

ESTONIAN TAX AND CUSTOMS BOARD 2005 – 2008

STRATEGIC PLAN





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I INTRODUCTION

This document is the first long term plan of the merged Tax and Customs Board (hereinafter referred to as TCB) functioning under governance of the Ministry of Finance, and it reflects the main goals and objectives of the tax authority for 2005-2008.

TCB as a tax authority intends to become a more reliable and innovative partner in facilitating Estonian business environment, strengthening Estonia's competitiveness in the European Union, administrating efficiently revenue collection and protecting the society and economy. Strategic plan includes the vision of organizational development of TCB in the areas that are essential for achieving cost efficiency and improved administrative capacity.

With this strategic plan TCB underlines their customer focus, equal treatment of all persons and importance of co-operation with the state agencies of Estonia and other countries, with the European Commission, business enterprises and non-profit organizations.

Strategic objectives form the basis for drafting and implementation of the annual development and operational plans of TCB. The achievement of the objectives shall be measured against the strategic performance indicators. Financing of the achievement of the strategic objectives and measures to be applied shall be ensured through binding of the present document with the State Budget Strategy.

II MISSION

Mission that has been given to Tax and Customs Board by the Estonian Government and the European Union is:

efficient and accurate administration of taxes, facilitation of business environment and protection of the society and economy.

III VISION

The direction of the activities and development of Tax and Customs Board is in direct connection with the economic and social policy of Estonia and of the European Union, and dependant on the overall attitudes and development of the society. Both, Estonia and European Union are linking their future prospects with the value added created by educated, competent and motivated labour force through application of innovative technological solutions, and with promotion of the research and development on the one hand, and on the other hand great value is attached to the opportunities related to Estonia's geographical location on the external border of the European Union as a gateway to Russia. In order to make use of these prospects there has to be support to the sustainable environmental development and high administrative capacity.



Proceeding from the development trends of Estonia and Europe, and from their mission, TCB envisages the following development during the period of 2005-2008.

- TCB is proactive and consistent in its activities and takes into consideration the needs and possibilities of its customers and partners.
- TCB supports, in co-operation with public and private sectors, the Government policies and strategies aimed at facilitating the activities producing the added value in the economy and increasing the efficiency of logistics, thus, contributing to the increase of Estonia's competitiveness.
- TCB fulfils its obligation as a protector of the financial interests of the European Union and of the Republic of Estonia, administrating the taxes fairly, cost-efficiently, correctly and as conveniently for the customers as possible.
- TCB develops co-operation with Russian Customs to find the best solutions for meeting the needs that business sector has in the trade between East and West.
- TCB protects the society and economy from drugs, terrorism, tax frauds and contraband. The main focus is laid on prevention and fast detection of legal offences.
- TCB is an attractive employer in the public sector as to efficient work organization and management, career and development opportunities and performance inspiring working environment.

IV VALUES

In its daily work, choices and decisions Tax and Customs Board adheres to the following basic values:

Honesty - we are impartial, fair, unselfish and reliable, and our performance is transparent and ethical.

Professionalism - we have profound knowledge of our business.

Co-operation - we share our experience with colleagues, customers and partners.

Mutual respect - we respect customers, our partners and ourselves, our conduct is polite and correct.

V PERFORMANCE AREAS

Tax and Customs Board has identified three main performance areas in fulfilling their mission and achieving the vision: service, protection of the society and economy and organizational and human resource development. Each performance area has its own sub-strategy. Achievement of the objectives set in these sub-strategies is measured at two levels - annual performance assessment against performance indicators formulated in the strategic plan, and quarterly measurements of operational results compared with the key performance indicators.

The Implementation Guidelines of the Strategi Plan can be found on TCB home page: www.emta.ee

1. SERVICE SUB-STRATEGY

Strategic objective 1: TCB is a customer-focused service organization

To achieve this objective TCB shall take the following measures.

1.1.1 Introduces the work processes that will save the time and expenses of customers (single window concept):

- identifies the main customer groups and the content of the service according to the expectations of customers;
- designs the service processes meeting the requirements of customer groups, allocates the necessary resources and determines the deployment of these resources;
- performs internal reallocation of tasks based on the analysis of work processes and automation needs;
- introduces electronic work environment for the customer service staff;
- increases the awareness of the staff about the principles of customer-focused service.

1.1.2. Develops the electronic service environment to enable convenient and fast submission of information, declarations and requests:

- develops the customer-friendly applications for providing service in an electronic environment and for information exchange;
- applies necessary measures to ensure the provision of high quality service also outside the electronic environment, taking into account the specific needs of customers.

1.1.3. Provides well-timed adequate and precise information to the customers in Estonian, Russian and/or English:

- develops the methodology for answering the customers' inquiries by phone or by e-mail;
- makes available full information about tax rates, trade policy measures, legal acts and judicial decisions for customers in the electronic environment;
- provides timely training to explain the legal acts and the amendments thereof regulating the taxation and customs formalities.

Performance indicators:

- Customer satisfaction with the service provision;
- Customer satisfaction with the provided training.

Strategic objective 2: TCB is a reliable co-operation partner in developing the favourable business environment

To achieve this objective TCB shall take the following measures.

1.2.1. Improves the interagency and international co-operation:

- co-operates actively with the European Commission, with the tax and customs administrations of other countries and with international organiza-

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tions in order to improve the tax and customs work and acquire the best international practice;

- implements cross-accessible use of databases, in co-operation with other public offices;
- promotes the role and contribution of local governments in revenue collection;
- co-operates with Russian Customs to ensure better service provision for business circles and attract trade flows between East and West into Estonia.

1.2.2. Develops co-operation with private sector in order to apply the solutions meeting the business requirements:

- concludes co-operation agreements with partners in order to improve co-operation and mutual understanding;
- participates actively in the EU institutional working groups and joint projects with other tax and customs administrations in order to ensure uniform interpretation and application of tax and customs regulations, to inform customers of planned changes and represent interests of Estonian business environment;
- informs the Ministry of Finance of the pitfalls in legislation as well as of the processes not covered in legal framework, and makes proposals for the amendment of legal acts considering the budgeting timeframe.

Performance indicators:

- Ranking of Estonia's growth competitiveness index;
- Partners' rating to the co-operation with TCB.

Strategic objective 3: TCB ensures consistent, accurate and transparent accounting for taxation purposes

To achieve this objective TCB shall take the following measures.

1.3.1 Elaborates transparent methodology for calculation of interest, in common with the Ministry of Finance.

1.3.2. Makes proposals for cost-efficient administration of the state revenue:

- improves the methods of control for calculation and payment of taxes and the respective information systems;
- brings the accounting for state revenue into full conformity with generally accepted accounting principles;
- provides web-based service to the beneficiaries about the assessed and received tax amounts;
- introduces the system for payment of state taxes under single reference number.

1.3.3. Performs internal reallocation of tasks based on the analysis of work processes applied for calculation of the state revenue, and on the automation needs.

Performance indicators:

- State Audit assessment to the system applied by TCB for accounting of the state revenue and calculation of interest;
- DG Budget audit assessment to the system for collection of the EU traditional own resources applied by TCB.

2. PROTECTION OF THE SOCIETY AND ECONOMY SUB-STRATEGY

Strategic objective 1: TCB is a reliable co-operation partner in ensuring the security of the society and economy

To achieve this objective TCB shall take the following measures.

2.1.1 Contributes to the improvement of the competitiveness of the economy and to the safety of society by seeking for the balance between control and facilitation of business activities:

- develops the system for determining the customers' reliability based on risk analysis and on mutual co-operation;
- identifies the potential co-operation partners in priority areas, most appropriate forms of co-operation and takes initiative in co-operation;
- improves surveillance activities and customs control for detection of illegal use of drugs and their precursors;
- strengthens customs control over the movement of prohibited and hazardous goods;
- formulates the principles of customs control on internal borders of EU in preparation for the full application of the Schengen Agreement.

2.1.2. Improves co-operation with other public institutions in Estonia and with the tax and customs administrations of other countries for effective fight against organized crime:

- participates in joint operations and initiates joint operations in co-operation with other agencies to combat smuggling and tax frauds;
- enhances the opportunities for using customs laboratory and other expertise techniques in prevention of tax fraud;
- elaborates and continuously develops measures for fighting against excise and VAT frauds;
- participates actively in interagency and international working groups.

Performance indicator:

- Offences detected and loss prevented as a result of joint operations and co-operation.

Strategic objective 2: compliance to tax regulations improves in line with increased awareness of the customers and public at large

To achieve this objective TCB shall take the following measures.

2.2.1. Introduces the principle of proactive and co-operation focused approach in organizing the law enforcement activities:

- explains to the co-operation partners the possible impact of their activities on formation of the public attitudes in relation to the payment of taxes;
- participates actively in public discussions dealing with the problems and risks identified in revenue collection;

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- acknowledges the need of educating the youth and increasing their awareness of the rights and obligations of a taxpayer.

Performance indicator:

- Tax gap as percentage of gross domestic product.

Strategic objective 3: control is efficient and is based on risk analysis and risk assessment

To achieve this objective TCB shall take the following measures.

2.3.1. Develops a comprehensive risk analysis system for selection of control objects and in support of management decisions:

- defines the intelligence needs of different control areas and management levels, and, using all possible sources of information provides the required information;
- develops internal intelligence network of the Tax and Customs Board to ensure the collection, analysis and dissemination of information according to the competence at the receiving end.

2.3.2. Applies systematic controls over the activities of customers:

- identifies the risks pertaining to revenue and to the safety of international supply chain, and appropriate control procedures to minimize those risks;
- depending on the need, tax and customs control staff exchange information while examining persons, documents, goods or means of transport, or will integrate the controls.

Performance indicator:

- Hit rate of the control.

3.

ORGANISATIONAL AND HUMAN RESOURCE DEVELOPMENT SUB-STRATEGY

Strategic objective 1: TCB applies successfully new management methods and systems, and continuously develops the work processes

To achieve this objective TCB shall take the following measures.

3.1.1. Designs the organizational structure capable of adjusting to the changing environment:

- adopts a process-based approach towards re-arrangement of its business, development of human resource and designing of the organizational culture;
- accomplishes the structural reform started with the merger of two tax authorities;
- introduces work arrangements based on functional guidance, horizontal information exchange and co-operation, and on delegation of the decision making powers.

3.1.2. Applies contemporary management methods and improves management systems:

- implements transparent planning, reporting and performance assessment systems;
- applies the cost-benefit analysis for proper assessment of performance and of the fiscal effect;
- introduces benchmarking methodology in order to compare themselves with the best organizations and to plan the development activities;
- participates actively in the discussions focusing on the development of public administration;
- elaborates the principles and measures for establishing the reserve of the future managers and project leaders;
- defines the roles, responsibilities, actions and communication principles of managers working under changing conditions and in unexpected situations, and observes these principles consistently;
- designs shared organizational culture attaching value to the human resource and improving the public image of the tax authority.

Performance indicators:

- Employee satisfaction;
- Cost per one EEK collected as revenue;
- Achievement of the strategic objectives.

TCB APPLIES SUCCESSFULLY NEW MANAGEMENT METHODS AND SYSTEMS, AND CONTINUOUSLY DEVELOPS THE WORK PROCESSES



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Strategic objective 2: TCB's employees have the possibilities for development and they are motivated to achieve better results

To achieve this objective TCB shall take the following measures.

3.2.1. Creates enhanced internal development and training possibilities and favourable environment for learning:

- prefers to employ the existing staff when work arrangements are changing, provides the employees with the possibility to increase their competence and take up other more specialized jobs in the same units, or requalify for working in a different area;
- creates necessary conditions and facilities for experts who are training and instructing their colleagues, customers and trainees;
- applies contemporary training methods linking the classroom training with the individual work in the electronic environment and Internet.

3.2.2. Takes into account the re-training needs conditioned by the changed work arrangements and new business processes when designing new training programmes:

- provides preliminary training, specialized instruction and support for new recruits to familiarize them with their tasks;
- develops and applies the training programme for providing basic and advanced training in the service area;
- develops and applies the training programme for providing basic and advanced training in tax supervision and customs enforcement areas;
- provides management training for managers in conformity with the established competence profiles.

3.2.3. Improves the awareness and responsibility of managers to their teams in the process of development, promotion, selection and assessment of their staff:

- elaborates and applies the competence models in order to assist managers in making staff-related decisions;
- introduces annual staff appraisal and development interviews;
- establishes the tradition for conducting employee satisfaction surveys.

3.2.4. Introduces the employees recognition and motivation system by which the individual performance and contribution of each employee is related to the performance of the organization:

- reviews the salary levels every year, links the basic salaries with the job profiles and establishes transparent criteria for individual salary increments;
- applies the performance salaries system attaching value to the team-work as well as to the individual contributions of each employee;
- makes use of non-pecuniary motivators, such as training; improvement of the working environment; participation in project work, in internal and international training and consultation activities; employee recognition system; improvement of management; joint social activities; corporate traditions; etc.

Performance indicator:

- Employee satisfaction.

Strategic objective 3: TCB communicates with their customers, co-operation partners and the staff following the principle “timely provision of accurate information to the right people”

To achieve this objective TCB shall take the following measures.

3.3.1. Applies the communication system in internal and external communication ensuring the transfer of high quality, unambiguous messages to all the target groups:

- organizes the collection, storage and distribution of information accrued from internal and external communication;
- develops co-operation with media, acknowledging the role of media as an important information carrier for developing public attitudes in relation to payment of taxes;
- introduces the internal communication practice, where information is moving smoothly between all the structural units of TCB, and the units are aware of each others' needs and possibilities.

3.3.2. Organizes the use of communication means and methods in accordance with the purpose of communication:

- develops and implements the plan of systematic surveys to assess the internal and external environment of TCB;
- co-operates with other public offices in explaining the Estonia's tax and customs law to the public at large;
- organizes the information in Intranet and on TCB web-site in Internet in accordance with the work arrangements of TCB and with the needs of customers and co-operation partners.

Performance indicators:

- Rating to TCB media relations;
- Customer satisfaction;
- Employee satisfaction.

TCB COMMUNICATES WITH THEIR CUSTOMERS, CO-OPERATION PARTNERS AND THE STAFF FOLLOWING THE PRINCIPLE “TIMELY PROVISION OF ACCURATE INFORMATION TO THE RIGHT PEOPLE”