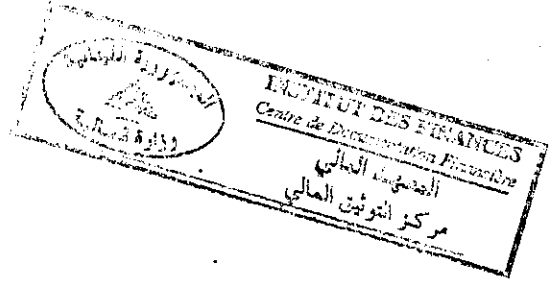


الجمهورية اللبنانية
مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام



Lebanon

Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)

Implementation of a Value Added Tax

Plan of Work and Breakdown of Activities

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1. Objectives

<i>Objectives</i>	<i>Deliverables</i>
1. Implementation of a VAT starting 1.1.2002	<ul style="list-style-type: none">a) Approved legislation and regulationsb) Systems and procedures implementedc) Computer equipment and application installedd) Human resources available and trainede) Appropriate logistics ready: equipment, offices, furniture, etc.f) Consumers and taxpayers informed and educated

2. List of Activities

100 Preparatory phase

- 110 Decision to introduce the VAT
- 120 Decision on general basic principles
- 130 Identification of the department responsible of VAT administration
- 140 Allocation of the necessary VAT development and implementation budget
- 150 Establishment of the development unit
- 160 Appointment of the preliminary personnel of the development unit
- 170 Office set-up for the development unit
- 180 Appointment of the remaining personnel of the development unit

200 Legislation

- 210 Decide on fiscal and operational policies
- 220 Review of custom tariffs
- 230 Review of indirect taxes
- 240 Prepare draft of VAT law
- 250 Consultation of private sector on draft law
- 260 Review of the draft law after consultation
- 270 Approval of the VAT law by parliament

300 Regulations

- 310 Identify issues subject to regulations
- 320 Prepare draft for regulations
- 330 Consultation of private sector on regulations
- 340 Review regulations after consultations
- 350 Ratification of regulations by government

400 Design of systems and procedures

- 410 Design of registration procedures
- 420 Design of declaration forms issuance and processing procedures
- 430 Design of payments procedures
- 440 Design of refund processing procedures
- 450 Design of interest and penalties calculation procedure
- 460 Design of collection procedure
- 470 Design of the compliance and audit procedures
- 480 Design of the accounting procedures
- 490-A Design of the filing/archiving procedures
- 490-B Design of the objection and appeals procedures
- 490-C Design of the reporting procedures

500 Design of forms

- 510 Design of registration forms
- 520 Design of registration certificate
- 530 Design of remittance/declaration forms

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- 540 Design of forms for internal use
- 550 Printing of forms

600 Application software development

- 610 Definition of required IT equipment
- 620 Development of the software programs of the different procedures
- 630 Testing of the software programs

700 Internal manuals

- 710 Preparation of IT - technical manuals
- 720 Preparation of registration procedure manual
- 730 Preparation of remittance/declaration issuance, receipt and processing manual
- 740 Preparation of the payment procedures manual
- 750 Preparation of the refund processing manual
- 760 Preparation of the accounting manual
- 770 Preparation of the compliance and audit procedures manual
- 780 Preparation of the collection, objection and appeals manual

800 Implementation of the organizational and operational structure of VAT administration

- 810 Decide on the organizational and operational structure of the VAT administration
- 820 Writing of job descriptions and definition of authorities
- 830 Creation of the different work units within the VAT administration
- 840 Volumetric analysis
- 850 Definition of requirements in human resources
- 860 Definition of requirements in training
- 870 Definition of requirements related to office set-up
- 880 Office set-up

900 Preparation of the training

- 910 Training material for registration and customer services
- 920 Training material for other operational business functions
- 930 Training material for compliance and audit

1000 Training of VAT personnel

- 1010 Training of customer services and registration personnel
- 1020 Training of operational personnel
- 1030 Training of compliance and audit personnel

1100 Communication and education of the public

- 1110 Introduction of the VAT to the public
- 1120 Distribution of the VAT general study
- 1130 Organization of seminars
- 1140 Preparation of a VAT general guide
- 1150 Preparation of a registration guide

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- 1160 Preparation of special guides for specific schemes
- 1170 Computerized accounting and VAT

1200 Announcements to public

- 1210 Announcement for registration
- 1220 Announcement on the VAT declaration period(s) and related dates
- 1230 Announcements for payment of VAT dues

1300 Implementation of the VAT

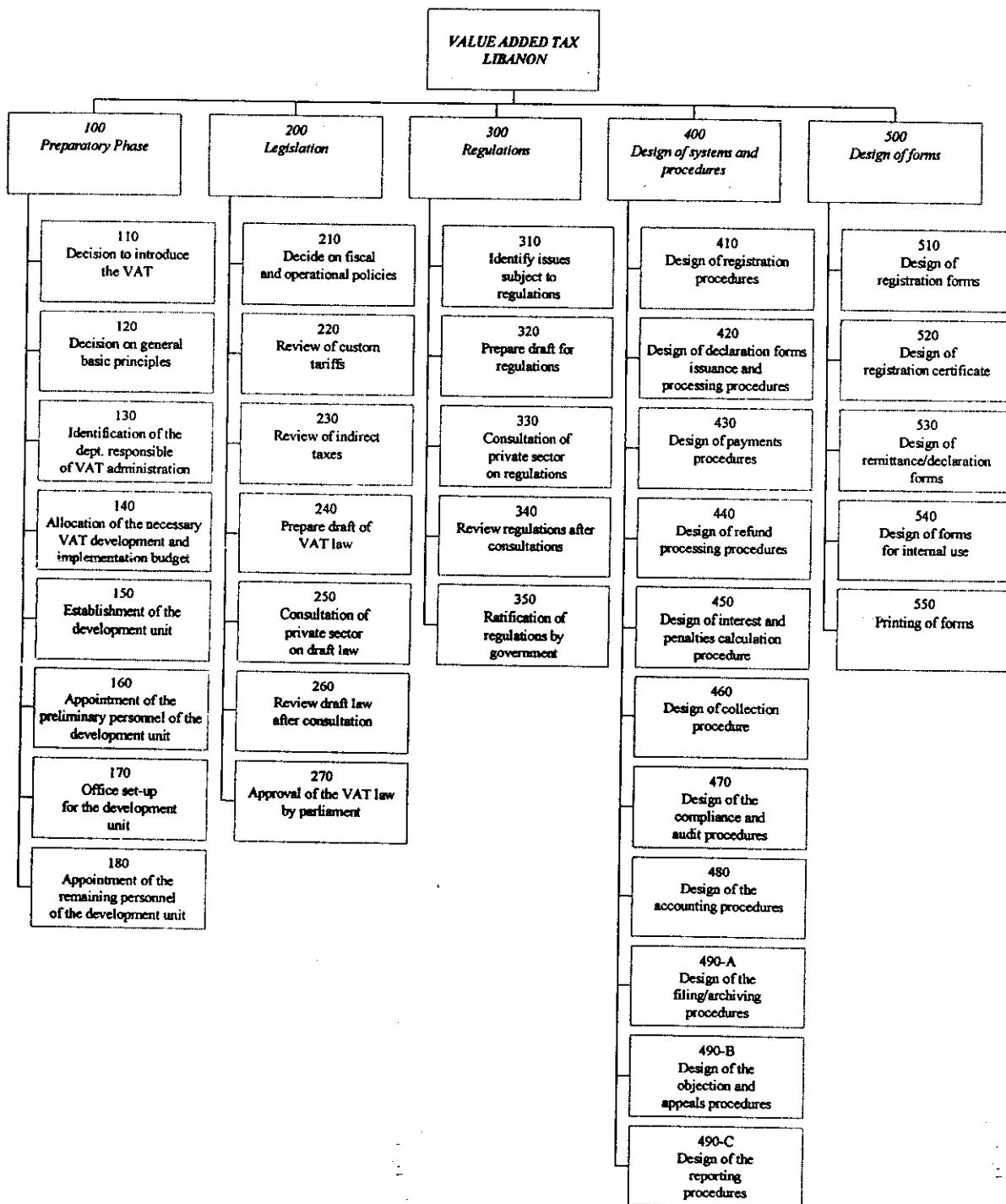
- 1310 Distribution of registration form(s)
- 1320 Issuance of registration certificates
- 1330 Conduct visits to educate/advise taxpayers
- 1340 Distribution of remittance/declaration forms
- 1350 Receive and process remittance/declaration forms and payments
- 1360 Receive and process refund claims,
- 1370 Identification and follow up of non-filers

1400 Implementation of compliance and audit

- 1410 Identification of non-registered VAT taxpayers
- 1420 Perform desk analysis and audits
- 1430 Perform field auditing

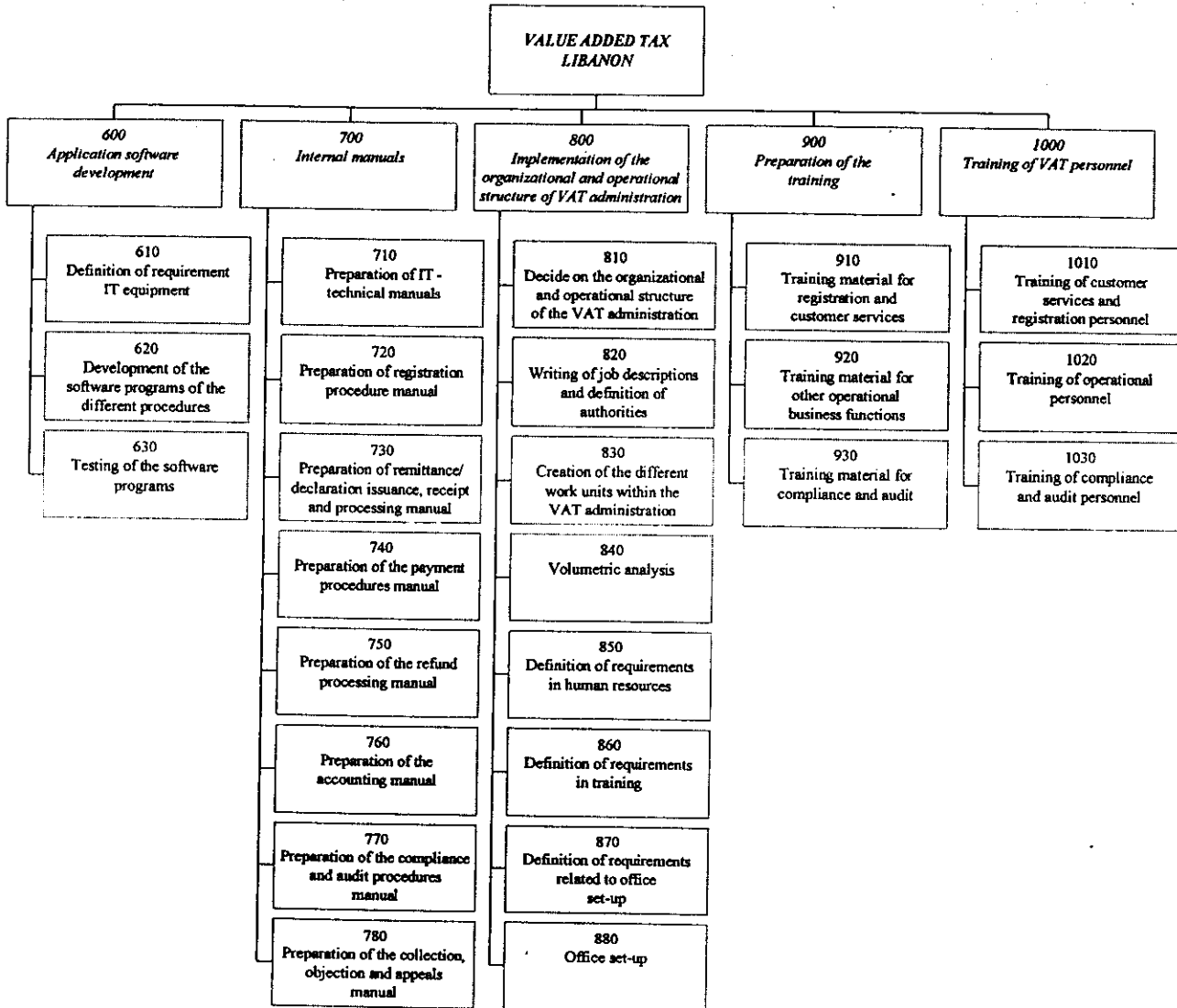
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Work Breakdown Structure

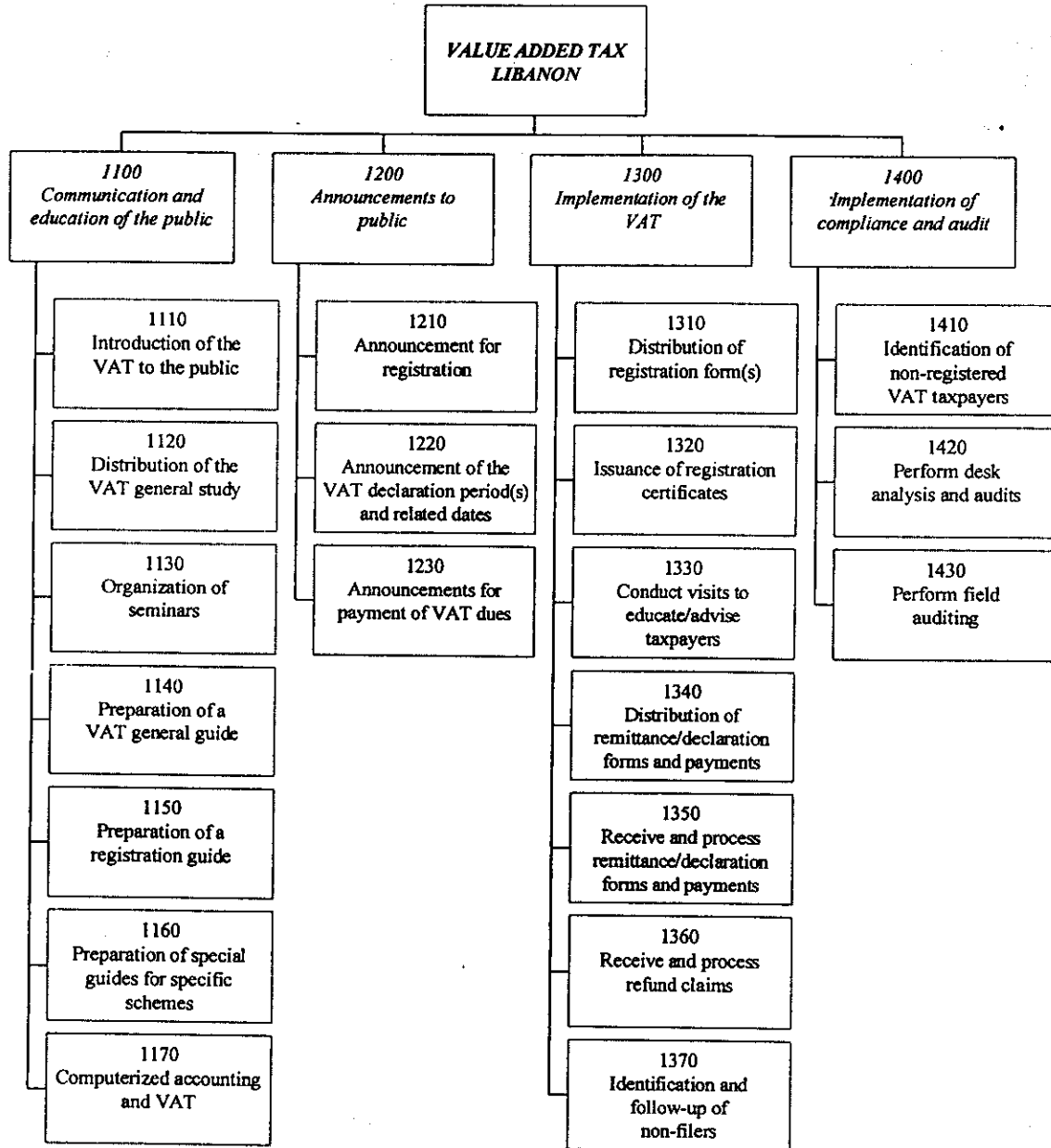


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Work Breakdown Structure (Cont'd)



Work Breakdown Structure (Cont'd)



3. Description of activities

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
100	Preparatory phase	
110	<p>Decision to introduce the VAT</p> <p>The objective is to officially announce the government commitment to introduce the VAT at a predefined date</p>	
120	<p>Decision on general basic principles</p> <p>i.e.: unique VAT rate, exempted products and services, product and services with zero rate, taxation of imports and exports, modification of tariff rates, review of indirect taxes, health and education services, taxpayers registration criteria, payment and refunds, accounting, penalties and interest, etc.</p>	
130	<p>Identification of the department responsible for the VAT administration</p> <p>It is very important to identify from the beginning the department who will be responsible for the VAT administration in order to prepare the proper and adequate solution to many issues related to legislation, budget, recruitment and allocation of human resources</p>	
140	<p>Allocation of the necessary VAT development and implementation budget</p> <p>Regardless of the origin of the financing, a budget should be prepared and approved to authorize the expenditures related to the development and implementation of the VAT. The budget should cover the following elements: salaries, fees, equipment, subcontractors and operational expenses of the development team and start up expenses such as advertising, printing of forms and guides, etc.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
150	<p>Establishment of the development unit</p> <p>Creation of the development unit by a decision from the minister; the decision should include its organizational structure, its responsibilities and the profile/expertise of its members.</p>	
160	<p>Appointment of the preliminary personnel of the development unit</p> <p>The necessary members of the development unit should be appointed at the start-up; the remaining personnel will be appointed according to the progress of the work.</p>	
170	<p>Office set-up for the development unit</p> <p>The required office space, office equipment, computers and other installation should be ready at the start-up date.</p>	
180	<p>Appointment of the remaining personnel of the development unit</p> <p>Along with the progress of the development, the remaining personnel shall be appointed according to their expertise and within the pre-defined organization structure.</p>	
200	Legislation	
210	<p>Decide on fiscal and operational policies</p> <p>All issues related to fiscal and operational policies that are normally included in the VAT law should be clarified and approved by the proper authorities in MOF. The clarification and approval process should be launched as soon as possible based on a list of issues prepared for this purpose; the list of issues can be modified according to the work development. This process requires the involvement and collaboration of all members of the development unit. Discussions and consultations will be required with the concerned external bodies.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
220	<p>Review of custom tariffs</p> <p>Review of custom tariffs and suggestions for their modifications might be necessary to ensure harmonization with the VAT.</p>	
230	<p>Review of indirect taxes</p> <p>Review of indirect taxes and suggestions for their modifications might be necessary to ensure harmonization with the VAT.</p>	
240	<p>Prepare draft of VAT law</p> <p>Preparation of a draft law for the VAT to be used for internal and external consultation.</p>	
250	<p>Consultation of the private sector on the draft law</p> <p>The draft law should be distributed to pre-selected concerned external entities from the private sector. The consultation should have as a primary objective to collect comments and opinions on the draft law and its implementation; usually a technical document is distributed with the law which describes the basic policies that have been adopted, their justifications and their rational.</p>	
260	<p>Review of the draft law after consultation</p> <p>Comments and suggestions should be analyzed, if necessary modifications should be done; a final draft will be submitted to the Council of Ministers for discussion and approval.</p>	
270	<p>Approval of the VAT law by the parliament</p> <p>The draft law will be presented and discussed with the concerned parliamentary commissions in order to be approved by the general assembly.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
300	Regulations	
310	Identify issues subject to regulations All issues which necessitate specific regulations should be identified;	
320	Prepare draft for regulations Parallel to the progress on the draft of the tax law, a draft regulation should be prepared for each issue; the different studies and analysis performed by the other team members of the development unit will facilitate the clarification and the decision making on the issues subject to regulations.	
330	Consultation of the private sector on the regulations The draft of the regulations shall be discussed with the concerned external bodies in order to collect their comments and opinions.	
340	Review regulations after consultations After the consultation with the private sector, the draft regulation shall be reviewed and finalized.	
350	Ratification of the regulations by the government The final version of the draft regulations will be submitted to the government for discussion and approval.	
400	Design of systems and procedures	
410	Design of registration procedures The registration procedures should include: the criteria to register taxpayers, the processing of the registration application request, the update of the taxpayer main file, the issuance of the taxpayer VAT registration number, the issuance of the registration certificate, etc.	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
440	<p>Design of the refund processing procedure</p> <p>A refund procedure should be designed according to the policies adopted in this regard; it should include, the receipt of the claim, its validation and control, its approval, the update of the taxpayer account, the issuance of the payment voucher/document. Relation/integration with the accounting and treasury departments should be covered.</p> <p>Special tax credit/refund procedures might be necessary to be designed for specific taxpayers; i.e. VAT tax credit/refund for foreign businessmen (non-resident).</p>	
450	<p>Design of interest and penalties calculation procedure</p> <p>Interest and penalties calculation procedures should be designed according to the policies adopted in this regard (VAT law and regulations); business rules covering all possibilities and situations should be identified and integrated.</p> <p>Care should be taken on the procedure and business rules to be applied when interest and penalties are applied by external entities like the custom administration.</p>	
460	<p>Design of the collection procedure</p> <p>The objective of this procedure is to ensure the collection of due amounts by taxpayers (non-payers), due dates, type of debit (tax amount, interest and penalties, etc.), type and date of action taken, issuance of letters/reminders and notices, follow up of the different steps until final settlement, etc. are issues that should be considered. Links with cashiering, accounting and objection/appeals procedures should be defined.</p>	

	<i>Description of the Present Situation (Progress)</i>	<i>Description of Activities</i>
470	<p>Design of the compliance and audit procedures</p> <p>The objectives of these procedures are to ensure compliance of taxpayers with the VAT law and regulations. It should start with the identification and follow up of hidden taxpayers and non-filers; the audit procedures cover the desk audit and the field audit. Audit policies, selection criteria, risk analysis, audit administration are important issues to be considered.</p> <p>As a result of the compliance operations, a procedure should be defined to report proposals or suggestions in order to improve the VAT administration and efficiencies.</p>	
480	<p>Design of the accounting procedures</p> <p>The first aspect of this procedure is the individual taxpayer accounting; it covers the update of the individual VAT account with credit from the tax declaration, debits from the cashing and other adjustment entries originating from the interest and penalties calculation, the re-assessment procedure, from collection and payment agreement. A special application with the necessary access security should be designed to administer the individual accounting.</p> <p>The second aspect covers the general accounting requirement to record the overall financial transactions related to VAT. Links with the cashing/treasury and accounting department should be considered.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
490-A	<p>Design of the filing/archiving procedure</p> <p>Due to the high volume of documents expected such as the periodical tax declarations and payments are to be filed in batches by chronological order; a Document Locator Number (DLN) or document reference number issued by the computer system can be used to locate and retrieve these documents; Other documents, like the registration request and correspondence can be filed by Taxpayer registration number. Other departments, like auditing, collection, objection and appeals can have their proper filing system (filing by taxpayer number and/or by batches). Accordingly a filing procedure should be designed for the main business functions of the VAT administration.</p>	
490-B	<p>Design of the objection and appeal procedures</p> <p>The objection and appeals procedures should be designed according to the policies approved; the important elements of this procedure is to be able to monitor each case progress taking into consideration the legal time constraints.</p>	
490-C	<p>Design of the reporting procedure</p> <p>An overall reporting system should be built by business function of the VAT administration; the high level reports should provide management with the adequate information to administer the VAT.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
500	Design of forms	
510	<p>Design of registration forms</p> <p>Design of one or more registration forms: i.e. a VAT registration form integrated with the general registration form for new enterprises, a registration form for enterprises already registered, a special registration form for exporters, for non-profit organizations, etc..</p> <p>Each registration form should contain the required information to identify the enterprise, and to assess its registration request.</p> <p>It should be noted that the VAT taxpayer registration number is the general taxpayer registration number (issued by the tax administration) combined with the VAT code assigned by the VAT administration as a tax type.</p>	
520	<p>Design of registration certificate</p> <p>Usually one format of registration certificate is needed: it should present the basic information to identify the enterprise specially its VAT identification number. If the VAT law does not require from the taxpayer to display the registration certificate, it can be replaced by a simple letter to inform the taxpayer of his VAT registration number, the effective date for VAT calculation, the frequency of declaration etc.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
530	<p>Design of remittance/declaration forms</p> <p>A remittance/declaration form is designed to allow the taxpayer to provide the VAT administration with the net amount of tax due or the refund amount claimed for a certain period. Additional information can be integrated in the declaration form to allow the administration to validate the calculation and to perform preliminary verification. Attachment can be required and annexed to the declaration to obtain additional detailed data.</p> <p>Specific declaration forms can be designed depending on the policies applied (i.e. declaration form for non profit organization, for exporters, for VAT tax refund for foreigners, etc..)</p> <p>The payment 'form' of the tax due can be integrated with the declaration form; it depends on the payment procedure that will be designed.</p>	
540	<p>Design of forms for internal use</p> <p>The procedures to administer the VAT require the use of internal forms; these forms shall be designed to organize/capture/authorize/store data related to the VAT transactions. These internal forms are linked directly to the internal procedures and should be identified during their design.</p>	
550	<p>Printing of forms</p> <p>Different forms meant for external and internal use should be printed and distributed before the VAT implementation date. The use of these forms can be tested during the education phase of the taxpayers and during the training of the VAT human resources.</p>	

600	<i>Application software development</i>	<i>Description of the Present Situation (Progress)</i>
610	<p>Definition of the required IT equipment</p> <p>The requirement in IT equipment and their specifications should be prepared taking into consideration the designed procedures, the expected volume of work for the next 3 years, the current automated tax administration system implemented in the revenue department.</p> <p>A timetable for the acquisition and installation of the required equipment should be prepared and approved by the proper authorities.</p>	
620	<p>Development of the software programs of the different procedures</p> <p>The software programs for the different application procedures should be developed according to a detailed time plan prepared for this purpose taking into consideration the overall time plan for the implementation of the VAT.</p> <p>These procedures are:</p> <ol style="list-style-type: none"> 1. Registration procedure, 2. Remittance/declaration receipt and processing 3. Payment procedure 4. Refund processing procedure 5. Interest and penalties calculations 6. The collection procedure 7. The compliance and audit procedure 8. The accounting procedure 9. The filing procedure 10. The objection and appeals procedure 11. The reporting procedure 	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
630	<p>Testing of the software programs</p> <p>In addition to the technical testing performed by the programmers, additional testing is required, called the User Acceptance Testing (UAT), the UAT should be performed jointly between the concerned members of the development team who participated in the design of the procedures and the end users (VAT employees) who will be using the automated procedures.</p> <p>The successful UAT should be achieved before the implementation date of the VAT.</p>	
700	<p><i>Internal Manuals</i></p>	
710	<p>Preparation of IT-technical documentation</p> <p>Technical documentation covering the system architecture, the specifications of -application programs and programming standards should be documented to ensure the maintenance and enhancement of the VAT applications; it also includes the system administrator manual required for daily operations.</p>	
720	<p>Preparation of the registration procedure manual</p> <p>This manual should include the procedure and policies to be applied to the registration and cancellation of VAT taxpayers; it should reflect also, the distribution of work and authorities.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
730	<p>Preparation of the remittance/declaration issuance, receipt and processing manual</p> <p>This manual covers the following subjects:</p> <ol style="list-style-type: none"> 1. Issuance/distribution of remittance/declaration forms: Remittance/declaration forms can be issued by the computer system or pre-printed and distributed to the taxpayers. 2. The receipt of the remittance/declaration forms, their registration as received and their dispatching to the data entry center. 3. The capture of the data from the remittance/declaration forms. The validation of the calculations and the update of the taxpayer account. It should handle also the procedure to handle errors and rejections. <p>This procedure manual should cover the distribution of work and authorities.</p>	
740	<p>Preparation of the payment procedure manual</p> <p>Payments done by taxpayers should be recorded as soon as possible; direct payments or payment through the banks should be well designed, organized and processed in order to properly and orderly update the taxpayer account. The payment procedure manual should provide a detailed description to be followed to process payments and to handle exceptions like payments without taxpayer number, tax period, etc..</p> <p>This manual should also cover the procedure to carry out the necessary reconciliation between the VAT administration's accounting, the payment at the banks, the treasury and the accounting departments. It should cover also the distribution of work and authorities.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
750	<p>Preparation of the refund processing manuals</p> <p>Refund processing as a procedure is simple; the difficulties reside in the definition of the business rules that govern the approval of the refund. These business rules derive from the refund policies defined by the VAT law, regulations and the VAT administration (i.e. refund amounts that require deep analysis and inquiries, refund processing time, approval process, etc). Other laws related to government payment, treasury and accounting should be taken into consideration.</p> <p>The payment tool for refunds (periodical or at end of year) should be designed according to the present laws. If the VAT administration decides to issue directly the payment document, legislative modifications are required.</p> <p>The procedure manual of refund should define the links with other procedures, like auditing, taxpayer database, the remittance/declaration historical file, taxpayer individual accounting, etc.</p> <p>The distribution of work and authorities is very important.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
760	<p>Preparation of the accounting manual</p> <p>The accounting function, at the taxpayer individual level or at the VAT administration level, does not currently exist as part of the function of a revenue unit. It is very important to the VAT administration to manage the transactions of each VAT taxpayer (debit from declarations and credit from payment). Accordingly, the accounting manual should cover all types of transactions with the taxpayers, including adjustments to the individual accounts originating from direct assessment, re-assessment, technical errors, etc.</p> <p>In addition to the procedural aspect, the accounting manual should include the business rules that authorize the modification of the individual taxpayer accounts. Distribution of work and authorities should take into consideration the control aspect of the operations.</p> <p>It is important to note that the accounting function should be independent from any other function mainly the VAT refund function.</p> <p>The accounting manual should also cover the procedure to transmit accounting information to the treasury and/or the accounting department of MOF according to the present laws.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
770	<p>Compliance and audit procedure manual</p> <p>The compliance aspect covers the identification of hidden VAT taxpayers, the identification of non-filers using internal and external sources of information according to the criteria defined in the VAT law and its regulations. Business rules can be defined for that purpose. The procedures related to the compliance should reflect the distribution of work, the authorities and the links with other VAT working units (i.e. the tax-roll, the income tax declarations processing, the audit sections in other departments, etc.)</p> <p>Regarding the audit operations, audit policies should be defined and integrated to the audit manual (i.e. selection criteria, relation with income tax audit, audit methodologies, etc). An efficient audit administration and reporting automated procedure should be designed and integrated in the manual). The manual should include the desk audit and review function, which is an important preliminary step before the field auditing and can contribute effectively to the refund analysis and processing.</p> <p>As for other manuals, the distribution of work and authorities is very important.</p>	
780	<p>Preparation of the collection, objection and appeals manual</p> <p>This manual should cover the procedures to be followed to perform the collection function and to process objection and appeals; It is very important to define in the manual the business rules that will govern the operations based on the VAT law and regulations.</p> <p>The functional relations with other units of the VAT administration should be clearly defined along with the distribution of work and authorities.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
800	Implementation of the organizational and operational structure of VAT administration	
810	<p>Decide on the organizational and operational structure of the VAT administration</p> <p>It is strongly advised that the VAT administration be independent from the other tax administration in the Revenue Department. The VAT administration should be organizationally structured and clearly identified role and responsibilities set up for each working unit taking into consideration the segregation of duties and the control requirement. The audit function should be completely independent from the other functions and it is strongly advised to implement an internal control function in the VAT administration.</p> <p>The interrelation of the VAT administrations should be clearly defined and organized.</p>	
820	<p>Writing of job descriptions and definition of authorities</p> <p>Job descriptions should be prepared first at the working unit level and second for each position in the unit; the interrelation with the other units should be also defined.</p> <p>The authorities related to each position should be defined taking into consideration the control requirements.</p> <p>A job description manual shall be prepared and distributed and should be updated with the modifications that will occur.</p>	
830	<p>Creation of the work units within the VAT administration</p> <p>Based on the organizational chart, the job descriptions and the distribution of authorities, the working units should be created according to the VAT law and/or the decrees from the council of ministers and/or decrees from the minister of finance.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
840	<p>Volumetric analysis</p> <p>In order to estimate the different requirements to render the VAT administration operational, volumetric analysis based on estimates are necessary: the number of taxpayers, the number of expected tax declarations, payments, tax credit and refunds, audit cases, objections and appeals, etc. are examples of these basic estimates. Accordingly, using standard rates compiled in other similar countries and adjusted to Lebanon based on local experience, estimates related to business functions and by working unit can be prepared as follows:</p> <ol style="list-style-type: none"> 1- Human resources 2- IT equipment 3- Office space 4- Office equipment 	
850	<p>Definition of requirements in Human resources</p> <p>Based on the volumetric analysis and the business rules related to the different procedures of each working unit, the number of necessary employees to perform the expected work can be estimated by position. In addition, the profile for each position can be described covering the level of education and the required experience.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
860	<p>Definition of requirements in training programs</p> <p>Based on the approved VAT fiscal policies and the required expertise, the profile of the allocated/available human resources, the procedures and business rules to be implemented, a detailed training program can be prepared in collaboration with the Financial Institute.</p> <p>The training program should take into consideration the important dates of the overall implementation plan.</p> <p>Training should be prepared by business function (i.e. registration, taxpayer services, tax declaration processing, payments, refund processing, accounting, objection and appeals etc.); an internal manual should be used as part of the training material.</p>	
870	<p>Definition of requirements related to the office set-up</p> <p>Based on the organizational and operational structure, on the human resources requirements and on the systems and procedures to be implemented, a study can be carried out to define office requirement, furniture and office equipment, computer equipment, other installations, support services, etc.</p>	
880	<p>Office set-up</p> <p>The set-up of offices should be completed and ready at least at the date of allocation/transfer of human resources and before the start of the training.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
900	<i>Preparation of the training</i>	
910	<p>Training material for the registration and customer services</p> <p>Development of the training material for the resources who will be responsible for the customer services, verification of the registration applications, issuance and distribution of the registration certificates, etc. The different brochures, guides to the public and the internal manuals should be used as part of the training material; training on the automated procedures should be part of the training program.</p>	
920	<p>Training material for the other operational business functions</p> <p>Training material for all other business functions and their related procedures should be prepared covering:</p> <ol style="list-style-type: none"> 1- Tax declaration processing, 2- Payment processing and bank reconciliation 3- Refund processing 4- Interest and penalties calculations 5- Collection 6- Accounting 7- Filing 8- Objection and appeals 9- Reporting <p>Internal manuals should be used as part of the training material; training on the related automated system should also be part of the training</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
930	<p>Training material for compliance and audit</p> <p>The proper training material should be prepared taking into consideration the specific risks related to the VAT. The scope of the VAT auditing is limited to sales and purchases compared to the audit scope of the income tax with its different aspects. The training material should distinguish between the desk audit and the field audit. In addition to the VAT law and regulations, the training material should take into consideration other laws such as the general accounting law, the income tax law, etc. Specific VAT audit methodologies and audit techniques should be also integrated in the training material.</p> <p>Regarding the compliance audit, the material should cover the procedures to identify non registered taxpayers, non-filers using the Revenue Department data bases, and data from external sources of information such as the custom administration, the CNSS administration, etc.</p>	
1000	Training of VAT personnel	
1010	<p>Training of customer services and registration personnel</p> <p>The training of customer services and registration personnel should be done before the due date of the formal taxpayers' registration taking into consideration the time required to issue and distribute the registration certificates.</p>	
1020	<p>Training of the operational personnel</p> <p>The training of the VAT personnel on operational procedures should be done before the implementation date of the VAT; this training can be subdivided into different training programs by grouping interrelated procedures such as declaration processing, payments processing, refund processing, objections and appeals, etc.</p>	



	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
1030	<p>Training of compliance and audit personnel</p> <p>It is preferable that the training of the VAT compliance and audit personnel be done before the implementation date of the VAT; this training might be extended during the first quarter of the first implementation year.</p>	
1100	<p>Communication and education of the public</p> <p>Introduction of the VAT to the public</p> <p>A general study has to be prepared for consumers and taxpayers to inform them on the VAT characteristics covering the following aspects: fiscal policies, economic impacts, the VAT administration, etc the study should define the advantages behind the implementation of the VAT. This study is very important because it will be the first contact with consumers and taxpayers; it should be prepared directly after the approval of MOF authorities of the general basic principles mentioned in the preparatory phase.</p>	
1120	<p>Distribution of the VAT general study</p> <p>The general study should be distributed to selected external private and public sectors (economical, social and professional organizations, syndics, a sample of potential taxpayers, etc.) in order to collect their feedback and their remarks on the implications of the implementation of the VAT covering administrative and political issues.</p>	
1130	<p>Organization of seminars</p> <p>The objective behind the organization of the seminars is to consult the concerned external bodies. These seminars should be held during the different phases of the VAT development. They can start with the general study and continue with more specific issues according to the progress of the work. The issues discussed can cover policy issues as well as procedures related to all business function of the VAT administration. The composition of each group should vary according to the subject issue of the discussion.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
1140	<p>Preparation of a VAT General guide</p> <p>At least 3 months before the effective date of the VAT implementation, a guide should be prepared and distributed. This guide should offer a complete presentation of the VAT as it will be implemented and used as a basic reference for the public, the enterprises, foreign investors, etc. to understand the VAT application, its policies and its administration.</p>	
1150	<p>Preparation of a guide for registration</p> <p>A registration guide should be prepared to inform enterprises and professionals on the criteria of their obligation or their eligibility to register along with the procedure applied for registration and the requested documents.</p> <p>This registration guide should be prepared and distributed before the due date of the registration campaign.</p>	
1160	<p>Preparation of special guides for specific schemes</p> <p>Specific schemes need special procedures, calculations, processing, etc. i.e. exporters, tourists, capital assets, non profit organizations, used goods, etc. A guide should be prepared for each scheme. These special guides are very important to inform the concerned taxpayers on how the VAT will be applied on their activities and therefore potential problems can be avoided.</p>	
1170	<p>Computerized accounting and VAT</p> <p>As most of the business enterprises and professionals are using computerized accounting applications, it is necessary for the VAT administration to inform the public on the basic standards they should use or have in their software applications to record the VAT amounts collected and paid based on the 'tax invoice' of each operation. These standards should respect the rules and regulations of the general accounting law.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
1200	<i>Announcements to the public</i>	
1210	<p>Announcement for registration</p> <p>The invitation of taxpayers to register in VAT is a very important event in order to insure a good implementation start-up. Two dates are to be declared, the starting date of registration and the ending date after which a penalty will be applied on non registered taxpayers.</p> <p>Different communication media can be used such as TV and radio stations, newspapers and magazines, distribution of brochures, press conferences, etc.</p>	
1220	<p>Announcement to public on the VAT declaration period(s) and related dates</p> <p>The preparation of VAT declarations and their submission is also a very important event. The public should be informed on the importance of abiding by the prescribed dates to avoid interest and penalties. This announcement in the different communication media is indispensable and is among the key success factors of the VAT implementation.</p>	
1230	<p>Announcement for payment of VAT dues</p> <p>It is important to remind the taxpayers that the VAT collected from the consumers is on behalf of the government and the remittance of the taxes within the prescribed period is a legal obligation and should be done using the VAT declaration form(s). In addition, it is important to remind the taxpayers on the accepted payment methods.</p>	
1300	<i>Implementation of the VAT</i>	
1310	<p>Distribution of the registration form(s)</p> <p>At the planned date, the registration form(s) should be distributed to the public using the available distribution networks such as the post mail, the MOF branches and if possible through the Internet; the registration guide should be also available.</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>
1320	<p>Issuance and distribution of registration certificates</p> <p>The issuance of registration certificates is the formal way of informing the taxpayer that he has been officially registered in the VAT taxpayers data base; the certificate includes the VAT registration number that should be used for his declarations and payments and in all his communications with the VAT administration. The distribution of the registration certificates within the planned dates will contribute to the success of the implementation.</p>	
1330	<p>Conduct visits to educate/advise the taxpayers</p> <p>During the first phase of the implementation, it is very beneficial to appoint selected employees from the VAT administration mainly those who will work in the compliance, in order to inform, assist, advise the taxpayers on the VAT accounting, declaration preparation and VAT payments.</p>	
1340	<p>Distribution of remittance/declaration forms</p> <p>The remittance/declaration forms should be available to the taxpayers prior to due date of the first declaration; the procedures to prepare and to submit the remittance/declarations should be clearly described in the VAT guide. The distribution of personalized remittance/declarations through the mail is very advisable (the following information can be pre-printed on the declaration: Taxpayer name, address and number, declaration period, due date, declaration reference number, ...in addition, instructions can be pre-printed on the back of the declaration).</p>	

	<i>Description of the Present Situation (Progress)</i>
<p>1350</p>	<p>Receive and process remittance/declaration forms and payments</p> <p>The remittance/declaration forms received should be registered upon receipt (It is advisable to allocate a Document Locator Number or Document Number to each declaration received); as a second step, the remittance/declaration should be captured by the Data Entry Center as soon as possible; A third step includes the automated validation of the data captured from the declarations; the rejected declaration should be transferred to a verification unit for review. The result of the declaration processing might trigger the issuance of assessment notices in case there is a variance between the submitted and calculated amounts.</p> <p>Payments should be registered in the taxpayer accounts at once, regardless whether they have been done directly to the VAT administration or through the banks. It should be noted that the payment processing depends on the adopted procedure to integrate or not the payment within the declaration form.</p>
<p>1360</p>	<p>Receive and process refund claims</p> <p>Refund claims should be processed according to the related policies; taking into consideration that refunds must be issued within the legal time, care should be taken to review and verify the claims based on the policies and procedures adopted by the VAT administration. A special team should be trained for this purpose. Coordination of effort and exchange of information with the compliance unit is very important.</p>
<p>1370</p>	<p>Identification and follow up of non-filers</p> <p>If remittance/declaration forms are registered as soon as possible, it is very simple to identify the taxpayers who did not file their declarations and consequently, the VAT administration can take immediate action according to the policies and procedures established. Identification of non-filers is very important at the start-up of the VAT implementation.</p>

<i>Description of Activities</i>		<i>Description of the Present Situation (Progress)</i>
1400	Implementation of compliance and audit	
1410	<p>Identification of non-registered VAT taxpayers</p> <p>The business process to identify non-registered eligible taxpayers should be a continuous effort from the start-up date of the VAT implementation. There are different ways to avoid registration. The VAT administration should study the possible ways of avoidance and prepare the procedure to identify the non-eligible taxpayers. VAT employees with a minimum experience should be selected and trained for this purpose.</p>	
1420	<p>Perform desk analysis and audits</p> <p>Different series of standards should be established to identify cases that present a high risk of fraud. These standards can be prepared by economical activities, by size of taxpayer, legal status, etc. The collaboration with the field audit unit is very important to establish and review these standards.</p> <p>The usage of internal/external sources of information should be within the established procedures, i.e. custom administration, the income tax department, other government institutions, etc.</p> <p>Contacts with the taxpayers can be performed to obtain/verify data.</p> <p>Personnel from the VAT administration with minimum experience should be selected and trained for this purpose.</p>	
1430	<p>Perform field auditing</p> <p>Field auditing should be performed based on cases identified by the desk analysis and audit unit and on cases selected randomly. Amid the fact that VAT auditing is less complex than the income tax audits, audit procedures should be prepared and used to ensure efficient audit operations.</p> <p>Personnel from the VAT administration with minimum experience should be selected and trained for this purpose</p>	

	<i>Description of Activities</i>	<i>Description of the Present Situation (Progress)</i>

4. Plan of work

Note: the plan of work and the timeline can be prepared after the evaluation of the work progress of each activity; I suggest the following steps:

1. Description of the situation-progress of each activity
2. Review of the list of activities (addition, modification and deletion)
3. Review and evaluation the list of critical issues
4. Identification of the activities which are in the critical path taking into consideration that the implementation date of the VAT is 1.1.2002
5. Enforcement of the members of the development unit (see section 5: proposed structure of the development team)
6. Distribution of work/activities among the development team
7. Establishment of a timeline
8. Office set-up for the development team
9. Preparation and allocation of the necessary budget for the development

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5. Proposed structure for the development unit

UNIT	Responsibilities	Profile
Legal Unit	Handle all matters related to legislation and regulations: VAT law, regulations, institutionalization of the VAT administration, etc.	
Fiscal and administrative policies Unit	Handle all matters related to fiscal and administrative policies: perform all the studies covering the list of critical issues	
Systems and Procedures Unit	Design all systems and procedures, forms, elaborate guides for the public, etc.	
IT Unit	Develop software programs	
Implementation and training Unit	Design the organization chart, writing of job descriptions, distribute authority, write internal manuals, allocate VAT personnel, set up offices, etc. Prepare and organize training programs.	
Public Communication Unit	Handle all issues related to public communication and education	

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