

**FRIENDLY ADMINISTRATION PROJECT OF THE PROCEDURE
FOR PERSONAL INCOME TAX PAYMENT. SUGGESTED
CHANGES AND THE ROLE OF INFORMATION TECHNOLOGY**

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Abstract: This paper presents the problems related to the procedures for personal income tax payment as an element of implementation of the concept of *friendly administration*. In consideration of the opportunities presented by contemporary information technologies, facilitation of current administration procedures was suggested for the described domain. The focus was on two key issues: the concept of *friendly administration* and the conditions for its implementation through facilitation of the procedures for paying personal income tax. The suggested actions should lead to transformation of conventional public administration to improve the quality of services for citizens and therefore to implement the formula for friendly administration. Implementation of the concept of simplification of the procedures for payment of personal income tax can have either 'soft' or 'hard' (measurable) effects. Its modernization and elimination of the system of double calculation (tax office and payers themselves) brings safety at the level of ca. 1.5-2 billion PLN a year. During first years, these numbers can be lower due to the necessity of co-financing of tax offices funds in terms of installation of modern information technologies with particular focus on development of data warehouses. (JEL: G38, H43, H24, K34)

Key words: friendly administration, personal income tax payment, information technology.

Introduction

This study emphasizes a problem which concerns 50% of all the citizens i.e. facilitation of the procedures for personal income tax payment. The subject literature, particularly its part concerning *soft management*, highlights the necessity of such operation of organizations that the employees feel that they work in a friendly organization [5,10,6,2,8,3]. If Poland is treated as an organization, it is difficult to define precisely who is responsible for ensuring that the citizens feel they live in a friendly country.

Most of political parties add the slogans of building friendly country in their election manifestos. *Friendly country* term evokes mixed feeling among the most of citizens. People pay taxes, they must yield to bureaucratic procedures while our individual preferences must be sacrificed for the common good. It can be assumed that friendly country is a PR slogan rather than the real concept. However, there is no friendly country without friendly public administration.

How can public administration concept be defined precisely so that it becomes something more than merely PR slogan and which conditions must be met by the Polish Government to implement friendly administration? We all know how much time we waste to deal with any formalities or to fill in multi-pages forms required in the offices. We all know how stressful it is for us

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to present the required source documents, when we have to pay the annual personal income tax. Fortunately, this situation is changing now as we waste less time in the queues in the offices, which can be attributed to the development of information technologies.

One of formal requirements among a variety of forms to complete is to give personal data such as: name, surname, date of birth, place of birth, parents' names, PESEL (Polish National Identification Number), NIP (Tax Identification Number), REGON (National Business Registry Number), ID number with the data of its issue, address of the relevant tax office. Yet, it would be enough to give the name and surname with PESEL since the offices should store all these data in the existing databases in public administration information systems.

Friendly Administration

Can public administration be ever friendly? It can indeed, if we can specify precise criteria for assessment and we have suitable financial and human resources to achieve this noble goal. Having a suitable information technology comes to our aid.

When do the citizens find *friendly administration* to be achieved?

The analysis of social expectations reveals that we tend to find the administration friendly if the following three conditions are met:

1. *In relation to the present service time, deadlines for decision-making are considerably shortened.* Friendly administration appears when some maximal deadlines and serious punishment for breach of the deadline are imposed on the offices (in the case of the present study this concerns the punishment for failure to reply to the citizens' tax settlement declarations).

2. *Public administration does not require any information which was previously given by the citizens or by other administration units or organizations, e.g. tax office, employer etc.* This information is recorded and stored in relevant databases and data warehouses.

3. *Citizens visit the offices only once_*whereas their presence connected with all the businesses involving personal income tax is unnecessary except for the case of additional clarification or if the documents on tax credit are to be presented.

The Selected Conditions of the Concept of *Friendly Administration*. How to Simplify the Administration Procedures for Collection of Personal Income Tax – Interoperability Problems.

The consequence of the suggested actions should be the transformation of the conventional public administration which allows for improvement in the quality of services provided by its bodies and units. This quality can be measured with minimization of social costs measured with the criterion of saving time for the services. This transformation is possible through adopted

solutions in terms of implementation of ePUAP project (Electronic Platform for Administration Services). The solutions in terms of the capacity of information systems to work coherently are of essential importance in this case. This capacity is termed *interoperability*. In consequence, all information systems of public administration are compatible, which allows for exchange of information between each other without direct control by human.

This study presents the following working hypothesis:

In order to facilitate the system of administration-related services for Polish citizens, interoperability of public registers within the country should be secured, independently of their designation, as well as placing information about the citizens and relevant procedures in suitable databases.

This should result in facilitation of the system of services for citizens in terms of contacts with public administration. This study deals with a part of this problem, i.e. the analysed system of payment of personal income tax. The auxiliary hypothesis can also be proposed:

Interoperability of public registers throughout the country allows citizens for being relieved from the obligation of filling in the forms for tax settlements and its role can focus on verification of decisions made by relevant public administration offices.

It is the abovementioned hypothesis which is the fundamental focus of our considerations.

The subject literature highlights two fundamental concepts of the registers: administration [7] and public one [Journal of Laws as of 17 February 2005, No. 64, pos. 565 with further amendments]. This division is not of much importance to the practice, however, it should be considered due to methodological reasons. The concept of administration registers is slightly broader. From the standpoint of a citizen availability of public registers is very important. National public registers and their relationships with other types of public registers constitute a key element of the informational structure of the country.

Based on the previously referred eGovernment Act as of 17 February 2005, it is assumed that the public register means ‘a register, list, comparison or other form of registration which is used by public entities for achievement of public tasks, based on separate legal regulations’.

According to T. Stawecki [9], public register is a set of information about persons, items or rights and has some specific characteristics. The president of GUS (the Polish Central Statistical Office), Józef Oleński [interview in June 2008] argues that there are nearly 700 of different public registers in Poland. Some of public registers are kept in electronic versions, e.g. National Court Register [KRS – Krajowy Rejestr Sądowy], PESEL (Polish National Identification Number), Central Vehicle and Driver Register (Centralna Ewidencja Pojazdów i Kierowców, CEPIK), REGON (National Business Registry Number), NIP (Tax Identification Number).

The basis for different types of public registers are information systems for such purposes as e.g.: fiscal systems, social insurance, health insurance, social help, labour market and other.

Interoperability, on the other hand, constitutes the framework for the content and technologies used in services provided for citizens and businesses, which ensure cooperation between a variety of information systems so that safe flow of information is ensured. Interoperability is supposed to concern the systems and services which are connected with e-government and which provide information to the citizens and a number of organizations.

Interoperability can be defined as a system comprising standards and guidelines for the methods used for communication between organizations and natural persons. M. Wiśniewski [12] defines interoperability as an ability of two or more components to exchange information, understand this information and to use it. While analysing of the systems in terms of interoperability, one should take into consideration minimal requirements for public information systems contained in the Polish Interoperability Framework [www.standardy.org/node/72]. The issues of interoperability first arose when information systems stopped to constitute a single system of concepts, organization and technologies. Absence of suitable program solutions discouraged to creation of the universal systems. As soon as the tools of 'semantic Internet' [1] are popularized, the problem of friendly country can be viewed from the different standpoint.

There are following types of interoperability: technical, organizational and semantic.

Technical interoperability is the ability of information systems of public administration to exchange and share data in order to create efficient and effective information systems. Technical interoperability is intrinsically connected with storage and giving access to the data by means of open standards and - wherever necessary - saving data and open telecommunication protocols. This approach guarantees each technology supplier an opportunity to create their own solutions and each citizen a conscious choice of the most suitable tool among all the available technological solutions.

Organizational interoperability consists in determination of the involved parties and organizational processes connected with providing of specific services of electronic administration and reaching an agreement between each other in terms of the methods of organization of interactions.

Semantic interoperability consists in ensuring that the essence of information is not lost throughout the process of information exchange and the information is stored and understood by all the involved persons, applications and institutions.

We approach organizational interoperability as one which defines the framework for functioning of the friendly administration system. The analysis concerned the field of reception of each register. Based on the studies, one can

propose a hypothesis that the integration platform in the system of public administration can be formed by: REGON (National Business Registry Number), PESEL (Polish National Identification Number), NIP (Tax Identification Number), TERYT [National Official Register for Territorial Division] and the National Court Register [*KRS – Krajowy Rejestr Sądowy*]. The reply to the question of which registers will constitute the platform for integration and will have ‘a referential power’ should be given on the basis of economic and legal analysis. Public registers are the most common informational resource of public administration and constitute an essential element of the infrastructure in the friendly country.

Selection of Public Registers for the Interoperational Platform of the *Friendly Administration* Project in Terms of the System of Payment of Personal Income Tax

One of the most frequently discussed problems connected with the reference role of public registers is the issue of selection of the platform for functioning of friendly administration. Functioning of public registers concerns the issues of processing and the value of information. The task of ‘How to determine the value of information’, is still an unsolved problem. It is relatively simple in the situation when the value of single piece of information is determined. If we have to deal with millions of pieces of information, the situation is completely different. For advisory systems, such as the systems used in economic management, value of information is connected with the process of decision-making, thus with the probability of occurrence of a variety of decision-related events.

Effectiveness of solutions in terms of functioning of public registers is affected by a variety of factors. They can be grouped according to their nature and the origins in the following manner [4]: technical, economic, organizational, sociopsychological, legal. Assessment of the system of functioning of public registers should involve many aspects. Most of the factors occur in different relations. In consequence, the assessment of efficiency of solutions for functioning of public registers cannot determine the decisions, since this assessment and the whole economic account is treated as an advisory element of the process of decision making. The assessment often has to be supported with the analysis of social consequences and users’/citizens’ feelings. During the studies on effectiveness of computerization of a town council, president of one of the voivodeship cities set the goal to the project team ‘the system of services for the residents should be facilitated so that I could win next election’.

Definition of what is commonly referred to as social results meets with difficulties. Negative social feelings (i.e. working of the soft factors during the process of management) might cause such fierce resistance among the country citizens that the changes must be abandoned or additional explanatory actions must be taken, although, in consideration of the assessment of efficiency, application of new procedures is highly beneficial. Profitability of information

technology application to the process of facilitation of functioning of public administration are also affected by the factors which depend on both situation inside and outside the organization.

Which registers will constitute the platform for integration and have 'referential power' in the system of payment of personal income tax by the citizens? Reply to this question, as previously mentioned, requires economic analysis as well as the analysis of legal regulations.

Comparative Analysis of the Selected Systems of Payment of Personal Income Tax in Poland and Finland

Currently used procedures of collection of PIT-forms as a document being a link required during the process of payment of personal income tax are very labour-consuming. Each employer, similarly to each organization which have access to the information on incomes of citizens is obliged to send relevant notification in the form of PIT-form to the tax office (see figure 1).

Should that be done? The examples of some countries of the European Union, including Finland (figure 2) or France show that the system of tax payment can be organized in a more simplified manner. The proposed procedure is based on reversing of the existing citizen - tax office relations. The tax office has actual access to all information about income tax. The information about citizens' incomes, according to Finnish example, allow for independent preparation of the decisions on the level of tax by a tax office. The citizens must only send (with the specified deadlines) the statement of the declared rebate e.g. donations and the tax office makes appropriate calculations by themselves.

The studies on facilitation of only this type of actions demonstrate huge savings which can be obtained both from the point of view of the tax payers and the employers. The expenses occur at the side of the office's customers and a variety of organizations which incur unnecessary costs to fulfil the obligation to send the documents by registered mail. If the costs of printing and paper (envelopes, forms, notifications) are added, it results in enormous costs which can be dramatically reduced through mere organizational changes.

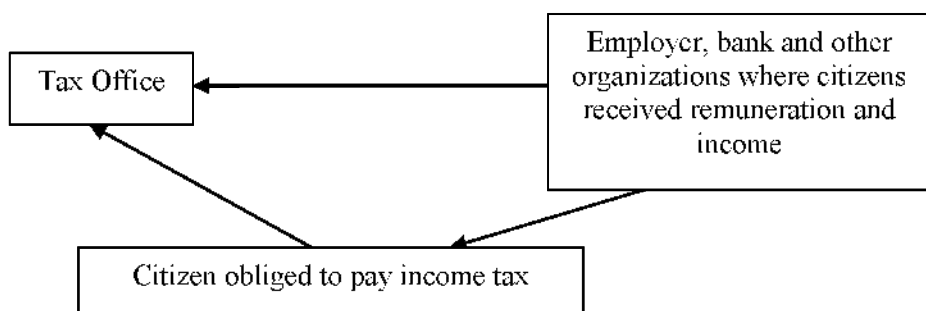


Figure 1. Circulation of fiscal documentation in Poland

Source: Own study

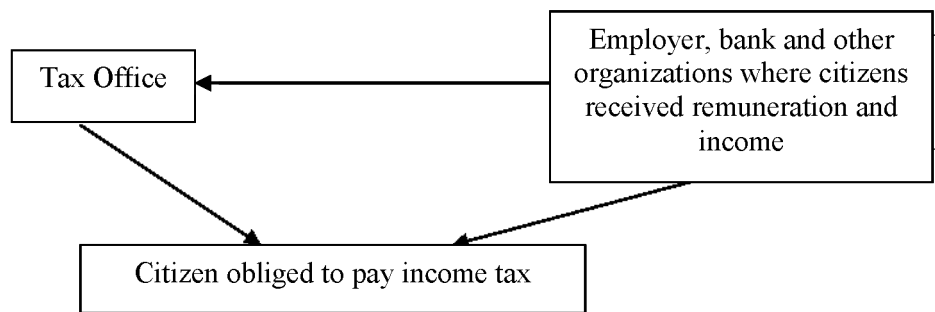


Figure 2. Circulation of fiscal documentation in Finland

Source: study based on [11]

The Need for Further Work on *Friendly Administration* Project. Final Conclusions.

The presented paper concerns a single, although immensely essential, problem i.e. formation of friendly administration. It obviously does not exhaust the presentation of the complex problem of the project of a system for facilitation of functioning of public administration. The authors of this study are of the opinion that the system of public registers and its functioning are of key importance for building friendly administration. The suggested solutions allow for both strengthening of central role of administration through allocation of a status of referential registers to two registers [PESEL and REGON or KRS] and ensuring autonomy to other registers. Adoption of these rules allows, among other things, for modernization of fiscal system and elimination of the system of double calculation of personal income tax (tax office and tax payers). In consequence, the system of facilitation of the activities described within this paper would contribute to savings at the level of 1.5-2 billion PLN annually. Other remarkable factors include saving trees and less stress among the persons who received the letters from tax offices. However, it is also worth noting that most of savings can be reached not directly by the administration bodies but by individual citizens and the businesses, which will enjoy the fruits of creation of friendly environment in Poland.

Summary

Are attempts to shift responsibility for filling in the PIT-forms onto the employers a good step? No, they are not, as this means only changing the place of filling in the forms and does not contribute to financial effects, despite the fact that it simplifies work to some persons. However, this solution might cause rise in operational costs of organization and thus rise in the costs of functioning of the organization. The decision on possibility to send the declarations through the Internet is a small step ahead towards facilitation of the procedures, however, it can produce only small effects.

Undoubtedly, simplification of the procedures would contribute to significant reduction in the number of office workers employed in public administration and, in consideration of the present study, in tax offices. Apart from the suggested solutions, one should also consider the solutions proposed by T. Berners-Lee, J. Hendler O. Lassila (2001) to use agenda systems. However, this problem requires further investigations and it is only signalled by this study.

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PROJEKT PRZYJAZNA ADMINISTRACJA W PROCEDURACH PŁATNOŚCI PODATKU DOCHODOWEGO OD OSÓB FIZYCZNYCH. SUGEROWANE ZMIANY I ROLA TECHNOLOGII INFORMATYCZNEJ

Streszczenie: W artykule przedstawiono problemy związane z procedurami płatności podatku dochodowego, jako elementu wdrażania koncepcji przyjaznej administracji. Biorąc pod uwagę możliwości, jakie dają współczesne technologie informacyjne, zaproponowano ułatwienie obecnych procedur administracyjnych w omówionym zakresie. Skupiono się na dwóch kluczowych kwestiach: koncepcji przyjaznej administracji i warunkach do jej realizacji poprzez usprawnienie procedur płacenia podatku dochodowego od osób fizycznych. Proponowane działania powinny prowadzić do transformacji tradycyjnej administracji publicznej w celu poprawy jakości usług dla obywateli, a zatem do wdrożenia modelu przyjaznej administracji. Wdrożenie koncepcji uproszczenia procedury dotyczącej zapłaty podatku dochodowego od osób fizycznych może mieć zarówno "miękkie" i "twarde" (mieralne) skutki. Jego modernizacja i likwidacja systemu podwójnego rozliczania (urząd skarbowy i podatnicy) przynosi bezpieczeństwo na poziomie ca. 1,5-2 mld zł rocznie. W pierwszych latach, te liczby mogą być niższe ze względu na konieczność współfinansowania z funduszy urzędów skarbowych instalacji w zakresie nowoczesnych technologii informacyjnych, ze szczególnym naciskiem na rozwój gromadzenia danych.