



OECD International Academy for Tax and Financial Crime Investigation

Conducting Financial Investigations

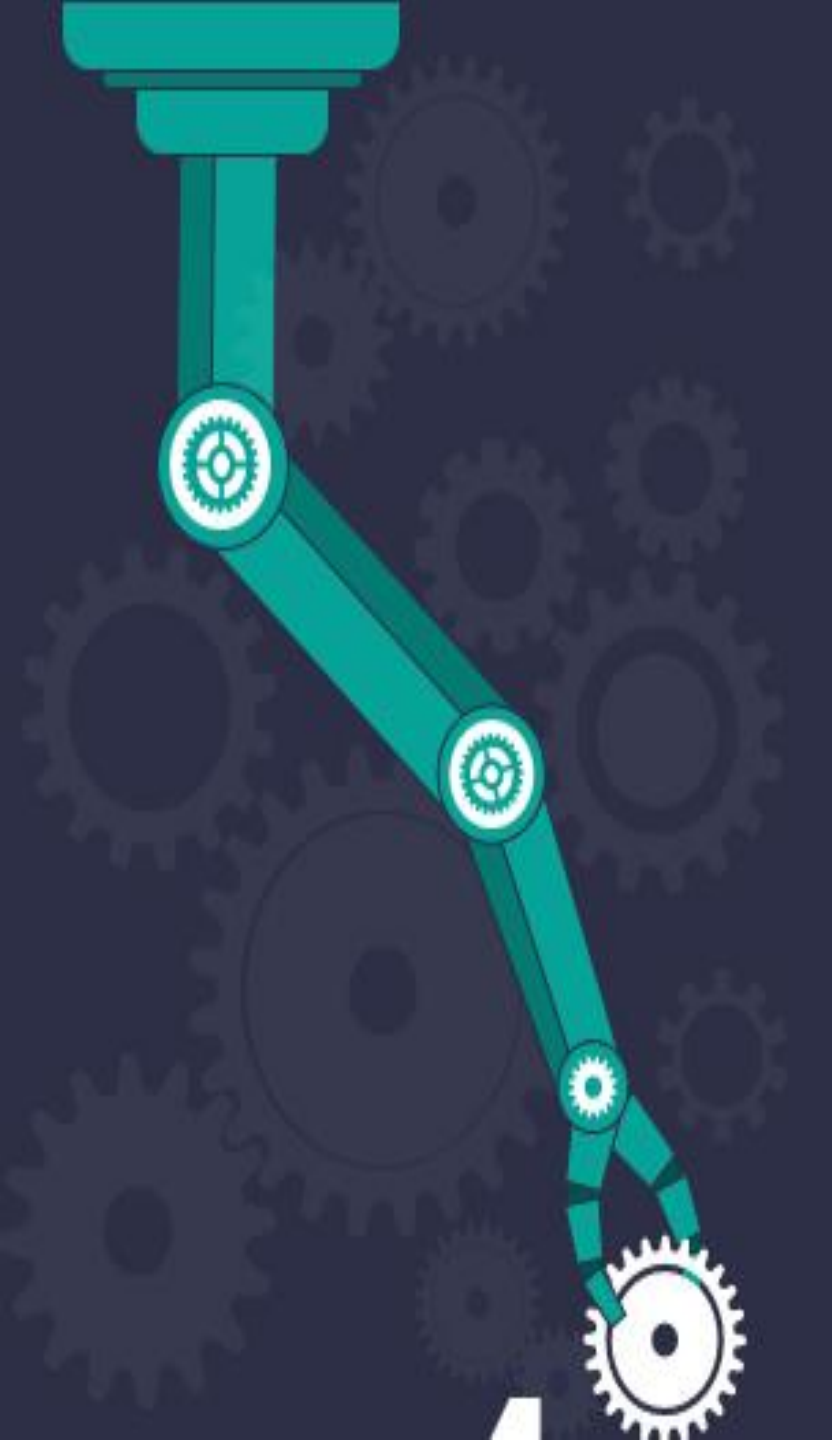


The Philippine Experience

Establishing a New Arrears Management and Assets Recovery System

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Topic Outline

01

Centralized Arrears Management Project
Concept with Structure for Reforms

02

The New Arrears Management System –
Project Achievements and Milestones

03

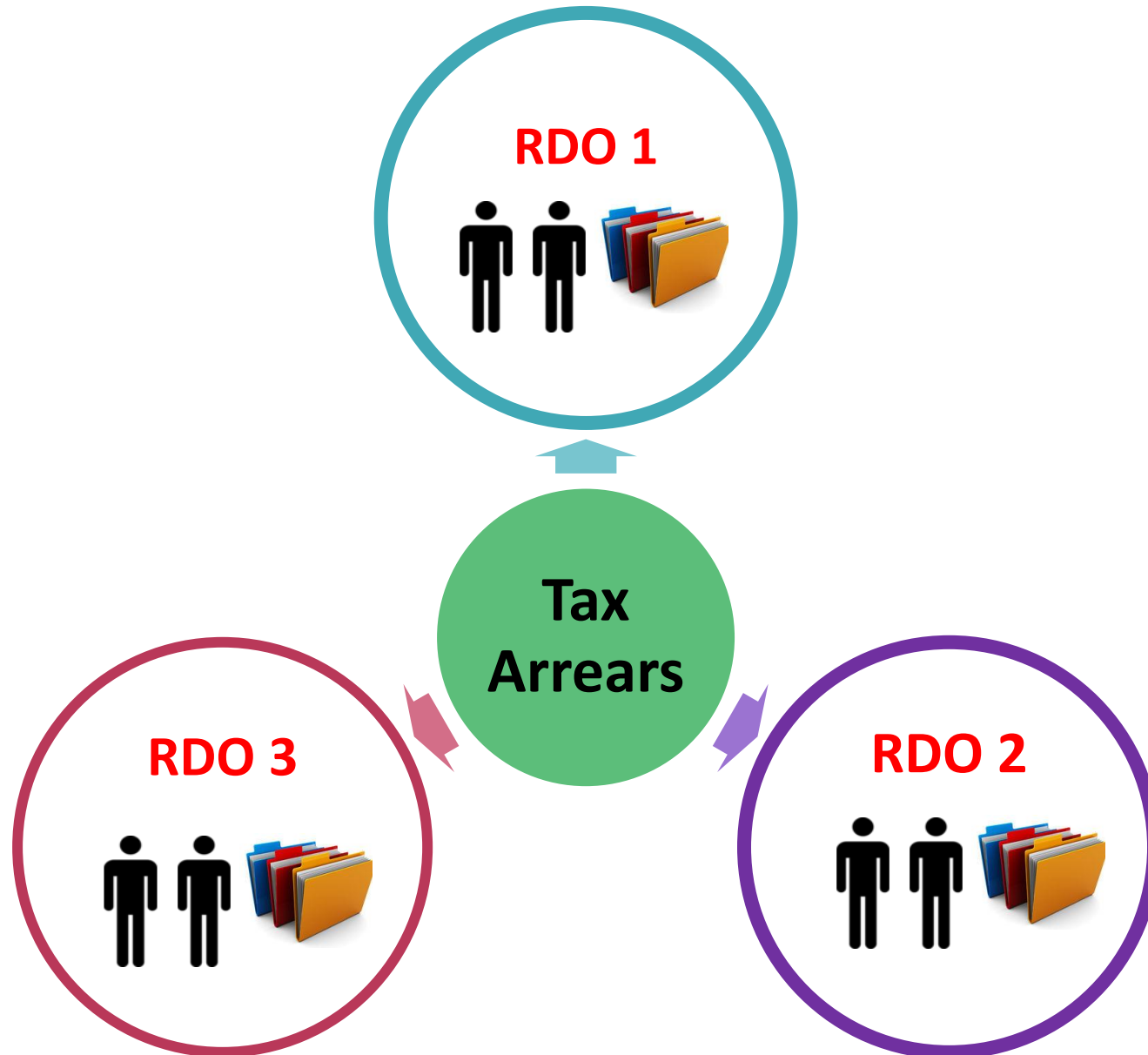
Creation of Assets Recovery Task Force –
Components and Implementation
Framework

04

Assets Recovery – Dream Team and
Wishlist

The Decentralized Arrears Management Model

management of tax
arrears is handled
by RDOs



- Seizure Agents



- Tax Dockets

RDO - Revenue District
Office

Arrears Management Project - Overview



➤ **Why focus on these areas?**

➤ **Project pilots – centralized arrears and forfeited assets management**

➤ **Institutionalization of the new business processes - phases**

Challenges in Arrears Management

Limited/Lack of:



systems for identification and reporting of arrears (both for civil and criminal tax cases)



integration with other processes



systemic response to non-filing/non-payment



funding to maintain and develop the systems necessary to enable risk identification, integration, automation, accountability and transparency



longer term strategic focus on preventing the arrears accumulation



enterprise wider reporting, analysis and information intelligence

Areas of Improvement

**The need to clearly
define arrears**



**Fairly punitive legislative
and penalty framework**



**Culture and structural
framework focused on
functional targets**



**Inflexible and resource
intensive strategies
and processes**



**Legislative framework
does not support
collection enforcement
and discourage asset
manipulation to avoid
payment**



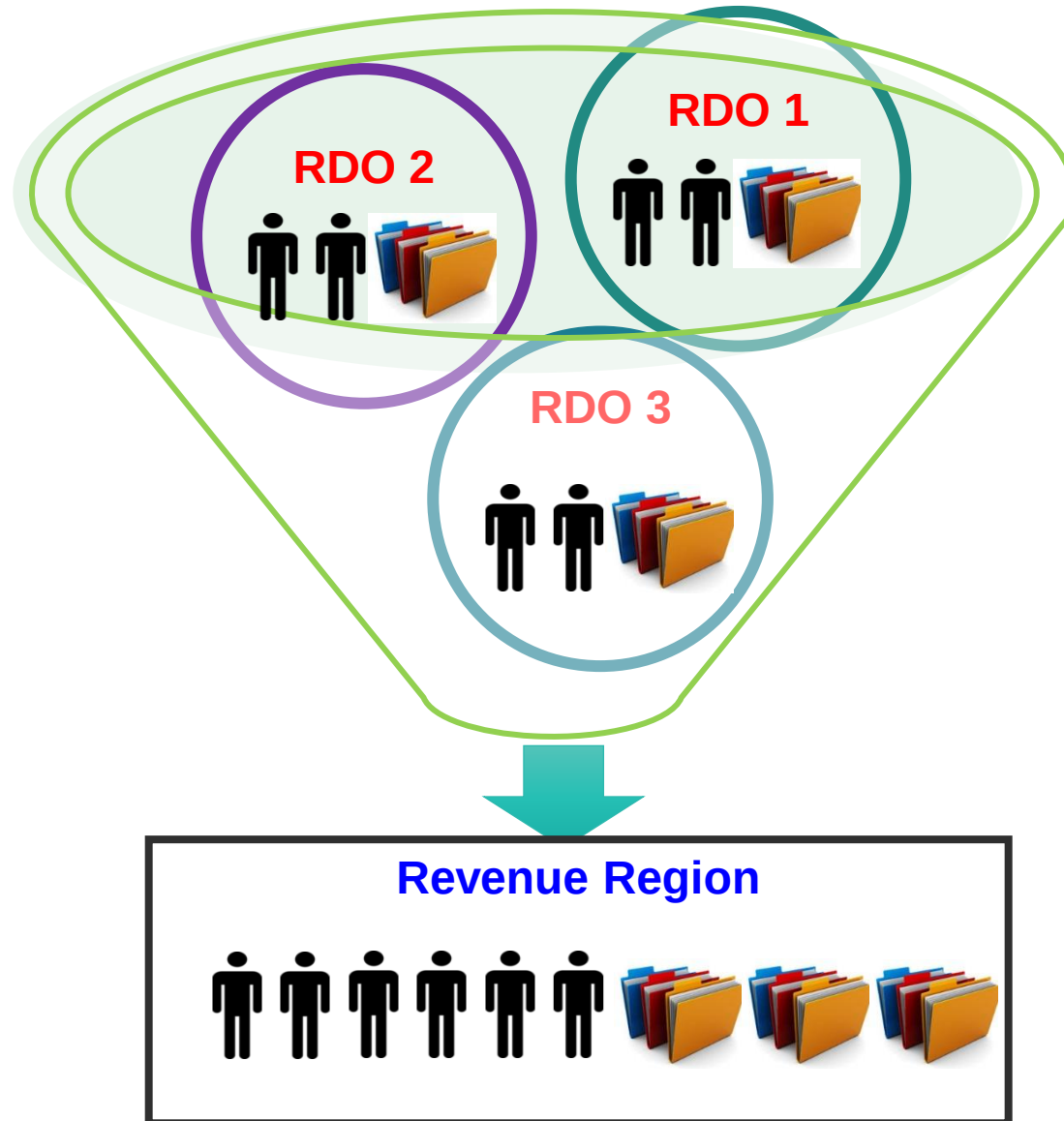
**High reliance on
transacting personally with
taxpayers vs. efficient
use of technology tools
and automation**





COMMUNICATION





The Centralized Arrears Management Model

creation of Arrears
Management Section
under the Collection
Division of Revenue
Regions nationwide

AMS CM Component Plans

**Change
Management &
Readiness
Plan**

**Communication
Plan**

Training Plan

**IT Service
Support Plan**

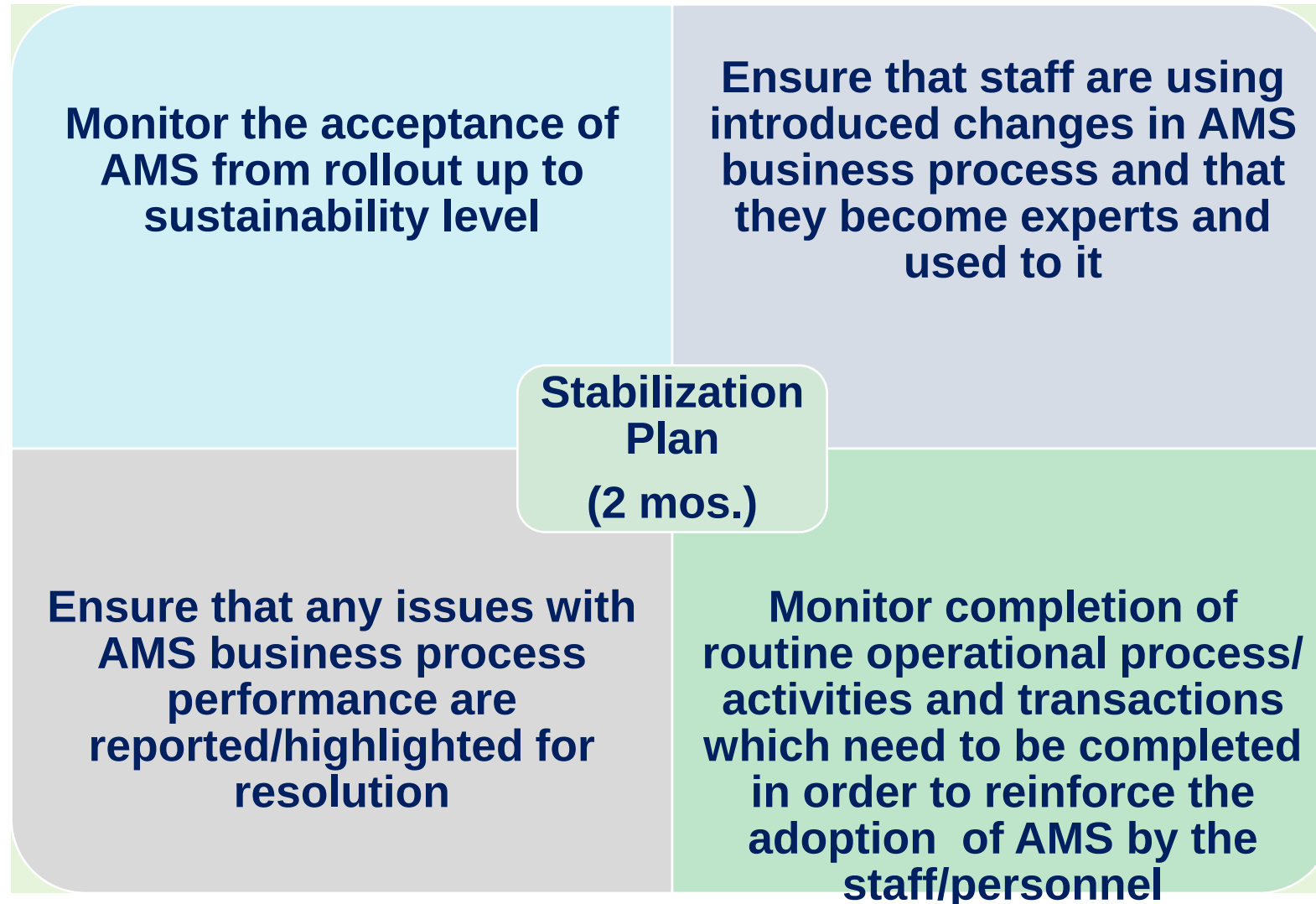


CHANGE MANAGEMENT AND READINESS



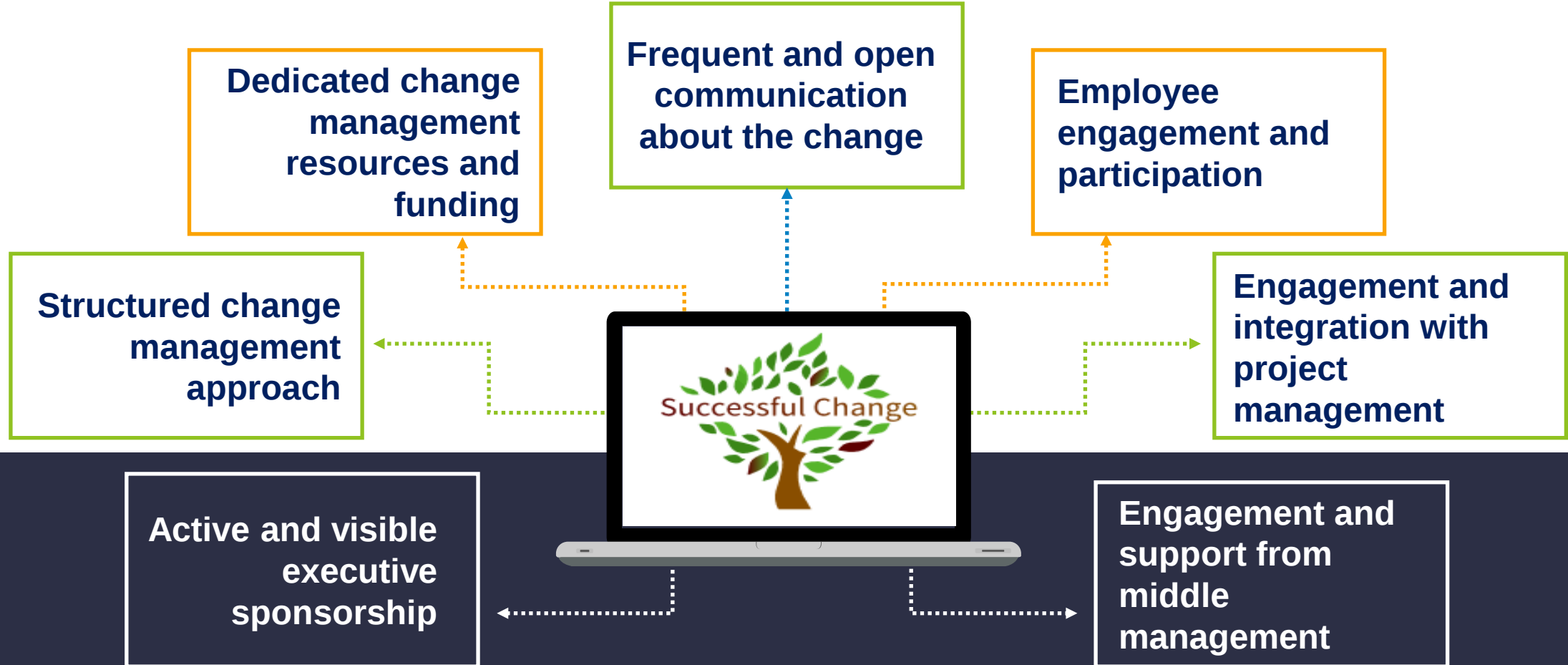
- 1) Change Readiness plan— to ensure comprehensive preparation for each office and site; Change readiness coordinators assigned in each office and site to implement the plan and report progress
- 2) Stabilization plan— to secure the successful adoption of AMS in each office and site: Post go-live stabilization plan to ensure offices/staff are doing the AMS business process required and the support is effective
- 3) Monitoring plan— to ensure acceptance of the new business processes as part of standard/normal operations
- 4) Sustainability plan— to ensure continued operations in the medium-/long-term

Change Management Plan Overview



“Change” Sponsorship

Greatest Contributors to Success



“Change” Sponsorship

Biggest Obstacles to Success

**Ineffective change
management sponsorship**

**Resistance to change from
employees**

**Insufficient change
management resourcing**

**Division between project management
and change management**

**Middle management
resistance**

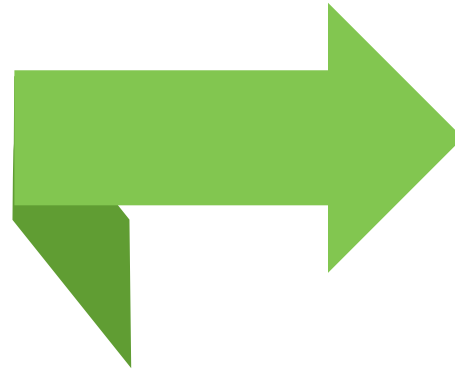


Arrears Management Section



Structure Before

- 1. Collection Division
 - 1.1. Collection Programs and Performance Audit Section
 - 1.2. Receivable Accounts and Collection Enforcement Section
 - 1.3. Withholding Agents Monitoring Section

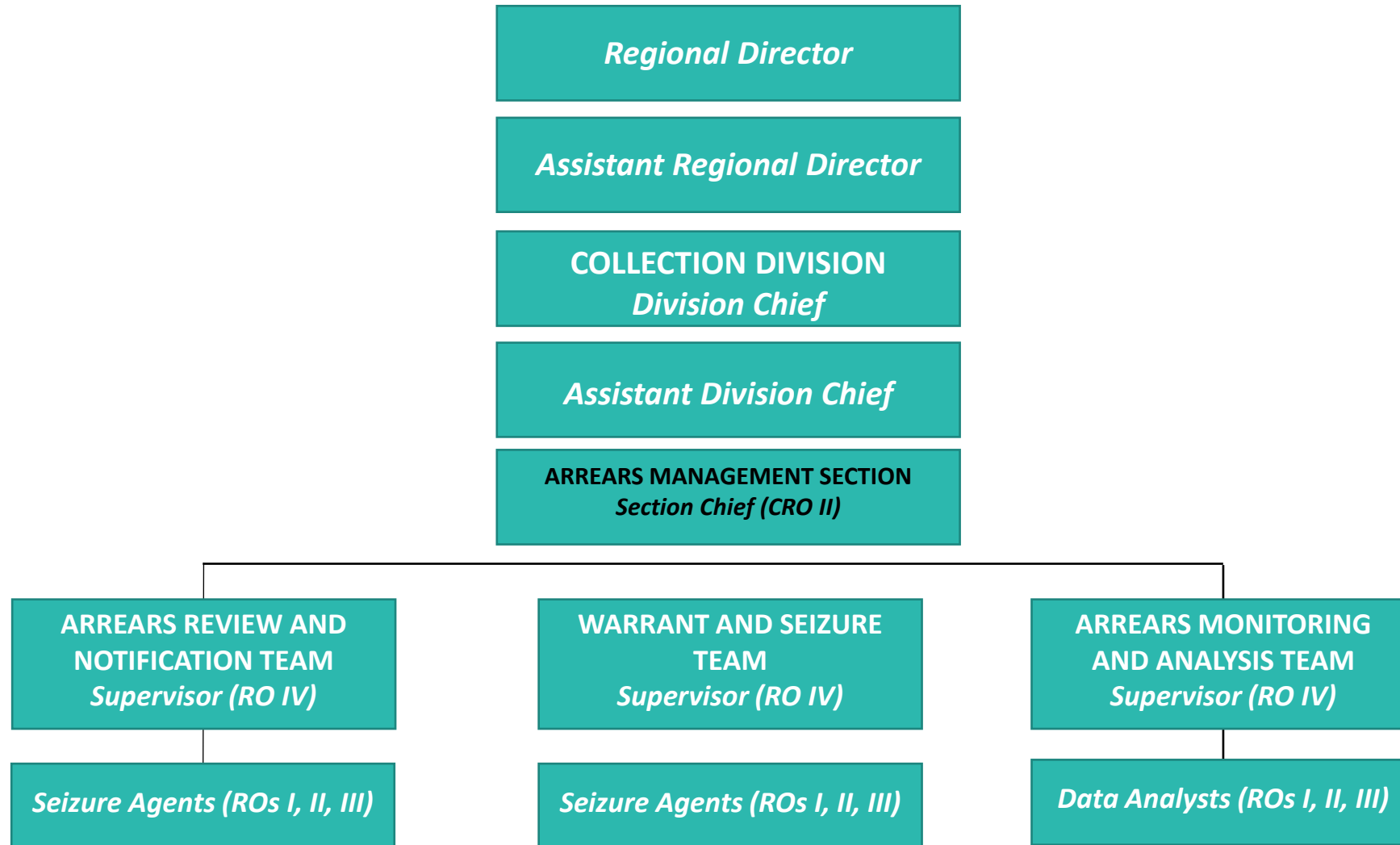


Structure as Approved by DBM

- 1. Collection Division
 - 1.1. Collection Programs and Performance Audit Section
 - 1.2. Receivable Accounts and Collection Enforcement Section
 - 1.3. Withholding Agents Monitoring Section
 - 1.4. Arrears Management Section**
 - 1.4.1 Arrears Review and Notification Team**
 - 1.4.2 Warrant and Seizure Team**
 - 1.4.3 Arrears Monitoring and Analysis Team**

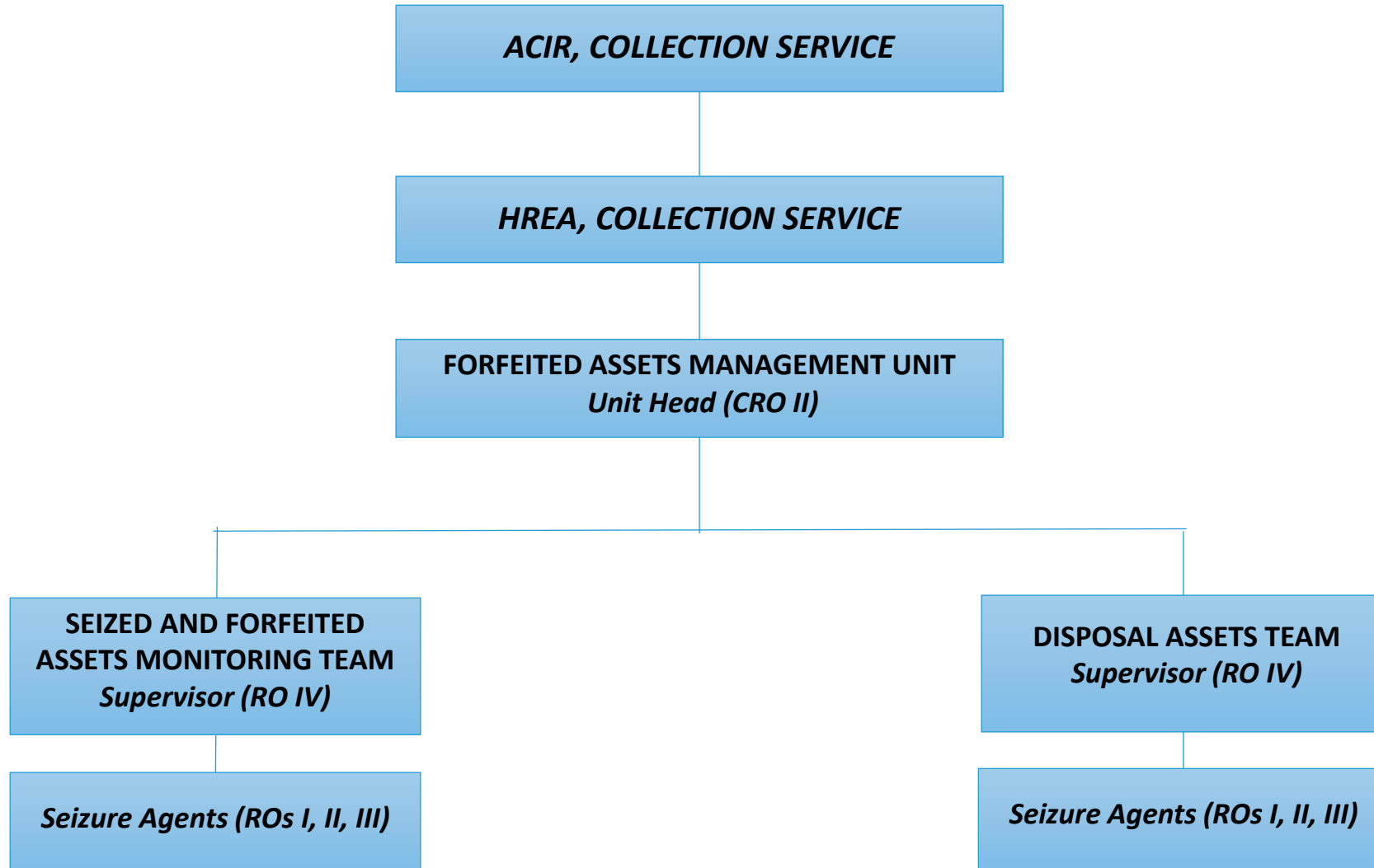
Arrears Management Section

Organizational Structure



Forfeited Assets Management Unit

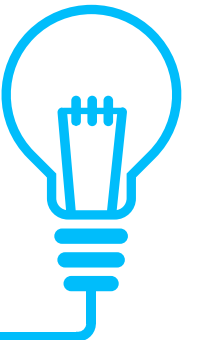
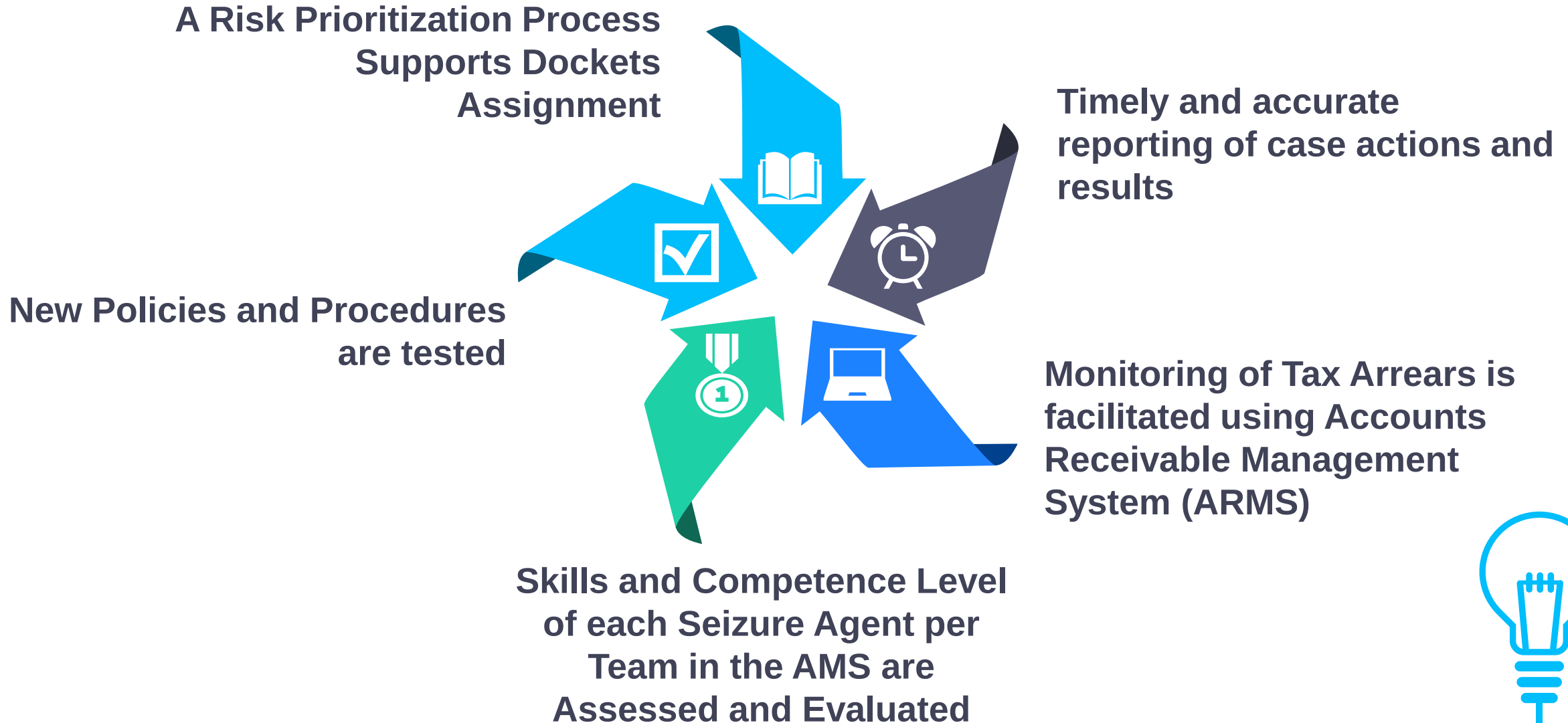
Organizational Structure



Key Design Features of Centralized Arrears Management



Key Design Features of Centralized Arrears Management



The Arrears Management Section

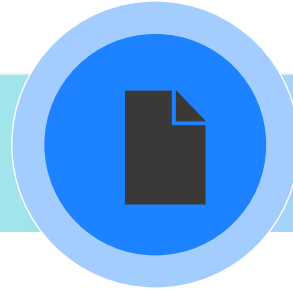
TEAM 1



ARREARS REVIEW AND NOTIFICATION TEAM

Introduce pro-active taxpayer contact (phone calls, reminder notices, emails) to persuade delinquent taxpayers to immediately settle their tax liabilities.

TEAM 2



WARRANT AND SEIZURE TEAM

Prepare, serve and execute warrants and conduct seizure/forfeiture (confiscation) of properties if the delinquent taxpayer/tax evader failed to pay the outstanding tax liabilities

TEAM 3



ARREARS MONITORING AND ANALYSIS TEAM

Convert the seized/forfeited properties to cash for purposes of applying the same to the outstanding tax liabilities

Monitor and analyze the handling of tax arrears

Compliance Requirements



HR STAFFING



FACILITIES



TRAINING



ARMS ROLLOUT



OTHERS

HR Staffing

Activities	Mandatory	Criteria
1. Selected/Identified Seizure Agents (SAs) currently assigned in affected RDOS to be transferred in AMS of Collection Division in RR	YES	Inventory of Seizure Agents - Revenue Special Order (RSO)/Revenue Travel Assignment Order (RTAO) for Seizure Agents approved, signed and disseminated to concerned offices
2. 50% of Total no. of personnel vs. plantilla positions	YES	Current Personnel Strength (CPS) is at least 50% of approved plantilla
3. Hiring/New recruits	YES	At least 50% of the available RO1 plantilla positions in the AMS filled up

Facilities

(Physical Set-up, Office Location and Services)

1. Office Space

2. Storage Space (Secured)

3. Electrical Outlet/ Network Switches and Cablings

4. Furniture, Fixture and Equipment

- > Tables
- > Chairs
- > Steel Cabinets

5. Technology Infrastructure

- > Personal Computers
- > Printers
- > Telephone Lines
- > Security Access

Capability Readiness Training



Personnel Orientation Course (POC)

3-Day Training

ARMS Handholding

2-Day Training

Basic Tax Administration Course (BTAC)

5-Day Training

General Course for Revenue Officer (GCRO)

22-Day Training

Seizure Agents Course (SAC)

5-Day Training

Train-the-Trainers

4-Day Training

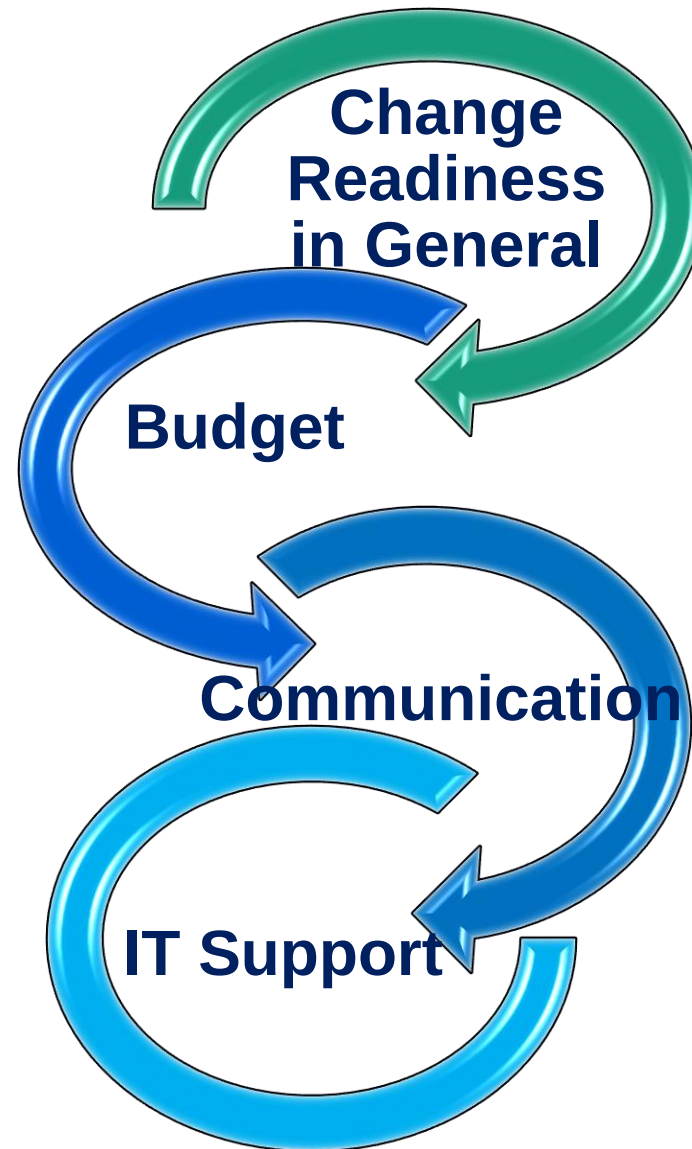
IT Service Support (for ARMS)

Objectives

- ☐ Implement an IT service support model/plan for effective delivery of IT support services for ARMS rollout
- ☐ Implement efficient business processes, including jobs aids
- ☐ Equip the people involved in the IT support processes with technical skills, and process

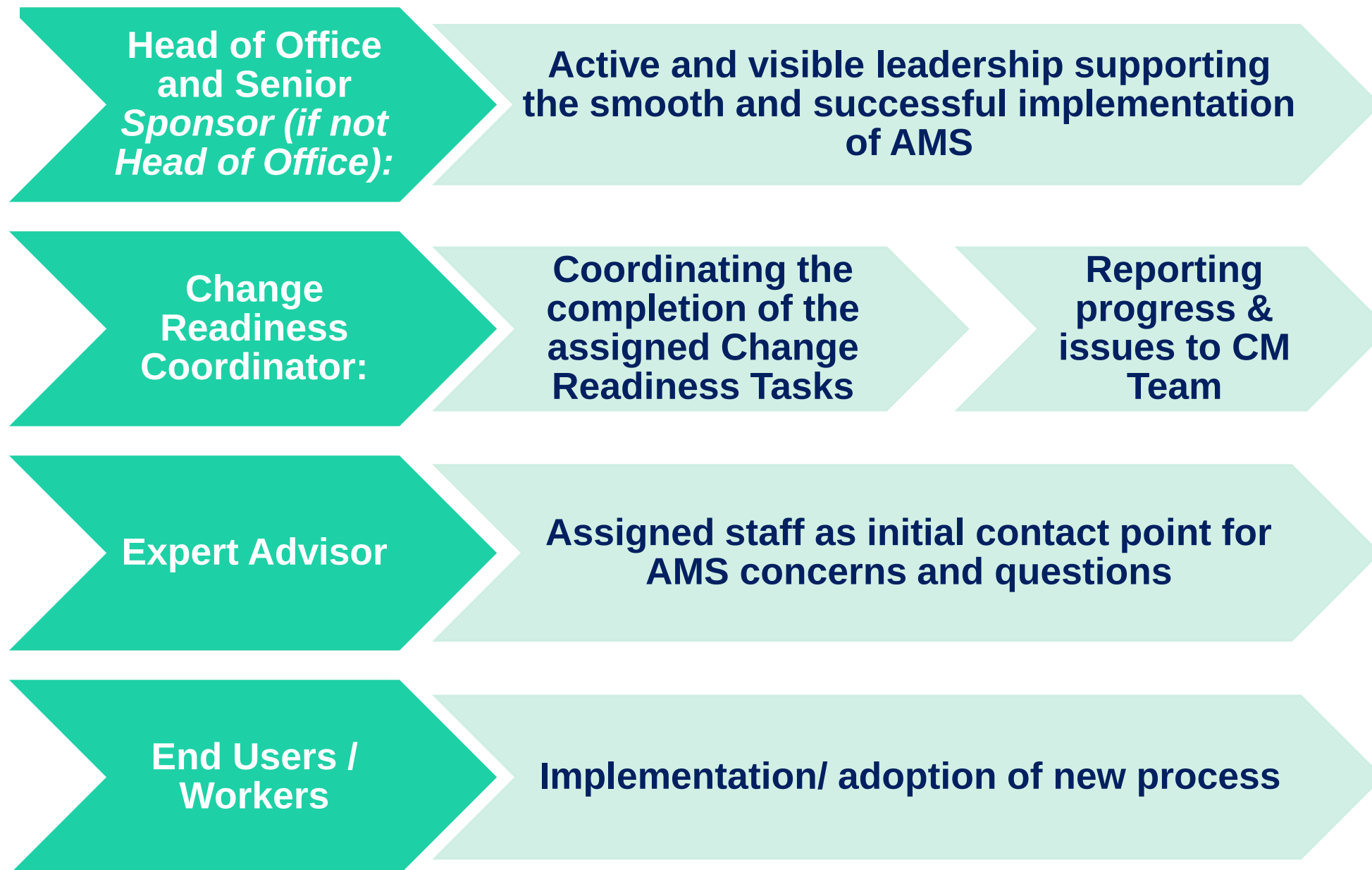


OTHERS





Implementation and Roles



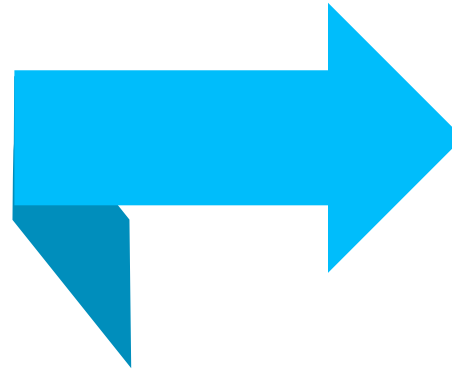
Forfeited Assets Management Unit

Structure Before

National Office

Collection Service

1. Collection Programs Division
2. Collection Performance Monitoring Division
3. Accounts Receivable Monitoring Division
 - 3.1. Accounts Receivable Monitoring and Analysis Section
 - 3.2. Seized and Forfeited Properties Management Monitoring Section**
 - 3.3. Compromise and Abatement Review, Evaluation and Monitoring Section
 - 3.4. Collection Enforcement Monitoring Section
4. Revenue Accounting Division
5. Miscellaneous Operations Monitoring Division



Structure as Approved by DBM

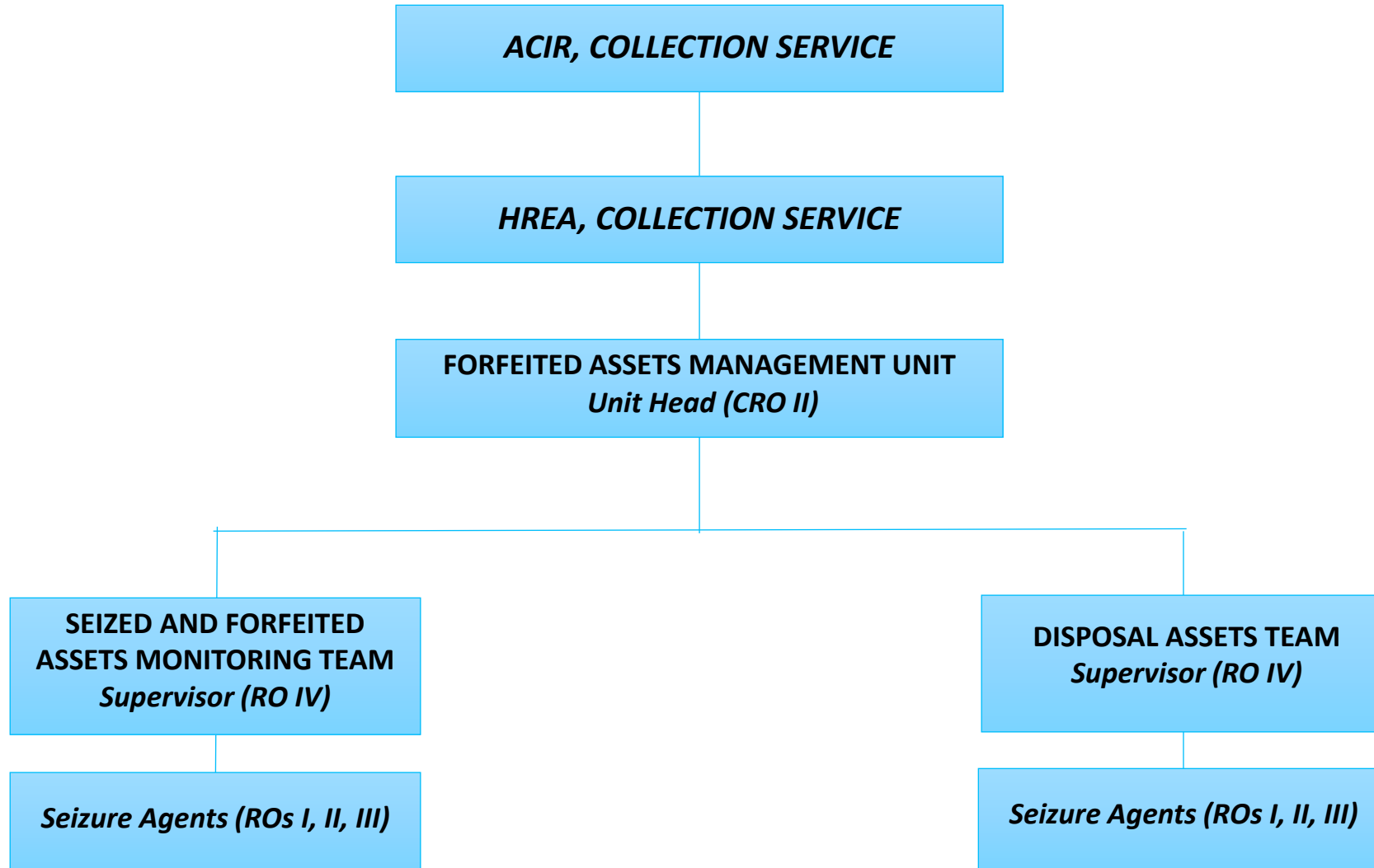
National Office

Collection Service

1. Collection Programs Division
2. Collection Performance Monitoring Division
3. Accounts Receivable Monitoring Division
 - 3.1. Accounts Receivable Monitoring and Analysis Section
 - 3.2 Tax Clearance Section**
 - 3.3. Compromise and Abatement Review, Evaluation and Monitoring Section
 - 3.4. Collection Enforcement Monitoring Section
4. Revenue Accounting Division
5. Miscellaneous Operations Monitoring Division
- 6. Forfeited Assets Management Unit**
 - 6.1. Seized and Forfeited Assets Monitoring Team**
 - 6.2. Assets Disposal Team**

Forfeited Assets Management Unit

Organizational Structure



Asset Managers must have the skills, resources and legal authority to ...

- ☐ preserve the security and value of assets pending confiscation;
- ☐ hire contractors with specialized skills to accomplish management tasks;
- ☐ liquidate assets after confiscation for a fair price; and
- ☐ following payment of all necessary expenses, distribute the proceeds in accordance with the applicable legislation.



Authorities should seek to fill the needed expertise in other ways:

- ✓ Creation of a Separate Specialized Asset Management Office (AMO);
- ✓ Creation of an Asset Management Unit within an Existing Agency; and/or
- ✓ Outsourcing Asset Management





Centralized Arrears and Forfeited Assets Management Benefits



Increase in Revenues



**Minimize the Growth
of Arrears**



**Produce/ Maintain
Highly Competent
Personnel**



**Achieve Economies
of Scale**



**Early Detection of Tax
Arrears**



**Adoption of Risk
Management Approach**



**Rationalized Case
Allocation**

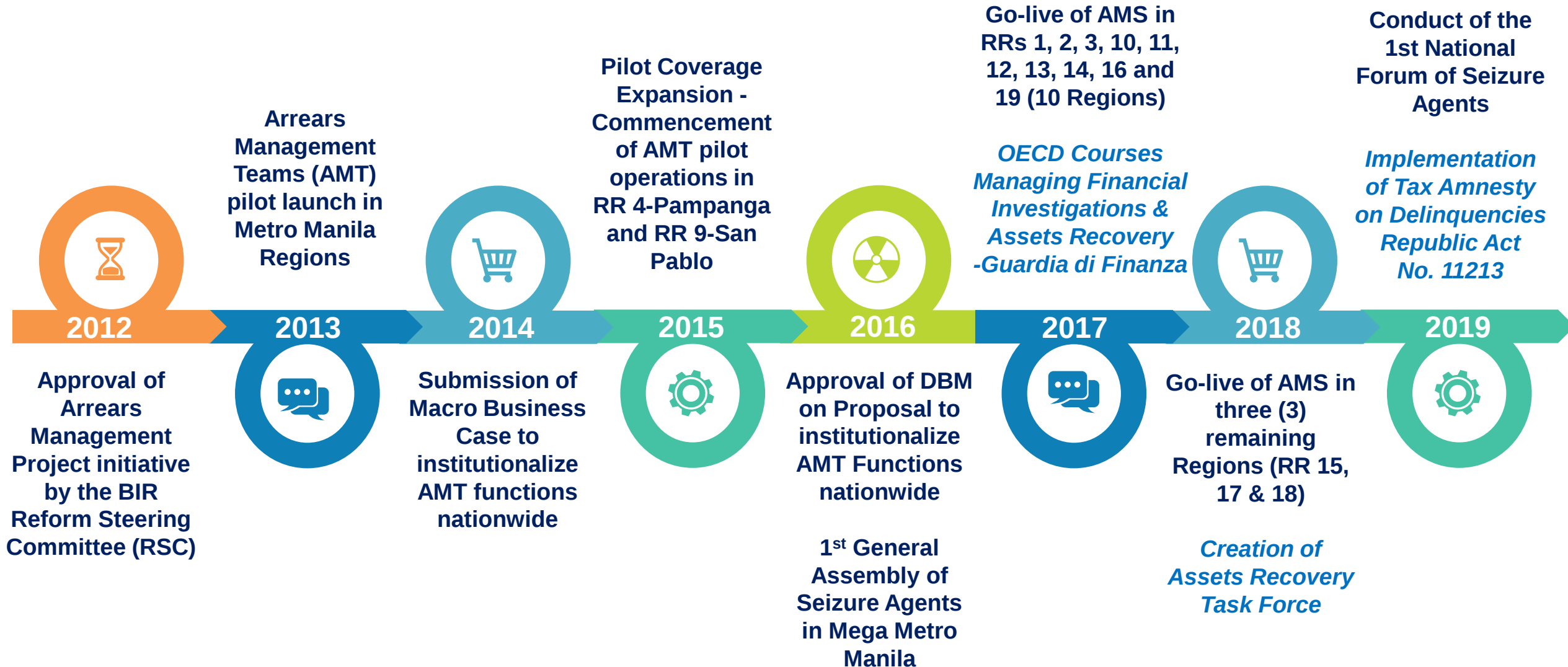


Systems Integration





Project Milestones



YOUR ASSETS,
OUR PRIORITY



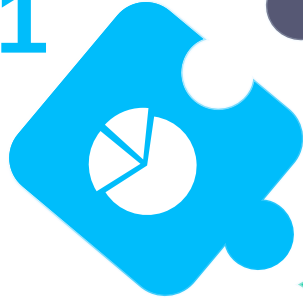
ASSETS RECOVERY
Task Force

ARTF Creation Components



**Human Resource
(HR) Staffing**

01



**02 Capacity Development
(Training)**



**Organization,
Process and
Others**

03



04 Facilities

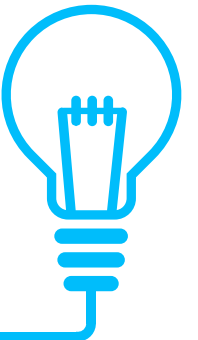


Implementation Framework

Divided into four (4) components, namely:



AR Dream Team



WISH LIST

ASSETS RECOVERY

Executive Sponsorship

Full support and approval of reform initiatives for pilot implementation and institutionalization of tested strategies

01

(Project Proponent Ownership)

Capacity Development

Administer TNAs, design and develop training plan/modules for implementation

Others

Re-engineer existing processes, dedicate resources, access information databases for assets tracing, adopt comprehensive policies and strategies, etc.

03

02

Legislative Reforms

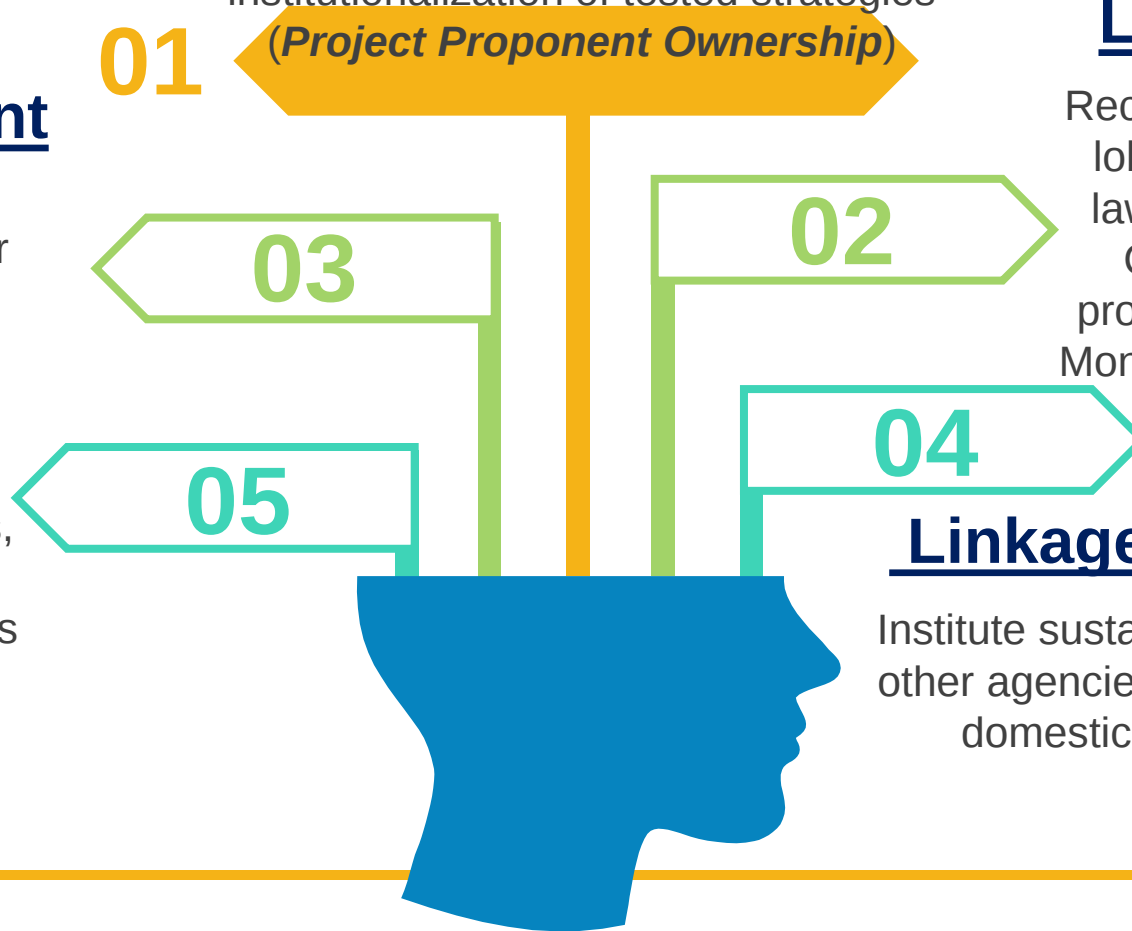
Recommend enactment of new laws, lobby changes for amendments of laws – Proceeds of Crime Act, Tax Code/Customs and Tariff Code provisions, Bank Secrecy Law, Anti-Money Laundering Act, Anti-Terrorism Bill, etc.

04

05

Linkage Establishment

Institute sustained cooperation with other agencies – within the agency, domestic and international





**THANK YOU
FOR YOUR
ATTENTION**

