

Agreement
between
The American Institute in Taiwan
and the
Coordination Council for North American Affairs
for
Technical Assistance
in
Tax Administration

This Agreement is made by and between the Coordination Council for North American Affairs (hereinafter referred to as CCNAA) and the American Institute in Taiwan (hereinafter referred to as AIT). This Agreement is entered into pursuant to the Taiwan Relations Act (P.L. 96-8, April 10, 1979; 22 U.S.C. 3301 et. seq.).

WHEREAS, CCNAA, on behalf of its designated representative, The Ministry of Finance (hereinafter referred to as The Ministry), is desirous of obtaining technical assistance in identifying, defining, analyzing and recommending improvements in the administrative functioning of the Taiwan Consolidated Income Tax (personal) and the Profit-Seeking Enterprise Income Tax in order to improve taxpayer compliance and to increase tax revenues. Such technical assistance may also include training and other related services as may be mutually agreed upon by CCNAA and AIT.

WHEREAS, AIT, on behalf of its designated representative, the Internal Revenue Service of the Department of the Treasury (hereinafter referred to as the IRS) agrees to provide the desired technical assistance to CCNAA.

Now, therefore, it is agreed by and between CCNAA and AIT as follows:

ARTICLE I

CCNAA agrees to engage AIT to provide technical assistance in tax administration and AIT agrees to provide such technical assistance to CCNAA.

ARTICLE II

Duties of AIT

AIT shall carry out its responsibilities pursuant to this Agreement with due diligence and efficiency.

AIT shall, through its designated representative, the IRS, keep accurate and systematic accounts and records in respect of the services provided pursuant to this Agreement in such form and detail as is customary, and shall permit CCNAA, or its designated representative, The Ministry, to inspect same and make copies thereof.

AIT shall, through its designated representative, the IRS, furnish to CCNAA, or its designated representative, The Ministry, such information related to the services AIT shall provide to CCNAA pursuant to this Agreement as may be reasonably requested.

Upon completion of specific services provided to CCNAA by AIT, as delineated in the Appendix to this Agreement, AIT shall deliver to CCNAA or to its designated representative, The Ministry, all reports, calculations, comments, suggestions, and relevant technical data compiled or prepared by AIT or its designated representative, the IRS, in and under this Agreement. Such shall become the sole property of CCNAA or its designated representative, The Ministry, pursuant to this Agreement.

CCNAA shall ensure, pursuant to this Agreement, that AIT or its designated representative, the IRS, is held free and clear of all customs duties and imposition charged by the authorities in the territory represented by CCNAA. Neither AIT nor its designated representative, the IRS, shall be required to pay any duties or taxes in executing the terms and conditions of this Agreement.

ARTICLE III

Personnel

To the extent that funds are made available to AIT by CCNAA, AIT, through its contractor, the IRS, will make available such personnel, equipment and facilities necessary to carry out activities pursuant to this Agreement.

AIT, through its designated representative, the IRS, shall provide suitably qualified personnel who are acceptable to CCNAA and to CCNAA's designated representative, The Ministry.

AIT through its designated representative, the IRS, shall provide all technical and administrative support and other requirements as may be necessary to complement and supplement the services of personnel of AIT's designated representative, the IRS, who are in Taiwan as AIT consultants.

ARTICLE IV

Obligations of CCNAA

Pursuant to this Agreement, CCNAA shall assist AIT in obtaining visas and other documents necessary for personnel of AIT's designated representative, the IRS, who visit Taiwan as AIT consultants in order to carry out this Agreement.

Pursuant to this Agreement, CCNAA shall assist AIT in obtaining the necessary permits and authorizations for carrying out the assistance specified in the Appendix to this Agreement, including access to facilities and areas under the jurisdiction of CCNAA's designated representative, The Ministry, by personnel of AIT's designated representative, the IRS, who are in Taiwan as AIT's consultants.

ARTICLE V

Reporting

AIT through its designated representative, the IRS, shall submit to CCNAA through its designated representative, The Ministry, the reports herein specified, in the English language in the number of copies and within the time periods set forth in the Appendix.

ARTICLE VI

Payment to AIT

AIT requires payment for all costs properly involved in the technical assistance specified in the Appendix to this Agreement.

All payments shall be made to AIT by CCNAA in U.S. dollars. Payments shall be sent to the following address:

American Institute in Taiwan
1700 North Moore Street, Suite 1705
Arlington, VA 22209

AIT costs are estimated for the services rendered under the Appendix to this Agreement and at the completion of work under that Appendix, the monies due AIT will be billed to CCNAA. Estimated costs of personnel services, administrative overhead, and direct costs included in the Attachment to the Appendix to this Agreement are ceiling costs, but final billing will be made on the basis of actual costs.

ARTICLE VII

Additional Services

CCNAA shall compensate AIT separately for any additional work as agreed upon between the two parties and resulting from CCNAA's specific request. The scope of work, AIT's costs and method of payment of such additional work will be agreed upon, in writing, by CCNAA and AIT.

ARTICLE VIII

Amendment and Termination

- a. An amendment to any or all of the foregoing provisions may be made by exchange of letters between the AIT and IRS indicating mutual agreement with the amendment.
- b. Either party may terminate this technical assistance agreement before completion of the services provided herein, with the understanding that there will be advance consultation between the parties and that the termination date will be fixed sufficiently in advance to permit orderly withdrawal of personnel and other adjustments.

ARTICLE IX

Liability

CCNAA agrees to assist in the defense against any suit brought against the Government of the United States; AIT; AIT's designated representative, the IRS; or any instrumentality or officer of the United States, arising out of work performed under this Agreement. CCNAA further agrees to hold the United States; AIT; AIT's designated representative, the IRS; or any instrumentality or officer of the United States, harmless against claim by CCNAA; by CCNAA's designated representative, The Ministry, or any entity or person in Taiwan or elsewhere for personal injury, death, or property damage arising out of work performed under this Agreement.

Except for damage to or destruction of property of AIT or its designated representative, the IRS, caused by personnel of AIT or its designated representative, the IRS, CCNAA agrees to reimburse AIT for any damage to or destruction of property belonging to AIT or its designated representative, the IRS, arising out of work performed under this Agreement.

IN WITNESS THEREOF, the parties hereto have hereby set their hands by their duly authorized representatives and have caused this Agreement to be signed and effective the date of the last signature hereafter.

For: Coordination Council for
North American Affairs

American Institute
in Taiwan

NAME: Lesford Lee
TITLE: Director, Economic Div.
DATE: August 1, 1959

NAME: Chih-Ming Li
TITLE: Asst. Manager, Admin.
DATE: August 1, 1959

APPENDIX NO. 1
TO THE
AGREEMENT
between
The American Institute in Taiwan
and the
Coordination Council for North American Affairs
for
Technical Assistance
in
Tax Administration

A. Purpose of Appendix

This Appendix provides for the following services to be performed by AIT for CCNAA under the Agreement:

1. A Taiwan Tax Administration survey for Taiwan as described below.
2. Any other technical assistance in tax administration as may be mutually agreed in writing by AIT and CCNAA.

B. Outline for Tax Administration Survey For Taiwan Objective

The objective of the Taiwan Tax Administration survey is to identify, define, analyze and recommend improvements in the administrative functioning of the Consolidated Income Tax (personal) and the Profit-Seeking Enterprise Income Tax to improve taxpayer compliance and increase tax revenues. Where appropriate, estimates will be made as to the costs of implementing recommendations, especially for any follow-on technical assistance, training or equipment which may be necessary. The survey report will be prepared by AIT's designated representative, the IRS, within six weeks of the survey team's return to Washington, D.C. and submitted to the American Institute in Taiwan for transmittal to CCNAA and its designated representative, The Ministry.

Scope of Survey

The purpose of the survey is to obtain a comprehensive picture of tax administration in Taiwan within the allotted time. The survey team will cover all aspects of tax administration including:

1. Automatic Data Processing;
2. Examination and Audit;
3. Collection;
4. Training;
5. Administration and Management Skills;
6. Organizational Structure;
7. Forms Design and Document Retention; and
8. Public Information and Relations (Taxpayer Service).

Automatic Data Processing

The tax department will be reviewed to determine the ADP needs. Current operational methods will be analyzed to determine if computerization is feasible. Review of ADP personnel resources and training will be made. Current equipment and systems will be reviewed for performance in the following areas:

1. Taxpayer identification
2. Taxpayer account maintenance
3. Revenue receipt tracking and accounting;
4. Management Information System support for enforcement functions; and
5. Tax document processing and validation of tax data.

Examination and Audit

Examination is a very necessary step in the tax process since it determines the extent to which the taxpaying public is complying with the tax laws. It is important, therefore, that the technical staff performing this function be knowledgeable in the tax laws and receive adequate training. Areas to be reviewed include:

1. Familiarity of auditors with the tax laws;
2. Consistency, clarity, and accessibility of audit procedures;
3. Does an impartial, defined system exist to determine which returns are audited?
4. Does a management information system exist to provide management with feedback and control of the audit process?
5. What type of Quality Assurance Program exists to ensure that audits are conducted fairly with regard for the rights of the taxpayers and proper application of law?
6. What are the education qualifications for audit employees and what training is provided both upon employment and on a continuing basis?
7. Is a viable and fair system of appeals in operation?

Collection

The review will concentrate on the effectiveness of the collection program; whether a systematic effort exists. Some points that will be covered are:

1. Does a system of priorities exist within the collection system?
2. Does an adequate MIS exist for the collection function? Are listings of past due accounts available and provide sufficient data for future collection action?
3. Partial payment agreements. Are they permitted and, if so, are they encouraged and known to the taxpaying public?
4. Procedures for handling non-collectible accounts.
5. Review of penalty provisions for failure to pay taxes. Are they utilized?

Training

Training is vital to tax administration. The tax department must have the ability to train both present and future employees in the requirements of the job. In its assistance programs, AIT's designated representative, the IRS, places high priority on establishing an institutionalized training function in the tax department. Areas to be reviewed during the survey encompass:

1. Training facilities. Are they properly equipped and maintained?
2. Instructors. Are instructors qualified and knowledgeable in their areas of expertise? Are there provisions to identify and train new instructors?
3. Are new employees given basic training in their jobs and are current employees given training to stay abreast of changes in their functional areas?
4. Is training contracted to outside vendors when in-house resources are not available?
5. Is training provided to tax department employees on dealing effectively with the public?

Basic Administration and Management Skills/Organizational Structure

The survey team will seek information in the following areas:

1. Employee morale. Are promotions made based on a merit system? Does a system of sanctions and rewards for employees exist?
2. Chain of Command. Does a defined chain of command exist that employees follow?
3. Record keeping. Are proper records maintained on all taxpayers? Are they reviewed periodically and outdated information destroyed? What provisions exist in the department for retiring files?
4. Time Management.
5. Facilities. Are they conducive to good work habits? Are offices adequately marked to aid taxpayers visiting the department? Is the computer facility environment properly maintained?
6. Confidentiality of taxpayer documents.
7. Organization. Does the current structure enhance tax administration? Are spans of control adequate at all levels of management?
8. What are the systems for review of tax cases? Are review results translated into systemic corrections where indicated?

Document Retention and Forms Design

1. Are there defined procedures to determine which documents should be retained? Do procedures exist to remove outdated documents from files and for their disposition?
2. Are the tax forms understandable to the average taxpayer? Are documents prepared by the tax department legible and identifiable? Do they contain all pertinent information needed?

Taxpayer Service, Public Information and Public Relations

1. Does an ongoing program exist to inform taxpayers of their rights and duties?
2. While all personnel in the department should be courteous to taxpayers at all times, do procedures exist to handle taxpayer complaints?
3. Is there a taxpayer service program designed to assist taxpayers in discharging their obligations and does it need amplification or improvement?

B. Cost of Services

The total cost of services under this Appendix is estimated at US\$29,940.00. A summary of the costs is attached.

C. Financial Provisions

Payments and other financial arrangements shall be as set forth in Article VI of the Agreement.

D. Duration

This Appendix will become effective upon the date of the last signature hereafter of the representatives of CCNAA and AIT and will remain in effect until the services described herein, or as amended, are completed. Either party may terminate this Appendix as provided for in Article VIII of the Agreement.

For: Coordination Council for
North American Affairs

NAME: *Kenneth L. ...*
TITLE: *Director, Economic Div.*
DATE: *August 1, 1989*

American Institute
in Taiwan

NAME: *Walter ...*
TITLE: *Director, Economic Div.*
DATE: *August 1, 1989*

ATTACHMENT

Cost Estimate for Tax Administration Survey for Taiwan

Salary/Benefits	\$ 5,521
Airfare	2,400
Per Diem	3,257
Miscellaneous Travel	200
Report Typing	137
Sub-Total	\$11,515
Overhead	3,455
Sub-Total	\$14,970
Total (2 Advisors @ \$14,970)	\$29,940

0078R