

Collaborative models in local tax collection: The case of Suma in Spain



***José Lopez
Executive Director
September 9th 2008***

TOPICS

- **The context**
 - **Municipal Funding in Spain**
 - **Overview of local tax management**
- **Suma model for tax administration**
 - **Multi-dimensional approach**
 - **Keys to efficiency**
- **Lessons learned in consultancy tasks**

THE CONTEXT



SPAIN. FACTS AND FIGURES



45.2 million pop.
Highly decentralised
17 regions
50 provinces
GDP \$32.066 per cap

8,114 City Councils
6,789 CC < 5,000 pop
133 CC > 50,000 pop

THE CONTEXT



TAXATION SYSTEM OVERVIEW

CENTRAL

Income tax, corporation tax
Value Added Tax
Others: spirits, hydrocarbons, electricity

REGIONAL

Property transfers
Succession /gift duty
Gambling

MUNICIPAL

Law determines what taxes can be levied
Central authority sets the limits -capping

THE CONTEXT



LOCAL TAXATION STRUCTURE

COMPULSORY

Real Estate tax
Economic activity tax
Vehicle tax

OPTIONAL

Construction & Works
Capital gains

OTHER REVENUES

Fees
Charges
Administrative fines

THE CONTEXT



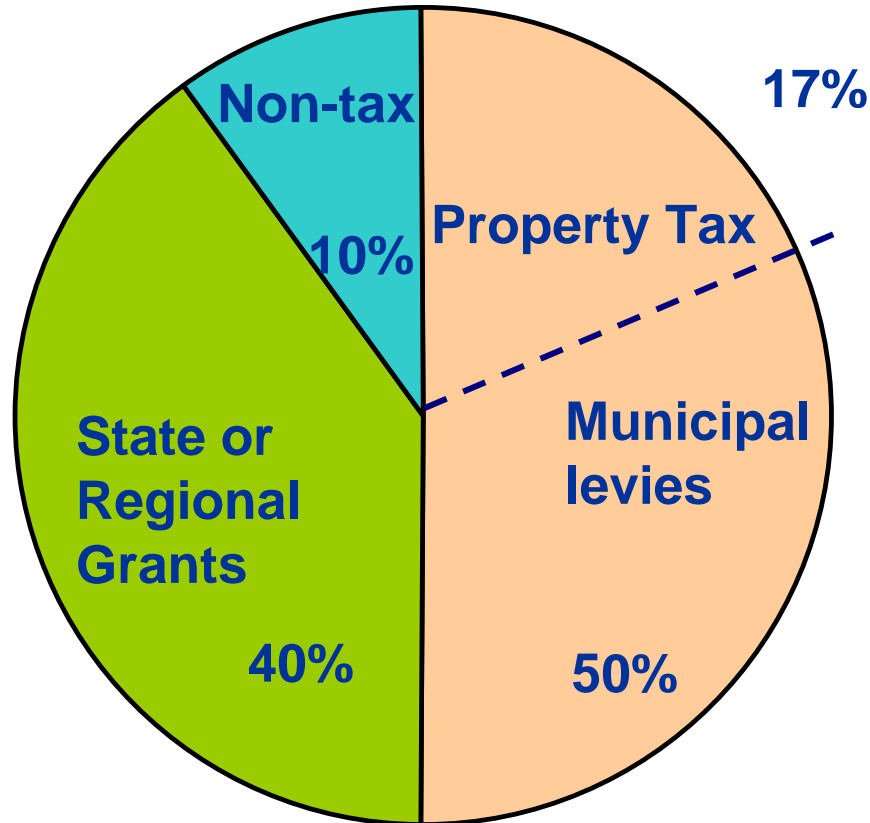
PUBLIC SERVICES BY L. AUTHORITIES

- **Street cleaning, sewage & refuse collection**
- **Environmental health & food safety**
- **Security (police, fire & safety in buildings)**
- **Tourism, culture, sports facilities**
- **Urban planning**
- **Education (land for school buildings & maintenance)**
- **Social services**

THE CONTEXT



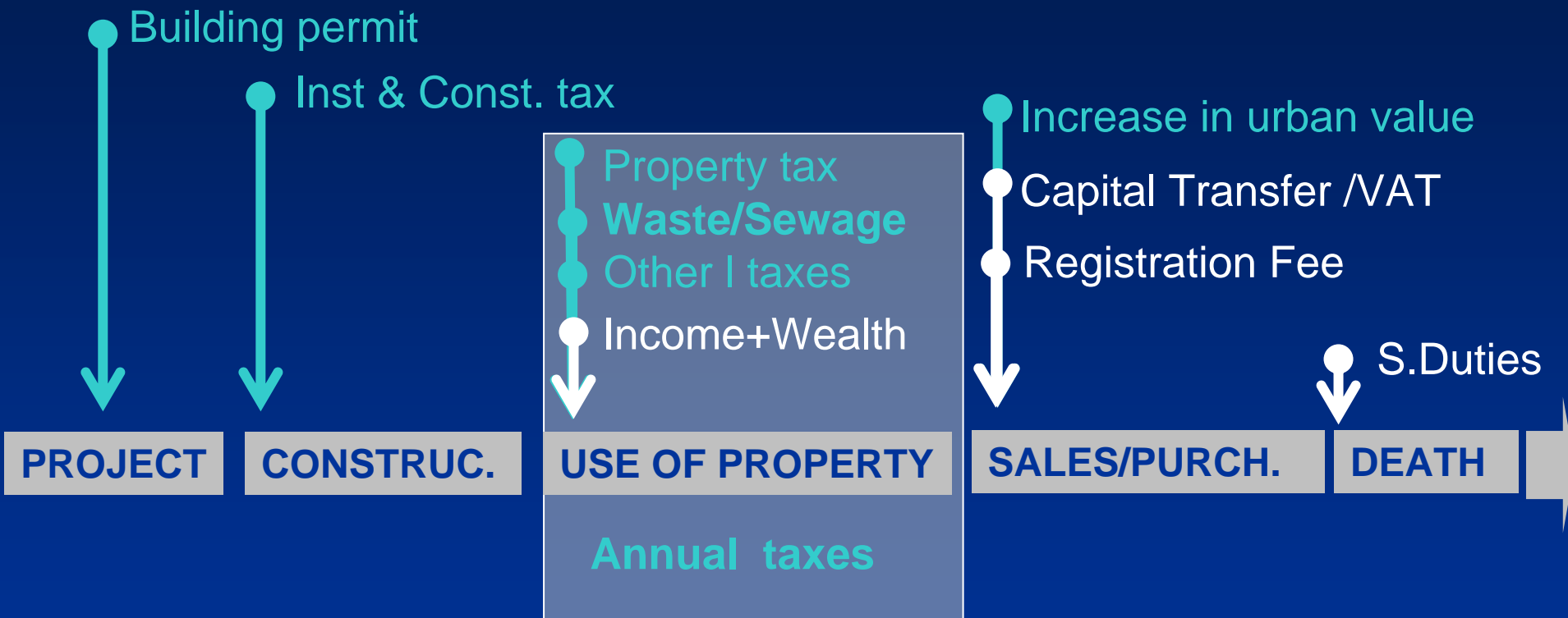
LOCAL GOVERNMENT FUNDING



THE CONTEXT



TAXES BASED ON REAL ESTATE



■ Local taxes

■ Central / Regional taxes

THE CONTEXT



PROPERTY TAX

This is the most important local tax

- **Discrete capital value (Cadastral Value)**
- **Covers both land and building**
- **Liability of the owner, not the tenant**
- **Limited relief system. Poor customisation.**
- **Central Cadastre database**

THE CONTEXT



FEATURES OF CADASTRAL PT MODEL

- Valuation is carried out exclusively by Cadastre
- The Law establishes the role of each level
 - Cadastre updates census, LG billing & coll.
- Main Barriers
 - The taxable value is far below market value
 - Lack of resources at Cadastre means loss of tax revenue for local authorities
- Councils collaborate in registration and updating

THE CONTEXT



OVERVIEW OF PROPERTY VALUATION

1. Market Study
2. Mathematical model (*Ponencia*)
 - land value (zone, building potential, area)
 - construction value (use, type, materials)
3. Census of all rateable properties
4. Calculation of cadastral value

$$\text{Cadastral_Value} = \text{Land_Value} + \text{Constr_Value}$$

5. Final adjustments (age, obsolescence, state)
6. Revaluation process every 10 years, annual update.

THE CONTEXT



PROPERTY TAX CALCULATION

$$\text{AMOUNT} = \text{CADASTRAL_VALUE} \times \text{TAX_RATE}$$

- Each municipality sets the tax rate
- Law lays down capping (0.4 - 1.1 %)
- Special properties have specific tax rates

THE CONTEXT



LOCAL TAXATION IS COMPLEX

- ✓ The activity requires high specialisation
- ✓ Laws are complex and changes are frequent
- ✓ Functions and powers are distributed among local, regional and central government bodies: Cadastre, Ministry Finance, Property Registry, etc.
- ✓ Keeps track of social and cultural changes
- ✓ Political framework

THE CONTEXT



MANAGING THE COMPLEXITY



CADASTRE



MIN. OF FINANCE



TRAFFIC AUTHORITY



LAND REGISTRY



POSTAL SERVICE



LOCAL GOVERNMENTS

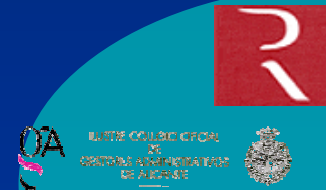


REGIONAL GOVERNMENT



Caja de Ahorros del Mediterráneo

BANKS



OTHER AGENTS

PROVINCE OF ALICANTE. FACTS & FIGURES



141 city councils

1,739,000 population

2,250 sq miles area

1,128,000 domestic prop.

1,150,000 vehicles

132,000 businesses















THE CONTEXT



APPROACHES TO TAX MANAGEMENT

1. **City Council is accountable for its collection**
2. **Total or partial outsourcing of services:**
 - a - **Creating own municipal tax agencies**
 - b - **Hiring private companies for some tasks**
 - c - **Delegating powers to Provincial Councils**
3. **Suma is an example of this solution 2c**

WHAT IS SUMA ?

Suma is a provincial organisation specialising in tax administration: assessment, billing, collection and enforcement

Suma collects the taxes ON BEHALF OF each city council:



WHY do councils DELEGATE to Suma ?

RELIABLE

Local governmental body

INEXPENSIVE

2.5% of revenue

EFFECTIVE

Above 96% paid in the fiscal year

PREDICTABLE

Tax revenue

THE MODEL



BILLING & COLLECTION PROCEDURES

- Procedures regulated by State Taxation Law
- Annual lists of taxable properties - census
- Quality of data is key to success
- Periodical tax bills are issued in March and August
- Payment period of 2 months
- Tax bills are posted or sent to banks if paid by Direct Debit system



“Local Taxes: the most visible taxes”

Impuesto sobre Vehículos
 Período de pago:
 Del 8 de Marzo al 7 de Mayo

93

Tributos Municipales:
 los impuestos que mejor se ven.

Suma
 Sistema Tributario
 Dirección de Rentas

Otros datos de interés para el ciudadano

1 **Impuesto sobre Vehículos.**
 ¿Que tributos se ponen al cobro del 8 de marzo al 7 de mayo?

Varios Tributos Municipales que varían según los distintos Ayuntamientos.

Tributos Municipales:
 los impuestos que mejor se ven

2 **FORMA DE PAGO**
 La forma de pago es por el medio bancario.
 Para realizar el pago debe, mediante representación en los oficios de los Regios y Regios Subordinados, del documento de cobro que recibirá en su domicilio.
 También puede hacerlo en los Copros, Automáticos de la GMR. Para esto, acostará sobre el número de referencia de su vehículo.

3 **OTRO DATOS DE INTERÉS PARA EL CIUDADANO**
 Si no le interesa el impuesto, puede obtener el duplicado.
 En el Oficio de Suma que le corresponda. En este folleto encontrará un modelo de solicitud, su descripción y su validez.
 En los Ayuntamientos donde el cobro de estos tributos se realiza en los días señalados. En los municipios que han empezado en cobros en los días señalados de cobro existe folleto de información de pago. En esta copia se encontrará que información duplicado para poder cambiar la información, sobre que cobro o monto de tributo de su modo y pagar en los Copros Automáticos de la GMR. Puede obtener más información al N.º 202 300.

4 **¿QUE OCURRE SI NO PAGO DENTRO DEL PERÍODO VOLUNTARIO?**
 A partir del 8 de Mayo, inclusive, se recibirá el cobro de forma obligatoria en un monto del 20%, y divergido el resto de la deuda.
 Recuerde que la obligación sobre los tributos, pagados por voluntario.

5 **SI COLABORACIÓN ES FUNDAMENTAL**
 Si usted desea colaborar en el pago de los tributos, con su aporte podemos conseguir un beneficio inmediato.
 Si cambio de domicilio, por favor, informarnos. Así mismo, si desea el pago de estos tributos.

¿Qué es Suma?
 Sistema de recaudación de Impuestos.
 Acciones Impulsadas por la Dirección de Rentas.
 Suma es el nombre de la Dirección Tributaria con el apoyo de los Ayuntamientos.
 Como resultado de la gestión de los tributos Municipales. Deseamos entonces, aplicar la política pública en este terreno, aplicar e impulsar la calidad de vida de los ciudadanos de la provincia de Huancayo. Sumando esfuerzos.
 Deseando un futuro.

Suma
 Sistema Tributario
 Dirección de Rentas

Folletos

“Your Property: your asset “

“Your business: your way of life”

Tu casa: Tu mejor bien

Periodo de pago IBI + IAE
 93
 Del 2 de Agosto al 1 de Octubre

Tu negocio: Tu gran actividad

Suma
 Gestión Tributaria

1 ¿Qué tiene que pagar el IBI?
 IBI: Impuesto sobre Bienes Inmuebles.

2 ¿Qué tributos se ponen al cobro del 2 de Agosto al 1 de Octubre?
 IAE: Impuesto sobre Actividades Económicas y otros Tributos Locales.

3 ¿Qué tiene que pagar el IAE?
 ¿Y SI MI PERIODO DE PAGO NO LE HA LLEGADO EL RECIBO?

4 ¿QUÉ OCURRE SI NO PAGA DENTRO DEL PERIODO VOLUNTARIO?
 SI COLABORACIONES FUNDAMENTAL, SOBRE TODO SI MUY ENFERMOS.

FORMA DE PAGO
 SUMA

¿QUÉ ES SUMA?

Suma. Tu contribución funciona.

1996: 2a Voluntaria

“Your contribution makes possible the municipal services”



I.A.E. Impuesto sobre Actividades Económicas

I.B.I. Impuesto sobre Bienes Inmuebles

Del 29 de julio al 30 de septiembre

Tu Contribución son todos nuestros Servicios Municipales: Suma.

Suma Gestió Tributaria Diputación de Alicante

Suma con tu Ayuntamiento

Cartel

2002: 1a Voluntaria



IMPUESTO SOBRE VEHÍCULOS (IVTM)
Y OTROS TRIBUTOS MUNICIPALES

IMPOST SOBRE VEHICLES (IVTM)
I ALTRES TRIBUTS MUNICIPALS

DEL 04.03.2002
AL 10.05.2002

Suma Gestió Tributària
Diputació de Alicante
Gestió Tributària
Diputació d'Alicant

Trasera

2002: 1a Voluntaria



Storyboard

FÁCIL

AHÓRRESE ESPERAS Y MOLESTIAS,
DOMICILIE AHORA PARA EL PRÓXIMO AÑO
 RELLENE EL IMPRESO INCLUIDO EN EL RECIBO Y
 ENTREGUELO EN SU ENTIDAD BANCARIA

ESTALVIÏS ESPERES I MOLÈSTIES,
DOMICILII ARA PER EL PRÓXIM ANY
 OMPLI L'IMPRÈS INCLÒS EN EL REBUT I
 ENTREGUI'L EN LA SEVA ENTITAT BANCARIA

Suma
 Gestió Tributària
 Diputació de Alicante
 Gestió Tributària
 Diputació d'Alacant


IVTM
 IMPUESTO SOBRE VEHÍCULOS Y OTROS TRIBUTOS MUNICIPALES
 IMPOST SOBRE VEHICLES I ALTRES TRIBUTS MUNICIPALS

DEL **10.03.2003**
 AL **16.05.2003**

+10a
 Suma
 Gestió Tributària
 Diputació de Alicante
 Gestió Tributària
 Diputació d'Alacant

www.suma.es

“Easier” and “No more queueing” campaigns

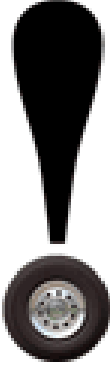


The advantage of being voluntary

PROPERTY TAX
AND OTHER MUNICIPAL TAXES

The Quotas of IBI and ICI, among others, have different periods of payment

Last day of payment **05_10_06**



IVTM
Until
May 9th
Sumate!

**ROAD VEHICLE TAX (IVTM)
AND OTHER MUNICIPAL TAXES**

In Suma, we make a team

SUMA: SOMOS UN EQUIPO



Suma Equipo Tributario
Departamento de Atención
al Ciudadano

Suma:
Simple numbers.
Clear numbers.



Property Tax (IBI)
and other municipal taxes

Until 5th of october

INFORMATION SERVICE

In English, German and French
Mondays, Wednesdays and Fridays from 9 to 12.



965 148 561



www.suma.es



*This payment period affects only those municipalities that have delegated their taxing competencies to Suma.
The Councils of Alicante, Elche and Jávea have different terms of payment.

Autobús



THE MODEL



ENFORCEMENT PROCEDURES

1. Unpaid bills liable to automatic surcharge
 - + 20 % (5 or 10% if paid immediately)
 - + Late-payment interests
 - + Costs
2. Debtor is notified by registered mail or public announcement
3. This notification must be correctly done to proceed with the enforcement

Suma Gestión Tributaria Diputación de Alicante

Carta de Pago en Voluntaria / Carta de Pagament en Voluntaria

ROMERO RODRIGUEZ FRANCISCO JAVIER
 CL SAN EMIGDIO 26 1 DR

 GUARDAMAR DEL SEGURA
 03140 ALICANTE

Sujeto Pasivo / Subjecte Passiu		N.I.F.	Referencia / Referència		
ROMERO RODRIGUEZ FRANCISCO JAVIER			1012537731-20		
Organismo / Organisme		Concepto / Concepte			
AYUNTAMIENTO DE GUARDAMAR DEL SEGURA		IMPTO BIENES INMUEBLES URBANA			
Objeto Tributario / Objecte Tributari					
CL SAN EMIGDIO 26 1 01 DR 0003					
IP Fig. / IP Fine	Identificación Valor / Identificació Valor	Ejercicio / Exercici	Periodo / Període		
00010627193	2004076BI01AR020247	2004	ANUAL-2004		
Detalle del Recibo / Detall del Rebut					
REF. CATASTRAL: 5687419YH0158N003SS		AÑO ULTIMA REVISION: 1999	USO: V		
VALOR CAT./BASE IMPONIBLE:	22504.84	COEF. PROP.: 16.4794	SUPERF.:88		
VALOR SUELO:	6096.06				
BASE LIQUIDABLE:	20198.97	TIPO IMPOSITIVO:	0.6000%		
		CUOTA INTEGRAL:	121.19		
		IMPORTE BONIFICACION:	0.00		
BONIFICACION	0.00%	DEDUCCION:	0.00		
		CUOTA LIQUIDA:	121.19		
Periodo de Pago / Període de Pagament		Importe Total a Pagar			
26/07/04 AL 01/10/04 ** DUPLICADO **		Importe Total a Pagar EUR*****121,19			
<small>Documento más o menos enmendado o un impreso, o fecha, firma y sello de la entidad colaboradora. El pago no libera de la deuda o se efectúa con posterioridad a la fecha del pago. Document més o menys enmendat, o data, signatura i segell de la entitat col·laboradora. El pagament no allibera del deute o es realitza en posterioritat a la data senyalada.</small>					
Validación de Pago / Validació de Pagament - Domiciliación Bancaria / Domiciliació Bancària					
13/09/2004 EUR****121.19					
000012551200-TV-2090-2090-7060					
Ejemplar contribuyente / Exemplar contribuent					
Ultimo día pago / Ultim dia pagament	Emissora / Emissora	Mod	Referencia / Referència	Identificación / Identificació	Importe / Import
		1			

THE MODEL



ENFORCEMENT PROCEDURES CONT'D

4. LG is legally authorised to impound assets

- ☞ Courts do not take part in regular enforcement procedure, only in case of discrepancy

5. Main steps of the procedure:

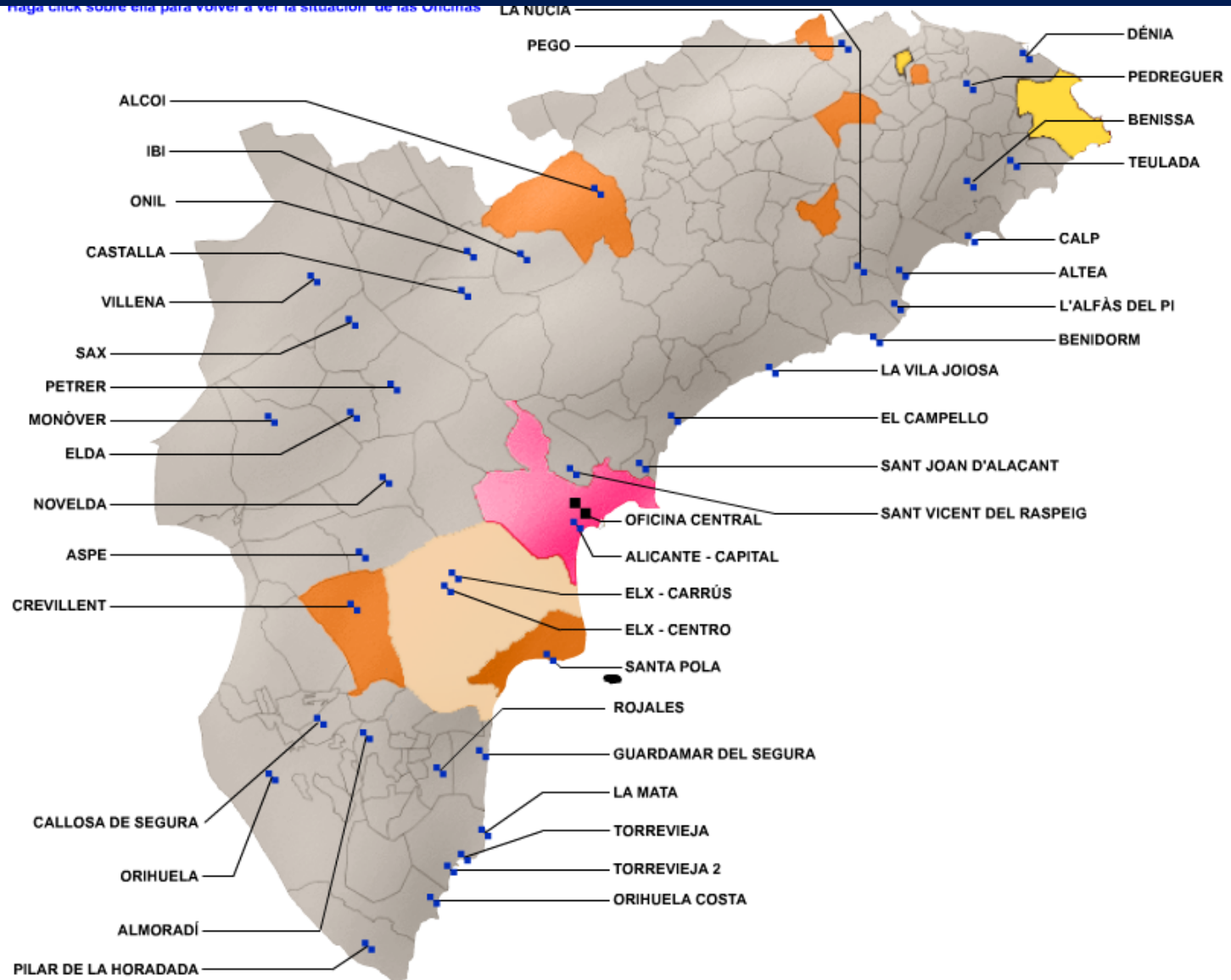
- Banks provide information on accounts
- Withholding of earnings
- Impounding of other gains
- Auction of goods/ assets
- ☞ No imprisonment
- ☞ Asset freezing is limited



THE MODEL



CUSTOMER SERVICE NETWORK



FLASH BACK TO EARLY 80'S



EARLY 90'S



MID 90'S



THE MODEL



CUSTOMER SERVICE CENTERS



THE MODEL



CUSTOMER SERVICE FRONT OFFICE



THE MODEL



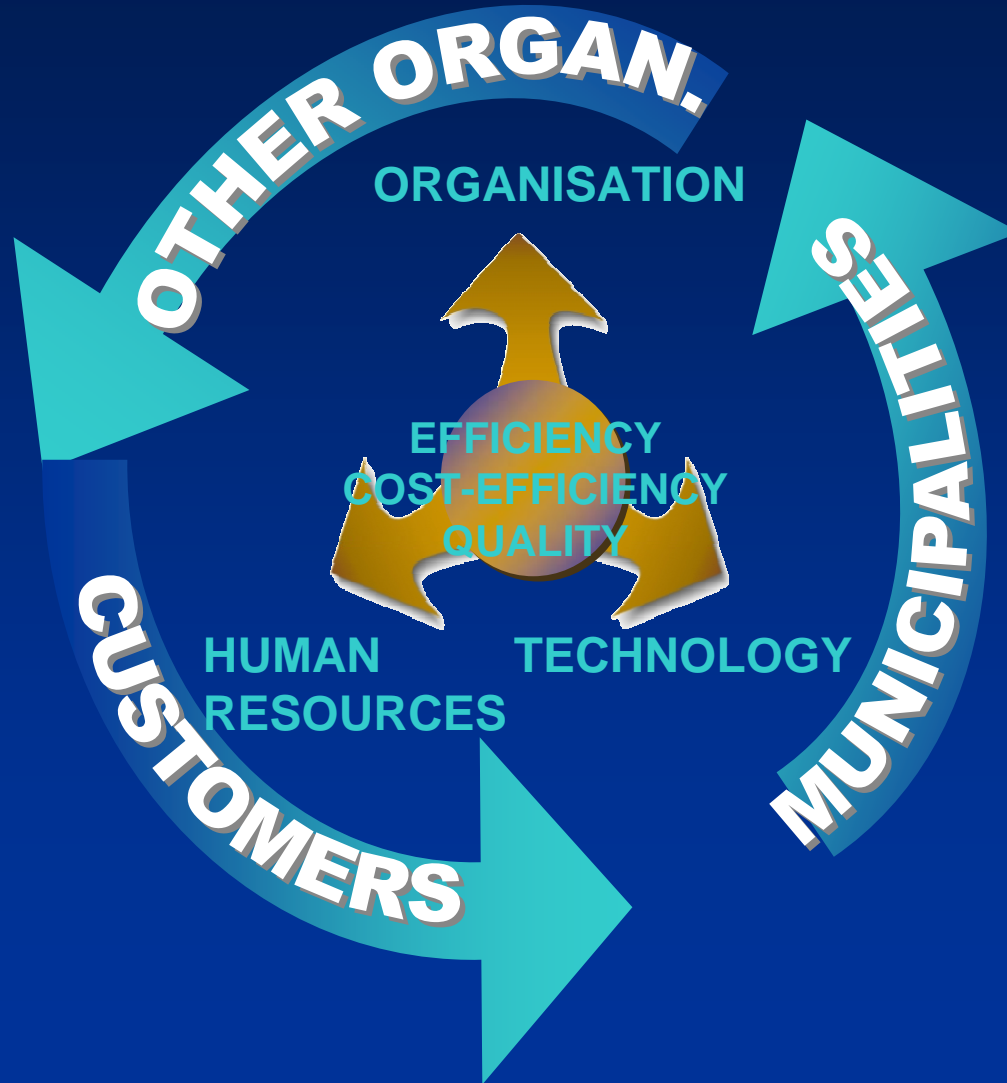
CUSTOMER SERVICE BACK OFFICE



THE MODEL



KEY ASPECTS



THE MODEL



ORGANISATIONAL ISSUES

- Balance resources and quality
- High standards in internal and customer services
 - Simplification of procedures
 - Customer-centric services
 - Internet connections
- Use of performance indicators:
 - collection index (results)
 - response time for complaints & surveys



THE MODEL



COMMITMENT TO CUSTOMERS

1. **Waiting time at offices < 5 minutes**
2. **Answer time to complaints < 10 days**
3. **100% of procedures via Internet or phone**
4. **Customer Help Desk response time < 3 minutes**
5. **Appeals answered in < 20 days**
6. **Reimbursement of overpayments < 10 days**
7. **Payments can be made by any means**
8. **Promote recycling and less energy consumption**
9. **Metrics for every quality parameter**
10. **Follow-up of the commitments will be published**

THE MODEL



SOME ANNUAL FIGURES (2007)

Associated municipalities	140
Number of bills/reminders	5.2 million
Total Revenue (\$)	665 million
No. of Taxpayers	1.6 million
Customers visits to offices	530,000
Customer service centres	44
Staff	470
Annual budget (\$)	39.4 Mill.

THE MODEL



ACTIVITY INDICATORS AND RESULTS

Efficacy:

75% to 95% **total collection index** (in 15 yrs)

425 to 665 mill \$ **total revenue** (in 4 yrs)

Cost efficiency:

2.5 % of revenue **fixed cost for city councils (PT)**

31.7 to 39.4 mill \$ **annual budget** (in 4 yrs)

436 to 470 **staff** (in 4 yrs)

Quality survey (0-10)

	1998	2002	2004	2006
GENERAL SATISFACTION	6.73	7.66	7.78	7.75
FACILITIES	7.66	7.73	7.74	8.10
WAITING TIME	4.85	7.74	7.93	7.94
QUALITY OF INFORMATION	7.49	7.92	7.89	8.03
SERVICE RECEIVED	7.91	8.25	8.09	8.08

THE MODEL



HUMAN RESOURCES

- **Permanent process of training**
 - Theory & Practice
 - Management skill techniques (leadership, communication, performance measurement, strategy, decision making)
- **Motivation**
 - Fair salaries BUT fair means:
“Pay better salaries to most efficient employees“
 - Performance assessment



THE MODEL



TECHNOLOGY

- **Efficiency principles**
 - Reduction of life-time of the tax
 - Improve efficiency and reduce errors in procedures
 - Increase multitask-level of personnel
 - Facilitate payments and procedures for customers
- **Quality principles**
 - Data accuracy is crucial
 - Simplification & re-engineering
 - Centralised - comprehensive database
 - Cost-effectiveness issues



THE MODEL



USES OF TECHNOLOGY: EXAMPLES

- Document imaging – paperless office
- Digital photography of all property façades
- Geo-referenced digital plans & aerial photographs
- Synchronized double-visor visor to detect fraud
- Broadband connection: VoIP, Video-call
- Advanced e-government: payment, digital registry
- Connection to State databases: M Finance, Cadastre
- Computerised procedures for enforcement steps

THE MODEL



QUALITY AWARDS

- Customer Service certified by Spanish National Standard Institute, since 2004.
- The project “Easier”. Finalist in the “Citizenship” awards of the Ministry of Local Government. 2004.
- “Best practice in e-government”. Madrid 2003.
- First prize in “Best use of technology” by the Institute of Revenues, Ratings and Valuation. Manchester 2005.
- “Best Practice in G2G” by the Spanish Quality Agency of Ministry of Local Government. 2007.
- “Best Practice in Knowledge Management” by the Ministry of Local Government. 2008.



LESSONS LEARNED



CONSULTANCY STUDIES

STUDY REPORTS

- 👉 Madrid City Council
- 👉 National Association of Portuguese Municipalities
- 👉 Provincial Council in Canary Islands
- 👉 Municipality of Managua

INTERNATIONAL PROJECTS

- 👉 e-learning project funded by the European Union
- 👉 Mobility project for tax experts funded by the EU

CONSULTANCY PROJECT



MADRID CITY COUNCIL

Consultancy paper:

“Diagnosis and design of a Strategic Plan to improve the management of local taxes ”



CONSULTANCY PROJECT



NATIONAL ASSOCIATION OF PORTUGUESE MUNICIPALITIES

**Consultancy study to implement a decentralised
model for local tax management**



CONSULTANCY PROJECT



GRAN CANARIA COUNCIL

Consultancy work on various aspects of billing and collection of local taxes

☞ As a result Suma is providing computer services to the provincial council



CONSULTANCY PROJECT



MANAGUA MUNICIPALITY

Study tour on municipal premises. Diagnosis and problem solving approach

Consultancy report on procedures, technology and organisational issues.



TRANSNATIONAL PROJECT



VOCATIONAL TRAINING

- In close cooperation with the Institute of Revenues, Ratings and Valuation (IRRV)
- The topic of the project was “Developing Administration and Customer Services Skills in Local Taxation”.
- The project is partially funded by the European Union.
- This 30-month project aims to introduce a transnational dimension into administration and customer service training.
- 5 countries: UK, Spain, Bulgaria, Czech Republic, Romania



CONCLUSIONS

- Local funding:
 - LG to finance their expenditure by own revenue sources
 - Clarify what services must be provided by LG
 - Continuous challenges: more services & less taxes
 - Public services' fees should be close to real costs
- Local Tax administration
 - Technology + Organisation + Human Resources
 - Economies of scale: collaborative approach
 - Extensive use of performance indicators
 - Learn from own history and from others

THANK YOU

jose.lopezgarrido@suma.es



www.suma.es