ISTD'S STOP-FILERS PILOT PROGRAM

May-November 2010

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A. GENERAL INTRODUCTION

Stop-filers are taxpayers who have registered at some time in the past and have filed tax declarations, but have stopped filing.

There are currently more than 500,000 registered taxpayers for income tax purposes in the ISTD's registration database (not including the more than 400,000 employees on record). These 500,000+ registered taxpayers represent:

- 427,000 individuals (non-employees)

- 59,000 partnerships; and

- 20,000 corporations

Yet, only 85,500 of the 500,000+ are active taxpayers ("active taxpayers", internationally, are defined as registered taxpayers who are actually filing income tax returns). It has been "estimated" by some ISTD officials that around 250,000 of the TINs in the Taxpayer Registry database are TINs of personal income tax Stop-filers. The rest are "electronic files" (temporary TINs); TINs of deceased or out-of-business taxpayers; and TINs of registered taxpayers who are not required to file tax returns for one reason or another. The number of GST Stop-filers is much lower but the exact number of income tax and GST Stop-filers has been difficult to determine because:

- The Taxpayer Registry is huge; has a lot of irrelevant entries; and urgently needs to be cleaned up;
- There are always a number of tax returns actually received at various ISTD offices but not timely keyed in, verified and posted to the server, when Stop-filer lists are prepared;
- The Stop-filer lists developed periodically by the Tax Compliance & Operational Management Directorate and the Field Directorates from the Stop-filer sub-system database produce different listings than the Stop-filer lists produced, after consulting the Taxpayer Registry, through the Information Technology Directorate for the same periods; consequently, the Stop-filer sub-system database is of limited use only;
- The Tax Compliance & Operational Management and the Field Directorates have inadequate direct access to the Taxpayer Registry database necessary to produce accurate Stop-filer lists independently, without having to make requests for the lists every month from the Information Technology Directorate, which has a very heavy workload always;

- The Tax Compliance & Operational Management Directorate has never been able to determine from available lists which are active taxpayers required to file in order to calculate the compliance rate for any field Directorate at given dates;
- A Case Management System to assign individual cases for each Stop-filer to specific Auditors; control; and timely resolve each case has not been developed; and

The ISTD's Strategic Plan for 2010-2014 acknowledges the serious ISTD's Stop-filer problems and directs, with its operational objective No. 7, that: "The Stop Filer System will be implemented and maintained in all Directorates".

B. ISTD/FRP II STOP-FILER COMMITTEE

A Stop-filer Committee has been appointed by the Project Committee headed by the Director General to work with FRP II advisors to design a more effective Stop-filer Program in support of the ISTD's Strategic Plan's operational objectives. The Stop-filer Committee is comprised by representatives from Tax Compliance & Operational Management, Information Technology, Returns Processing, Cashier, the Industrial MTO and FRP II Advisors. The Stop-filer Committee has designed a Pilot Program to be executed on Stop-filers of the Industrial MTO during a 6-month period.

C. OBJECTIVES OF THE STOP-FILER PILOT PROGRAM

The main objectives of the Stop-filer Pilot Program are:

1. Support the ISTD's Strategic Plan's operational objective #7.
2. Analyze current methods, procedures and coordination among Directorates for compiling Stop-filer lists and make improvements which will routinely and consistently produce accurate listings throughout the ISTD, without having to request the lists from the Information Technology Directorate, which is hard-pressed to meet all requests;
3. Secure and file all delinquent returns due and refer taxpayers to Collection and FU for payment of all tax, penalties and interest due;
4. De-register and remove from the Taxpayer Registry all TINs of taxpayers found to be deceased, insolvent or no longer liable to file for any other reasons;
5. Test the mechanisms and tools for case controls, case-management, and Management Information System (MIS) reports being introduced for the Pilot Program;
6. Improve on-going coordination and cooperation among all the Directorates involved in Stop-filers program activities;
7. Analyze the results of the Pilot Program and report the results and recommendations to the Stop-filer Committee and the Project Committee for possible implementation of the Pilot Program's main features throughout the ISTD, after necessary adjustments; and
8. Incorporate the Pilot's final procedures into an operational manual for mandatory use by all Directorates involved in the Stop-filer program.

D. KEY FEATURES OF THE STOP-FILER PILOT PROGRAM

The key features of the Stop-filer Pilot Program are:

1. Stop-filers of the Industrial MTO targeted for the Pilot Program will be identified and selected from
   a. Stop-filer lists developed May 15 for GST for the Feb-March 2010 tax period;
   b. Stop-filer list developed May 15 for SST 3+3 tax period (Mar 2010); and
   c. Stop-filer lists developed June 15 for the 2009 Income Tax period

2. To insure accuracy, the Stop-filer lists for the Pilot will be developed jointly by Committee members from the Tax Compliance & Operational Management Directorate; from the Information Technology Directorate; and by the designated representative from the Industrial MTO;.
3. The Committee members will also contact Returns Processing to determine if any of the Stop-filers listed have actually filed returns timely or late, but the information has not been input (keyed in) to the database;
4. The execution of the Pilot Program will be carried out by a staff of four: two Stop-filer Program experts from the Tax Compliance and Operational Management Directorate (of which one will be the Team Leader) and two Auditors from the Industrial MTO. All 4 will be relieved of normal duties to work Pilot Stop-filer cases on a full-time basis during the term of the Pilot Program;
5. New Case-Management System and Management Information System (MIS) reports are introduced;
6. The duration of the Pilot Program will be 180 days from the launch date on May 15, 2010; and
7. Bi-monthly progress-on-objective reports will be submitted by the Team Leader to the Tax Compliance & Operational Management Directorate.

E. CASE-MANAGEMENT TOOLS, CONTROLS & MIS REPORTS

Stop-filer Programs of many Tax Administrations around the world have moved away from working solely with Stop-filer lists. Instead, from the Stop-filer lists, individual cases have been prepared for each taxpayer shown on the list. Each case has been assigned to individual Compliance Officers, or Auditors, for contact with the taxpayer and resolution of the case in one way or another. At the time of assignment, a case control has been established and maintained at an appropriate supervisory/management level for supervisory monitoring of the work progress of each case periodically and insure that action is initiated and completed timely on each case. The case-management system also provides case-history tools for consistency in documentation and reporting by the various Auditors of actions taken on each case.

The Case-Management System, as described below, is part the ISTD's Stop-filer Pilot Program.

1. Stop Filer Case

A Stop-filer Case Form has been designed to be prepared for each delinquent taxpayer selected from the Stop-filer lists to be worked in the Stop-filer Pilot Program.

- Part 1, page 1 of the Form is the case-assignment copy (See Attachment 1);
- Pages 2-4 of Part 1 are the case documentation/history sheets intended to provide some degree of consistency in documentation among Auditors (See Attachment 2) which would be useful for making progress-on-objectives reports. However, the Pilot's Team members may add or omit any documentation on pages 2-4 of the case history which is or is not pertinent in any of the cases.
- Part 2 of the Form is the monitoring copy to be retained by the Team Leader, until the case is closed (See Attachment 3).

Again, the ongoing documented data by Team members on Pages 2-3 of Part 1 of each Stop Filer case at the time the case is closed will provide most of the data needed for Management Information System (MIS) reports.

2. STEPS IN EXECUTION OF STOP-FILER PILOT PROGRAM

Each of the 4 members of the Stop-filer Team has extensive work experience and considerable Auditor skills. Therefore, this document does not presume to list all the steps which they already know are needed to work each Stop-filer case. Instead, only a summary of steps is described below.

a. The final Stop-filer list for Industrial MTO's Pilot Program cases will be developed, after reconciliation with the Information Technology Department and Returns Processing on May 15 for GST and SST cases and on June 15 for Income Tax cases;

b. The Team members will rank or prioritize and first select those Stop-filers from the lists which may represent the greatest revenue risk/potential;

c. For each case selected, a Stop-filer Case "assembly" (Part 1 and pages 2-4 and Part 2) will be prepared;

d. Cases selected in the first round will be divided among the 4 Team members; and as cases are completed, more cases will be selected and assigned;

e. Part1, with pages 2-4 will be assigned to each Team member, and Part 2 will be kept for monitoring purposes by the Team Leader for periodic follow-up;

f. The full range of actions necessary to resolve each case will be taken, including:

   i. Contact of the taxpayer by telephone and/or at the taxpayer's address;

   ii. Secure of all delinquent tax returns and referring taxpayers to Collection & FU to make payments of taxes, penalties and interest due;

   iii. Refer taxpayers unable to pay in full for installment agreements or for enforcement to Collection & FU;

   iv. Issue preliminary and administrative assessments on GST cases or refer Income Tax cases to the Audit Division for preliminary and administrative assessments;

   v. Close cases and de-register TINs for deceased or insolvent taxpayers; and

   vi. Close and fully document cases on taxpayers which cannot be located.

F. REPORTING PROGRESS ON OBJECTIVES

Progress-on-objectives reports will be submitted by the Team leader to the Tax Compliance and Operational Directorate every 15 days starting on May 30, 2010 and until November 15, 2010. Team members will then participate with the Stop-filer Committee to evaluate the Pilot Program.

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