

Lao PDR

Public Finance Management (PFM) Reform Program

Trust Fund (TF073110)

Technical Note:

Taxpayer Service and Communications Plan

Component 1: Improved domestic revenue mobilization

Sub-component 1.2: Improvement of the Tax Department's organizational and administrative processes, including communication activities and services to tax payers with a specific focus on the large tax payer segment (Tax Department)

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I. Guiding Principles for Developing a Channel Strategy

1. **International experience highlights the following guiding principles when developing a channel strategy.** These are:

A. *Develop a channel strategy to improve service delivery and compliance*

- i. *Develop a clear understanding of what you want to achieve with your channel strategy* i.e. the outcome you want to achieve for the organization and its customers considering the influence from the stakeholders. Channel strategy development is subject to influences from many stakeholders, such as the central government, customers, tax agents, and the revenue body itself. Drivers and trends in the environment influence these stakeholders, their needs, demands and expectations.
- ii. *Consider channel strategy development in the context of broader organizational strategies and objectives.* There are different approaches to channel strategy development. Some are more ad hoc and develop on a piecemeal basis, whereas others are more centrally planned and develop along a unified view on channel strategy.
- iii. *Set clear goals for channel strategy development and ideally also some clear targets.* The channel strategy may have several, not exclusive purposes, such as: (i) improving voluntary compliance; (ii) promoting user friendliness and cost efficiency; and (iii) contributing to a “joined-up” government¹.

B. *Move towards a holistic channel approach*

- i. *Understand the nature of your services and channels;*
- ii. *Move towards an integrated channel approach, including governance;*
- iii. *Define clearly the roles and responsibilities of each channel by customer group and product;*
- iv. *Join-up and share services across public bodies where that is sensible.*

2. For each of the services the revenue authority is providing, the following factors would need to be taken into account when making channel choices, including: (i) Which channels are suitable for which services?; (ii) What are the costs and benefits for the revenue body and the user?; (iii) What is the impact of moving a service/user from one channel to another?; and (iv) What is the best combination of channels to best meet all customer needs?.

¹ In many countries the government is actively promoting “a shared services culture”. This is needed to gain efficiencies across the system and support delivery more focused on customers’ needs. Technology now makes this far easier than before. Shared services provide public service organizations with the opportunity to reduce waste and inefficiency by re-using assets and sharing common infrastructure? Most revenue bodies are following this trend and cooperate with other public bodies, but the extent of the cooperation varies. Several revenue bodies have plans for integration of web applications both related to design and content. Some go as far as talking about a blurring of the different government bodies into one public administration that serves all user needs.

C. Put the customer in the center

- i. *Understand your customers;*
- ii. *Use customer segmentation models to add value and support migration to alternative channels that better meet customer needs;*
 - The use of segmentation models varies according to purpose, but most revenue bodies divide users into individuals, companies, where companies are divided into large companies and small and medium sized enterprises, and tax agents. Users need more effective channels that meet their requirements and give them increased access to high value-added services. Examples are: (i) choice of channels available; (ii) the security and confidence associated with the channel; (iii) cost of using the channel; (iv) how accessible and effective the channel is; and (v) the inclusiveness of the channel.
- iii. *Conduct customer surveys and analyses in proactive way to improve customer service.* Revenue authorities have started to approach their users more proactively, by conducting surveys and analysis on users' communication preferences, and their perception of the communication. The insights from this research are then used as input to provide better service.

D. Raise channel cost awareness

- i. *Produce an overview of all the relevant costs and their nature for the respective channels, including the costs for customers;*
- ii. *Undertake a broad cost analysis based on different assumptions about channel traffic and possible interaction between channels;*
- iii. *Establish a cost accounting system to accumulate and report reliable cost information;*

3. All revenue bodies focus on trying to serve users in the most cost-efficient channels. Some prefer to see costs in an overall channel perspective/ wider setting and not focus in isolation on cost of serving users in each channel. Related to channel costs, two aspects are of interest: (i) How large are the total costs (personnel, technology, other operating costs) for a given volume? and (ii) what are the marginal costs of each channel when increasing the volume?

4. There are three main initiatives that can reduce costs: (i) reduce user contacts in costly channels; (ii) use migration initiatives; and (iii) improve internal efficiency.

E. Establish sound implementation and evaluation systems for the channel strategies

- i. *Shift channel usage through take-up and migration strategies;*
- ii. *Develop momentum for change within the organization;*
- iii. *Measure changes in voluntary compliance and costs due to channel changes;*
- iv. *Produce reliable management information for a range of metrics covering each channel/service standards chart.*

5. Once the revenue authority has implemented a taxpayer service and communication strategy, performance indicators will help define and measure progress towards established goals and objectives. Taxpayer service performance measures generally center on the level of service provided in terms of timeliness and quality. As the taxpayer service program progresses through the maturity model, the time expended should be reduced accordingly.

6. Revenue authorities, as suggested by the international experience are increasingly *engaging taxpayers, soliciting their feedback*, and making improvements based on information received aiming at enhancing the availability and quality of services provided to improve taxpayer satisfaction. In this regard, the taxpayer satisfaction survey is an important instrument used widely to i) seek feedback from taxpayers on the services provided by the revenue authorities; 2) establish the baseline of the taxpayer service performance measures; 3) monitor progress over time and towards achievement of established goals and objectives. In addition, the taxpayer compliance cost surveys aim at estimating the cost of complying with tax laws and regulations, i.e. different taxpayer segments, by type of tax, sectors, etc.

II. Proposal for a taxpayer service and communications plan

7. **The ultimate goal of the taxpayer service and communication plan for Lao PDR' Tax Department to improve the service delivery and enhance voluntary compliance.** Providing services that are user-friendly, in the sense of being accessible and understandable for all, helps to maintain and strengthen the taxpayers' willingness to comply voluntarily and thereby contribute to improvements in overall levels of compliance with the tax laws.

8. **It is critical to define key messages for the target groups**, including:

- Taxpayers (by segments: large, small, special treatment, sectors, etc)
- Tax Department employees
- Media
- Decision makers
- Tax professionals

III. Taxpayer service and communications plan – recommended activities.

Activity 1: Establish a taxpayer service and communication sub-division/team within the Revenue Service Division.

- **Goal:** Enhance services provided to the taxpayers
- **Target audience:** employees of TD and taxpayers
- **Timeline:** WB advises to establish the sub-division as soon as possible. Detailed guidance provided in a separate technical note.
 - Develop and propose for approval a sub-division organization structure
 - Develop mandate statement that includes roles and responsibilities.
 - Develop position description for a deputy director position and senior tax officer/tax officer.
 - Decide on staffing numbers and how the sub-division can be staffed.

- Describe how other TD divisions will collaborate with the new sub-division.
- Develop a framework for procedures and their dissemination to regional offices.
- Develop a monitoring framework – volumes, resolution, consistency of application.

Activity 2: Assign staff to the taxpayer service and communication sub-division and enhance their capacities and capabilities.

- **Goal:** Enhance the capacities and capabilities of the staff assigned to the taxpayer service and communication sub-division
- **Target audience:** employees of TD and taxpayers
- **Timeline:** As soon as possible. Detailed guidance on this activity is provided in Appendix 1.
 - Assign staff to the taxpayer service and communication sub-division;
 - Draft the terms of reference for the staff to be recruited or deployed from other units;
 - Identify needs for capacity building;
 - Seek capacity building support.

Activity 3: Update/upgrade the TD website and launch its mobile version.

- **Goal:** Provide comprehensive and tailored information to taxpayers
- **Target audience:** taxpayers, Laos citizens, decision makers, media, chambers and other associations, international institutions.
- **Timeline:** As soon as possible
- **Description:** Currently, the TD's website serves mainly as a repository of documents (laws and regulation uploaded in PDF form). The use of interactive videos, infographics, guidance on the main revenue obligations areas, frequently asked questions (FAQs), and a "contact us" option would provide the taxpayers with additional useful information which would contribute to the enhancement of the voluntary compliance. More useful and relevant information should be presented in the website. In addition, in order to improve navigation through the website, it needs to be optimized in order to make it user friendly – it should be simple to use and as easy to navigate. A more functional website should improve the reputation of TD as a technologically advanced and transparent public institution. Improving the existing public web site should include organizing the content according to selected taxpayers' categories.
 - In cooperation with the MoF IT team, decide on needed changes to the website to make it more user-friendly;
 - Assign a dedicated staff for regular Web-site updates;
 - Develop internal instructions to assign responsibilities for information flow from different departments;
 - Make FAQ option accessible to all web-site users, not only to registered TaxRIS users.

Activity 4: Use of social media

- **Goal:** inform and interact with taxpayers
- **Target audience:** taxpayers, general public, etc.
- **Timeline:** As soon as possible

- Open and use social media accounts for announcements and interactions with the taxpayer population and other important stakeholders.
- Adopt internal guidance for the posts and interactions through the social media.

Activity 5: Publicize and use the special hot-line telephone number

- **Goal:** Provide tailored information and just in time assistance to the taxpayers
- **Target audience:** taxpayers
- **Timeline:** As soon as possible
- **Description:** A special hot-line telephone number was recently made available, but it has not been publicized yet due to staffing and capacity constraints in serving the hot-line. It will be critical to launch widely the telephone hot-line with dedicated and trained staff. The hot-line can focus on a limited number of priority issues first (TaxRIS, VAT registration, VAT returns, filing) and be extended to cover other tax administration issues based on taxpayers' demands and to be taken care of by the National Contact Center once established.
 - Assign and train staff for answering hot-line telephone number;
 - Develop instructions for the hot-line staff;
 - Announce the hot-line number using various channels.

Activity 6: Increase the take-up rate of e-services

- **Goal:** Enhance stakeholder (taxpayers and partners) value by helping them to move towards services that are effectively and efficiently delivered through the electronic channel.
- **Target Audience:** current and future taxpayers
- **Timeline:** as soon as possible
- **Description:** Improving e-services is one of the most important strategic goals of TD- an objective which could contribute to further reducing taxpayer compliance costs. E-filing and e-payment have been introduced but are not yet used by the majority of taxpayers.
 - Inform the taxpayers about all benefits of e-services with respect to reducing their operational costs and other savings.

Activity 7: Develop and implement educational and information campaigns.

- **Goal:** Raise awareness and inform the taxpayers and the general public on the importance of paying taxes, Laos's tax system
- **Target audience:** current and future taxpayers, and general public
- **Timeline:** As soon as possible
- **Description:** Educational and information (media) campaigns are important tools which can contribute to raising awareness about the tax system, importance of paying taxes, but also provide information about the rights and obligations of taxpayers. Media information campaigns can be designed for the promotion of TD's e-services, whilst public educational campaigns, e.g. about the importance of fulfilling tax obligations can be organized in secondary schools and universities. An example of the educational campaign (animation film) that can be implemented through TD's public web site is "Why is it important to pay taxes? "Where do I find the information about rights and

obligations”. Various social media channels are useful communication tools for accessing a younger population. The campaign should include development of printed promotional materials, television and radio ads, press conference etc.

- Develop and implement a comprehensive educational and information campaign with clear targets to be achieved.

Activity 8: Develop and implement a comprehensive taxpayer education program.

- **Goal:** Raise awareness and inform the taxpayers about the importance of paying taxes, important tax aspects
- **Target audience:** current and future taxpayers
- **Timeline:** As soon as possible
- **Description:** Taxpayers education programs are important for establishing and maintaining cooperation between the tax administration and taxpayers. Key components of such a program are the provision of: (i) taxpayers’ advisory services which involves providing proactive advice to taxpayers on tax matters through advisory visits and public seminars; and (2) taxpayer information services, which involves proactively providing taxpayers with information about their tax obligations, through a combination of advertising, direct mailing of information to taxpayers, well-designed forms, and publications.
 - Develop and implement a comprehensive taxpayer education program with clear targets to be achieved. The program would include the following activities:
 - Undertake X advisory visits to taxpayers at their request
 - Conduct X education/awareness seminars
 - Conduct X hours of education for tax return preparers
 - Undertake X advisory visits to LTD taxpayers at their request.
 - Proactively advise taxpayers with a wide range of written practical information about their major tax obligations in a form that is easy to comprehend. The new publications target is to be no less than [10] per year.
 - Inform taxpayers about tax law interpretations and policy changes by issuing [12] Tax Information Bulletins per year, in a form that is easy to comprehend. This is basically a planned level of workload.

Activity 9: Establish a National Contact/Call Center to respond to taxpayers’ queries about the tax law and the status of their accounts

- **Goal:** provide better and timely assistance to taxpayers
- **Target audience:** taxpayers, employees of the National Contact Center, and employees of TD
- **Timeline:** beginning now to be completed in the next 12 months

- **Description:** The National Contact Center will handle telephone inquiries from across the country using a single access telephone number. The Contact Center will also be the primary location that responds to taxpayer inquiries submitted by email and letter. This national approach will ensure that (i) taxpayers from every location, urban or remote, will have the same ease of access to information about the laws and regulations; (ii) there will be consistency in the advice provided to all taxpayers; and (iii) taxpayers will have confidence that they will receive accurate and timely advice. Field offices will respond to in-person tax inquiries at a walk-up counter.
 - Recruit and train staff to be assigned to the National Contact/Call Center.

Activity 10: Develop and promote a taxpayer service charter

- **Goal:** provide timely assistance to taxpayers and monitor progress over time
- **Target audience:** taxpayers and employees of TD
- **Timeline:** beginning now to be completed in the next six months
- **Description:** To promote voluntary compliance and public confidence in the tax system, revenue authorities must adopt a service-oriented attitude towards taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. The good practice is for revenue authorities to commit to service delivery standards, which are often document in a taxpayer service charter.
 - Conduct a taxpayer satisfaction survey (instrumental in setting the baseline for the taxpayer service standards);
 - Identify and agree on 5 or more services to monitor;
 - Develop and promote a taxpayer service charter and monitor progress over time.