


Greek Tax Agency Benchlearning and Evaluation Project

Deliverable D.5 Part A
“International Case Studies:
Italian Tax Agency”



Project Title: Greek Tax Agency Benchlearning and Evaluation Project

Deliverable: D.5 Part A "International Case Studies: Italian Tax Agency"

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Introduction

This document represents Part A of deliverable D.5 on the two cases selected for benchlearning to be compared with the Greek case and illustrates the Italian's Tax Agency online services in its broader context.

The data gathering template used was developed combining the template used for deliverable D.1 with additional items strictly related to impact measurement and closely in line with the input and indication contained in deliverable D.2. Accordingly this document is structured as follows.

In chapter 1 the general background is illustrated, including the Agency functioning model, the key task performed and related volumes. The legal and organisational prerequisites are presented in chapter 2, whereas the input (strategic objectives, capital investments, human resources, and technological solutions) are considered in chapter 3.

Chapter 4 deals with key processes of change (re-organisation, training, take up and communication strategy).

Chapter 5 explains the key parameters of the services and presents metrics on online submission of relevant forms.

Chapter 6 and 7 deals with the impact measurement, though with different scopes. In chapter 6 the Tax Agency existing measurement systems and data are presented. In chapter 7, on the other hand, the analysis is focused on the three indicators selected for all three benchlearning cases in deliverable D.2, and namely:

Efficiency Value Driver:

- Proxy estimate of Full Time Equivalent Gain in the form of: opportunity monetary value of the time saved for data entry by LTOs employees in the Greek case, and by the comparable equivalent for the two international cases.

Effectiveness Value Driver:

- Reduction of waiting times for citizens and businesses to receive tax clearance in the Greek case and for a comparable equivalent for the International cases;
- Time and other resources (transportation, mailing, paying intermediaries) saved by citizens and businesses through online submission (same for all cases), in short "Reduction of administrative burden".

Moreover, also in accordance with the input of D.2, the indicators calculated in chapter 7 focus on:

Have to focus on:

- Individual tax forms
- VAT declarations

These are internationally the two most used services for which historical series of data are available.

At the end some summary conclusions are presented that will serve as the building block for the comparisons of the findings from the three cases to be carried out in next deliverable D.7.

1. General Background

1.1. Functioning model and structure

Instituted in 1999 by Legislative Decree n. 300, the Italian Tax Agency (Italian name has been operating since January 1st, 2001). The Tax Agency carries out all functions regarding the management, assessment, fiscal cases and collection of taxes. The agency was 'carved out' from the Ministry of Economy and Finance, as part of an overall strategy of institutional restructuring and re-organisation based on the key principle of enucleating more flexible, relatively autonomous, and more efficient agencies from the Ministry. This was part of an overall reform that took place between 1997 and 2002, involving structural reorganisation of the Ministry itself. The key line of reform was the separation of policy formulation and strategic control assigned to the Fiscal Policy Department within the Ministry, from management activities assigned to four Agencies suitably created (Tax, State Property, Territory and Customs).

The Tax Agency is non-profit public body acting under the supervision of the Minister of Economy and Finance, which maintains control over key policy and strategic objectives. The Minister of the Economy and Finance in collaboration with the Tax Agency defines the services to be provided, the objectives to be reached and the assignment of related financial resources in a three year agreement, updated every financial year.

As such, the Agency takes full managerial and operational responsibility for the achievement and implementation of the strategic goals and has full autonomy in regard to regulations, management, assets, organization, accounting and finance. However, its internal general directives must be submitted to the Minister for approval, both in term of formal legitimacy and substantial merit. The Agency can also collect further revenues, on top of those allocated from the public budget, by providing services to public and private companies and organizations. The Agency has a Management Committee, which deliberates on:

- the Statute and the Rules
- general proceedings relating the organization and running of the Agency
- overall business plans
- budget & balance sheet

- business strategies.

In performing its institutional functions, The Tax Agency aims:

- to simplify relations with tax-payers;
- to improve help and information services;
- to increase its action against tax evasion;
- to achieve peak efficiency gains also by innovative schemes of organization and planning.

The Agency is organized into central and regional departments, having mainly planning, direction, co-ordination and control functions, and local offices, with general operating functions. The central organization consists of:

- 4 General Director Supporting Offices: Planning and Control Office, External Relations Office, Systems and Processes Office, Research Office
- 7 Central Departments: Central Assessment Department, Central Management Department, Central general Affairs Department, Central Management Department, Central Auditing and Security Department, Central Personnel Department, Central Tax Management Department, Central Tax Provisions and Fiscal Cases Department.

At regional and local level, the Agency is divided into:

- 19 Regional Directions (one per each region)
- 2 Provincial Directions (Trento and Bolzano)
- 386 local offices (some of them having separate bureaux)

As it will be shown later, as a result of organisational change plus ICT enabled service production and provision, many local offices have been closed down and contract with external providers have been terminated.

The Regional and Provincial Directions plan, direct, co-ordinate and control the functions of the local offices, and carry out very important operational activities in tax management and assessment areas, as well as in tax collection and fiscal cases. The Directions are internally organized into sections and offices which may vary according to the size of the region.

Local Offices (386 throughout the entire country) are basic to the activities of the Agency; they perform the activities of information and assistance to taxpayers, of tax management, of tax assessments and collection, and finally deal with the fiscal cases. In the major metropolitan areas, several district offices have been set up to assure a fair coverage of the whole area (8 in Rome, 6 in Milan, 4 in Turin, etc.). In order to assure that the Tax authority is territory wide extended, many local offices have decentralized branches, which provide taxpayers with the information and assistance they require.

Local offices now incorporate the functions, previously carried out, by four separate offices (Direct Tax Office, VAT Office, Registration Office and Local Tax Police). This gradual changeover, which began in 1997, was completed at the start of 2003. This was a major reorganisation which did not involve simply incorporating facilities under one roof, but marked the introduction of an entirely new structural model on a per-function rather than per-sector basis. The organisation model places emphasis on aspects such as the multi-role capability of staff and team work, which not only improve quality standards but act as strong incentives to career advancement.

1.2. Tasks and volumes handled

Before listing the tasks performed, a brief explanation is in order as to the simplification of tax forms in Italy.

For individuals there is now a simplified and unique Modello Unico Persone Fisiche (Unique Model) for income tax statement. If, for example, an employee only receives income from his/her salary (no additional income from financial assets or other activities) and he/she does not have major cost to be deducted (i.e. medical expenses or payment of first home mortgage, etc), then he/she must fill in the Modella UNICCO Persona Fischer. If he/she receives different types of income (i.e. part-time employed and part-time self-employed, or salary plus income from financial or real estate asset) and/or wants to deduct costs then he/she must fill in the 730 income tax form, which is also unique and simplified but naturally include more data fields to be compiled.

The same applies for enterprise who could either fill in the Modella UNICCO Societal did Persona (for companies of persons) or Modella UNICCO Societal did Capital (companies of capitals such as Limited or Joint-Stock companies), or the 770 income tax forms that contains more data fields (i.e. for income different from those related to the core business).

The main tasks, among others, performed by the agency involve the handling of the following tax forms and documents submitted by citizens and enterprises:

- The annual unified and simplified declaration of income tax statement:
 - "Modella UNICCO Persona Fischer" or 730 for individuals and Modella UNICCO Societal did Persona /Capital or 770 for enterprises;
- VAT related submissions (see more overleaf);
- The annual clearance declaration of VAT;

All these forms and documents are submitted online either autonomously by individuals and enterprises or by intermediaries (see infra on legislative changes) such as tax accountants, banks, Trade Union Assistance Offices. The annual volumes of submitted tax forms from 1998

to 2006 (as data for 2007 are not completed yet) are presented in the table below, which also include other activities also performed online.

One explanation is in order concerning the data reported in the following table for what regards VAT, without which the trends and different items would be difficult to understand. This is needed due to a change introduced by law in 2001 and having gradual effect on the data. The table contains three VAT items:

- VAT
- Annual Declaration
- Periodic declaration

Until it was introduced in 2001, there was no Annual VAT declaration in the Italian Tax systems. So the data on VAT annual declaration started from 2003 when the new regime became to be implemented. Before the introduction of the annual VAT declaration, there was a periodic declaration submitted every three months. The volume of periodic declarations on line steadily increased as the online channels consolidated and peaked in 2001 (18 million forms). After that year, such forms have been rapidly declining (79 only in 2006, as result of backlog).

The first item indicated as VAT refers, instead to VAT payments made online and so it is not correlated with either of the two forms of submission.

Table 1: Volumes of forms submitted online by year and type of submission

Tax forms	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unico Persone fisiche	1.057.905	13.892.873	18.733.339	15.907.640	14.176.678	27.303.896	12.058.845	11.607.765	11.328.591
730 form	6.545.194	9.088.555	11.373.930	12.735.457	13.460.256	27.068.091	14.694.485	15.111.771	15.131.031
Unico Companies of persons	0	90.377	1.134.129	1.242.573	1.096.871	2.297.742	1.077.552	1.078.658	1.083.615
Unico Companies of capital	0	642.599	794.757	908.217	843.714	1.775.820	923.524	971.599	1.016.080
Unico non profit and equivalent	0	103.504	161.653	188.863	162.568	335.436	15.441	157.489	163.358
770 Normal	21.969	1.217.699	1.195.156	1.675.325	85.845	1.700.801	52.011	39.157	42.795
770 Simplified	0	0	0	0	3.794.397	3.868.938	3.962.138	4.181.941	4.277.586
VAT	7.145	599.335	232.808	227.827	224.551	442.017	209.843	206.179	210.185
Annual declaration of VAT	0	0	0	0	0	3.604.555	3.624.155	3.769.171	3.851.935
Periodic VAT	0	1.705.620	9.953.679	18.354.714	4.224.697	1.514	164	86	79
Total	7.634.211	27.342.561	43.581.451	51.242.617	38.071.579	68.400.813	36.620.162	37.125.821	37.107.261

1.3. Launching *Fisco Telematico*: timing

Tax-related electronic services (Fisconline for individuals and Entratel for enterprises), as mentioned, represent only one of the components of the broad reform of the Italian Tax System, carried out in the period between 1997 and 2001. The reform of the Italian Tax System, and the subsequent introduction of online service, was a complex and gradual process. The main stages of this process were the following:

- Introduction of one single payment for tax and social contributions: since 1999,
- Introduction of one single tax returns forms (*Modella UNICCO*): since 1999
- Creation of intelligence for tax checks: at the end of 1999 tax returns submitted in May 1999 were checked.
- Creation of a unique data bank (the "economy data bank"): data were acquired and became available since 2000.

So the preparation for the online services started in 1997 and their full scope gradually increased as it can be gathered by the data from 1998 till 2006 reported previously in table 1.

2. Prerequisites: legal and organisational changes

The reform of the Italian Tax System introduced major changes that covered three different perspectives: the legal perspective, the organisational perspective, and the technological perspective.

Concerning the Legal perspective, the changes introduced were:

- The introduction of one single tax return form (*Modella UNICCO*) including the taxpayer's tax and social security situation by integrating it with data held by other organisations; thanks to this unification the **number of declarations halved from 44 to 22 millions** (Social Security, Work insurance, Regions, Treasury);
- One single payment for all tax and social security contributions. In this way the number of annual deadlines were reduced **from 48 to 45 and the payments from 82 to 40 millions**;
- Fiscal federalism by introducing regional taxes;
- Sharp reduction in the number of taxes.

It must be stressed that the launch of the online tax services was based on a very strong and top down legislative measures, which has been initially controversial but then accepted and ensured the great success, in terms of efficiency gains and cost avoided.

Legislation was introduced that made digital submission of tax forms for the following categories **mandatory**:

- All intermediaries submitting tax forms on behalf of individuals and/or businesses, which include:
 - Professional tax accountants (in Italian 'Commercialisti') doing tax returns for individuals citizens or businesses (regardless of the company size)
 - Banks sending tax returns for themselves and/or for their customers
 - Postal offices receiving the tax return in hard copy by citizens (post offices is traditionally used by elderly pensioners) must then send them in digital form to the Tax Agency local offices
 - Tax assistance centres run by Trade Unions for their members
- State agencies and departments;
- All enterprises using the 770 tax form;

All of these subjects must today use the **Entratel** digital platform based on a Virtual Private Network (VPN) for all documents and interactions with the Tax Agency, including VAT declarations.

Citizens (using Modella UNICCO Persona Fischer or 730 form) and enterprises using the Modella UNICCO per Persona Giuridiche (so those that do not use the 770 form) are not obliged to submit forms online, but if they want they can do so using the Internet-based channel called *Fisconline*. In practice a small percentage of the forms submitted by this category goes through the Internet channel (about 1.1 million in 2006 out of a total of 37 million submissions, that is 2.8%), as most citizens and businesses rely on intermediaries who in turn are obliged to use **Entratel**. **So in practice take up of online services is 100%, or in a different way the tax forms submission activity is today entirely digitalised.**

With regard to the Organisational perspective, many changes affected the Italian Tax Administration, both at local and central levels:

- Unification of the three main tax offices earlier part of the Ministry under the same roof (Unified Tax Office within the Ministry);
- Reorganisation of the Ministry of Finance and creation of Tax Agencies. The Ministry of Finance reorganisation aimed to convert a bureaucratic system into a modern service agency by giving wide autonomy of decision making and human resources management power to the management. The reform implied a clear

separation between policy making and control power given to the Ministry (now Department for Fiscal Policy integrated in Ministry of Economy and Finance) and management power given to the Tax Agencies (Revenue, Custom, Territory, State Property). The Agencies have got wide organisational, financial, and management autonomy.

Finally, the Technological perspective was affected through:

- Launch of Fisco Telematico project aimed at eliminating the paper management of taxes and social security returns, allowing taxpayers to double check soon after the transmission. Electronic Filing System involves taxpayers and taxation bodies (Treasury, Regions, and Social Security) as well as tax advisors (professionals, tax assistance centres, professional associations) and intermediaries involved in tax collection (banks, post offices and other authorized intermediaries). More than 10,000 different subjects are thus linked in network with the Central Tax Register Office.

3. Input

3.1 Strategic objectives

As mentioned earlier, the Minister of the Economy and Finance and the Tax Agency define the services to be provided, objectives to be reached and the assignment of related financial resources in a three year agreement, updated every financial year. The most updated strategic document jointly elaborated by the Ministry and the Agency sets a series of strategic targets concerning different areas of its activity: Tax Administration and Collection, Legal Advice and Taxpayer Services, Tax evasion Countermeasures, Personnel Services and Resources Management.

Regarding the area of Tax Administration and Collection, the following targets were set:

- adopting firm measures to counter tax evasion through specific investment in "intelligence", consolidating co-operation with tax surveillance and control bodies, and exchanging information with foreign authorities implementing computerised control methods and improved databank information exchange
- increasing inspections of high and medium-high level taxpayers and verification of tax returns forms
- widening the range of taxpayers taken into consideration in sector studies.

Concerning Legal Advice and Taxpayer Services, 6 specific targets were defined:

- consolidating the trend towards promptly handling all appeals including so-called controlled foreign companies and anti-avoidance
- prompt notification of changes in regulations through circulars, directives and answers to queries
- greater use of online procedures for submitting tax returns forms and other documents
- conversion of call centres into contact centres using call-back and web mail services
- providing assistance to taxpayers who wish to opt for an estimated future tax agreement or in complying with amnesty regulations for previous tax years
- drawing up a charter of services – a fundamental element in assuring a new and correct approach to relations between taxpayer and administration.

As far as Tax evasion Countermeasures are concerned, the following strategic targets were set:

- adopting firm measures to counter tax evasion through specific investment in "intelligence", consolidating co-operation with tax surveillance and control bodies, and exchanging information with foreign authorities
- implementing computerised control methods and improved databank information exchange
- increasing inspections of high and medium-high level taxpayers and verification of tax returns forms
- widening the range of taxpayers taken into consideration in sector studies.

Finally, the following targets were established concerning Personnel Services and Resources Management:

- improving management control methods by setting strategic internal objectives and monitoring them periodically
- providing training to improve the professional capacities of staff and overall efficiency
- accurate verification that purchased goods and services meet stipulated quantity and quality standards
- application of the ISO 9000 compliant management system.

3.2 Capital investments and operational costs

In July of 2005 a team of the eGEP project worked several days together with personnel of the Tax agencies to retrieve accounting data and to produce estimates of the total costs of

the launching of the online system from its inception. This year Project Manager Cristiano Codagnone obtained an update of these costs that are summarised in the table below.

Table 2: Fisco Telematico Cost Element Structure: 1998-2007

Type of costs	Total amount in Euro	%
Hardware and software acquisition, development and maintenance	€ 33.400.000,0	32%
Telecommunications	€ 22.400.000,0	21%
Call centre/help line	€ 2.900.000,0	3%
Reorganisation costs	€ 18.700.000,0	18%
Labour relations	€ 15.100.000,0	14%
Human Resources training	€ 12.000.000,0	11%
Total	€ 104.500.000,0	100%

The items highlighted in orange are all tangible recorded costs, and for labour relations we meant payments negotiated with the Trade Unions for:

- Incentives for staff involved in paper backlog elimination activities to accelerate the digitalisation of such documents;
- Compensation for personnel made redundant by the online services and transferred to different offices/tasks
- Compensation to personnel made redundant by the online services who accepted early retirement solutions.

We must add that paper backlog elimination was an essential prerequisite in implementing Fisco Telematico project. In 1997, when the project started, tax payers received the acknowledgement on average 5 years after they submitted their tax statement, while for tax refund they waited on average of 12 years! When the online project started, the offices were flooded under a backlog of 20.000.000 cases to deal with. So the implementation of Fisco Telematico Project implied:

- two years pay incentives for staff involved in paper backlog elimination,
- incentives for staff transfers from tax return handling Centres, which were responsible for paper tax form returns check, to other offices. In fact ten Centres were closed and two reconverted since 2001.

The items in yellow entail some tangible and recorded costs plus estimation of intangible costs. For reorganisation costs, the first was measured by the amount of money spent for consulting services and also for 1 month remuneration of 8 staff personnel from senior and middle management levels who received pay awards for their contribution in driving forward the reorganisation, whereas the second was estimated on the basis of the full time equivalent of the Agency employees involved in re-organisation activities. For human resources training the tangible part was measured by the amount spent for training programs provided by

external companies, whereas the second was an estimation of internal and training on the job activities.

The cost structure clearly shows that Fisco Telematico has been a project mainly based on technology but not only: **technology costs** represents more than 56% of the costs, whereas 44% goes to what we can generally consider change management and re-organisation costs, specifying that the costs entailed in labour relations negotiation must be seen in the public sector as part of change management, while naturally personnel re-training is a component of organisational change.

Due to the elimination of paperwork and staff transfer to other offices and to higher levels and more motivating activities, new requirements and functions for personnel were needed. Also the electronic services have made it more necessary to invest in ICT-skills. In 2001 a personnel retraining plan, including training on the job and mentoring activities, was carried out by involving both staff and management.

3.3 Human resources

The internal organisation structure of the Italian Tax Agency reflects a strong attention to the Human Resources Management issues.

At central level, the Central Personnel Department carries out functions related to selection, placement and management of personnel. It is in charge of trade union relations, personnel professional training and of the organization of work.

At local level, each regional tax office has a department charged of the improvement of internal human resources.

Moreover, it is possible to have a quite detailed picture of the Tax Agency staff and of its evolution in the last years. Table 3 below provides data on human resources employed in the Tax Agency, by macro-area of placement. Data are taken from Tax Agency annual review report, published annually from 2001 to 2006.

Table 3: Tax Agency Human Resources

	2001	2002	2003	2004	2005	2006
Managers	930	910	1,008	978	946	1,348
Third area	14,397	14,549	14,188	13,649	13,766	14,523
Second area	20,336	19,268	18,911	18,629	18,218	18,232
First area	1,984	1,837	1,768	1,733	1,719	803
Fixed-term	-	-	-	-	1,509	1,672

personnel						
Total	37,647	36,564	35,875	34,989	36,150	36,578

The data in the table, matched with interviews taken, indicate that the Agency as a result of changes started in 1997 is moving from a bureaucratic model to a professional one. This can be seen quantitatively in various ways. Firstly the steady increase of managers (all with a professional background) ever since 2001, when the online services were fully operational. Second the decrease or stabilisation of the number of employees in a non managerial function. This reflects to the fact that, as a result of a full time equivalent gains achieved through digitalisation, since 2005 the ratio between employees retiring to new hires is 5 to 1. This will gradually reduce, in the coming years, the total number of employees, without needing additional negotiations with the Trade Unions. Moreover, an element that cannot be shown in aggregate statistics but that we gathered through interviews is that new hires are selected among relatively young individual with solid professional credentials who are deployed in value added front office positions. This means that with time the reduction of personnel will be concentrated in positions involved in back office activities that, to the digitalisation, are less and less needed. Finally, the move toward a professional model is also visible in the beginning since 2005 of fixed-term contracts with professionals.

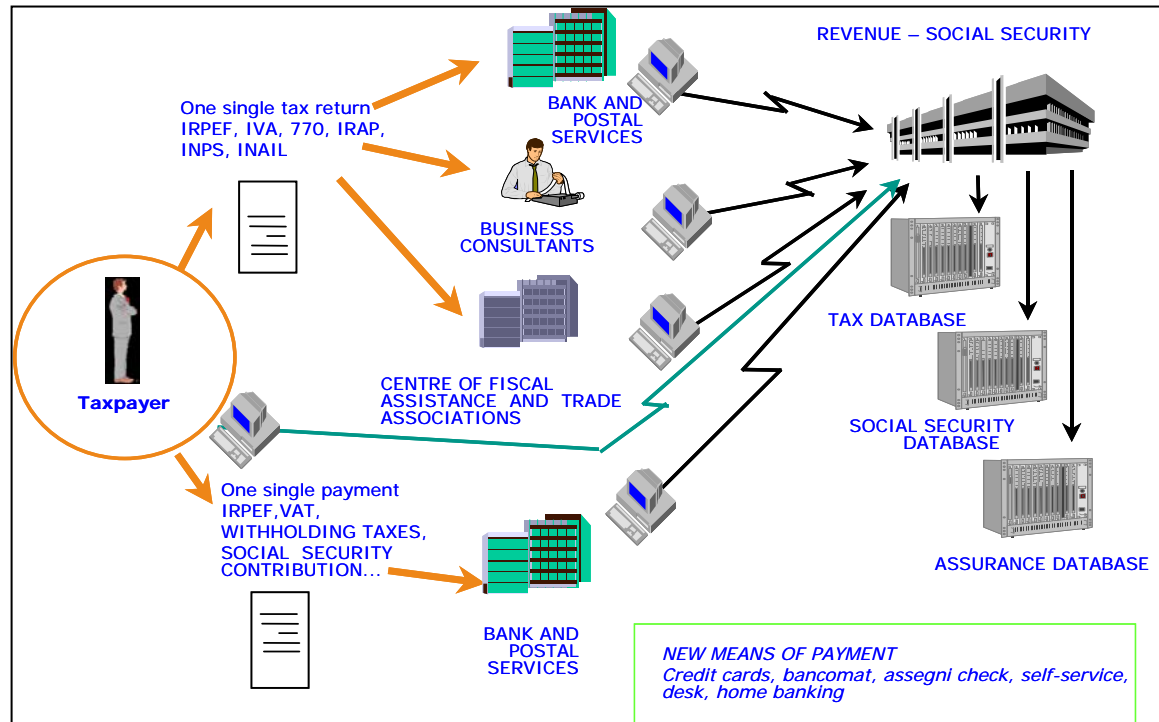
3.4 Technological solutions

The Fisco Telematico framework has been conceived and designed on a network model. The aim of the adopted approach is twofold: on the one hand, it builds up a new and more efficient system for data gathering and on the other hand it makes possible a redistribution of data and information throughout the different subjects cooperating in the system.

The Fisco Telematico model, in fact, involves various organisations that work in a network formula. A "Database of the Economy" collects and reallocates data among the various actors: it has a high informative value available for every public sector organisation.

A representation of the Fisco Telematico network working model is presented in the Exhibit below.

Exhibit 1: the Fisco Telematico Model



From a more practical point of view, the Italian Tax Agency provides electronic services to two categories of users through two different technological solutions:

To citizens and SMEs through the Fisconline Internet-based solution

To larger business and tax accountants (submitting tax forms on behalf of others) and other intermediaries (banks, postal offices, Trade Unions tax assistance centres, etc) through the Entratel channel, based on a Virtual Private Network (VPN) solution.

Internet based eServices can be accessed through a simple PIN code.

eServices based on the ENTRATEL VPN can be accessed through a digital signature device (PKI)

4. Processes and Changes

4.1 Re-organisation

The creation of the Tax Agency represented itself a notable re-organisation process as we have already discussed earlier. However, the introduction in the Tax System of electronic services required several more specific organisational changes.

The implementation of the Fisco Telematico entailed the closure and dismissal of 10 ten tax returns handling local offices, the re-conversion of 2 more tax returns handling centres, the retraining of more than 10,000 human resources, the retrieval in two years of a backlog of more than 20 millions tax returns to be processed.

The implementation of the Fisco Telematico has been a project mostly based on technology but it has been implemented in a multidisciplinary way. It has reflected on organizational processes, human resources management, industrial relations, professional training and retraining, planning and control systems.

Introducing the electronic service for presenting data about payments and tax returns required the creation of new structures charged of managing the change process. Specific committees were thus created, reporting to the Ministry of Finance, for them to coordinate, control and evaluate the status of project implementation, also identifying the necessary interventions. These committees were formed by high representatives from public bodies and administrations interested. Each committee had an operative project group, charged of planning activities and monitoring weekly the status of the project.

4.2 Training

Training and retraining of human resources was an important element of the entire project, representing a notable amount of the overall investments (11, 8%; i.e., 11,000,000 euros). In particular, the electronic service for tax returns transmission had relevant impacts mainly on the Service Centres, formerly charged of the tax returns formal check. Impacts concerned mainly two types of activities:

- Initial processing (i.e., reception, sorting and registration of paper tax returns)
- Settlement (i.e., elimination of acquisition errors and irregularities, verification of differences in due tax amounts calculated by the system and those reported by taxpayers), that was traditionally carried out together with the formal check operations.

Until the implementation of Fisco Telematico, these low profile activities absorbed a great number of human resources. After the introduction of electronic services, human resources were retrained: people employed in settlement were charged tax returns substantial control (assessment), while those employed in initial processing were re-deployed to taxpayers' information and assistance services.

Retraining activities required the delivery of 1.5 million hours of training per year. Different training methods were used: traditional training, distance training, on-the-job training.

4.3 Take up strategy and communication

In order to promote and to stimulate the use of the electronic tax service a Communication Plan was elaborated, articulated into several initiatives:

- press conference,
- 9,000 advertisements to be distributed in fiscal offices and professional bodies,
- 3,000 brochures and 5000 flyers to be distributed in fiscal offices,
- 2,000 CD ROM with instructions,
- 85,000 letters sent by Tax Agency DG to professionals and big enterprises,
- interventions at the main workshops and exhibitions related to Public Administration and technology issues (i.e., ForumPA, SMAU etc.),
- advertisements by state television,
- informative guide, helpdesk, video terminals etc.

In order to guarantee punctual technical assistance, the following measures have been taken:

- 70 informative workshops to 15000 intermediaries
- Assistance through a toll free number, active from 9.00 a.m. to 6.00 p.m. from Monday to Saturday. Close to deadlines the service was prolonged from 9 a.m. to 7 p.m. (the service managed thus to answer approximately 28,000 queries per week at peak periods).
- Publishing a FAQ section in "Il Sole 24 ore" (the most important economic newspaper in Italy)
- Publishing dedicated web pages on Professional Orders' and software producers Associations' websites, with the possibility for users to download the software for log in to Fisco Telematico.

Moreover, the traditional assistance on filling in tax returns, fulfilments and deadlines has is being assured through many channels:

- Websites
- Teletext on national public television
- Information desks at peripheral tax offices
- Telephone assistance number with automatic responses and Agency functionaries
- Self-service video terminal placed at tax offices, Municipality offices and in some shopping malls.

Two website are active providing users with information: www.agenziaentrate.it (the Agency website) and www.fiscooggi.it (the Agency online review).

WWW.AGENZIAENTRATE.GOV.IT

In addition to several specific services, visitors to www.agenziaentrate.gov.it can also:

- access all tax information very easily (particular care has been taken to make the site easily
- accessible to disabled people;
- interact with Contact Centre operators also by webmail and call-back;
- consult the "Tax Documentation" online database including all tax regulations as well as circulars and decisions issued by the Agency;
- calculate road tax;
- find out tax deadlines;
- book an appointment at one of the Agency's local offices;
- download free software and taxpayers' forms;
- ask for the duplicate of the taxpayer's code number;
- check about UE VAT codes.

WWW.FISCOOGGI.IT

Fiscooggi.it is the Revenue Agency's online journal. The journal, which is an officially registered publication, integrates the documentation included on the Tax Agency website by real-time updates on activities of the Agency and its central and local offices as well as with comments on tax regulations and laws. The journal is composed of a series of continuously updated sections.

The daily edition of Fiscooggi is a mean of pooling resources and stimulates contacts between the Agency, the media, the tax operators and the taxpayers.

The Web is not the only channel used by the Agency to provide information and assistance to taxpayers. The Tax Agency considers the phone services particularly important in order to simplify relationships with the citizens. Assistance and a wide range of information on taxes are available over the phone making it unnecessary to go to the local tax office.

Thus, several national numbers have been activated:

848-800444: Call Centres' operators answer from Mondays to Fridays 9 a.m. to 5 p.m., and Saturdays 9 a.m. – 1 p.m. Call Centres provide taxpayers with basic information also regarding the status of their records and in less complex cases can correct errors and revoke administrative measures (irregularity notices, etc.) if found unlawful.

Call Centres are gradually being turned into Contact Centres (called Multi-Channel Assistance Centres, or CAM) – facilities that enable the taxpayer to use alternative means of communication to the telephone such as fax, web etc.

The Call centre supplies also the call back service, bookable by phone or even by Internet (www.agenziaentrate.it) that exactly calls back the taxpayer in the specified time.

848-800333: This is an automatic information service which provides:

- PIN numbers required to access Agency online services. PIN numbers can also be requested via Internet;
- details on tax returns and tax amnesty notices: the service is reserved for intermediaries authorized to manage electronic pre-notifications (s.c. "preavvisi telematici");
- information on personal income (IRPEF) tax refunds. Access requires a PIN code and the conversion into numbers of the taxpayer's code number;
- conversion of tax code into numbers;
- duplicate plastic card reflecting the tax code;
- forms to be sent by fax;
- check of VAT registration of EU subjects. Check is possible by inserting the VAT number and international telephone code of the subject's country of residence.

199-126003: Booking Centre (CUP), for booking an appointment at one of the Agency offices.

800.100.645: New service for taxpayers, giving them information on the current status of their personal tax refunds.

320.43.08.444: It is the special telephone number calling which every single taxpayer can receive short information regarding personal tax issues (ranging, for example, from a specific tax code that people must write on their payment forms to the various expiring dates connected to every tax duty, including possible extensions and the calendar governing the presentation of annual tax returns, in other words, the entire spectrum of tax questions that do not need a too complex answer) by sending a simple SMS, every hour during the day but using only a mobile phone (otherwise, SMSs received from Internet, a fixed phone or a cellular phone with hidden numbers are deleted from the system). If the Revenue Agency is not able to give an answer to the message received, the mentioned Office will send back a SMS specifying that the special question cannot be dealt with using this service.

5. Main Characteristics and Parameters of Online Service Delivery

5.1 Volume of activities carried out online

As anticipated, to the Italian legislation, the use of the online channel is mandatory for intermediaries and other categories (see earlier chapter 2 on legislative changes), who must use the VPN based system **Entratel**. Citizens and businesses submitting by themselves the tax form online use instead of the Internet, based channel **Fisconline**.

The table below and the next two exhibits provide a synthetic picture of online submission for both channels, which we comment in next page.

Table 4: Tax Agency Human Resources

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fisconline	0	0	75.963	801.467	798.269	1.035.398	1.024.447	1.102.775	1.011.193
Entratel	7.632.213	28.153.955	43.503.488	50.439.149	37.271.308	35.921.082	35.732.680	36.021.041	36.094.062

Exhibit 2: volumes of online tax forms by channels: 1998-2006

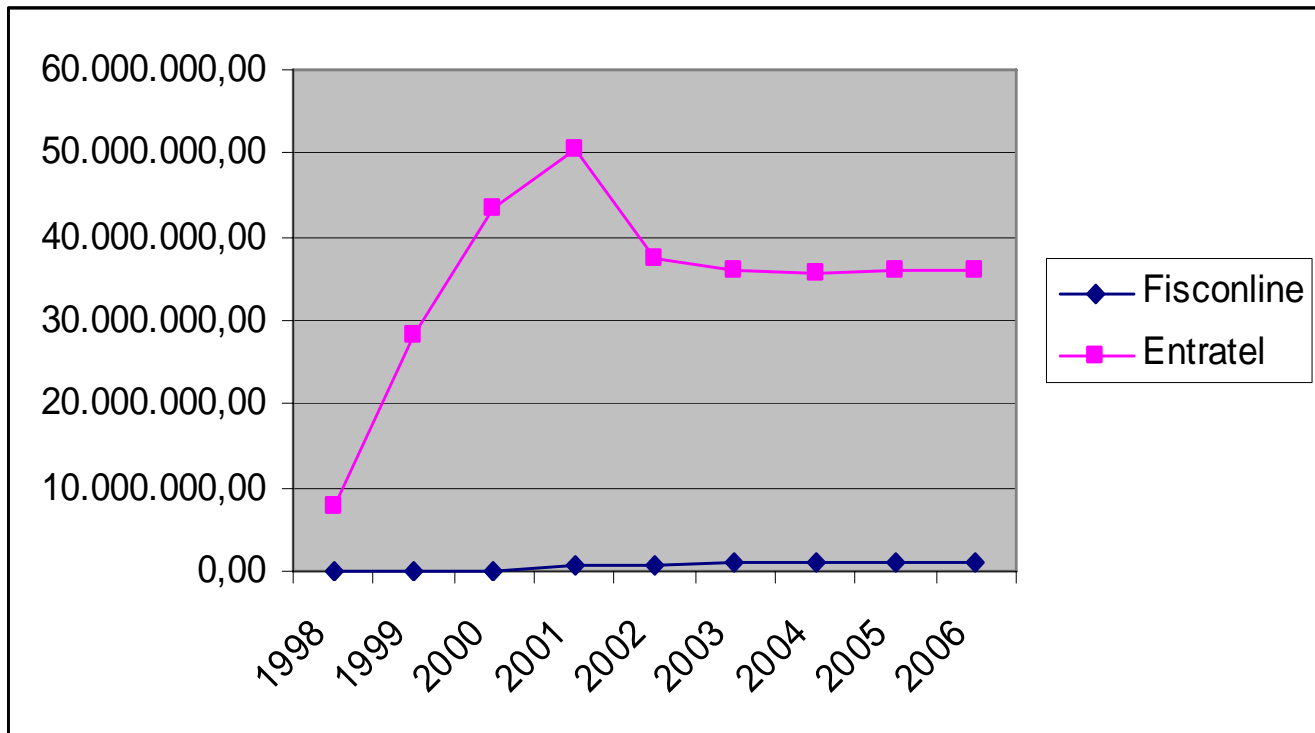
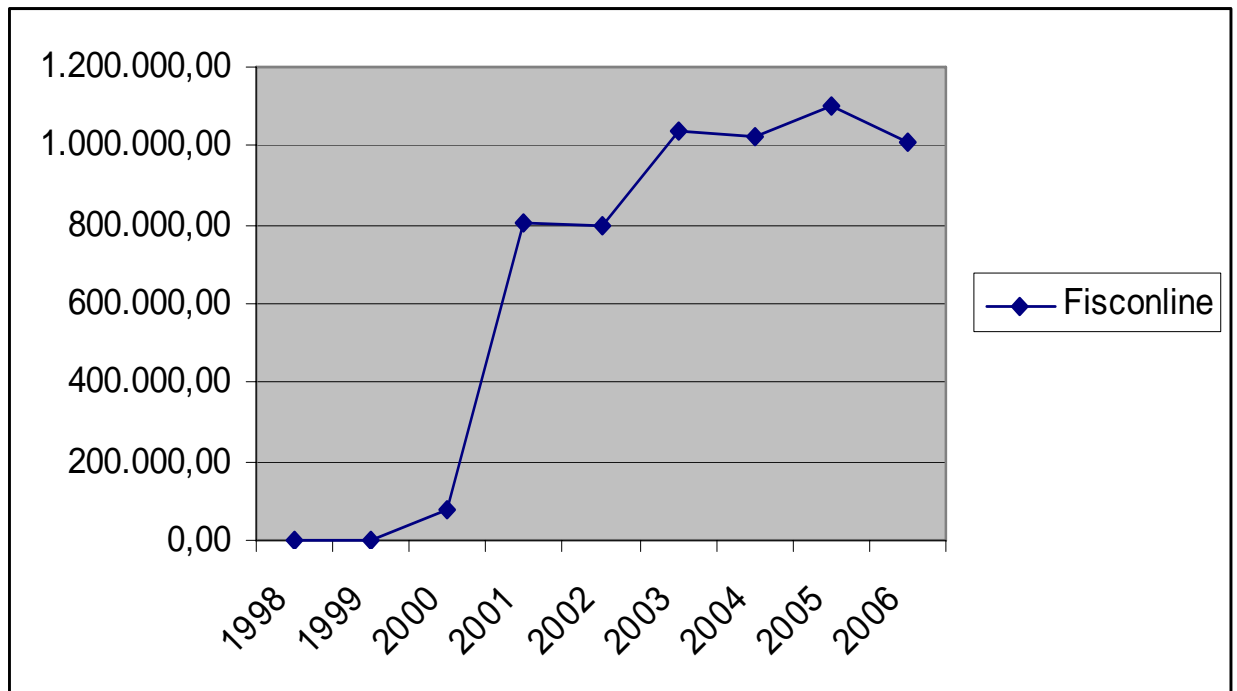


Exhibit 3: volumes of online tax forms submission via *Fisconline*: 1998-2006



As it is visible from exhibit 2 Entratel steadily increased and reached its peak in 2001, to then stabilise at about 37 million forms. The peak of 2001 is explained by full take up of periodic IVA declarations, which then declined as they are no longer needed and are substituted by the yearly declaration.

Take up of Internet based services used autonomously by citizens or businesses present a steep growth, but it has reached a total of no more than 1.1 million individual submissions, which is only 2.8% of total submissions. This is not an impressive take up figure by international standards, but one should consider that most Italians use intermediaries to do their tax return. If the law did not make online submission mandatory for intermediaries, a possible different strategy might have been adopted leading to more direct take up. Certainly those who do their own tax online (which is increasingly possible not only because of the channel used but also as a result of simplified forms) save the money others have to pay to intermediaries (about € 150 per year).

5.2 Services characteristics

eServices for individual, the following applications are available:

- Authorisation to online services (PIN)
- Pre-filed tax return forms
- E-filing of income tax return – Payment and refunds
- Notification of assessment and receipts
- Access to data - taxpayers can check their tax position
- Updated information (rules, regulations, forms)
- e-filing of documents and deeds

eServices for businesses (G2B), the following applications are available:

- Authorisation to on-line services (digital signature)
- e-filing of tax returns and payment
- Registration, deregistration and change of position of a VAT holder
- Access to tax litigations databank
- Information and control on taxpayer's data
- Registration of rent contracts
- Sector studies

eServices for citizens can be accessed by SME and citizens through the Fisconline Internet system through a PIN code. eServices for Businesses: can be accessed by medium and big companies, intermediaries (tax preparers, banks, postal offices, tax assistance centres etc.) through the Entratel channel (VPN) and a digital signature device (PKI)

According to the last CapGemini survey, the services have a score of 4; i.e., fully transactional services.

6. Existing Measurement System

As anticipated earlier, in July of 2005 a team from the eGEP project headed by Cristiano Codagnone spent several days with the Italian Tax Agency Personnel to retrieve relevant data and produce estimates on the costs and impacts in terms of efficiency (cost avoidance and full time equivalent gains) of the overall online services project set up and running. As a result the Agency has now a system in place to monitor the costs (illustrated earlier in the

chapter on Input) and the efficiency gains. This allowed us to obtain the data updated for 2006 which area reported in paragraph 6.1.

Even before 2005, the Tax Agency had already established a system to measure users satisfaction. The key component of this second measurement system is described in paragraph 6.2, whereas the actual results of this measurement are provided in paragraph 6.3.

6.1 Efficiency Measurement

Between 2000 and 2006 the gains in terms of avoided cost listed in the table below have been achieved.

Table 5 Cost avoided

	Value in million €
The closure and disposal of 11 tax return handling Centres since (450.000 sq mt of accommodation space for which rental contracts have been terminated)	22
The elimination of data acquisition costs (contracts with companies providing such services have been gradually terminated)	31
Total cost avoided	53

In addition real efficiency gains were achieved as re-organisation and ICT eliminated tasks, duplication of errors and made redundant a total of 7000 employees by the end of 2006 (they were 6.000 at the end of 2005). These were all individuals involved at the lowest level of back office activities and the aggregate valued of this gains has been estimated at about € 70 million (mostly went into early retirement and some were re-deployed).

So the total cumulative gains achieved, reached a total of € 123.000 by 2006, but as the online system became fully operative by 2001 and already achieved various gains, by 2001 the return on investment was achieved.

Finally it must be added that additional performance benefits were achieved from the internal perspective of the Tax Agency and includes:

- immediate availability of tax return data for tax analysis and tax policy;
- total elimination of paper related to tax returns,
- reduction of formal control activities,
- immediate availability of tax revenue data and immediate allocation of amounts due to the various tax-levying bodies.

6.2 User satisfaction: key Indicators and Metrics

Customer Satisfaction Surveys are carried out annually on all the channels for service delivery.

Three main variables are investigated:

- Composition and distribution of users
- Frequency in use of tax-related services
- Overall results (examined by channel of use, frequency of use, professional category of users)

Three main delivery channels are examined:

- Tax Local Offices
- Multi-channel Assistance Centres (CAM)
- Internet (both Entratel and Fisconline)

The Customer Satisfaction Survey is carried out by administering a questionnaire to a sample of users of each channel. In particular, the first section of each type of questionnaires has the same structure. This section investigates the main characteristics of the services provided, along some main dimensions. In particular, it presents a series of indicators measuring the users' satisfaction levels according to a common structure:

- Overall appraisal
- Tangible aspects (i.e., structural characteristics of the service)
- Functional aspects (i.e., effectiveness of the service)
- Relational aspects (i.e., users/operators relationships).

Users are required to express their level of satisfaction according to a 1-5 scale, common to all types of questionnaires, where each number corresponds to a different degree of satisfaction:

- 1= service not satisfying
- 2= service little satisfying
- 3= service quite satisfying
- 4= service very satisfying
- 5= service totally satisfying.

For each channel, the following aspects are monitored:

Table 6: Customer Satisfaction Survey indicators

Field	Multi-Channel Assistance Centre	Tax Local Offices	Internet	
			Entratel	Fisconline
Tangible Aspects	<p>Easiness in finding information about services</p> <p>Easiness in finding Call Centre telephone number</p> <p>Clarity of information about phone calls costs</p> <p>Adequacy of service hours</p> <p>Time for having the telephone line</p>	<p>Easiness in finding information about the office</p> <p>Clarity of signals outside the office</p> <p>Adequacy of office opening hours</p> <p>Cleanliness and comfort of offices</p>	<p>Easiness in finding information about Entratel</p> <p>Easiness of access</p> <p>Navigability of website</p> <p>Easiness in finding information in the website</p>	<p>Easiness in finding information about Fisconline and its services</p> <p>Clarity of instructions for using services</p> <p>Navigability of website</p> <p>Easiness in finding information in the website</p>
Functional Aspects	<p>Answering waiting time</p> <p>Unanimity of answers</p> <p>Operators' updating</p> <p>Completeness of answers</p> <p>Clarity of answers</p> <p>Accuracy of answers</p> <p>Capability to solve problems at the first attempt</p>	<p>Clarity of signals inside the office</p> <p>Clarity of steps to do before the service</p> <p>Easiness of access to services</p> <p>Waiting times for accessing services</p> <p>Completeness of answers</p> <p>Clarity of answers</p> <p>Accuracy of answers</p> <p>Quickness of answers</p> <p>Easiness of file managing</p>	<p>Easiness in using Entratel services</p> <p>Clarity of instructions for installing the software</p> <p>Clarity of results of operations</p> <p>Easiness in having receipts</p> <p>Capability of simplifying fulfilment of tax obligations</p> <p>Capability in preventing submission of wrong data</p> <p>Clarity of error messages</p> <p>Service reliability</p> <p>Promptness in solving</p>	<p>Easiness in using Fisconline services</p> <p>Clarity of results of operations</p> <p>Easiness in having receipts</p> <p>Capability of simplifying fulfilment of tax obligations</p> <p>Capability in preventing submission of wrong data</p> <p>Clarity of error messages</p> <p>Service reliability</p> <p>Certainty of having completely fulfilled tax obligations</p>

			problems	Promptness in solving problems
Relational Aspects	Kindness of operators Ability of operators Availability of operators	Kindness of operators Ability of operators Availability of operators Understanding of language used Listening capacity	Adequacy of Call Centres opening hours Waiting times for accessing services Capability to solve problems at the first attempt Accuracy of answers Kindness of operators	Adequacy of Call Centres opening hours Waiting times for accessing services Capability to solve problems at the first attempt Accuracy of answers Kindness of operators

Indicators are ranked in a classification list based on the overall degree of satisfaction expressed by users. In order to identify the most significant improvement areas, it is extremely important to combine the list with the satisfaction index.

6.3 Main results of Users Satisfaction Measurement

The last available data are related to the survey carried out in 2006, from July to October, on these three channels:

- Multi-channel Assistance Centres – September-October 2006
- Tax Local Offices – July 2006
- Internet (both Entratel and Fisconline) – September-October 2006.

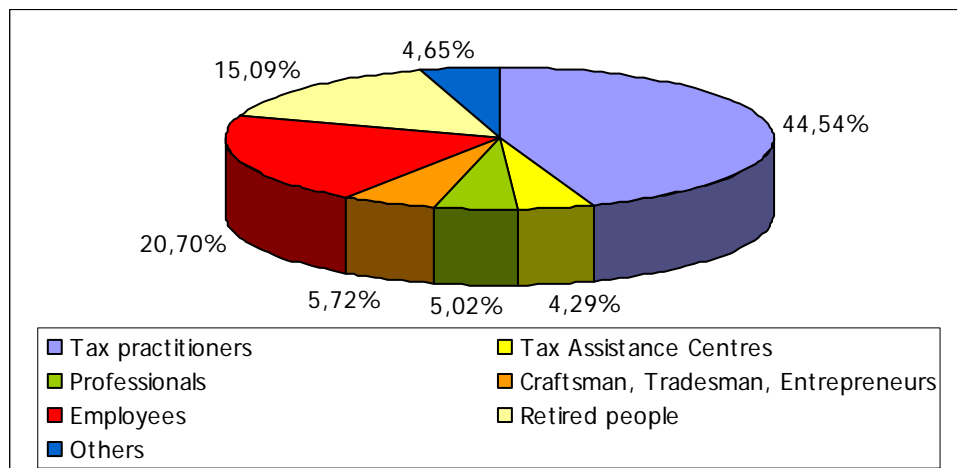
Multi-channel Assistance Centres (CAM)

As mentioned, the survey on Multi-channel Assistance Centres (CAM) was carried out in September and October 2006 through telephone interviews. The survey was completed on a sample of 3,000 users/clients of CAM services, and concerned only telephone services with operators (i.e., services provided through the number 848.800.444).

In 2006 the Centres object of the survey were 7 instead of 6, and 13 mini call-centres (called MiniCam) were also included.

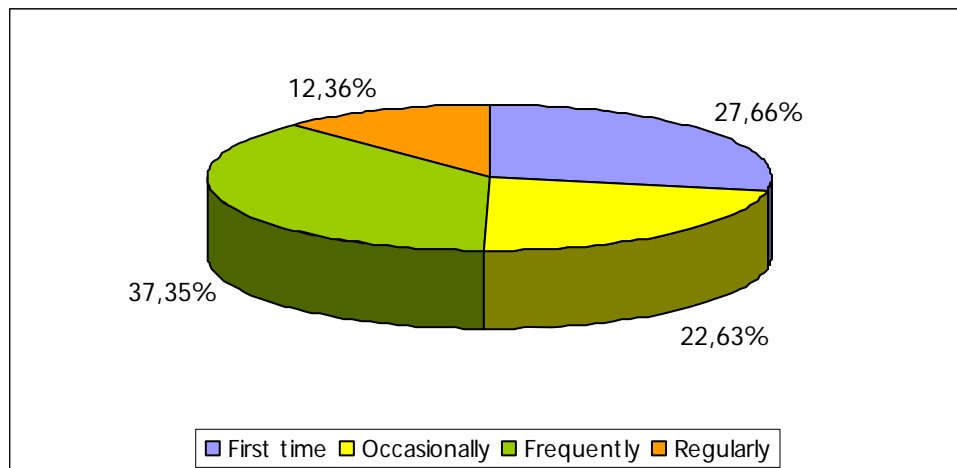
Concerning the categories of users, the main part consists by taxpayers (51,18%). Other users are tax practitioners and Tax Assistance Centres. From 2005, the percentage of tax practitioners using CAM registered a sharp increase (from 29% to 44%).

Exhibit 5 Multi-channel Assistance Centres: Categories of users



As far as the frequency of use is concerned, the percentage of those recurring to the service for the first time or only occasionally saw a reduction, with a corresponding increase of regular users.

Exhibit 6 Multi-channel Assistance Centres: Frequency of use



The overall evaluation of the services delivered by CAM is quite elevated: 3.98. The 38% of the sample gave the maximum score, while 73% of people interviewed assigned a score higher than 3. However, with respect of previous evaluation, a slight decrease of customer satisfaction is registered (from 4.07 in 2005 to 3.98 in 2006).

The evaluation of single items is elevated: the average appraisal is always higher than 3 ("service quite satisfying") and for 9 items out of 14 is higher than 4 ("service very satisfying"). The lowest score is reported by the indicator "Answering waiting time", which reports an average valuation of 3.14, that is, however, quite satisfying.

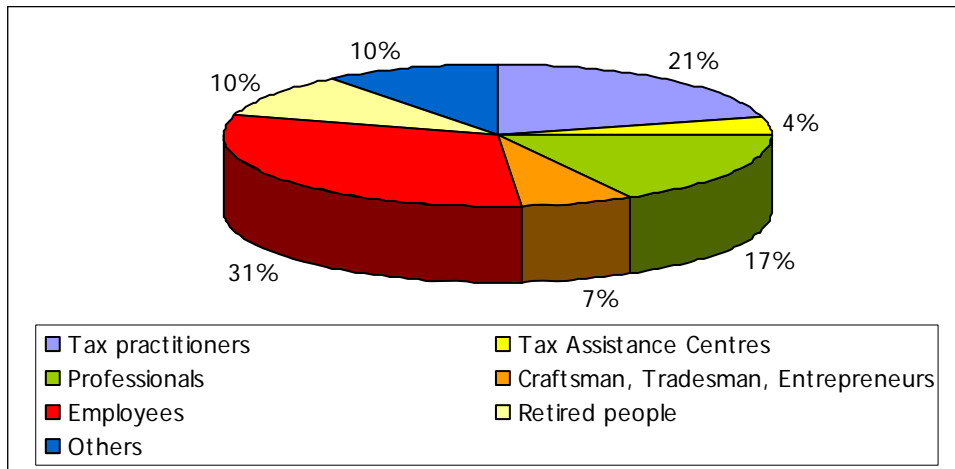
Table 7 Multi-channel Assistance Centres: Customer Evaluation

<i>Overall appraisal</i>	<i>3.98</i>
Tangible Aspects	
Time for having the telephone line	3.37
Adequacy of service hours	4.24
Clarity of information about phone calls costs	4.43
Easiness in finding Call Centres telephone number	4.39
Easiness in finding information about services	3.91
Functional Aspects	
Accuracy of answers	4.10
Clarity of answers	4.13
Completeness of answers	4.04
Unanimity of answers	3.75
Answering waiting time	3.14
Capability to solve problems at the first attempt	3.77
Relational Aspects	
Availability of operators	4.44
Ability of operators	4.04
Kindness of operators	4.58

Local Tax Offices

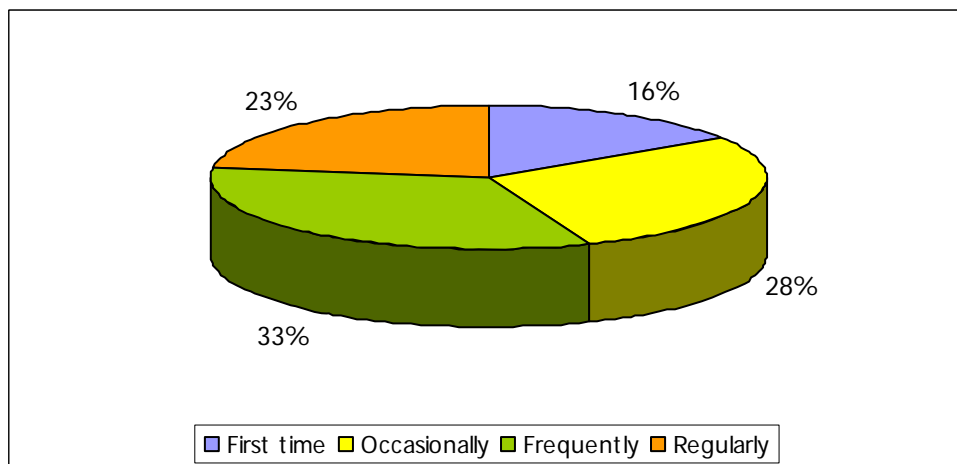
The customer satisfaction survey on Local Tax Offices consisted on 33,169 evaluation questionnaires administered to users. Individuals interviewed were mainly taxpayers (75,1% of the total of the sample). The remaining 24% of the sample was represented tax practitioners and other subjects operating in the field (i.e., Tax Assistance Centres). The distribution of users among different categories (See exhibit X below) showed the prevalence of employees (30.76% of the total) and of tax practitioners (20.90%), with no particular changes from the previous years.

Exhibit 7 Local Tax Offices: Categories of users



Concerning the frequency of access to the service, only 15.7% of the sample accessed the service for the first time in 2006.

Exhibit 8 Local Tax Offices: Frequency of use



The overall evaluation of the service provided by Local tax Offices is 3.83. Moreover, the percentage of users "satisfied", that expressed an evaluation equal to or higher than 4 is of 62% of the sample.

Even the evaluation of the single items is normally satisfying. The average appraisal is constantly higher than 3, and the percentage of individuals expressing highest levels of satisfaction (score of 4 or 5) is higher than 55% for all the evaluated aspects. The highest scores were registered for the relational aspects.

Less satisfaction was expressed for other aspects relevant for service delivery, mainly concerning the functional aspects: "Waiting times for accessing services" (average evaluation 3.39), "Easiness of file managing" (3.60), "Clarity of signals outside the office" (3.66), and "Clarity of steps to do before the service" (3.66).

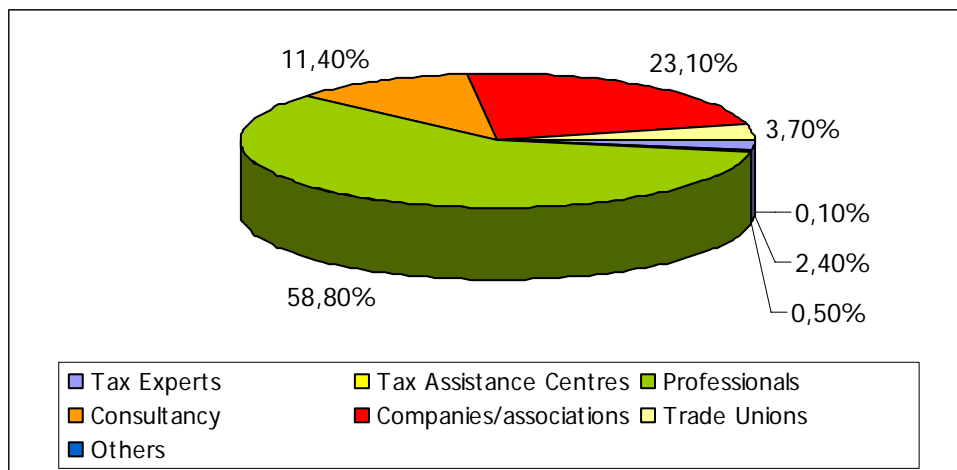
Table 8 Local Tax Offices: Customer Evaluation

<i>Overall appraisal</i>	<i>3.83</i>
Tangible Aspects	
Easiness in finding information about the office	3.77
Clarity of signals outside the office	3.66
Adequacy of office opening hours	3.70
Cleanliness and comfort of offices	3.87
Functional Aspects	
Easiness of file managing	3.60
Clarity of signals inside the office	3.73
Clarity of steps to do before the service	3.66
Easiness of access to services	3.72
Waiting times for accessing services	3.39
Completeness of answers	3.88
Clarity of answers	3.88
Accuracy of answers	3.9
Quickness of answers	3.86
Relational Aspects	
Kindness of operators	4.17
Ability of operators	4.03
Availability of operators	4.12
Understandability of language used	3.99
Listening capacity	n.a.

Entratel

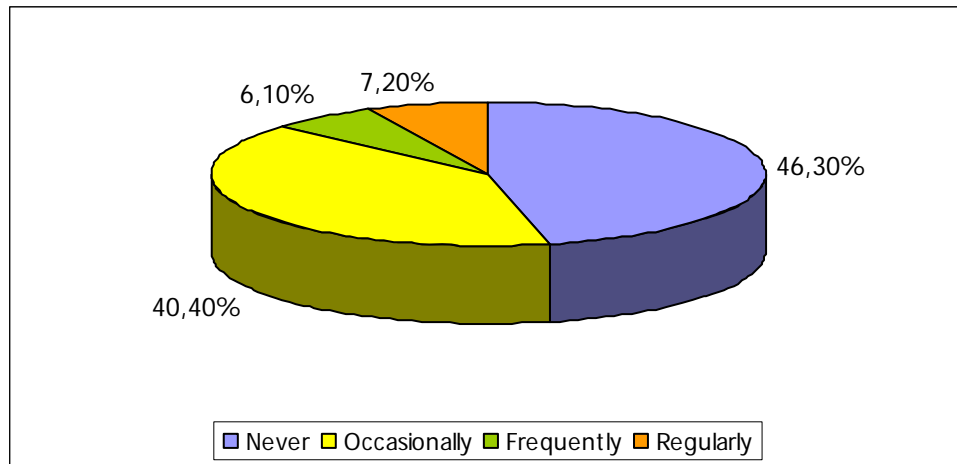
The Customer satisfaction survey on Entratel (the online channel for businesses) was carried out in September 2006, through an online questionnaire available from the homepage on Entratel website. The survey involved a sample of 4,006 Entratel users, out of about 150,000 registered users (i.e., 2,67% of the total). The categories of users of the Entratel service are constituted mainly by different types of tax practitioners: accountants, Tax Assistance Centres, Companies, Trade Unions and other associations, consultants, etc. The 2006 survey showed the consolidation of a trend started in the previous year: the increase of users such as companies and consultants (from 3.7% and 12.1% in 2005 to 23.1% and 11.4% in 2006, respectively), and the relative decrease of tax professionals (from 76% in 2004 to 58.8% in 2006).

Exhibit 9: Entratel: Categories of users



Concerning the frequency of use, the survey concerned only access to assistance services (online and by telephone). These categories of users, in fact, are obliged by law to use the online services of the Tax Agency. The survey confirmed the low use of assistance services: near 46% of the sample never recur to them.

Exhibit 10: Entratel Assistance Service: Frequency of use



The overall appraisal of the Entratel services can be considered quite satisfying: the score reported in of 3.60. However, it registered a slight decrease from the previous years (3.72 in 2004 and 3.65 in 2005). The average satisfaction for the tangible and functional aspects is satisfactory: all items have received an evaluation higher than 3. The only exception is represented by the indicator "Clarity of error messages", that received an average evaluation of 2.92, decreasing with respect to the previous years (3.01 both in 2004 and 2005). The evaluation of relational aspects concerned the assistance services provided by Entratel. The lowest value was 2.88 for the "Capability to solve problems at the first attempt", while the highest evaluation (3.56) was for the "Kindness of operators".

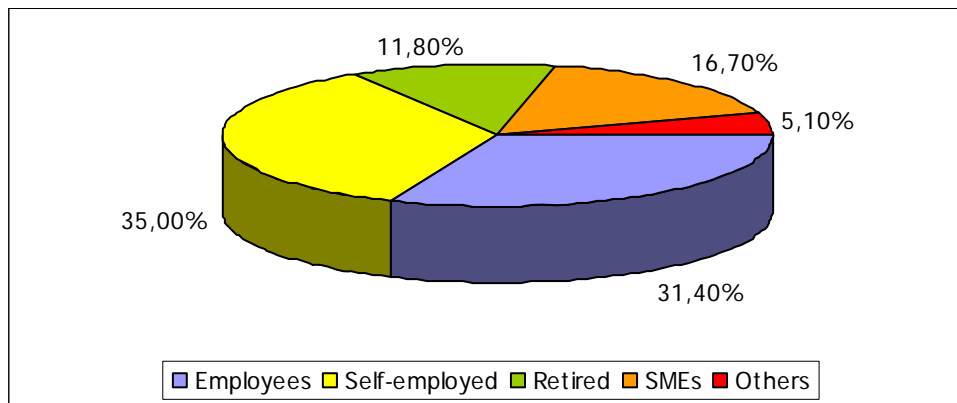
Table 9 Entratel: Customer Evaluation

<i>Overall appraisal</i>	<i>3.60</i>
Tangible Aspects	
Easiness in finding information about Entratel	3.35
Easiness of access	3.81
Navigability of website	3.70
Easiness in finding information in the website	3.29
Functional Aspects	
Easiness in using Entratel services	3.73
Clarity of instructions for installing the software	3.74
Clarity of results of operations	3.67
Easiness in having receipts	3.73
Capability of simplifying fulfillment of tax obligations	3.37
Capability in preventing submission of wrong data	3.43
Clarity of error messages	2.92
Service reliability	3.45
Promptness in solving problems	3.04
Relational Aspects	
Adequacy of Call Centres opening hours	3.12
Waiting times for accessing services	2.42
Capability to solve problems at the first attempt	2.88
Accuracy of answers	2.96
Kindness of operators	3.56

Fisconline

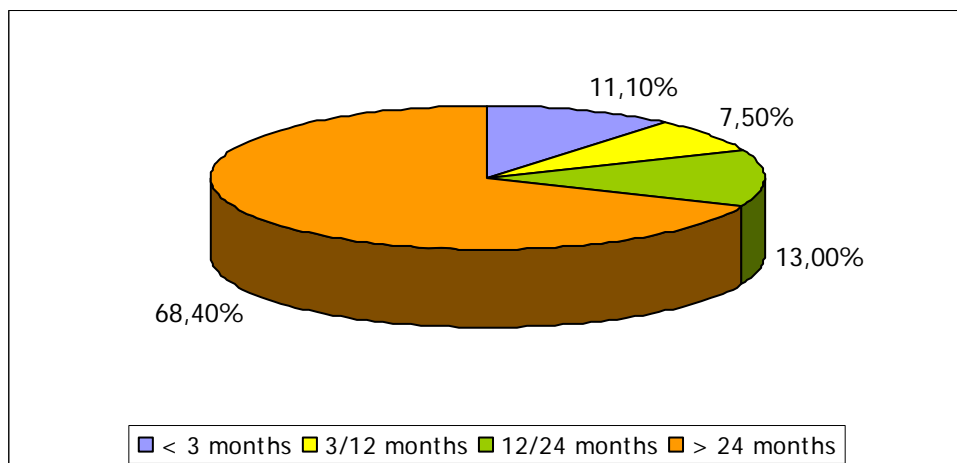
The survey on Fisconline services was carried out from July to October 2006, through a questionnaire available from the home page of Fisconline website. The survey concerned 1,444 users. The distributions of users did not show changes from the previous year: employees and self employed people are the most important users.

Exhibit 11: Fisconline: Categories of users



The customer satisfaction survey on Fisconline analysed also the period of use on the service. Data showed an increase in new users (i.e., those registered by less than 3 months): from 6.3% of the sample in 2005 to 11,1 % in 2006.

Exhibit 12: Fisconline: Period of use



The overall appraisal of Fisconline services is quite high: 3.71, with a slight decrease from 2005 (3.75). All items concerning tangible and functional aspects have received an average evaluation higher than 3, the most satisfying score being registered for the "Easiness in having receipts" (3.90), the lowest for "Easiness in finding information in the website" (3.11). The evaluation of relational aspects concerned the assistance services (online and by telephone) provided by Fisconline. In this case, appraisals are less satisfying: "Waiting times for accessing services" registered the lowest score (2.39). Moreover, only 2 items out of 5 have had an evaluation higher than 3: "Adequacy of Call Centres opening hours", and "Kindness of operators": 3.05 and 3.76 respectively.

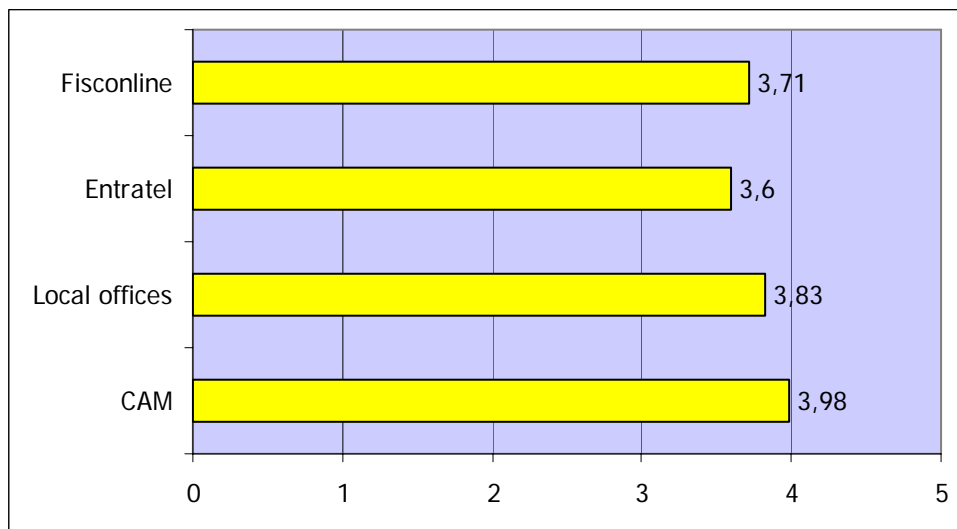
Table 10 Fisconline: Customer Evaluation

<i>Overall appraisal</i>	3.71
Tangible Aspects	
Easiness in finding information about Fisconline	3.35
Clarity of instructions for using services	3.37
Navigability of website	3.37
Easiness in finding information in the website	3.11
Functional Aspects	
Easiness in using Fisconline services	3.58
Clarity of instructions for installing the software	3.74
Certainty of having fulfilled tax obligations	3.63
Easiness in having receipts	3.90
Capability of simplifying fulfillment of tax obligations	3.87
Capability in preventing submission of wrong data	3.59
Clarity of error messages	3.28
Service reliability	3.58
Promptness in solving problems	3.21
Relational Aspects	
Adequacy of Call Centres opening hours	3.05
Waiting times for accessing services	2.39
Capability to solve problems at the first attempt	2.86
Accuracy of answers	2.95
Kindness of operators	3.76

Customer Satisfaction by channel

When considering the overall results of the customer satisfaction survey, it is possible to compare the overall results registered by each channel. Multi-channel Assistance Centres were the most appreciated channel of service delivery (3.98 of overall appraisal), while Entratel was the less satisfying (3.60). This can be partially explained when considering that Entratel is targeted on tax practitioners and businesses, which probably have higher level of expectations from online services.

Exhibit 13: Customer Satisfaction by channel



7. Impact Indicators for comparison with the Greek Case

As foreseen in chapter 3 of Deliverable D.2 “Benchlearning Methodology and Data Gathering Template” the indicators selected and to be calculated for all three involved cases studies are:

Efficiency Value Driver:

- Proxy estimate of Full Time Equivalent Gain in the form of: opportunity monetary value of the time saved for data entry by LTOs employees in the Greek case, and by the comparable equivalent for the two international cases.

Effectiveness Value Driver:

- Reduction of waiting times for citizens and businesses to receive tax clearance in the Greek case and for a comparable equivalent for the International cases;
- Time and other resources (transportation, mailing, paying intermediaries) saved by citizens and businesses through online submission (same for all cases), in short “Reduction of administrative burden”.

In the following three paragraphs the indicators will be calculated for the Italian Tax Agency case following the guidelines and data provided into D.2 deliverable in chapter 4, with the needed adaptation to the specificities of this case.

In general the calculation of the indicators would have to focus on:

- Individual tax forms
- VAT declarations

These are internationally the two most used services for which historical series of data are available. However, when selecting data for the impact indicators calculation, the characteristics and specific features of each tax system must be considered. As far as the data for Italy are concerned, three items for the Tax Agency statistics on the use of online services have been taken: Unico Persone Fische, form No. 730, VAT declarations. As explained in par. 1.2 Unico Persone Fische and 730 are both forms used by individuals to submit their tax returns, with similar levels of use. It has been decided thus to consider them together when calculating impact indicators for Italy. Another peculiarity complicating slightly the picture, concerns the legislation changes introduced in 2001 and affecting the type of VAT declarations (also explained earlier in par. 1.2). Data on periodic VAT declarations are available up to 2002 and then they are substituted by the new annual VAT declarations. So we have two series of very different volume: when the online channel was fully operational 18 million periodic (every three months) VAT declarations were submitted in 2001 in total, whereas for instance annual declaration in 2006 were 3.8 millions, almost exactly one quarter of the periodic declarations in 2001 (as it should be when moving from 4 declarations in a year, to only one). We thus decided to use both series but to calculate different values of the indicators.

7.1 Efficiency Indicator

Having established the above, the various steps for the calculation of indicators suggested in D.2 have been followed.

First, through a real simulation, it was established that on average it took 7 minutes to take a paper tax form and input data into e-computer.

Second, through interviews, we confirmed that when the forms are submitted online no other data entry time is needed.

Third, we calculated and aggregated the relevant web metrics.

Fourth, the full average hourly cost of labour for lower level white collar employees (involved in back office routine data entry activities) was estimated data from the Tax Agency at € 10.4.

Accordingly the various data calculated are reported in the following tables, needing some extra illustrations.

Work days have been calculated dividing total hours by 8 working hours, whereas man year by dividing the total number of work days by a conventional work year made of 220 days.

Only for the individual tax forms (Unico + 730) we presented both the total aggregate results, and the results if the Internet channel is only considered, that is submission made only directly by citizens and businesses and excluding those by intermediaries.

Tables report efficiency impact indicator for each year from 1998 till 2006, but the yearly impact must not be summed up to calculate a total impact over the entire period. These are yearly saving on running operations and not cumulative savings.

Table 11 Online submissions for Unico+730 through Entratel and Fisconline

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unico+730	7.603.099	22.981.428	30.107.269	28.643.097	27.636.934	54.371.987	26.753.330	26.719.536	26.459.622

Table 12 Total efficiency impact for Unico + 730 through Entratel and Fisconline

Savings	1998	1999	2000	2001	2002	2003	2004	2005	2006
minutes	53.221.693	160.869.996	210.750.883	200.501.679	193.458.538	380.603.909	187.273.310	187.036.752	185.217.354
hours	887.028	2.681.167	3.512.515	3.341.695	3.224.309	6.343.398	3.121.222	3.117.279	3.086.956
€value hrs	€9.225.093	€27.884.133	€36.530.153	€34.753.624	€33.532.813	€65.971.344	€32.460.707	€32.419.704	€32.104.341
work days	110.879	335.146	439.064	417.712	403.039	792.925	390.153	389.660	385.869
Man years	504	1523	1996	1899	1832	3604	1773	1771	1754

Table 13 Online submissions for Unico+730 through Fisconline only

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unico+730	0	0	75.963	372.373	639.433	910.132	946.948	958.778	858.583

Table 14 Total efficiency impacts for Unico + 730 through Fisconline only

Savings	1998	1999	2000	2001	2002	2003	2004	2005	2006
minutes	0	0	531.741	2.606.611	4.476.031	6.370.924	6.628.636	6.711.446	6.010.081
hours	0	0	8.862	43.444	74.601	106.182	110.477	111.857	100.168
€value of hrs	€0	€0	€92.168	€451.813	€775.845	€1.104.293	€1.148.964	€1.163.317	€1.041.747
work days	0	0	1.108	5.430	9.325	13.273	13.810	13.982	12.521
Man years	0	0	5	25	42	60	63	64	57

Table 15 Online submissions for VAT periodic and for VAT annual through Entratel and Fisconline

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Periodic	0	1.705.620	9.953.679	18.354.714	4.224.697				
Annual						3.604.555	3.624.155	3.769.171	3.851.935

Table 16 Total efficiency impacts for VAT periodic and for VAT annual through Entratel and Fisconline

Savings	1998	1999	2000	2001	2002	2003	2004	2005	2006
minutes	0	11.939.340	69.675.753	128.482.998	29.572.879	25.231.885	25.369.085	26.384.197	26.963.545
hours	0	198.989	1.161.263	2.141.383	492.881	420.531	422.818	439.737	449.392
€value of hrs	€0	€2.069.486	€12.077.131	€22.270.386	€5.125.966	€4.373.527	€4.397.308	€4.573.261	€4.673.681
work days	0	24.874	145.158	267.673	61.610	52.566	52.852	54.967	56.174
Man years	0	113	660	1217	280	239	240	250	255

The data presented above are quite interesting but cannot be commented as such, that is without a term of comparison. While the comparative analysis will be carried out for next deliverable D.7, some considerations can be made only with respect to parameters relevant to this Italian case.

First, it can be noticed that in 2006 summing up both the individual tax forms and the VAT declarations we get a total man years FTE savings of about 2000, which is much lower than the actual 7000 FTE saving realised between 2005 and 2007 and actualised through early retirement and redeployment. As anticipated, the proxy indicator of efficiency in terms of saving time for data entry capture only a part of the efficiency gains achievable through ICT and re-organisation.

Second, comparing for individual's tax returns the aggregate valorised efficiency gains with those realised only through the direct online submission by individuals and businesses /that is without the intervention of intermediaries we get two quite different values: **about € 32 million versus € 1 million**. So, even considering the limitations of these proxy indicators, it is evident that the law making mandatory for intermediaries to submit tax returns and VAT declarations online make **a big difference worth about € 31 million**.

7.2 Effectiveness Indicators: reduction of administrative burden

Given the peculiarity of the Italian system, where the bulk of the online submission is carried out by intermediaries, the calculation of the reduction of administrative burden is limited to data related to Fisconline and only for citizens tax returns (since VAT, concerning also businesses are overwhelmingly submitted by intermediaries).

In this respect, we have the complexity of giving a value to the time saved by citizens, as we cannot apply the average cost of labour as in the previous case. In fact, the value of the time of citizens differs depending on their social position. We could actually assume that those submitting forms online by themselves are individual with high socio-economic status, but this would be only a guess estimate. We, therefore, chose a conservative approach and valued the time of citizen as the average between gross average income and average minimum wage. This yields a value of € 7.4 for an hour and of € 0.1 for a minute.

The second step involved calculating the time saved through filling forms online instead doing it on paper. Naturally the time an individual must invest to pull together all the relevant information and make some calculations is the same online and on paper. The online saves time as a result of not having to write in capital letter and of avoiding mistakes due to fixed options in the online forms. Moreover, the online forms provide tools for automatic

calculations saving quite some time. Even in this case we simulated the two processes and the estimate of minutes saved was on average 20.

The cost of transportation, needed to handle the paper tax forms, is equal to two public transportation tickets, which costs € 2. The cost of postage for sending the paper tax forms is also about € 2. So we use only one of these two parameters.

The frequency of submission is once a year, while the average cost avoided not relying on intermediaries is € 150. On the other hand, we cannot assume that all those submitting forms online, would use intermediaries if the Internet channel was not available. Firstly, those who are familiar can prepare it by themselves on hard copy and secondly, some could use non for profit assistance centres (those of the Trade Unions). So to be conservative we assume that only 50% of those submitting forms online would have paid a professional intermediary if the Internet channel was not available

With these parameters we can proceed to calculate the reduction of administrative burden for citizens in 2006:

- Total online submission=858.583;
- Total amount of minutes saved= $858.583 \times 20 =$ about 17.2 million, that is about 286.000 hours;
- Valorisation of hours saved= $286.000 \times € 7,4 =$ about € 2 million
- Saved cost of transportation/postage= $858.583 \times € 2 =$ about € 1.7 million;
- Saved cost of intermediation= $(858.583/2) \times € 150 =$ about € 64.4 million

Thus the total valued of the reduced administrative burden for citizens is equal to € 68.2 million

7.3 Effectiveness Indicators: reduction of waiting times

The steps indicated in D.2 were performed in collaboration with personnel of the Tax Agency for what concerns the reduction of waiting time for acknowledgement and clearance of individual tax returns and for tax returns. This has been calculated comparing 1997 (before the online channel was launched and the all system reorganised) with the latest available years (year by year calculation was not feasible as there were several missing data).

Again before presenting the estimated results, the peculiar context of the Italian system before the reform launched in 1997 and completely accomplished in 2005, must be recalled. Offices were flooded under a backlog of 20.000.000 uncompleted documents, with 3.200.000 tax litigation cases pending. Average waiting time for tax acknowledgement/clearance was 5 years, and for due tax refund 12 years!

Between 1997 and 2006, the changes have not been limited to the introduction of the online channel. The overall Italian system was radically restructured, the tax forms were simplified, the Tax Agency gradually became a professional organisation and, last but not least, the law made the online submission mandatory for all intermediaries.

As a result today waiting times for acknowledgement/clearance are down on average to maximum 3-4 months, and for tax refunds on average to maximum 1,5 year.

The sheer sizes of these achievements in terms of change are to be contextualised in terms of the very bad initial situation and also of the efforts invested into reform and changes.

Summary conclusions

More general conclusions and considerations on the online provision of tax services will be made in deliverable D.7 where the results of all three cases will be considered. Below only some summary considerations are presented for the Italian case.

The Italian Tax Agency has achieved outstanding efficiency gains and noteworthy effectiveness impacts on citizens, businesses, and also, after the initial resistance, on intermediaries. These results have been exhaustively illustrated in the various parts of this report, and will be here recalled only briefly and qualitatively. The Agency achieved peak gains both in terms of economy (cost avoided) and of efficiency strictly defined as Full Time Equivalent gains. Its users' satisfaction measurement system shows that the services are fairly appreciated by all the constituencies (citizens, businesses, intermediaries). While the starting point was very low, the reduction of waiting times for tax acknowledgement/clearance and for tax refunds are outstanding. The results on the reduction of administrative burden still require further analysis to be assessed, but seem promising. The Agency is firmly moving and continuing its transformation from a bureaucratic to a professional organisational model. This was achieved, however, certainly not as a result of the online provision of services only, but it has been shaped by a mix of legislative, institutional, organisational and technological efforts and investments.

The entire Tax system was restructured, the tax forms simplified, the Tax Agency created as an autonomous and flexible organisations. Very important was the law making mandatory for intermediaries to submit tax returns digitally. The Agency was gradually re-organised and its personnel retrained from 1998 until 2005 when the new model can be considered fully operational. Time and money were spent to make the full time equivalent gains real by negotiating with the Trade Union for personnel re-deployment and/or early retirement.

Large investments were made into the Virtual Private Network on which Entratel, the channel used by intermediaries, is based and which solve at once all problems related to security of data.

The services provision delivery strategy has been based since the very beginning on a multi-channel approach that is very appreciated according to the users' satisfaction survey results.



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