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Analysis of the main systems of social security contribution collection in the European Union based on the experience of 12 Member States
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FOR THE COORDINATION OF SOCIAL SECURITY SYSTEMS**

Subject: Analysis of the main systems of social security contribution collection in the European Union based on the experience of 12 Member States

Note from the Secretariat of 23 April 2012

Following the interest expressed by the General Directors of Social Security at the meeting organised by the Spanish Presidency in Madrid in February 2010, delegations will find attached a report commissioned by DG EMPL and drafted by a contractor, which aims at increasing the general knowledge of the existing systems for collecting social security contributions in Europe and disseminating best practices. Delegates of the Administrative Commission are invited to disseminate the report among the competent authorities in their Member State and provide any useful feedback to DG EMPL. The report will be presented at the meeting of the Administrative Commission of October 2012.

**ANALYSIS OF THE MAIN SYSTEMS OF SOCIAL SECURITY
CONTRIBUTION COLLECTION IN THE EUROPEAN UNION
BASED ON THE EXPERIENCE OF 12 MEMBER STATES**

Research carried out on behalf of the
EUROPEAN COMMISSION
DG Employment, Social Affairs and Inclusion

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The information contained in this document does not engage nor necessarily reflect the position or opinion of the European Commission.

PREFACE

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TABLE OF CONTENTS

Preface

Terminology guide

Executive summary (En)

1. General introduction

- 1.1. EC policy background
- 1.2. International policy background
- 1.3. Setting of the topic in a broader context

2. Literature study

- 2.1. Scope
- 2.2. Account of relevant literature

3. Analysis of the different existing collection mechanisms in the EU

- 3.1. Overall summary analysis of collection mechanisms within the EER
- 3.2. Comparative analysis of the mechanisms operating in the researched M.S.
 - 3.2.1. Generalities
 - 3.2.2. Organisation of the collection system
 - 3.2.2.1. Responsibility for the payment;
 - 3.2.2.2. Institutions competent for the collection of contributions
 - 3.2.2.3. Record-keeping and data-management
 - 3.2.2.4. Rules for assessment of contributions due and payment
 - 3.2.2.4.1. Modalities of calculation
 - 3.2.2.4.2. Payment expiry dates
 - 3.2.2.5. Organisation of control, enforcement and recovery of contributions and payments
 - 3.2.2.5.1. Administrative control, enforcement and recovery
 - 3.2.2.5.2. Coercive procedures
 - 3.2.3. Measures to increase compliance and enforcement of contribution return

- 3.2.3.1. Technical measures supporting or inducing better compliance
- 3.2.3.2. Measures to increase the efficiency of control and inspections mechanisms
- 3.2.3.3. Structural measures to increase collection efficiency
- 3.2.3.4. Legal measures initiating or supporting efficiency enhancement
- 3.2.3.5. Information on the performance of the measures
- 3.3. Identification of common elements and major divergences in collection procedures in the researched M.S.
 - 3.3.1. Common goals-set objectives
 - 3.3.2. Common means/policies
 - 3.3.4. Major differences
- 3.4. Main findings and major trends.

4. Identification of innovative practices and high potential projects in contribution collection

- 4.1. Innovative practices
 - 4.1.1. Pragmatic innovative practices
 - 4.1.1.1. Examples of pragmatic measures and practices found in the Member States
 - 4.1.1.2. Examples of pragmatic measures mentioned in literature
 - 4.1.1.3. Examples of pragmatic measures found in desktop research
 - 4.1.2. Long-term strategic measures and practices
 - 4.1.2.1. Examples of long-term innovative practices by the Member States.
 - 4.1.2.2. Examples of long-term measures based on literature
- 4.2. High potential projects
- 4.3. Inventory of selected “best practices” *with special attention for best value for money practices and duplicable practices*
 - 4.3.1. Some critical thoughts on how to achieve “successful” social security contribution collection
 - 4.3.2. Shopping basket

5. Conclusion

References

Tables and Annexes

<i>Table 1</i>	<i>Overview of the different typologies of the EER welfare systems</i>
<i>Table 2</i>	<i>Overview of EER welfare systems, financing structures and collection organisation</i>
<i>Appendix A</i>	<i>High potential projects</i>
<i>Annex I</i>	<i>Methodology</i>
<i>Annex II</i>	<i>Orienting questionnaire</i>
<i>Annex III</i>	<i>Identification of contributing institutions and correspondents</i>
<i>Annex IV</i>	<i>Summary of relevant institutions of the researched M.S.</i>

TERMINOLOGY GUIDE

E-Government: digital interactions between a government and citizens, government and businesses/Commerce, government and employees, and also between government and governments /agencies; this digital interaction consists of [governance](#), [information and communication technology](#) (ICT), [business process re-engineering](#) (BPR), and [e-citizen](#) at all levels of government (city, state/province, national, and international)¹

Distrain/Garnishee order: confiscation/seizure

File, filing: computer file, declaration

Harmonization: adjustment of differences among systems to uniform them or to make them mutually compatible; coordination by eliminating major differences and creating minimum standards; can be viewed as a step towards unification

Integrated collection system: social security contribution collection is integrated in tax collection (one competent authority)

Integration: process where elements of social security contribution collection are fused with tax collection are fused to form a whole

Merging: process of amalgamation of the competent contribution collection authorities (tax and social security contributions)

Off-setting: balancing or compensating for something else

Parallel collection system: social security contributions and taxes are collected through two separate competent institutions or authorities

PAYE system: pay as you earn is a withholding tax on income payments to employees, may include social security taxes

Prefilled return: the tax return form is completed in advance by the tax authority with information that it already possesses

Return: tax demand/form

Liability: principal can be sued for the obligations of a contractor

Unification: substituting or combining two or more systems and replacing them with a single system; process where fractionalized elements of social security contribution collection and tax collection are unified

Warrant: to guarantee

¹ <http://nl.wikipedia.org/wiki/E-government>

EXECUTIVE SUMMARY

This analysis reflects on the main systems of social security contribution collection in the European Union today. This analysis more specifically focuses on how Member States (M.S.) are coping with the burning issue of increasing the efficiency of their social security financing systems. In other words, this analysis will try to gain insight in how the M.S. are proceeding to optimise their revenue collection.

The information in this study was obtained by desktop research, literature study and a survey. The majority of the information results from the survey carried out in a number of M.S. The countries chosen for the research project were Austria, Bulgaria, Estonia, France, Germany, the Netherlands, Ireland, Italy, Poland, Romania, Spain and Sweden. These countries were chosen for their representativeness of the different roots and systems of social security financing. This selection should guarantee a representative sample of the practices in contribution collection that are in place at this moment.

The report describes each phase of the contribution collection processes in detail. It also searched for innovative measures, screened for “best practices” and appealed for opinions from and evaluation by the researched M.S.

Chapter 2 gives an account of the relevant literature on the subject ranging from a general perspective to specialized reporting on collection issues.

To facilitate reading, chapter 3 is consecrated to comparison and analysis of the different collection procedures and processes in the above-mentioned M.S. and further tries to identify trends and key-attributes. The comparative analysis’s’ and overviews are presented in tables to improve comprehension.

While chapter 4 emphasizes on innovative measures and practices, leading to the presentation of a shopping basket for “best practices”

If there are any main conclusions to be put forward, these would be the following:

- All M.S. are involved in contribution collection enhancing policies. Consciousness-raising has taken place when it comes to guaranteeing and safeguarding the sustainability of the welfare systems, thus drawing attention to the financing mechanisms and pressuring for improvement of the revenue collection. Some awareness activities date back to the 80’s, but the majority of the efforts took place during the last decade.
- At the same time, all research points towards the simple fact that there is no single best way to achieve optimal contribution collection. A multitude of factors dictating policies and measures in the collection process lead to country-specific systems. Evidence points towards combined approaches in order to obtain the best possible results.
- This does not mean that there are no main tendencies to be discerned. One is the use of active policies to enhance compliance behaviour, e.g. offering client-oriented facilities through call-centres, soft-measures, individualised follow-up, etc. Another one is the trend towards simplification of the collection process, by offering e.g. electronic interactive record keeping and payment management. There is also a clear trend towards convergence between the different collection systems, e.g. common processes, documents, payment, etc.

- Progress in information and communication technology should be acknowledged as motor for change processes. E-Government, as ultimate example of this progress, has already proven to lead to top-performing procedures.
This might be an indication on why most M.S. uses this high-end digitalisation technology in their collection improvement efforts.

Further progress is possible and manageable by taking the following recommendations into account:

- Working on good governance, encompassing efficiency, accountability and performance issues, is a promising tactic.
- Taking advantage of continuous ICT progress is another way to improve the overall performance of the collection systems and processes. This may seem evident, but it is not always easy to implement.
- Harmonization and unification processes still have significant potential, e.g. working towards harmonized notions of salary/income in tax and social security contribution assessment, elaborating unified forms for declaration, etc. These are non-invasive measures, leading to great efficiency upgrading.
- It is recommendable to invest in a preventive approach in procedures and processes. Ex ante always beats ex post action in cost efficiency, what has not been paid unduly, does not have to be recovered.
- The merging of tax and social contribution collection is a solution that is supported by evidence throughout this study. An integrated collection management system and the lesser administrative burden that goes with it are surely to be regarded as an interesting playing field.
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1. General introduction

1.1. EC policy background

At the meeting of General Directors of Social Security, organised by the Spanish Presidency in Madrid in February 2010, a general interest was expressed in enhancing common knowledge and sharing best practices concerning the collection of social security contributions, with a view to increasing the efficiency and the performances of EU Member States' systems. Efficient social security contribution collection procedures are a key factor to ensure the viability of social security systems, in particular in this period of economic crisis and shortage of resources. Through the exchange of best practices, Member States can adapt their strategies in order to improve the mechanisms of collection and enforcement. There is a wide range of types of instruments that are used by Member States and which can be of common interest:

- Information tools aiming at raising awareness among businesses and simplifying declaration and payment
- Preventive actions and coercive procedures to increase compliance and enforcement of collection

In addition, national strategies usually also include overarching action plans to better combat fraud and errors.

In this context, the Commission thought useful to address the need expressed at the meeting of the General Directors of social security in Madrid and make available a report that would

increase the general knowledge of the different existing systems within the EU and highlight best practices that Member States can share.

These elements may prove useful when Member States will start applying the new recovery chapter of Regulation 987/2009. Inspired by the fiscal procedures set forth in Directives 2010/24/EU and 2008/55/EC, it creates a direct recovery procedure, which will allow a Member State to recognise and automatically use an instrument permitting enforcement of a claim emanating from another Member State. As the enforcement measures will be the ones used by the Member State requested to enforce a claim, it is therefore very important to increase the general knowledge that Member States have of each other's procedures so that the overall cooperation process can prove efficient.

As introduction, it is necessary to clarify the object of this study. In a broad sense contribution collection encompasses two important components, one being the under-reporting issue, the other being the collection process as such, both linked, but at the same time quite differently rooted.

This under-reporting is also significant in other phenomena, like undeclared work and the underground economy as a whole. The impact of social fraud on the collection systems is therefore hard to measure but is nonetheless a very important factor to take into consideration when assessing the efficiency of collection systems. Even more so in tax driven collection systems, as tax fraud is often more common and entails bigger amounts than social fraud. This aspect should be kept in mind, but will not be further investigated in this study. So the focus will be on the collection process, taking into account the under-reporting issue only when it directly reflects on the collection processing itself.

1.2. International policy background

The issue of social security contribution collection also comes into play on a worldwide international level, in the context of programs aiming for a globalized extension of social security coverage.

There is, first of all, a joint UN agencies initiative aiming at building a global “Social Protection Floor”².

Then there is the International Labour Organisation’s (ILO) “Global Campaign on Social Security and Coverage for all”³, the follow-up “Declaration on Social Justice for a Fair Globalization”⁴ and especially report VI “Social security for social justice and a fair globalization”⁵. These documents fed the recurrent discussion on the strategic objective of social security during the 100th session of the International Labour Conference (ILC). This report states in its future policy orientation section, that: “Without sound machinery for revenue collection, no revenue can be distributed” and it points towards substantial attention that is required to the countries tax and contribution collection mechanism.

The International Social Security Association (ISSA) strategy for the extension of social security coverage⁶ is much more straightforward on the issue at hand, defining the improvement of contribution collection and compliance as one of the four objectives of their strategy. The ISSA dedicated both an International Conference⁷ and a Technical Seminar⁸ to the subjects of compliance, contribution collection and enforcement. These topics were also discussed during the World Social Security Forum in 2010⁹ and were the subject of a Social Policy Highlight¹⁰ publication in 2011. A number of the ISSA documents will be commented in the literature study.

1.3. Setting of the topic in a broader perspective

² UN System Chief Executives Board for Coordination. 2009. *Global financial and economic crisis – UN System, Joint crisis initiatives, Initiative VI on a Social Protection Floor*. [Referred as the Concept Note]

³ ILO: *ILO Global campaign on Social Security and Coverage for all*, International Labour Conference, 91st Session, Geneva, 18 June 2003.

⁴ ILO: *ILO Declaration on Social Justice for a Fair Globalization*, International Labour Conference, 97th Session, Geneva, 10 June 2008.

⁵ ILC.100/VI, *Social security for social justice and a fair globalization*, International Labour Conference, 100th Session, Geneva, 2011

⁶ ISSA: *ISSA strategy for the extension of social security coverage*, International Social Security Association, ISSA Bureau, Geneva, June 2010

⁷ ISSA, International Conference on Compliance and Contribution Collection, , Montevideo, Uruguay, 28-30 September 2009

⁸ ISSA, Technical Seminar on Best Practices in the Collection of Contributions and Enforcement, , Bali, Indonesia, 17–18 June 2010

⁹ World Social Security Forum, 30th ISSA General Assembly, Cape Town, SA, 29 November – 4 December 2010

¹⁰ ISSA, Social Policy Highlight 20, October 2011

The last years, there is an ongoing debate in the EU Member States about the efficiency of the social security systems in relation to the global sustainability of their welfare systems. Globalisation is one of the factors putting a lot of strain on the systems. The lasting economic crisis, initiated by the infamous banking crisis, challenges the social policies of the Member States and shows the efficiencies and deficiencies of the social security systems in place.

On the other hand, social security systems have shown to be an important component of the "crisis exit strategy" by offering policy measures that can revitalize the economy. Social policy measures can stimulate aggregate demand by active labour market policies, by better guaranteeing social cohesion and by providing adequate protection to the most vulnerable. ISSA¹¹ sees additional challenges rising from the demographic trends: increased longevity, declining fertility rates and increasing geographic mobility, paired with structural changes to labour markets and evolving employment patterns, and a trend to higher levels of informal and casual work, leading to undeclared work. Financial losses have weakened the financial capacity of public social security and private pension systems to confront future challenges. This has potentially exposed governments to new financial risks in guaranteeing a basic social safety net.

One overall conclusion was that there is a need for increased financing to answer to these new challenges, but that, at the same time, there is the fact that it is more and more difficult to raise additional funds due to different reasons proper to the Member States policies. This inevitably forces the Member States to look into the efficiency of their existing financing structures and consequently to look for ways to improve the productivity of the recovery systems.

A lot of Member States were already heavily involved in enhancing the performance of their financing and recovery systems, the last crisis merely accentuated the need for further improvement. Countries like Malta and Belgium are prominently focussing on E-Government methods to modernize their social security systems. This implies administrative simplification and electronic communication serving dual purposes: lesser administrative burden for both the public and public authorities and more efficiency in collecting social security contributions. Recovery and anti-fraud strategies are part of the greater scheme.

Other countries, like Spain, have a particular focus on the collection and recovery aspects. They developed specific policies to underline the importance of the financing system by putting in place dedicated measures. They also heavily rely on using E-Government methods to raise the efficiency of the collection and recovery of social security contributions.

The type of welfare state and the nature of its financing structure (tax- or contribution driven) dictate the method of optimisation of the financing system. Most financing systems are mixed as regards their resources, e.g. in Belgium only 60% of the financing is covered by social security contributions, the other 40% mainly coming from VAT and taxes on cigarettes and alcohol. In the framework of this contract, focus will be on the social security contribution side.

Overall analysis of the different welfare systems and their financing structures can be found in various studies¹². More recent work on this topic has been done by Fenger¹³ who tried to fit in

¹¹ ibidem

¹² Esping-Andersen, G (1990). *The Three Worlds of Welfare Capitalism*. Cambridge:

the new Member States. The attached table 1¹⁴ provides an overview of the different typologies developed in the literature.

It should be noted that the design of the collection systems as such not always perfectly reflects the way in which the global financing structure of the social security within a Member State is organised. This should be kept in mind when reading the following paragraphs.

Broadly speaking, collection systems can be divided in two main categories: parallel and integrated systems. The choice of welfare states for a parallel or an integrated system is often historically determined. Being a Bismarckian or a Beveridge-oriented welfare state leads to different orientations, and to respectively a parallel or an integrated organization.

In a parallel system, collection is done by both the tax authority and the social security institution(s). Both institutions collect their specific dues separately. Parallel collection is the standard in contribution driven welfare systems.

The merging of contribution collection and tax collection is, however, an ongoing development in a number of countries who traditionally had parallel systems. In this case one single institution collects two separate levies. This enables the distinction between tax dues and social security contributions within the financing system.

Some countries have adopted another approach with regard to the relationship of taxes and social security contributions. These countries have introduced an integrated levy of both taxes and social security contributions, is collected by one competent authority, usually the tax authority.

This study will deal with the differences between the collection systems in a later chapter. The relationship between social security contributions and social security benefits will only be addressed where relevant for the topic of this study. The study of the merging process as such falls outside the scope of the present research, but in the literature study, there will be referred to available studies on the subject.

The annexed table 2 tries to give a visual overview of a number of elements important for the setting of the scope of the topic. All EEA Member States have been included in the overview, except for Switzerland.

2. Literature study

2.1.Scope

Polity Press.

Leibfried, S (1992). Towards a European Welfare State? On integrating poverty regimes into the European Community. In *Social Policy in a Changing Europe*, edited by Z. Ferge and J. E. Kolberg. Frankfurt am Main: Campus Verlag.

Ferrera, M (1996). The “Southern Model” of Welfare in Social Europe. *Journal of European Social Policy* 6 (1):17-37.

Korpi, W and Palme, J (1998). The paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality and Poverty in the Western Countries. *American Sociological Review* 63 (5):661-687.

¹³ Ferger, HJM (2007). Welfare regimes in Central and Eastern Europe: Incorporating post-communist countries in a welfare regime typology.

¹⁴ Based on Fengers work, ibidem

The literature on social security contribution collection is not extensive and is mostly quite general and superficial in its approach. Exception made for the studies¹⁵ on merging initiatives as a new policy in contribution collection, this apparently being a quite hot topic. Lack of in-depth studies and specialised literature leave the matter to be the object of many dedicated seminars, working parties and conference papers.

Despite the lack of present documentation, there is a strongly growing interest in research on contribution collection systems. This is not surprising since the subject is part of larger policy objectives. These objectives involve labour market, migration and new demographic challenges and it becomes painfully obvious that proper financing is an essential condition for the execution of any supporting measure or even for maintaining a status quo regarding these objectives. Guaranteeing proper financing through improving revenue collection becomes a bare necessity.

2.2. Overview of relevant literature

- *On welfare systems in general:*

There is a vast collection of literature available on the general theme of welfare systems in the European countries. A fundamental example is Esping-Andersen's work¹⁶ dating from the 1990's, developed a typology of the different welfare regime types and tried to explain welfare development using this classification. This theory inspired many authors in elaborating or debating his conclusions. Leibfried's, Ferrara's and Bonoli's work¹⁷ expanded the discussion, taking into account other and new dimensions and proposed alternate typologies. Fengers¹⁸ work in 2007 concluded an era of research by recapitulating the work already done and incorporating Central and Eastern European welfare states into the typology designed by his predecessors.

It is clear that the most valuable works are the ones not merely classifying the countries into one or another type. The added value of the research mainly lies in finding out how certain broad social trends or political ideologies, e.g liberalism or conservatism, influence the way a welfare system is constructed and reflects in the conceived financing models of these systems.

An interesting application of these typology studies was made in 2009, when Dieckhoener and Peichl¹⁹ contributed to an ongoing debate in Germany on how to increase the efficiency of the social security system and its financing. Using the EUROMOD microsimulation model they analysed the effects of the different welfare state systems if implemented in Germany.

¹⁵ See point 2.2.

¹⁶ Esping-Andersen, G (1990). *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press.

¹⁷ Leibfried, S (1992). *Towards a European Welfare State? On integrating poverty regimes into the European Community*. In *Social Policy in a Changing Europe*, edited by Z. Ferge and J. E. Kolberg. Frankfurt am Main: Campus Verlag.

Ferrera, M (1996). *The "Southern Model" of Welfare in Social Europe* *Journal of European Social Policy* 6 (1):17-37.

Bonoli, G. 1997. *Classifying Welfare States: a Two Dimensional Approach*. *Journal of Social Policy* 26 (3):351-372.

¹⁸ Fenger, HJM (2007). *Welfare regimes in Central and Eastern Europe: Incorporating post-communist countries in a welfare regime typology*.

¹⁹ Dieckhoener, C. and Peichl, A. (2009). *Financing Social Security: Simulating Different Welfare State Systems for Germany*

An overview²⁰ of different Member States social security contribution collection systems can be found in the “Bulletin de liaison et d’information”, n° 1-2/2005, edited by the Centre des Liaison Européennes et Internationales de Sécurité Sociale (CLEISS)²¹. This overview deals with the social protection systems, financing mechanisms, various aspects of the payment of contributions and recovery in intra-communitarian situations. The systems of France, Italy, Germany, Austria, Belgium, Denmark, Spain, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Sweden and Switzerland are discussed. This study gives a thorough overview of the investigated systems as they were in 2005. Even though it is no longer entirely up to date, the information it contains is a valuable historical source.

- *On contribution collection:*

Before going into the specifics on the contribution collection, it is advisable to read the latest report of the Organisation for Economic Cooperation and Development (OECD) on tax policy²². The report, titled “Taxing wages”, provides background information on the evolution between 2000 and 2009 of, on the one hand, income taxes paid by workers and, on the other hand, social security contributions imposed on employees and employers. The report concludes that the burden of social security is neglected. The double burden of tax and social contribution is a factor for non-compliance. This conclusion should be taken in account when designing policies for effective collection.

In the search for answers to the new challenges rising in social protection, especially guaranteeing sustainability, the financing mechanisms are under close scrutiny.

An option that should be considered is the creation of synergies between public institutions that have common economic and social objectives and that are facing the same challenges. Cooperation between tax authorities and social security institutions has thus been the object of specific research and study.

In 2005, the IBM Center for The business of Government published a study on “Cooperation between Social Security and Tax agencies in Europe”²³. The study provides for typology of the relations between these administrations in each of the selected countries (Austria, Belgium, Denmark, Estonia, Germany, Ireland, Italy, the Netherlands and the U.K.) and highlights the challenges and opportunities of the various types of relationships. The study reveals a growing trend towards increased integration of the collection process. Modern ICT approaches are making integration more achievable. In most of the observed countries, different degrees of interaction are observed. Success in integration will however depend on a number of other factors (proper identification, record keeping, data-exchange possibilities) and there are fundamental prerequisites to be considered, such as the fact that both systems (tax and Social Security) must work properly. Systemic faults cannot be resolved by simply modernizing the ICT environment. A strategic element found is the proactive approach towards the public. E-Gov is equipped for this purpose and it may lead to significant benefits.

²⁰ In French language

²¹ CLEISS = Liaison Centre for European and International Social Security

²² http://www.oecd.org/document/34/0,3746,en_2649_34533_44993442_1_1_1_1,00.html

²³ Zaglmayer, B., Schoukens, P. and Pieters, D. (2005). *Cooperation between Social Security and Tax Agencies in Europe*.

As the integration of the collection of social contributions and taxes is considered as the apogee in synergy, this pathway is largely explored in specialised literature.

A 2004 International Monetary Fund (IMF) Working Paper²⁴ titled “Integrating a Unified Revenue Administration for Tax and Social Contribution Collections: Experiences of Central and Eastern European Countries” examines the trend to increase coordination of tax and contribution collection. It sets out the rationale for establishing a unified agency as the best long-term strategy, and discusses policy and administrative issues in implementing this approach. The experiences were collected in Albania, Bulgaria, Romania and Sweden. Sweden was an example of a country that successfully integrated tax and social contributions. The authors pinpoint seven important factors that determine the degree of success of plans for integrated collection. These include: (1) the status of modernization of the tax administration; (2) the status of modernization of the social security agency; (3) public perceptions and the level of taxpayer/contributor compliance; (4) the extent of harmonization of policy and legislation; (5) the effectiveness of administrative design and implementation; (6) project planning and management, including political and institutional commitment; and (7) the strength of interagency coordination after the integration. The different case studies produced interesting testimonial material.

In 2005, Z. Anusic commented on the subject in a report titled “International experience in consolidated social contributions and tax collection, reporting and administration”²⁵. Influenced by his background as an economist with the World Bank, he delivers a more empirical analysis. The author tries to find out if a more centralized administration of social contributions and taxes, including centralized money collection and data reporting, yields lower administrative costs. Next, he looks if it induces stronger compliance and higher collection rates. Thirdly, he investigates whether centralized collection and reporting systems are more user-friendly and less costly for those that have to comply and submit reports. For the purpose of his study, the author developed a typology taking into account the level of functional integration in place in the different European countries, which enabled him to classify the countries into five major types²⁶. The author comes to a double conclusion²⁷. On the one hand, the data of his study do not confirm the hypothesis that a consolidation of social insurance administrations implies lower administrative costs in the medium term. On the other hand, the data do show that contribution collection rates and compliance on the average rises with the level of integration of the collection function and the overall administrative process.

In the framework of the CARDS-SIPS²⁸ programme, a (regional) report by Prof. G. Strban on “Contribution Collection systems and possible measures to improve their effectiveness”²⁹ was

²⁴ WP/04/237

²⁵ Anusic, Z., (2005). *International experience in consolidated social contributions and tax*

collection, reporting and administration

²⁶ This typology forming the x-line in all of his figured tables, greatly aiding to the comprehensiveness of the figures. See table in point 4.1.2.2. as example.

²⁷ An interesting study trying to find statistical ground for the presumptions on integration benefits at hand.

²⁸ Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and Albania Social Institution Support Programme

²⁹ Strban, G. (2007). “*Contribution collection systems and possible measures to improve their effectiveness*”. Social Institutions Support Programme. Council of Europe, European Commission

published in 2007. Besides the descriptive parts on the distinction between tax and social security contributions and the collection systems, the author expanded on possible measures to improve the collection. In his conclusions, the author pleads for “homegrown” solutions, meaning that more efforts should be made to find appropriate solutions that are best suited for their specific circumstances.

In 2011, the European Institute of Social Security (EISS) published a report titled “Case Studies in Merging the Administrations of Social Security Contribution and taxation”, which was presented at the 12th IBM International Social Security Forum on 4 and 5 October 2010. The report studied the collection systems of five Member States (Estonia, Hungary, Italy, the Netherlands and the United Kingdom) and lists the lessons to be learned from the different practices in place. The reports starts from the hypothesis that increased interaction between tax and social security administrations is based on the assumption that they have many common functions which can be merged for the purposes of simplification of procedures and cost elimination. The paper covers all the aspects of interaction, coordination and integration, and pays special attention to the merger processes at hand. The report contains two major chapters, the first one examines the current situation of merged collection systems for the five Member States, the second one elaborates on the conclusions drawn from the typology and functioning of the researched systems, as well on the obstacles encountered and expected benefits from the merging operation.

This report could be useful as a sort of handbook for merging operations. It offers four main conclusions: Firstly, it shows that the merging of the administration of social security contributions and taxation can be a cost-effective and efficient system. Secondly, the report suggests that the administrative burdens on the administration and the employers or insured persons can be greatly reduced. Next, the report calls for the use of new technologies to facilitate the collection procedure. Finally, the report concludes by predicting that stricter control and enforcement procedures will result in higher contribution compliance. This increased compliance will safeguard the sustainability of the social security systems. This paper is overly supporting integration processes in conclusion to the analysis of the case studies.

Talking of compliance, we would like to mention Regioplan’s 2011 “Feasibility study on establishing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work”.³⁰ The study contains a comprehensive overview of the subject as well as a practical overview of the competences of the inspection services and their contact information. The study identifies the main difficulties faced by national enforcement agencies in detecting, preventing and fighting undeclared work. It also looks into how and to what extent international cooperation between such agencies can help solving such difficulties in order to enhance the effectiveness of the prevention and fighting of undeclared work.

The International Social Security Association’s (ISSA) 2010 strategy for the extension of social security coverage³¹ identifies “Improving compliance and contribution collection” as one of the actions needed for successfully working on the strategy. This conclusion was underpinned by the “Project on Collection and Compliance”, a project thriving on the

³⁰ http://www.regioplan.nl/publicaties/slug/type/rapporten/slug/joining_up_in_the_fight_against_undeclared_work_in_europe

³¹ Adopted by the ISSA Bureau, June 2010. Geneva, ISSA

information provided by a survey and follow-up survey in respectively 22 and 11 countries from all over the world. The project also used the insights from the International Conference on Compliance and Contribution Collection³² in 2009. This Conference was followed by a Technical seminar on Best Practices in the Collection of Contributions and Enforcement³³ in 2010. The main findings of this project were presented at the 30th World Social Security Forum³⁴ in December 2010. The project defines the most important common characteristics of contribution collection schemes as such: 1) the organizational location of the collection function, 2) the maturity of the social insurance program, 3) the degree of coverage and the size and diversity of the labour force, 4) the degree of automation, 5) the coordination with outside organizations, 6) the constant evaluation and adjustment of collection policies and practices and 7) the social security culture in the country. The crucial factor for success lays in the combination of this core of seven factors.

The Social Policy Highlight³⁵ issue on “Success factors in contribution collection and compliance”, published in 2011, further elaborates these findings. The issue tackles the subjects of “Good governance in social security administration”, elaborating on “Governance and social security: Moving forward on the ISSA good governance guidelines”, “Social dialogue and social security governance: A topical ILO perspective” and “Social security contribution collection and compliance: Improving governance to extend social protection”. The main conclusion of this Social Policy Highlight is that there is no single best way to improve efficiency. Quote from the abstract: “Yet, just as there is no agreement on the single best way for all countries to achieve good governance, so there is no agreement on a single best way to collect contributions. Rather, a complex interactive set of factors - policy design and regulation, the extent of coverage and the makeup of the labour force, the organizational location of the collections entity, the degree of automation, cultural and political factors, as well as institutional history - are all at play.”

3. Analysis of the different existing collection mechanisms in the European Union

3.1. Overall analysis of collection mechanisms within the EEA

Based on the available information in the literature and on desktop research, a first quick overview of the existing collection mechanisms in the Member States is given.

There are two main types of collection agencies: tax collection agencies and social security organizations. The choice for the collection method is determined by the historical and ideological background of the state, as well as on practical considerations. The choice for one of these methods is not definitive; some states have switched between systems throughout history.

³² International Conference on Compliance and Contribution Collection, 28-30 September 2009, Montevideo, Uruguay. http://www-issanet.issa.int/event/event-view?community_id=386546.

³³ Technical Seminar on Best Practices in the Collection of Contributions and Enforcement, 17–18 June 2010, Bali, Indonesia. http://www-issanet.issa.int/event/event-view?community_id=620568.

³⁴ World Social Security Forum, 29 November-4 December 2010, Cape Town, South-Africa. <http://www.issa.int/Resources/Conference-Reports/Main-findings-of-the-Project-on-Collection-and-Compliance>

³⁵ Social Policy Highlight 20, October 2011, Geneva, ISSA. <http://www.issa.int/Resources/Social-Policy-Highlight/Success-factors-in-contribution-collection-and-compliance>

The following table shows whether the tax authorities or the social security authorities are responsible for collecting social security levies in the different Member States.

Table I. Overview countries by Main Type of Collection Agency	
Tax Collection Agencies	Social Security Organizations
Bulgaria	Austria
Croatia	Belgium
Denmark	Cyprus
Estonia	Czech Republic
Finland	France
Hungary	Germany
Iceland	Greece
Ireland	Italy
Latvia	Lithuania
Malta	Luxemburg
Netherlands	Poland
Norway	Portugal
Romania	Slovak Republic
Slovenia	Spain
Sweden	
United Kingdom	

³⁶

Since the 1980's, however, there is a trend towards unified collection agencies, which are competent for both tax collection and social contribution collection. This trend is particularly visible among the new Member States. Evolutions in communication technology are a strong boost for coordination.

Table II. gives an overview of the different collection mechanisms that currently exist. The table mainly gives an overview of the systems, their variants and the various specific manifestations of these variants and systems in place in the M.S. The table illustrates the complex relation between systems and processes and how the systems tend to overlap.

³⁶ IMF Working paper, WP/04/237, table X, updated and adapted by author

Table II. Overview of collection mechanisms		
System	Variants	Specific manifestations
PARALLEL two collection authorities	pure	seperate collection: seperate levies: decentralized collection centralized collection
	simplification/unification	seperate collection: seperate levies: common assesment base for both levies unified/common collection forms
INTEGRATED one collection authority	unification	unified collection trough tax authorities: seperate levies unified/common collection forms common assesment base
	centralization	dedicated centralized collecting structure hosted by tax authority: new agency merging of existing institutions
	full integration	collection trough tax authority: all in one levy with tax characteristics collection trough tax authority: social security contribution reconducted as "social tax"
PARTIALLY		tax levies for SS purposes SS levies for tax purposes

3.2. Comparative analysis of the mechanisms operating in the researched Member States.

The analysis of the welfare systems mentioned in point 2.2., and more specifically the work of Bonoli³⁷ on the financing structures, was a determining factor in the selection³⁸ of the Member States that were researched in the framework of the contract. Each selected Member State represents a cluster of similar systems.

The following countries were included in the survey³⁹ sample:

Austria, Bulgaria, Estonia, France, Germany, Ireland, Italy, Netherlands, Poland, Romania, Spain and Sweden.

The organisation of the social security contribution collection system is function of the overall financing system of the welfare system, tax driven or contribution driven. This leads to two major approaches from an organizational point of view: an integrated organization providing for both tax and social security contributions levies, or a parallel organization where tax and social security are levied separately.

The integrated systems are always embedded in the tax authority. There can be full integration, meaning there is only one (tax) levy where tax and social security contribution dues are not distinguished. In other integrated systems, it remains possible to identify the tax levy and the social security contribution levy. Integration is in many cases realised through the merging of the collection institutions of both the social security contribution and tax levies, into a new agency under supervision of the tax authority or directly within the tax authority.

³⁷ Bonoli, G (1997). Classifying Welfare States: A two-dimensions Approach.

³⁸ See annex I Methodology

³⁹ See annex II Orienting questionnaire

In parallel systems, social security organizations are responsible for the collection of social security contributions and tax authorities for the collection of taxes. Although parallel systems sometimes have harmonized or even unified processes with the tax collection system.

On the basis of table I. above, we can determine which of the surveyed countries adhere to which system:

- Austria, France, Germany, Italy, Poland and Spain have a parallel system of levy;
- Bulgaria, Estonia, Ireland, Netherlands, Romania and Sweden have an integrated levy.

So both of the systems are equally represented and researched.

The adherence to one of both systems heavily dictates a number of specific characteristics of the collection system. So when necessary, a dual approach will be used for some topics to highlight certain specificities.

This chapter describes the collection systems through a number of key aspects and/or procedures and/or processes. It also looks into the ways the M.S. realize and/or administer these key features. For each of these key features a final overview of the applications in place in the researched Member States is given in the form of a table, enabling comparisons between M.S.

Finally the chapter ends with a search for common approaches, trying to identify common goals as well common means put forward by the M.S., and with an assessment on the major differences.

3.2.1. In general

It appears that social security is financed by means of a mix of social security contributions and tax contributions. The repartition between both levies is function of the fundamental manner of financing social security, thus leading to a preponderance of social security contributions or tax contributions.

For the tax-driven financing, tax contributions go up as high as 84%, with most of the social security-driven financing taking 60 to 75% of social security contributions.

The percentage of taxes or social security contributions in the total financing is however not absolutely indicative for the determination of the organization that is responsible for the collection of social security contribution dues.

3.2.2. Organisation of the collection system

3.2.2.1. Responsibility for the payment

The responsibility for the payment can be assigned to the employer, the employee or the taxpayer. In all the collection systems the employer is responsible, sometimes together with the employee or the tax payer. The taxpayer comes into play in tax driven financing systems, but never as single contributor. Each system has a minimal responsibility for the employer, sometimes shared with the taxpayer, sometimes with the employer or in some cases shared with both.

3.2.2.2. Institutions competent for the collection of contributions

In all of the Member States researched the collection of contributions is an exclusive state competence. In cases where the collecting authority is the tax administration, the competence is sometimes entrusted to dedicated collection agencies, e.g. the NRA in Bulgaria or NAFA in Romania. When embedded in the social security administration, collection is primarily executed by public institutions with legal personality, e.g. the INPS in Italy or by private institutions with a public function, e.g. the Urssaf⁴⁰ in France. In many cases, collection is shared with one or multiple collecting institutions, e.g. the “Krankenkasse”⁴¹ network in Germany. Parallel collection systems are, because of their nature, more complex than integrated systems.

The choice between a contribution-based or a tax-based social security system is not a determining factor for the choice between centralized or decentralized collection. Decentralized collection (= multiple collection points) is most frequent. A collection through decentralised offices in different parts of the territory seems to be considered as the most efficient. Client proximity is an important factor for improving compliance and efficiency in collection practices.

Another element that should be considered is the fact that the fractioning of the social security contribution assets sometimes results in separate collection. Separate collection can be organized for self-employed persons, for specific sectors (e.g. mining), for particular activities (e.g. farmers) or even for specific risks (pension). This is mostly the consequence of past attainments or of organizational reasons.

As regards the collection of the social security contributions for self-employed persons, the overall collection system in place is generally used, except in some parallel systems, where separate collecting institutions are competent.

Table III gives an overview of the division of competence for the collection of contributions:

⁴⁰ Organizations for the payment of social security and family benefit contributions

⁴¹ Health insurance Fund

Table III. Overview of competent authorities and collection organization per M.S.							
	Exclusive state competence		Seperate institution (1)			Collection organization	
	Tax adm.	Social security adm.	Public	Private**	Shared (2)	Centralized	Decentralized
Austria			YES				YES***
Bulgaria	YES*						YES
Estonia	YES					YES	
France				YES	YES		YES
Germany				YES	YES		YES
Ireland	YES					YES	
Italy			YES		YES		YES
Netherlands	YES						YES
Poland			YES		YES	YES	
Romania	YES*		YES				YES
Spain		YES				YES	
Sweden	YES						YES

(1) own legal personality

(2) more than one collecting institution

* agency under authority MoF

** with public function

*** competence is regionalized

If the collection of social security contributions is organized by the tax authority, the contributions are mainly collected by means of a merged levy, which means that there is a central levy of separate tax and social security contributions due. Full integration is rather the exception. Even in integrated systems some specific collection can still done by a separate institution.

Table IV gives an overview of the possible variants of integration per M.S.

Table IV. Overview of integrated systems of collection per M.S.			
	full integrated (1)	semi-integrated (2)	merged (3)
Bulgaria			YES
Estonia			YES
Ireland			YES
Netherlands		YES*	YES*
Romania			YES
Sweden	YES		

(1) one global tax levy

(2) one tax levy, but distinguished amount of tax and social security contribution levy

(3) central collection of seperate tax and social security contribution levy

* combination of both systems (type of risk covered)

Most member States give priority to a client-orientated approach when selecting their collecting mechanisms. A client-orientated approach can focus on making communication more easy and enhancing the accessibility of the administration. Accessibility can be improved by offering direct contact possibilities via front desks. Integrated systems provide a single counter for both tax and social security related issues and call-centres, providing prompt and correct information. Call centres are now evolving to an increased use of e-services (e-mail, chat, etc.) for contacting the administration. All of the integrated systems have an elaborated E-Governance infrastructure supporting this client-oriented approach. The presence of E-Gov is explained by the fact that merging is only possible if an adequate IT environment is supporting the endeavour. But parallel systems are also evolving in this direction. Spain is one of the trendsetters.

Another aspect of this client-based approach is the user-friendly access to information. Customers can access the information that is stored about them. The issue of record keeping and data management will be discussed in the next paragraph.

3.2.2.3. Record-keeping and data-management

In the researched Member States, the maintenance of the records is, in general, the responsibility of the State and the employer. The exception being the fully integrated M.S. where it is the sole competence of the State. Sometimes a private institution with public function acts on behalf of the State, mostly in M.S. with parallel systems.

The distinction between integrated and parallel systems also determines the answer to the question on where the data is stored. In the case of integrated systems, all storage is imbedded in the tax domain, whereas in parallel systems, the social security administration(s) are the keepers. Generally, these records are centralized, only exceptionally they are kept at regional level.

All these aspects are brought together in an overview by M.S. in table V.

	Austria	Bulgaria	Estonia	France	Germany	Ireland	Italy	Netherlands	Poland	Romania	Spain	Sweden
Record maintenance state	YES	YES	YES			YES	YES	YES		YES	YES	YES
employer		YES	YES			YES	YES	YES		YES		
seperate institution	YES*			YES**								
Record holder imbedded in social security domain	YES			YES	YES		YES	YES		YES	YES	
tax domain			YES			YES		YES		YES		YES
specific agency		YES***										
Record-keeping is centralized		YES	YES	YES		YES	YES	YES			YES	YES
decentralized	YES									YES		

*regional health institutions

** competent institutions

*** National Revenue Agency

When looking at data management, different elements are to be considered.

In most cases, liable persons are identified by means of a specific identification number issued by the social security or tax administration. There is no clear distinction between integrated and parallel systems here. Integrated systems tend to use a unique tax identification number, but that is not a general rule. Some parallel systems are also using a unique tax number. The majority of the Member States however, opt for a specific social security identification number. It is quite strange that general unique identification numbers are rarely used in this context.

The filing can mostly be done via a number of means, from paper to electronic. In practice all M.S. are encouraging the use of electronic filing. In a few M.S. there is in some cases a mandatory file and pay, e.g. in Ireland. In all of the integrated systems, data exchange is possible between the collecting authority and the liable persons, a facility of the E-Gov environment in place, even allowing exchange with the individual citizen.

Data exchange between tax and social security authorities is in place everywhere. Sometimes it is limited to specific goals or pending service level agreements between administrations, e.g. used by TGSS in Spain. This evolution is seen as necessary by most M.S. in supporting the proper collection of dues and the enforcement of non-compliance behaviour.

Overview of these elements by M.S. in table VI

	Austria	Bulgaria	Estonia	France	Germany	Ireland	Italy	Netherlands	Poland	Romania	Spain	Sweden
Identification of liable persons												
national register			YES					YES		YES		
social security register	YES			YES	YES	YES				YES	YES	
tax register			YES				YES		YES			YES
register of liable persons		YES										
Means for contribution return												
electronically (obligatory)						YES		YES			YES	
mixed	YES	YES	YES	YES		YES	YES	YES		YES	YES	YES
Data exchange handled via												
one dedicated institution						YES	YES				YES	
various competent institutions	YES	YES	YES	YES				YES		YES		YES
Data exchange possible between												
state and liable person		YES	YES			YES		YES		YES	YES	YES
state and individual citizen		YES						YES				
Data exchange between instit.												
unrestricted												
limited to SS institutions												YES
limited to tax administrations												YES
cross-over tax and SS adm.	YES*		YES*			YES*	YES**	YES*		YES*	YES*	
pending service level agreement		YES					YES					
SS adm., State, economic partners				YES								

* within certain boundaries

** only for overdue payments

3.2.2.4. Rules for assessment of contributions due and payment

3.2.2.4.1. Modalities of calculation

The modalities of calculation are highly diverse and categorising them is not an easy task. However, for the sake of this study, a modest attempt will be made.

When considering this, two elements have to be taken into account:

- the basis used for the calculation of the contributions;
- the contribution rates.

When looking into the “basis” for the assessment of contributions, once again two major processes can be observed.

- One is using a unique calculation base, for tax levy as well as for social security contribution levy. In this case it is always a fiscal notion of what is considered as “income” that is used. The terms personal income or global revenue, e.g. in the Netherlands, also occur.
- The other is using a specific notion of “salary” for social security contribution calculation.

Very interestingly, this dichotomy bears no tribute to the integrated or parallel collection system, either bases are used in both systems without distinction. Although most of the “pure” parallel systems are using a specific notion of salary for the calculation, many of the merged collection systems have also kept separate notions for the calculation of each due.

A second element in the calculation process are the contribution rates applied to this contribution base. The rates are determined by a wide variety of elements. They are influenced by the way in which social insurance is financed, the types of social insurances, the rules of coverage, etc. Each Member State has general contribution rates in place. In most of the M.S. the employer rates are substantially higher than those of the employees; one exception to be mentioned, the Netherlands, but this is due to the way the financing mechanism is set up.

Specific rates are applied in many M.S. They can be based on separate contribution rates for some risks or specific contribution rates for a particular economic sector or activity or legal status. This is a particularly complex issue. Even fully integrated levy mechanisms do not escape this phenomenon.

All public agents, the military and other special schemes are left out from the scope of this study.

The assessment of the social security contributions for self-employed persons is in all but one of the researched M.S. subject to a specific scheme. The contributions are assessed on basis of the taxable income.

Table VII gives an overview of these different elements per M.S.

Table VII. Overview of contribution assesment elements per M.S.								
	assesment base notion			contribution rates				
	workers		self-employed	general rates appl. (4)		specific categories		spec. risks
	fiscal (1)	social (2)	fiscal (3)	employer	employee	ec. sector	activity	
Austria		YES	YES	I	O	YES		YES
Bulgaria		YES	YES	I	O	YES	YES	
Estonia		YES	YES	I	O			
France		YES	YES***	I	O		YES***	
Germany		YES	YES***	I	O			YES***
Ireland		YES	YES	I	O	YES		
Italy	YES*		YES***	I	O	YES	YES	YES***
Netherlands	YES**		YES	O	I			
Poland	YES		YES	I	O		YES***	
Romania	YES		YES	I	O		YES	YES
Spain	YES**		YES	I	O	YES		
Sweden	YES		YES	I	O			

(1) taxable personal income

(2) specific notion of salary

(3) taxable business income

(4) I : highest %, O = lowest %

* with exceptions

** global revenue (NL dual base : fiscal notion of salary and global revenue)

*** + sepearate collection

3.2.2.4.2. Payment expiry dates

In most Member States contributions are due and paid to the collecting authority on a monthly basis, the contributions paid by the employee being automatically withheld on his salary. When the social security contribution payment is combined with tax payment, either as a separate levy or as an integrated levy, yearly adjustments are possible in a limited number of M.S. No real logic for the difference in approach as regards the payment dates is found, but in tax predominant systems simultaneous payment is the standard.

Table VIII gives an overview of the different payment times in force in the M.S.

Table VIII. Overview of contribution payment dates per M.S.

	SS contribution payed			SS contribution payed with tax notice			SS contribution integrated in tax base		
	monthly	trimesterly	yearly	monthly	trimesterly	yearly	monthly	trimesterly	yearly
Austria	YES								
Bulgaria	YES								
Estonia	YES					YES			
France	YES	YES							
Germany									
Ireland				YES					YES
Italy	YES			YES					
Netherlands	YES		YES	YES		YES	YES		YES
Poland	YES								
Romania	YES	YES	YES	YES			YES		
Spain	YES								
Sweden	YES			YES			YES		

3.2.2.5. Organisation of control, enforcement and recovery of contributions and payments

3.2.2.5.1. Administrative control, enforcement and recovery

The main type of collection system dictates the way control and enforcement are conducted.

In the case of integrated collection, control and enforcement are embedded in the tax administration. All tax provisions concerning control, enforcement and recovery are applicable to the social security contributions due. Sometimes there is a shared competence with the social security administration, which mostly consists of common inspections, e.g. Ireland's Joint Investigation Unit. Obviously, in the case of parallel collection, the sole competence lies with the competent or collecting social security administration. Sometimes control is assigned to a dedicated department, e.g. the Swedish Enforcement Authority.

As regards recovery, most Member States have special measures and even specialized departments to cope with overdue payment. Interestingly, in one M.S. with a parallel collection system, the recovery of overdue payments with regard to taxes as well as with regard to social contributions, is entrusted to a separate private institution, collecting on a fee base, i.e. Italy's Equitalia.

Table IX below gives an overview of the above elements per M.S.

Table IX. Organisation of control, enforcement and recovery per M.S.

	Austria	Bulgaria	Estonia	France	Germany	Ireland	Italy	Netherland	Poland	Romania	Spain	Sweden
Competent organism												
competent authority	YES		YES					YES			YES	YES
collecting institution		YES		YES		YES	YES			YES		
specific control body				YES (1)							YES (3)	YES (4)
shared competence various						YES (2)				YES		YES
Competence is imbedded in social security admin.	YES			YES			YES				YES	
tax admin.		YES	YES			YES		YES		YES		YES
Recovery of overdue payments												
special measures applicable		YES (5)	YES	YES		YES (6)	YES	YES (6)		YES	YES (8)	YES (6)
entrusted to dedicated instit.				YES (1)			YES (7)					
interstate recov. organized	YES											

(1) special department

(2) Joint investigations Unit

(3) Payment Enforcement Unit

(4) Swedish Enforcement Authority

(5) offsetting of taxes and contributions

(6) same as for tax return

(7) Equitalia s.p.a.

(8) freezing of other assets

3.2.2.5.2. Coercive procedures

For tax authority administrated social security contribution (SSC) collection all the coercive procedures available for tax debts are open for SSC collection as well. In general, tax authorities do have more administrative compulsory measures available.

A number of M.S. have developed sets of coercive procedures, ranging from off-setting assets, seizure of movable properties, seizure of third party funds or debts belonging to debtor, guarantees, etc., e.g. measures in France and Ireland. No figures on cost-effectiveness of these measures have been communicated. These measures were neither put forward as best practices by the M.S.

3.2.3. Measures to increase compliance and enforcement of contribution return

This item looks into the measures that the researched Member States have developed to increase the contribution collection return. These can be part of quite substantial change processes, were the state financing mechanism is fundamentally reviewed or the organisation of the collection is modernised. There is quite a plethora of measures that has been developed by the M.S. on various levels in the collection process, although great similarities in approach are to be discerned.

Upgrading diffusion of information is one of the most important approaches. Applying advanced IT technology and E-Government is the key to many change processes engaged in data-gathering and communication with record-keepers and liable persons. Due to the encompassing features of the E-Gov technology, it reappears in almost all of the different used measures. Control and enforcement are automated as well, e.g. data-mining instruments giving guidance to targeted inspections. Securing payment seems to be a major issue, one where advantage is clearly taken from the progress in the electronic management of

contribution collection data and, apart from this, where the legislator has been quite inventive to provide an array of dedicated measures, e.g. mandatory electronic file and payment, direct bank debit, estimated dues raised in absence of filing and payment, etc.

3.2.3.1. Technical measures supporting or inducing better compliance

Here we are looking more deeply into technological innovation as well as supporting measures, such as legal initiatives. Both innovation and supporting measures are designed to facilitate communication, exchange and management of data, with the goal to increase the effectiveness of the payment of the contributions.

Obtaining the correct and timely information on recruitment, salary and due payment is an essential step for many Member States. Almost every M.S. is applying IT processes of some kind to manage these records but the integrated collection systems are the most advanced. These systems aim for a full electronic environment in their relation with their client, be it taxpayer or employer. However, Member States with a parallel collection system are evolving in the same direction. Electronic recordkeeping and exchange on payroll administration is universally regarded as a key-factor.

Every M.S. has information campaigning in its inventory. Yearly campaigns to remind the liable persons of their obligations are very popular. In the same line are the efforts to increase compliance by offering to the employer/tax payer access to on-line information, a dedicated help-desk and even preferential relations with pay-roll administrators.

Securing effective payment of dues is the biggest issue and receives a lot of attention. Some M.S. conduct assessments of the contributions due by looking at data previously collected by the administration, e.g. Spain, or they base their estimations on statistical data. The technique of pre-filled in returns (tax and/or SSC declaration) is a novelty practice too, e.g. in the Netherlands and Sweden. One M.S. has introduced warrant systems to guarantee payment, i.e. France.

Most of the Member States have put together a number of measures to cope with late payments. These can be soft measures, to be seen as “friendly” recovery procedures, such as installing permanent payment follow-up. An example is the telephonic reactivation of clients, with direct contact in order to prompt a payment solution in France: this “friendly” recovery results a payment in 50% of the cases; the telephonic contact leads to a reduction of the debt in two thirds of the cases⁴².

On the other hand, we are talking about custody measures, such as auditing non-compliance situations, e.g. in Romania; having a system of several liability in case of non-payment is also practiced, e.g. in Austria. Other Member States have specific coercive measures for non-payment. When the collecting authority is the fiscal administration, all tax collection tools for debt recovery are available for SSC collection. In Italy, all debt recovery in tax and SSC matters is entrusted to a specialized entity with sole rights.

Table X gives an overview of all forms of the above-mentioned items by M.S.

⁴² ACOSS, <http://www.acoss.fr/index.php?option=content&task=blogcategory&id=200&Itemid=5597>

Table X. Technical measures supporting or inducing better compliance per M.S.												
	Austria	Bulgaria	Estonia	France	Germany	Ireland	Italy	Netherland	Poland	Romania	Spain	Sweden
ICT process for data enhancement												
electronic pay-roll administration		YES	YES	YES		YES	YES	YES		YES	YES	YES
full electronic environment		YES	YES	YES		YES		YES		YES	YES	YES
e-gov technology		YES		YES		YES		YES		YES		YES
Client oriented measures												
information campaign	YES*	YES	YES*	YES**		YES	YES	YES		YES	YES	
payment facilities				YES			YES			YES	YES	
Pre assesment/securing of payment												
automated calculation of due			YES****					YES			YES	YES
prediction of due				YES		YES						
warrant mechanism				YES								
Special measures		YES*****				YES*****					YES*****	
several liability	YES										YES	
auditing		YES				YES	YES	YES		YES		
adapted coercive measures				YES		YES					YES	
Miscellaneous												
prefilled return								YES				YES
continuous follow-up				YES							YES	
help-desk		YES***				YES***				YES***		
* internet, folders												
** special attention to accountants												
*** helpdesk												
**** self-employed												
***** various measures												

3.2.3.2. Measures to increase the efficiency of control and inspection mechanisms

In most of the researched Member States risk-management is part of the organizational culture.

Risk assessment is accepted as a constant process. This results in a wide use of automated detection tools that employ data matching and crosschecking of files. The data are obtained predominantly within the own sector. This does not exclude exchange of data between tax authorities and social security authorities in parallel systems. Integrated systems have a net advantage here since they gather both tax and social contribution data.

Risk analysis is also widespread, mostly as an instrument to guide audits or to orient specific inspection activities. Risk analysis is providing orientation in controls, identifying high-risk sectors or activities, which are given priority. A clear orientation of inspections towards tackling non-compliance behaviour is observed. For this, most M.S. have created their own operational toolsets, in function of their legal and/or organizational environment, even portable, e.g. Italy.

Related to risk-management is the theme of proactive measures. In general, all M.S. have prevention as a new priority or new task for their inspection services.

At the same time a number of M.S. is introducing soft measures to incite the tax payer or social security contributor to greater compliance, such as concluding prior agreements (ruling/horizontal monitoring, e.g. in the Netherlands) on control frameworks.

Cooperation is also a major success factor in this respect, cooperation that is open to other administration as well as to external partners, such as trade unions and professional organisations.

Overall, we can observe a clear movement towards the standardisation and automation of a number of processes, in view of reinforcing the efficiency of the inspection mechanism.

Table XI recapitulates the different processes put in place in the different M.S.

Table XI. Measures to increase the efficiency of control and inspection mechanisms per M.S.												
	Austria	Bulgaria	Estonia	France	Germany	Ireland	Italy	Netherland	Poland	Romania	Spain	Sweden
Organisation of checks												
risk-management			YES	YES		YES	YES	YES		YES	YES	
automated detecting tools			YES	YES		YES	YES	YES		YES	YES	YES
Sources available for checks												
internal				YES		YES	YES			YES		
SS sector				YES						YES	YES	
tax sector						YES		YES		YES	YES	YES
transversal (tax and SSC)			YES							YES	YES	
Pro-active investigations												
new tasks for inspection services	YES*		YES**	YES		YES		YES		YES*****	YES*****	
new powers for inspection services												
strengthened sanctions				YES								
ruling								YES****				
high risk sectors			YES	YES		YES				YES	YES	
Miscellaneous												
standardisation and automation			YES				YES			YES	YES	
multi cooperation (1)			YES	YES***		YES****						
involvement of social partners			YES									

(1) improvement of cooperation between different authorities

* function of local needs

** introduction of soft measures

*** with tax administration

**** joint investigations

***** horizontal monitoring

***** periodical inspections

***** fraud monitoring unit

3.2.3.3. Structural measures to increase collection efficiency

When organizations try to improve their functioning, turning towards unification processes or towards the development of common administrative procedures, between social security contribution and tax collection, on suitable subjects regarding collection issues, is a logical and promising pathway. There exists a plethora of measures to achieve this. Seven major ones, covering the whole process of contribution, have been identified for the purpose of this research: 1) registration of liable persons, 2) calculation base and rates, 3) record maintenance, 4) auditing, 5) recovery/claims treatment, 6) transfer of data and 7) joint return.

In parallel systems, mostly separate, in many cases private institutions are commissioned to collect social security contributions. All these institutions are part of the overall social security administration. The integrated systems mostly have a sole tax administration system (one levy), or have integrated the collection of social security contributions into the tax

administration (two levies). A variation of the latter system consists in a dedicated collecting agency under supervision of the tax authority.

Integrated collection systems, by their nature, have developed a common approach on all those facets of the contribution collection process. The merging process is exactly about unifying both the tax and the social security contribution collection processes into one agency. Moreover merging always implicates embedding the collection process in a fiscal environment. We will come back to the issue of merging in later chapters, in the context of best practices.

In a number of parallel collection systems, additional synergy is created through the use of a single form for tax and social security contribution (SSC) return and transfer of data. When looking into common (tax and SSC) administrative procedures developed in these M.S., one sees that the unification formula is used in various settings, e.g. in Italy with a unified recovery of overdues. These exercises in unification can be seen as good governance practices.

In most M.S., enhancing the inspection activities has led to the establishment of anti-fraud bodies within the collection agency, sometimes only coordinating, e.g. in Spain, sometimes in a joint venture with another agency, e.g. in Ireland. In a few M.S. this anti-fraud body also covers social security benefit fraud, e.g. in Sweden.

The table below gives an overview of the different structural measures per M.S.

Table XII. Structural measures to increase overall collection efficiency per M.S.												
	Austria	Bulgaria	Estonia	France	Germany	Ireland	Italy	Netherlands	Poland	Romania	Spain	Sweden
Creation of a specific collecting body				YES			YES				YES	
	social contributions only											
	tax and social contributions	YES	YES			YES		YES				YES
	autonomous agency	YES****								YES****		
within social security admin.				YES							YES	
	within tax admin.		YES			YES		YES		YES		YES
Creation of specific anti-fraud body							YES				YES*	YES****
	social security contribution issues											YES***
	SS contribution and benefit issues				YES*	YES**						YES*
	SSC and tax matters				YES*	YES***		YES****		YES****		
Common administrative procedures	registration of liable persons	YES	YES			YES	YES	YES		YES		YES
	calculation base and rates	YES	YES	YES		YES		YES		YES		YES
	record maintenance	YES	YES			YES		YES		YES		YES
	auditing	YES	YES			YES****		YES		YES		YES
	recovery/claims treatment	YES	YES			YES	YES	YES		YES		YES
	transfer of data	YES	YES	YES		YES	YES*	YES		YES	YES	YES
	joint return	YES	YES			YES	YES	YES		YES		YES

* coordination only

** within social security admin.

*** within both tax and social security admin.

**** joint investigations

***** within tax admin.

3.2.3.4. Legal measures initiating or supporting efficiency enhancement

When talking about legal measures, we are also probing the commitment of the political authorities to these issues.

Major change processes, like the merging of collection systems, are instigated by a fundamental political decision and demand a durable commitment.

In fact, most of the measures discussed require an intervention at the legislative level.

In the survey, major goals in the contribution collection process were put forward and Member States were asked if these goals were the object of important, new or innovative legislative initiatives. Certain M.S. indicated that new projects were underway, e.g. Ireland, but most M.S. gave an overview of implemented measures, some with considerable impact.

The initiatives with the greatest impact all involved merging operations. The M.S. with an integrated system indicated that this resulted from important legislative initiatives. In their answers, M.S. also indicated that multiple objectives were aimed at with the implementation of the supporting legal framework: 1) simplification of applicable laws, 2) reduction of the administrative burden and 3) an increased efficiency of collection and control.

Implementing an electronic environment is a major generator of change, achieving several objectives at once. For example, the use of adapted software enhances the overall efficiency of contribution collection, by facilitating data management and professionalising the payment process. Electronic records allow cross-checking and will therefore improve the efficiency of administrative controls. Digitalisation is also crucial in the reduction of the administrative burden for the administrations as well as for all the other concerned parties. This is an inherent approach in the integration process; the latter systems are all heavily implicated in E-government processes. Ireland is a good example of far-reaching digitalisation: the use of IT is mandatory for all communication, exchange, record-keeping and payment of dues, between the administration and the liable persons.

The use of IT in collection processes is less obvious in the non-centralized parallel systems, where the number and differentiation of participants in the contribution collection process hampers electronic integration. However, that is not the case for the parallel systems with a centralized collection system. In these systems, we can see a similar movement towards a full electronic environment, e.g. in Spain with the RED system.

Harmonisation of legislation is another possible legislative measure. E.g. the harmonisation of the salary notion and the tax notion is a simple measure that leads to the simplification of the collection process and reduces administrative burden.

This is always an integral part of an integration process.

Specific legislative initiatives to secure the payment were also taken. Creating a mechanism of several liability for third parties, whether or not limited to a specific economic activity or sector, is one method to secure payment. Issuing (conservative) garnishee orders⁴³ is a specific measure used in France. Mandatory electronic payment reinforces this, e.g. in Ireland, electronic seizure⁴⁴ measures (off setting, compensation), e.g. in Spain, also.

⁴³ = seizure

⁴⁴ ibidem

As to the legislative initiative for enhancing the performance of judicial procedures in these matters, less material is available. New and strengthened sanctions are a typical measure.

Table XIII gives an overview of these elements per M.S.

Table XIII. Innovative legal measures to increase overall collection efficiency per M.S.												
	Austria	Bulgaria	Estonia	France	Germany	Ireland	Italy	Netherland	Poland	Romania	Spain	Sweden
Legislative initiatives concerning												
integration of tax and SSC collection (merging)		YES				YES	YES****	YES		YES		YES
simplification of SS legislation								YES*****		YES*****		
reducing administrative burden (either party)		YES	YES**			YES		YES*****		YES*****	YES**	YES
enhancement of collection efficiency		YES		YES**		YES**	YES*****				YES	YES
enhancement of control efficiency		YES				YES					YES	
performance of judicial procedures				YES								
several liability	YES*	YES										
* construction industry												
** electronic environment for tax/SSC obligations (mandatory)												
*** garnishee order												
**** integration of recovery of overdue												
***** unified payment form												
***** harmonisation of definition of salary												
***** "loonaangifteketen" (consecutive records of wages)												

3.2.3.5. Information on the performance of the measures

When considering the organization of the collection systems, one cannot leave out the accountability and transparency issues. These are essential for the trust of the public in the system. Good governance supports auditing: transparency and efficiency need to be monitored and progress should be reported to the political authorities and the public. It will enable politicians to adapt their strategy and it will increase the compliance of the contribution payers. This is clearly an issue the researched Member States have considered, since most of them have mechanisms in place to cover these issues.

Table XIV gives an overview of the performance mechanisms in place per M.S.

Table XIV. Overview of performance and accountability mechanism per M.S.									
	auditing			permanent follow-up - cockpit			performance agreement		
	internal	external	pubic rep.	internal	external	pubic rep.	internal	external	pubic rep.
Austria									
Bulgaria									
Estonia									
France	YES	YES	YES					YES	YES
Germany									
Ireland	YES		YES	YES			YES		
Italy	YES			YES			YES		
Netherlands	YES	YES	YES					YES	
Poland									
Romania	YES							YES	
Spain	YES		YES	YES	YES	YES			
Sweden	YES								

The general sentiment emerging from the responses from the M.S. is that the different measures they have implemented (cf. point 3.2.3) did have a prolific effect on the overall efficiency of the collection. The feeling was that there was increased effective payment, but also much better information obtained and gathered, which led to greater exchange of information, which in turn engendered all kind of risk management opportunities. Furthermore the implemented measures have helped reduce the administrative burden, for the administrations as well as for their clients.

As to the cost-effectiveness of the measures, this is clearly a more obscure item, as little hard evidence is available. Some measures did lead to better overall management, e.g. in Bulgaria and Romania, and even to staff reduction, e.g. in the Netherlands. The increase in collection rates, if any, was however not examined against expenditure

The result of the questioning can be found in table XV. Remark: the response rate for this question was lower than for other questions.

Table XV. Evaluation of the measures by effectivity and cost-effectiveness					
	succes measures public compliance			cost reduction obtained	
	information campaign	personal contacts	inspection activity	employer	administration
Austria	YES				
Bulgaria	YES	YES		YES	YES
Estonia		YES			
France		YES	YES		
Germany	YES		YES		
Ireland					YES
Italy			YES		
Netherlands			YES	YES	YES*
Poland					
Romania	YES			YES	
Spain	YES	YES		YES	YES*
Sweden				YES	YES

(1) can be result of increased efficiency or decreased costs

* reduction of staff

3.3. Identification of common elements and major divergences in collection procedures in the researched M.S.

In all of the researched Member States, common goals and supporting policies could be identified clearly. The means employed to achieve these goals are similar in many cases, as mere logic dictates the choice of means. In other cases, there is a radically different approach that results from the fundamentally different structures of collection systems.

It also appeared that many of the policies put in place were initiated trough fundamental and extensive changes in social security law and/or tax laws or specific legal measures in the collection mechanisms. This means that in certain cases the whole change process can take up to 10 years of implementation. This is especially true for merging operations, which are quite extensive interventions with large ramifications for the concerned administrations as well as the public. Hence the importance of accompanying information campaigns supporting and advocating these measures.

Another general conclusion is that good governance is more and more an issue, which is clearly visible in the setting of objectives as well as in the preconceived means to achieve these objectives.

3.3.1. Common goals – set objectives:

This research has detected the following common goals:

- Enhancement of effective collection: has to be seen from the perspective of the decrease of collection losses (difference between declared contribution due and collected payment) as well as from the perspective of declaration default (difference between what is received and what should be received if all complied with the applicable laws).

- Strengthening the combat against fraud: this element can be a primary goal and/or an indirect result of another measure (e.g. administrative simplification).
- The reduction of costs in the collection process is a constant preoccupation of all authorities. This objective is realised on different levels, from the organizational level to the business process level.
- Reducing administrative burden is the necessary counterpart for acceptance of major changes by tax and contribution payers. It can be a primary goal leading to change processes (streamlining procedures), as well as a welcomed derivate of change processes.
- Improving administrative data is another objective. The possession of qualitative and quantitative valid information is considered fundamental for the correct execution of the collection in broad sense.
- Enhancing compliance: the use of information campaigns is widespread in view of sensitizing the public; more direct contact between authorities and public lowers resistance and increases confidence.
- Providing client-oriented services: tax and contribution payers are more and more regarded as clients, leading to multiple services offered by the authorities to facilitate communication in all stages of the contribution collection process.

It is also clear that all of these objectives interconnect and relate in most of the cases as cause and effect, are correlated and mutually exchangeable.

The differences between M.S. lie in the approach used, and the level of priority these aims have in the national policy. It is also quite obvious and logical that the actions of the M.S. simultaneously aim for or pursue different objectives.

Table XVI below tries to rate the objectives by priority in the M.S.

Table XVI. Overview of set objectives per M.S.

	effective collection	combat fraud	cost reduction	admin. burden	admin. data	compliance	client-oriented
Austria	NA						
Bulgaria	P	E			P		P
Estonia	P			P		E	E
France	P	P				E	P
Germany	NA						
Ireland	P		E			E	E
Italy	P	P		E	P		
Netherlands	P		E	E	E		E
Poland	NA						
Romania	P			P	P		
Spain	P	P	E	E	P		
Sweden	P		E	P			E
P: primary objective							
E: secondary objectives/effects							
NA: no answer							

3.3.2. Common means/policies to improve the efficiency of the collection system:

Common goals are easily identified. Identifying the common means or policies used in the Member States to achieve these goals is a different story. The choice of means is much more influenced by more general views regarding the ways the existing social security order, tax order or more specific the collection mechanism is to be organized, a lot of historical and political background coming into play.

On a micro level, from a pure technical point of view though, there are clear-cut common means and approaches between M.S. to be distinguished. The choice of using these means is dictated by technological progress on the one hand and by new approaches on good governance on the other hand. Furthermore the choice of means is influenced by new quality standards in different fields (ex. ISO standard) and the evolving needs of modern society (e.g. more mature public).

On the macro level scope, obvious common approaches between M.S. can also be discerned, however these are more function of the inherent patterns of integrated or parallel collection mechanisms applied.

3.3.2.1. Common technical means:

- information campaigns:

Two main variations of information campaigns are used.

One type of information campaigns accompanies changes in legislation and/or new procedures in the collection process. They are designed to guide the client in understanding the upcoming changes. This is a rather classical use of this instrument.

The other type of communication campaigns is designed to ensure compliance. These campaigns are recurrent and scheduled with the contribution payment dates. They are clearly aimed at improving the collection efficiency by reminding the taxpayer of his obligations. These campaigns can be individualised, containing specific information on the payment dates and on the payment base of a specific person, thanks to the electronic management systems of contribution collection. These campaigns use the internet, dedicated web pages, direct e-mailing, paper folders and all other available means of communication.

- helpdesks/ call centres:

A step further is making a continuous source of information available to the customers (tax payers/employers) by providing help desk and/or call centre facilities. Since these services are part of the collecting institution, there is direct contact between the actors, which guarantees correct and complete information.

A more specialised form of direct contact is the privileged contact with experts, like accountants, who play a central role in the collection process. A valuable upgrade consists in installing a mechanism of follow-up contacts in case of late payment, whereby payment facilities can be discussed. Both procedures are proactive in their own terms.

- use of ICT:

This is a general common denominator. The progress in information technology and its widespread use and acceptance in society has opened many possibilities. Since long, the focus is on optimising these possibilities, because we can consider the electronic environment as already established. The best proof of this is the mandatory use of electronic communication in a number of Member States.

Today it is obvious that the focus has shifted from digitalisation towards integrating all the existing electronic processes.

Although data can still be communicated by means of paper documents, obligingness towards the client, the record keeping inside the institution(s) is exclusively electronic. The electronic data management covers all aspect of the contribution collection process, identification, taxable base, labour contract related issues, calculation, payment and recovery.

A generalised move towards an E-government environment is probably the next logical step in the ongoing evolution in many M.S.

- unique identification:

This is also a very strong common feature, strongly linked with the digitalisation process. The use of a unique identification number for social security matters is a general practice, in many cases function of a national unique identification number (national register) or of the tax identification number in use.

- exchange of data:

Electronic data management allows storage and storage allows exchange. These are logical consequences and advantages generated by the digitalisation process. All institutions exchange data, it is only the extent of the exchange and the purpose of the exchange that varies.

- risk management:

The availability of data and the exchange possibilities almost automatically lead to the use of risk management instruments, like risk analysis, data matching and data mining techniques. Risk management is used for giving input and direction in control and inspection activities, in various forms, from internal use to joint unit investigations in situ.

- unification:

When looking deeper into the description of the collection processes and the pathways M.S. developed to enhance collection, another common element emerges, viz the use of unification processes between tax and social security systems. These could consist of the use of a common assessment base for dues, or a unique declaration form for either levies or merged recovery of overdues, etc. Looking for common platforms between tax and contribution collection is a constantly evolving factor.

3.3.2.2. Common policies:

When looking into common elements at macro-level, one does find common policies at the level of the M.S. but there is a clear split in the collection policies between the M.S. to be diagnosed.

Quite a few of the researched M.S. have opted to integrate their collection systems. A merging operation is the most common policy used to realise this goal. Some of these merging operations are still going on, e.g. in Romania. The search for cost reduction, higher collection ratios, reduction of administrative burden and improved compliance are the main motivations.

These M.S., aiming for the same objective, use similar means (e.g. tax authority as single administrator, single tax return, electronic filing and payment, etc.). They are also very similar in the way they developed their business, e.g. the importance of E-government processes. In fact most of the common elements between M. S. are to be found in Member States having the integrated systems, this is most noticeable when going through the different tables of the research.

This is in contrast with the policies of the M.S. that have a parallel collection system. At this macro-level, much less common policies can be discerned. The reason for opting for a parallel system is usually based on the assumption that social security contributions can be directly attributed to social provisions, and more fundamentally the fact that social security devolving rights are embedded in the constitutionalized tends to lead to a more rigid play field. Policies can be very country-specific in parallel systems.

3.3.3. Major differences:

The ultimate difference between Member States lays in the fundamentally different approach in the way the collection mechanism is set up, resulting in either an integrated or a parallel collection system. Table 1 shows the adherence of EU Member States to one or another system. Each of the systems clearly has his own diktats. Several of the above tables highlight these differences.

The biggest difference lays in the approach M.S. are using to optimise their revenue collection. A substantial number of M.S. has chosen to merge their collection institutions, in this case the tax collection and the social security contribution collection. This can consist of integrating the collection of the tax levy and the social security levy in one institution. This institution is the Tax authority itself or a dedicated agency under supervision of the Ministry of Finance. Merging always results in the transfer of the collection competence to the tax authorities, even if the tax contribution and social security contribution exist as separate levies.

Another step ahead is to unify certain aspects of contribution assessment, declaration and payment. This can be done independently from the integration of collection institutions. Ultimately one can integrate both levies into one levy, so that one levy covers all the financing. No difference is made between taxes or social security contributions. Integration can also consist in transforming the social security contributions into a social tax.

This modus operandi greatly differs from the one parallel systems are operating under. A separate collection means more divergences in employed means and more need for coordination.

3.4. Main findings and major trends.

Given the results of the comparative analysis and taking into account the different elements, indications and opinions delivered by the individual respondents during the research (survey and additional mail exchange), following main findings can be drawn from this chapter.

The use of soft tools for direct communication with debtors, like call centres or E-Gov tools greatly enhances compliance. By facilitating communication and exchange of information and by monitoring the individual collection process, from filing to payment, a trustworthy contact with the client can be established and proper payment and collection will be easier to guarantee.

Investing in electronic administration, be it Government to Business, Government to Employees, Government to Government or Government to Citizens (e-citizens) is widely practiced because of its inherent advantages. An electronic environment implies speed, efficiency and convenience, and leads to the reduction of administrative burden for both administrations and employers/tax payers and better collection of dues.

Therefore, a lot of M.S. are involved in these processes and have developed dedicated measures. For examples, please consult chapter 4 of this study, with the M.S. reviews and the key-themes on these subjects.

There is less progress in the use of coercive instruments and measures, only a few M.S. mentioning this as a key-factor. However, ICT possibilities regarding data gathering lead to the development of pro-active risk management tools to enhance the efficiency of traditional inspection and auditing. This is more a spin-off of other main development processes.

When it comes to contribution collection, there are a few major trends:

The step following the collection of data is the assurance of payment. Increasing attention is paid to the effectiveness of the payment collection. There exists a plethora of measures and instruments and many of them use ICT tools. Pro-active measures, such as warrants, direct bank debit as well as measures such as distraint, offsetting of assets, garnishment orders, seizure, several liability mechanism are in use.

On an organisational level, there is harmonization, unification and merging processes. These phenomena underline the trend towards integration of the collection of dues. These processes are viewed to be highly effective, acting firmly on the conclusion that many processes in tax and social security contribution are in essence similar and profit can be made by introducing common standards, common procedures and documents, unique identification, unique filing and recordkeeping, and so on. Ultimately, this can lead to one competent collection authority or one collection of dues, in these cases always in a tax environment. This trend is widely spread and still in progress.

For examples, please consult chapter 4, the M.S. reviews and the key-themes referring to these trends.

4. Identification of innovative practices and high potential projects in contribution collection

This chapter is dedicated to the presentation of the innovative practices implemented and/or planned in the researched Member States and put forward as such by the M.S in the survey. These practices will be presented in various forms, ranging from uncomplicated, easy and/or pragmatic practices to in-depth, all-embracing innovative measures and practices. Both views will be complemented with experiences and opinions found in the literature and/or desktop research on the topic. This chapter also includes a section on high-potential projects, where the experiences of two countries who are involved in crosscutting processes are highlighted. Finally, a selection of measures and best practices is presented in a different fashion, grouped around key-topics and taking into account issues like requirements, duplicability and efficiency of these practices, resulting in a kind of shopping basket.

4.1. Innovative practices

4.1.1 Pragmatic innovative practices

The first part will be, or at will least pretend to be oriented towards practical, ready-to-go, easy-to-implement best practices requiring minimal financing, which could, in most cases probably be seen as good governance policy, even though some of these measures will require legislative initiative. In any case measures that are almost universally applicable in any kind of collection system and that are as such in vogue and similar in many Member States, since they are in accordance with the basic principles of good entrepreneurship. They sometimes

make quite innovative use of the means at hand within the national legislation. One policy is in particular favour of the use of e-government technology as overall driving force for innovation. E-Gov indeed makes it possible to provide for different needs and to accomplish multiple goals while providing for a clear focus in securing effective payment.

4.1.1.1. Examples of pragmatic measures and practices found in the Member States.

The overview is made per Member State. Bold printed items are seen as prime best practice(s) by the respective M.S.

Austria:

- Introducing several liability of the awarding authority in the construction

Bulgaria:

- Electronic services for the clients;
- Social security contribution is due on base of the bare existence of a labour activity (presumption of payment of the salary);
- Restrictions for data submission if the deadlines for submission were not met;
- Restrictions for registration of a labour contract if the deadline for registration was not met;
- **Automated data cross-checks and data comparison** – allowing better follow-up and control over non-compliant companies and individuals;
- **Establishing the possibility for offsetting of taxes and social security contributions.**

Estonia:

- **Proposing a user-friendly and 24/7 accessible electronic environment for declaring and paying SSC (e-Tax/e-Customs);**
- Pre-calculation of dues by the collecting authority for self-employed persons, on the basis of data available in registers;
- Automated notification system and sending out notification letters for recovery of overdue payments;
- Working on standardization and automation of processes;
- Separate unit commissioned with continuous risk assessment and the development of a risk analysis system;
- Introduction of “soft measures” to influence tax payers' “tax behaviour” :
 - o tax payers' pre- notification of forthcoming tax liability or due date (e-mail);
 - o notification of the failure to comply with tax liabilities (e-mail, phone call);
 - o notification letters drawing the attention of high-risk employers to the fact that the salaries they pay are lower than to the average salary in their activity sector;
 - o relevant communication through media channels (media campaigns, press releases, etc.);
 - o front page of the electronic service environment always displaying arriving deadlines for submission of tax returns, etc. ;
- **Call-centre with correct information on taxes.**

France:

- **(Secured) electronic environment for declaration and payment of social security contributions, supplemented with exchange of information and direct communication possibilities (personalization of the relation);**
- Establishing privileged contacts with trustee third parties, like accountants;
- “Soft measures” in the (friendly) recovery procedure :
 - o **“la relance téléphonique”**: telephonic reactivation/stimulation for some categories of liable persons, i.e. **“good payer”**, establishing a direct contact providing for prompt solutions to resolve the payment problems, however the action is limited in time;
 - o **“l’avis amiable”**: written warning procedure in the friendly approach;
- Elaboration of custody measures securing the claim of the collecting institution in case of recovery of overdue:
 - o registration of privilege on moveable property;
 - o recourse on mortgage;
 - o guarantee by third party;
- Applying a “garnishee order” for all social security dues, given the possibility to seize debtor funds entrusted to third parties, including other social security institutions, directly enforceable moreover;
- Use of a rating instrument for the determination of inspection activity;
- Matching of internal data;
- Creation of a central agency for the supervision of foreign employers who have no office in France – Centre National des Firmes Etrangères -;
- Possibility to send compulsory enforceable titles to foreign firms with contribution obligations.

Ireland:

- Employer telephone helpdesk and yearly media campaign to encourage people to fill in their annual return timely;
- Monthly or quarterly (for small employers) filing and paying of taxes and SSC;
- **Mandatory electronic filing and paying of taxes and SSC;**
- Special measures for recovery of tax and SSC dues :
 - o referral to external agent to initiate court proceedings leading to secure debt on property;
 - o use of Sheriff to threaten and/or seize goods;
 - o attachment of third party debts to liable persons;
 - o liquidation/bankruptcy;
- Monthly and annual estimates raised and enforced in the absence of employer file;
- Joint Investigations Units (Revenue and Dept. of Social Protection) operate in tax districts with audit and compliance missions.

Italy:

- Development of information technologies by computerizing records and procedures :
 - o Creation of an e-work tool: e-handbook on intranet, guide on risk and control related to different benefits or services;
- Portable tools for on-site inspections;
- Conclusion of a convention on data sharing between the INPS (social security

Netherlands:

- **“Vooraf Ingevulde Aangifte”**: tax return pre-filled in by the tax administration on the basis of available information, only to be complemented by the tax payer if additional information is relevant;
- System of preliminary assessments on a monthly base (also for self-employed persons), followed by annual final levy (recalculated), these elements are part of the VIA;
- **“Horizontal monitoring”**: this basically is an agreement with the client on the acceptance of the “ tax control framework” in situ, with focus on the sharing of information and communication lines with the authorities;
- Creation of a system of certification: enforcing conditions to access to an

Romania:

- Mandatory electronic filing of single return for tax and SSC; (tax authority)
- **Implementation and promotion of IT tools, namely the Single Integrated Information System (SIUI) for the social health insurance;**
- Improving the efficiency of tax control :
 - o extension of control methods, in particular the development of electronic control and indirect control;
 - o establishing control programs based on risk analysis, which will avoid dissipating resources without results and protect the complying taxpayers;
 - o priority in checking the taxpayers from the areas with high tax risk, based on improved risk analysis;
 - o improving information systems used in fiscal inspection activity: development of tax inspection reports and monthly activity program using Web technology.

Spain:

- Informative portals on the web and the virtual head office of the Social security;
- **Use of electronic Data Transmission System between employer and the collection authority**, called the RED Directo system.
- Prior calculation by the collection authorities based on data available in records: the administrative authorities at the Social Security calculate the contributions owed by contribution payers. The information is obtained from the records at the Social Security and the data submitted by companies;
- Electronic notification of debts;
- Automated controls based on data-matching mechanisms;
- Various legal measures to ensure effective collection of payments:
 - o taking precautionary measures;
 - o procedure for assigning liability;
 - o issuing demand for outstanding debts or claims against entire overdrafts, differences;
 - o own enforcement procedure;
 - o stay of payment, deferral of payment;
- Introduction of "Payment management" as an element of the management structure: one of the steps taken by the TGSS (General Treasury of the Social Security) is to keep a watch over larger accounts so as to be able to detect initial debts and thereby place a control on any increase in arrears on the part of companies;
- **Generalised use of electronic seizure of on assets from financial institutions, tax rebates, compensation from FOGASA, investment funds, etc.;**
- Conventions have been concluded with the Regional Autonomies, Regional Treasuries, the Tax Office, etc. which are mandated to block tax rebates or benefit payments by public bodies;
- Fraud monitoring unit using risk analysis techniques;
- Conclusion of bilateral collective bargaining agreements between tax and social security contribution collection authorities on the mutual access to their databases;
- Joint programs on detecting fraud in both tax and SSC collection;

Sweden:

- Pre-filling in of the tax return based on income statement delivered by employer;
- Internet services for filing income statements and tax returns, both for employers and individuals;
- The Swedish Enforcement Unit is responsible for the enforcement of both public (including social security contributions) and private claims.

4.1.1.2. Examples of pragmatic measures mentioned in literature

These are some examples of collection techniques described in the literature⁴⁵ and seen as worthy processes.

- *Publicly identifying indebted establishments:*

The Social Security and National Social Insurance Trust (SSNIT) in Ghana has periodically publicized the names of indebted employers in the news media.

- *Moving the payment remittance date to earlier in the month:*

The Employees Provident Fund (EPF) in Malaysia was able to improve collections by moving the date for required employer remittances to an earlier date in the month.

- *Special coordination with chamber of commerce:*

The National Social Insurance Institute (Istituto Nazionale della Previdenza Sociale (INPS)) in Italy developed special coordination efforts with the Chamber of Commerce to detect the presence of workers without social security numbers particularly in the tourism, agriculture, and food service industries.

- *Establishing specialized collection units:*

The State Social Protection Fund (SSPF) in Azerbaijan has established specialized collection units to focus on particular problem areas.

- *Requiring a certificate of proof for contribution payments:*

4.1.1.3. Examples of pragmatic measures found in desk-top research

⁴⁵ ISSA, Main findings of the project on Collection and Compliance, appendix II and Strban G., “Contribution collection systems and possible measures to improve their effectiveness”, pg 47.

- *No cure, no pay:*

One very interesting evolution is a proposition from major software companies involved in and developing data-mining techniques. Their domain is mostly forensic auditing and combating fraud and error. Most of them have a basket of products fulfilling different needs in the data-mining area and they want to yield more return of them. So they are proposing to implement their techniques on existing or to be established data warehouses on a no cure, no pay base, taking an agio in case of successful recovery of

4.1.2. Long-term strategic measures and practices

In the second part, we will be looking for the more fundamental innovative measures and practices put in place. This obviously requires elaborate change processes, duly underpinned with a legislative framework and adequate long-term financing. This kind of approach also demands explicit and lasting political support. We are talking here about the general and overall approach that Member States are following to optimise the performance of their social security contribution collection. When revising the current fundamental approaches one can only diagnose that there is a marked trend towards the integration of collection processes, with unification as a first level of integration and merging being the pinnacle of integration.

In all cases of integration of collection processes, E-government was and is the main driving force for modernising the public services and optimising efficiency and efficacy. Many of the measures described above are outcomes of this technology.

One could conclude that integration only achieves its full potential when coupled with an E-Government environment and E-Gov best thrives in an integrated environment. And this is what is happening in quite a number of M.S.

4.1.2.1. Examples of long-term innovative practices by the Member States.

The overview is made per Member State. Items printed in bold are seen as prime best practice(s) by the respective M.S.

Bulgaria:

- One collecting authority: National Revenue Agency- Specialized state body tasked with collection of taxes and social insurance contributions;
- **There is only one integrated revenue management system**, before there were two systems: one of the Tax administration and one of the National social security institute;
- **The information for taxes and social security contributions (SSC) is received in only one institution**, with one integrated revenue IT management system :
 - o which eliminated the risk of presenting different information in two institutions;
 - o this improved the exchange of information and co-operation with other institutions;
 - o **the liable persons visit only one administration and not two;**
- On the other hand most of the services are delivered electronically. There is a considerable raise in the use of the e-services;
- **There are options for various automated data cross-checks and data comparison;**
- **Centralized selection and assignment of audits considering both obligations (taxes and SSC).**

Estonia:

- Social security collection is integrated with other taxes, withheld, declared and paid by the employer and is considered as a “social tax”;
- The Estonian Tax Administration collects ALL taxes and contributions, except contributions for the Voluntary Pension system;
- All competence as regards social tax collection, control and recovery is embedded in the tax administration;
- Social tax is declared together with the company's income tax as well as unemployed insurance premiums and contributions to mandatory funded pension on the form called TSD;
- Declarations are monthly (TSD with annexes); the employer is obliged to submit the TSD form on the 10th of each month for the salaries of the previous month; payment of taxes and contributions is expected on the 10th of each month, together with the declaration;
- The Estonian Tax administrator offers the taxpayers a possibility to perform most of the tax obligations via the Internet, in the **service environment called e-Tax/e-Customs**; the e-Tax/e-Customs gives the taxpayers the possibility to access their personal data in the Taxpayers’ register, for example to view the tax account statement and balances and information on tax debts and payments, receive electronic tax notices etc.;
- In order to use the services, a taxpayer has to log into the secure service environment with his/her ID-card (the primary personal identification document in Estonia), or mobile-ID.

Ireland:

- Revenue Commissioners tasked with the levy of all public charges, taxes and social contributions (one tax levy (PAYE system), but distinguished amount of tax (PAYE) and social security contributions due (PRSI);
- **Mandatory electronic file and pay :**
 - o employers file and pay (quarterly for small employers) their payroll tax and SS liabilities monthly by means of the same form. Self-employed persons file and pay their tax and SS liability annually by means of the same form;
 - o monthly payment by bank direct debit with annual return filing only;
- Revenue have the lead competence for audit / assessment, collection and recovery of SS, the suite of collection tools for tax debt recovery is also available to recover SS debt.

Italy:

- Use of unified collection form for both tax and social security contribution collection, the tax form F24, called “modello di pagamento unificato”: used for the collection of all kind of taxes, VAT, local taxes, social security contributions, and interest owed from instalment in payments as well as payments according to adjustment notices, judicial settlement or liquidation or formal control of the statements;
- Declaration, with distinct sections and proper codes for tax and SSC, and unified payment (taxes, SSC) through this form takes place on a monthly base;
- Use of common intermediaries for submitting form and payment, post office, authorized banks or collection agents.
- A new administrative authority named “Equitalia s.p.a.” has been created for the collection of both taxes and social security contributions that are overdue.

Netherlands:

- “Belastingdienst” (Dutch Tax and Customs Administration) collects all social security contributions;
- Tax administration collects the SS contributions in the same way as the collection of income tax and tax on wages:
 - o collected as a single payment with the salary taxes;
 - o a provisional assessment is forwarded to the person liable to pay social security contributions (part of VIA system); in case that the person liable to pay social security contributions receives an assessment, the contributions that have been withheld will be taken into account in the final yearly assessment;
- Social security contribution is a levy on a taxable income from employment and immovable property (home ownership);
- Harmonization of the definition of salary:
 - o fiscal notion of salary is used;
 - o global revenue is used;
- Enterprise Tax Management System (ETM) for collection of taxes and social security contributions;
- **One administration for employers:**
 - o “loonaangifteketen” (chain on the assessment of wages): principle of one inquiry leading to multiple use, i.e. the data that are delivered by the employer during the monthly filing of taxes, are split in data used for taxation and data used for the constitution of the “polisadministratie” (single administration) within the UWV (social security institution), which in turn is uses this for the assessment of specific contributions and for supplying them to other competent institutions;
 - o “**polisadministratie**”: authentic data register with a recollection of all data on the ensured employees in the framework of (automated)delivery of benefits

Romania:

- **Unification of competences to collect SS contributions with tax authorities:**
 - o the activities regarding the declaration, assessment, control, collection and appeals for social security contributions, unemployment insurance contributions, social health insurance contributions and work accidents and occupational diseases insurance contributions and other contributions due by legal and natural persons, which are employers or similar entities to the employers, is performed by the Ministry of Public Finance;
 - o through the National Agency for Fiscal Administration (NAFA); single competent institution for receiving the declaration;
- The legal and natural persons which are employers file a single return (monthly or quarterly, as appropriate) regarding the tax on income from wages and assimilated incomes, as well as the compulsory social contributions, which is filled in and submitted electronically;
- All measures related to the collection of social security contributions are provided in the Fiscal Code, Fiscal Procedure Code and other laws; they regulate the registration, declaration, payment, control and enforcement procedures;
- **Unification and simplification of the calculation base for SS contributions:**
 - o a single calculation base has been introduced, corrected with specific exceptions for each compulsory insurance contribution; codification and harmonization of legislation on social security contributions by introducing a new chapter in the Fiscal Code relating to it;
 - o declaration and payment formalities have been simplified for the employer through the introduction of *Declaration on payment liabilities for social contributions and income tax and nominal records of insured persons* (in electronic format);
 - o by implementing the single declaration on payment liabilities for social contributions and income tax and the nominal records of insured persons, NAFA accomplished the integration of the information contained in the tax returns (tax on income from wages and social contributions owed by the taxpayers which have the quality of being an employer or assimilated to an employer), as well as in the declarations regarding the nominal records of the insured persons, in a single declaration, thus reducing the number of declarations filed by the taxpayers from five declarations (which had to be submitted to five different institutions) to only one;
 - o the form is filled in and submitted electronically;

- **Integration of the IT systems regarding the collection of social contributions and payment of correspondent benefits:**
 - o when developing the form it was intended for all information contained therein to meet the requirements of all institutions involved, given the double role of the single declaration - on the one hand, debenture for the collection of contributions paid by employers and on the other hand, basis for establishing the contribution stages and the appropriate rights of the insured persons under specific legislation.

Spain:

- **The generalization of electronic means for the exchange of information and communication with the social security authority;**
- RED system (digital services) for employers:
 - o online access to information on companies and workers;
 - o online electronic document transfer allowing the exchange of information and documents between different automatic transfer means;
 - o multiple purposes: contribution, affiliation, etc.;
 - o electronic return of messages from the collecting authority;
 - o RED Directo for the small and medium sized enterprises :
 - minimal computer resources;
 - simple tool, personalised and dynamic;
- The modification of collection procedures involving the replacement of paper-based communication between employer and the collecting authority by telemetric means and the implementation of systems such as notification by data transmission :
 - o payment via direct debit from bank account;
 - o electronic payment: following a “contribution payment receipt” (contribution calculation done by TGSS) with data heading for electronic payment;
- Prior calculation of contributions based on data available in the records :
 - o this is done automatically;
 - o on the basis of the worker's payroll report and records in the General Affiliation File;
- The decision to centralise information and supply this by data transmission to the administrative units of the Social Security Department to enhance control;
- **The commitment to the exchange of data with other government departments for greater efficiency in collection management and greater control of fraud.**

Sweden:

- Social security contributions are administered by the Swedish Tax Agency; the Tax Agency is an authority within the Finance Ministry; the collection of contributions is coordinated with the collection of preliminary tax;
- Accounting of taxes should be fulfilled every month and the accounting is definitive when it has been finished;
- Use of same form and simultaneous account :
 - o which is called a tax return or PAYE return, and at the same time as the accounting of the payroll tax, the employer must also state the tax deductions (preliminary tax and SSC) that have been done that month;
 - o the tax return also has a section for reporting VAT (Value Added Tax). Most companies have to declare VAT monthly;
- Income statements are produced at the end of the income year for both the Tax Agency and the employee :
 - o basis for pre-filling in of the yearly income tax return;
 - o control document for correct payment of pay-roll tax;
- Use of Internet to file the income statements and tax return to the Tax Agency for the employer and for the employee to send back the pre-filled in income tax return;
- **Simplified legislation was key :**
 - o rules are the same for all employers (private, state, etc.);
 - o all employers are to maintain accounting records in the same way;
 - o accounting of work related records simplified;
 - o immediate and final settlement of social security contribution dues (no preliminary fees).

4.1.2.2. Examples of long-term measures based on literature

As seen in the literature study, quite some research has been done on the unification and integration issues of the collection of social security contributions. This seems to be a topic that is thriving, mainly due to the fact that both tax collection and social contribution collection have a lot of fundamental issues and processes in common. So harmonization and integration do have a logical sense when aspiring to achieve more efficiently some of the set goals, such as reducing administrative burden, cost reduction, efficient use of means (IT, infrastructure), achieving higher collection rates, etc. In any case, many potential lies there, even when taking into account the different needs and requirements of both the tax authority and social security contribution authorities.

There is already a lot of interaction between both authorities. In a lot of Member States the financing of social security is partly realised through tax revenues and/or the tax authority is providing services to the social security organisations. There is also definitive cooperation and exchange of information in many M.S.

Harmonization and unification processes are put forward in the literature as interesting pathways to enhance further optimisation of the collection of social security dues.

Harmonization can be done in a number of core areas, such as:

- coverage and the definition of types of liable persons (employee/self-employed/special categories);
- the definition of income, including the treatment of difficult areas such as income “in kind” to be used as taxation base;
- the structure of the social contribution and tax rates;
- calculation and payment regulations;
- filing intervals, payment dates, and penalties for non-compliance;
- appeals and judicial processes.

These kind of exercises can be done separately from any integration policy, thus respecting collection systems in place and still improving efficiency substantially. This is proven by the fact that some M.S. have already engaged in this pathway.

Unification is another pathway or could be considered as a next step. The issue on unification is about realising common key-attributes in the collection mechanisms:

- a unique identification number system on a government-wide basis (minimally, a common reference number system);
- joint registers or recordkeeping of employers/liable persons (and insured persons);
- common forms for filing and paying taxes and social security contributions (including reporting on work-related records).

These considerations impose some constraint on organizational systems, but are often beneficial, being driven by the need to maintain acceptable compliance costs for employers and administration costs for the government.

Once again, these measures can be implemented without any more invasive integration of collection institutions as such. E.g. the use of a unique number is quite common in a lot of M.S.

Both the harmonization and unification processes automatically steer to enhanced cooperation between the tax authority and the social security organizations:

- data exchange is widely facilitated, this exchange can cover various fields, from the assessment of contributions to the attribution of benefits;
- combating fraud in both departments is more effective and can lead to joint operations;
- an E-Gov environment optimizes the functioning of both the tax authority and the social security (contribution collection) organization and offers user-friendly and an efficient means of communication with these institutions to the employers and the tax payers.

Integration, meaning the collection of the social security contributions by the tax authority, has been the subject of quite a few dedicated studies and is sometimes advanced as the best way to achieve optimal revenue collection. Operations like this are clearly linked to the purpose of securing long-term sustainability of the social insurance schemes. The major benefits arising from integrating social contribution collection with the tax administration can

be summarized in terms of: (1) synergies that exist between organizations and their core functions; and (2) administrative and compliance cost reductions that are possible⁴⁶.

Merging is the most frequently used form of integration. In that scheme, taxes and social contributions are still separate identifiable levies, in contrast to a full-blown integration, where there is only a tax levy as global revenue due⁴⁷.

Merging operations are mostly induced by in-depth social security system and/or tax system reforms⁴⁸.

The IMF Working Paper⁴⁹ authors advance following arguments for integrating the collection of tax and social contribution collections, parting from the commonality of the core processes involved in collection of tax and social contributions and the need to:

- (1) identify and register contributors and taxpayers using a unique registration number;
- (2) have systems to collect information in the form of returns from employers and the self-employed, usually based on similar definitions of income;
- (3) for employers, withhold tax and contributions from the income of their employees and pay this to the agencies (usually through the banking system);
- (4) have effective collection systems to follow up those employers who do not file, or do not account for payments;
- (5) verify the accuracy of the information shown on returns using modern risk-based audit methods.

Overall, the merger of social security contribution and tax collection resulted in:

- a simplification of levying and collecting social security contributions,
- a reduction of the administrative burdens on employers,
- a reduction of the implementation cost for the government,
- a higher level of efficiency in the collection process,
- the harmonization to a certain extent of rules,
- the decrease of the contradictory decisions within the public administration⁵⁰.

Can these findings be corroborated with statistical proof? Zoran Anusic has researched this⁵¹ in quite an extensive number of European States and came to following conclusions. These are represented in the following diagram.

⁴⁶ Free citation from the IMF Working Paper, WP/04/237.

⁴⁷ In the literature however terms as harmonization, unification, integration and merger are frequent used to describe the same process. There are some thesaurus issues here.

⁴⁸ Fundamental causes or underlying institutional structures as factor for these change programs are not treated in this research.

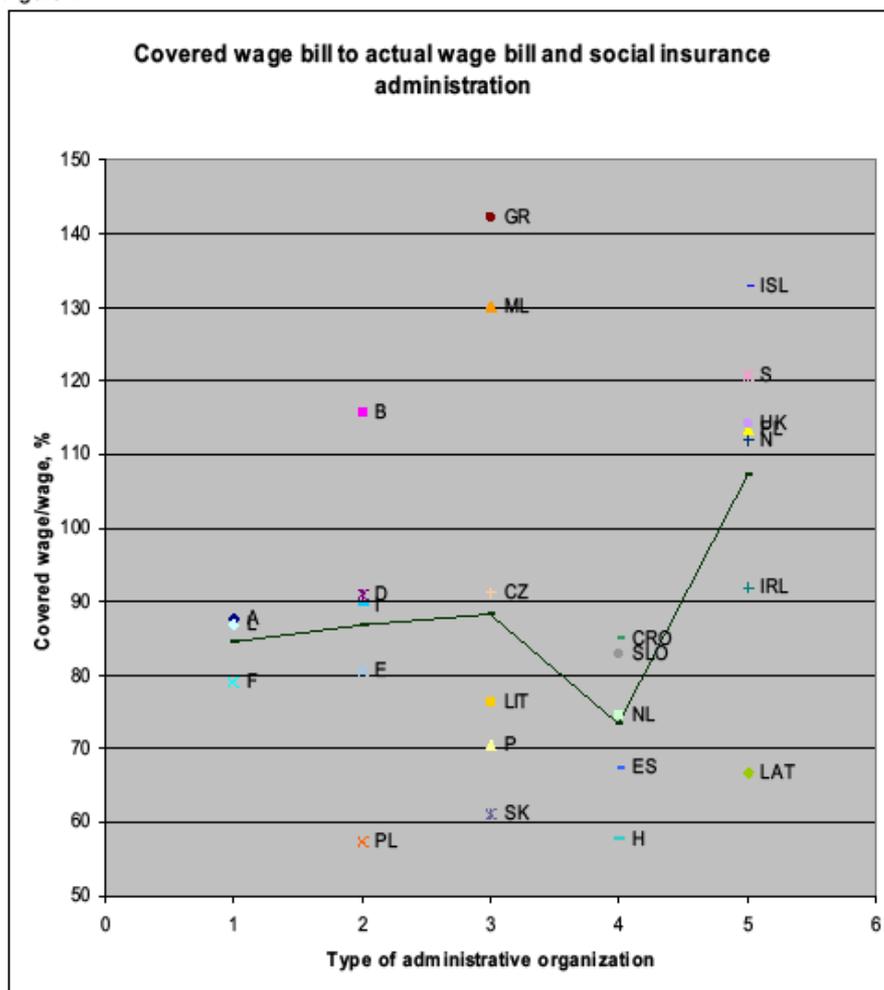
⁴⁹ WP/04/237

⁵⁰ Free citation from "Case Studies in Merging the Administrations of Social Security Contribution and Taxation", EISS

⁵¹ Anusic, Z., (2005). *International experience in consolidated social contributions and tax*

collection, reporting and administration. Report on Professional Development Matching Grant, WB, ECSHD.

Figure 4



The diagram shows the relationship between administrative organization type and the covered actual wage bill (CWW) compliance indicator for 26 European economies in 2002.

The indicator for type 5 (full integration), which for a group of seven countries averages at a high 107,3 suggests that an integrated administrative solution is superior to others with respect to compliance and collection effectiveness. In this group only Ireland and Latvia score below 100 %, while the other five (Norway, UK, Sweden, Iceland, Finland) exhibited values well above 100%.

So evidence points cautiously⁵² towards the greater efficiency in collection capacity of integrated systems.

4.2. High-potential projects

When one wants to look for recent experiences 1) that adopted global approaches, meaning that not only contribution collection was aimed at, but also benefit management was taken into account; 2) that were aimed at improving overall performance and enhancing

⁵² Author states that data availability was an issue.

compliance; 3) that used information technology as spearhead; 4) that implemented some quite inventive practices; then getting acquainted with the experiences of the Netherlands and Spain is very interesting and inspiring. Both the experiences are well documented and commented on, which is essential in this context. Moreover, the Dutch and Spanish experiences prove that progress can be made in either collection systems; be it parallel or integrated.

An overview of links that can be consulted to get acquainted with the multiple aspects of their policies is given in annex A.

4.3. Inventory of selected “best practices” *with special attention for best-value-for-money practices and duplicable practices*

4.3.1. Some critical thoughts on how to achieve “successful” social security contribution collection.

If there is one thing previous studies and surveys and the present research have demonstrated - sometimes quite clearly, sometimes between the lines - it is the simple fact that there is no ultimate success formula. Too much variables play a part.

In their article⁵³ in the International Social Security Review, Louis D. Enoff and Roddy Mac Kinnon conclude that their survey suggests that there are “six important common elements and characteristics for successful contribution collection:

- i) the organizational location of the collection function;
- ii) the maturity of the social insurance programme;
- iii) the degree of coverage and size and diversity of the labour force;
- iv) the degree of automation;
- v) the extent of coordination with outside organizations;
- vi) the application of a process of constant evaluation and adjustment of collection policies and practices;
- vii) *the social security culture in the country.*”

They further noticed: “Rather, there is a complex interactive set of factors that would seem to affect the efficiency and effectiveness of contribution collection.”

It seems that those M.S. that can master all these different elements into a harmonized global approach will achieve the most successful revenue collection. This consideration has some implications:

- meaning every practice must be held into the light of the other surrounding factors in place and changes in the surrounding factors will influence the efficiency of set practices.
- success is per definition temporary and needs constant adjustment and evolution.
- at the same time, taking all this into account, it is also clear that a successful measure in one M.S. is not guaranteed to be successful in another M.S.
- intra-similar systems will be more prone to effective duplication of “best practices”.

4.3.2. Shopping basket

⁵³ «Social security contribution collection and compliance: Improving governance to extend social protection”, Social Policy Highlight 20, pages 99 and following.

What measures are promising? Are there new angles of view to be discovered? Are quick wins possible? What is the opinion of the Member States through their experiences? What are they advocating? What is the effectiveness of the tax – SS contribution collection? What is the administrative cost of the tax – SS contribution collection? What are the measured effects or plausible effects? Member States testimonies on these items are delivered if available.

For the benefit of convenience, the selections are grouped around different key-themes in the collection issue, so that one can perform a quick search.

Information and communication:

“call- center”:
 Estonia, Estonian Tax and Custom Board
 Ratio: organizational measure, data back office needed, financial and staff investment
 Duplicability degree: high

“La relance téléphonique”: establishing a direct telephonic contact (profile based) with client providing prompt solutions to resolve the payment problems
 France, ACOSS¹: seen as important measure to personalize relation with the ACOSS
 Ratio: organizational measure, data back office needed
 Duplicability degree: high

E- Gov.:

“e-Tax/e-Customs”: most of the tax obligations can be performed in internet environment, secured through ID-card or mobile-ID, access to personal data
 Estonia, Estonian Tax and Custom Board: e-tax is the most frequently used service channel, user rate: 95% of clients; TSD form: 97,4% is filled in electronically
 Ratio: major legislative reform, important investment in ICT, reorganization of institutions, long-range plan
 Effectiveness: high
 Duplicability degree: commendable if legal and administrative environment

“Electronic Data Transmission System (RED system)”: all social security processing can be done in an electronic environment

Spain, Tesoria General de le Seguridad Social (TGSS) - testimony:

- 1) The generalization of the RED system has entailed virtual elimination of paper and greater quality of the data sent in by employers;
- 2) The successful commitment to the exchange of data with other government departments, which has led to greater efficiency in collection management and greater control of fraud;
- 3) The decision to centralise information and supply this data transmission to the administrative units of the SS department to enhance control;
- 4) The modification of collection procedures involving electronic communication and the implementation of systems such as notification by data transmission.

Effects for:

- the employers:

The use of electronic means has lead to a reduction in costs for employers, since almost all processing activities can be done by them from their offices without the need to travel to the administrative offices of the Social Security system.

- the administrative authorities:

The cost of collecting the funding for the Social Security system has decreased as the use of data transmission and increasingly efficient procedures have lead to a steadily lower management cost relative to the funds obtained. Processes such as the RED system, the Social Security’s Bulletin Board for Edicts and Announcements, data transmission-based notification or electronic seizure has meant a reduction in work burdens and greater efficiency in collection.

Ratio: important legislative reform, major investment in ICT, reorganization of institution, long-range plan

Effectiveness: high

Preservative measures:

“Auftraggeber Innen Haftung AGH”: introducing *“several liability”* for guaranteeing payment of social security contributions due by subcontractors in the construction industry

Austria

Ratio: legislative administrative measure, requiring administrative follow-up

Duplicability degree: high

“Certification system”: enforce conditions to access an economic activity and deliverance of hallmark for meeting the conditions.

The Netherlands, Belastingdienst: greater controllability high-risk sectors

Ratio: legislative measures, follow-up mechanism needed

Duplicability degree: high

“Requiring certificate of proof for contribution payments”: bilateral agreements with licensing authorities, which requires business establishments to show proof of contribution payment before renewing their business license.

Jordan, SSC

Ratio: legislative measures, follow-up mechanism needed

Duplicability degree: high

“Clearance certificate”:

Employers have to prove they are up to date on their contributory duty in order to gain access to certain government benefits.

Ratio: legislative measures, follow-up mechanism needed

Duplicability degree: high

Securing payment:

Possibility for offsetting of taxes and social security contributions

Bulgaria, NRA

Ratio: organizational measure, data-exchange needed, no substantial financial investment needed

Duplicability degree: high

“L’opposition à tiers détenteur (OTD)”: garnishee order” for all social security dues, given the possibility to seize debtor funds entrusted to third parties, including other social security institutions, moreover directly enforceable

France, ACOSS

Ratio: simple legislative measure

Duplicability degree: high

Mandatory electronic pay and file

Ireland, Revenue Commissioners: greatly cost reducing for the administration

Ratio: important IT investments, e-gov. environment obligatory

Duplicability degree: moderate

Effectiveness: high

“Vooraf Inge vulde Aangifte-VIA”: pre-filled in tax return

The Netherlands, Belastingdienst: greatly cost reducing for the administration, reducing administrative burden for citizen/employer

Ratio: important IT investments, advanced data-keeping and exchange, internal reorganisation, preferable e-gov. environment

Duplicability degree: feasible if surrounding administrative environment is complying

“RED Directo”: special transmission mode for small and medium size enterprises to meet their obligations over the internet, using a real-time direct connection, compulsory payment via direct bank debit or electronic payment receipt by telephone banking and internet banking

Spain, TGSS

Ratio: investment in ICT, proper IT environment must be in place, organizational changes

Effectiveness: high

“electronic seizure”: of assets from financial institutions, tax rebates, compensation from FOGASA, investment funds, etc. to recover overdues;

Spain, TGSS; widespread use of electronic seizure allowed substantial increase in collection through enforcement

Ratio: legislative measure, advanced data-keeping and exchange, proper IT environment

Duplicability degree: high if proper surrounding conditions are met

“Moving the payment remittance date to earlier in the month”

Malaysia, EPF

Ratio: administrative measure

Effectiveness: high

Compliance and Enforcement:

“e-handbook”: guide on risk and control related to benefits and services provided to the citizens

Italy, INPS: expected effects are renewed attention in control, positive impact on procedures and reduction of undue payments or services

Ratio: internal administrative measure, requires intranet environment

Duplicability degree: high

“horizontal monitoring”: agreement with the client on the acceptance of the “tax control framework” in situ

The Netherlands, Belastingdienst: cost reducing for administration, reducing administrative burden for employer

Ratio: administrative measure

Duplicability degree: moderate, surrounding factors must be positive

“Publicly identifying indebted establishments”

Ghana, SSNIT

Ratio: administrative measure

Duplicability degree: high

Harmonization/Unification processes:

Unifying tax and social security contribution collection procedures with the overall aim of simplifying the assessment process, reducing administrative and compliance costs, and facilitating enforcement. The Italian experience can serve as a guide⁵⁴.

“Modello di pagamento unificato”: unified module of payment, form F-24, used for the payment of all kind of taxes and social security contributions.

Italy, INPSS, Agenzia delle Entrate: in the field of social security and tax collection, Italy has introduced a system, which indicates a procedural unification of some aspects of the collection administration of taxes and social security contributions. For this, they created a unique payment form that is common for both taxes and social security contributions. The form will simplify the operations and the corresponding control of the financial flows of the INPS. The use of a unified form for the collection of both taxes and SSC aiming for simplifying payment procedures, thus reducing administrative burden and cost reduction for the administrations.

Ratio: important legislative measures, vast organizational changes within competent structures, important IT development, vast data-exchange to be organized

Duplicability degree: in principle high

⁵⁴ Information paraphrased and/or adapted from “Case Studies in Merging the Administrations of Social Security Contribution and Taxation”, chapter 3.3, Bakirtzi, E., EISS

“Equitalia s.p.a.”: administrative body entrusted with the unified collection of overdue taxes and social security contributions.

Italy, INPS, Agenzia delle Entrate: the main reason underlying the creation of this dedicated body has been the high rate of social security contribution evasion Italy has been experiencing during the past years. Special is that a fee (aggio) is withheld as commission on the collected overdues. This agency has access to data from the tax authority as well as from public and private entities.

Ratio: legislative measure, creation of new institution, vast data-exchange needed, self-supporting

Duplicability degree: in principle high

“Agreement on data-exchange”: both unification measures ensured an improved data-exchange between tax and social security collection authorities.

Italy, INPS and Agenzia delle Entrate: some of the advantages of this agreement in the area of data exchange are the elimination of the duplicate operations, a more efficient administrative organization and the doubling of the control activities with the use of the same human resources in order to minimize the social security contribution and fiscal losses. Since the social security administration and the tax authority have signed on December 12th, 2008 the convention on the data sharing in order to combat the social security contribution evasion, it was estimated that an extra 100 billion Euro was going to be collected per annum as a result of the evasion combat.

Ratio: administrative measure, legislative underpinning, important IT investment,

Duplicability degree: high

Effectiveness: with appropriate supporting measures, high

Merging:

In this scenario, the tax authority performs the social security contribution collection. As seen above, various formulas are possible. This process encompasses harmonization of legislation, unification procedures and organizational integration.

This reform has several goals: The overall aim is to achieve the upmost revenue collection performance for public financing. At the same time, the system should result in a reduction of the administrative burden for both the administration and the employer/tax payer. A unified system will enhance the relationship with the public and clients and will provide better services to the public and clients. Trough optimised control and enforcement the system strives for the best possible cost efficiency and higher compliance.

Below, an overview is given of Member States testimonies and evaluations on the process:

- *“The merging or integration process itself as best practice”:*

Bulgaria, NRA:

- The information on taxes and social security contributions (SSC) is received in only one institution, which eliminated the risk of presenting different information in two institutions. This improved the exchange of information and co-operation with other institutions.
- There is one integrated revenue management system, before there were two IS: one of the Tax administration and one of the National social security institute.
- There are options for various automated data cross-checks and data comparison. All of this allows better control over the incorrect companies and individuals.
- Centralized selection and assignment of audits considering both obligations (taxes and SSC).
- The liable persons visit only one administration instead of two. On the other hand most of the services are delivered electronically. There is a considerable raise in the use of the e-services.

Positive conclusions:

- This improved the exchange of information and co-operation with other institutions.
- There is one integrated revenue management system.
- All of this allows better control over the incorrect companies and individuals.
- The liable persons visit only one administration instead of two.
- On the other hand most of the services are delivered electronically; there is a considerable raise in the use of the e-services.

Estonia, Estonian Tax and Custom Board:

- The Estonian Tax administrator offers the taxpayers a possibility to perform most of the tax obligations via the Internet, in the service environment called e-Tax/e-Customs.
With e-Tax/e-Customs the taxpayers are given the possibility to access their personal data in the Taxpayers' register, for example to view the tax account statement and balances and information on tax debts and payments, to receive electronic tax notices, etc.
- In addition, it is a secure communication channel to submit the declarations and other taxation-related documents, to submit applications for refund of overpaid tax amounts and to exchange confidential information that cannot be sent by e-mail or other insecure channels.
In order to use the services, a taxpayer has to log into the secure service environment with his/her ID-card (the primary personal identification document in Estonia), or mobile-ID.
- Social tax is declared together with the company's income tax as well as unemployed insurance premiums and contributions to the mandatory funded pension on the form called TSD.
- There are 2 options to file a declaration in e-Tax/e-Customs - uploading a file in the ASCII-format, or entering the data manually in the fields of the electronic form.

Evaluation of the dedicated measures:

- in terms of cost effectiveness:

in Estonia, all taxes paid by employer are treated as a complex (social tax, income tax, VAT, unemployment insurance premiums, contributions to mandatory funded pension).

The cost/income ratio for 2011 was 0.2% (i.e. 20 cents spent versus 1 euro collected).

- in terms of administrative simplification both for the

Netherlands, Belastingdienst:

- Harmonization of the definition of salary: reducing administrative burden for employers.
- All contribution collection within tax administration: one state office responsible leading to reducing administrative burden.
- "Polisadministratie": centralized authentic data register containing all income related information on employees and employer: automated management of benefits: reducing administrative burden for employers and consultation through "DigiD" (log-in code for website sessions) for the clients.
- "Loonaangifteketen": information on wages is collected once and redistributed for further (legal) purposes to competent institutions (electronic exchange process); integrated approach leading to simplification of the execution of legal obligations in social security and tax matters: reducing administrative burden for employers and individuals, reduction of staff with tax administration, better quality of data and quicker payment of benefits.

Evaluation:

- On horizontal monitoring a special commission is investigating results. On reduction of administrative burden the government has an objective of 25%.
- There is also the reduction of the public services as an objective.
- Discrepancy between assessed and actually collected amounts is between 2 and 3%.

Negative comments:

Romania, NAFA:

- Unification of the competences to collect social security contributions within the tax administration.
- Unification and simplification of the calculation base for social contributions.
- Integration of the IT systems regarding the collection of social contributions and payment of correspondent benefits.

Evaluation:

- Implementation and promotion of IT tools, namely the Single Integrated Information System (SIUI) for the social health insurance. With the implementation of SIUI, administrative bureaucracy decreased, and the collection of contributions became more efficient.
- By implementing the single declaration on payment liabilities for social contributions and income tax and the nominal records of insured persons, NAFA accomplished the integration of the information contained in the tax returns (tax on income from wages and social contributions owed by the taxpayers which have the quality of being an employer or assimilated), as well as in the declarations regarding the nominal records of the insured persons, in a single declaration, thus reducing the number of declarations filed by the taxpayers from five declarations (which had to be submitted to five different institutions) to only one. A single competent institution for receiving the declaration has been established, which is the National Agency for Fiscal Administration. In addition, the new form is filled in and submitted electronically. All these measures led to savings in terms of time and money.
- In 2011 the degree of submission of declaration 112 (single declaration) exceeded 95%.

Sweden, Skatteverket (Swedish tax authority):

- The collection of contributions is coordinated with the collection of preliminary tax.
- The social contributions are either collected as "arbetsgivaravgifter" (paid by the employer and normally levied on salaries and benefits) or as "egenavgifter" (paid by a natural person and normally calculated on his taxable business income).
- The new simpler legislation was essential for the success. It turned out to be a success both for the state through the Tax Agency and for the employers who now had only one authority to contact when they had questions concerning employers' social insurance contributions and tax deductions.
- At the end of the income year, employers are to produce and provide both the Tax Agency and the individual employee with income statements concerning every employee. The income statement shall contain information about the employee's total gross salary during the year and the total amount of tax deductions that the employer has done during the year. The income statement is a very essential and important document for the entire tax system. Only after the income statement has been received by the Tax Agency the authority can conclude who is to be accredited which deduction made during the year. The income statement is the basis for the information that is preprinted on the yearly income tax return that will be sent to everyone who has received a salary or other taxable benefits. The employee will receive this income tax return in the spring of the year after the income year. The income statements from the employers are also used to make sure that the employers have paid the payroll tax due correctly during the year.

Evaluation :

- Advantages for the employers:
It is easier to be in touch with only one authority concerning questions on employers' social insurance contributions and tax deductions, less bureaucracy.
- Advantages for the state:
Lower costs for staff since the same people handled both employers' social insurance contributions and tax deductions. More effective collecting of the fees because the right fee was paid immediately when the system with preliminary payments was abolished which in turn also lowered the state's costs for loss of interest.
- It can, however, be generally concluded that the collection losses have gone down over the years. The collection loss is the difference between the contributions and taxes decided on and those actually paid. The collection loss today is 0.45 % of the decided contributions and taxes. The collection loss must not be mixed up with the tax fault that is something else and a much bigger problem in Sweden. The tax fault is the difference between taxes and contributions paid and those that should be paid if all people obeyed the laws. The estimated tax fault is 4.2 percent of the GNP.
- It is not possible today to present figures concerning the improvement and the efficiency of the reorganization.

*Ratio: massive legislative initiatives, important financial investments,
fundamental reorganisation of institutions, high tech ICT needed*

Duplicability degree: high

*Stars: ******

5. Conclusion

If there is one univocal conclusion apparent it is the fact that ensuring adequate financing for the social security systems has become a bare necessity and therefore improving revenue collection is a priority in all M.S.

The literature study and the desktop research point to the simple fact that there is no single best way to achieve optimal contribution collection. This is largely supported by the evidence gathered in the survey. As seen, a multitude of factors dictates policies and measures in the collection process. Evidence points to combined approaches as key to the best possible results.

The comparative analysis shows that progress in information and communication technology is largely considered as a motor for change processes. E-Government is the pinnacle in communication technology and leads to top-performing procedures. This is by large the most common tool used by the M.S. in their practices in collection improvement. More and more efforts are made to ensure the effective payment of contribution dues. Closing the gap between assessment and cashing in is becoming a clear goal.

Further progress can be inspired by the innovative practices developed by the Member States.

Working on good governance and aiming for efficiency, accountability and performance issues, is a promising approach. Going for a “performance agreement” policy environment between collection institutions and the government could be a pathway.

Taking advantage of continuous ICT progress is another way to improve the overall performance of the collection systems and processes. Going for mandatory electronic filing and payment processes could be very effective and cost reducing. The same goes for all processes linked to the pre-filing in of returns. There is also an obvious link with E-Gov as supporting communication technology, to enable direct and efficient communication with the clients and the public.

Harmonization and unification processes still have potential because they work with the existing structures rather than against them. Harmonization of terminology is a very interesting exercise with clear and obvious advantages for revenue collection. A shared definition of the taxable base for all assessments would be a nice bonus. Unification of procedures and tasks between tax and social contribution collection authorities is another worthwhile process greatly improving the collection process. One form for all declaration and payment procedures is evidently cost reducing and lessens administrative burden.

Last, why not go for a more proactive approach in procedures and processes? Prevention always beats reparation in cost efficiency. Investing in compliance-oriented measures may pay off very well. Methods like direct bank debit or advance payment are very effective. When linked with mandatory electronic filing and pre-filing in processes this is almost optimal.

All these findings lead to the thought that merging of collection systems could be a solution. There is no single best way to success, but this concept has its advantages and is surely to be regarded as an interesting playfield of all things to be.

Agreeing with Plautus when he said *Mus uni non fidit antro*⁵⁵, lessons can be learned from all these experiences and put to work in the own environment to one's greater profit.

⁵⁵ “A mouse does not rely on just one hole” Citation from Plautus

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ANNEXES

Table 1 - Overview of the different typologies of the EER welfare systems

WELFARE REGIME TYPOLOGY	COUNTRIES
CONSERVATIVE-CORPORATIST subtype SOUTHERN-EUROPEAN	AUSTRIA, BELGIUM, FRANCE, GERMANY, LUXEMBURG, THE NETHERLANDS GREECE, ITALY, SPAIN
SOCIAL-DEMOCRATIC	FINLAND, DENMARK, NORWAY, SWEDEN
LIBERAL	IRELAND, UNITED KINGDOM, (U.S.A.)
FORMER-USSR	ESTONIA, LATVIA, LITHUANIA
POST-COMMUNIST EUROPEAN	BULGARIA, CZECH REP., HUNGARY POLAND, SLOVAKIA, (CROATIA)
DEVELOPPING WELFARE STATES	ROMANIA, (BELARUS, MOLDOVA)

Table 2 - Overview of EER welfare systems, financing structures and collection organisation

COUNTRY	INHABITANTS million	GDP 1000 million	WELFARE SYSTEM	FINANCEMENT OF SOCIAL SECURITY TAX OR CONTRIBUTION FINANCED	COLLECTION CENTRAL/DECENTRAL	COLLECTING AUTHORITY
AUSTRIA	8,3	282	Conservative	highly contribution driven	decentralised	social security
BELGIUM	10,7	344	Conservative	highly contribution driven, tax transfer	central	social security
BULGARIA	7,6	34	Post communist	contribution driven, tax transfer	central	tax - merged
CYPRUS	0,8	17	Southern	highly contribution driven, tax transfer	central	social security
CZECH REPUBLIC	10,4	149	Post communist	highly contribution driven, tax transfer	central -multiple instit	social security
DENMARK	5,5	232	Socio-democratic	tax driven, low contribution	decentralized	tax - integrated
ESTONIA	1,3	16	Former USSR	contribution driven, tax transfer	central	tax - merged
FINLAND	5,3	185	Socio-democratic	tax driven, low contribution	central	tax -integrated
FRANCE	63,8	1950	Conservative	highly contribution driven, tax transfer	decentralized	social security
GERMANY	82,2	2496	Conservative	highly contribution driven, tax transfer	decentralized	social security
GREECE	11,2	243	Southern	contribution driven, tax transfer	central	social security
HUNGARY	10	106	Post communist	highly contribution driven, tax transfer	central	tax - merged
ICELAND*	0,3	10	Socio-democratic	tax driven, low contribution	central	tax - merged
IRELAND	4,4	186	Liberal	tax driven, low contribution	central	tax -integrated
ITALY	59,6	1572	Southern	highly contribution driven, tax transfer	central	social security partly unified
LATVIA	2,3	23	Former USSR	highly contribution driven, tax transfer	central	tax - merged
LICHTENSTEIN*	0,035	nk	Conservative	highly contribution driven, tax transfer	decentralized	social security
LITHUANIA	3,4	32	Former USSR	highly contribution driven, tax transfer	decentralized	social security
LUXEMBOURG	0,5	37	Conservative	highly contribution driven, tax transfer	central	social security
MALTA	0,4	6	Hybrid	contribution driven, tax transfer	central	tax - integrated
NORWAY*	4,7	310	Socio-democratic	tax driven, contribution intermediate	decentralized	tax - integrated
POLAND	38,1	362	Post communist	contribution driven, tax transfer	central	social security
PORTUGAL	10,6	166	Southern	highly contribution driven, tax transfer	decentralized	social security
ROMANIA	21,5	137	Developing welfare state	low level contribution, tax transfer	central	tax-merged
SLOVAKIA	5,4	65	Post communist	highly contribution driven, tax transfer	decentralized	social security
SLOVENIA	2	37	Post communist	highly contribution driven, tax transfer	central	tax - merged
SPAIN	45,3	1095	Southern	highly contribution driven, tax transfer	central	social security
SWEDEN	9,2	328	Socio-democratic	tax driven, contribution intermediate	decentralized	tax - integrated
THE NETHERLANDS	16,4	596	Hybrid -sociodemo/conserv	tax and contribution driven	central	tax - social security
UNITED KINGDOM	61,2	1816	Liberal	tax driven, contribution low	central	tax

GLOSSARIUM :
 COUNTRY* = EEA
 Inhabitants and GDP, Eurostat - 2008 (Lichtenstein, unavailable)
 WELFARE SYSTEM = based on main characteristics (overlap is frequent) - compilation from Fenger, H.J.M. (2007) and author

Appendix A. - High potential projects

The Netherlands experience can be followed when looking at the following documentation :

“loonaangifteketen” chain of wages

http://docs.szw.nl/pdf/35/2007/35_2007_3_10928.pdf

<http://www.hec.nl/home/nieuws/nieuwsoverzicht/hoe-de-loonaangifteketen-de-aorta-van-bv-nederland-werd/1662>

“polisadministratie” single administration

<http://www.adp.nl/kenniscentrum/vakwijzer/dossiers/elektronische-loonaangifte/polisadministratie/gegevensstroom-polisadministratie.png>

<http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2010/11/30/rapport-uwv-belastingdienst.html>

http://www.uwv.nl/Werkgevers/ik_wil_meer_weten_over_verzekering_en_premies/polisadministratie.aspx

enforcement

- several liability

http://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/zakelijk/aangifte_betalen_en_toezicht/aansprakelijkheid/ketenaansprakelijkheid/ketenaansprakelijkheid

- electronic auditing

http://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/zakelijk/aangifte_betalen_en_toezicht/toezicht/handhaving_en_controle/belastingcontrole_met_de_auditfile

- agreements

http://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/intermediairs/toezicht/convenant_en/convenanten_met_afnemers_van_informatie/convenanten_met_afnemers_van_informatie_van_de_belastingdienst

- “horizontale monitoring” tax control framework

http://download.belastingdienst.nl/belastingdienst/docs/horizontaal_toezicht_samenwerken_vertrouwen_dv4031z1ed.pdf

english :

http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/vat_conferences/tax_control_framework_en.pdf

The Spanish experience can be followed when looking at the following documentation :

E-GOV

https://sede.seg-social.gob.es/Sede_6/index.htm

RED system

http://www.seg-social.es/Internet_6/Masinformacion/SistemaRed/index.htm

Data exchange

http://www.seg-social.es/Internet_6/Masinformacion/Serviciosdecesionde51814/index.htm

Privacy – security

http://www.seg-social.es/Internet_6/Sede/Certificadosdigital47735/index.htm

Paper documentation :

“Improving awareness about funding systems. Good management practices”, TGSS, Madrid, February 2010, Meeting of the Directors General of Social Security, Spanish Presidency 2010

Annex I - Methodology

Giving the aim of this service contract to make available a report that will increase the general knowledge of the different collecting systems of social security contributions within the EU and highlight best practices that could be shared and give impulses to improve existing mechanism of collection, recovery and enforcement strategies, the promoter would like to opt for a multistage approach for the comparative analysis.

This multistage approach would consist of several phases, ultimately giving possibilities for an extrapolation of the results through policy swap simulations (last phase not in the framework of this service contract).

Consentment Phase

In a first phase, 12 countries will be contacted to take part in the research project. The selection criteria for these countries will be explained in the next paragraph.

Collection Phase

The collection of the data for the research will be gathered using a web based questionnaire.

Consolidation Phase

The second phase will consist of a more qualitative analysis of the responses to certain questions in the original questionnaire.

Extrapolation Phase (elements supplied for further initiatives)⁵⁶

On the basis of the identified parameters, an extrapolation could be possible: what could be improved in other MS, and more importantly, what would implementing a best practice from abroad mean for the collected amounts}

Taking into account the expressed requirement of delivering a comparative analysis of the main contribution collecting systems that can be found in the EU today, a selection of 12 M.S. will be made based on the

⁵⁶ Not within the scope of this service contract

typology of the existing financing structures in the EU-15 developed by Bonoli⁵⁷ and recent work made available by Fenger⁵⁸ and KPMG⁵⁹.

Bonoli identifying 4 major clusters in financing structures for the EU-15, the Conservative Model, the Social-Democratic Model, the Liberal Model and the Southern Model. Fenger extending this typology to the post-communist countries, adding the Former-USSR Model (close to the Conservative Model), the Post-communist European Model and the Developing welfare state Model. The new M.S. systems very much taking stock from the Latin Model (pay-as-you-go Social Security).

M.S. are affected to these clusters, although care must be taken since a lot of mixed financing structures are in place. But at least this approach offers the opportunity to identify the major systems in place in the EU and assure a representative coverage of the M.S. in the comparative analysis.

Added to this will be the input from the promoter's expertise in the field of social security contribution collection as to select "worthy" M.S.

The first large batch of selected M.S. will be subject to a survey taking the elements formulated in the tender specifications into account, with particular attention to the existence of new trends, methodologies, strategies and policies that have been put in place as to the different aspects of the contribution collection.

A data-set will be drafted from the results of this survey given the representativeness of this survey, this data-set will be where possible enriched with corroborating and useful elements from existing documentation and literature available (quick search) in view of the final report.

This is largely an in-depth survey, that should provide enough information to be able to select high potentials as to the objective of the identification of best practices on one hand and to be able to identify in a useful and significant way the common elements or major divergences of the collection systems.

Here the elements formulated in point 4.1. and 4.2 of the tender will provide the guidelines and focus points along which the information needed for the comparative data-set will be gathered. Special attention will be given to detect common trends and possible best practices for each of the focus points researched. More specifically attention will be paid to include M.S. with innovative systems on the one hand, and M.S. that are representative for other EU countries on the other hand.

For the second phase, M.S. will be selected on base of a qualitative analysis of the first survey results and a study of existing documentation. In this phase the promoter's expertise and network will provide additional guidance.

They will then be under scrutiny from a quantitative as well as qualitative point of view: by comparing the profitability of the collection system and its characteristics, the expert will try to identify a set of parameters that can predict the effectiveness of contribution collection and will serve as 'critical success factors' for any system.

The dimensions that will be measured will mainly coincide with those of the first phase, but will go more into detail with special attention to new trends, innovation and possible best practices to be disseminated.

Dimensions to be measured will include:

- figured evaluation of the dedicated measures (return on investment)
- evaluation of the measures in terms of administrative simplification both for the public as for the administrations (figured gains)
- discrepancy between estimates and actually collected amounts (success ratio)
- methods to measure data validity
- others to be specified after qualitative analysis of first data-set as relevant for the final reporting

This data will be included in the comparative analysis in the appropriate chapters.

⁵⁷ Ibidem, Bonoli, G.

⁵⁸ Ibidem, Fenger HJM.

⁵⁹ KPMG. KPMG's Individual Income Tax and Social Security Rate Survey 2009.

The comparative analysis consisting of descriptive and explanatory analyses will be conducted based on the information contained in the data-set,

- highlighting the different existing systems in the M.S., the specific strategies and instruments developed and set focal points,
- qualitative analysis of the system and specific measures
- quantitative analysis of the collection results (i.c. before and after)

The final report will be drafted taking into account:

- the web-based survey, the additional survey and the derived data-sets and analysis's
- the consulted documentation and reports

The final report will consist of following elements:

- general introduction
- literature study and desk-top research
- comparative analysis of the systems operating in the researched M.S.
- identification of common elements/major divergences
- identification of best practices, with special attention for best value for money practices
- conclusion
- attachments

Annex II - Orienting questionnaire

Comparative analysis of contributions collection in the EER

Preview - This is a preview of the survey and no results will be recorded.

Page 1

Information on the respondent

*** 1. Country**

*** 2. Name of organisation**

*** 3. What is the scope of your organisation?**

- Social Security institution
- Tax authority
- Autonomous collecting institution
- Other, please specify

Additional options (question 3)

> Min. selections required: 1

4. What is your function in the organisation?

Page 2

A. General information on the funding of the social security in your country.

5. The global financing of the social security is realised through

- social security contributions
- tax contributions
- mixed

6. If mixed, indicate percentage

- social security contributions

Page 1 of 14

tax contributions

other

100 Remaining value

7. What is the global amount of the social security funding?

	2007	2008	2009	2010
million €	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Page 3

B. General information on the assesment of the contribution due.

8. Determination of the "contribution base".

Specific notion of salary for social security contribution calculation purposes

Fiscal notion of salary is used

Global revenue is used

Other, please specify

Additional options (question 8)

> Min. selections required: 1

9. Methods of calculation of SS contribution

Percentage on contribution base

Fixed amount

Other, please specify

Additional options (question 9)

> Min. selections required: 1

10. If percentage, what is the part of the

	1 percentage	N/A
Employer	<input type="text"/>	<input type="radio"/>
Employee	<input type="text"/>	<input type="radio"/>
Tax payer	<input type="text"/>	<input type="radio"/>
Other, please specify	<input type="text"/>	<input type="radio"/>

11. Who is responsible for the payment?

- Employer
- Employee
- Tax payer

- None of the above

Additional options (question 11)

> Min. selections required: 1

12. Payments dates

	Monthly	Trimesterly	Semesterly	Yearly	Advance payments required?
SS contribution payed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>
SS contribution payed with tax notice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>
SS contribution integrated in tax base	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>

13. Are there separate regimes for particular categories?

Self-employed

Specific economic activities

Page 4

C. General information on the organisation of the collection system of SS contributions.

14. Wich authority is competent for the collection?

- State competence
- Private institutions with public function
- Other, please specify

Additional options (question 14)

> Min. selections required: 1

15. If state competence, is it a

- Exclusive state competence
- Shared competence with separate public institutions
- Other, please specify

Additional options (question 15)

> Min. selections required: 1

16. How is the collection set-up?

- Within social security administration
- Within tax administration
- Independent collecting/recovery agency

Additional options (question 16)

> Min. selections required: 1

17. The collection is

- Centralized (one unique collection point)
- Decentralized (multiple collection points)
- Deconcentrated

Additional options (question 17)

> Min. selections required: 1

18. If the collection is shared with other collecting institutions, the collection can be based on the

- economic activity (construction, shipping, etc)
- capacity (artist, farmer, etc)
- geographical region
- Other, please specify

19. If the collection is competence of the tax administration, the levy of SS contributions is a(n)

- integrated levy (one global tax levy)
- semi-integrated levy (one tax levy, but distinguished amount of tax and social security contributions due)
- merged levy (central levy of separate tax and social security contributions due)
- Other, please specify

Additional options (question 19)

> Min. selections required: 1

20. There are separate collections of the tax and social security contributions, but there are synergies (ex. use of same form for both levies), please complete if so.

Characters left: 2000

Page 5

D. Organisation of the record-keeping and datamanagement of social security contributions

21. Means of declaration of payments.

- Electronically (obligatory)
- Mixed (electronic, paper, phone, etc)

22. Individual identification is available through a

- national register (unique identification for all citizens)
- social security register
- tax register
- Other, please specify

Additional options (question 22)

> Min. selections required: 1

23. The record-keeping is done by the

- State
- State and employer
- Other, please specify

24. The state record-keeping is done within the (a)

- social security domain
- tax administration
- autonomous agency
- Other, please specify

Additional options (question 24)

> Min. selections required: 1

25. The record-keeping is

- centralized (one central register)
- decentralized ((different competent institutions)
- deconcentrated (multiple registers)
- Other, please specify

Additional options (question 25)

> Min. selections required: 1

26. The datamanagement is organised as follows,

- all exchange passes through one dedicated regulating institution (ex. cross road bank)
- via exchange between various competent institutions
- exchange possible between employers/tax payer and state register
- exchange possible with individual citizen
- Other, please specify

Additional options (question 26)

> Min. selections required: 1

27. If exchange between various competent institutions is the case, is the exchange

- unlimited
- limited to social security institutions
- limited to tax administration
- within certain boundaries exchange possible between tax and SS
- Other, please specify

Additional options (question 27)

> Min. selections required: 1

28. Is there a data exchange on the SS contribution collection with other EER countries, if yes discribe

structured bulk transfer _____

only case based exchange _____

- based on bilateral agreement
- based on EU regulation(s)
- limited to recovery of overdues

Page 6

E. Organisation of control, enforcement and recovery in social security contributions collection

29. Control, enforcement and recovery are competence of

- competent administration/authority
- collecting institution as such
- specific control body
- shared competence with various Institutions/administrations/authorities
- Other, please specify

30. Please explain shortly if competence is

- within specific control body
- shared among various bodies
- imbedded in tax administration

31. Are there specific competences for control and enforcement bodies/agents?

Characters left: 2000

32. Concerning the recovery of overdue payments, please describe if

- special measures are applicable
- recovery is entrusted to dedicated administration
- interstate recovery is organised

Page 7

F. Measures to increase compliance with social security obligations and to increase enforcement of collection of social contributions (new and innovative measures, implemented or planned)

1. Information on measures for an effective collection of SS contributions

33. Measures (technical/organisational) which facilitates communication/exchange/management of data

- moving to a full electronic communication environment between parties
- introduction/development of instruments for integrating employers/employee related information in an electronic process (recruitment, wages records, etc.)
- introduction of e-gov technology in SS contribution management
- Other, please specify
- None of the above

34. Client oriented measures which increases compliance and facilitates the payment, please describe.

Specific information campaign

Installing specific terms of payment

35. Measures to secure and/or assess the payment, please describe.

In advance calculation by the collecting authority on base of data available in registers

Use of statistical methods to predict the contributions due (prognose and subsequent actions if deviation)

Other

36. Specific legal measures to increase an effective collection of payment

Characters left:

37. Other measures to ensure an effective collection

Characters left:

2. Information on measures to increase the efficiency of the control and inspection mechanisms

38. Measures relating to the organisation of checks, please describe.

Introducing "riskmanagement" as part of management structure

Development of automated detecting tools

Other

39. If dedicated detecting tools are in use, please indicate the sources available

	internal	SS sector	tax sector	tax and SS sector (transversal)
Processing and analysing information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, please specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

40. Measures relating to pro-active investigation (on site inspection), please describe

New priorities and/or tasks for inspection services

New powers for inspection services

Other

41. Other measures, please describe.

Characters left: 2000

Page 9

3. Information on structural measures to increase the collection efficiency

42. Creation of a specific collecting body/agency

- Social contributions only
- Tax and social contributions
- Autonomous body/agency
- Within social security administration
- Within tax administration

Page 9 of 14

43. Creation of a specific anti-fraud organisation

	Autonomous (ad hoc, parliament, etc)	Hosted inside social security administration	Hosted inside tax administration	Coordination only
Social security contribution issues only	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social security contribution and benefit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social security and tax matters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

44. Integration (unification) of or development of common administrative procedures concerning social security contribution and tax collection on different levels, such as

- registration of contribution/tax payer
- calculation procedures and rates
- record maintenance
- auditing
- recovery/claims treatment
- transfer of data
- Other, please specify

Page 10

4. Information on legal measures to increase compliance and enforcement of collection

45. Have there been any new and innovative legal measures taken concerning following, please explain in a few words.

Integration of tax and social security contributions levies (different levels of merging possible)	<input type="text"/>
Simplification of social security legislation	<input type="text"/>
Reducing administrative burden (for authorities/employers/public)	<input type="text"/>
Enhancement of efficiency in the collecting mechanisms	<input type="text"/>
Enhancement of efficiency of inspection services	<input type="text"/>
Enhancement of efficiency in judicial procedures in contribution collecting matters	<input type="text"/>
Other	<input type="text"/>

5. Information on the performance of the social security contribution collection mechanisms

46. General information (figures) on the evolution of the liability (persons subject to SS contribution legislation)

	2007	2008	2009	2010
Employers	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Employees	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Self employed	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other, please specify	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

47. Specific information on performance evaluation mechanisms

	Internal	External	Public reporting
Auditing service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Permanent follow-up (cockpit)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, please specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

48. Did the implemented new and/or innovative measures increase

	2007	2008	2009	2010
the coverage of persons liable (%)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
the social contribution amount (%)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
the tax amount (integrated levie) (%)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
the effective received payment (%)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
the recovery of overdue payment (%)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
the recovery of interstate overdue payment (%)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

49. Did any measures reduced the cost of SS contribution collection, please describe

for employers

for the administration

50. Did any measures augmented perception, acceptance and/or transparency with the public, please describe how and why

Characters left: 2000

Page 11

G. Best practices

51. Can you sum up the best performing measures and shortly explain their reason for succes

- 1°
- 2°
- 3°
- 4°
- 5°

52. Can you sum up and give a short evaluation of the measures that did not live up to the expectation?

- 1°
- 2°
- 3°

53. Can you indicate which measure(s) you would propose as "best practice" to be exported and the reasons so?

Characters left: 2000

54. As to the recovery of SS contribution due and overdue on cross border level (Intracommunautair)? Can you comment on good experiences or specific difficulties in this field? Are there any best practices to be put forward?

Characters left: 2000

55. Anything you would like to add that would shed a supplementary light in view of the thematic of the analysis undertaken.

Characters left: 2000

In view of the elaboration of a record of the relevant institutions and authorities competent in SS contribution collection (to be annexed to the report), we would like to know the contact specifications (name, address, URL, SPOC) of these institutions and authorities in your country.
Limited to central, coordination, headquarters, etc. institutions.

56. Info on the collecting authority(ies)

Characters left: 2000

57. Info on the control and inspection body(ies)

Characters left: 2000

58. Info on specific recovery body(ies) or any other body(ies) that performs missions on the topic outside the collecting authority(ies) itself

Characters left: 2000

Annex III - Identification of contributing institutions and correspondents

Austria

- **Bundesministerium für Arbeit, Soziales und Konsumentenschutz**
- **Dr. Gerhard Buczolic, Ministerialrat**

Bulgaria

- **Национална агенция за приходите**
- **Dimitar Boychev, Executive Director**

Estonia

- **Maksu- ja Tolliamet**
- **Karin Aleksandrov, Chief Expert**

France

- **Agence Centrale des Organismes de Sécurité Sociale**
- **Laurent Monchablon, Responsable du département politique de recouvrement amiable et forcé**

Germany

- **GKV-Spitzenverband Deutsche Verbindungsstelle Krankenversicherung - Ausland (DVKA)**
- **Burchard Osterholz**

Ireland

- **Revenue Commissioners**
- **Brian Jones, Manager of a Performance Evaluation Unit**

- **Department of Social Protection**
- **Tony Kieran, Principal Officer, Head of Department**
- **Mary Kennedy, Principal Officer**

Italy

- **Instituto Nazionale delle Previdenza Sociale**
- **Maria Grazia Rocchi, Director General**

Netherlands (the)

- **Belastingdienst**
- **Jeroen Fijen, Senior Policy Advisor**

Poland

- **Zakład Ubezpieczeń Społecznych (ZUS)**
- **Anna Siporska**

Romania

- **Agenția Națională de Administrare Fiscală**
- **Rodica Savu, Expert**

Spain

- **Tesorería General de la Seguridad Social**
- **Isabel Plaza Garcia, Secretary General**

Sweden

- **Skatteverket**

- **Monica Gyllander, Legal expert**

Annex IV - Summary relevant institutions of the researched M.S.

Austria

Bundesministerium für Gesundheit
Radetskystrasse 2, 1031 Wien
www.bmg.gv.at

Wiener Gebietskrankenkasse
Wienerberstrasse 15-19, 1100 Wien

www.wgkk.at

Hauptverband der österreichischen Sozialversicherungsträger

Kundmannngasse 21,1031 Wien

www.hauptverband.at

Bulgaria

National Revenue Agency

52 Donkudov Blvd, 1000 Sofia

Estonia

Estonian Tax and Custom Board

Narva mnt 9j,

15176 Tallinn

www.emta.ee

France

Agence Centrale des Organismes de Sécurité Sociale

36, rue de Valmy

93108 Montreuil cedex

www.acoss.fr

Germany

GKV-Spitzenverband Deutsche Verbindungsstelle

Krankenversicherung - Ausland (DVKA)

Postfach 20 04 64

D-53134 Bonn

www.dvka.be

Ireland

Revenue Commissioners

Collector-General's Division

Sarsfield House

Francis Street

Limerick

www.revenue.ie

Department of Social Protection

www.welfare.ie

Italy

INPS

Direzione Centrale Entrate

Via Ciro il Grande,21

00144 ROMA

www.inps.it

Netherlands (The)

Belastingdienst

Korte Voorhout 7

Postbus 20201

2500 EE Den Haag

www.belastingdienst.nl

Poland

Zakład Ubezpieczeń Społecznych (ZUS)
Centrala ZUS
ul. Szamocka 3, 5,
01-748 WARSZAWA
www.zus.pl

Romania

National Agency for Fiscal Administration (ANAF)
Apolodor Street, 17
Sector 5, Bucharest
www.anaf.ro

Spain

Tesorería General de la Seguridad Social
C/Astros, 5-7 Edificio Jardín
28007 Madrid
www.seg-social.es

Sweden

Skatteverket
171 94 Solna
www.skatteverket.se