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# Pilot

## Unregistered/Non-filer Compliance Program Income & Sales Tax Dept. (ISTD)

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# **PILOT UNREGISTERED/NON-FILER COMPLIANCE PROGRAM INCOME & SALES TAX DEPT. (ISTD)**

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## **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

# **A. General Introduction**

The problem of the ‘black’ or ‘informal’ economy is a serious problem to tax administrators all over the world but particularly to those with developing economies. Non-filers are taxpayers who have never registered for tax and consequently have escaped paying their tax obligations. These are the people who conduct their businesses or professions “under the radar” and go largely undetected.

In Jordan, there are many unregistered taxpayers who should be in the taxpayer registry and are not, particularly those liable for personal income tax. One of the conclusions cited in the Benchmarking Exercise Report completed in February 2010 by members of FRP II’s DAI/USAID is that in Jordan, GST and corporate income tax (CIT) collections are high, but collections of personal income tax (PIT) are very low compared to international and regional-country averages.

This document launches a Non-filer Pilot Program to assist the ISTD’s overall efforts to significantly strengthen its Income Tax and GST Non-filer Compliance Program, particularly for Income Tax.

# **B. Summary of ISTD’s current Non-filer Compliance Program**

Several ISTD Directorates routinely conduct a variety of compliance activities to detect potential non-filers. The main activities by the various Directorates are:

Matching information about substantial financial transactions of potential taxpayers received from 3rd parties electronically or in CD format, with the ISTD’s taxpayer registration database. Most 3rd-party document matching activities are being conducted by the Information Directorate at Headquarters, with assistance from the IT Directorate. Some potential non-filer cases identified are transmitted to the Tax Compliance & Operational Management Directorate for assignment to the field Directorates for contacts and resolution; and  
Conducting field surveys or searches periodically “door-to-door” within particular geographic areas, to find all owners or operators of businesses and professionals (doctors, lawyers, etc.) engaged in taxable activities not registered with the ISTD. Field surveys are conducted by the staff of the 13 STOs, whose taxpayers are largely located within specific geographic boundaries.

For policy and planning purposes of the ISTD, the Information Directorate currently gathers and processes yearly information from more than 127 public institutions about natural persons, partnership and corporations regarding public tenders, purchases, rentals, Customs declarations, licenses etc. of businesses throughout Jordan. The information is now received on CDs, but the Information Directorate will soon establish and be able to receive and process information via e-links with 67 of the public institutions. In addition, all registered taxpayers with annual turnover of above JD 100,000+ file yearly CDs with information about their providers of services, supplies, etc. with the Information Directorate.

The staff of the Information Directorate has the ability to and does match much of the 3rd-party information received about natural persons, partnerships and corporations against the Taxpayer

Registry. The information gathered routinely contains the National ID number for each natural person, corporation and partnership, as does the Taxpayer Registry. Matching queries in the Taxpayer Registry can be either or both, by name and/or National ID number. Therefore, the matched results to detect unregistered taxpayers are usually very accurate.

Some matches not found in the Taxpayer Registry and determined to be high priority for possible referral to field Directorates are assigned a temporary TIN, which is input into the Taxpayer Registry database. Each temporary TIN assigned is preceded by the Tax Status Code “77”, unlike the permanent, confirmed TINs, which are all preceded by the Tax Status Code “71” in the Taxpayer Registry database. Temporary TINs are commonly referred to as “electronic files” throughout the ISTD. It is important to note, however, that temporary TINs in the Taxpayer Registry database are not included in the “universe” of permanent TINs in the Taxpayer Registry and can remain in the database indefinitely.

Periodically, selected potential unregistered/non-filer cases with temporary TINs are referred on non-filer lists to the Tax Compliance & Operational Management Directorate for prioritization and assignment on non-filer lists to the various Field Directorates and resolution of the non-registration/non-filer status. Unfortunately, the follow-up actions and resolution rate of cases on the non-filer lists by field Directorates have generally been low because of other field work priorities; lack of coordination among Directorates; lack of control of individual listings on non-filer lists; and lack of a Case Management System.

## **C. International Best Practices to Detect High Volumes of Un-registered/Non-filers**

Because all Tax Administrations around the world have limited staffing and are unable to work one-on-one the high volumes of known or suspected non-compliance cases, several Tax Administrations have designed and implemented Centralized Fiscal Compliance Centers to perform high volumes of non-compliance cases from a central location through correspondence and telephone-contact methods.

Much of the work of Fiscal Compliance Centers is automated, including notices/letters sent by the automated system to taxpayers for the various types of non-compliance, including failure to register and file required tax returns. Automated taxpayer letters/notices alone have yielded very good results. For those cases not resolved by correspondence, compliance technicians on live telephone systems are assigned to continue contact efforts. Cases not resolved by relatively inexpensive correspondence or telephone methods are finally assigned to field operations offices for more costly follow-up and/or enforcement.

In every country where this concept has been tried, tax officials have initially been very skeptical about the usefulness of sending letters/notices to taxpayers requesting responses to non-compliance situations, but most have been pleasantly surprised at the high-response and resolution rate through correspondence. In fact, Centralized Fiscal Compliance Centers have usually been very successful. Some countries have experienced a yield on average of 15:1 for their investment in such centers i.e. an additional US\$15 in taxes has been collected for every US\$1 authorized and invested.

## **D. ISTD/FRP II Non-filer Committee**

A Non-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 Non-filer Program in support of the ISTD's Strategic Plan for 2010-2014, in which Operational Objective #2 states: "Raise efficiency and effectiveness of collection information activity and registering new taxpayers.....by increasing the number of registered taxpayers". The Non-filer Committee is comprised by representatives from the Information, Tax Compliance & Operational Management, and Information Technology Directorates and FRP II Advisors.

## **E. ISTD Pilot for Non-Filer Compliance Program**

The Non-filer Committee members have designed a 60-day pilot program to make effective use of the wealth of information available in the Information Directorate. One hundred five (105) suspected un-registered professionals under the jurisdiction of the Amman West will be identified, referred to the Tax Compliance & Operational Management Directorate and assigned for resolution to the staff of the Amman West Field Directorate. A representative of the Tax Compliance & Operational Management Directorate will go to Amman West Directorate to monitor the execution of the Pilot Program. Features of the Pilot Program include use of correspondence and telephone methods used by Centralized Fiscal Compliance Centers in other countries; mechanisms and tools for control and coordination of cases; and Management Information System (MIS) reports.

## **F. Objectives of the Pilot Program**

The main objectives of the Pilot Non-filer Compliance Program are as follows:

1. Test current methods and procedures for gathering and matching 3<sup>rd</sup>-party data to detect un-registered/non-filers, particularly for personal income tax (PIT), and make changes to current systems, if necessary
2. Improve coordination efforts among all the Directorates involved in handling respective responsibilities timely, efficiently and effectively on all Pilot cases selected, from start to finish;
3. Contact, register and bring into full compliance at least 70 of the 105 professionals selected for the Pilot during the 60-day period.
4. Analyze the results of the Pilot; make changes to the procedures and tools utilized; and report the results and recommendations to the Project Committee and the Planning Committee for possible expanded use of the Pilot's procedures and tools in broader Non-filer programs for all Field Directorates.

# G. Roles in the Pilot Program of the Various Directorates

## Roles of the Information Technology Directorate

To be effective, many required features of the Pilot Non-filer Compliance Program must be automated. Among the needs for IT support are the design and automation of Control Logs described below; Case Tracking Forms; and MIS reports. The various needs for automation support are described below in the respective roles of the various Directorates. IT support is critical from beginning to end of the Pilot Program

## Roles of the Information Directorate

For this Pilot Program, from available, matched information in his office, the Director of the Information Directorate has agreed to identify and select 100 professionals suspected of being un-registered and potential non-filers under the jurisdiction of West Amman Directorate. From the Professional Associations, the Director will obtain and provide updated contact information – telephone number and address – for each professional selected for the pilot.

The Directorate's staff will assign a case control number or "electronic file" if already assigned to each case selected. The 105 selected cases will then be transferred to the Tax Compliance & Operational Management Directorate for further handling.

## Roles of the Tax Compliance & Operational Management Directorate

The staff of the Tax Compliance & Operational Management Directorate will:

1. Enter pertinent information for each Pilot case on a Case Control Log (see description in the box below and a sample Case Control Log, Attachment 4);
2. Open a Case Tracking Form for each selected case, on which all relevant information will be documented, as the case moves through the various steps, from opening to closing. (See description and purpose of the Case Control Form in the box below and in the Attachment 3).
3. Mail an automated letter/notice to each of the 100 professionals to advise them that information obtained by the ISTD indicates they should register/file and pay all their tax obligations, and requesting they report within 10 days with the letter/notice to the West Amman Directorate – or to contact any of 3 designated, named Auditors - to register and file all required returns and pay all taxes penalties and interest. (Address and telephone number of the West Amman Directorate are shown on the letter/notice).
4. Promptly transfer electronically all Pilot cases and fully documented Case Tracking Forms, and note the transfer dates for each case on the retained Case Control Log;
5. Designate a representative to monitor the execution of the Pilot Program on-site at the Amman West Directorate;
6. Design and issue to the West Amman Directorate information-gathering tools and MIS reports for documenting and reporting to the Tax Compliance & Operational Management Directorate the results of every Pilot case and cumulative results, after 15, 30, 45 and 60 days;

7. Make available to each member of the Non-filer Committee periodic reports of progress on Pilot Program objectives; and
8. Jointly with other members of the Non-filer Committee, evaluate the results of the Pilot Program and report the Pilot Program's results and recommendation to the Project Committee for their consideration to report the results and recommendations to the Director General and the Planning Committee.

#### Case Tracking Form

The Case Tracking Form is the heart of each case. It begins its' journey at the opening of the case and moves through each stage of case development, accumulating all relevant information at each stage. In the first step the Tax Compliance Directorate will record the case control number and/or temporary TIN, name, address and telephone number as well as the date the information was obtained. For subsequent analytical purposes, the "information source codes" indicating which 3rd-party sources – Amman Municipality, Ministry of Industry & Trade, Customs (in this case, Professional Assn) – provided the information for case selection. (See Attachment 2)

#### Case Control Log

The Case Control Log contains the case control and/or temporary TIN, date case was opened, the taxpayer's name, and the date the case was closed. It also contains all information on the settlement of the case such as tax, penalty, interest assessed, etc; or whether the taxpayer was not located; or if the taxpayer was located and was already registered. The temporary TIN is the 'passport' number of each case and will uniquely identify each case. (See sample Case Control Log Attachment 3)

#### Roles of Amman West Directorate

The Director of Amman West Directorate will select a Team Leader and Team members and promptly assign to them all Pilot cases received, together with the Case Tracking form with each case containing previous documentation by the staff of the Tax Compliance & Operational Management Directorate.



The Team Leader will prepare a Case Control Log and enter on the Log all pertinent information for each Pilot case. The Team Leader and Team Members will then:

1. Handle each professional who reports to the office in response to the letter/notice as called for by current procedures, e.g. complete registration and secure all tax returns required; refer to Collection & FU for payment of taxes, penalties and interest due; or determine taxpayer is already registered; or proceed with current procedures for making preliminary and administrative assessments, where called for; etc.
2. Document all actions taken on each Case Tracking Form;
3. Document closure actions on the Control Log;
4. Complete as many cases as possible during the 60-day Pilot period, and at a minimum, either complete or launch work processes on all 100 cases; and
5. Make progress-on-objectives reports to the Tax Compliance & Operational Management Directorate as required.

#### Role of Anti-Fraud Office

At any stage in the execution of the Pilot, if substantial indications detected during development of any non-filer case point to possible tax evasion, the case will be transferred to the Anti-fraud Office immediately and the control documents will be so noted.

## **H. Steps and Dates for Implementation**

1. By May 4, the Information Directorate will identify 105 professionals (attorneys, doctors, architects, engineers, etc) and their latest contact information under the jurisdiction of the Amman West Directorate and
  - a. Assign each case a case control number or use an “electronic file”, or temporary TIN if the taxpayer has already been issued one ; and
  - b. Send the 105 cases to the Tax Compliance & Operational Management Directorate.
2. By May 9, the Information Technology Directorate, together with the Tax Compliance & Operational Management Directorate will determine methods to automate the Case Control Log, Case Control Form, and Management Information System (MIS) reports to monitor progress on objectives 15, 30, 45 and 60 days from launch of the Pilot Program (on May 16), and for overall evaluation of the Pilot Program results.
3. By May 16, the Tax Compliance & Operational Management Directorate will :
  - a. Prepare and send a letter/notice (Attachment 1) to each of the 100 cases;
  - b. Prepare a Case Control Log and a Case Control Form for each of the cases;
  - c. Transfer the 105 cases, each with its Case Control Form, to the Amman West Directorate; and
  - d. Monitor progress on objectives.
4. The designated Auditor Team in Amman West will work all Pilot cases and make reports to the Tax Compliance and Operational Management Directorate every 15 days, until completion of work on all Pilot cases to the maximum extent possible by July 15, 2010.

**-END-**



## **ATTACHMENT 1**

# **HASHEMITE KINGDOM OF JORDAN**

INCOME & SALES TAX DEPARTMENT (ISTD)

To:

Date:

Case Control or EF Number

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Dear Sir,

Income & Sales Tax Department information indicates that your business activities require that you register and file tax returns according to current tax laws..

Accordingly, you are kindly requested to visit or contact any of the persons named below at the Income & Sales Tax Department at the address shown below with a copy of this letter within 10 days from the date of notification to resolve your current status.

Thank you for your cooperation.

---

Director, West Amman Directorate

Telephone Number: \_\_5857611      FAX: 5856274\_\_\_\_\_

**Income & Sales Tax Dept – Amman West**

**7<sup>th</sup> Circle, behind British Airways Office**

**Contact Persons:      Loei Gammaz (Tel**

**Majid Zaatreh (Tel. 079072840)**

**Fuad Tarawneh (Tel. 0799055203)**

## ATTACHMENT 2

Unregistered/Non-filer Pilot Case

*Case Tracking Form*

*Case Control # and/or EF#*

### Basic Case Information

1. Name _____	
2. Address _____	
3. Telephone Number _____	4. Fax Number _____
4. Source of Information Code _____	5. Brief Details about Source of Information _____
_____	
_____	
6. Date Information Received _____	

### *Action Taken: Already Registered or Unable to Contact*

1. Contact made with Taxpayer – claimed already registered (details taken on case-history sheet). Verification made against registration database and registration confirmed as TIN _____. Case closed on Control Log.	
2. Unable to contact Taxpayer – details of attempts and actions to contact taxpayer:: _____ _____ _____	
Not Registered: Action Taken: Taxpayer Registration	
1. Action taken to register taxpayer on _____ (date). TIN _____.	
2. Action taken to update registration database on _____ (date).	

### *Actions Taken: Tax Declarations Secured*

1. All declarations and payments secured. (details on case history) Case closed. .	
2. All declarations collected but no/part payment. Referred to Collection & FU Department on _____ (date).	

## TAXES, PENALTIES AND INTEREST DUE

[illegible]

## Preliminary & Presumptive Assessments

1. Taxpayer contacted on \_\_\_\_\_ (date) but failed to file declarations; or taxpayer never responded to notices and other contact efforts
2. Proceeded to preliminary and administrative assessment procedures.
3. Preliminary assessment(GST) issued to taxpayer on \_\_\_\_\_ (date).
4. Referred to Audit Division (Income Tax) on \_\_\_\_\_(date)

Additional Information on Taxpayer at Taxpayer's business if Taxpayer Not Contacted

1. Name of Contact.....
2. Position in Business.....
3. Confirm                  Address                  and                  Telephone/Fax                  Number  
.....
4. TIN Number (if already registered).....
5. Any other Business Premises.....
6. Business Activity.....
7. Date Business Commenced.....
8. Number of Employees.....
9. Name(s)                  and                  Home                  Addresses                  of                  Business                  Owners  
.....  
.....
10. Type of Entity.....
11. Average Monthly Turnover.....
12. Is the Business Liable to file for Income Tax... .. GST..... SST.....

*ANY OTHER NOTES*

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## ATTACHMENT 3

## NON-FILER PILOT

## CASE CONTROL LOG

[illegible]

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**مشروع الإصلاح المالي ٢**  
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