THE BENEFITS OF A MORE STRATEGIC APPROACH TO TAX ADMINISTRATION AND THE ROLE OF PERFORMANCE INDICATORS

Simon James[1]
Thamrongsak Svetalekth
Brian Wright

University of Exeter

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Abstract

One way of improving the quality of tax administration might be to take a more strategic approach to tax reform as has already been suggested, for example, in the cases of tax simplification, compliance and taxpayers' charters. An important part of a strategic approach is measuring outcomes and revisiting the strategy in the light of experience gained. This paper therefore examines performance indicators and some experience of their use in tax administrations. The paper also presents the preliminary results of a new survey relating to performance indicators conducted in the Thai Excise Department. Issues arising so far are the relationship between performance indicators and staff attitudes and specific problems with excise tax collection.

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[1]***Corresponding author:*** Simon James - email S.R.James@ex.ac.uk School of Business and Economics, University of Exeter, Streatham Court, Exeter, EX4 4PU, United Kingdom

1. Introduction

A strategic approach to tax administration might well have considerable advantages over the common *ad hoc* responses to individual issues that become particularly pressing. Although specific issues in tax administration may appear to be clear and simple this is not always so particularly when wider considerations are taken into account. Tax administration has to be undertaken in a wider national and international context that includes, among other things, a range of government goals and policies. Furthermore approaches that are too mechanical might fail to deal with the different and changing complexities of tax administration in reality. Sometimes tax officials have to be able and willing to follow the spirit of tax administration rather than always a bureaucratic and rigid application of procedures etc. regardless of the circumstances - which can lead to inefficiencies and taxpayer resistance. Moreover it has to be conducted in ways that are compatible with public perceptions of fairness and so on. There is no doubt that strategies also have to be continually modified to take account of changing economic, social and legal factors. This means that there must be methods of monitoring performance and feeding the results back into the decision-making process. Although the term strategic has been used before, it has not always been reflected in the development of a genuinely strategic approach to tax administration.

This paper therefore begins in Section 2 with a brief discussion of a strategic approach to tax administration. The main themes are that such an approach should take account of the wider context and must also have mechanisms to ensure that it continues to achieve its intended purposes. Section 3 briefly examines a natural experiment in which taxpayer charters were developed in both Australia and the UK though with the former taking a more systematic approach than the latter. Section 4 goes on to look at performance indicators as a key method of monitoring progress. It begins with a very brief account of the theory of performance indicators and their use in the tax administrations of a range of countries. This paper is concerned with a case study of Thailand. Therefore in Section 5, there is a detailed discussion of excise tax administration in Thailand, including empirical work relating to performance indicators. Section 6 provides a preliminary analysis of a survey conducted in the summer of 2006 of staff in the Thai Excise Department together with relevant other stakeholders. Finally Section 7 presents some conclusions.

2. A Strategic Approach to Tax Administration

An essential input in the development of successful strategies is the systematic analysis and understanding of the factors involved. This includes the wider environment in which the activity is being conducted as well as the areas of immediate concern. Furthermore a key aspect in the development of strategy is implementation. Henry Mintzberg[1] is one of the most prominent management scholars in the area and believes that strategy is an interactive process requiring constant feedback between thought and action and that successful strategies evolve from experience. He also stresses the importance of strategists having expertise in the

[1] Henry Mintzberg, *Managers Not MBAs: A Hard Look at the Soft Practice of Managing and Management Development* (2004) San Fransisco: Berret-Koehler, p. 55.

area and that they should not simply pontificate at a high level of abstraction and leave it to others to implement the strategies (and certainly not blame them for any shortcomings in the strategy). Other commentators, such as Grant,[2] are also clear that the formulation and implementation of strategy go together. A well-designed strategy should take account of the process of implementation and it is through the implementation that a strategy can be refined and reformulated. An important part of strategy implementation consists in measuring outcomes and revisiting the strategy in the light of experience gained. Importance of measurement and its link to strategy can be seen, for example, in the development of strategic management accounting – see for instance Kaplan and Norton.[3]

A strategic approach to tax policy has been explored before – for example with respect to tax simplification by James and Wallschutzky.[4] Here it was stressed that even tax simplification was a complicated process – and needed not just *ad hoc* responses but a strategy that took account of the different factors generating complexity and the best ways of responding to them in the context of the tax system as a whole.

More generally, all aspects of policy should be consistent not only with other activities within a particular government department or agency but also with other government policies. For example, because they frequently have a large proportion of their receipts in the form of cash, small businesses may have more scope than other taxpayers to evade tax. However, government policy is often designed to encourage small business activity for a range of reasons - see for instance Channon *et al*.[5] and Holz-Eakin.[6] If small businesses are to be a particular target then care should be taken that the effect of the action will be to deter tax evasion without also discouraging small business enterprise unnecessarily. The failure to take account of wider effects of enforcement action may result in a particular action appearing successful but only at a cost elsewhere that might be overlooked. Klepper and Nagin[7] for example, point out that a policy change designed to reduce one form of non-compliance might result in taxpayers transferring their non-compliance activities to take advantage of a now superior alternative opportunity.

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[2] R.M. Grant, *Contemporary Strategy Analysis: Concepts, Techniques, Applications* (2002) 4th ed., Oxford: Blackwell, 25.

[3] R.S. Kaplan and D.P. Norton, 'The Balanced Scorecard: Measures that Drive Performance' (1992) *Harvard Business Review* Jan.– Feb., pp. 71-79; R.S. Kaplan and D.P. Norton, 'Putting the Balanced Scorecard to Work', (1993) *Harvard Business Review* Sept.-Oct., 134-47. R.S. Kaplan, and D.P. Norton. 'Using the Balanced Scorecard as a Strategic Management System (1996) *Harvard Business Review* Jan.– Feb., 75-85. R.S. Kaplan and D.P. Norton *The Balanced Scorecard: Translating Strategy into Action* Harvard Business School Press (1996).

[4] S. James, and I. Wallschutzky, 'Tax Law Improvement in Australia and the UK: The Need for a Strategy for Simplification' (1997) 18(4) *Fiscal Studies* 445-460.

[5] G. Channon, A. Edwards and S. James, *Disincorporation, Taxation and Small Business Behaviour* (2003) London, Centre for Business Performance, Institute of Chartered Accountants in England and Wales.

[6] D. Holz-Eakin, 'Should Small Businesses be Tax-Favoured?' (1995) XLVIII *National Tax Journal* 387-395.

[7] S. Klepper, and D. Nagin, 'Tax Compliance and Perceptions of the Risks of Detection and Criminal Prosecution' (1989) 23 *Law and Society Review* 209-239.

Some work has been conducted along these lines by James.[8] The OECD[9] has laid out a process, which it refers to as compliance risk management, for the identification, assessment, ranking and treatment of tax compliance risks systematically. This general approach is also followed in this paper but with a number of differences including an analysis of non-compliance earlier in the process. The process developed here consists of the following stages:

1. Establish clearly the aims of the tax system. A major function of taxation is, of course, to raise revenue, but tax systems are also used for other purposes.
2. Specify the administrative constraints under which the tax system must operate.
3. Identify different risks of non-compliance.
4. Assess the importance of the risks.
5. Analyse compliance behaviour.
6. Develop tax compliance strategies, taking account of the aims and objectives of the tax system and broader government economic and social policies. The strategies should take account of both the areas of highest priority and those where there is the highest probability of success. These strategies should also take account of the work of other government enforcement agencies and wherever possible be developed in conjunction with them.
7. Plan and implement compliance strategies including intended outcomes.
8. Monitor and evaluate the performance of the strategies against the plan.

The essential point here is that the approach is to be systematic and must contain provision for ensuring continuing success. We now turn briefly to taxpayer charters where this approach was followed much more in one case than in the other.

3. Tax Charters in Australia and the UK

A natural experiment has recently arisen in which tax charters were developed in both Australia and the UK. The Australian and UK tax systems share a common cultural tradition in many ways. The development of the Australian tax system was heavily influenced by that operated for so long in the UK. Since then some developments in the Australian system have also strongly influenced similar developments in the UK such as the establishment of the electronic lodgement of tax returns.[10] Australia also took a more strategic approach to the development of its charter than was followed in the UK. Interestingly, in the UK the revenue departments were well ahead of the mainstream in the development of charters. This leading position was not maintained and the decline in prominence of charters generally in the UK has also been reflected in taxation, with the taxpayers' charter having now faded away.[11]

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[8] Simon James, 'Tax Compliance Strategies to Tackle the Underground Economy' in Chris Bajada and Freidrich Schneider (eds.) *The Size Cause and Consequences of the Underground Economy: An International Perspective*, (2005) Ashgate 275-289.
[9] OECD *Managing and Improving Tax Compliance*, (2004) Centre for Tax Policy and Administration, OECD, www.oecd.org/dataoecd/61/8/32069634.pdf, accessed 17 September 2004.
[10] Simon James and Ian Wallschutzky, 'Returns to the Future: The Case for Electronically Submitted Tax Returns', (1993) *British Tax Review,* 401-405.
[11] Simon James, Kristina Murphy and Monika Reinhart, 'The Taxpayers' Charter: A Case Study in Tax Administration' (2004) 7 *Journal of Australian Taxation* 336-356.

The development of the Australian Taxpayers' Charter suggests that careful and systematic preparation, including extensive examination of the issues, a review of previous experience and wide consultation in developing the initiative can contribute a great deal to it being genuinely accepted at an operational level. After implementation any such initiative should continue to be monitored, evaluated and modified where appropriate in the light of experience. Such a strategic or systematic approach to tax administration clearly seems to be the best way forward.

The monitoring aspect is clearly very important and we therefore now turn to performance indicators.

Performance Indicators (PIs)

4-1 The Theory of Performance Indicators

The measurement of organisational performance has been a recurring, even perennial, topic of discussion over the last three decades. A perusal of the literature in this area suggests that the theme of performance measurement is an interdisciplinary one, crossing the boundaries of economics, accounting, behavioural theory and management, to name just a few relevant areas. Initial interest in this area was more keenly felt in the context of the private sector, where the concept of 'performance' is more easily delineated, and the objects of performance measurement more readily specified. As ideas of performance management and measurement alternately flow and crystallise, writers and practitioners continue to examine and reflect upon the what, why and how of performance measurement. In the context of devising a performance management framework, Otley[12] specified five questions that must be asked and answered of a performance management system (PMS), namely:

> 1. What are the key objectives that are central to the organisation's overall future success, and how does it go about evaluating its achievement for each of these objectives?
> 2. What strategies and plans has the organisation adopted and what are the processes and activities that it has decided will be required for it to successfully implement these? How does it assess and measure the performance of these activities?
> 3. What level of performance does the organisation need to achieve in each of the areas defined in the above two questions, and how does it go about setting appropriate performance targets for them?
> 4. What rewards will managers (and other employees) gain by achieving these performance targets (or, conversely, what penalties will they suffer by failing to achieve them)?
> 5. What are the information flows (feedback and feed-forward loops) that are necessary to enable the organisation to learn from its experience, and to adapt its current behaviour in the light of that experience?

It is, in essence, these five questions that must be answered in considering *any* PMS, and it is implicitly these same five questions that we will examine, from a meta-

[12] D. Otley, 'Performance Management: A Framework for Management Control Systems Research' (1999) 10 *Management Accounting Research* 363-382.

perspective, later in the paper, in the context of the Thai Excise Tax collection system.[13]

Generally, performance evaluation has been about reviewing, auditing, measuring and improving the performance of an organisation and establishing how well it is progressing towards achieving its goals and objectives. Kennerley and Neely[14] added that measurement also establishes the effectiveness of evaluation at each level. Moreover, the information generated by performance evaluation helps managers in making decisions, undertaking analysis, identifying points of weaknesses, planning and setting targets. Neely[15] pointed out that organisations find it necessary to implement effective performance evaluation since it quantifies the efficiency and effectiveness of previous actions. Furthermore, performance evaluation should be linked to strategic planning, budget planning and continuous improvement.

Even though there are many benefits of performance evaluation, it can have serious limitations, and even, in some cases, lead to dysfunctional behaviour. In the words of de Haas and Kleingeld[16]:

> Without fit between organizational goals and organizational behaviour, dysfunctional behavioural effects result. In this respect, dysfunctional means that the outcome of group behaviour, i.e. group performance, does not contribute to the overall good or 'big picture' and, thus, does not result in organizational effectiveness....

Some evaluation techniques rely on short-term measures. As a result, managers might make the wrong decisions because they need to maximise short-term measures and thereby neglect to invest in the projects that have good long-term prospects.[17] Dearden[18] raised the example of managers who failed to replace equipment and make new investments because they were afraid of unfavourable current performance. Additionally, different and mutually inconsistent measures may be used for investment, performance measurement and performance-related pay. As O'Hanlon and Peasnell[19] note:

> This may result in investment and operating decisions being taken on different grounds, with neither being effectively linked to the reward systems of the business.

And further,

[13] Although differing emphases will be afforded each issue. Question 2 on strategies, processes and their measurement receives the lion's share of attention in this paper.
[14] M. Kennerley, and A.D. Neely, *Performance Measurement frameworks: A Review in Neely A. D.,* Cambridge University Press (2002).
[15] A.D. Neely, *Performance Measurement: Why, What and How* (1998) London: Economist Books.
[16] M. de Haas, and A. Kleingeld, 'Multilevel Design of Performance Measurement Systems: Enhancing Strategic Dialogue Throughout the Organization' (1999) 10 *Management Accounting Research* 234.
[17] C. Drury, *Management and Cost Accounting* (1998) 4th Ed., London, International Thompson Business Press.
[18] J. Dearden, J. 'Limits on decentralized profit responsibility' (1962) *Harvard Business Review* (July-August, 81-89.
[19] J. O'Hanlon and K. Peasnell, 'Wall Street's Contribution to Management Accounting: The Stern Stewart EVA® Financial Management System' (1998) 9 *Management Accounting Research* 422.

> A problem with this conjunction of value-based measures for senior management and accounting-based measures for divisional managers is that the different measures may encourage conflicting patterns of behaviour at different levels in the organization.[20]

Short-term indicators might be particularly unhelpful and even counter-productive where there are no clear measures of output and goals.[21] De Bruijn[22] argued that performance evaluation might also block innovation. Indeed, performance in some areas may only be monitored informally, since formal measurement may distort the process of performance itself, particularly in such areas as innovation and R&D creativity.[23] Moreover, performance evaluation would not be reliable if performance data themselves were unreliable. They could be interpreted incorrectly in setting targets, increasing incentives and providing rewards to the wrong managers.[24]

While it is generally acknowledged that the use of performance indicators in an organisation can have beneficial (or sometimes deleterious) effects on behaviour and performance, it is not so often recognised that the *process of designing, redesigning and implementing* performance measurement systems can, in itself provide benefits to an organisation. De Haas and Kleingeld,[25] for example, see maintaining the 'fit' between strategic goals and performance measurement as a dynamic process, involving a "recurring strategic dialogue". They see an organisation as comprising different constituencies, possessing differing goals and preferences. The benefit of this dialogue lies in its ability to foster goal congruence among the various agents of the organisation. Thus, the very process of examining the performance measurement system itself should lead, through its double-loop learning process, to greater participation in, acceptance, and dynamic relevance of the PMS and its outcomes, i.e. Performance Indicators.

As part of this project the development of performance indicators in the private sector and also in other parts of the public sector were examined – particularly in health and education. However, there is insufficient space to present this material in the conference papers.

4-2. The Development of Performance Indicators in Tax Administration

Frampton[26] considered the important components of tax administration to be efficiency, responsiveness and motivation. In addition, the OECD[27] stated that an effective tax administration should consider the relationship with taxpayers, employees, laws and changes arising from globalisation. To set the standard of

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[20] Ibid 423.

[21] I. Lapsey and F. Mitchell, *Accounting and Performance Measurement: Issues in the Private and Public Sectors* (1996) Chapman Publishing, London.

[22] H. De Bruijn, H. 'Performance Measurement in the Public Sector: Strategies to Cope with the Risks of Performance Measurement' (2002) 15(7) *The International Journal of Public Sector Management* 578-594.

[23] Otley, p. 368.

[24] M. Davies, 'Performance Measurement in the Public Sector: Understanding Performance Indicators' (2003) 3 (2) *Journal of Finance and Management in Public Services* 31-46.

[25] M. de Haas, and A. Kleingeld , Multilevel Design of Performance Measurement Systems: Enhancing Strategic Dialogue Throughout the Organization (1999) 10 *Management Accounting Research* 233-261.

[26] D. Frampton, *Practical Tax Administration* (1993) The Looseleaf Company, Melksham, Wilts.

[27] OECD Committee of Fiscal Affairs Forum on Strategic Management *Principles of Good Tax Administration* (2001) Centre for Tax Policy and Administration.

effective tax administration, a tax organisation should assess tax administration in the whole system.

Musgrave[28] suggested that tax performance of a developing country should be evaluated by the ability to pay approach, efficient resource use approach, ability to collect approach and comparison with average performance. The OECD[29] evaluated performance in tax administration of OECD countries by focusing on efficiency, service quality and effectiveness. In other words, the scope of evaluation relates to input, output, productivity, quality, taxpayer satisfaction and the outcomes from revenue and compliance. The main input measures are cost and labour hours whereas output measures are usually associated with the number of taxpayers or tax returns and the number of audits and verifications. Productivity is shown in terms of unit costs such as cost per taxpayer, administration cost of tax collection revenue etc. Finally, the quality of service or taxpayer satisfaction is one of important factor for measurement. This may be shown by processing time for an application, the accuracy of the assessments and so on. This information should come regularly from the results of taxpayer surveys. The OECD suggested that tax administration performance should be evaluated with respect to the three requirements of effectiveness, efficiency and equity. Frampton[30] defined effectiveness is the level of successfully operational objectives or fiscal policies in practice. Similarly, the OECD[31] submitted an input-activity-output-outcome model for evaluation of tax administration.

PIs of tax administration have been used in several countries to assess work problems of tax administration. Klun[32] measured tax administration in Slovenia in five areas: simplicity of the tax system, administrative and compliance costs, voluntary tax compliance, tax inspection and tax administration productivity. He added that tax administration indicators should be simple, easily accessible data and not too much numeric. On the contrary, Serra[33] argued that a lack of knowledge of measurement and the complexity of measuring the public sector resulted in over-simplified performance measurement. As a result, simplified performance measurement would tempt employees to maximise the targeted score instead of achieving institutional objectives. Serra mentioned that the indicators that measure performance in tax administration in the Chilean Internal Revenue Services were maximisation of tax revenue collection, minimising compliance costs and taxpayer satisfaction as measured by surveys. However, other specific objectives are to improve efficiency, promote staff development, reduce levels of tax evasion and tax avoidance, improve taxpayer services and develop technology. Habammer[34] implemented a performance comparison of tax offices in Germany. He identified four target areas: Task

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[28] R.A. Musgrave, *Fiscal Systems* (1969) Yale University Press, London, UK.

[29] OECD Committee of Fiscal Affairs Forum on Strategic Management, *Performance Measurement in Tax Administrations* (2001) Centre for Tax Policy and Administration.

[30] Frampton, D. *Practical Tax Administration* (1993) The Looseleaf Company, Melksham, Wilts.

[31] OECD Committee of Fiscal Affairs Forum on Strategic Management, *Performance Measurement in Tax Administrations* (2001) Centre for Tax Policy and Administration.

[32] Klun, M. 'Performance Measurement for Tax Administrations: the Case of Slovenia' (2004) 70(3) *International Review of Administrative Sciences*.

[33] Seera, P. 'Performance measurement in Tax administration: Chile as a Case Study' (2005) 25 *Public Administration and Development* 115-124.

[34] Habammer, C. 'Performance Comparison of Tax Offices in Germany: A Project in the States of Bavaria, Rhineland-Palatinate, Saxony and Thuringia' *CIAT Technical Conference,* (2002) October 28-31.

fulfillment (the number of cases that were implemented by the speed of work), Customer satisfaction, Employee Satisfaction and Efficiency. In other words, he focused on these areas from management concepts that are risk management, service management, human resources management and financial management respectively.

Teera[35] said that tax performance evaluation in Uganda focused on raising more tax revenue. Thus, indicators of tax performance concentrate on possibility of raising tax revenues. Moreover, Teera claimed tax performance, particularly, in developing countries, is ordinarily evaluated by the taxable capacity and tax effort. Tax effort is considered by the expected tax yield given a country's taxable capacity. Chelliah[36] supported the view that tax effort is related to improvements in administration, introduction of new taxes and reforming of existing taxes.

In addition to evaluate tax administration overall, Manaf, Hasseldine and Hodges[37] studied more specific issues in the performance of the Malaysian land tax administration system. They mentioned that land tax collection performance could not be measured only by comparison of efficiency and productivity in each state. Staff appraisal, staff commitment, work system and the structure of land tax system have affected collection performance.

In conclusion, the general principles of performance evaluation in tax administration are not considerably different from PIs in the government sector. It still focuses on output, outcome and productivity. Tax revenue collection is the first measurement that should be considered. In addition, quality of services and taxpayer satisfaction are significant indicators that tax authorities should use. Finally, tax employees should be strongly motivated to improve tax collection performance. In the next section, PIs in excise tax administration in Thailand will be investigated.

5. The Excise Tax Collection System in Thailand

5-1. Aim and Objectives

Aim

The main aim of this part of the study is to explore the possibility of improving efficiency and productivity in excise tax collection performance in Thailand.

The Main Objectives of the Research

- To study current the excise tax collection system in Thailand.
- To evaluate excise tax collection performance in Thailand, particularly in each provincial excise office.
- To analyse obstacles, risks and limitations to excise tax collection.
- To investigate attitudes and perceptions of excise tax collectors that relate to collection performance and motivation.

[35] Teera, J. M., 'Could do better: An appraisal of Uganda's tax performance relative to Sub-Saharan Africa' (2003) *Working Paper University of Bath,* September.

[36] Chelliah, R. J. 'Trends in Taxation in Developing Countries' (1971) 18 *IMF Staff Papers,* July, 254-325.

[37] Manaf, N., Hasseldine, J. and Hodges, R. (2004), 'State Government Tax Collection Performance in Malaysia' at *6th International Conference on Tax Administration: Challenges of Globalising Tax Systems* April, Sydney.

- To explore an opportunity to enlarge the excise tax base and suggest tax collection from new products.

For the purposes of this paper the focus will be on this research as it relates to performance indicators.

5-2. Background

5-2-1. The Current Structure of the Ministry of Finance of Thailand

The Ministry of Finance of Thailand is organized into two main groups: revenues and expenditures. Three organisations which have direct responsibility for revenue are the Revenue Department, the Customs Department and the Excise Department. For expenditure the Comptroller-General's Department is responsible for controlling the disbursement from budgetary and non-budgetary accounts. It is also responsible for the appropriate application of the government accounting system.

The Treasury is also responsible for minting Thai coins (the responsibility for banknotes lies with the Bank of Thailand). The three main tax departments have the same goal of reaching their revenue targets. This arose from the government's scheme introduced after the economic crisis of 1997 and is intended to ensure that Thailand achieves a balanced budget by 2007. It is also, of course, necessary to ensure long term fiscal sustainability by keeping expenditure in line with revenue.

5-2-2. The Structure of the Excise Department

The Excise Department is the second largest revenue source of the Thai government. It is divided into two main parts: the Central Excise Office and the Provincial Excise Office. The main function of the Central Excise Office is the responsibility for general administration and policy and it is divided into several divisions. The Bangkok office (Office of Tax Collection1) has direct responsibility for collection over the Bangkok area. Office of Tax Collection 2 has the responsibility of taking an overall assessment of tax collection as a whole through Thailand whereas Office of Tax Collection 3 has accountability for improving standards, rules and procedures of excise tax collection. A fourth office is the Tax Planning Office which focuses on setting up revenue budgeting. Furthermore, it formulates planning strategies and evaluates the performance of each division in the Excise Department. Finally, the Prevention and Suppression Office is involved with tax and account auditing, reviewing excise tax assessments and tax enforcement generally.

The Provincial Excise Office is divided into 9 regional provincial excise offices which are each responsible for collecting revenues in their own areas and passing them on to the revenue collection division. Each of the provincial offices has local branches. Nowadays, excise tax collection is levied on 19 types of domestic and imported goods and services. However, the main revenues are levied from petroleum products, passenger cars, spirits, tobacco, alcoholic beverages and telecommunications. The revenue from these sources is approximately 90 percent of the whole revenue from excise taxes

5-2-3. Excise Collection Performance and problems of collection

Excise revenue collected increased continuously from fiscal year 1994 to the current year. In 1994, excise revenue collected was just under 140,000 Thai million Baht or about 1,850 million pounds while in 2004 it was levied just over 275,000 Thai million baht or 3,650 million pounds. The main revenue came from Petroleum, Motor

Vehicles, Liquor and Beer in 2004 about 77,000, 65,000, 42,000 and 36,000 Thai million baht or 1,030, 827, 580 and 353 million pounds respectively. These four core products yield over 75 percent of all of excise revenues. The actual excise revenue collected was higher than expected revenues every year except 1998 in which Thailand confronted the economic crisis. The increase in excise tax revenue seems to suggest that excise collection performance has become more efficient. However, there are some problems in collecting excise taxes.

The problems facing the Thai Excise Office are, of course, similar to those faced in other countries and include evasion and problems of tax administration. For instance Hansford and Hasseldine[38] found criticism in the UK that inconsistency in the approach of different VAT offices caused difficulties and that officials sometimes lacked sufficient technical and legal knowledge and business awareness in their work.

The Thai Excise Office sometimes faces similar difficulties with respect to excise tax collection. First of all, the main problem of collection is tax evasion and fraud. Secondly, manpower is not always adequate to detect tax evaders and other resources such as vehicles in each area are inadequate to arrest non-compliant individuals. Moreover, some staffs have insufficient auditing knowledge. They are familiar with the traditional methods for checking the process of production, raw materials and entrepreneurs' accounts. However, some entrepreneurs have developed methods of evading tax that are difficult to deal with. Moreover, some manufacturers and service providers are claimed that their prices are lower than they actually are and it is difficult for this to be detected by excise tax collectors. Thirdly, there are problems with the IT system that result in poor billing and collection. A separate issue is inconsistent government policy which simultaneously restricts the sales of certain goods but requires the Excise Office to raise more revenue. For example, the Ministry of Health has a policy of banning cigarettes from convenience stores in the vicinity of all schools and temples to decrease the quantity purchased particularly, by students and teenagers. Similarly, the Ministry of Finance has now launched a policy of raising the tax on cigarettes from 75 percent of production costs to 79 percent. As a result of restricting cigarette sales and increasing the tax excise, revenue will fall. However, the Ministry of Finance still requires every tax department to increase its revenue target to achieve the revenue goals. So, the excise department examines new possibilities for raising additional revenue to suggest to the government.

5-2-4. Current arrangements for performance indicators in the Thai Excise Department

Performance Indicators currently used in the Excise Department are divided into four dimensions: Effectiveness, Quality of Services, Efficiency and Organisational Development. The Effectiveness dimension has half of all the indicators, and they are concerned with targeted revenue collection, criteria of excise tax laws for community energy and environment etc. However, some indicators come from the government and the Ministry of Finance and are not decided by the Excise Department. For example, the public debt / GDP ratio, the cash required for a balanced budget and a decrease in the number of debtors that are registered with government. These indicators make up about 20 per cent of all the indicators. Quality of services

[38] Hansford, A. and Hasseldine, J., 'Best practice in tax administration', (2002) 22(1) *Public Money and Management* 5-6.

indicators make up 8.3 per cent of the total and attempt to measure taxpayer satisfaction. Efficiency covers 8.3 per cent of the indicators and these measure the expenditure and service time for taxpayers. Finally, the residual indicators, which are one-third of all the indicators, were assessed under the heading of organisational development. One group of these indicators is concerned with improving the skills of the excise department staff in areas such as computing and auditing. Another group is concerned with the work of the excise department in examining excise law to suggest improvements and refinements to the government.

5-2-5. Problems of Performance Indicators in the Excise Department

However, these indicators have some measurement problems. Firstly, some indicators are very difficult to quantify such as improvements in staff skills and the figures produced can look very arbitrary. Secondly, definitions of many indicators are unclear. They should be clearly defined in terms of criteria and the precise responsibility of managers and employees. Thirdly, the distribution of the indicators between the four dimensions listed above may not be the best. It has been suggested that the quality of services dimension is at the heart of the measurement of public sector performance but is allocated only 8.3 per cent of the indicators and some indicators do not directly mirror the performance. Fourthly, rewards are never linked to performance measurement. With current arrangements there is very little difference in the salaries of those who perform well according to the performance indicators and the others and so there is little financial motivations to achieve the targets. Fifthly, as mentioned above some indicators are not decided by the Excise department - for example, the public debt / GDP ratio and the cash required for a balanced budget. It may be argued that the Excise Department a role in raising the cash in a balanced budget but the government expenditure is not, of course, the responsibility of the Excise Department. Sixthly, the Excise Department measures excise collection revenue by comparing between actual revenue and budget revenue in each area. However, it has never been used to measure differences in performance among regions because of differences in the regional environments and economies. Finally, performance indicators have not formally been applied to senior staff – except for one indicator that is the excise revenue collection. If any directors of regional staff can not achieve the targeted revenue, they may get a penalty by moving to inferior regional area. Such measures do not affect their subordinates.

5-3. Research Methodology

The purpose of this part of the study is to evaluate excise tax collection performance, to investigate the attitudes and perceptions of those involved in excise tax collection and to examine the scope for improvement. Three main research methods will be employed.

5-3-1. Secondary Data Analysis

Initially, the desk research consisted of finding the data about the current structure of the Ministry of Finance, the Excise Department and excise tax collection performance in Thailand. Documents from the tax planning office were aggregated to study excise tax collection performance from fiscal year 1999 – to 2005 together with an examination of data from the website of the Ministry of Finance and the Excise Department. Secondly, data analysis was conducted to compare productivity from all 9 regional areas and the Bangkok area. It showed the trend of excise tax collection in the last 7 years. Tax revenue collection and the number of excise tax staff and salary were compared for productivity among areas. Finally, current arrangements for performance indicators in the Thai Excise Department were investigated to identify any problems of measurement.

5-3-2. Survey by Questionnaire

To investigate the problems of collecting and assessing excise tax and the attitudes and perceptions of excise staff, the research questionnaire was developed. The structure of the questionnaire focused on the problems of collecting and assessing excise tax, how to improve these problems from the various viewpoints of excise staff and the attitudes, perceptions and satisfaction of staff. Before questionnaires were launched, a pilot study was undertaken to test the questionnaire. Twenty online questionnaires were sent to staff in the tax planning office and 55% were completed and returned.

The questionnaire was divided into 4 parts. The introduction explained the purpose of the research and gave instructions for completing the questionnaire. The first main part of the questionnaire investigated the problems of collecting and assessing excise tax. Open questions were chosen because it would enable respondents to describe the problems of collecting and assessing excise tax as they saw them. The second part measured the perceptions and attitudes of excise tax staff by using Likert Scales. They consisted of excise tax staff perceptions and their level of satisfaction. The third part, asked a further open question inviting any additional information about collecting and assessing excise tax. The final part asked for demographic data of the respondents. The postal questionnaire was submitted to staff who work in excise tax collection in the central office and in all 9 regional areas. Postal questionnaires were sent randomly to 1,175 out of a total of 3,433 staff that is about 34.23%. They were sent to 210 staff in the central office and 965 staff in the regional areas. After a follow-up procedure the survey achieved a response rate of 47.7% overall – 73.81% from the central office and 42.07% from the regions. The detail of demographic data was shown at 6-1.

5-3-3. Semi-Structured, Open-Ended Interviews

The third method involved semi-structured open-ended interviews. Interviews can produce a higher response rate than postal questionnaires and may yield additional information. Semi-structured interviews were conducted with staff occupying high, medium and lower level positions in the Excise Office. Such interviews were also undertaken with entrepreneurs and tax advisers with experience of the excise tax system. The researcher conducted interviews with 25 people – 20 excise tax staff, (17 from the central office and 3 from the regions) 3 entrepreneurs and 2 tax advisers. All the interviews were conducted face-to-face except that the tax advisers were interviewed by telephone. The entrepreneurs interviewed were from the petroleum, passenger cars and beer industries (Bangchak Petroleum, Thaiyanyont and Thai Asia Pacific Brewery). Finally, the two tax advisers were from PricewaterhouseCoopers and KPMG.

For staff interview in the Excise Department, the questions focused on the problems and difficulties that staffs face in assessing excise tax and suggestions for improve the performance, current PI in their own divisions, strategy for voluntary excise tax compliance and possibility of enlargement of excise tax base that may be levied etc. More than that, entrepreneurs and tax advisers' interviews were be undertaken to gain feedback about excise tax problems that they were facing and what entrepreneurs and tax advisers need supporting from the Excise Department. Ultimately, suggestions will be sought from outside the excise department on any matters that may improve excise tax collection.

6. Results

Section 6-1 presents the demographic data. Section 6-2 illustrates the productivity of excise tax collection. Section 6-3 shows the result from questionnaire about the perceptions and attitudes of excise tax staff together with information on the level of satisfaction of excise tax staff. Section 6-4 turns to the problems of collecting and assessing excise tax. Section 6-5 presents the results from the interview survey that investigated the problems of collecting and assessing excise tax and suggestions for improvement from a range of viewpoints - excise tax staffs, entrepreneurs and tax advisers. Finally, the problems of current performance indicators discussed in the interviews are discussed at the end of this part.

6-1. Demographic Data

Table 1: Demographic Data

Age	**Frequency**	**Percentage**	**Job Grade**[39]	**Frequency**	**Percentage**
18-25	5	0.89	1	1	0.18
26-35	52	9.27	2	0	0.00
36-45	243	43.32	3	12	2.14
46-55	189	33.69	4	12	2.14
>55	72	12.83	5	97	17.29
Total	**561**	**100.00**	6	184	32.80
Gender			7	201	35.83
Male	371	66.13	8	51	9.09
Female	190	33.87	9	3	0.53
Total	**561**	**100.00**	**Total**	**561**	**100.00**
Level of Education			**Working Years**		
Non-graduates	152	27.09	1-5	30	5.35
Graduates	321	57.22	6-10	47	8.38
Master's Degree	87	15.51	11-15	87	15.51
higher master's degree	1	0.18	16-20	79	14.08
Total	**561**	**100.00**	21-25	147	26.20
			26-30	89	15.86
			>30	82	14.62
			Total	**561**	**100.00**

[39] Job Grade in the Excise Department is categorised from job grade 1-10 that orders from the bottom staff to the top staff. The director of the Excise Department is presented by job grade 10 whereas job grade 9 is the position of the director of each office. Normally, staff who graduates the first degree will start at job grade 3.

Table 1 presents the demographic data of respondents from the questionnaires. Of 561 respondents, about two-thirds were male and one-third females. Only 5 individuals, or less than 1% were aged 18-15, 9 per cent 26-35, and most of the respondents were older – 43% 36-45 and 34% 46-55. The average age is 45. This age profile is partly because there has not been much recent recruitment and that employment in the Excise Department is very stable. Most of the respondents' ages were between 36-55 years. 43.3% are 26-35 years whereas 33.7% are 46-55 years. The staff have a high average level of education – 57% are university graduates and a further 16% have master's degrees. On average the staff have been in the workforce for 21 years, though not necessarily in the Excise Department for the entire time, and 57% have been working for more than 21 years. So the workforce is very well educated and experienced.

6.2 Productivity

Available definitions of productivity demonstrate the difference between examining things that are relatively easy to measure and important factors that are less tangible. This again reflects the importance of a good strategy as a guide to the more intangible aspects of encouraging a high level of performance in changing and different circumstances. Generally, productivity means the measurement that relates a quantity or quality of outputs (what is produced) to the inputs required to produce them. It is measured by labour productivity such as output per time spent or numbers employed. The Government of Canada[40] describes productivity as the amount of output per unit of input used. A simple measure of productivity is real GDP per person-hour worked in the economy. While real GDP is a good measurement of total output, hours of work are however an inadequate measure of inputs because of variations in the quality of labour and there are other inputs such as capital. Similarly, Dunnett[41] mentioned that labour productivity is difficult to measure or difficult to improve. Possibly, lectures could teach bigger classes. However, this does not increase the teacher's productivity because the quality of education provided to students might decline. Although more difficult to represent empirically, multifactor productivity is a better measure because it takes into account all factor inputs, not just labour.

Another good example relating to tax administration is provided by the OECD[42] which defined productivity as the ratio between input and output. Output is shown as a weighted total of tax returns, field audits and corrections due to desk audits. Sometimes, output includes the goods and services funded and directly produced by a programme. Input is normally measured by cost and labour. Generally, cost means all costs such as salaries, accommodation, and investment while labour means work hours. So, the relationship between outputs and the resources used to produce them can be measured by efficiency measures. A good example in another category comes from the Productivity Committee of the European Productivity Agency.[43] That body noted:

[40] www.canadianeconomy.gc.ca/english/economy/productivity.html
www.economics.about.com/od/economicsglossary/g/productivity.htm

[41] A. Dunnett, Understanding the Economy an introduction to Macroeconomics (1998) 4th Ed., UK, Prentice Hall.

[42] OECD Committee of Fiscal Affairs Forum on Strategic Management, *Performance Measurement in Tax Administrations* (2001) Centre for Tax Policy and Administration.

[43] Productivity Committee of the European Productivity Agency, (1959), The Concept of Productivity and the Aim of National Productivity Agencies: formulated in Rome.

> Productivity is, above all, a state of mind. It is an attitude that seeks the continuous improvement of what exists. It is a conviction that one can do better today than yesterday, and that tomorrow will be better than today. Furthermore, it requires constant efforts to adapt economic activities to ever-changing conditions, and the application of new theories and new methods. It is a firm belief in the progress of humanity.

HM Treasury[44] measured UK productivity performance from five categories: Investment, Innovation, Skills Enterprise and Competition. These productivity indicators are important for rapid technological, social and structural change particularly in the context of increasing globalisation. In addition, these indicators provide an assessment of strengths and weaknesses of the UK and also support measuring progress towards the objective of improving UK productivity performance. Comparatively, the results of productivity in each category were presented in comparison with major competitors such as the USA, France and Germany. Apart from the national productivity performance, the UK government developed regional level productivity indicators to reduce the gap of growth rate among regions. Basically, productivity was measured by Gross Value Added (GVA) per worker and per hour.

For the Thai Excise Department, productivity for excise tax collection was measured by comparing the ratio between the previous year and the current year for each of 19 types of goods and services and then comparing the actual revenue and the budget revenue of each the same goods and services. However, the productivity has never been shown in terms of the efficiency of regions and is therefore hard to identify the productivity in each region. Perhaps paradoxically the tangible method is not always so precise because it is difficult to measure the ease with which tax can be raised in different regions. A simple comparison between tax productivity on these lines might simply be measuring the ease with which tax might be raised in different areas rather than the productivity of staff in different regions. For example an urban area might have a large number of taxpayers which are large companies and are efficient in fulfilling their tax obligations whereas a rural area might have more taxpayers with less certain agricultural income and fewer skills in dealing easily with administrative requirements.

If we follow the European Productivity Agency view, productivity could be illustrated by a comparison between excise tax collection in the current year and the previous year or between excise tax collection and the budget collection. (Both methods may be shown in terms of percentage). However, the problem is the data fluctuates. The percentage between actual collection and budget collection shows both plus and minus among regions. As a result, it is, of course, so difficult to compare. However, if we follow the tangible definition to begin with, the productivity of the Excise Tax Collection should be measured by the annual revenue collection/ staff in each region or annual revenue collection / annual salary. However, we may divide the Excise Department into two groups – the first one consisting of the Bangkok Region, Region 1 and Region 2 which tend to have high average collections per taxpayer and the

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[44] HM Treasury T*he 2005 Productivity & Competitiveness Indicators* London.(www.dti.gov.uk/competitiveness/indicators2005summary.pdf)

second group with all the other regions which tend to have much lower tax receipts per taxpayer. This is shown in Table 2.

Table 2 and Table 3 show the productivity of annual excise tax collection between 2002 and 2005 by annual revenue collection per staff in each region and annual revenue collection per annual salary.

Table 2: Productivity - Annual Excise Revenue Collection in million Baht per employee

Region	2005	2004	2003	2002
Bangkok	730.60	749.31	557.46	474.12
Region1	135.68	141.04	137.81	120.18
Region2	308.90	294.22	296.07	249.38
Average	**285.69**	**284.61**	**266.50**	**225.67**

Region	2005	2004	2003	2002
Region3	8.64	8.09	7.03	7.27
Region4	28.28	24.00	19.18	16.30
Region5	2.55	2.60	1.96	0.93
Region6	42.98	41.20	34.09	18.48
Region7	41.77	32.66	25.88	20.57
Region8	11.59	6.08	6.06	5.95
Region9	5.64	1.99	0.94	1.03
Average (Region3-9)	19.76	16.53	13.51	10.16
Average all regions	**96.28**	**90.12**	**77.05**	**63.36**

Table 3: Productivity (Annual Excise Revenue Collection/Salary Costs)

Region	2005	2004	2003	2002
Bangkok	3,601.41	4,459.41	3,297.82	2,908.13
Region1	353.98	407.11	434.11	397.21
Region2	881.15	948.95	934.15	816.70
Average	**1,302.10**	**1,537.79**	**1,510.06**	**1,329.02**

Region	2005	2004	2003	2002
Region3	38.73	43.53	38.99	42.00
Region4	132.95	133.60	111.24	97.78
Region5	12.00	14.62	11.34	5.60
Region6	193.13	219.00	191.03	108.54
Region7	186.83	171.32	143.23	117.64
Region8	52.33	32.65	34.36	35.11
Region9	25.88	10.77	5.22	5.95
Average (Region3-9)	90.30	89.70	76.26	59.61
Average all regions	**439.62**	**488.43**	**435.42**	**372.11**

Table 2 shows the productivity of all 10 areas from 2002 to 2005 by annual excise revenue collection per staff while table 3 presents the productivity ratio by annual excise revenue collection divided by salary costs. The result from Table 2 shows that the productivity of most areas increase continuously from 2002 to 2005 except some areas that had a slightly decrease such as Bangkok area, Region 1 and Region 5 between 2004 and 2005. The average productivity of Bangkok Region, Region 1 and Region 2 are in the range of 225.67-285.69. Comparatively, the average productivity of region 3-region 9 is considerably different from Bangkok Region, Region 1 and Region 2 and stands at 10.16-19.76. However, the average productivity of all regions is about 63.36-96.28. In 2005, The Bangkok Region has the highest productivity at 730.60 whereas Region 5 has the lowest productivity. This means that one member of the Bangkok Region on average produces revenue collection of 730.60 million baht. On the other hand, one employee in Region 5 produces only 2.55 million baht.

Similarly, the productivity ratio from Table 3 shows continuous improvement except in 2005. The main cause of decreasing productivity was inconsistent policy from government that launched lots of measures to limit tobacco and liquor consumption, and included restructuring motor vehicle tax. The average productivity of Bangkok Region, Region 1 and Region 2 are in the range of 1,302 to 1,537 baht. On the contrary, the average productivity of Region 3 to Region 9 are between 60 and 90. The average productivity of all regions is about 370-490. In 2005, Bangkok Region has still the best productivity in terms of revenue collection divided by salary costs at 3,601.41 whereas Region 5 has the lowest ratio at 12.00. It means that every one baht salary that is spent for staff in Bangkok Region generates revenue collection 3,601.41 baht compared to Region 5 for example, which spends one baht salary for an excise collection of 12 baht.

From the table above, the Bangkok Region has the highest productivity though region 2 has actually the highest excise revenue collection. One of the possible reasons is that Region 2 has about 4.2 times the number of staff as the Bangkok office while its revenue collection is just under two times that of the Bangkok region. In contrast, Region 5 has the lowest productivity followed by Region 9 and Region 3. The results could be explained at least partly because the most productive areas are those with the biggest sources of excise revenue. In the other areas there is a predominance of small entrepreneurs and less large entrepreneurs. Most regions have similar levels of staffing – the main exception is the Bangkok region which has far fewer staff than the other regions.

In conclusion, without adjusting the data for such variables it is impossible to tell whether any higher revenue collection of one region is the result of higher productivity. Secondly, one of the important performance indicators that should not be ignored is the productivity. It can support the Excise Department in setting the revenue targets and analysing the change of efficiency in each area. Thirdly, there may be a reason to examine staff allocation in the Excise Department. There are more staff in Regions 3, 4 and 5 although they are not areas of high levels of excise revenue. On the other hand, the Bangkok area has the lowest number of staff though the Bangkok Region is the main source of excise revenue. Perhaps, the staff allocation is influenced by geographical area rather than just by excise revenue and the number of business. Fourthly, generally, the productivity of excise collection in areas depends on output (excise revenue), input (expenses such as salary), the average size of businesses, government policy etc. Finally, we are uncertain from the data presented so far that any higher productivity of a region is the result of more positive perceptions and attitudes and more satisfaction among the staff. So, the next section will investigate these aspects.

6-3. Perceptions and Attitudes of Excise Staff

Currently the Performance Indicators do not have any measures of the perceptions and attitudes of Excise tax staff. The nearest is an indictor of aspects of staff experience relating to staff training in computing and auditing. However staff perceptions and beliefs may have an important impact on productivity and the surveys show that they differ significantly between regions. In assessing the differences of perceptions of excise tax officials towards their own divisions among regions, the analysis of variance (ANOVA Test) was applied.[45] The ranking used is that "5" means respondents strongly agree with the comments presented while "4", "3", "2" and "1" show agree, moderate, disagree and strongly disagree respectively.

In every region excise tax officials say they are willing to put in more effort than required and the general level of satisfaction with the excise department is very high though some of them are uncertain about the merit-based structure for promotion. The result illustrates that most tax officials have a positive attitude in the range between 3.24-3.73[46] However there are some differences across the country. Regions 8 and 9 in the southern area and Region 6, which is the most northern area, have the highest scores of satisfaction while the tax planning office and the Bangkok office, both of which are in the central area, have the lowest rates of satisfaction.

Respondents in the regional areas tend to indicate higher levels of satisfaction than the central office in many ways. Respondents in Region 8 in the southern area have the

[45] Researcher tested a significant difference among regions with 95% confidence interval. Normally, there is a significant difference if Sig T < 0.5.

[46] The questionnaire and table are available from the authors on request.

highest average point at 3.86 whereas respondents in the tax planning office, the central office, have the lowest average point at 3.15. Interestingly, most of respondents are very pleased with their part of the Excise Department and are satisfied with their current duties. As a result, most respondents are proud of their jobs and intend to work until retirement. Some respondents may however be dissatisfied about salary, benefits and welfare provision. For example, newly appointed graduate may be dissatisfied with a starting monthly salary of 8,000 baht ($Aus276). However, Region 6, the most northern area, and Region 9, the most southern area, have the most satisfaction with salaries. The main reason is these areas have lower living expenses. Moreover, tax officials who are moved to Region 9 will get more benefits and welfare support because of Tsunami damage and violence in the southern area. There is, of course, less satisfaction in this respect in the central office because there are similar salaries as the regional offices despite living expenses in Bangkok being considerably more expensive than the regional areas.

Comparing regions, respondents in Region 8 and Region 9, the southern area, indicates the highest levels of satisfaction. They are very pleased to work in the excise department and with their current duties. In addition, they are more pleased than other areas in terms of working conditions, management policies, job stability, opportunities for advancement and productivity and efficiency of their divisions. This reflects they are still more satisfied than their colleagues in other areas even though they may have the risk of violence in the southern area of Thailand. There is some evidence that many tax officials request would like to work in the southern area for a couple of years. Afterwards, they have more opportunity for promotion in more prosperous areas. Respondents in Region 6, the most northern area, has the highest scores for staff understanding their work. It is possible that this is related to the fact that Region 6 has the highest average length of work experience – over 26 years. On the other hand, respondents in the tax planning office has the lowest score in this respect and their working experience is normally 1-10 years.

With respect to the perceptions and attitudes of excise tax staff the average in the different areas is moderate at 3.14-3.86. Most respondents have a willingness to put in more than the normally expected level of effort - about 4.33 - while 80% agree that they understand clearly their work assignments and they are proud of their work. They are positive about appropriate planning and operating projects, clear decentralisation and adequate training, Nevertheless, promotional opportunity has a negative perception at 2.74 and 71% disagree that they are assessed on the basis of merit for promotional opportunity. Furthermore, they have a slightly negative perception about job rotation, attitude evaluation of staff, self-assessment and conveying feedback of staff to improve the Excise Department.

However there are differences across the country. Region 5, another northern area, faces the lowest score regarding job rotation, evaluation of staff attitudes and conveying feedback and suggestions for improvement by of staff at 2.62, 3.04 and 2.62 respectively. Tax officials in the regional areas are separated between tax collectors and those concerned with enforcement. These careers are separate so, it is, of course, difficult for job rotation.

Region 1 and Region 2, located near Bangkok but in the middle and the east of the country have high productivity, but have the many lower scores than other regional areas in terms of satisfaction with management policies, conveying feedback and suggestions for improvement by employees and the problems of promotion opportunity. However, Region 2 has higher scores with regard to IT systems – a key performance indicator, and particularly, salary and welfare benefits. Region 2 collects the most revenue because large businesses are located this region that is in the industrial estate authority of Thailand. Thus, it is, of course, not difficult to achieve the targeted revenue that is the main performance indicator. Importantly, excise staffs who work at the premises of entrepreneurs can get the salary from both sources (salaries from the Excise Department and entrepreneur). As a result, they have no problem about salary and have more satisfaction with the Excise Department.

The evidence from the postal survey suggests that they could not occasionally solve some new problems about assessing excise tax. One of the possible reasons is that they have not had enough job rotation to gain the necessary experience. For example expertise in the taxation of liquor does not necessarily provide sufficient knowledge for assessing the excise tax of other products. More job rotation could improve the level of expertise. However, there is a disadvantage of job rotation where employees may not be willing to move to new geographical areas.

The present system of performance indicators hardly include employee satisfaction. Not are employees usually asked to self-assess their own work. Normally an employee's work is only evaluated by the supervisor which may not take full account of the relevant aspects. . Furthermore, there may be differences in the perceptions of problems by the excise tax officials and senior officials in the central office. There may be insufficient communication upwards to the top level or it may be incomplete.

For the central office, Bangkok region scores less well than other areas in terms of suitable guidelines for planning, clear communication of goal and strategies, decentralisation, regularity of meeting for problem analysis and learning organisation. The evidence may reflect some difficulties facing internal management. Critically, the tax planning office has the lowest scores in many comments. For example, participation for making a decision in the office, enough independence with working, fairly distributed work assignments, respect from others inside and outside the department and so on. The average score for Bangkok on these dimensions is between 2.87- 3.07. One of the possible reasons is that the tax planning office focuses on setting up revenue budgeting and distributing the budget revenue. The budget revenue is set up from the Ministry of Finance before it is allocated to regional areas. The tax planning office is then subject to complaints about how it allocates the revenue budget between regions.

In summary, the study examines the perceptions and attitudes of excise tax officials both in the regional areas and the central office. The result reveals that most of respondents are on the positive side in terms of attitudes and job satisfaction. Most of them have a willingness to work with the Excise Department until retirement. Moreover, they are very pleased and are proud of their jobs. Nevertheless, they are unhappy with salary and promotional opportunity. Furthermore, IT systems, regular staff meetings, job rotation, evaluation of employee attitudes, self-assessment and conveying feedback and suggestions from staff to the top level should be improved. The results identify that most respondent feel they lack encouragement for working although they are would like to devote their careers to the Excise Department. Senior staff who are close to the top level have the most chance of gaining promotion. Furthermore, most of the evaluations are carried out by supervisors rather than the Excise Department. With the government system, however, salary and welfare is the same in all Ministries. As already pointed out, regional tax officials tend to have more positive attitudes and satisfaction than those in the central office. It mirrors the difference of attitude between the tax expertise of those working at the central office and the tax collectors working in the regional areas. In addition, living expenses, internal management, participation in decision-making, loyalty and the length of service main factors influencing the difference. However, the prevention and suppression office in the central office, has a more positive attitude and satisfaction than other parts of the central office. This could be explained by the difference of tasks and that it is more independent than other parts of the central office. In addition, they get more respect from the public. However, even though regional areas may have more satisfaction, most tax officials are still happy to work in the central office. Perhaps, the rapid growth of Bangkok and the benefits of living in a big city may be reason why they prefer to live in Bangkok.

There is an interesting contrast between the analysis of productivity and that of perceptions, attitudes and satisfaction of excise staff. The Bangkok Region has the highest productivity followed by Region 2 and Region 1. However, the lowest productivity is in Region 5 followed by Region 9, 3, and 8. In contrast Bangkok Region was the region with the lowest score in terms of perceptions and attitudes whereas Region 8 with low productivity but the highest scores in terms of the other factors. It means that satisfaction and so on are not the only factors that determine productivity and revenue collection. However, perceptions and attitudes could still be important and should be considered by the Excise Department. It might also increase the awareness of problems faced in the regions.

From the results, we can conclude that attitudes, perceptions and satisfaction is another main factor in the organisation that should not be ignored. Most of the Revenue Department and Customs and Excise Departments measure performance by the efficiency of tax collection and taxpayer satisfaction. However, it may be overlooked that another important factor for successful tax administration is tax staff. Thus, there performance indicators should include the levels of satisfaction and so on of tax officials. Guideline from the questionnaire in this survey may be helpful to develop the indicators. Finally, tax officials’ attitudes should always be surveyed because they are an important factor in the efficiency of tax administration.

6-4. Problems of collecting and assessing excise tax

Apart from investigating excise tax staff perceptions, the open-ended questionnaire explored the problems and difficulties that excise staff face in assessing and collecting excise tax. Out of 561 respondents, 492 or 87.7% answered open-ended questions. Their comments on the main problems could be divided into 6 groups: Tax avoidance and tax evasion, excise tax staff, IT systems, excise tax laws, process/excise tax policy, entrepreneurs and other problems.

1. **Tax avoidance and tax evasion**

From the questionnaire survey, one-third of respondents mentioned that some entrepreneurs see the benefits of evasion. About a quarter - 26.67% - cite politicians, local politicians and the black economy have an effect on the work of excise staff.

The same number of respondents said they thought some excise staff had been offered bribes. Approximately, 13.33% said they thought there were petrol, tobacco and liquor smugglers in border areas and some entrepreneurs and service providers claim that their prices are lower than they actually are in order to evade tax.

2. Staff

Obviously, 40% of respondents complain that the manpower is not always sufficient to detect tax evaders, there is a shortage of tax internal auditors. In addition, 25% of respondents stated that some staff lack sufficient knowledge about excise tax laws and lack the expertise for auditing areas which have only recently been subject to excise taxes. Interestingly, about 10% claimed that promotional opportunity is done on the basis of seniority together with decisions by staff at the top level. Other comments included that most excise staff are reluctant to criticise possible changes because it may affect opportunities for promotion, that entrepreneurs were not always treated the same, management was top-down etc.

3. IT System

Approximately 36% of respondents complained about the inefficiency of the Excise Database. 12% mentioned that most entrepreneurs are not confident in thee security of the system for paying tax online. About 9% stated that staff in the regional areas lack sufficient IT knowledge. Moreover, they don't like using the computer. The other comments complain about non-development of the excise website and submitting repetitive reports both paper based and online based to central office.

4. Excise Tax Laws

Unsurprisingly, 37% answered that some excise tax laws are obsolete and there are lots of loopholes. It was also pointed out by 15% that some laws can be interpreted in different way. Moreover, 11% of respondents said that the definition of price at the factory that is the base price for paying tax is often ambiguous. At 9.50%, respondents mentioned that most entrepreneurs do not respect excise laws because penalties are low. Also some entrepreneurs are reluctant to pay the annual license fees for selling liquor and tobacco because the fees are so small they are less than the cost of traveling expenses to the excise office and therefore they do not bother.

5. Process/Policy

About 22% of staff feel that government aims are not always consistent. For example, the government restricts the sales of goods subject to excise tax but requires the Excise Department to raise more revenue. In addition, 21% claim that expected revenue that is set from the central office is higher than it actually is. 16% say that the Excise Department's lack of continuity of management policy might be because there is a change of the director of the Excise Department every 2 years. Officially, 12% of respondents identified that entrepreneurs have to submit too many documents such as raw material reports that are too complex. Other comments included that there is too much focusing on revenue target which impedes the analysis of real problems and tax that the period over which tax returns are checked is too long.

6. Entrepreneurs

One-third of respondents reveal some local entrepreneurs do not understand excise tax laws. Importantly, 22% of respondents say that there is a dramatic difference between the price at the factory and the retail price. 11% agree that public relations of the

Excise Department to entrepreneurs are very weak. Interestingly, about 8% believe that some huge entrepreneurs are close to politicians and at the same percent, staff mention some entrepreneurs feel they do not get any direct benefits from paying excise tax. The other opinions reveal that some entrepreneurs are dishonest from self-assessment and they feel that they are unfairly treated.

6-5. Problems of collecting and assessing excise tax collection and Performance Indicators (Results from interviews)

The researcher conductsed interviews with 25 people by 23 face-to-face interviews and two interviews by phone for tax advisers. Interviewees can be categorised into 3 groups: Excise staff, Entrepreneurs and Tax advisers. Excise staff can be divided into 3 groups: staff occupying high, medium and low positions. Most of the questions were focused on the problems of collecting and assessing excise tax, suggestions for improving efficiency, current performance indicators and enlarging excise tax base.

Staff occupying high positions realised that one of the biggest problems is that staff do not check the factory prices reported by self-assessment often enough and which might be too low. Similarly, staff occupying medium and low positions agree that some prices at the factory are considerably lower than they should be. Moreover, most staff claim that manpower is not enough in most areas, particularly, auditing staffs. Furthermore, the inefficiency of IT systems and inconsistency of government policy are mentioned by most staff. However, some staff argue that the excise collection system is difficult to evade because the excise department has good physical and internal control. However staff thought loop holes in the excise tax law allow too much tax avoidance by entrepreneurs.

For suggestions for improving performance, most staff agree that some excise tax laws should be reformed to decrease loop holes. In addition, excise staff should make entrepreneurs feel that they are fairly treated and get benefits from paying excise tax. Importantly, IT systems should be continuous improved. Finally, more public relations will support stakeholders and help them realise how important excise tax is.

In the view of entrepreneurs, they complain that lots of documents are required by excise staff. Furthermore, public relations and IT systems should be improved urgently. On the other hand, tax advisors mention that their customers complain about the delaying of process of credit tax and non-updating of excise tax laws. Similar to the entrepreneurs' viewpoints, they say that the Excise Department lacks good public relations from both its website and other media.

In terms of performance indicators, it seems staff lack motivation to achieve their goals as there is very little difference in the salaries and bonus of those who perform well and those who do not. Significantly, this matter does not seem to be a concern of top management and it has never been measured among areas. Furthermore, the quality of service is not seriously examined. Performance indicators in the Excise Department can be improved by many ways. Initially, the director or the deputy of the Excise Department should pay more attention to performance measurement. If senior staff determine these matters than all staff with take account of them. Moreover, it should concentrate more on quality of service, particularly customer satisfaction. Currently quality of service only accounts for 8.33% of the total performance indicators. Importantly, motivation should be linked to both financial and nonfinancial rewards. For example, staff will be happy if he or she is promoted by working in the core province that has more excise tax products. Finally, performance indicators should be set up from the mission of the Excise Department or should be established from the problems of collecting and assessing excise tax. Finally, most staffs would like the Excise Department to enlarge tax bases to include environmental tax and gambling tax.

7. Conclusions

There are clear advantages in following a strategic approach to the management of tax administration. An important aspect of such an approach is monitoring and feedback in the interests of maintaining and improving the quality of tax administration and part of that is the use of appropriate performance indicators.

This study presents preliminary results from a case study of productivity and performance indicators in the Thai Excise Department. In addition, staff attitudes and specific problems with excise tax collection are investigated.

The results indicate that Region 2 has the highest annual excise revenue. They also indicate that the Bangkok region is the most productive area – partly because it has less staff than the other regions. From the survey of perceptions and attitudes, most excise staff have considerably positive perceptions and attitudes though not all of them were sure that promotional opportunity was always determined by merit. Moreover, regional excise tax officials tend to have more positive attitudes than those in the central office. The difference of attitudes may come from internal management, participation in decision-making, working experience and living expenses. It seems the perceptions and attitudes of staff are not closely related to productivity. Bangkok region that has the highest level of productivity also has the lowest score in terms of perceptions and attitudes. On the other hand, Region 8 that has low productivity on available measures has the highest score in terms of attitudes and so on.

Moreover, the results from the questionnaire and interview surveys about problems of collecting and assessing excise tax are similar. The main perceived problems are inconsistent government policy, influence from politicians and the black economy, some entrepreneurs see the benefits of evasion and they feel that they do not get any direct benefits from paying excise tax. Furthermore, most excise staff are reluctant to criticise any changes because it may affect their career prospects and they are too focused on achieving revenue targets to spend sufficient time analyzing underlying problems. With respect to improvement, it is suggested that the Excise Department should increase penalties for tax evaders. In addition, staff would like to see the development of Excise IT Systems and the reform of some obsolete excise tax laws. Importantly, there should be an input from every division into the decisions made by the tax planning office about the distribution of the revenue targets. Furthermore, staff, entrepreneurs and tax advisors need more seminars and public relations about excise news and general excise tax.

Performance indicators should be taken into account for much more than revenue collection. They should also include staff motivation, changes in efficiency and the perceptions, attitudes and satisfaction of excise staff and taxpayers. Finally, tackling these problems should be included in the process of setting performance indicators in order to link to strategic planning and continuous improvement. However, the top level of management needs to be convinced of the benefits of the use of appropriate performance indicators in order for them to work as well as possible.