OECD International Academy for Tax and Financial Crime Investigation
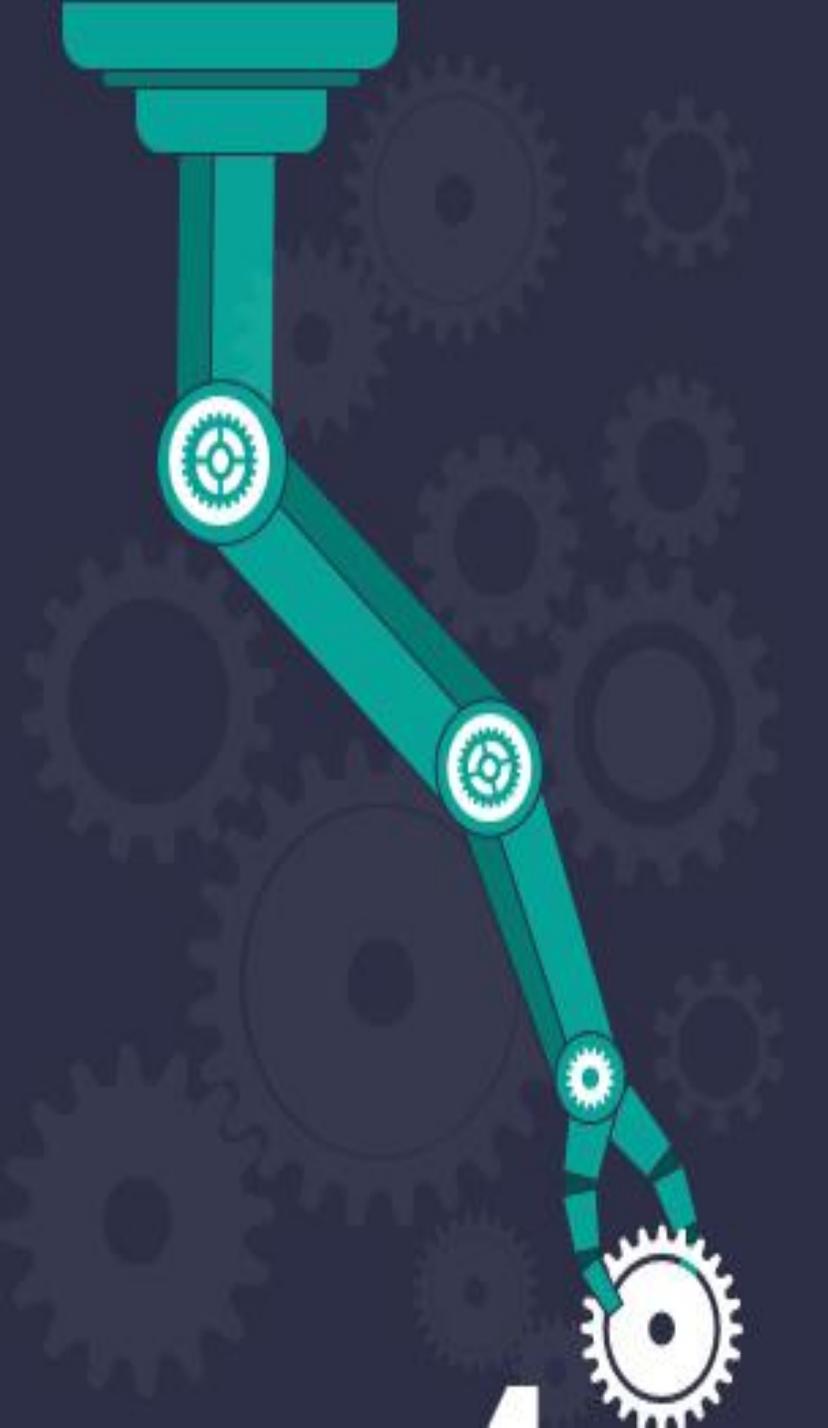
Managing Financial Investigations

OECD

THE PHILIPPINE EXPERIENCE

Establishing a new Arrears Management and Assets Recovery System

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Bureau of Internal Revenue, Philippines

Topic Outline

01 Centralized Arrears Management Project Concept with Structure for Reforms
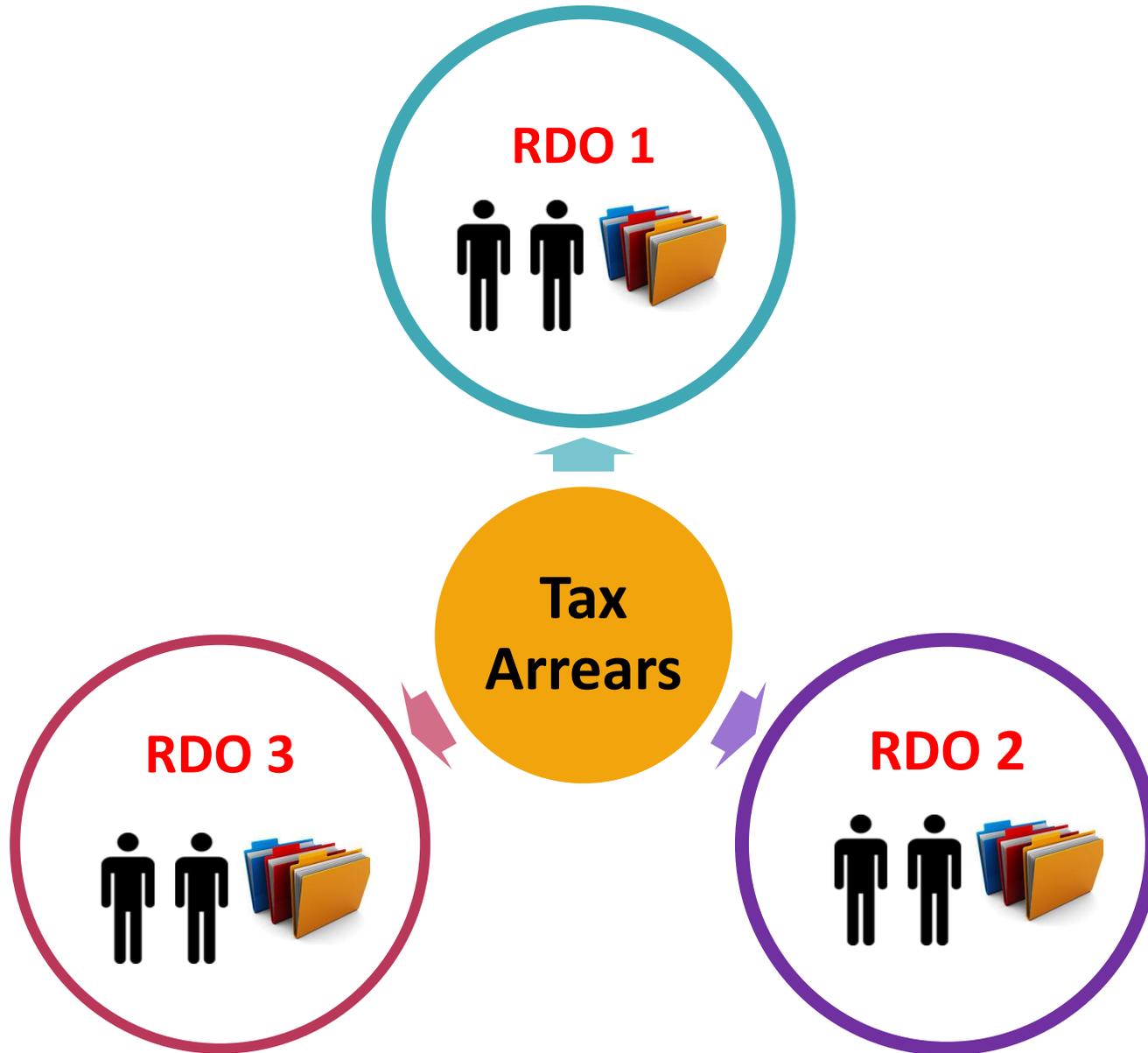
02 The New Arrears Management System – Project Achievements and Milestones

03 Creation of Assets Recovery Task Force – Components and Implementation Framework

04 Assets Recovery – Dream Team and Wish List

Arrears Management Project - Overview

START

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

Awareness — of the need for change

Desire — to participate and support the change

Knowledge — on how to change

Ability — to implement required skills and behaviors

Reinforcement — to sustain the change

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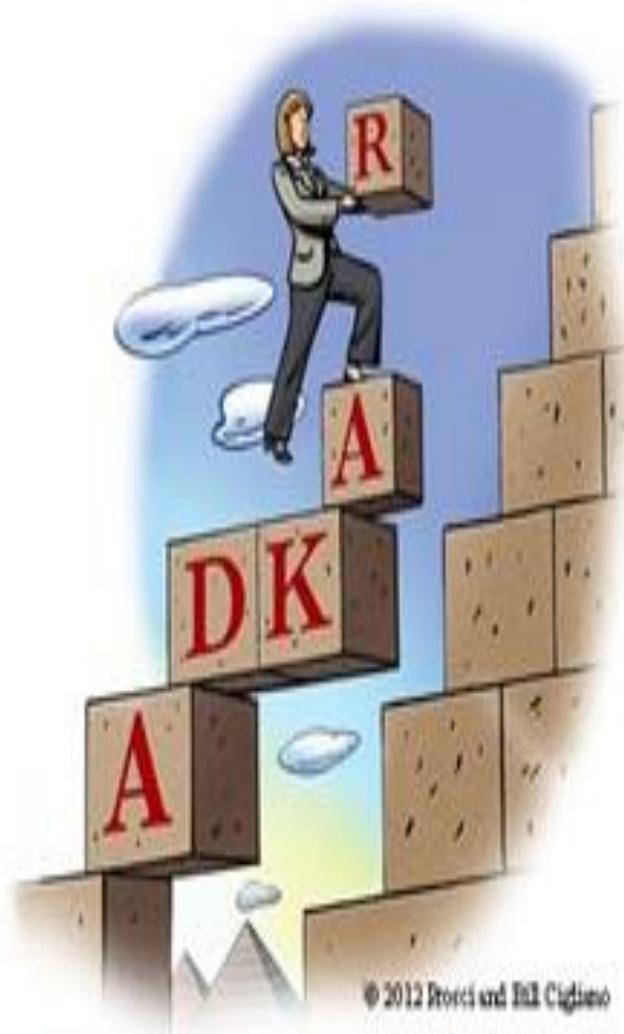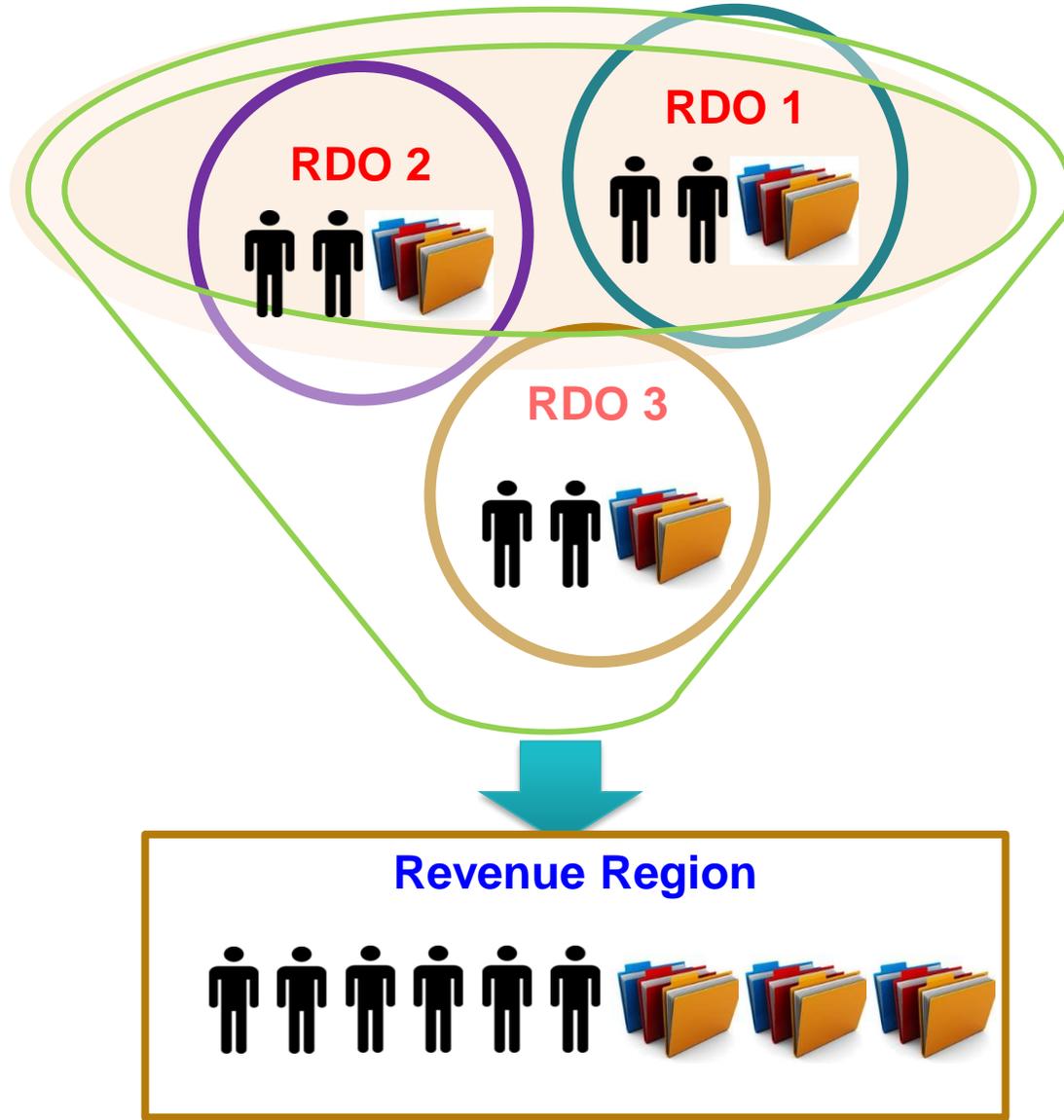
The Centralized Arrears Management Model

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

RDO 1

RDO 2

RDO 3

Revenue Region

"Change" Sponsorship
Greatest Contributors to Success

Dedicated change management resources and funding

Frequent and open communication about the change

Employee engagement and participation

Structured change management approach

Successful Change

Engagement and integration with project management

Active and visible executive sponsorship

Engagement and support from middle management
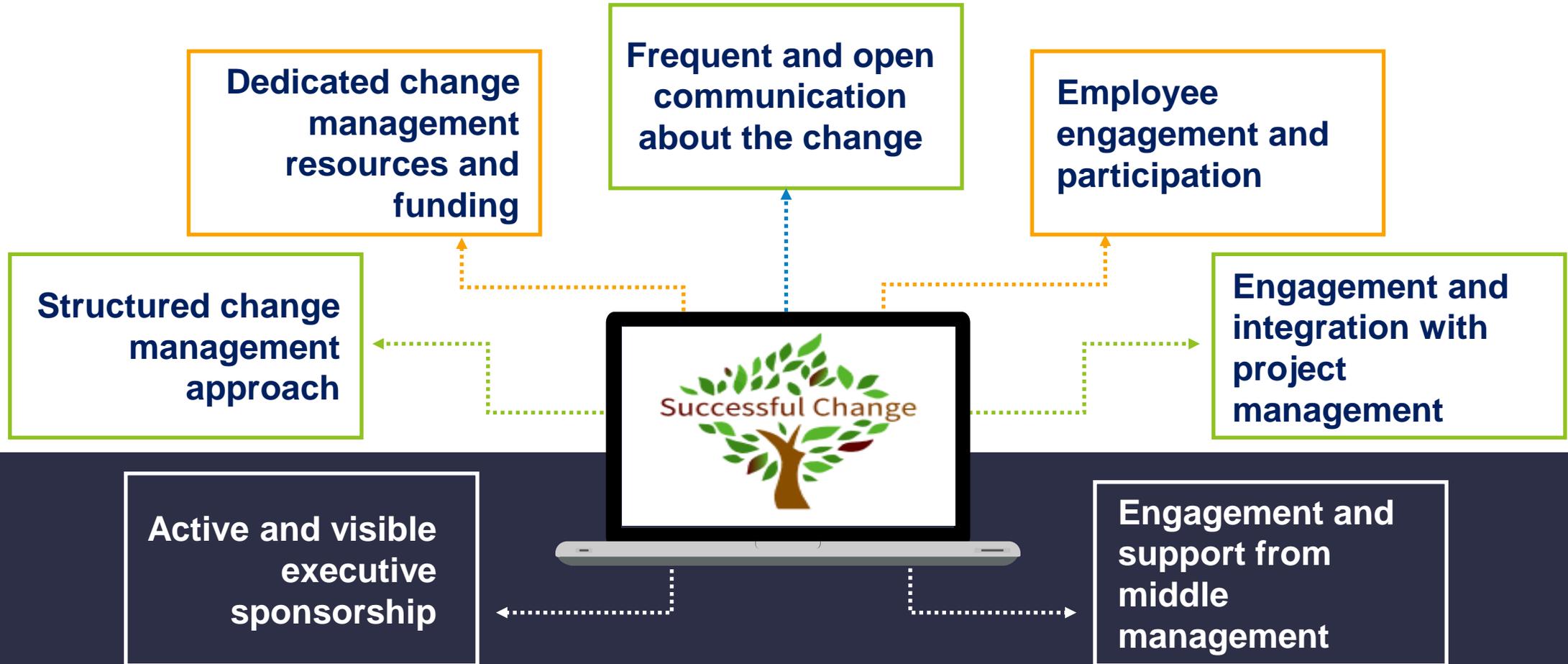
"Change" Sponsorship
Biggest Obstacles to Success

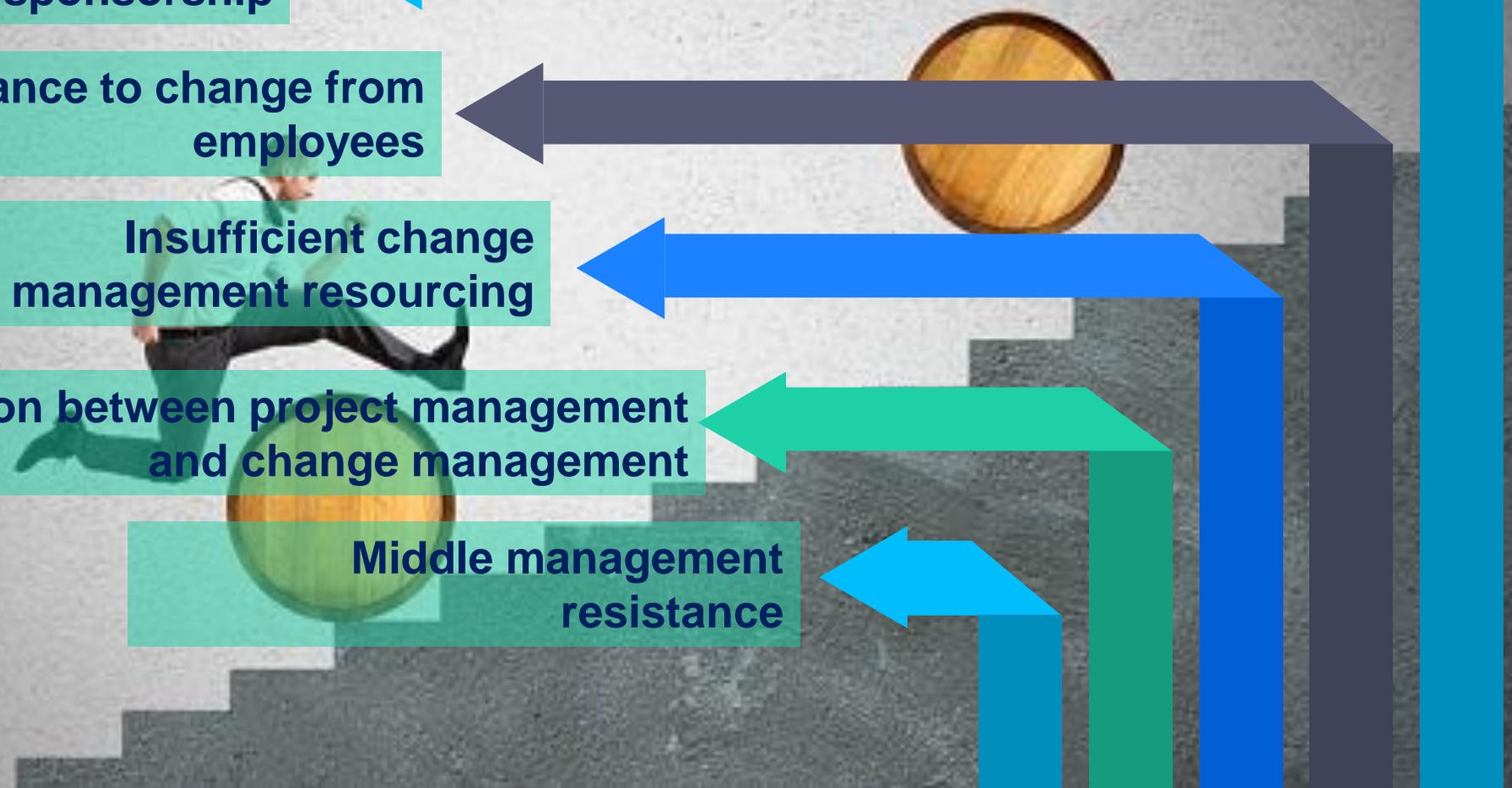Ineffective change management sponsorship

Resistance to change from employees

Insufficient change management resourcing

Division between project management and change management
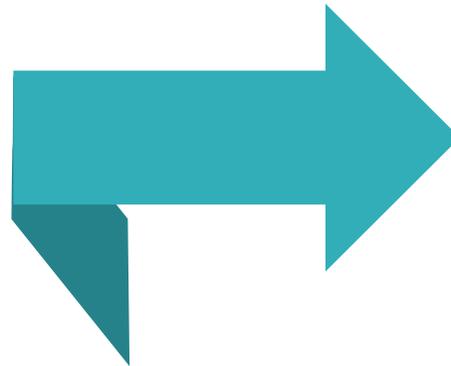
Middle management resistance

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
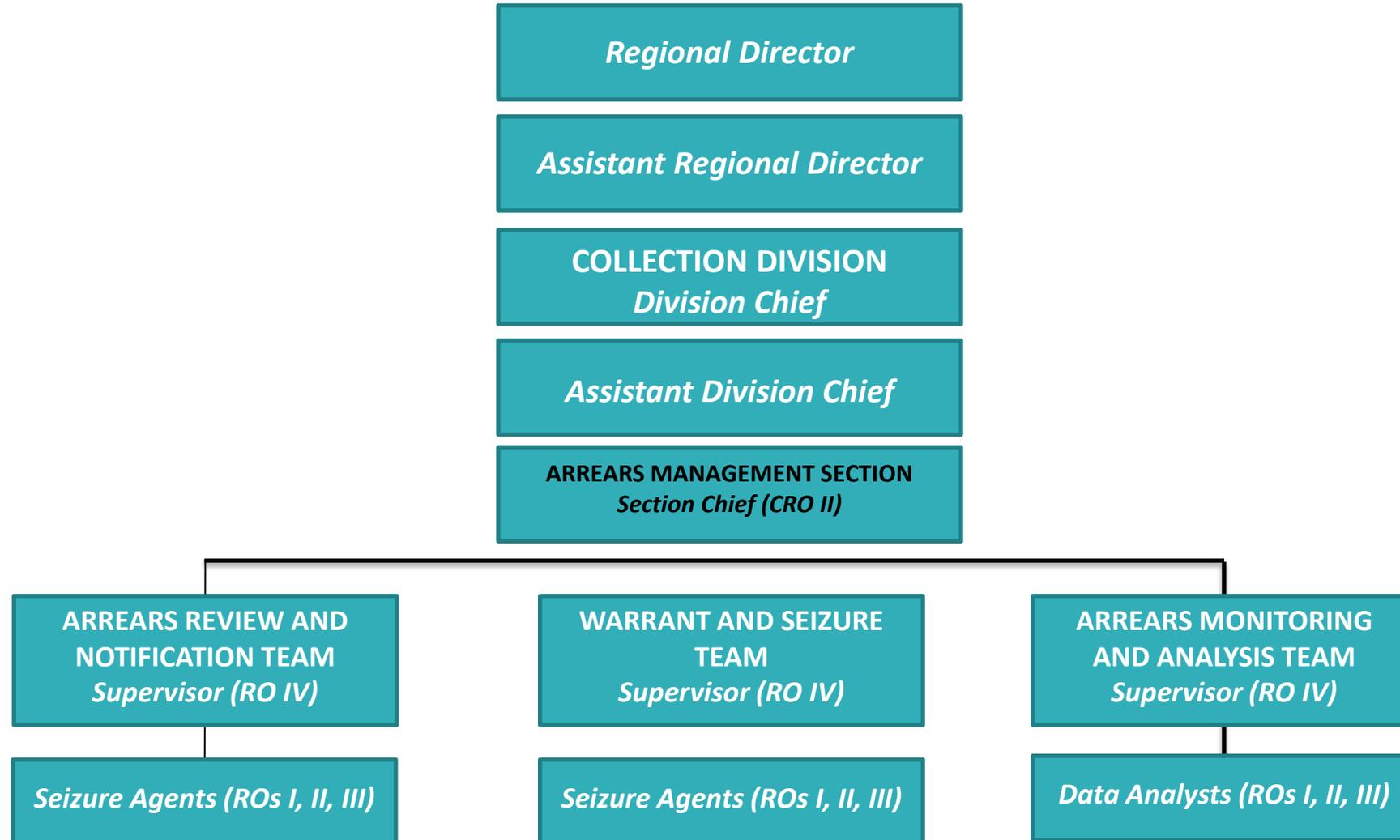   *1.4. Arrears Management Section*
        1.4.1 Arrears Review and Notification Team
        1.4.2 Warrant and Seizure Team
        1.4.3 Arrears Monitoring and Analysis Team

Arrears Management Section
Organizational Structure

Regional Director

Assistant Regional Director

COLLECTION DIVISION
Division Chief

Assistant Division Chief

ARREARS MANAGEMENT SECTION
Section Chief (CRO II)

ARREARS REVIEW AND NOTIFICATION TEAM *Supervisor (RO IV)*	WARRANT AND SEIZURE TEAM *Supervisor (RO IV)*	ARREARS MONITORING AND ANALYSIS TEAM *Supervisor (RO IV)*
Seizure Agents (ROs I, II, III)	Seizure Agents (ROs I, II, III)	Data Analysts (ROs I, II, III)

Forfeited Assets Management Unit

Structure Before

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. 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

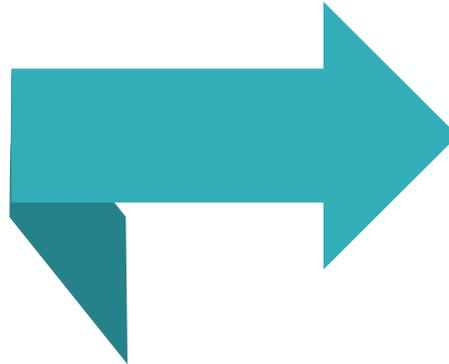**National Office**

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
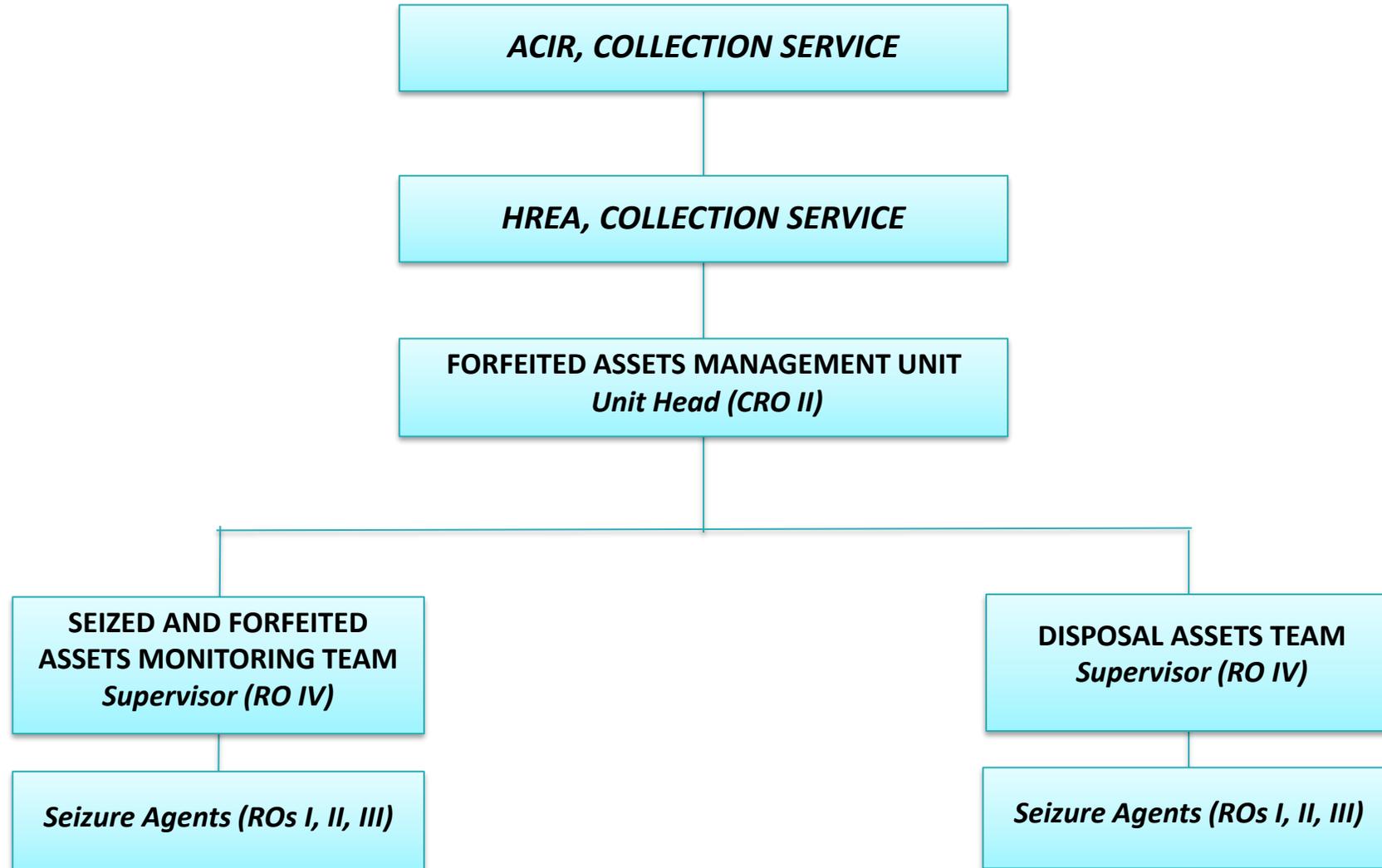5. Miscellaneous Operations Monitoring Division
6. *Forfeited Assets Management Unit*
   6.1. *Seized and Forfeited Assets Monitoring Team*
   6.2. *Assets Disposal Team*

Forfeited Assets Management Unit
Organizational Structure

ACIR, COLLECTION SERVICE

HREA, COLLECTION SERVICE

FORFEITED ASSETS MANAGEMENT UNIT
Unit Head (CRO II)

SEIZED AND FORFEITED ASSETS MONITORING TEAM
Supervisor (RO IV)

DISPOSAL ASSETS TEAM
Supervisor (RO IV)

Seizure Agents (ROs I, II, III)

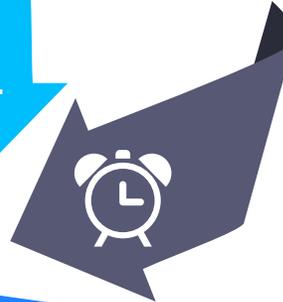*Seizure Agents (ROs I, II, III)*

Key Design Features of Centralized Arrears Management

Increase Revenue Collections

Seamless and Timely Case Actions

Regional vs RDO Approach

Clear Separation of Teams by Tasks and Skills
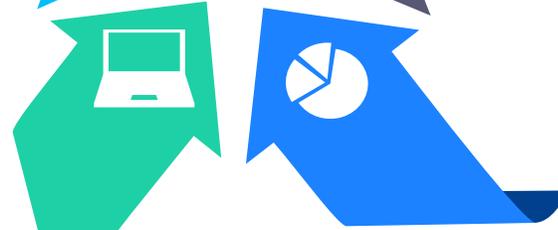
Collectible and Non-Collectible Arrears are Categorized

Key Design Features of Centralized Arrears Management

A Risk Prioritization Process Supports Dockets Assignment
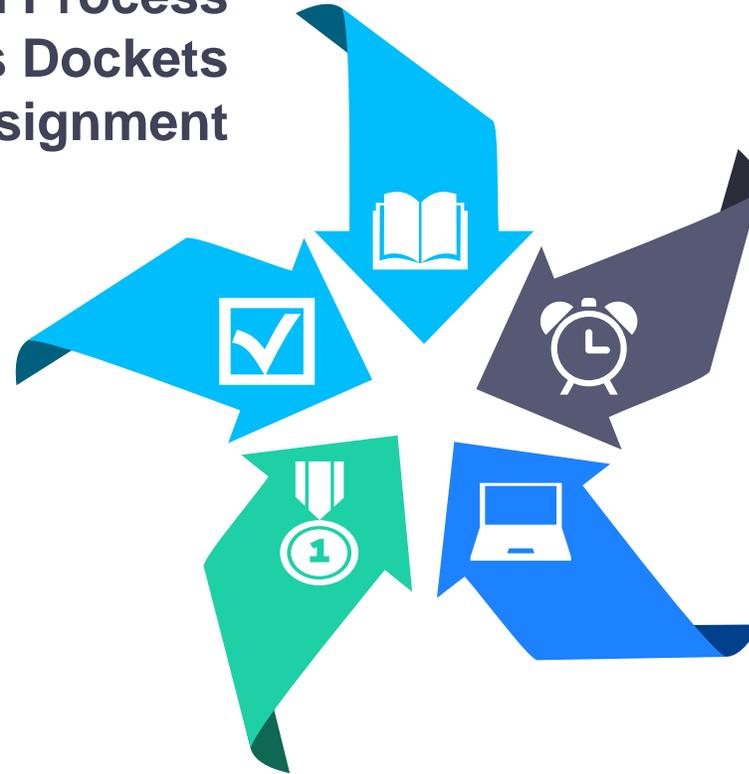
Timely and accurate reporting of case actions and results

New Policies and Procedures are tested

Monitoring of Tax Arrears is facilitated using Accounts Receivable Management System (ARMS)

Skills and Competence Level of each Seizure Agent per Team in the AMS are Assessed and Evaluated

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
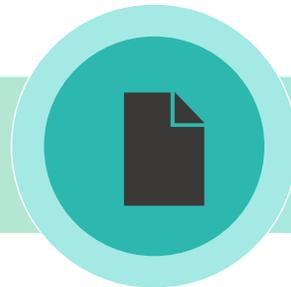
WARRANT AND SEIZURE TEAM

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

TEAM 3

ARREARS MONITORING AND ANALYSIS TEAM

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

Monitor and analyze the handling of tax arrears

Capability Readiness
Training

Personnel Orientation Course (POC)	**ARMS Handholding**
3-Day Training	*2-Day Training*
Basic Tax Administration Course (BTAC)	**General Course for Revenue Officer (GCRO)**
5-Day Training	*22-Day Training*
Seizure Agents Course (SAC)	**Train-the-Trainers**
5-Day Training	*4-Day Training*

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

Go-live of AMS in RRs 1, 2, 3, 10, 11, 12, 13, 14, 16 and 19 (10 Regions)

OECD Courses Managing Financial Investigations & Assets Recovery -Guardia di Finanza

Conduct of the 1st National Forum of Seizure Agents

Implementation of Tax Amnesty on Delinquencies Republic Act No. 11213

Pilot Coverage Expansion - Commencement of AMT pilot operations in RR 4-Pampanga and RR 9-San Pablo

Arrears Management Teams (AMT) pilot launch in Metro Manila Regions

2012 **2013** **2014** **2015** **2016** **2017** **2018** **2019**

Approval of Arrears Management Project initiative by the BIR Reform Steering Committee (RSC)

Submission of Macro Business Case to institutionalize AMT functions nationwide

Approval of DBM on Proposal to institutionalize AMT Functions nationwide

1st General Assembly of Seizure Agents in Mega Metro Manila

Go-live of AMS in three (3) remaining Regions (RR 15, 17 & 18)

Creation of Assets Recovery Task Force

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:

HR Staffing

"Readiness of Human Resource"

(Transfers, Recruitment, Promotion)

Facilities

"Readiness of the Workplace"

(Office space, FFE, Telephone, IT needs, Budget/Additional funding, as needed)

Training

"Capability Readiness"

(Training Plan and Implementation)

Organization, Process and Others

(RSO, Work Flowcharts, Operations Manual, Job Designs/Templates/ Description, KPIs, CM Activities)

WISH LIST
ASSETS RECOVERY

Executive Sponsorship

Full support and approval of reform initiatives for pilot implementation and institutionalization of tested strategies (*Project Proponent Ownership*)

01

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.

02

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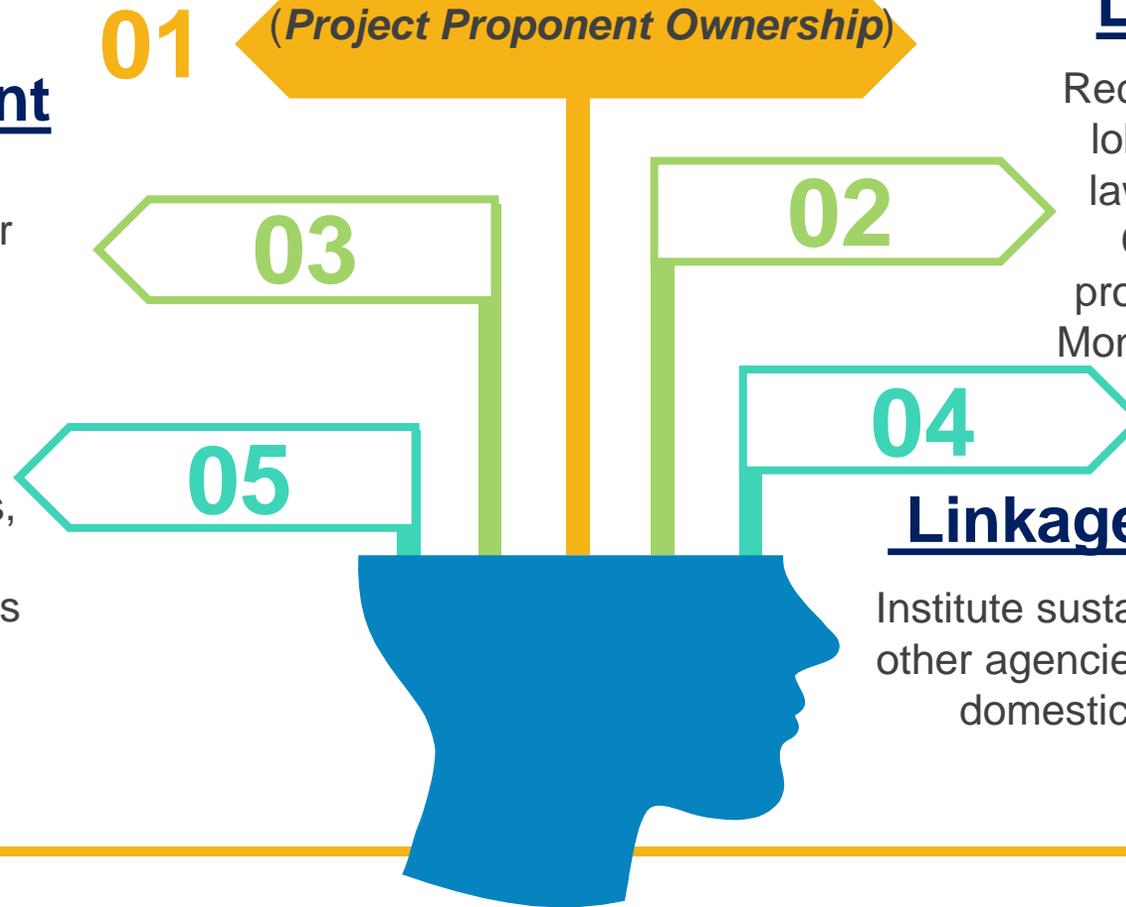
Administer TNAs, design and develop training plan/modules for implementation

03

Linkage Establishment

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

04

Others

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

05

THANK YOU FOR YOUR ATTENTION