

REFORM OF ORGANIZATIONAL STRUCTURES
-- Case for a Large Taxpayers Unit --

1. INTRODUCTION

The core purpose of Tax Administrations (T.A.) is the correct assessment and collection of **all** taxes under its jurisdiction, that are legally due to the State by taxpayers, on a timely basis. Historically, T.A. have faced a formidable challenge of effectively organizing scarce resources – human, real estate, equipment and financial – to achieve this purpose.

The situation is no different today, with ever increasing demands to produce more and more without corresponding increases in resources. Oftentimes, the response has been ‘knee jerk’ reactions, resulting in inefficient operations, or more politely, not operating at optimal levels of efficiency

Bearing in mind that the theme of this **20th General Assembly and Technical Conference of COTA** is “***Building Efficient Tax Administrations Towards Promoting National and Regional Development***”, the purpose of this paper would be firstly, to promote an awareness of the CRITICAL role played by the **Organizational Structure (O.S)** in building an efficient Tax Administration.

The need for FLEXIBILITY in the O.S. will be emphasized, as T.A. are required more and more, to continuously adapt (Reform) their structures to meet the challenges of an increasingly volatile environment. Very often this is not done timely and after many years when a ‘whole heap’ of changes become necessary, we then have to embark on a massive reform program to become relevant again.

A brief look will then be taken of the most common types of Organizational Structures used by T.A. over the years, in the unending search for optimal efficiency.

This would set the framework for our consideration of the designing of an efficient O.S. The establishment of a Large Taxpayers Unit in the Inland Revenue Division of Trinidad and Tobago (IRD) will be used as an illustration.

By way of conclusion we would ponder upon an Optimal Organizational Structure.

2. ROLE OF ORGANIZATIONAL STRUCTURES

The Organizational Structure can be compared to the skeleton of a body – the framework upon which every part is built to promote efficient and cohesive operations. Just as the body is affected if one bone is broken or out of place, so too the efficiency of the T A is affected by weak points in its structure. Just as the body adapts to changing environmental conditions, so too the O S of the T A must adapt to its changing environment.

Very often, it is in this ‘adapting’ that our Structure becomes weakened. Resources are spontaneously allocated in a piecemeal, haphazard manner, in a knee jerk reaction to a new challenge in isolation from the rest of the Organization. The structure becomes disjointed, confused and weakened. The T A must guard against this pitfall and always have an holistic approach to the allocation of it’s resources.

O S is the framework established by Management within which tasks and resources can be allocated, performed and co-ordinated for the sole purpose of achieving the Organization’s core purpose. It involves -:

- (a) Allocating the tasks required to fulfil the objective of the organization to suitable individuals or groups;
- (b) Giving each individual or group the authority and resources to perform the allocated tasks, while controlling their behaviour and use of resources in the interest of the organization as a whole;
- (c) Linking individuals in an established network of relationships so that authority, responsibility and communications can be controlled;
- (d) Co-ordinating the objectives and activities of the separate units so that overall aims are achieved without gaps or overlaps in the flow of work;
- (e) Facilitating the flow of work, and information through the organization.

In a normal commercial enterprise all this is done to deliver a good or service in exchange for a monetary return. The Tax Administration is in the unenviable position

of having to take money from citizens without directly delivering a good or service. This can be met with much resistance and administrators must perform a balancing act of encouraging citizens to meet their obligations voluntarily and forcing them to do so when that fails. Resources must be adequately utilized and distributed to achieve this two pronged approach.

2.1 Need For Balance and Integration

Jean Baptiste Colbert, a respected figure in French Public Finance, likened the art of taxation to the art of skinning a goose; in both cases one tries to obtain the maximum amount of feathers with the least amount of yelling and cackling possible.

Designing an Organizational Structure to achieve this goal is a hard, long, tedious process involving much trial and error and requiring great skill and patience. The frustrations may well tempt us to just let the geese make as much noise as they want – this may in fact be an effective method in dissuading would-be evaders. But we are cautioned against such an approach by Fernando Sainz de Bujanda who opined that in our times we “... must endeavour to find a point of equilibrium between the tax sovereignty of the State and the sacred rights of the human being ...” A proper balance must be struck between preventative and coercive aspects of promoting compliance and resources must be appropriately allocated as circumstances dictate.

As societies have developed, a marked move from a purely enforcement approach to a more cultured Voluntary Compliance approach is noticeable among Tax Administrations. Many resources are being allocated towards this effort of promoting compliance; in fact voluntary compliance has become the mantra of Tax Administrations. However, as desirable and effective as Voluntary Compliance may be, resources must also be allocated to detection and effective punishment of non-compliance, as there would always be an element of taxpayers who would seek to evade meeting their fair share of the tax burden.

This is essential, both in the interest of equity and also because any perception by compliant taxpayers of inequity in the system could negatively impact on any gains that might have been made through the promotion of voluntary compliance.

The law provides the measures to promote both voluntary and coercive compliance but it's the O S that provides the infrastructure to apply these measures.

A well organized Structure must also provide for an **integrated approach** to the entire process of the Organization. Through an integrated approach each function in the process is supported or weakened by the other functions. For example, selection of taxpayers for audit or collection activity can be adversely affected by deficiencies in the Registration process such as issuing of duplicate or multiple identification numbers.

2.2 Need For Flexibility

With the rapid strides made by economic and technological developments, the world has become a global village and the methods of doing business have changed drastically. Organizations must adapt themselves to meet these changes or face the risk of becoming ineffective or even obsolete. The experience of many Reform programs, certainly the experience of the IRD, has been that effective change could not be implemented without changes to the internal structure.

There is an old military maxim that says "its a poor plan that can't be changed". In the volatile economy in which we live today, this has taken on a dynamic new meaning. Sir Basil Liddell Hart wrote "Adaptability is the law which governs survival in war as in life". Replace the word war with business and we have an excellent motto for the T A today. The T A that is able to adapt to shifting conditions will be the one that will achieve their purpose efficiently.

New procedures cannot be successfully implemented in structures rooted in history and bureaucracy and that have evolved on a piecemeal patchwork basis. There must be a holistic approach to designing the structure. This requires first an understanding of the existing structure, a clear vision of the administration's objectives, identification of the obstacles preventing achievement of the objectives, determination of the organizational changes needed, and proper planning and communication for a seamless transition.

Let us now briefly look at the Structures in most common use by Tax Administrations and consider their advantages and disadvantages. This would help us reflect upon the structures within which we each presently operate and also serve to set the framework for an appreciation of the experiences of the IRD in adjusting its structure to become more efficient.

3. ORGANIZATIONAL STRUCTURES IN TAX ADMINISTRATIONS

There are a variety of approaches a T A can take to organize its resources to best achieve its core purpose. Basically there are three forms of O S commonly used by T A and they are based on -: *Type of Tax*; *Functions*; and *Type of Taxpayer*.

Most administrations follow one or some combination of these three models.

3.1 Type of Tax

Since the advent of Taxation this is one of the most common O S used by T A. Basically, each type of Tax (Income, Corporation, VAT ...) is administered by a separate department with each department performing basically all the functions required to administer the Tax for which it is responsible. Many modern Administrations have their genesis in this type of model. An example of this is the IRD which was so structured prior to the 1970's, when it was changed to the functional model following the example of the U.S.A, which itself changed from the type of Tax to the Functional Model in the early 1950's.

The main advantage of this system is that there is clear accountability and control for each tax. The head of each Tax Department is answerable for the administration of the tax under his control and has authority over a complete administrative office which allows for quick responses to any problems or change in circumstances that may arise.

However, the administrative costs of operating such a system is very high since there is a duplication of administrative function for each tax type. Each has its own computer system, own collections and processing unit, own audit units etc. Such a system is also not amenable to joint compliance programs such as simultaneous audits of Income and VAT returns. There are also separate tax offices in each location which adds to the cost of operations with duplications in real estate and machinery as well as personnel.

The cost of compliance to the taxpayer is also high since the taxpayer with multiple tax liabilities must of necessity deal with more than one tax department - each with its own offices and administration.

The disadvantages of the tax based organizational structure far outweigh its advantages and many countries have opted for one of the two more common alternatives – the Functional Type organisation and the Taxpayer Type organization.

3.2. Function

The key characteristic of this type of structure is that staff is grouped around the organizations essential functions or work processes. So a separate section is established to perform each major function – processing of returns and payments, auditing, objections, collections etc -. Each functional section is headed by a manager who is in a direct line of authority to the Administrations Head. Many Tax Administrations are organized along this line.

A major benefit of the Functional Organisational Structure is that it facilitates Taxpayers' compliance by establishing one department to address and be accountable for each major form of non-compliance for **all** taxes. So Audit addresses under-reporting, Collections addresses arrears of payments and stop-filers for **all** types of tax. Each manager is responsible for managing a specific administrative function for all taxes rather than manage all functions for a single type of tax.

Under this structure the Administration can then easily conduct comprehensive compliance programs such as joint audits of Income Tax and VAT and collection of all types of tax arrears by one Collection Section.

Another advantage is that it reduces administrative costs since administrative functions are not duplicated as under a Tax Type based organizational structure – e.g. all tax returns and payments are processed in a single section rather than by multiple tax type departments; all collections are done by one Collection Section in the department and by one officer collecting arrears for all taxes as opposed to one collecting VAT and another collecting Income Tax. It also allows the Tax Administration to economise on skilled managers and staff – eg. one IT manager can head the organization's Computer Systems Section rather than a separate one for each Tax Type.

Yet another benefit of the functional Organizational Structure is that it reduces the scope for collusion between taxpayers and tax officials thereby enhancing the integrity

of the system – the auditor raising an assessment is separate and distinct from the collector. The model also provides for an element of self-checking whereby the work performed by one function serves as a control on that of another function thereby reducing the opportunities for collusion or at least increasing the risk of detection. The model also provides for an independent Internal Audit Section that monitors all the functional sections thereby having the ability to follow the audit trail from start to finish and cover all taxes simultaneously.

The main weakness of the functional organization is that it provides poor service to the taxpayers. This arises as each functional section focuses on their aspect of the Taxpayers' affairs often in isolation from activities carried out by other functional sections. The problem is compounded by a tendency for the functional sections to operate disintegrated computer systems which complicates exchange of information. Thus, the Administration performs poorly in dealing with issues that cut across functional boundaries. For example, Data Processing may be more geared towards processing returns and neglect the updating of payments to taxpayers' accounts thereby affecting the efficiency of the Collection Section.

Most Administrations of developed countries operate on the functional model with a move in recent times to combine it with the Type of Taxpayer model eg. a Large Case Unit.

3.3 Type of Taxpayer

A third type of Organization Structure is the Type of Taxpayer or 'client based' model where staff are assigned to units that focus on specific groups of taxpayers usually based on taxpayers' scale of operations (large Taxpayers), form of ownership (partnerships) or economic sector (petroleum). This model primarily serves to ensure tight monitoring of those taxpayers who account for the largest proportion of tax collection, providing them with more efficient personalized services and ensuring collection of the large Tax Liabilities.

One advantage of this O S is that it strengthens the responsibility and accountability for achieving organizational outcomes. Under a functional O S , management cannot easily assign responsibility for achieving the Administrations ultimate objective because the objective cuts across the boundaries of several functional departments. A Type of

Taxpayer based organizational structure however, establishes a direct link between each section and its assigned set of taxpayers. This makes it easier to assess the performance of each section in achieving the objectives of the organization.

Another advantage is that resources can be better allocated to meet the risks posed to tax collection by different groups of taxpayers. Consequently, client based organizational structures commonly include a “large taxpayer” section to closely monitor the relatively small number of taxpayers who collectively account for the largest proportion of a country’s tax collection.

Like the other models, the Type of Taxpayer or client based organizational structure also has disadvantages. It may lead to an increase in Administrative costs by duplicating common functions across sections to process tax returns or pursue arrears.

Another disadvantage is that the client based O S depends largely on the availability of skilled managers and technical staff to redesign the administrations enforcement and educational programs so that they are better tailored to the circumstances of each group of taxpayers. High calibre staff is frequently one of the scarcest resources to many T A.. Without sufficient numbers of highly skilled managers, the introduction of a client based structure, in itself, may not lead to any significant improvement in the compliance of Taxpayers and may even result in a decline in compliance as the small numbers of skilled staff become too thinly stretched across the organization.

The structure may also lead to an inconsistent application of the tax laws across different groups of Taxpayers or may make the organization vulnerable to corruption as the internal self-checking under a functional structure is not there. For example, a large Taxpayer unit may be responsible for raising assessments and hearing objections to these very objections. This may undermine Taxpayers confidence in the fairness of the tax system and lead to lower levels of tax compliance.

However, the Taxpayer Type of Organisation is an appropriate model where sectors of the economy play a critical role in contributing to the revenue of the Government. With proper planning it can be successfully implemented in conjunction with the functional model. Many T A are now opting for this type of arrangement.

4. DESIGNING AN EFFECTIVE ORGANIZATIONAL STRUCTURE

Which of these structures or combination of them would be the most effective in promoting efficient T A ? Contingency theory suggests that there is no universally best organizational structure but that the best structure for a given organization will depend on contingent factors in the environment in which it operates. Structures must be tailored to the culture of the society and must take into account the economic, social, cultural, political, geographic and demographic state of the country. The worse mistake an administration can make is to take the structure and features of another country and apply it wholesale to their own country.

I now wish to use the IRD as an illustration of the successful design and implementation of a Large Taxpayer Unit (Taxpayer Type Model), within it's existing Functional Structure to meet the challenge of a rapidly changing environment.

4.1 Historical Background To Reform Program Of The IRD

In 1942 the Income Tax function was severed from the Treasury and a separate and autonomous body known as the Inland Revenue Department was created.

With the granting of internal self government in 1956, Ministries of government were created. The Inland Revenue Department lost its autonomy and became a Division of the Ministry of Finance.

In 1957 the mechanization of the Tax Processing System commenced with the introduction of the Hollerith System and 1966 saw the introduction of Corporation and Withholding Taxes and the formation of a Field Audit Section.

In 1969 the processing of Returns was first computerized and another major achievement in that year was the reorganization of the IRD along FUNCTIONAL lines – Administration, Data Processing, Collections, Audit, Objections/Legal.

Act 22 of 1974 provided for a petroleum tax regime for business engaged in Petroleum operations. An Oil Audit Section was created dealing exclusively with all matters

relating to the Petroleum Sector. This resulted in a deviation from the purely Functional Model with a semi-parallel Taxpayer Type structure being introduced for this sector.

1990 saw the introduction of Value Added Tax and this too resulted in a deviation from the purely Functional Model, this time with a semi-parallel Tax Type structure being introduced for this tax.

Remember it was in 1969 that there was a restructuring of the Division along Functional lines. Since then, the economy has grown tremendously manifesting itself in increased volumes and complexity of work and the introduction of new taxes. The number of companies registered with the Division grew from less than two thousand in 1956 to over twenty thousand presently. The Tax Administration responses were piece-meal and disjointed, meeting new challenges as they arose in isolation. This resulted in breeches to the established Functional structure, inadequate allocation of resources, redundancy in operations and poor customer service.

This undesirable situation was finally addressed in 1999/2000 when the IRD embarked on an intense Reform Program to improve efficiency of operations and customer service. This holistic effort at Reform was necessary for a number of reasons:

- (1) Tremendous increase to the taxpayer population. Although there was some increase in the level of staffing, the IRD had to find new improved methods of doing business if it was to keep abreast of developments in the world.
- (2) Advances in technology to the extent that if IRD was to improve efficiency and also take advantage of all the opportunities to minimize cost of operations, then the latest computerized systems had to be made available and staff properly trained/retrained.
- (3) Business operations had become exceedingly complex with globalization and E-Commerce. There was an influx of foreign investments by multi-national companies especially in the Petroleum and Petro Chemical Sector. This resulted in increases in the number and complexity of issues dealt with by IRD with regards to International Tax matters.

- (4) Studies done by both the IMF and the IRS recommended an overhaul of the entire Organization Structure, to correct the hodge-podge structure that evolved over the years, as the Administration responded to new challenges as they arose – having to patch here and there ... cut and paste..... having to live in the house while building it.

The Reform Program began in earnest in 2000. Twelve areas of operations were identified to be addressed each one a Project in itself (this soon grew into twenty four). One of these was the O S and another was the Petroleum and Large Taxpayers.

4.2 Case for a Large Taxpayers Unit

After many deliberations it was agreed that IRD should be **restructured** along FUNCTIONAL lines. A Project was initiated to achieve this goal, the major task being to integrate the V.A.T Administration (which was set up as a Tax Type) into the Mainstream Functional Structure.

However, with the turn of the century and an increase in oil and gas prices and production, the economy of Trinidad and Tobago began to grow at a tremendous pace. With the greater proportion of taxes coming from a small sector of the economy (petroleum and manufacturing) and the increasing difficulty in controlling compliance in such hard to tax areas like Transfer Pricing within Multi National Corporations and local conglomerates, the need for a Special Unit to monitor the taxpayers in this sector was recognized. Such a Unit would not only offer a better personalized service to these 'prized clients' but also exercise stricter control over them ensuring total compliance in terms of timely filing of returns and payments and auditing for under-reporting of taxable income.

It was therefore also agreed that because of the significant impact of the Petroleum, Financial and Manufacturing sectors on the economy of Trinidad and Tobago, that the Oil Audit Section (a semi autonomous Taxpayer Type unit) be expanded into a special **Petroleum and Large Taxpayers Business Unit (PLTB) ..**

This presented a challenge – do we establish a PLTBU (A Taxpayer Type) within the Functional Organization Structure or do we set up a parallel Taxpayer Type Structure?

The former was the preferred choice as it was felt that with proper planning and monitoring this arrangement could have been successfully implemented. In fact it was found that many countries were opting for this type of arrangement. Of countries examined, fifteen had special monitoring systems for both the collections and audit functions, eight had for only the auditing function and one had for only the collection function.

Tax Administrations are responsible for ensuring that all taxpayers meet their tax obligations. Instituting special systems to deal with large taxpayers does not mean failing to monitor others. It means rather, acting as a matter of priority in the most revenue-significant area and making organizational changes accordingly. It should be noted that even in the industrialized countries, which utilize sound systems for monitoring all taxpayers, special systems are used to monitor the largest ones. A special system is necessary for many reasons -:

1. Control over a large percentage of the tax receipts.

- The largest share of revenue comes from a relatively small number of taxpayers who not only pay their own taxes but also pay other taxpayers' taxes through withholding systems.
- Monitoring of a limited number of taxpayers by using an equally limited amount of human and other resources can allow for a greater control.

2. Large taxpayers are different from others and should be treated differently

- They operate in the area of foreign trade and are branches of foreign enterprises or have branches abroad
- Their business operations are complex and they have a high transaction volume
- They withhold taxes from other taxpayers
- They use forms of avoidance that are difficult to detect such as transfer pricing

- They employ and maintain highly skilled staff
- Operational adjustments are easier to make for a few taxpayers especially where there is a shortage of resources and trained staff.

3. Collection improvement

- Introduction of a large taxpayer monitoring system can improve filing of Returns and collections in the short-medium terms.
- It can lead to a change in taxpayer behavior in terms of being more compliant.

The IRD had some system for monitoring petroleum companies but no special system for monitoring the financial and manufacturing companies – sectors that combined, contribute sixty to seventy percent of total collections. It is with this mindset that the new section - The Petroleum and Large Taxpayers Business Unit (PLTBU) - with revised operating systems and procedures to deal with all large taxpayers was launched in April 2002 and commenced operations in September 2002.

OUR VISION of the PLTBU is a world class Unit , receptive to the needs of our customers and encouraging greater communication and interaction amongst staff, taxpayers and stakeholders.

OUR MISSION is to provide quality service to our large corporate customers by assisting them to understand and discharge their tax obligations in an environment of integrity and fairness.

OUR OBJECTIVES are :

- To deliver quality services to all our customers;
- To encourage voluntary compliance ;
- To attain the highest degree of accuracy and professionalism in Tax Assessments ;
- To partner with all stakeholders to achieve our goals

4.3 Structure and Function

The Unit is part of the Audit Section and was established to operate WITHIN the Functional OS of the IRD and **not** as a parallel organization. It falls under the direct responsibility of the Commissioner of Audit. He is assisted by two Assistant Commissioners – one responsible for all Petroleum and Energy based companies and the other for all Financials, Large Manufacturers, Other Large Taxpayers and an International Tax Unit to monitor Withholding tax payments.

Objections to assessments are under the Objections functional arm of the organization. They may seek assistance from the PLTBU because of the technical nature of transactions dealt with but the independence of the Objections Unit is maintained.

The main focus of the PLTBU is on the total compliance of approximately three hundred large taxpayers, (including all petroleum producing companies, commercial banks, and insurance companies) monitoring filing of returns and payments and verifying the taxable income declared.

Filing & Payments

The Unit engages in Pre Filing dialogue to assist tax payers in filing correct tax returns. The rationale being that non compliance is not always deliberate but can be due to several causes including differing tax interpretations or lack of knowledge regarding the treatment of an issue. Emphasis is placed on Tax education and guidance; Tax Law interpretation / application; Board policies on treatment of certain issues; discussions to agree on Tax treatment of contentious issues on a completed transaction; development of a database of contentious issues and their solutions.

The filing of Returns and payments aspect of Compliance remained under the Processing and Collections Functional Areas of the Administrations O.S. However, the PLTBU also plays a close monitoring role over these areas quickly bringing any discrepancies to the attention of the taxpayer to voluntarily correct and alerting the Processing and Collections functional areas for compliance action where the taxpayer is non-responsive. Close collaboration between the functional areas of operations (which would be further enhanced with the implementation of the ITPS) ensures there

is no duplication of efforts. There was a 23% reduction in stop filers in 2004 and a further 14% reduction in 2005.

Timely access to accurate data on taxpayers is a basic requirement of this function. Non-compliance by large companies must be detected as soon as it occurs, if not it can become increasingly uncollectible, as penalties and interest accrue. The data must also be reliable so that follow up action can be taken with confidence. The use of a Special System to monitor large taxpayers enhances reliability of data.

Audit

The Unit is also responsible to ensure that the assessments of these 300 Taxpayers are correct according to law and accounting principles. This is done through the Audit activity. Comprehensive Team Audits are conducted , utilizing audit specialists and modern technology and covering **all** taxes – Corporation, VAT, PAYE / Income, Withholding etc-.

Customer Service

This Unit was established to promote and encourage voluntary compliance through a closer and focused relationship with the taxpayers . It provides a “ **one stop shop**” for all the Taxpayers under its purview. These Taxpayers now deal with ONE Unit in the IRD on ANY tax matter – be it filing, payments, audit or just information. They are relieved of the inconvenience of receiving several communications and audit visits from different Sections - VAT,PAYE,AUDIT-at different times.

4.4 Criteria For Case Inclusion

A point criterion is used to identify cases that would qualify for inclusion under the PLTBU. Factors used in computing the point criteria are : gross assets, gross receipts, commercial supplies made, operating entities, number of specialists required, and multiple industry status. A large case management information system will facilitate this selection. Initially the following was used to select cases -:

- All petroleum and petrochemical companies
- All Financials (Banks, Insurance...)
- Other large companies (Manufacturing Transport with commercial supplies greater than \$100m TT)
- Other large taxpayers

4.5 Benefits of Implementing the PLTBU

The success of the PLTBU has been affected by inadequate staffing. However, with the limited resources the Unit has been a plus, resulting in greater filing compliance, payment and audit adjustments (Audit adjustments are expected to reduce with closer collaboration at the pre filing stage).

There has been significant increases in adjustments to tax liabilities and collections over the period 2002 to 2007. An International Tax Group within the Unit was also enhanced in 2004 to monitor the Withholding tax payments requirements. This has proven to be very successful with assessments in this area increasing by over 50% in 2005 over 2004 and a continuing trend in 2006 to date. There was a 23% reduction in Stop Filers in 2004, with a further 14% in 2005. The reallocation of resources through this structural adjustment has proven to be very successful in terms of promoting compliance both through voluntary and coercive means. It has resulted in benefits to all stakeholders -:

To The Taxpayer

- a. Professional, courteous treatment at all times
- b. Fast, accurate service in response to questions
- c. Pre-filing assistance on certain completed transactions
- d. Mutual understandings of processes and procedures
- e. Technical advice / Education
- f. Published regulations, revenue rulings or procedures
- g. Filing returns and making payments electronically
- h. Faster refunds
- i. More timely audits
- j. More timely resolution of issues

To The Employee

- a. Increased emphasis on training and development programs
- b. New career pathing
- c. Adequate tools for the job
- d. Greater respect from the public
- e. Employee satisfaction
- f. Better communication

To The Government

- a. Increased compliance / revenue
- b. Reduced complaints from taxpayers
- c. Better working relationship between the taxpayers and the department

To The I.R.D

Establishment of this Unit has greatly assisted and improved the T A without establishing a parallel structure. It has improved the control of the large Taxpayers which comprise a small percentage of the total tax population, while contributing the major proportion (roughly 70%) of the total Tax receipts. It employs the use of full computer technology ; makes electronic filing and payments more attainable in the near future ; makes for easier identification of late/stop filers and provides a more complete customer service. A comparison of the present model with the former situation follows --:

PRESENT MODEL

V.S

FORMER MODEL

Industry Aligned

Functional

Technical & Industry Knowledge

Focus On Taxpayer's Needs

Industry Expertise

Proactive to Industry Trends

Industry Focus Training

Early Issue Resolution

Geographic

Functional

Administrative

Removal from Taxpayer's issues

General Tax Knowledge

Reactive To Issues

Generic Training

Lengthy Appeals

5.0 CONCLUSION

I trust that I have succeeded in heightening the awareness of the critical role played by the O S in building an efficient T A . Hopefully participants would reflect upon their own current position and ponder upon the need to adapt their internal structures as they confront the challenges of the new emerging societies – societies characterized by an increasingly global economy, technological advancements in communications, difficult to tax sectors and transactions and a more informed and demanding public. With these advancements economies grow but they also bring increased opportunities for tax evasion and new challenges for the Tax Administrator.

As stated before, there is no universal, best fit Organizational Structure; but there is a best fit structure for any given T A, which will depend on contingent factors in the environment peculiar to that Administration.

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