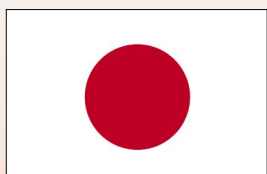
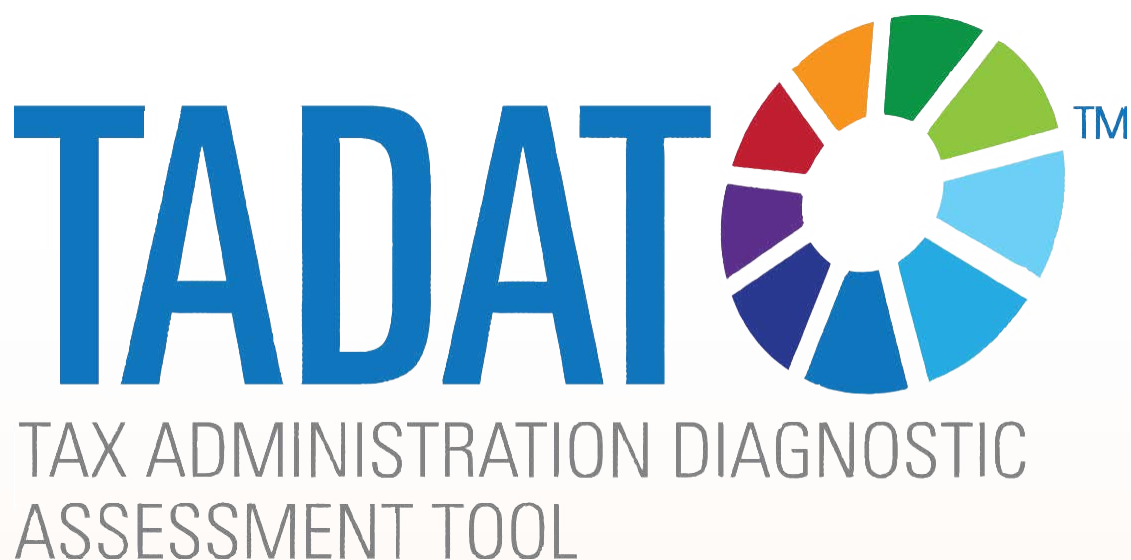


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# Performance Assessment Report

## State of Alagoas, Brazil

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Tostes, and Eudaldo Almeida de Jesus



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## ABBREVIATIONS AND ACRONYMS

CGE	<i>Controladoria Geral do Estado</i> (Comptroller General of Accounts)
CTE	<i>Conselho Tributaria Estadual</i> (State Revenue Tribunal)
DAC	<i>Declaração de Atividades do Contribuinte</i> (Tax declaration)
DAR	<i>Documento de Arrecadação de Receitas Estaduais</i> (Document of State Revenue Collection)
ENCAT	<i>Encontro Nacional dos Coordenadores e Administradores Tributários Estaduais</i> (National Conference of Tax Administration Coordinators)
EPP	<i>Empresa de Pequeno Porte - Simples Nacional</i> (small firm simplified national scheme)
GCF	<i>Gerência de Corregedoria Fazendaria</i> (Internal Affairs Unit)
GECAD	<i>Gerência de Cadastro</i> (Directorate of Registration)
GEFIS	<i>Gerência de Fiscalização de Estabelecimentos</i> (Directorate of Audit)
GEMIF	<i>Gerência de Monitoramento da Informações Fiscais</i> (Directorate of Monitoring of Fiscal Information)
GEPLAF	<i>Gerência de Planejamento da Ação Fiscal</i> (Directorate of Fiscal Action Plan)
ICMS	<i>Imposto sobre operações relativas a Circulação de Mercadorias e sobre prestações de Serviços de transporte interestadual, intermunicipal e de comunicação</i> (Goods & Service Tax – VAT)
IDB	Inter-American Development Bank
IPVA	<i>Imposto sobre a Propriedade de Veículos Automotores</i> (Motor Vehicle Tax)
ITCMD	<i>Imposto sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos</i> (Inheritance/gift tax)
MEI	<i>Microempreendedor Individual</i> (Individual microentrepreneur)
POA	Performance Outcome Area
RFB	<i>Receita Federal do Brasil</i> (Federal Revenue of Brazil)
SEFAZ	<i>Secretaria de Estado da Fazenda</i> (State Secretariat of Finance)
SPED	<i>Sistema Público de Escrituração Digital</i> (System for digital accounting)
TADAT	Tax Administration Diagnostic Assessment Tool
TCE	<i>Tribunal de Contas do Estado</i> (Court of Accounts)
VAT	Value Added Tax

## PREFACE

An assessment of the system of tax administration of the Alagoas State *Secretaria de Estado da Fazenda* (SEFAZ) in Brazil was undertaken during the period October 23 - November 5, 2017 using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team comprised the following: Munawer Khwaja (TADAT Secretariat and Team Leader), Monica Calijuri (TADAT Secretariat), Jose Tostes (Inter-American Development Bank - IDB) and Eudaldo Almeida de Jesus (*Encontro Nacional dos Coordenadores e Administradores Tributarios Estaduais* (ENCAT) and SEFAZ of Bahia State.

The assessment team met the Secretary of State for Finance, Mr. George Santoro; the Special Secretary of Treasury, Ms. Renata dos Santos; the Executive Secretary of Internal Management, Ms. Eliza Maria Pessoa Silva; the Special Secretary for State Revenues, Mr. Luiz Dias Neto; and the Superintendent of State Revenues, Mr. Francisco Luiz Suruagy Cavalcanti. The team worked closely with members of the Alagoas TADAT assessment working group and other officials of the SEFAZ. Field visits were undertaken to the large and medium taxpayer unit of *Gerência de Fiscalização de Estabelecimentos* (GEFIS) and to *Gerência de Cadastro* (GECAD) in Maceio, the regional office in Arapiraca, and the border checkpoint at Maragogi. The team also met the Secretary of the Board of Trade (*Junta Commercial de Estado de Alagoas* - JUCEAL) and the President of the Association of Commerce.

The assessment team expresses its gratitude to the SEFAZ management and other officials (both at headquarters and regional offices) for their hospitality, and robust and open discussions. Special thanks are due to Ms. Alexandra da Silva Vieira and Ms. Giselle Vilela Melo for the efficient manner in which they facilitated the work of the assessment team.

A draft performance assessment report was presented to the senior management of SEFAZ Alagoas at the close of the assessment. Written comments have been requested from SEFAZ in the next 21 days.

## EXECUTIVE SUMMARY

This performance report highlights the results of a TADAT assessment of the *Secretaria de Estado da Fazenda* (SEFAZ) of the State of Alagoas, Brazil, and captures the main strengths and weaknesses of the system of tax administration, measured against good international practice.

In recent years, Alagoas has implemented a number of initiatives to improve tax administration and enhance services to citizens, mainly leveraging technology as the key driver. Some of the key initiatives implemented include a seamless link between the Board of Trade (JUCEAL), the Federal Revenue and SEFAZ to simplify the registration process. E-filing and e-payment are universal for all taxpayers. There is also universal e-invoice system, which allows invoice information to be automatically matched. The SEFAZ website and taxpayer education programs provide all the necessary information for taxpayers and intermediaries. SEFAZ exhibits transparency in publishing the annual report of its financial and operational performance soon after the end of the fiscal year.

There are still a number of weaknesses that need close attention to enhance SEFAZ's effectiveness in the medium- to long-term. These include: (i) absence of a structured risk management system for compliance and institutional risks; (ii) audit selection not based on level of risks; (iii) limited use of third party information; (iv) weak monitoring of tax arrears; (v) delays in resolving administrative appeals; (vi) an inadequate tax refund mechanism; (vii) absence of surveys to monitor public confidence in SEFAZ; (viii) no tax gap analyses to monitor compliance and the level of informality; (ix) absence of an internal audit system; and (x) external oversight not extended to SEFAZ's tax operations.

The main strengths and weaknesses are listed below:

### Strengths

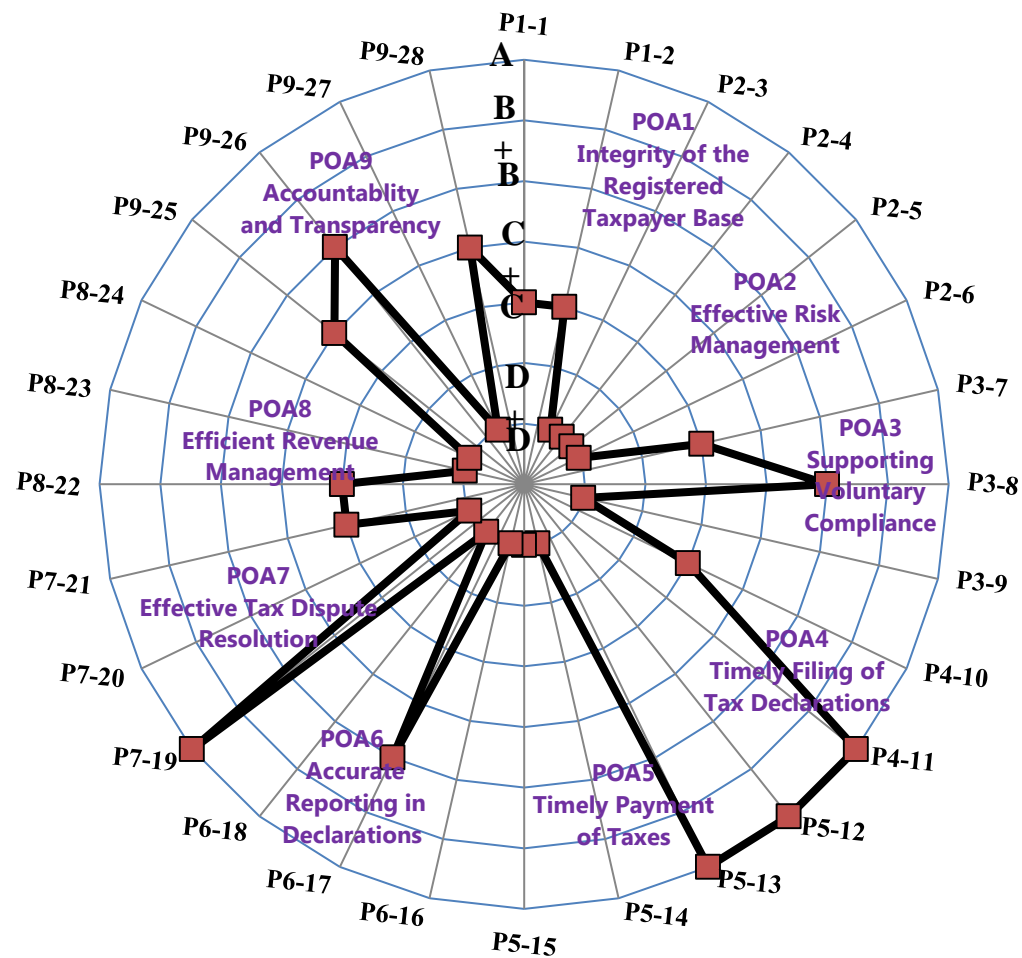
- There is a sound registration database that is reliable and current.
- Taxpayer service provides a range of information to taxpayers and intermediaries through a variety of other channels.
- All tax declarations and payments are submitted electronically.
- The appeal system is independent and appropriately structured in three tiers.
- SEFAZ has an organizationally independent internal affairs unit.
- The external oversight of the tax administration's financial performance is solid.
- The external investigation process for suspected wrongdoing is well-developed and undertaken by the ombudsman and State Prosecutor's office.
- The annual report on the financial and operational performance of SEFAZ is elaborate and made public within three months.

### Weaknesses

- Although linked, there are separate registration numbers at state and federal level.
- Management of compliance risks is weak.
- There is no compliance improvement plan.
- There is no structured process to manage institutional risks other than risks to IT systems.
- Timely payment of taxes is limited.
- There is no accurate data of tax arrears by age of arrears or by collectability of arrears.
- No tax gap analysis is performed.
- There are significant delays in resolution of tax disputes.
- The refund system is inadequate.
- Taxpayer accounts are not automated.
- There is no internal audit unit within SEFAZ.
- The external oversight of SEFAZ's operational performance is weak.
- No surveys are taken to monitor public confidence in the tax administration.

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 28 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

Figure 1. Alagoas: Distribution of Performance Scores



Indicator	Score
P1-1	C
P1-2	C
P2-3	D
P2-4	D
P2-5	D
P2-6	D
P3-7	C
P3-8	B
P3-9	D
P4-10	C
P4-11	A
P5-12	A
P5-13	A
P5-14	D
P5-15	D
P6-16	D
P6-17	B
P6-18	D
P7-19	A
P7-20	D
P7-21	C
P8-22	C
P8-23	D
P8-24	D
P9-25	C+
P9-26	B
P9-27	D
P9-28	C+



**Table 1. Alagoas: Summary of TADAT Performance Assessment**

Indicator	Scores 2017	Summary Explanation of Assessment
<b>POA 1: Integrity of the Registered Taxpayer Base</b>		
P1-1. Accurate and reliable taxpayer information.	<b>C</b>	Information held in the registered taxpayer database includes all relevant details. There are separate, but linked, high integrity taxpayer identification numbers (TIN) at the federal and state levels. Procedures exist and are regularly applied for identification, suspension and removal of inactive taxpayers, but audit reports are not available.
P1-2. Knowledge of the potential taxpayer base.	<b>C</b>	Actions to detect unregistered taxpayers are taken, but only on an ad hoc basis.
<b>POA 2: Effective Risk Management</b>		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<b>D</b>	The extent of intelligence gathering and research to identify compliance risks is not comprehensive and mostly limited to internal data sources.
P2-4. Mitigation of risks through a compliance improvement plan.	<b>D</b>	There is no structured process to identify, assess, rank and quantify tax non-compliance risks and to manage them.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<b>D</b>	There is no monitoring and evaluation of the impact on and changes in taxpayers' compliance behavior.
P2-6. Identification, assessment, and mitigation of institutional risks.	<b>D</b>	There is no structured and formalized process to identify, assess and mitigate institutional risks.
<b>POA 3: Supporting Voluntary Compliance</b>		
P3-7. Scope, currency, and accessibility of information.	<b>C</b>	Although there is a range of information on the main rights and obligations of taxpayers, but these are not adapted to the needs of disadvantaged groups. Information is kept current, although there is no written procedures to ensure this. SEFAZ website, and other service channels are provided to taxpayers at no cost. 62 percent of the calls from the taxpayers were answered in less than six minutes.
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	<b>B</b>	There is a simplified system of taxation for small taxpayers called Simples Nacional, and misconceptions of law and rules are analyzed to improve information products.
P3-9. Obtaining taxpayer feedback on products and services.	<b>D</b>	No survey is conducted to monitor taxpayers' perception of taxpayer services and products.
<b>POA 4: Timely Filing of Tax Declarations</b>		
P4-10. On-time filing rate.	<b>C</b>	72 percent of all taxpayers and 91 percent of large taxpayers filed their declaration for ICMS Normal on time.

Indicator	Scores 2017	Summary Explanation of Assessment
P4-11. Use of electronic filing facilities.	A	All taxpayers use electronic means to file declarations during the three years examined (2014, 2015 and 2016).
<b>POA 5: Timely Payment of Taxes</b>		
P5-12. Use of electronic payment methods.	A	All payments (ICMS) are made by the taxpayers by electronic means.
P5-13. Use of efficient collection systems.	A	Advance payment system is used, and there is withholding at source (reverse charge) of ICMS in specific cases.
P5-14. Timeliness of payments.	D	The number of ICMS payments made on time in 2016 was 29.29 percent of payments due, while the amount of payments was 76.21 percent of payments due.
P5-15. Stock and flow of tax arrears.	D	SEFAZ does not have accurate data of tax arrears by age of arrears or by collectability of arrears.
<b>POA 6: Accurate Reporting in Declarations</b>		
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	D	The tax audit plan covers the core tax (ICMS) and all taxpayer segments but does not select audit cases based on identified risks. Additionally, there is limited use of large-scale automatic cross-checking to verify information provided in tax returns.
P6-17. Extent of proactive initiatives to encourage accurate reporting.	B	SEFAZ provides a system of binding public and private decisions to guide taxpayers.
P6-18. Monitoring the extent of inaccurate reporting.	D	No monitoring of the extent of inaccurate reporting in tax declarations using tax gap analysis is performed.
<b>POA 7: Effective Tax Dispute Resolution</b>		
P7-19. Existence of an independent, workable, and graduated dispute resolution process.	A	An appropriately tiered mechanism of administrative and judicial review is available to taxpayers. The dispute mechanism is widely used and the administrative review mechanism is independent of the audit process.
P7-20. Time taken to resolve disputes.	D	None of the disputes are resolved within 90 days.
P7-21. Degree to which dispute outcomes are acted upon.	C	The tax administration undertakes some analysis of tax disputes, but not regularly. The analyses often result in issuance of amendment to rules, procedures or notifications.
<b>POA 8: Efficient Revenue Management</b>		
P8-22. Contribution to government tax revenue forecasting process.	C	SEFAZ actively participates in the preparation of revenue forecasts for the budget, monitors results and estimates tax expenditures, but does not make projections on the level of ICMS refunds.
P8-23. Adequacy of the tax revenue accounting system.	D	The tax accounting system is not yet fully automated and taxpayer accounts updated manually at the end of the month.

Indicator	Scores 2017	Summary Explanation of Assessment
P8-24. Adequacy of tax refund processing.	D	Procedures for processing ICMS refunds do not use risk criteria or pre-refund audits for the most sensitive cases. Only an insignificant number of ICMS reimbursement claims are paid or compensated within 30 days.
<b>POA 9: Accountability and Transparency</b>		
P9-25. Internal assurance mechanisms.	C+	There is no internal audit unit within the SEFAZ to provide internal assurance to the senior management of the soundness and adherence to internal controls. SEFAZ has a well-developed and organizationally independent internal affairs unit that has adequate investigative powers.
P9-26. External oversight of the tax administration.	B	The external oversight of the tax administration's financial performance is solid, but oversight of its operational performance is weak. The external investigation process for suspected wrongdoing is well developed and recommendations are acted upon routinely.
P9-27. Public perception of integrity.	D	There is no mechanism to monitor public confidence in the tax administration.
P9-28. Publication of activities, results, and plans.	C+	The annual report on the financial and operational performance of SEFAZ is elaborate and made public within three months of the end of the financial year. However, SEFAZ does not publish their strategic corporate plan nor the annual operational plan.

## I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in the tax administration – SEFAZ – of the Brazilian State of Alagoas during the period October 23 - November 5, 2017, and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 28 high level indicators critical to tax administration performance that is linked to the POAs. Forty-seven measurement dimensions are taken into account in arriving at each indicator score. A four-point ‘ABCD’ scale is used to score each dimension and indicator:

- ‘A’ denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered ‘good practice’, it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- ‘B’ represents sound performance (i.e. a healthy level of performance but a rung below international good practice).
- ‘C’ means weak performance relative to international good practice.
- ‘D’ denotes inadequate performance, and is applied when the requirements for a ‘C’ rating or higher are not met. Furthermore, a ‘D’ score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a ‘D’ score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to government revenues. These will vary from one subnational entity to the other. By assessing outcomes in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of an entity’s tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of SEFAZ of Alagoas).
- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework in a entity, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view among all stakeholders (authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).
- Facilitating management and coordination of external support for reforms, and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

## II. BACKGROUND INFORMATION

### A. Profile

General background information on the State of Alagoas, Brazil, and the environment in which its tax system operates are provided in the snapshot in Attachment II.

### B. Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

### C. Economic Situation

Brazil's economy has been facing a crisis in recent years. GDP decreased 3.8 percent in 2015 and 3.6 percent in 2016,<sup>1</sup> and the forecast for 2017 is only 0.3 percent expansion.<sup>2</sup> This context of reduced economic growth has generated important impacts in the States. After a positive Alagoas growth rate of 4.8 percent of GDP in 2014, well above the Brazil's GDP growth of 0.5 percent, its GDP has declined in the last two years (0.7 percent in both 2015 and 2016)<sup>3</sup> and the forecast for 2017 is also down by 1 percent.<sup>4</sup>

Notwithstanding this negative economic performance, the fiscal management of Alagoas has been producing positive results that allowed the State to improve its fiscal sustainability. Own revenues have grown nominally (11.3 percent in 2015 and 33.4 percent in 2016),<sup>5</sup> thereby increasing the state's fiscal autonomy at a particularly difficult time when federal-level transfers are uncertain. It also managed to reverse a primary deficit of R\$ 280 million in 2014, achieving positive and increasing primary surplus in 2015 and 2016 of R\$ 573 and R\$ 988 million, respectively.<sup>6</sup> These advances allowed Alagoas to advance three positions in the competitiveness ranking of the states (from 27<sup>th</sup> (last) to 24<sup>th</sup>).<sup>7</sup>

### D. Main Taxes

The total state revenue budget for 2016 was 20 percent of GDP, of which Alagoan own source revenues accounted for just under 10 percent of GDP; federal transfers accounted for about 10 percent of GDP. By far the most dominant source of state's tax revenue is

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<sup>1</sup> IBGE, 2017

<sup>2</sup> IMF, 2017

<sup>3</sup> IBGE e SUPOF - Superintendência de Política Fiscal/SEFAZ-AL.

<sup>4</sup> Gomes, Everton e Margato, Rodolfo. Em 11/09/2017. Valor Econômico.

<sup>5</sup> Balanço Geral do Estado 2015 e 2016.

<sup>6</sup> *Boletim das Finanças dos Entes Subnacionais – Ministério da Fazenda – Secretaria do Tesouro Nacional*. August 2017.

<sup>7</sup> <http://www.rankingdecompetitividade.org.br/ranking/2017/geral>

state-level VAT which averages 80 percent of total state's tax revenues. Other sources are insignificant, with vehicle tax accounting for nearly 7 percent and inheritance tax 0.3 percent of the state's tax revenues.

The normal VAT regime, applicable for turnover above R\$3.6 million, accounts for more than 97 percent of all VAT collection, while the simplified regime or *Simples Nacional*, consisting of *Empresa de Pequeno Porte (EPP)*, *Microempreendedor Individual (MEI)* and *Microempresa (ME)* together account for less than 2 per cent of all state tax revenues. EPP is available for firms with annual turnover up to R\$3.6 million, ME for annual turnover up to R\$360,000, and the patent scheme, MEI, for microbusiness with annual turnover up to R\$60,000. Another peculiarity is that the *Simples Nacional* declaration is filed at the federal level, representing many federal, state and municipal taxes, with the portion relating to ICMS being assigned to the state. For MEI, the individual taxpayer pays online R\$1 monthly.

For the purposes of this TADAT assessment for Alagoas, the normal VAT regime is the only 'core tax' being used since it contributes, on average, 80 percent of all state tax revenues, while other taxes (vehicle tax and inheritance/gift tax) are insignificant. The vehicle tax (IPVA) does not require filing of declaration, and the inheritance/gift tax (ITCMD) declarations are filed one time on the death of a person leaving assets to be inherited, or on making gifts.

Further details on tax revenue collections are provided in Table 1 of Attachment III.

### **E. Institutional Framework**

The State Secretariat of Finance or *Secretaria de Estado da Fazenda (SEFAZ)* is the entity responsible for administering and collecting the VAT, vehicle tax and inheritance tax, as well as many other minor taxes, levies and charges. The Federal Revenue Service or *Receita Fiscal do Brasil (RFB)* collects, *inter alia*, income taxes, customs duties, industrial production tax, financial transactions tax, and social security contributions. The Alagoas State Secretary of Finance is responsible for the formulation and implementation of revenue policies. He is assisted by the Executive Secretary for Internal Management and two Special Secretaries for: (i) Revenue; and (ii) Treasury. The Special Secretary (Revenue), assisted by the Superintendent of Revenue, manage the day-to-day affairs of the tax administration.

There are 10 directorates or *Gerencia* that manage audit, collection and tax credit, registration, taxation, communications, appeal, intelligence, taxpayer services, fiscal actions, information monitoring and goods in transit. In addition, there is an advisory service for the *Simples Nacional*, which is a tax collected by the RFB but assigned to the state. The total staff number is 827. Within the service, there are 380 inspectors and 79

collection enforcement officers. SEFAZ has seven regional fiscal coordination services, six tax offices and six service centers.

An organizational chart of the tax administration is provided in Attachment IV.

## **F. International Information Exchange**

Brazil has 33 Conventions on Avoidance of Double Taxation and Exchange of Information. Moreover, in 2011 the country signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters effective since 2016.

Section IX, Article 4 of the Brazilian Constitution, contains guiding principles of cooperation between nations. The National Tax Code provides for rules about international exchange of information. It also provides for the exchange of information among the federal government, states, and municipalities in the interest of efficient tax administration. Accordingly, an exclusive subdivision, has been set up within the *Secretaria da Receita Federal* to coordinate the domestic tax integration among the three levels of the Federation<sup>8</sup>. Brazil is also a member of MERCOSUR common market along with Argentina, Uruguay, Paraguay and Venezuela.

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<sup>8</sup> Heloisa Estellita and Frederico Silva Bastos. “*Tax Exchange of Information and International Cooperation in Brazil*.” Rev. direito GV vol.11 no.1 São Paulo Jan./June 2015



### III. ASSESSMENT OF PERFORMANCE OUTCOME AREAS

#### A. POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

##### P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e. tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

**Table 2. P1-1 Assessment**

Measurement dimension	Scoring Method	Score 2017	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	B	C
P1-1-2. The accuracy of information held in the registration database.		C	

#### **Information held in the registered taxpayer database includes all relevant details and the database supports effective interactions with taxpayers and intermediaries.**

The core tax in Alagoas is the Goods and Services Tax (ICMS) or VAT. The mechanism for registration of taxpayers is laid out in the State Tax Code (*Código Tributário Estadual*) and the Fiscal Administrative Process (*Processo Administrativo Fiscal*). The registration database is managed by the Registration Directorate or *Gerência de Cadastro (GECAD)*. GECAD's database is computerized and centralized, and contains all relevant details including the name of business, address, date of incorporation, industry sector, segment, and nature of business.

**The database is linked to information on related partners of the firm.** There is a standardized procedure for firms and microbusinesses that provides seamless registration through the portal of the Board of Trade or *Junta Commercial de Alagoas* (JUCEAL). This single registration platform passes all information electronically to the RFB, SEFAZ and municipalities; these entities then register the firm in their respective databases. The registration system interfaces with the other subsystems for declaration and payment processing and thus provides frontline staff with a full view of taxpayer's details. The system generates management information and allows deactivation and deregistration.

**There are separate high integrity taxpayer identification numbers (TIN) generated at the federal and state levels, but these are automatically linked at the time of registration.** At the time of registration, physical documents need to be presented for authentication of identity. After registration, taxpayers have secure access to update their information online.

**Documented procedures exist and are regularly applied for identification and removal of inactive taxpayers, but audit reports are not available.** Every month, the system generates a report of firms that have become inactive and need to be removed or kept under suspension. Since taxpayers move from the normal regime (the core Alagoas tax) to *Simples Nacional*, depending on change in turnover from year to year, firms are not deregistered, but are identified and kept under review as inactive for a while. Eventually, if they stay in *Simples Nacional*, they are transferred from the normal VAT to *Simples Nacional*. Firms are finally deregistered only when they close down.

**Taxpayers have to provide documentary proof at the time of registration to prevent fraudulent registration.** However, the crosschecking of information to verify its accuracy is done on a case-by-case basis.

## **P1-2: Knowledge of the potential taxpayer base**

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

**Table 3. P1-2 Assessment**

Measurement dimension	Scoring Method	Score 2017
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	<b>M1</b>	<b>C</b>

**Activities to detect unregistered taxpayers are conducted on an ad hoc basis.** Inspections of business premises are undertaken on an ad hoc basis.

## B. POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration).

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Four performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Identification, assessment, and mitigation of institutional risks.

### P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

**Table 4. P2-3 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations	M1	C	D
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		D	

**The extent of intelligence gathering and research to identify compliance risks is not comprehensive and mostly limited to internal data sources.** The Directorate of Fiscal Information Monitoring<sup>9</sup> analyzes data from a range of internal sources such as declarations, payment, electronic invoices and the public system of digital bookkeeping/accounting (*Sistema Público de Escrituração Digital* - SPED). From external sources, the analysis basically includes credit card information. There are no external context/environmental scan analyses, tax gap studies, sectoral research into hidden activities of businesses nor structured analysis from internal data including from results of taxpayer audit programs.

**There is no structured process to identify, assess, rank and quantify tax non-compliance risks.** There is no register of risks identified during the normal course of operations and, consequently, there is no ranking of risks nor estimates of revenue leakage.

#### P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

**Table 5. P2-4 Assessment**

Measurement dimension	Scoring Method	Score 2016
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	<b>M1</b>	<b>D</b>

**There is no compliance improvement program** or high-level plan that describes the most significant compliance risks and how the Alagoas tax administration intends to respond to the risks. Cases selected for tax audit by Directorate of Fiscal Information Monitoring are sent to Directorate of Fiscal Action Planning that elaborates a bimonthly audit program which should be executed in the following two months - there is no medium- to long-term view of compliance risks and related interventions. The current program includes desk and in-field audits but is not weighted to key taxpayer segments. Additionally, monitoring of the program results is ad hoc.

#### P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying

<sup>9</sup> *Gerência de Monitoramento das Informações Fiscais*

the assessment.

**Table 6. P2-5 Assessment**

Measurement dimension	Scoring Method	Score 2016
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	<b>M1</b>	<b>D</b>

**SEFAZ does not monitor and evaluate of the impact of risk mitigation activities on compliance behavior.** The tax administration does not currently assess the impact of its audit program on changes in compliance attitude and behavior by taxpayers.

**P2-6: Identification, assessment, and mitigation of institutional risks**

This indicator examines how the tax administration manages institutional risks. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

**Table 7. P2-6 Assessment**

Measurement dimension	Scoring Method	Score 2016
P2-6. The process used to identify, assess, and mitigate institutional risks..	<b>M1</b>	<b>D</b>

**There is no structured and formalized process to identify, assess and mitigate institutional risks.** There is no directorate responsible for institutional risks nor is there a documented and structured process to identify, assess and mitigate institutional risks across all core business processes. Institutional risk management is limited to risks associated with IT systems and information leakage. There is a business continuity plan associated to the IT systems but was last reviewed several years ago—this is beyond the two-year minimum requirement of the TADAT framework. IT systems disaster recovery training programs are conducted from on an ad hoc basis.

### **C. POA 3: Supporting Voluntary compliance**

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in

bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Three performance indicators are used to assess POA 3:

- P3-7—Scope, currency, and accessibility of information.
- P3-8—Scope of initiatives to reduce taxpayer compliance costs.
- P3-9—Obtaining taxpayer feedback on products and services.

#### **P3-7: Scope, currency, and accessibility of information**

For this indicator four measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information; and (4) how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in responding to information requests generally). Assessed scores are shown in Table 8 followed by an explanation of reasons underlying the assessment.

**Table 8. P3-7 Assessment**

Measurement dimensions	Scoring Method	Score 2017	Measurement dimensions
P3-7-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	<b>M1</b>	<b>B</b>	<b>C</b>
P3-7-2. The degree to which information is current in terms of the law and administrative policy.		<b>C</b>	
P3-7-3. The ease by which taxpayers obtain information from the tax administration.		<b>A</b>	
P3-7-4. The time taken to respond to taxpayer and intermediary requests for information.		<b>B</b>	

**The SEFAZ website provides a range of information on the main rights and obligations of taxpayers, but this is not adapted to the needs of disadvantaged groups.** The Fiscal Education Directorate carries out programs aimed at citizen awareness of their obligations and rights related to state taxes. There are specialized courses for tax intermediaries and small businesses. SEFAZ also makes available several channels of assistance to the taxpayer (face-to-face at 14 service centers, email, telephone and call center), as well as booklets, and information on the SEFAZ website. However, there is no evidence of information tailored to the needs of disadvantaged groups such as uneducated and rural taxpayers.

**Information is kept current, but there is no procedures outlined to ensure this.** There is no dedicated team to carry out the information updates; this is done on an ad hoc basis. An example is the ad hoc update of the *Regularize* booklet on self-rectification of errors and infractions by taxpayers before an audit, based on Decree 59.974, dated August 29, 2017, made available on the SEFAZ website on October 30, 2017. The practice of sending specific communications to taxpayers about changes in the law or procedures is being developed.

**The SEFAZ website, and other modern information service channels are provided to taxpayers at no cost.** Also, seminars are regularly conducted for taxpayers under a tax education program.

**Call center records show that 62 percent of calls from taxpayers or their intermediaries were answered in less than six minutes.** The service was started only in January 2017 hence the data is available up to October 2017. (Table 3 of Attachment III).

### P3-8: Scope of initiatives to reduce compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

**Table 9. P3-8 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P3-8. The extent of initiatives to reduce taxpayer compliance costs.	<b>M1</b>	<b>B</b>

**There is a simplified system of taxation for small taxpayers called *Simples Nacional*, and misconceptions of law and procedures are analyzed to improve information products.** Additionally, there are several service channels for taxpayers and SEFAZ trains and equips municipal officials with capacity to answer frequently asked questions from taxpayers. A discussion forum for intermediaries is also used to address misconception of laws and procedures, and to improve information services. Taxpayers have secure online access to update their information. Taxpayers under the ICMS normal regime are required to deliver, electronically, the *Declaração de Atividades do Contribuinte* (DAC) or tax declarations, which will soon be replaced by SPED Fiscal.

### P3-9: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

**Table 10. P3-9 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P3-9-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	<b>M1</b>	<b>D</b>	<b>D</b>
P3-9-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		<b>C</b>	

**SEFAZ does not carry out research to obtain the opinion of the taxpayers with respect to the standard of services provided.** Although SEFAZ obtains taxpayer



feedback, no survey has been conducted to monitor taxpayers' perception on the quality of its services and products.

**SEFAZ consults key taxpayer groups and intermediaries to identify deficiencies and test new products on an ad hoc basis.** The taxpayer forum provides opportunities to get feedback on service provided and products used by taxpayers. Inputs of taxpayers are taken into account in designing new products.

#### **D. POA 4: Timely Filing of Tax Declarations**

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

The following performance indicators are used to assess POA 4:

- P4-10—On-time filing rate.
- P4-11—Use of electronic filing facilities.

##### **P4-10: On-time filing rate**

A single performance indicator, with three measurement dimensions, is used to assess the on-time filing rate for the main taxes. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

**Table 11. P4-10 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P4-10-1. The number of declarations for the most important tax (T1) filed by the statutory due date as a percentage of the number of declarations expected from registered T1 taxpayers.	M2	C	C
P4-10-2. The number of declarations for the second most important tax (T2) filed by the statutory due date as a percentage of the number of declarations expected from registered T2 taxpayers.		NA	
P4-10-3. The number of declarations for the third most important tax (T3) filed by the statutory due date as a percentage of the number of declarations expected from registered T3 taxpayers.		NA	

**The timely submission of the declarations of the only core tax, the ICMS, was 72 percent for all taxpayers and 91 percent for large taxpayers.** The collection of ICMS in the State of Alagoas is very concentrated, 300 out of 6,000 taxpayers account for 82 percent of all tax payments. (Tables 6 and 7 of Attachment III).

#### **P4-11: Use of electronic filing facilities**

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

**Table 12. P4-11 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P4-11. The extent to which tax declarations are filed electronically.	M1	A

**All declarations are submitted to SEFAZ by electronic means.** In the years 2014 - 2016, the declarations of the ICMS were filed only in the electronic form (Table 8 of Attachment III).

### **E. POA 5: Timely Payment of Taxes**

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Four performance indicators are used to assess POA 5:

- P5-12—Use of electronic payment methods.
- P5-13—Use of efficient collection systems.
- P5-14—Timeliness of payments
- P5-15—Stock and flow of tax arrears.

#### P5-12: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. For TADAT measurement purposes, payments made in-person by a taxpayer to a third-party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Government's account are accepted as electronic payments. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

**Table 13. P5-12 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P5-12. The extent to which core taxes are paid electronically	<b>M1</b>	<b>A</b>

**All taxes are paid electronically.** In the period from 2014 - 2016, the core tax (ICMS), as well as all other taxes, were paid electronically (Table 8 of Annex III).

#### P5-13: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 14 followed by an explanation of reasons underlying the assessment.

**Table 14. P5-13 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P5-13. The extent to which withholding at source and advance payment systems are used.	<b>M1</b>	<b>A</b>

**An advance payment system is used, and there is 'reverse charge' withholding at source of ICMS specific cases.** Both systems ensure that the Public Treasury of Alagoas

of prepaid ICMS: (i) the advance tax, which includes the estimate made by the taxpayer of the tax that would be due when the taxing event occurs; and (ii) the reverse charge, representing a withholding made by a link in the value-addition chain of certain goods and services in line with Complementary Law No 87/1996, Articles 5 to 11.

#### P5-14: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, VAT payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

**Table 15. P5-14 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P5-14-1. The number of payments for the most important tax made by the statutory due date in percent of the total number of payments due.	M1	D	D
P5-14-2. The value of payments for the most important tax made by the statutory due date in percent of the total value of payments due.		B	

**The number of ICMS payments made on time in 2016 was about 29 percent of the number of payments due, while the value of payments were 76 percent of those due (Table 9 of Attachment III). This statistic underscores further the concentration of ICMS key taxpayers.**

#### P5-15: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.<sup>10</sup> A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and

<sup>10</sup> For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome; (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy); and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

**Table 16. P5-15 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P5-15-1. The value of total tax arrears at fiscal year-end as a percentage of total tax revenue collections for the fiscal year.	M2	D	D
P5-15-2. The value of collectible tax arrears at fiscal year-end as a percentage of total tax revenue collections for the fiscal year.		D	
P5-15-3. The value of tax arrears more than 12 months' old as a percentage of the value of all tax arrears.		D	

**The monitoring of tax arrears in SEFAZ, including their age and collectability, is not systematic.** The absence of such controls demonstrates the unstructured manner in which tax debtors are pursued. (Table 10 of Attachment III refers).

#### **F. POA 6: Accurate Reporting in Declarations**

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and

intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, three performance indicators are used to assess POA 6:

- P6-16—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-17—Extent of proactive initiatives to encourage accurate reporting.
- P6-18—Monitoring the extent of inaccurate reporting.

#### P6-16: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, two measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

**Table 17. P6-16 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P6-16-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M2	D	D
P6-16-2. The extent of large-scale automated crosschecking to verify information in tax declarations.		D	

**The bimonthly tax audit plan covers the core tax (ICMS) and all taxpayer segments but audit cases are not selected based on identified risks.** Cases are identified based on the magnitude of the differences ascertained during cross-checking from internal sources and credit card information. Those in which the evidence is strong are prioritized. There is no evidence of audit targeting higher risk sectors or within taxpayer segments such as large taxpayers. Different audit types and methodologies are used, but evaluation of audit impact on accuracy of reporting is not conducted.

**There is limited use of large-scale automatic cross-checking to verify information provided in tax returns.** Performed by means of Business Intelligence or by direct queries, the information cross-checking uses only one external source, i.e., credit card

information, as well as, internally, e-invoice matching from ICMS returns. No other external sources are used, not even using data from other government agencies to improve the identification and prevention of inaccuracies in taxpayer declarations.

#### P6-17: Extent of proactive initiatives to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

**Table 18. P6-17 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P6-17. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	<b>M1</b>	<b>B</b>

**SEFAZ provides a system of binding public and private decisions to clarify and guide taxpayers.** Taxpayers may request clarification on controversial issues or interpretations of tax legislation through a system of consultations (Law 7.774 / 2015). A small fee of is charged for this request. The conclusive opinions of these consultations are disclosed on the SEFAZ website, without identifying the taxpayer, for the purpose of general guidance. The most comprehensive and interesting issues are the subject of a Public Notice also published on the SEFAZ website. However, SEFAZ has not adopted methods of cooperative compliance with taxpayers to manage the risks of inaccurate reporting.

#### P6-18: Monitoring the extent of inaccurate reporting

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 19 followed by an explanation of reasons underlying the assessment.

**Table 19. P6-18 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P6-18. The soundness of the method/s used by the tax administration to monitor the extent of inaccurate reporting.	<b>M1</b>	<b>D</b>

**No monitoring of the extent of inaccurate reporting in tax declarations is performed.** SEFAZ has not assessed the ICMS tax compliance gap nor does it use third party data-matching approaches. It also does not monitor tax revenue losses arising from inaccurate information in taxpayer declarations. Further, there is no evidence of

evaluation of tax losses based on the results of the audit programs or the cross-checking of source data.

### G. POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

- P7-19—Existence of an independent, workable, and graduated dispute resolution process.
- P7-20—Time taken to resolve disputes.
- P7-21—Degree to which dispute outcomes are acted upon.

#### P7-19: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

**Table 20. P7-19 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P7-19-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	A	A
P7-19-2. Whether the administrative review mechanism is independent of the audit process.		A	
P7-19-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		A	

**An appropriately tiered mechanism of administrative and judicial review is available to taxpayers.** The tiered review mechanism exists with several stages. The first stage is a single administrative review (Judgement Directorate). The second stage is



another administrative review at an independent external specialist tax tribunal (CTE) under the SEFAZ. In case the decision is not unanimous, the Secretary of the Treasury has the casting vote. If dissatisfied with the final outcome of the administrative review, or even during the administrative review process, the taxpayer can start a judicial review process by lodging an appeal to a judicial court that can be escalated right up to the Supreme Court of Justice.

**The dispute mechanism is widely used by taxpayers.** During the appeal process, the collection of the dispute amount is suspended, without being secured by any guarantee, if the appeal is filed in less than 30 days of the assessment decision.

**The administrative review mechanism is independent of the audit process.** The first and the second stages of review are physically and organizationally separate from the Audit Unit, and subordinated to SEFAZ.

**Information on the dispute resolution process is published and taxpayers are explicitly made aware of it at the end of any assessments.** Information about taxpayer's rights and dispute resolution procedures is publicly available on the website and specifically included in the audit assessments reports. In addition, auditors are required, by written instructions, to specifically inform taxpayers on their rights and dispute resolution procedures.

#### P7-20: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

**Table 21. P7-20 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P7-20. The time taken to complete administrative reviews.	<b>M1</b>	<b>D</b>

**None of the disputes are resolved within 90 days.** Discussions with the Association of Commerce demonstrated that there are large delays in finalizing appeals at all levels. (Table 11, Attachment III).

#### P7-21: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 22 followed by an explanation of reasons underlying the assessment.

**Table 22. P7-21 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P7-21. The extent to which the tax administration responds to dispute outcomes.	<b>M1</b>	<b>C</b>

**The tax administration has undertaken some monitoring and analysis of tax dispute outcomes but this is not done regularly.** The summary of review decision is published on the tax administration's website where it can be referenced by any taxpayers. The analyses often result in issuance of amendment to rules or procedures in the form of notifications.

## **H. POA 8: Efficient Revenue Management**

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)<sup>11</sup>
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-22—Contribution to government tax revenue forecasting process.
- P8-23—Adequacy of the tax revenue accounting system.
- P8-24—Adequacy of tax refund processing.

### **P8-22: Contribution to government tax revenue forecasting process**

<sup>11</sup> It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

**Table 23. P8-22 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P8-22. The extent of tax administration input to government tax revenue forecasting and estimating.	<b>M1</b>	<b>C</b>

**SEFAZ actively participates in the preparation of revenue forecasts for the budget, monitors results and estimates tax expenditures; however, it does not make projections on the level of ICMS refunds.** Using specific methodologies for each type of revenue and official macroeconomic indicators of the federal government, SEFAZ prepares estimates of revenue that are inputs into the Annual Budget Law and the Fiscal Adjustment Program of the State. Daily monitoring of the main revenues is carried out and bi-monthly reports are produced on the variations and indication of adjustment measures to compensate the government. Estimates of the tax expenditures compose the annex of the Budget Guidelines Law. Their impact on revenues is elaborated and their outturn is monitored.

**P8-23: Adequacy of the tax revenue accounting system**

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

**Table 24. P8-23 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P8-23. Adequacy of the tax administration's revenue accounting system.	<b>M1</b>	<b>D</b>

**The tax accounting system is not yet fully automated, and tax revenue records are updated manually every end of month.** This is despite the fact that the information on payments made by taxpayers is available in the SEFAZ system in real-time on a daily basis, and the funds are transferred from the banks to the State Treasury the following day. The primary cause of this gap is that there is no integration or interface between the declarations and payments accounting systems. SEFAZ is in the process of implementing an integrated and automated financial/accounting system—it is expected to operate from January 2018.

## P8-24: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing VAT refund claims. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

**Table 25. P8-24 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P8-24-1. Adequacy of the VAT refund system.	M2	D	D
P8-24-2. The time taken to pay (or offset) VAT refunds.		D	

**Procedures for processing ICMS refunds do not use risk criteria or pre-refund audits for the most sensitive cases.** Requests for reimbursement of ICMS, if granted, result in authorization for offset in the tax declaration, or with existing debts. It is only when these two alternatives are not possible that refunds in cash are allowed. However, risk analyses or pre-refund audits are not conducted for high-risk cases, nor is preferential treatment given to taxpayers with a solid track tax compliance record. ICMS refund payments are taken from consolidated revenues and there is no specific fund or special budget appropriation. Additionally, there is no mechanism of interest payments for late refund payments.

**There was no evidence that ICMS reimbursement claims have been paid or offset within 30 days.** SEFAZ does not routinely monitor the time it takes to pay or offset ICMS refunds.

### I. POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-25—Internal assurance mechanisms.
- P9-26—External oversight of the tax administration.
- P9-27—Public perception of integrity.
- P9-28—Publication of activities, results, and plans.

### P9-25: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 26 followed by an explanation of reasons underlying the assessment.

**Table 26. P9-25 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P9-25-1. Assurance provided by internal audit.	M2	D	C+
P9-25-2. Staff integrity assurance mechanisms.		A	

**There is no internal audit unit within the SEFAZ to provide internal assurance to the senior management on the soundness and adherence to internal controls.** Internal controls of policies, procedures, and systems exist in the form of decrees, rules, instructions and orders, to ensure compliance with laws. These include authorization of transactions, allocation of functional duties, and control over access to records. However, although the managers of the respective directorates supervise compliance of these procedures, there is no independent internal assurance mechanism or unit to verify compliance.

**SEFAZ has a well-developed and organizationally independent internal affairs unit with adequate investigative powers.** The unit called, *Gerência de Corregedoria Fazendária* (GCF), reports directly to the Secretary of State for Finance who approves all actions. The GCF has appropriate investigative powers that are laid out in Decree 4.070 of 4 November, 2008, including to access all relevant documents. It follows the integrity policy and the ethics code, both of the federal government's *Controladoria Geral da Uniao* (Comptroller General of the Union) and the state government's Civil Service Law of Alagoas (Law 5.247/91 of 26 July 1991). It cooperates with the anti-corruption agency in the Ministry of Public Affairs, as well as the police and the State Prosecutor's office. The GCF maintains integrity statistics and prepares an annual integrity report that is published on the SEFAZ website.

### P9-26: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 27 followed by an explanation of reasons underlying the assessment.

**Table 27. P9-26 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P9-26-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	C	B
P9-26-2. The investigation process for suspected wrongdoing and maladministration.		A	

**External oversight of the tax administration's financial performance is solid but that of its operational performance is weak.** The external oversight is performed at two levels: (i) *Controladoria Geral do Estado* (CGE) or State Comptroller General, and (ii) *Tribunal de Contas do Estado de Alagoas* (TCE) or Court of Accounts. The CGE belongs to the executive branch of government under the Governor, and it oversees anti-corruption and transparency assurance programs. The CGE develop an annual accountability plan and designates an Ombudsman for SEFAZ. The TCE, on the other hand, reports to the Legislative Assembly and conducts external audits of government agencies. The TCE audits, annually, the overall financial performance of SEFAZ including budget, procurement and contracts. It carries out some limited audits on operations but not regularly. SEFAZ responds to the audit findings and recommendations, and these are published regularly on the TCE and SEFAZ websites.

**The external investigation process for suspected wrongdoing is well developed and undertaken by the ombudsman and the State Prosecutor's office — recommendations are acted upon routinely.** The *Ouvidoria* or ombudsman is assigned to SEFAZ by the CGE. Any person can write suggestions or complaints regarding actions of the SEFAZ or its staff. The ombudsman routinely reports the complaints to SEFAZ, and when resolved, the taxpayer is always informed of the results. The statistics and a brief account of the complaint are published monthly on SEFAZ website.

**The Prosecutor's office liaises with the Secretary of Finance to discuss cases of serious misdemeanor and corruption.** The Prosecutor can recommend administrative penalties or criminal prosecution. Actions on the recommendation are taken by the Governor, who is the only authority to remove a civil servant. Suspension and minor punishments can be ordered by the Secretary of Finance, or the head of directorate concerned, depending on the gravity of the misdemeanor (Art. 143 of Law 5.247/91).

#### P9-27: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 28 followed by an explanation of reasons underlying the assessment.

**Table 28. P9-27 Assessment**

Measurement dimensions	Scoring Method	Score 2017
P9-27. The mechanism for monitoring public confidence in the tax administration.	<b>M1</b>	<b>D</b>

**There is no mechanism to monitor public confidence in the tax administration.**

SEFAZ plans to conduct, in the near future, independent surveys on the public's confidence levels of the tax administration using independent survey firms.

**P9-28: Publication of activities, results, and plans**

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

**Table 29. P9-28 Assessment**

Measurement dimensions	Scoring Method	Score 2017	
P9-28-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	<b>M2</b>	<b>A</b>	<b>C+</b>
P9-28-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.		<b>D</b>	

**The annual report on the financial and operational performance of SEFAZ is elaborate and made public within four months of the end of the financial year.** The annual report, in three volumes, contains detailed analysis of the performance of all the directorates of SEFAZ. The report, in hard copy and on the website, is published in April, for the fiscal year ending December.

**SEFAZ does not publish the strategic corporate plan nor the annual operational plan.** SEFAZ does conduct meetings with the taxpayer forum and chambers of commerce to discuss its future plans, but these are not widely published.

## Attachment I. TADAT Framework

### Performance outcome areas

TADAT assesses the performance of a tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
3. **Support given to taxpayers to help them comply:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.
4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
5. **On-time payment of taxes:** Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
6. **Accuracy of information reported in tax declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.
7. **Adequacy of dispute resolution processes:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.





8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.

### **Indicators and associated measurement dimensions**

A set of 28 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 47 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and four measurement dimensions.

Repeated assessments will provide information on the extent to which a tax administration is improving.

### **Scoring methodology**

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 47 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

**Method M1** is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

**Method M2** is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

## Attachment II. Alagoas State, Brazil: Snapshot

<b>Geography</b>	The State of Alagoas is located in the Northeast Region of Brazil, bordering Pernambuco, Sergipe, Bahia and the Atlantic Ocean which gives the state its natural beauties. Alagoas has an area of 27,848 square km divided into 102 municipalities.
<b>Population</b>	3,358,963 inhabitants in 2016 (population density of 120.61 inhabitants per square kilometer), of which 71.7 percent are in urban areas. The most populous municipalities of the state are Maceio and Arapiraca, which together account for 33 percent of the state's population. (Source: Alagoas State Budget 2016; Census data)
<b>Adult literacy rate</b>	90 percent ( <a href="http://www.worldatlas.com">http://www.worldatlas.com</a> ) Human Development index of 0.63 is below the national average of 0.74 (Source: UNDP)
<b>Gross Domestic Product</b>	2016 nominal GDP: R\$ 44.432 billion; equivalent to USD 13.7 billion (Source: State Budget of Alagoas 2016)
<b>Per capita GDP</b>	2016 per capita GDP: R\$ 13,228; equivalent to USD 4,079. (Source: State Budget of Alagoas 2016)
<b>Main industries</b>	The economy is mainly agricultural, dependent largely on sugarcane plantations with some tobacco farming. Sugarcane formed the basis for an alcohol industry that is in decline. Other local industries include extractives, electricity, construction, and chemical products. Beach tourism is a growing industry.
<b>Communications</b>	- Internet users per 100 people: 65. - Mobile 'phone subscribers per 100 people: 67. (Source: SEFAZ-Alagoas 2016)
<b>Main taxes</b>	VAT, Vehicle Tax, Inheritance Tax.
<b>Tax-to-GDP</b>	9.8 percent in 2016 (Source: State Budget of Alagoas)
<b>Number of taxpayers</b>	VAT Normal: 4135; Simples EPP: 3,044; ME: 29,142; MEI: 55,628. Vehicle tax: 1,058,039; Inheritance tax: 2,395 (Source: SEFAZ-Alagoas 2016)
<b>Main collection agency</b>	Secretariat de Estado da Fazenda (SEFAZ)
<b>Number of staff in the main collection agency</b>	827
<b>Financial Year</b>	Calendar year.

## Attachment III. Data Tables

## A. Tax Revenue Collections

Table 1. Tax Revenue Collections, 2014-16 <sup>1</sup>			
	2014	2015	2016
<b>In Real – R\$</b>			
<b>Budgeted tax revenue forecast of subnational entity<sup>2</sup></b>	<b>3,474,579,553</b>	<b>3,749,324,717</b>	<b>3,982,126,807</b>
<b>Total tax revenue collections</b>	<b>3,489,934,498</b>	<b>3,770,324,414</b>	<b>4,371,887,107</b>
Main source of tax revenue (ICMS or VAT)	2,927,847,053	3,119,058,906	3,589,466,854
Of which: ICMS Normal regime (Core tax)	2,850,619,629	3,042,204,245	3,506,555,884
EPP – Simples Nacional (Simplified regime)	30,004,402	31,182,215	34,403,902
ME - Microenterprise	47,221,273	45,669,895	48,493,898
MEI – Microentrepreneur Individual	1,748	2,550	13,169
2 <sup>nd</sup> main source of tax revenue (IPVA or Vehicle tax)	192,284,847	214,495,575	299,310,459
3 <sup>rd</sup> main source of tax revenue (ITCMD or Inheritance tax)	6,236,561	21,937,182	11,924,857
Other local minor taxes	363,566,038	414,832,751	471,184,936
<b>In percent of total tax revenue collections</b>			
<b>Total tax revenue collections</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Main source of tax revenue (ICMS or VAT)	83.9	82.7	82.1
Of which: ICMS Normal regime (Core tax)	81.7	80.7	80.2
EPP – Simples Nacional (Simplified regime)	0.9	0.8	0.8
ME - Microenterprise	1.4	1.2	1.1
MEI – Microentrepreneur Individual	0.0	0.0	0.0
2 <sup>nd</sup> main source of tax revenue (IPVA or Vehicle tax)	5.5	5.7	6.9
3 <sup>rd</sup> main source of tax revenue (ITCMD or Inheritance tax)	0.2	0.6	0.3
Other local minor taxes	10.4	11.0	10.8
<b>In percent of GDP</b>			
<b>Total tax revenue collections</b>	<b>8.5</b>	<b>8.9</b>	<b>9.8</b>
Main source of tax revenue (ICMS or VAT)	7.2	7.3	8.1
Of which: ICMS Normal regime (Core tax)	7.0	7.2	7.9
EPP – Simples Nacional (Simplified regime)	0.1	0.1	0.1
ME - Microenterprise	0.1	0.1	0.1
MEI – Microentrepreneur Individual	-	-	-
2 <sup>nd</sup> main source of tax revenue (IPVA or Vehicle tax)	0.5	0.5	0.7
3 <sup>rd</sup> main source of tax revenue (ITCMD or Inheritance tax)	0.0	0.1	0.0
Other local minor taxes	0.9	1.0	1.1
Nominal GDP of Alagoas state in local currency	40,972,769,680	42,544,055,480	44,432,285,550
<b>Explanatory notes:</b>			
<sup>1</sup> This table gathers data for three fiscal years (e.g, 2014-16) in respect of all tax revenues collected by the subnational tax administration.			
<sup>2</sup> This forecast is normally set by the Ministry of Finance (at the subnational level) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.			

**B. Movements in the Taxpayer Register**  
(Ref: POA1)

<b>Table 2. Movements in the Taxpayer Register, 2014-16</b>					
	<b>2014</b>				
	Active <sup>1</sup> [A]	Inactive (not yet deregistered ) [B]	Total end- year position [A + B]	Percentage of inactive (not yet deregistered )	Deregistered during the year
Total taxpayers (ICMS/VAT)	76,663	13,417	90,081	14.9	
<i>Of which: ICMS Normal regime</i>	6,880	9,932	16,812	59.1	
<i>EPP – Simples Nacional</i>	2,905	33	2,938	1.1	
<i>ME - Microenterprise</i>	28,226	2,231	30,457	7.3	
<i>MEI – Individual Entrepreneurs</i>	37,593	40	37,633	0.1	
<i>Others</i>	1,059	1,181	2,241	52.7	
	<b>2015</b>				
Total taxpayers (ICMS/VAT)	85,668	11,891	97,559	12.2	
<i>Of which: ICMS Normal regime</i>	7,453	9,091	16,544	54.9	
<i>EPP – Simples Nacional</i>	3,078	22	3,100	0.7	
<i>ME - Microenterprise</i>	28,406	1,605	30,011	5.4	
<i>MEI – Individual Entrepreneurs</i>	45,469	45	45,514	0.1	
<i>Others</i>	1,172	1,128	2,300	49.1	
	<b>2016</b>				
Total taxpayers (ICMS/VAT)	93,497	15,329	108,826	14.1	592
<i>Of which: ICMS Normal regime</i>	4,135	11,102	15,237	72.9	68
<i>EPP – Simples Nacional</i>	3,044	130	3,174	4.1	8
<i>ME - Microenterprise</i>	29,142	2,832	31,974	8.9	138
<i>MEI – Individual Entrepreneurs</i>	55,628	63	55,691	0.1	378
<i>Others</i>	1,548	1,202	15,237	7.9	-
<b>Explanatory Note:</b>  <sup>1</sup> 'Active' taxpayer means registrants from whom tax declarations (returns) are expected, 'Active' taxpayers exclude those who have not filed a declaration within at least the last year because the case is defunct (e.g., a business taxpayer has ceased trading or an individual is deceased), the taxpayer cannot be located, or the taxpayer is insolvent).					

**C. Telephone Enquiries**  
(Ref: POA3)

<b>Table 3. Telephone Enquiry Call Waiting Time 2017*</b>			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
January 2017	776	718	92.5
February 2017	6,890	6,845	99.4
March 2017	6,212	4,511	72.6
April 2017	3,126	1,259	40.3
May 2017	4,568	2,386	52.2
June 2017	5,526	3,709	67.1
July 2017	3,723	1,644	44.2
August 2017	4,209	1,804	42.9
September 2017	3,442	1,444	42.0
October 2017	2,104	1,002	47.6
November 2017	-	-	-
December 2017	-	-	-
<b>12-month total</b>	<b>40,576</b>	<b>25,322</b>	<b>62.4</b>
<ul style="list-style-type: none"> <li>Service started only in January 2017. Hence data is until October 2017.</li> </ul>			

**A. Filing of Tax Declarations**  
(Ref: POA 4)

*Please choose the tables 4 to 7 that are relevant to the core taxes*

<b>Table 4. On-time Filing of Core Tax with Annual Filing Requirement</b>			
Specify tax	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed on-time <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
All taxpayers	Not applicable	Not applicable	Not applicable
Large taxpayers only	Not applicable	Not applicable	Not applicable
<p><b>Explanatory notes:</b></p> <p><sup>1</sup> 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p><sup>2</sup> 'Expected declarations' means the number of declarations that the tax administration expected to receive from registered taxpayers that were required by law to file declarations.</p> <p><sup>3</sup> The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e, expressed as a ratio:</p> $\frac{\text{Number of declarations filed by the due date}}{\text{Number of declarations expected from registered taxpayers}} \times 100$			

**Table 5. On-time Filing of Core Tax with Annual Filing Requirement**

Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
Not applicable	Not applicable	Not applicable
<p><b>Explanatory notes:</b></p> <p><sup>1</sup> 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p><sup>2</sup> 'Expected declarations' means the number of declarations that the tax administration expected to receive from registered taxpayers that were required by law to file declarations.</p> <p><sup>3</sup> The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e, expressed as a ratio:</p> $\frac{\text{Number of declarations filed by the due date}}{\text{Number of declarations expected from registered taxpayers}} \times 100$		

**Table 6. On-time Filing of ICMS Normal with Monthly Filing Requirement 2016**

Month	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
January 2016	3,452	4,865	70.9
February 2016	3,431	4,873	70.4
March 2016	3,439	4,967	69.2
April 2016	3,480	4,990	69.7
May 2016	3,485	5,051	69.0
June 2016	3,258	4,428	73.6
July 2016	3,251	4,403	73.8
August 2016	3,271	4,437	73.7
September 2016	3,252	4,432	73.4
October 2016	3,245	4,435	73.2
November 2016	3,237	4,407	73.5
December 2016	3,123	4,135	75.5
<b>12-month total</b>	<b>39,924</b>	<b>55,423<sup>4</sup></b>	<b>72.0</b>
<p><b>Explanatory notes:</b></p> <p><sup>1</sup> 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p><sup>2</sup> 'Expected declarations' means the number of declarations that the tax administration expected to receive from registered taxpayers that were required by law to file declarations.</p> <p><sup>3</sup> The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e, expressed as a ratio:</p> $\frac{\text{Number of declarations filed by the due date}}{\text{Number of declarations expected from registered taxpayers}} \times 100$ <p><sup>4</sup> The number of expected returns in December 2016 coincides with the number of active taxpayers shown in Table 2. In earlier months, the number fluctuates slightly because taxpayers move back and forth from the 'Normal' regime to the 'Simple' regime depending on turnover.</p>			

<b>Table 7. On-time Filing of ICMS Normal with Monthly Filing Requirement — Large taxpayers only – 2016</b>			
Month	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
January 2016	261	287	90.9
February 2016	263	287	91.6
March 2016	265	288	92.0
April 2016	267	288	92.7
May 2016	267	288	92.7
June 2016	267	290	92.1
July 2016	269	292	92.1
August 2016	268	293	91.5
September 2016	267	293	91.1
October 2016	263	293	89.8
November 2016	254	293	86.7
December 2016	247	293	84.3
<b>12-month total</b>	<b>3,158</b>	<b>3,485</b>	<b>90.6</b>
<b>Explanatory notes:</b>  <sup>1</sup> 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).  <sup>2</sup> 'Expected declarations' means the number of declarations that the tax administration expected to receive from large taxpayers that were required by law to file declarations.  <sup>3</sup> The 'on-time filing rate' is the number of declarations filed by large taxpayers by the statutory due date as a percentage of the total number of declarations expected from large taxpayers, i.e., expressed as a ratio:  $\frac{\text{Number of declarations filed by the due date by large taxpayers}}{\text{Number of declarations expected from large taxpayers}} \times 100$			

**D. Electronic Services**  
(Ref: POAs 4 and 5)

<b>Table 8. Use of Electronic Services, 2014-16]<sup>1</sup></b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>Electronic filing<sup>2</sup></b> (In percent of all declarations filed for each tax type)		
Main source of tax revenue (ICMS)	100	100	100
2 <sup>nd</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
3 <sup>rd</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
4 <sup>th</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
	<b>Electronic payments<sup>3</sup></b> (In percent of total <b>number</b> of payments received for each tax type)		
Main source of tax revenue (ICMS)	100	100	100
2 <sup>nd</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
3 <sup>rd</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
4 <sup>th</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
	<b>Electronic payments</b> (In percent of total <b>value</b> of payments received for each tax type)		
Main source of tax revenue (ICMS)	100	100	100
2 <sup>nd</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
3 <sup>rd</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
4 <sup>th</sup> main source of tax revenue	Not applicable	Not applicable	Not applicable
<b>Explanatory notes:</b>			
<sup>1</sup> Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.			
<sup>2</sup> For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.			
<sup>3</sup> Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made. For TADAT measurement purposes, payments made in-person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Treasury account are accepted as electronic payments.			



**E. Payments**  
(Ref: POA 5)

<b>Table 9. Total ICMS Normal Tax Payments Made During 2016</b>			
	Payments made on-time <sup>1</sup>	Payments due <sup>2</sup>	On-time payment rate <sup>3</sup> (In percent)
<b>Number</b> of payments	277,906	948,673	29.3
<b>Value</b> of payments (R\$)	2,692,065,989	3,532,428,698	76.2
<p><b>Explanatory notes:</b></p> <p><sup>1</sup> 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p><sup>2</sup> 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).</p> <p><sup>3</sup> The 'on-time payment rate' is the number (or value) of payments made by the statutory due date in percent of the total number (or value) of payments due, i.e, expressed as ratios:</p> <ul style="list-style-type: none"> <li>• The on-time payment rate by number is: <math>\frac{\text{Number of payments made by the due date}}{\text{Total number of payments due}} \times 100</math></li> <li>• The on-time payment rate by value is: <math>\frac{\text{Value of payments made by the due date}}{\text{Total value of payments due}} \times 100</math></li> </ul>			

**F. Tax Arrears**  
(Ref: POA 5)

<b>Table 10. Value of Tax Arrears, 2014-16<sup>1</sup></b>			
	<b>[2014]</b>	<b>[2015]</b>	<b>[2016]</b>
	<i>In R\$</i>		
Total core tax revenue collections (from Table 1) <b>(A)</b>			
Total core tax arrears at end of fiscal year <sup>2</sup> <b>(B)</b>	Not available	Not available	Not available
Of which: Collectible <sup>3</sup> <b>(C)</b>	Not available	Not available	Not available
Of which: More than 12 months' old <b>(D)</b>	Not available	Not available	Not available
	<i>In percent</i>		
Ratio of (B) to (A) <sup>4</sup>			
Ratio of (C) to (A) <sup>5</sup>			
Ratio of (D) to (B) <sup>6</sup>			
<p><b>Explanatory notes:</b></p> <p><sup>1</sup> Data in this table will be used in assessing the value of core tax arrears relative to annual collections, and examining the extent to which unpaid tax liabilities are significantly overdue (i.e, older than 12 months).</p> <p><sup>2</sup> 'Total core tax arrears' include tax, penalties, and accumulated interest.</p> <p><sup>3</sup> 'Collectible' core tax arrears is defined as the total amount of tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments, Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).</p> <p><sup>4</sup> i.e, <math>\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100</math></p> <p><sup>5</sup> i.e, <math>\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100</math></p> <p><sup>6</sup> i.e, <math>\frac{\text{Value of core tax arrears &gt;12 months' old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100</math></p>			

**G. Tax Dispute Resolution**  
(Ref: POA 7)

<b>Table 11. Finalization of Administrative Appeals 2016</b>							
Month	Total number finalized	Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
		Number	In percent of total	Number	In percent of total	Number	In percent of total
January 2016	5	0	0	0	0	0	0
February 2016	11	0	0	0	0	0	0
March 2016	6	0	0	0	0	0	0
April 2016	7	0	0	0	0	0	0
May 2016	6	0	0	0	0	0	0
June 2016	13	0	0	0	0	0	0
July 2016	5	0	0	0	0	0	0
August 2016	8	0	0	0	0	0	0
September 2016	28	0	0	0	0	0	0
October 2016	14	0	0	0	0	0	0
November 2016	9	0	0	0	0	0	0
December 2016	12	0	0	0	0	0	0
<b>12-month total</b>	<b>124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**H. Payment of Tax Refunds**  
(Ref: POA 8)

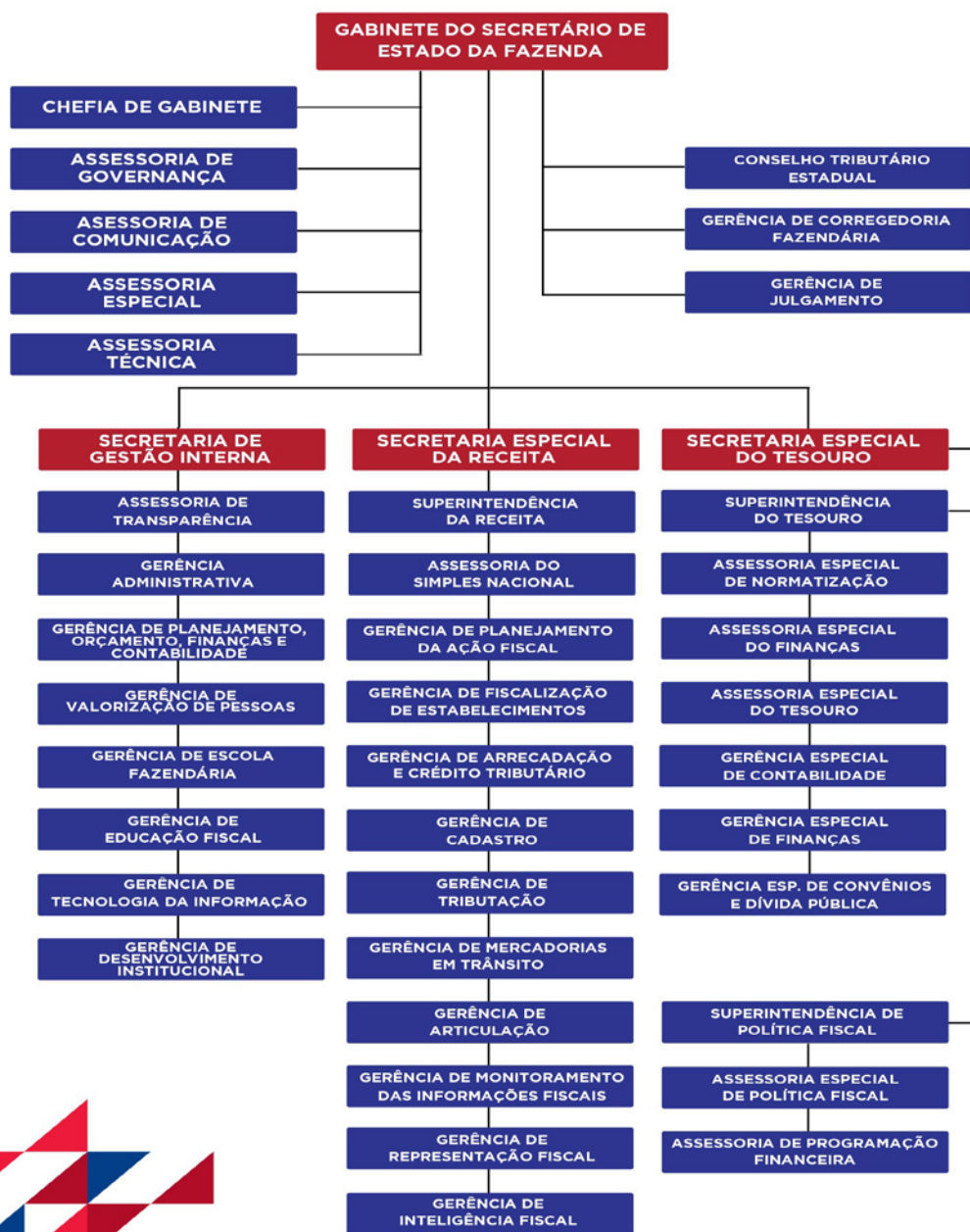
<b>Table 12. Tax Refunds</b> (for most recent 12-month period)		
	Number of cases	Value in R\$
Total tax refund claims received <b>(A)</b>		
Total tax refunds paid <sup>1</sup>		
Of which: paid within 30 days <b>(B)</b> <sup>2</sup>		
Of which: paid outside 30 days	116	66,602
Total refund claims declined <sup>3</sup>		
Of which: declined within 30 days <b>(C)</b>		
Of which: declined outside 30 days		
Total refund claims not processed <sup>4</sup>		
Of which: no decision taken to decline refund		
Of which: approved but not yet paid or offset		
In percent		
Ratio of (B+C) to (A) <sup>5</sup>		
<p><b>Explanatory note:</b></p> <p><sup>1</sup> Include all refunds paid, as well as refunds offset against other tax liabilities.</p> <p><sup>2</sup> TADAT measures performance against a 30-day standard.</p> <p><sup>3</sup> Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met).</p> <p><sup>4</sup> Include all cases where refund processing is incomplete—i.e, where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset,</p> <p><sup>5</sup> i.e, <math display="block">\frac{\text{Tax refunds paid within 30 days (B)} + \text{refunds declined within 30 days (C)}}{\text{Total tax refund claims received (A)}} \times 100</math></p>		

## Attachment IV. Organizational Chart



## SECRETARIA DE ESTADO DA FAZENDA DE ALAGOAS

### ORGANOGRAMA INSTITUCIONAL



## Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1, Accurate and reliable taxpayer information	<ul style="list-style-type: none"> <li>• <i>Code Tributario do Estado de Alagoas</i></li> <li>• <i>Processo Administrativo Fiscal</i>.</li> <li>• Monthly chart of taxpayer register for 2014, 2015 and 2016 for ICMS Normal, EPP, ME and MEI</li> <li>• E-registration application form</li> <li>• Screenshot/printout of registered taxpayers' data</li> <li>• Screenshot and printout of linked databases for front office staff</li> <li>• Screenshot/printout of management information</li> <li>• Decree No, 3841 of 16 November 2006 on VAT taxpayer registration</li> <li>• Normative Instruction No, 17 of 4 July 2007 on VAT taxpayer registration</li> <li>• FAQ on taxpayer registration</li> <li>• Flowchart and process map of registration database</li> <li>• Discussion with officials of the Registration Directorate of SEFAZ</li> <li>• Observation by assessment team of the taxpayer database,</li> </ul>
P1-2, Knowledge of the potential taxpayer base	<ul style="list-style-type: none"> <li>• Discussion with officials of the Registration Directorate of SEFAZ</li> <li>• Annual report of SEFAZ Alagoas 2016</li> </ul>
P2-3, Identification, assessment, ranking, and quantification of compliance risks	<ul style="list-style-type: none"> <li>• Organizational chart and role description</li> <li>• Analysis of third part information</li> <li>• Discussion with officials of Fiscal Actions Planning and Directorate of Fiscal Information Monitoring</li> </ul>
P2-4, Mitigation of risks through a compliance improvement plan	<ul style="list-style-type: none"> <li>• Audit Program – 2014, 2015 and 2016</li> <li>• Activities report</li> <li>• Flow chart – credit card operation</li> <li>• Field visit and discussion with officials of Audit Directorate and Fiscal Actions Planning Directorate</li> </ul>
P2-5, Monitoring and evaluation of compliance risk mitigation activities,	<ul style="list-style-type: none"> <li>• None</li> </ul>
P2-6, Identification, assessment, and mitigation of institutional risks	<ul style="list-style-type: none"> <li>• Presentation of the Master Plan of Information Security – 2016 (<i>Apresentacao Plano Diretor de Seguranca da Informacao – 2016</i>)</li> <li>• Flow Chart unavailability of SEFAZ building (<i>Fluxograma - PRD - 002 - Indisponibilidade do Predio SEFAZ</i>)</li> <li>• Flow Chart of unavailability of data center - procedures (<i>Fluxograma - PRD_001 - Indisponibilidade do Data Center Procedimentos</i>)</li> <li>• Disaster Recovery plan Unavailability of data center – Management Group (<i>PRD-001-1 - Indisponibilidade do Data Center - Grupo de Gestao</i>)</li> </ul>

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> <li>• Disaster Recovery Plan - Unavailability of data center – Infrastructure Group ( <i>PRD-001-2 - Indisponibilidade do Data Center - Grupo de Infraestrutura</i> )</li> <li>• Disaster Recovery Plan - Unavailability of the Data Center – Network group ( <i>PRD-001-3 - Indisponibilidade do Data Center - Grupo de Redes</i> )</li> <li>• Disaster Recovery Plan - Unavailability of the Data Center – data base group ( <i>PRD-001-4 - Indisponibilidade do Data Center - Grupo de Banco de Dados</i> )</li> <li>• BIA Report ( <i>Relatorio do BIA_SEFAZ_V3 - 09-10-2014</i> )</li> <li>• Risk analysis Report ( <i>Relatorio de Analise de Riscos SEFAZ – 2012</i> )</li> </ul>
P3-7, Scope, currency, and accessibility of information	<ul style="list-style-type: none"> <li>• Discussions with SEFAZ authorities responsible for taxpayer services.</li> <li>• Presentation of brochures and information on SEFAZ website.</li> <li>• <a href="http://www.sefaz.al.gov.br/institucional/organograma">http://www.sefaz.al.gov.br/institucional/organograma</a></li> <li>• <a href="http://www.sefaz.al.gov.br/ouvidoria">http://www.sefaz.al.gov.br/ouvidoria</a></li> <li>• <a href="http://www.sefaz.al.gov.br/contato">http://www.sefaz.al.gov.br/contato</a></li> <li>• <a href="http://www.sefaz.al.gov.br/cartilhas">http://www.sefaz.al.gov.br/cartilhas</a></li> <li>• <a href="http://www.fiscosoft.com.br/g/7p38/decreto-do-estado-de-alagoas-n-54974-de-29082017">http://www.fiscosoft.com.br/g/7p38/decreto-do-estado-de-alagoas-n-54974-de-29082017</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1869-agenda-da-sefaz-no-interior-fomenta-dialogo-com-empresarios-e-contadores">http://www.sefaz.al.gov.br/noticia/item/1869-agenda-da-sefaz-no-interior-fomenta-dialogo-com-empresarios-e-contadores</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1976-agenda-da-sefaz-no-interior-movimenta-comerciantes-e-rede-de-ensino-municipal">http://www.sefaz.al.gov.br/noticia/item/1976-agenda-da-sefaz-no-interior-movimenta-comerciantes-e-rede-de-ensino-municipal</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1454-sefaz-realiza-primeiro-forum-com-contadores-de-santana-do-ipanema">http://www.sefaz.al.gov.br/noticia/item/1454-sefaz-realiza-primeiro-forum-com-contadores-de-santana-do-ipanema</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1581-fazenda-apresenta-agenda-positiva-na-71-reuniao-do-forum-a-sefaz-e-a-sociedade">http://www.sefaz.al.gov.br/noticia/item/1581-fazenda-apresenta-agenda-positiva-na-71-reuniao-do-forum-a-sefaz-e-a-sociedade</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1590-sefaz-consolida-primeiro-forum-permanente-de-educacao-fiscal-do-brasil">http://www.sefaz.al.gov.br/noticia/item/1590-sefaz-consolida-primeiro-forum-permanente-de-educacao-fiscal-do-brasil</a></li> <li>• <a href="http://www.sefaz.al.gov.br/pef-projeto">http://www.sefaz.al.gov.br/pef-projeto</a></li> </ul>
P3-8, Scope of initiatives to reduce taxpayer compliance costs	<ul style="list-style-type: none"> <li>• Discussions with SEFAZ authorities responsible for taxpayer services.</li> <li>• Field visit to tax office in Arapiraca</li> <li>• Presentation of procedures and information on SEFAZ website.</li> <li>• <a href="https://app.box.com/file/241520315440">https://app.box.com/file/241520315440</a> - <i>Instrução Normativa 009/2012, de 25/05/2013, da SEFAZ AL</i>, Tax treatment given to the Micro and Small companies opting for the Simple Nacional</li> <li>• <a href="http://www.sefaz.al.gov.br/simples/index.html">http://www.sefaz.al.gov.br/simples/index.html</a></li> <li>• <a href="http://www8.receita.fazenda.gov.br/SimplesNacional/">http://www8.receita.fazenda.gov.br/SimplesNacional/</a></li> <li>• <a href="https://app.box.com/file/240965764022">https://app.box.com/file/240965764022</a> - <i>Decreto nº 998 de 25/11/2002, Institui a Declaração de Atividades do Contribuinte</i></li> <li>• <a href="http://sped.rfb.gov.br/pagina/show/52">http://sped.rfb.gov.br/pagina/show/52</a> - <i>O Sistema Público de Escrituração Digital</i></li> </ul>

Indicators	Sources of Evidence
P3-9. Obtaining taxpayer feedback on products and services	<ul style="list-style-type: none"> <li>• <a href="http://www.sefaz.al.gov.br/sefazA-Z">http://www.sefaz.al.gov.br/sefazA-Z</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1869-agenda-da-sefaz-no-interior-fomenta-dialogo-com-empresarios-e-contadores">http://www.sefaz.al.gov.br/noticia/item/1869-agenda-da-sefaz-no-interior-fomenta-dialogo-com-empresarios-e-contadores</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1976-agenda-da-sefaz-no-interior-movimenta-comerciantes-e-rede-de-ensino-municipal">http://www.sefaz.al.gov.br/noticia/item/1976-agenda-da-sefaz-no-interior-movimenta-comerciantes-e-rede-de-ensino-municipal</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1454-sefaz-realiza-primeiro-forum-com-contadores-de-santana-do-ipanema">http://www.sefaz.al.gov.br/noticia/item/1454-sefaz-realiza-primeiro-forum-com-contadores-de-santana-do-ipanema</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1581-fazenda-apresenta-agenda-positiva-na-71-reuniao-do-forum-a-sefaz-e-a-sociedade">http://www.sefaz.al.gov.br/noticia/item/1581-fazenda-apresenta-agenda-positiva-na-71-reuniao-do-forum-a-sefaz-e-a-sociedade</a></li> <li>• <a href="http://www.sefaz.al.gov.br/noticia/item/1590-sefaz-consolida-primeiro-forum-permanente-de-educacao-fiscal-do-brasil">http://www.sefaz.al.gov.br/noticia/item/1590-sefaz-consolida-primeiro-forum-permanente-de-educacao-fiscal-do-brasil</a></li> </ul>
P4-10. On-time filing rate	<ul style="list-style-type: none"> <li>• Tables 6 and 7 of Attachment III</li> <li>• Monthly system-generated chart of filing by tax type</li> </ul>
P4-11. Use of electronic filing facilities	<ul style="list-style-type: none"> <li>• Table 8 of Attachment III</li> </ul>
P5-12. Use of electronic payment methods	<ul style="list-style-type: none"> <li>• Table 8 of Attachment III</li> <li>• Monthly system generated chart of payments by sectors</li> </ul>
P5-13. Use of efficient collection systems	<ul style="list-style-type: none"> <li>• Discussion with SEFAZ authorities and presentation of rules.</li> <li>• <a href="http://www.sefaz.al.gov.br/cartilhas">http://www.sefaz.al.gov.br/cartilhas</a> - Cartilha sobre ICMS Antecipado</li> <li>• <a href="http://www.sefaz.al.gov.br/legislacao">http://www.sefaz.al.gov.br/legislacao</a> - Legislação de ICMS sobre Mercadorias Sujeitas a Substituição Tributária e Legislação de ICMS Antecipado</li> <li>• <a href="http://www.substituicaotributaria.com/SST/substituicao-tributaria/regras-gerais/">http://www.substituicaotributaria.com/SST/substituicao-tributaria/regras-gerais/</a></li> <li>• <a href="http://www.normaslegais.com.br/legislacao/tributario/lc87.htm">http://www.normaslegais.com.br/legislacao/tributario/lc87.htm</a> - Lei Complementar nº 87/1996, artigos 5º a 11</li> </ul>
P5-14 Timeliness of payments	<ul style="list-style-type: none"> <li>• Table 9 of Attachment III</li> </ul>
P5-15. Stock and flow of tax arrears	<ul style="list-style-type: none"> <li>• Table 10 of Attachment III</li> </ul>
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting	<ul style="list-style-type: none"> <li>• Audit plan for 2016 and 2017</li> <li>• Management report on audit</li> <li>• Discussions with SEFAZ Audit Directorate</li> </ul>
P6-17. Extent of proactive initiatives to encourage accurate reporting	<ul style="list-style-type: none"> <li>• Law 7.774 / 2015</li> <li>• Webpage of SEFAZ/AL</li> <li>• Press releases on clarifications</li> <li>• Samples of binding rulings</li> <li>• VAT regulation</li> <li>• Discussions with SEFAZ Legal Directorate</li> </ul>
P6-18. Monitoring the extent of inaccurate reporting	<ul style="list-style-type: none"> <li>• None</li> </ul>



Indicators	Sources of Evidence
P7-19. Existence of an independent, workable, and graduated dispute resolution process	<ul style="list-style-type: none"> <li>Organizational chart</li> <li>Notification Templates (Modelos de notificação CTE 1,2,3,4,5,6)</li> <li>Notice Templates (Modelos de Edital GJ)</li> <li>Letter Templates (Modelos de ofício GJ (1,2))</li> <li>Notification with acknowledgment of receipt (<i>Notificação AR sócios e PJ – GJ</i>)</li> <li>Public Notice (Edital lavratura GERAC (juntos e PJ))</li> <li>Audit finalization letter (<i>Intimação auto de infração PJ 30 dias GERAC</i>)</li> <li>Notification Letter (Notificação AR 30 dias GERAC PJ e sócios)</li> <li>Summary of processes (<i>Resumo movimentação processos janeiro a dezembro-GJ- 2014, 2015 e 2016</i>)</li> <li><a href="http://www.sefaz.al.gov.br/cj">http://www.sefaz.al.gov.br/cj</a></li> <li>Tax dispute resolution process Law 6771-06o</li> <li>National Tax Code</li> <li>Civil Process Code</li> </ul>
P7-20. Time taken to resolve disputes	<ul style="list-style-type: none"> <li>Flow Chart of tax dispute process ( Fluxo do PAT CTE)</li> <li>Data of Tax dispute resolution- Legal Departament (Resolução do Contencioso Fiscal – GJ)</li> <li>Data of Tax Dispute Resolution - Board of Appeal – Low Chambers Resolução do Contencioso Fiscal (CAMARAS)</li> <li>Data of Tax Dispute Resolution – Board of appeal – Plenary Chamber (<i>Resolução do Contencioso Fiscal PLENO</i>)</li> <li>Data of Tax Dispute Resolution (<i>Resultados de julgamento</i>)</li> <li>Data of Tax Assessments solved and paid (<i>situacao autos infracao julgados e pagos</i>)</li> <li>Data of dispute Resolution – Special Secretary Level – (<i>Dados instancia especial Secretario</i>)</li> </ul>
P7-21. Degree to which dispute outcomes are acted upon	<ul style="list-style-type: none"> <li>Official announcement (<i>Comunicado SRE 17-16</i>)</li> <li>Official announcement (<i>Comunicado SRE 19-15</i>)</li> <li>SEFAZ website showing review of results of appeals</li> </ul>
P8-22. Contribution to government tax revenue forecasting process	<ul style="list-style-type: none"> <li>Annual Budget Law</li> <li>Fiscal Adjustment Program</li> <li>Revenue Forecasting Report</li> <li>Revenue Monitoring Report</li> <li>Tax Waiver Statement</li> <li>Budget Guidelines Law</li> <li>Revenue Monitoring Ordinance</li> <li>Law on State Council for Economic Development - <i>Conselho Estadual do Desenvolvimento Econômico</i> (CONEDES)</li> </ul>

Indicators	Sources of Evidence
P8-23. Adequacy of the tax revenue accounting system	<ul style="list-style-type: none"> <li>Accounting Manual</li> <li>Chart of Accounts</li> <li>State Budget Balance Sheet</li> </ul>
P8-24. Adequacy of tax refund processing	<ul style="list-style-type: none"> <li>VAT/ICMS Regulation (Procedures for Tax Refund)</li> <li>Law 5.900/1996, Art. 45</li> </ul>
P9-25. Internal assurance mechanisms	<ul style="list-style-type: none"> <li>Discussion with officials from <i>Corregedoria</i> (internal affairs)</li> <li>List of follow up actions pending and completed</li> <li>Monthly statistics of disciplinary procedures</li> <li>Frequently Asked Question for <i>Corregedoria</i></li> <li>Decree No. 4.070 of 4 November 2008</li> <li>Order on Competencies of SEFAZ Directorates and directorates 2017.</li> <li>Law on Public Civil Service (Law 5.247/91 of July 26, 1991).</li> <li>Statistics on integrity on SEFAZ website</li> </ul>
P9-26. External oversight of the tax administration	<ul style="list-style-type: none"> <li>Presentation by, and discussion with, officials from SEFAZ Administration and Management Directorate.</li> <li><a href="http://www.controladoria.al.gov.br/">http://www.controladoria.al.gov.br/</a></li> <li><a href="http://transparencia.al.gov.br/pessoal/servidores-ativos/">http://transparencia.al.gov.br/pessoal/servidores-ativos/</a></li> <li><a href="http://www.tce.al.gov.br/view/index.php?c=MQ==">http://www.tce.al.gov.br/view/index.php?c=MQ==</a></li> <li><a href="http://www.sefaz.al.gov.br/ouvidoria">www.sefaz.al.gov.br/ouvidoria</a></li> <li>Samples of complaints and responses to them</li> <li>Monthly statistics of Ombudsman's office</li> </ul>
P9-27. Public perception of integrity	<ul style="list-style-type: none"> <li>None</li> </ul>
P9-28. Publication of activities, results and plans	<ul style="list-style-type: none"> <li>Annual report of SEFAZ Alagoas 2016 in three volumes (hard copy, diskette and website)</li> </ul>

