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## GENERAL CHANGES AS A CONDITION OF INCREASING THE EFFICIENCY OF PUBLIC ADMINISTRATION - THE CASE OF THE TAX ADMINISTRATION

### Abstract:

Efficiency has long played a central role in the contested terrain of public administration values. This paper analyzes the existing business processes and explores how to determine the optimal model of business processes in the Tax Administration. The goal of this model of business is to increase business efficiency and reflecting on all users of the Tax Administration.

### Keywords:

Public administration, efficiency, business process, reorganization

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## Introduction

Changes in public services, including the tax authorities are inevitable and it is necessary to adjust the business service users. By changing the way of doing business, the transition to modern forms of business comes to business process change. Analysis of existing business processes indicates that the administration partially started to adapt their businesses to modern trends and thus established a multi-level partnerships with the public companies and other state bodies.

The Tax Administration is an administrative organization within the system of the Ministry of Finance, whose main task is to implement tax regulations and regulations concerning compulsory contributions. Everyone shall participate in the defrayment of public expenses in accordance with their economic possibilities.

With the improvement and change processes must be able to measure the effectiveness, otherwise it is not possible to prove whether the modified business process improvement. During the study identified a number of changes that are likely to measure the level of change.

The main part of the paper contains an explanation of the proposed changes that can help the tax authorities in improving the efficiency and effectiveness and the achievement of its objectives and strategies. Changes are divided into two groups: the first group consists of proposals for changes arising as a result of the reorganization, and the other group consists of those proposed changes that are proposed on the basis of international best practices and experiences of tax experts. The proposed changes are divided into five different domains: organizational changes, regulatory changes, changes to existing business processes, general changes and changes based on best practices.

## Efficiency as a measure of resource utilization in public administration

The basic question of every organization including the public administration is a matter of efficiency. In the public service efficiency means that the taxes paid by citizens and other entities, as efficiently as possible, converted to high-quality public services. [1] Citizens for their expenditure through the taxes they want to achieve the greatest possible benefit. Efficiency, which means "do things right" is becoming a critical factor in the survival and success of the organization. [2] Furthermore, citizens who consider taxes as a specific "penalty" believe that they must be spent in a transparent manner. Taxes are on the side of public administration can be seen as an input (input) that actually allows smooth operation of the execution of all tasks of the public administration. Public administration with input must be given the highest possible and should enable the realization of high-quality services in this case are the output. The effectiveness of a particular administrative organization proportional to the quality of service provided, and inversely proportional to the tax expenditure for its functioning. [3]

Public administration is not profit-oriented organizations. This restriction implies that employees have no incentive to provide the maximum in performance of their duties. The management of the public administration has a number of limitations related to the ability to motivate employees (eg. The limit in remuneration of employees). Thus comes to a grinding achieving productivity of public administration.

The level of satisfaction of social and basic needs must be expressed and measurable certain amount and quality of the results or output and the influence of the effects on the objectives and the general public in relation to the invested and spent resources. The absence of a standard system of

indicators and methods of analysis problem in assessing the efficiency and effectiveness of the public sector, and thus the effectiveness of public management. [4] Measuring the efficiency, although it is very important, in the public sector is a very complex problem. The role of public management involves taking responsibility for organized and effective action in the field of resource management and operations, and control functions are more focused on maximizing the effects of the management of limited resources and the realization of the goals set by the principle of minimizing costs and thereby reduce the budget burden. [5]

### **Best practices: Proposals of the reorganization of the Croatian Fiscal Authority**

Organisational restructuring of the Croatian Tax Administration has the goal of establishing a modern, flexible, efficient and service-oriented Tax Administration using the know-how and experience from the recent reorganisation which took place in the Austrian Tax Administration in 2005.

Structure of the Croatian Fiscal Administration is:

- One Ministry of Finance
- One Central Office located in Zagreb, divided into 12 departments comprising a great quantity of sections and departments
- 20 Regional Offices
  - 15 regional offices perform the tasks of tax assessment, tax audit, enforced collection and offence procedure. Additionally they manage the local (branch) offices.

- 4 regional offices additionally perform the task of criminal tax investigation. The audit division is also responsible for large taxpayers. Furthermore, these regional offices have a general affairs division.

- 122 Local Offices that differ with regard to size, structure and tasks; three specialized local offices exist in Zagreb alone.

Currently there are 20 Regional Offices, some of which also perform the tasks of a Local Office. Regional Offices are divided into tax assessment and contribution division, tax audit division, enforced collection and offence procedure. Four of the Regional Offices (Osijek, Split, Pazin, Rijeka) additionally are in charge of anti-fraud measures and general affairs.

Within the Regional Offices three types of organizational structures can be distinguished:

- Regional Office Zagreb
- Regional Offices Split, Rijeka, Osijek, Pazin
- Other Regional Offices

The Regional offices act as an intermediate management level situated in between Local Offices and Central Office.

To summarize, the following differences and discrepancies can be found among the various Regional Offices:

- Great differences in organizational and process structures
  - Varying manning
  - Varying and workload
  - Lack of comparability of offices

For current Regional Offices organizational charts, see figures 1, 2 and 3.

Figure 1. Zagreb Regional Office Organization Chart[7]

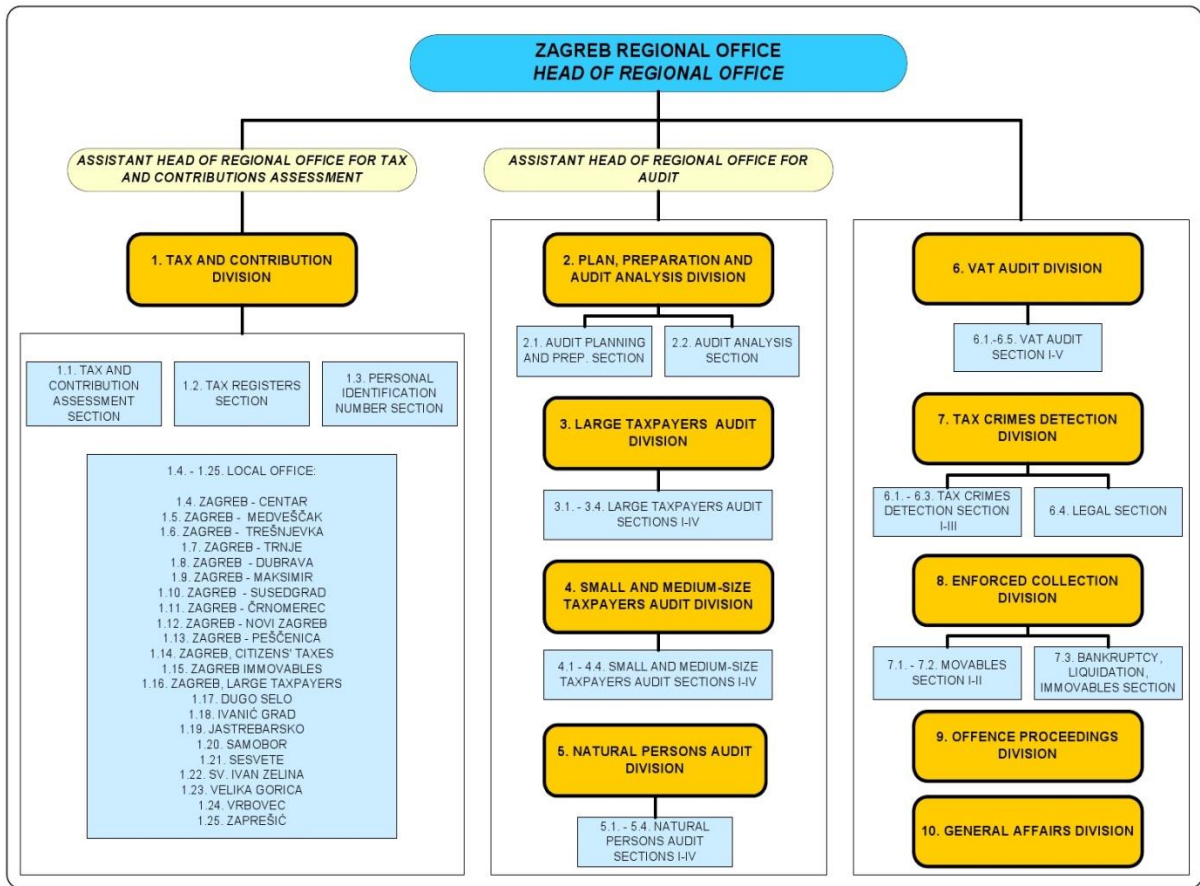


Figure 1. Regional Office Organization Chart [7]

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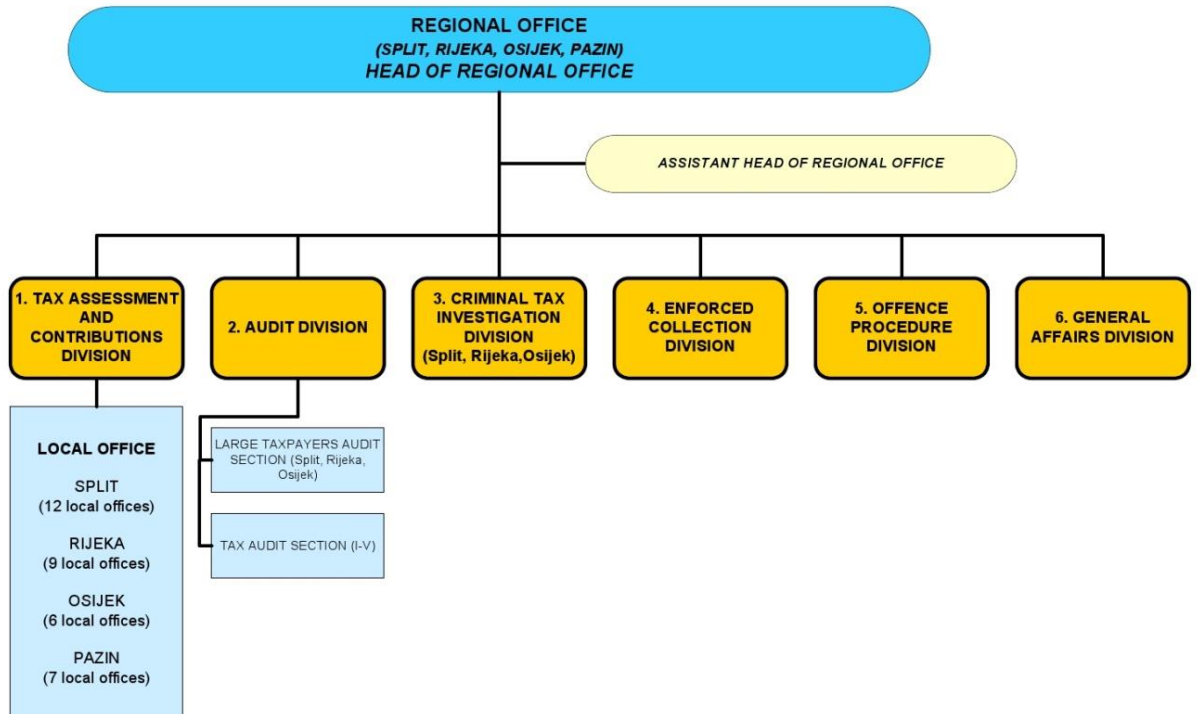


Figure 2. Other Regional Office Organization Chart [7]

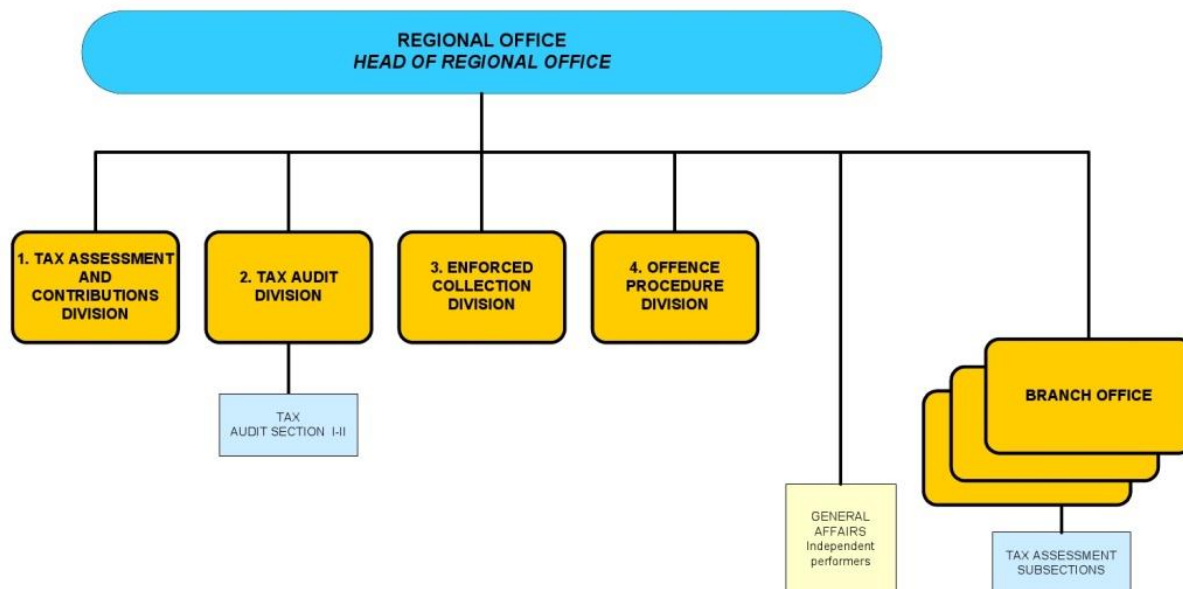


Figure 3. Other regional offices organizational chart

Each „large“ Local Office is in charge of processing tax assessment for natural and legal persons, VAT control and taxpayer analysis. The Local Offices of Zagreb, Split and Rijeka have special functions relating to real estate, large taxpayers, citizen taxes etc. As the Local Offices do not feature a uniform organizational and process structure they cannot be compared or benchmarked with regard to output and allocation of human resources. In some smaller Local Offices there is no subdivision into organizational units, the smallest Local Office has a staff of one person. Each staff member is in charge of the entire tax assessment process, the “four-eye principle” (principle of dual control) is not implemented which brings along a high risk of fraud and malversation.

To summarize, the following aspects seem problematic:

- Too many Local Offices
- Differences in organizational and process structure
- Wide differences in manning
- Differences in workload

- Lack of comparability

### Central Office

The Central Office is not subject of this reorganization concept. If this reorganization concept is implemented, it will also be essential to extend reorganization to Central level. Following a comprehensive analysis of tasks to be performed processes and tasks need to be streamlined, thus entailing a reduction of sections and departments. In order to assure an effective development of the organization the implementation of an organizational department is essential. All tasks with a national import have to be concentrated at Central Office. In particular, the departments for General Affairs and Criminal Tax Investigation have to be situated at Central level in order to improve nationwide coordination.

### Regional Offices

In order to create an efficient, flexible and economically sound Tax Administration and in order to allow nationwide steering of all functions and processes, the structures of all Regional Offices have to be unified and identical departments and

tasks need to be established. All tasks of national import (e.g., risk analysis, anti fraud, audit planning etc) have to be concentrated at Central Office.

For the reasons cited above the tasks currently performed by Local Offices are shifted to Regional Offices. All Local Offices have to be integrated organizationally, if possible also regionally, into Regional Offices. Following the principles of cost effectiveness and practicability some sites will have to be closed.

### Analysis of instruments for measuring changes in the Tax Administration

The following describes the analysis of primary research results obtained from the questionnaire. To be fair to assess the effectiveness of changes in business processes questionnaire was sent to legal and natural persons who are able to assess the financial savings, as well as non-financial indicators of change and restructuring business processes Tax Administration. Under the restructuring was first understood the process a variety of changes in ownership structure (merger, acquisition, purchase, sales, integration), and at a later stage this term except for proprietary, includes organizational, technological and market regulation of the organization, its business operations and portfolio. The following table is the number of analyzed business entities by type of registration.

Type	Number of respondents	%
Firm	90	55,55
Artisan	72	44,44

Table 1. Type of subject registration[7]

The next group of questions related to the evaluation of customer satisfaction by introducing new processes in the work of the Tax Administration by legal and physical entities through service eTax shown in the following table.

	Number of respondents	%
1		0.00%
2	18	11.11%
3	42	25.93%
4	96	59.26%
5	0	0.00%

Table 2. Satisfaction with the introduction of new business processes in the work of the Tax Administration[7]

According to data obtained from the questionnaire can be interpreted that the grade four largest number of businesses, their 59.26%, rated by the introduction of business processes through the model eTax. As none of the respondents gave a negative assessment, the conclusion is that the economic operators are satisfied with the business processes and that should continue in the same over. The following table gives an overview of the deadlines in which economic operators submit tax forms electronically.

Number of respondents	Answer	%
126	Before deadline	77.77%
36	On time	22.22%
0	After deadline	0.00%

Table 3. Deadlines for electronic tax forms[7]

According to data obtained from the questionnaire to conclude that 77.77% of business entities tax returns submitted before the deadline, while 22.22% of them submitted within. As none of the surveyed business entities not submitting their returns after the deadline, to conclude that the introduction of new processes reporting tax liabilities in statutory terms of 100%.

Furthermore, in order to obtain more complete information on the effectiveness of the change, a survey was conducted on the financial aspects of the user project (economic entities). Financial viability is assessed through financial analysis. The purpose of the financial analysis used forecasts of the financial flow of the project to calculate the profitability of investments, or to determine the extent to which the project cost effective for customers of the Tax Administration. Profitability investment expressed as the ratio of profit and investment.

In a sample of 162 economic entities, 62.96% subjects can estimate the financial savings after implementation of the project. The table was estimated savings by introducing new business processes by companies.

### **Proposal of changes to further increase efficiency**

These changes are not necessarily related to changes in business processes, but they are looking at possible ways to make the tax administration more efficient and effective. To further develop this process is necessary to establish a set of new solutions on the basis of information systems for database connectivity between the Tax Administration and other state and public administration (eg. The Ministry of Interior, State Attorney's Office, etc.), which allow a controlled and safe retrieval requested data of public administration. Furthermore, it is necessary to implement the following changes:

1. Standardize the first jobs of employees in the public administration and the planned acquisition of appropriate IT equipment,

2. To determine the appropriate procedures for maintenance and installation of IT equipment purchased to support the business processes of employees,

3. To provide adequate facilities for the performance of all business processes at the desired level of quality,

4. Establish procedures necessary for planned and ongoing professional development for all employees

5. Establishment of an internal and external communication policy to improve the horizontal

6. Establish the practice of inclusion and information related to the service changes relevant regulations.

### **Conclusion**

As in today's dynamic environment, changes occur extremely quickly due to the accelerated mode of information flow as well as due to the accelerated development of technology specific scientific theories to adapt to new conditions in the environment. The effects of public administration have expressed negativity and limitations. In the first place to the height of expenditure, the lack of resources to finance, lack of transparency of the expenditure of funds and recruitment, unclear human resource management policies and inefficiencies in public administration.

According to the results obtained in this study to conclude that it is possible to successfully implement change business processes and thus increase the efficiency of tax administration and improve customer relations services, and thus the entire public administration. Accordingly, this paper proposed the general changes that would ultimately lead to an increase in the efficiency of tax



administration and improvement of relations with the users of the tax administration.

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