integrated vision about information systems. Co-operation with other organisations in exchanging information (even outside Spain) is considered an opportunity rather than a threat.

Communication

For the large companies the use of electronic services is obligatory. Some other groups were targeted by marketing efforts which were meant to ensure a high uptake

of the service. SME's should be stimulated more to start using electronic filing, since they can benefit most. Therefore, the training of this group will be more intensive. The percentage of manually filed applications is fairly low (less than 1 percent in 2003). Other forms are PDF-files (with a unique barcode, this is the largest amount), internet and the intranet (customers requiring assistance). To improve the internet use, support services are being developed (information on the internet, CDroms, online assistance, et cetera).

1.6 Change approach

AEAT was set up in 1992. In 2002 the cost of collecting 100 euros in gross terms was € 0,68, which is highly efficient compared to other public organisations in the rest of Europe. The high level of computerisation, the level of co-operation with third parties (such as financial institutions acting as collection partners) and the high qualifications of the staff are some of the reasons for this. AEAT is an innovative organisation, i.a. due to its management and director. The plan to develop electronic services was described in the Tax Agency Modernisation Plan (1998).

Within AEAT the IT-department is at the same strategic level as the other tax related departments. Within the departments technical and fiscal experts work together for a better fit. This shows that AEAT thinks ICT is important to innovate. AEAT hires no interim or external people for higher management positions, for reasons of continuity. Some other national e-government projects are very innovative as well. A problem in the Spanish situation is the co-ordination and data sharing between central, regional and local administrations. The co-ordination is difficult and there is no interchange standard yet. However, regarding electronic tax services, AEAT is the only party, which means they have been able to set the standard.

The main drivers have been the possible reduction of process time and costs. The change approach is characterised by the step by step approach, building around the already available core database. No entirely new hard and software has been installed. To the core new (internet)services have been added. A multidisciplinary team within the AEAT has been set up for the preparation and development of electronic services, all parties involved had a say in the design.

In 1998 there was a 6 month pilot and from the first of January electronic filing was obligatory. In this 6 month period only 5% used the electronic filing. The electronic services are based on user demands. At the start the large companies were contacted to develop electronic services that would fit the customers' needs. For example, tax advisors have also been involved to create specific services for this group.

In the beginning there was some opposition among the large companies towards their obligation to file electronically. Now companies are asking for more and more electronic services.

1.7 Main findings

The following table summarises the most important improvements, returns on investments and changes in the backoffice, as described above.

Improvements	<ul style="list-style-type: none"> • Creating an extra channel • Digitised processes • Extra services online • Less control necessary regarding information and systems • Less actual contacts (physical and by telephone) with customers • Possibility of tracking and tracing
Returns on investments	<p>For customers:</p> <ul style="list-style-type: none"> • Access 24/7, flexibility • Reduced process time • Higher service level • Transparency <p>For organisations involved:</p> <ul style="list-style-type: none"> • Better realisation of organisational goals • Reduced paperwork and red tape • Less errors, higher quality of data • Reduced transaction (process) time and therefore cost reduction (for example almost no process costs for online filings) • Customer satisfaction
Changes in the backoffice	<ul style="list-style-type: none"> • Less administrative work, more service related work • Changes in legislation • Growing importance of ICT • Marketing efforts to increase the use

Table 3: Summary of main findings

Main successfactors for this case

Looking back, the following aspects are typical for the AEAT-case, and have contributed to the success of it.

Innovative organisation

The success of the development of electronic services is partly due to the innovative character of AEAT. Innovation is an obvious necessity for AEAT. ICT is considered as an important tool to improve services, and receives attention at a strategic level. At the operational level, ICT is strongly embedded in the organisation. The structure of the organisation helps AEAT continue to be innovative.

Keep the technology simple and develop step by step

AEAT has developed the already available database by adding new services and tools. Changes have been gradually introduced; both AEAT itself and customers have had the time to get accustomed to the new services.

Regulatory framework and marketing efforts to increase user uptake

AEAT has made it obligatory for large companies to file electronically. Since the filing process is a monthly process, and the large companies represent 70% of total income, major improvements have been made with respect to process time and administrative costs. Also, information is available directly after filing. Although the large companies showed some resistance in the beginning, they are now very satisfied and ask for more services online.

Marketing efforts have been targeted at other target groups in order to encourage the use of online declarations. Also, investments have been made to improve the supporting services, to help customers file electronically. This has contributed to a high uptake that brings along yet more savings.

I Appendix I: list of literature and sources of information

Spain

List of Literature

Backoffice reorganization. Danish Technological Institute and Institut für Informationsmanagement Bremen. 2004.

Tax Agency, Ministry of Finance. AEAT. 2005.

Several presentations and other documents provided by AEAT and Capgemini Spain, among others:

- Online services offered by the Spanish Tax Agency, AEAT
- Spanish Tax Agency online services, Capgemini

Websites

www.aeat.es

europa.eu.int/ISPO/ida

www.upgrade-cepis.org

Interview partner

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