

**Report to the federal Parliament
The administration of outstanding debt**

26 May 2011 – The Belgian Court of Audit submitted its report on the administration of outstanding debt (namely the unpaid direct tax and VAT claims) to the House of Representatives. It first checked whether the Tax Recovery Administration followed up previous recommendations from its report “the calculation of tax arrears” (assessment of outstanding debt - *meten van de fiscale achterstand*)(March 2004). The audit also focused on the announced introduction of a new organizational structure and a range of modernization concepts within the Tax Recovery Administration. Finally, it scrutinized the claims payable and the bad and uncollectible debt claims.

The Court noticed that its previous findings from the 2004 audit still hold their relevance as far as outstanding debt reporting is concerned and that the assessment of the debt outstanding has not yet met the criteria of intelligibility, reliability, relevancy and comparability. The revenue amounts stated by category of outstanding debt and the transfers between these categories as had been requested by the Court did not give an accurate picture of the revenue or the transfers. It is therefore not possible to calculate the tax recovery percentages by category or to assess the debt recovery trend, as such was the case for payable claims.

The Court also argued that the reporting structure and makeup has to be adapted to supply more intelligible information on the outstanding tax debt. By the same token the effective revenue and transfer amounts, which are needed to measure the recovery performance and the effects of the policy, have to be fixed and communicated in a verifiable way.

Although the minister declared that he would ask his administration to take account of these remarks and recommendations the information communication on the outstanding debt is unlikely to improve in the short term. As long as STIMER, the computer application used to register the tax debt recovery and collection, is not operational the data needed will remain unavailable.

The administration admitted that the introduction of the new organizational structure had been delayed for various reasons and also conceded that the new tax recovery plans as described in the Coperfin plans have not yet been implemented. This is why STIMER, on which the complete modernization of the tax recovery department is dependent could not yet be put in place. Nothing was made either to implement the principle of the single debt recovery collector (that is the recovery of all debt of a taxable person by one and only service). In order to effectively implement that principle the Court recommended defining a time period within which STIMER could be put in operation and the direct tax and VAT services could be merged.

The minister explained that the STIMER project is directly connected with the introduction of the new structures but the Court found this an instance of circular reasoning. The new organizational structure can only be operational once and if STIMER has become operational.

In order to speed up the tax debt recovery the administration designed two specific tax recovery techniques : the telephone management of debtors and goal-targeted national tax recovery actions. Admittedly, these techniques constitute an incentive to process a file, but

accurate data on the outcome are not yet available. The Court suggested therefore investing more in developing a system that ensures a better monitoring.

The Court found that the administration and the recovery of debt considered as bad and unrecoverable is made more difficult because of an increasing number of law regulations worked out to help debtors facing payment difficulties. Often is the enforcement of decisions with regard the taxable person's goods impossible as long as the legal procedures are in progress. The legal processing of these measures also requires a wide availability of specialized staff.

As to the administrative practice of writing off debt considered as unrecoverable the Court recommended working out a general legal framework to solve this.