



Report of the State Comptroller of Israel |
November 2022

Israel Tax Authority

The Public Service at the Tax Authority – Extended Follow-up Audit




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Background

The Israel Tax Authority (the Tax Authority or the Authority) collects government taxes from most of the residents and business entities in the country. Hence, the quality of the service it provides them is essential. The service quality of the taxpayers' interfaces with the Authority, including the information given to the taxpayers on their rights, has a substantial impact on both the efficiency of tax collection and the rate of tax benefit exhaustion. The Tax Authority, like any public authority, is designed to serve the public in an efficient, equitable, and high-quality manner. The organizational vision of the Authority states: "The Tax Authority will work effectively to enforce the collection of taxes and to provide an efficient, quality, and fair service".

Audit Actions

 The State Comptroller's audit report from 2015 on the exhaustion of tax benefits and public service at the Tax Authority (the Previous Audit) dealt, among other things, with the service to the taxpayer. From August 2021 to February 2022, the State Comptroller's Office examined the Tax Authority's actions to improve the service and rectify the deficiencies noted in the Previous Audit. Furthermore, the examination was expanded and focused on small businesses, the Income Tax Service Centers (ITSC), and import and export customs services.



Follow-up of the Rectification of the Deficiencies Noted in the Previous Audit

Key Figures

**14:41
minutes**

the average waiting time for a remote appointment with the assessment offices, by the online system

200,823

calls were received at the Tax Authority's Call Center from September to November 2021

**only
0.08%**

the phone quality control rate performed over calls at the Call Center from September to November 2021 (164 out of 200,823 calls)

10,916

applications for tax exemption due to disability submitted to the Income Tax in 2021

Key Findings



Reception Hours – the previous audit raised that the reception hours at the assessment offices are usually on Sunday until Thursday, in the morning, at 8:30–13:00. In the assessment offices (where there are teams processing tax returns and tax coordination), reception hours on Mondays and Wednesdays are also in the afternoon hours. Assessment offices serve taxpayers' in these reception hours. Since the reception hours in the assessment offices are usually in the morning and in a limited way in the afternoon hours, many taxpayers are forced to be absent from work to receive these services. By the follow-up findings, the deficiency was not rectified. The reception hours in the offices have been reduced, as the reception hours on Sundays and Tuesdays have been canceled. Thus, fewer days and hours are allocated to those who need assistance and a meeting with the employees of the assessment office.



Duration of Waiting Time for Service – the previous audit noted assessment offices with routinely long waiting time and taxpayers waiting for service for hours. The follow-up audit raised that the deficiencies have been slightly rectified. According to the Tax Authority data, from January to September 2021, the average waiting time at the assessment and land taxation offices was 17:01 minutes. From the beginning of October



2021, the Authority's online system for remotely scheduling appointments was introduced. This system enabled shortening the waiting times, and from October to December 2021, the waiting time at the assessment offices was 14:41 minutes. However, the reception of only those who scheduled an online appointment harms those who do not use the internet (people who avoid it for religious reasons, elderly people who are not skilled in using the internet or those who do not have the infrastructure to connect to the internet).



The Phone Response Quality – from June 2020, the Tax Authority began to operate, through outsourcing, a national phone call center that responds to various tax systems inquiries. The Tax Authority employees listen to responses to dozens of inquiries every week, grade them, and determine the quality of the response. Still, they do not base the grade on a defined list of components or clarify how the grade is determined. It was also found that quality control was performed over 164 calls out of 200,823 incoming calls from September to November 2021, about 0.08% of the incoming calls, and that the rate of calls that the Tax Authority graded as a good response in that period was 52%. Therefore, half of the applicants did not receive a quality response as defined by the Tax Authority.



Provision of Information, Training, and Forms in Languages Other than Hebrew – Language Accessibility – the previous audit raised that the information brochures and forms in the assessment offices and land taxation offices are in Hebrew only, except for an explanatory brochure on income grant (negative income tax). The follow-up audit raised that the deficiency has not been rectified and that in Umm al-Fahm Intelligent Transformation System centers (ITSC) for the Arab population, there are no explanatory booklets or forms in Arabic. Moreover, the queue management system and the digital display inviting applicants to the Tax Authority representative are managed and displayed in Hebrew.



Service at the Assessment Offices – the State Comptroller's Office stated in the previous audit that government offices should serve every citizen on their arrival day. The follow-up audit raised that the deficiency has been fully rectified. In the followed-up offices, all the applicants received the service on their arrival day, and the reception lasted until the queue's end.





Phone Response by the Assessment Offices – the previous audit raised that the assessment offices have no computerized control mechanisms for phone responses, and there was no uniformity in the recordings on the call router in all the assessment offices. It was also found that in many cases, the call router of the phone answering service in the assessment offices is not updated, and sometimes it forwards the phone calls to extensions that are not staffed. The follow-up audit raised that the deficiencies have been largely rectified. In June 2020, the Tax Authority began to operate, through outsourcing, a national phone call center that responds to inquiries about various tax



systems. The call center operates from 8:15 a.m. to 3:30 p.m., Sunday through Thursday. This is in two shifts, each of which employs about 90 workers.

Taxpayers Appearing Before the Medical Committees of the National Insurance Institute – the previous audit raised that each taxpayer must appear before over three medical committees on average for the medical diagnosis and for decision making in his case. The follow-up audit raised that the deficiency has been fully rectified. Currently, people with disabilities can send all documents online to the medical committee. The committee discusses their application according to the documents they sent, and they are not required to attend the committee's deliberations.

Key Recommendations

-  **Reception Hours** – it is recommended that the Tax Authority consider increasing the number of reception days and hours at the assessment offices, also for those requiring service beyond the delivery of documents, to provide a better and more convenient service to taxpayers.
-  **Duration of Waiting Time to Receive Service** – it is recommended that the Authority consider ways to further shorten the waiting times in the offices. Moreover, to instruct them to accept those who arrived without an appointment online scheduled in advance, to schedule an appointment online through a scheduling system, to be placed in the assessment offices, or to accept them in available time slots.
-  **The Phone Response Quality at the Assessment Offices** – it is recommended that the Tax Authority examine the cases, which did not receive a proper response, and the reasons for this, and according to the examination findings, improve the quality of the service provided in the call center. It is further recommended that the Tax Authority examine the scope of call quality control as required and expand it.
-  **Provision of Information, Training, and Forms in Languages Other than Hebrew**
 - **Language Accessibility** – the Authority should consider language accessibility for non-Hebrew speaking populations and make rights and services accessible in the various required languages.



Additional Issues Examined in the Extended Audit Regarding the Service to the Taxpayer at the Tax Authority

Key Figures

NIS 6.89 billion

credit balances of taxpayers obligated to report awaiting approval for reimbursement, as of January 2022, of which NIS 3.23 billion are awaiting approval for over 90 days

9,213 citizens

contacted the Ashdod service center in 2021. Of these, 134 left without receiving service. The average waiting time for service was 10:56 minutes

about 73,000 self-employed

registered as exempt self-employed (whose income is up to NIS 100,000), of which, in 2017–2020, only about 1.5% of those whose annual income is up to NIS 60,000 exhausted the relief possibility in the annual reporting to the Tax Authority

24 assessment offices

out of 25 do not meet all the requirements of the Equal Rights Law regarding accessibility to the office

503,188 applications

for an aid grant for self-employed and companies by participation in fixed expenses were submitted to the Tax Authority from March 2020 to December 2021. In 968 (0.2%) of them, the processing was not completed until March 2022

70 inquiries

referred to the assessment offices by the online inquiries system in June 2021 were reviewed by the audit team. It was found that 48 (about 69%) of the applicants did not receive a response and were required to complete additional documents and reapply to receive their requested service


Key Findings





Tax Refunds for Employees and Individuals not Required to Report – the audit raised that in 2020 – 113,441 employees and individuals who are not required to report submitted a report for a tax refund. Moreover, the Tax Authority does not have current





data on the credit balances scope it is supposed to refund them, on the number of those entitled to a refund and on the time that has passed since they applied for a refund until the refund is paid.

 **Withholding Credit Balances Refund to Taxpayers** – according to the Tax Authority data, as of January 5, 2022, the credit balances the Tax Authority disapproved to refund to taxpayers (required to report) were NIS 6.89 billion. The credit balances withheld for over 90 days were NIS 3.23 billion, of which NIS 2 billion are awaiting approval, and the Authority withholds the rest for assessment or collection reasons. Thus, according to the Tax Authority's data, as of January 2022 – 78,659 credit balances were not refunded due to a lack of bank account details, a total of NIS 479.9 million.


 **The Handling Duration in the Public Inquiries System (MAPAL)** – it was raised that over the years, there has been considerable growth in applications at the public inquiries system. In 2021 (until December 5, 2021), 478,901 citizens contacted the assessment offices. Most assessment offices met the goal of providing the applicant with a response within 48 hours. However, in six assessment offices out of 25, the inquiries handling time in 2021 exceeded the goal set by the Authority, and each of them accumulated dozens of unanswered inquiries.


 **Reporting on the Completion and Closing Inquiries on the Public Inquiries System** – it was raised that contrary to the Authority's directive, the employees handling inquiries report the completion of handling an inquiry not only when the inquiry has been resolved but also when the inquiry handling has not been completed. For example, when the applicant is required to supplement additional documents or even when the inquiry is referred to the care of another employee. It was also found that when the office employee closed an inquiry, even when its handling was not completed, the inquiry was deleted from the list of inquiries. Therefore, when the applicant sends the requested documents to the public inquiries system, the inquiry is reopened as a new inquiry, even though it is a follow-up to a previous inquiry.


 **Physical Waiting Conditions in the Income Tax Service Centers (ITSC)** – it was raised that those waiting in a queue at some of the Income Tax Service Centers (for example, in Haifa and Tel Aviv) do not have adequate conditions for waiting in line, including seating. Furthermore, some of the Income Tax Service Centers (for example, in Netanya and Beer Sheva) do not have entrance lobbies to the building, and those waiting in queue wait outside, in an unsheltered place, exposed to the rain and sun in winter and summer.

 **Taxpayers with an Income of up to NIS 60,000** – it was raised that in 2017–2020, out of about 60,000 small business owners, only about 1.5% exhausted the relief possibility in the annual reporting to the Tax Authority and submitted an abbreviated reporting form.



 **The Online Service for Exporters at the Customs Administration** – it was raised that, unlike the import system that operates online in the "World Gateway" system, the export system does not operate online and not even through the "World Gateway" system. It was also raised that for each export entry, the customs agent is required to submit to the customs house a printed physical copy to which all the relevant documents are attached, including a copy of the certificate of origin, export account, export permits, export certificates and licenses, and any export document as required.

 **Covid-19 Grants** – it was raised that the Authority paid aid grants by participation in fixed expenses of about NIS 1 billion, excess payments in about 25,000 cases. It was also raised that the Tax Authority has no data on the total scope of the required reimbursement of social grants given in excess. In any case, it cannot analyze and optimally perform the actions necessary to recoup them.


 **Service Level Agreement (SLA)** – as of February 2022, the Tax Authority does not have a service level agreement (SLA) and has not published public service indices and goals.



Refunding Credit Balances to Taxpayers – the Authority has taken several measures to facilitate refunding credit balances. For example, in the 2020 tax year, the Authority increased the amount of the credit balance automatically refunded. In four automatic refunds made in 2020–2022, NIS 522.9 million was refunded in 7,511 cases.

Integrated Office of the Sharon Region Tax Authority – the Tax Authority established the Sharon Region Tax Authority office in 2021. The integrated office consolidates similar activities carried out in both arrays (income tax and VAT) to streamline the work, improve the use of knowledge between the two tax arrays, increase the effectiveness of tax collection, and improve the service provided to self-employed and taxpayers alike.

Key Recommendations

 **Tax Refunds for Employees and Individuals not Required to Report** – it is recommended that the Tax Authority develop a mechanism enabling ongoing monitoring of the submitted reports for refunding excess tax paid by employees and individuals who are not required to report. It is further recommended that the Ministry of Finance, in coordination with the Tax Authority, consider implementing the declarative reporting model in Israel, partly through learning and concluding from implementing this model around the world.



Withholding the Refunding of Credit Balances to Taxpayers – it is recommended that the Tax Authority examine why the refund of credit balances has been withheld longer than stipulated in the Income Tax Ordinance and refund the balances if no relevant reason for withholding is found.



The Handling Duration in the Public Inquiries System (MAPAL) – it is recommended that the Tax Authority examine the reasons for the delays created in some of the offices and ensure that all the assessment offices meet the target it has set to prevent the accumulation of numerous inquiries not answered within 48 hours.



Completion of Handling by the Public Inquiries System – it is recommended that the Tax Authority update its instructions to the assessment offices to close an inquiry in the public inquiries system only upon completion of its handling and that every inquiry will undergo an initial examination. In a previous inquiry case, the inquiry will be routed accordingly in the public inquiries system, and will be handled if possible by the initial party that handled it before. As for applicants who were asked to provide additional documents, it is recommended that, the public inquiries system will alert a few days later about the need to supplement the required documents and, if necessary, issue an automatic reminder to the applicant.



Physical Waiting Conditions in the Income Tax Service Centers (ITSC) – it is recommended that the Tax Authority examine the conditions provided to those waiting in a queue at the Income Tax Service Centers and provide suitable conditions for waiting in line, such as seats and shelter.



Income Tax Service Centers in the Arab Sector – Umm Al-Fahm – it is recommended that the Tax Authority consider preparing information brochures and forms in Arabic for the population requiring it and act accordingly. It is also recommended that the Authority utilize the Income Tax Service Center location near the local population's residence to introduce its rights and help it exercise them. It is also recommended that the Tax Authority draw the lessons from establishing the Income Tax Service Center in Umm al-Fahm and consider establishing Income Tax Service Centers for the Arabic-speaking population in the south of the country. It is also recommended that the Tax Authority consider establishing Income Tax Service Centers for additional unique populations with unique needs, such as the ultra-Orthodox population in Bnei Brak.



Taxpayers with an Income of up to NIS 60,000 – it is recommended that the Tax Authority examine the reasons for not responding to those entitled to an abbreviated report and introduce them to this option. This will reduce the burden imposed on the Tax Authority in handling these taxpayers and may improve the quality of service to the public at large. It is also recommended to consider alternatives to the required reports of these populations.



The Online Service for Exporters at the Customs Administration – it is recommended that the Tax Authority promote the execution of export activity through the

"World Gateway" system so exporters can submit documents online. It is also recommended that until then, the Authority will consider adopting the system operating at the Jordan River Customs House in other customs houses.



Covid-19 Grants – it is recommended that the Tax Authority management gather the data of the various Covid-19 grants and monitor and ensure that all grants given in excess are collected by it.



Service Charter – it is recommended that the Tax Authority determine a SLA, publish it and comply with the schedule established by the Government Service Improvement Bureau at the ICT Authority. Furthermore, it is recommended that the Authority regularly update its service charter upon examination of the realization of the service goals.


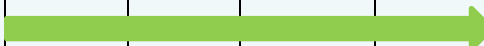

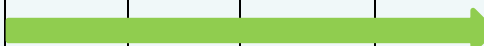

The Waiting Area in the Entrance Lobby at the Beer Sheva Tax Office is not Fully Sheltered and is Exposed to the Elements



Photographed by the audit team.



The Extent of the Rectification of Key Deficiencies Noted in the Previous Audit

The Audit Chapter	The Audited Body	The Deficiency/ Recommendation in the Previous Audit	The Rectification Extent of the Deficiency in the Follow-up Audit			
			Not Rectified	Slightly Rectified	Considerably Rectified	Completely Rectified
Service to the taxpayer in the assessment offices	The Israel Tax Authority	Since reception hours in the assessment offices are mainly in the morning and in a limited way in the afternoon, many taxpayers are forced to be absent from work to receive these services.				
		Some of the audited assessment offices do not provide service to all taxpayers who arrive during reception hours, so the taxpayers are forced to come once more to receive the service.				
		In some Assessment offices, waiting times are routinely long, and taxpayers are forced to wait there for hours to receive the service.				
		The assessment offices have no computerized control and supervision mechanisms for phone call centers. Furthermore, there is no uniform recording of the call routing system in all the assessment offices.				
Providing information, training, and forms in foreign languages – linguistic accessibility	The Israel Tax Authority	The information brochures and forms in the assessment offices and land taxation offices are in Hebrew only, except for an explanatory leaflet on the income grant (negative income tax).				



The Audit Chapter	The Audited Body	The Deficiency/ Recommendation in the Previous Audit	The Rectification Extent of the Deficiency in the Follow-up Audit			
			Not Rectified	Slightly Rectified	Considerably Rectified	Completely Rectified
The service for people with disabilities and blind people in the assessment offices	The Israel Tax Authority	A person with disability applying for tax exemption is required to come to the assessment office at least five times physically.				
		A taxpayer who wishes to undergo a medical examination by the National Insurance Institute to receive an exemption from income tax due to his disability must pay a fee.				
		It is impossible to file a claim for a tax exemption for a person with disability on the Tax Authority's website.				
		To execute an exemption that has already been granted by the National Insurance Institute, a person with disability must reach the assessment office and fill out an exemption application form, and attach the protocol of the aforementioned medical committee. Thus, the Authority imposes an unnecessary bureaucratic burden on those who have already been examined by medical committees – submitting medical documents supporting the tax exemption application.				
		A taxpayer must appear, on average, in over three medical committees for the medical diagnosis and decision-making in his case.				



The Audit Chapter	The Audited Body	The Deficiency/ Recommendation in the Previous Audit	The Rectification Extent of the Deficiency in the Follow-up Audit			
			Not Rectified	Slightly Rectified	Considerably Rectified	Completely Rectified
		The Authority does not send the protocol to the person with disability; he must physically come to the assessment office to photocopy the medical committee protocol.				
		The Authority does not inform the persons with disability entitled to the tax exemption of the time limit for submitting the reports for a tax refund.				
		The Tax Authority should join the National Insurance Institute process for the mechanization of the medical committees to make it easier for the public with disability wishing to undergo a medical committee, to shorten the procedure time, and to make it easier for them to face bureaucratic barriers.				
		A certificate of blindness bears two dates: the date the certificate was issued and the expire date. To receive the benefits of a blind person, they should submit a copy of their certificate of blindness. They are entitled to these benefits from the date their eligibility was established, but this date does not appear on the certificate.				



Summary

The Israel Tax Authority is responsible for collecting government taxes, and it works with most of the residents and business entities in the country. Therefore, the quality of the service it provides them is essential. An optimal government service contributes to increasing the public's satisfaction, reducing the bureaucratic burden imposed on it, streamlining the work of the Tax Authority, and saving time and money resources.

The audit raised that the Tax Authority has rectified most of the deficiencies noted in the previous audit regarding the service to the citizen. In addition, the audit examined further public services and raised that the Authority is withholding credit balances of NIS 3.23 billion for over 90 days (the period established in the Income Tax Ordinance), among other things, for assessment or collection reasons, that gaps were found in the online public inquiries system operation, and that small businesses do not receive complete information regarding their entitled benefits, such as reducing the sum of advances and submitting an abbreviated report. In addition, the Tax Authority has not completed the preparation of a SLA detailing its goals and the extent of its commitment to provide efficient service and its indices and has not published this SLA to the public.

It is recommended that the Tax Authority improve the service by organization-wide planning, improve and upgrade the digital communication channels between it and the public and expand the set of independent actions that can be performed online while considering the general public and particularly small business owners. It is also recommended that the Tax Authority establish and publish a public service charter.

