

# INDEX

	Page
<b>I The Tax Agency.....</b>	
1. Mission of the Tax Agency.....	1
2. The Tax Agency in figures.....	2
3. Organisational structure.....	3
4. Budget: income and expenditure.....	7
5. Human Resources.....	10
6. Information Technologies and Communications.....	13
7. Alliances. Institutional Relations.....	15
7.1. Autonomous Communities.....	15
7.2. Collaboration Agreements.....	17
7.3. International Relations.....	19
8. Planning the actions.....	24
<b>II. The Balance of the Actions.....</b>	
1. Tax Collection.....	31
2. Census of compulsory taxpayers.....	46
3. Managed Tax Returns .....	48
4. Services for assistance to citizens.....	55
4.1. INFORMATION SERVICES.....	55
4.1.1. Non-personalised information.....	55

<b>4.1.2. Individual Information .....</b>	<b>55</b>
General telephone information .....	55
Informa Programme.....	56
Binding information on tariffs.....	56
<b>4.2. HELP SERVICES.....</b>	<b>56</b>
<b>4.2.1. Income pre-filed tax return.....</b>	<b>56</b>
<b>4.2.2. Help computer programmes.....</b>	<b>56</b>
<b>4.2.3. Previous Appointment .....</b>	<b>57</b>
<b>4.2.4. Telephone Attention Centre.....-</b>	<b>57</b>
<b>4.2.5. Voice Recognition Units - 901121224.....</b>	<b>58</b>
<b>4.2.6. Anticipated payment of the deduction for maternity.....</b>	<b>59</b>
<b>4.2.7. Speeding up of customs dispatch.....</b>	<b>59</b>
<b>4.3. FACILITIES FOR THE PAYMENT OF DEBTS .....</b>	<b>59</b>
<b>4.3.1. Collaborating entities.....</b>	<b>59</b>
<b>4.3.2. Deferment of payments and payment by instalments.....</b>	<b>60</b>
<b>4.3.3. Debt exoneration procedure.....</b>	<b>62</b>
<b>4.3.4. Payment in kind foreseen by General Tax Law 58/2003.....</b>	<b>62</b>
<b>4.4. OTHER SERVICES.....</b>	<b>62</b>
<b>4.4.1. Issue of Tax Certificates.....</b>	<b>62</b>
<b>4.4.2. Previous valuation agreements.....</b>	<b>62</b>

<b>5. Tax and customs control.....</b>	<b>63</b>
<b>5.1. EXTENSIVE CONTROL.....</b>	<b>63</b>
<b>5.1.1. Actions for extensive control in Internal Taxes.....</b>	<b>63</b>
Purging of the census	
Check of Annual Tax Returns	
Check on periodic tax returns	
<b>5.1.2. Actions on Taxpayers in Modules.....</b>	<b>66</b>
<b>5.1.3. Actions of extensive control on Large Companies.....</b>	<b>66</b>
<b>5.1.4. Actions for control of Intrastat tax returns.....</b>	<b>67</b>
<b>5.1.5. Special Tax management and intervention actions.....</b>	<b>67</b>
<b>5.2. SELECTIVE CONTROL AND INVESTIGATION ACTIONS.....</b>	<b>68</b>
<b>5.2.1. Auditing and investigation actions on Internal Taxes .....</b>	<b>68</b>
<b>5.2.2. Auditing and investigation actions on taxes imposed on External Commerce operations and on Special Taxes.....</b>	<b>73</b>
<b>5.2.3. Customs Supervision Actions.....</b>	<b>77</b>
<b>5.2.4. Analytic Control performed in the Customs Laboratories.....</b>	<b>78</b>
<b>5.3. COLLECTION MANAGEMENT.....</b>	<b>78</b>
<b>5.3.1. Debts from liquidations made by the Tax Agency.....</b>	<b>78</b>
<b>5.3.2. Debts of Other Entities .....</b>	<b>79</b>
<b>5.3.3. Management of rates .....</b>	<b>81</b>
<b>5.3.4. Other actions relating to control in the collection phase.....</b>	<b>81</b>

<b>II. Opinion and participation of citizens .....</b>	
1. Studies and opinion polls .....	85
1.1. Public Opinion and Tax Policy (Sociological Investigation Centre).....	85
1.2. Public Opinion and Taxation (Institute of Tax Studies).....	86
1.3. Tax Agency Opinion Polls.....	87
2. Complaints and Suggestions.....	87
2.1. Council for the Defence of Taxpayer.....	87
2.2. Suggestion box for the Tax Fraud Prevention Plan.....	88
<b>IV. Statistical Appendix. ....</b>	

## **I. The Tax Agency**



# I. The Tax Agency

## 1. Mission

The Tax Agency, created by the Law on Proposed National Budgets for 1991, was effectively constituted on 1<sup>st</sup> January 1992. It is configured as a public law body related to the Ministry of Economy and Public Finance, through the State Secretary for Public Finance and Budgets. As a public law body, it has different laws and jurisdiction from that of the General Administration of the State that, without detriment to the main essentials that have to govern any administrative action, gives it certain autonomy in budgetary matters and personnel management.

The Agency has the effective application of the state taxation system and that of customs entrusted to it, together with the resources of other national Public Local Offices or of the European Union whose management has been entrusted to it by law and by an agreement.

It therefore corresponds to the Tax Agency to apply the tax system in such a way that it fulfils the constitutional principle by virtue of which everyone has to contribute to supporting public expenditure in accordance with their economic capacity. However, it does not have any powers to prepare and approve tax norms or, with regard to public expenditure, to assign public resources for various purposes.

The integral management function of the state tax and customs system contains a wide range of activities, among which are the following:

- The management, inspection and collection of state taxes (Income Tax, Company Tax, Income Tax on Non-residents, Value Added Tax and Special Taxes).

- The execution of important functions with regard to income from Autonomous Communities and Cities with a Statute of Autonomy, both with reference to the management of Personal Income Tax and the collection of other revenue from these Communities, whether through a legal provision or through suitable Collaboration Agreements.
- The collection of own revenue from the European Union.
- Customs management and repression of contraband.
- The collection of dues from the State Public Sector during the voluntary period.
- Enforced collection of revenue according to the public law of the General State Administration and Public Bodies linked to or dependent on it.
- Collaboration in the persecution of certain offences, among these offences against Public Finance and contraband offences are highlighted.

The essential objective of the Tax Agency is to encourage citizens to comply with their tax obligations. Two lines of action are developed for this: on the one hand, the provision of information services and assistance to the taxpayer in order to minimise indirect costs associated with the fulfilment of tax obligations and, on the other hand, the detection and correction of failure to pay taxes by means of control actions.

## 2. The Tax Agency in figures

### Description of the tax agency 2005

BUDGET FOR 2005	1,203,789 thousand euros
STAFF	
Persons	27,226
Civil Servants	24,791
Workers	2,435
TERRITORIAL DEPLOYMENT	
Number of buildings	568
Total surface area	1,344,103 square metres
CENSUS OF COMPULSORY TAXPAYERS	
Compulsory taxpayers	41,908.556
Employers	4,755.304
Large companies	32,089
TAX REVENUE MANAGED	160,705 million euros (92.6% of the total revenue not financial)

### The Tax Agency on the Internet

NUMBER OF ACCESSES TO www.agenciatributaria.es	158,707,029
NUMBER OF PERSONAL INCOME TAX RETURNS PRESENTED BY INTERNET	2,982,894
NUMBER OF SALES ON THE INTERNET	1,190 (100 percent of the disposals made in the year)

### Main results

TAX DATA/ PRE-FILED TAX RETURN	9,991,860 solicitudes
BORRADORES DE RENTA CONFIRMADOS	2,873,462 requests
ADVANCE PAYMENT TO WORKING MOTHERS	617.80 million euros (699,93 mothers)
TELEPHONE CONSULTATIONS ATTENDED TO	5,750,511 calls
PREVIOUS APPOINTMENTS MADE	3,571,966 appts
USE OF THE PARENT PROGRAMME (% of Income Tax returns made using the aid programme)	97.1%
EARLY REFUND CLAIMS BY NON-DECLARANTS	777.627 claims
REQUESTS FOR DEFERRED AND SPLIT PAYMENTS	490,549 requests for 2,854.95 million euros
AVERAGE REFUND TIME	26 days
AVERAGE CUSTOMS CLEARANCE TIME	25 minutes
OFFENCES REPORTED	540 tax offences 311 VAT fraud cases 167 accounting offences 5,088 contraband files
VALUE OF MERCHANDISE APPREHENDED, DISCOVERED AND SEIZED	3,254.28 million euros (81 % referring to drugs)
DIRECT EFFECT ON REVENUE	4,583 million euros (12.9% with respect to 2004)



### 3. Organisational structure

The Tax Agency is structured in Central Services and Territorial Services, and has decision-making bodies with the Chairman, who is the Secretary of State for Public Finance and Budgets, the Director General, the Higher Board of Management, the Permanent Management Committee and the Territorial Management Coordination Committee.

#### Collegiate decision-making bodies

**Higher Board of Management:** This acts as an advisory body for the President of the Tax Agency and as a body for participating in the Autonomous Communities and Cities with a Statute of Autonomy in the Tax Agency.

It is presided over by the President of the Tax Agency and comprised of the Director General and Departmental Managers of the Tax Agency, the Sub-secretary of Economy and Public Finance, other Directors General of the Ministry and six representatives of the Autonomous Communities.

**Permanent Management Committee:** This is an advisory body presided over by the President of the Tax Agency and, in his absence by the Director General, and is composed of all the Departmental and Service Managers, heads of Cabinets of the Secretary of State for Public Finance and Budgets and the Director General, together with the Special Delegate for Madrid and also, since 2006, the Central Delegate of Important Taxpayers.

**Mixed Commission for Tax Management Coordination:** This is a participating body where all the Autonomous Communities and Cities with a Statute of Autonomy are permanently represented in the Tax Agency.

**Territorial Management Coordination Committee:** This is the normal vehicle for coordination and information between the Tax Agency management and its territorial organisation.

It is presided over by the Director General of the Tax Agency and composed of Departmental and Service Managers and all the Special Delegates of the Tax Agency.

**Safety and Control Commission:** As well as preparing the criteria and proposals for norms that ensure that the activities of the Tax Agency are strictly adapted to the provisions that regulate them, it coordinates the different sectorial safety and control commissions that are:

- . Sectorial Safety and Control Commission on Tax Management.
- . Sectorial Safety and Control Commission on Financial and Tax Auditing.
- . Sectorial Safety and Control Commission on Tax Collection.
- . Sectorial Safety and Control Commission on Customs, Special Taxes and Customs Supervision.
- . Sectorial Commission on General Safety and Economic Management.
- . Sectorial Safety and Control Commission on Information Technology.

#### Central Services

The Tax Agency Central Services use an organisational model according to functional operating and support areas. In summary, the basic functions of each Department and Service are:

**Tax Management Department:** This provides information and help to taxpayers to be able to comply with their tax obligations more easily. Likewise, it makes extensive checks with strong computer backing to verify, for example, that no discrepancies exist between the data provided by the taxpayer in his tax return and that which appears in the database of the Tax Agency. It also performs a control of the taxpayers in modules and the taxpayer census. The simplification of formal obligations of the taxpayers also corresponds to it.



### **Financial and Tax Auditing**

**Department:** This directs, plans and coordinates tax inspection, studying, designing and programming actions and procedures of the services of the inspection. It also has functions for the verification, control and prevention of tax fraud and also the execution of auditing actions. Furthermore, the integral management of large companies is also the task of the Financial and Tax Auditing Department.

**Tax Collection Department:** This has the task of collecting payment for debts and tax sanctions not paid in voluntarily – voluntary payments are made through financial institutions that collaborate with the Tax Agency in this function. It also handles the collection operation for resources of a public nature entrusted to the Tax Agency by law or an agreement. Likewise, it facilitates the payment of taxpayers' debts by conceding deferred time periods and payments by instalment.

### **Customs and Special Tax**

**Department:** This department manages and inspects the taxes and similar levies and charges on foreign traffic, the typical traditional Budget resources of the European Union, special taxes and agricultural export subsidies. The Assistant Customs Supervision Management Department performs the functions of fighting against customs fraud, restriction on smuggling and money laundering.

### **Organisation, Planning and Institutional Relations Department:**

This is a horizontal department entrusted with coordinating the planning of Tax Agency actions and general relations of the Tax Agency with the Autonomous Communities and with other public bodies and institutions, both national and foreign, international bodies and associated, social, economic and professional entities. Assistant Management acts as a Permanent Secretariat of the Mixed Commission for Tax Management Coordination.

### **Information Technology (I.T.)**

**Department:** This is a fundamental piece in the organisation and collaborates with each and every one of the operating areas, offering a powerful information technology system and an ample system for the capture and processing of information in which the new information and communication technologies have been fully incorporated.

### **Department de Human Resources and Economic Administration:**

This is the Department responsible, on the one hand, for the Tax Agency Human Resources policy, the training of its personnel and labour relations and, on the other hand, for the economic-financial management of the Tax Agency, the preparation of pluri-annual budgetary scenarios and the annual Budget, the management of acquisitions, the management of buildings, tax revenue accounting, the preparation and execution of integral protection plans and management of the Centre for Printing and Packaging, among other functions.

**Legal Service:** Legal assistance to the Tax Agency is performed through a system supported by an internal and immediate legal support service – the Tax Agency Legal Service – and complementary to the State Lawyer general network. The Legal Service of the Tax Agency performs the function of legal counselling and its representation and defence in lawsuits.

**Internal Auditing Service:** This performs the functions of service and auditing inspection; the prevention, detection and investigation of irregular behaviour; coordination of actions related to this behaviour and evaluation of the safety and internal control systems of the Tax Agency. Likewise, it performs the functions of budgeting, analysis and follow-up of tax income and control of compliance with the Agency Objectives Plan. Lastly, it coordinates and develops the functions of the Council Operating Unit for Defence of the Taxpayer.

**Cabinet of the Director General:** This performs counselling and support functions for the Director General of the Tax Agency.

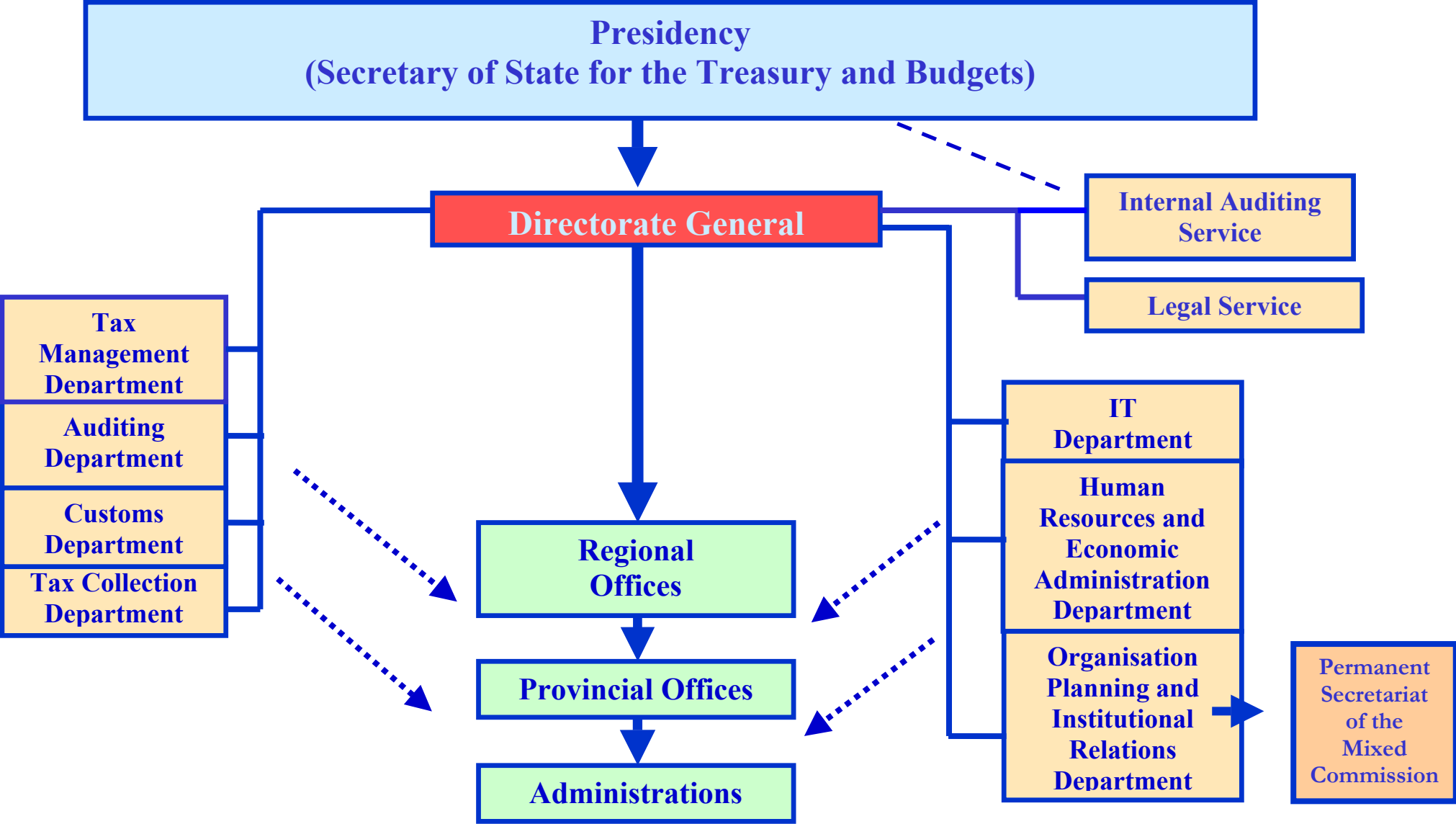
### **Territorial Services**

Within their scope, the Territorial Services form organisation by areas and are made up of 17 Regional offices – one in every Autonomous Community – and 51 Provincial Offices – normally coinciding with the area of the provinces, in which there are 239 Local Offices, 36 three of these Customs Offices.

---

<b>Territorial Services</b>	<b>No OF OFFICES</b>
Regional Offices	17
Offices	51
Local Offices	203
Customs Offices	36

---



## 4. Budget: income and expenditure

The Tax has an annual budget the amount of which is initially approved by the

Parliament. Furthermore, possible modifications in terms of activities are anticipated in the Law on General State Budgets.

### Budget for income

<b>STATE OF EXECUTION OF THE BUDGETS ON INCOME 2005</b>			
	<i>FINAL FORECASTS (1)</i>	<i>RIGHTS APPLIED TO THE BUDGET (2)</i>	<i>% (2)/(1)</i>
Levies and other income	26.257	26.773	101.97
Current transfers	1,066.119	1,066.117	100.00
Income on net worth	2.714	2.697	99.37
Real investment transfers	0	10	
Transfers of capital	89.772	91.022	101.39
Financial assets	18.927	18.905*	99.88
<b>TOTAL</b>	<b>1,203.789</b>	<b>1,205.524</b>	<b>100.14</b>

*Amounts in millions of euros.*

*\* Although by their economic nature they are not entered in the accounts as recognised net rights, 18,377 million euros are included corresponding to the Cash and Banks Balance applied to financing the budget.*

In the previous table it can be seen that 95.99 percent of the total income are transfers; 88.44 percent are current transfers that finance current expenditure (for personnel and goods and services)

and 7.55 percent are transfers of capital that finance Tax Agency investments. Other income is made up of levies, sales of publications and other minor income.

<b>BUDGET FOR INCOME: TRANSFERS 2005</b>			
	<i>FINAL FORECAST RECOGNISED NET (1)</i>	<i>RIGHTS (2)</i>	<i>% (2)/(1)</i>
For functioning expenses	951.636	951.636	100.00
Through participation in liquidation actions coll.	42.083	42.083	100.00
Through other service expense compensation	3.332	3.332	100.00
Through own resources collection premium	67.771	67.771	100.00
From other Ministerial Departments	62	53	85.48
From Autonomous Bodies	675	675	100.00
From abroad	560	567	101.25
<b>CURRENT TRANSFERS</b>	<b>1,066.119</b>	<b>1,066.117</b>	<b>100.00</b>
For financing investments	41.345	41.345	100.00
Through partic. liquidation actions coll.	47.917	47.917	100.00
From other Ministerial Departments	510	1.760	345.10
<b>TRANSFERS OF CAPITAL</b>	<b>89.772</b>	<b>91.022</b>	<b>101.39</b>
<b>TOTAL TRANSFERS</b>	<b>1,155.891</b>	<b>1,157.139</b>	<b>100.11</b>

*Amounts in millions of euros.*

Budget for expenditure

<b>STATE OF EXECUTION OF THE EXPENDITURE BUDGET 2005</b>			
	<i>FINAL CREDIT</i> (1)	<i>RECOGNISED</i> <i>OBLIGATIONS</i> (2)	<i>%</i> (2)/(1)
Personnel expenses	798.724	795.663	99.62
Current expenses	315.927	310.310	98.22
Financial expenses	113	24	21.24
Investments	88.448	86.813	98.15
Financial assets	577	492	85.27
<b>TOTAL</b>	<b>1,203.789</b>	<b>1,193.302</b>	<b>99.13</b>

Amounts in millions of euros

<b>EVOLUTION OF EXPENDITURE IN CHAPTER 2.</b>			
<b>CURRENT EXPENDITURE ON GOODS AND SERVICES</b>			
	<i>2004</i>	<i>2005</i>	<i>% Diff.</i> <i>2005 / 2004</i>
<b>1. EXPENDITURE DIRECTLY RELATED TO COLLECTION OBJECTIVES</b>	<b>100.999</b>	<b>107.338</b>	<b>6.28</b>
1.A Income Tax and Net Worth Campaigns	8.617	7.866	-8.72
1.B Official tasks and other tax undertakings	13.759	14.481	5.25
1.C Strategic communication campaigns of the Agency, telephone service for assistance to the taxpayer, postal communications, legal-contentious matters, valuations and specialists' reports, custody and deposits, per diem expenses and employees' travel expenses.	78.623	84.991	8.10
<b>2. EXPENDITURE INDIRECTLY RELATED TO COLLECTION OBJECTIVES</b>	<b>173.704</b>	<b>187.101</b>	<b>7.71</b>
2.A Expenses for the functioning of buildings (maintenance, supplies, cleaning, security)	57.491	60.503	5.24
2.B Office expenses (furniture maintenance, office materials and telephone communications)	19.502	19.896	2.02
2.C Rental for buildings	31.156	33.928	8.90
2.D Computer expenses (hire and maintenance of equipment, computer material of a non-capital nature, telematic communications and studies and technical work)	47.613	53.778	12.95
2.E Others	17.942	18.996	5.87
<b>3. CUSTOMS SUPERVISION FUNCTION</b>	<b>15.226</b>	<b>15.871</b>	<b>4.24</b>
<b>TOTAL</b>	<b>289.929</b>	<b>310.310</b>	<b>7.03</b>

Amounts in millions of euros

**EVOLUTION OF EXPENDITURE ON INVESTMENTS**

	<b>2004</b>	<b>2005</b>	<b>% 2005/2004</b>
Buildings and constructions	32.020	26.003	-18.79
Machinery, installations and tools	4.366	5.990	37.20
Transport elements	12.426	11.066	-10.94
Furniture and fittings	8.648	10.704	23.77
Computer equipment and applications	30.176	33.034	9.47
Other tangible fixed assets	3	16	433.33
<b>TOTAL</b>	<b>87.639</b>	<b>86.813</b>	<b>-0.94</b>

*Amounts in millions of euros*



## 5. Human Resources

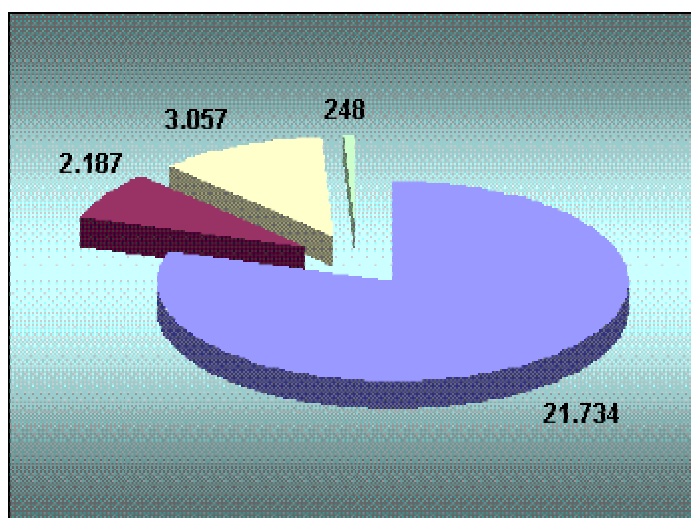
The total number of people in the service of the Tax Agency on 31<sup>st</sup> December 2005 was 27,226, which meant an effective decrease of 189 with respect to the same date in the previous year, with a 0.22 percentage total reduction in civil servants, and 5.22 percent in working personnel. In absolute figures, throughout 2005 a decrease of 55 civil servants and 134 workers was registered. These data do not include the 1,519 temporary workers contracted for the Income Tax Campaign.

### Distribution of the personnel in the Central Services and Territorial Services

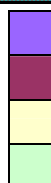
The figure for personnel in the Tax Agency service, in comparison with other Local Tax Offices in member countries of the OECD, is clearly below the average. For example, according to OECD data in 2003, in Germany, the number of inhabitants to each employee is 665; in the United Kingdom, 730; in France, 788 and in the United States, 2,261, while in Spain it is 1,680.

Personnel distribution in the Tax Agency on 31<sup>st</sup> December 2005 had the following characteristics:

<b>SUMMARY OF TOTAL STAFF</b>			
	<i>CENTRAL SERVICES</i>	<i>TERRITORIAL SERVICES</i>	<i>SUB-TOTALS</i>
Civil Servants	3,057	21,734	24,791
Workers	248	2,187	2,435
<b>TOTALS</b>	<b>3,305</b>	<b>23,921</b>	<b>27,226</b>



Civil Servants  
Territorial Serv.  
Workers  
Territorial Serv.  
Civil Servants  
Serv. Central Serv.  
Workers  
Central Serv.





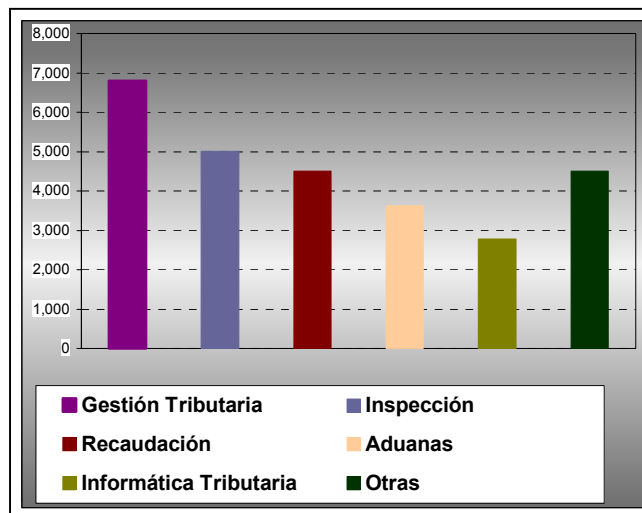
Distribution of personnel by title groups

<b>CIVIL SERVANT on31/12/2005</b>	<b>NUMBER</b>	<b>%</b>
<b>GROUP A</b>		
Tax Inspectors	1,540	
Head of Customs Supervision	188	
Head of Systems and Information Technology	117	
Public Finance Architects	47	
Customs Chemistry Teachers	32	
Rest of Group A	168	
<b>TOTAL GROUP A</b>	<b>2,092</b>	<b>8</b>
<b>GROUP B</b>		
Public Finance Technician	6,089	
Customs Supervision Executive	407	
Systems and Computing Management	254	
State Civil Administration Management	142	
Rest of Group B	215	
<b>TOTAL GROUP B</b>	<b>7,107</b>	<b>29</b>
<b>GROUP C</b>		
General Office Worker, Spec. Public Finance Agents	4,345	
General Office Worker, Spec. Local Tax Office	2,071	
General Office Worker in State Administration	428	
Assistant Computing Technicians	711	
Customs Supervision Agents	1,065	
Rest of Group C	100	
<b>TOTAL GROUP C</b>	<b>8,720</b>	<b>35</b>
<b>GROUP D</b>		
General Assistant, Speciality in Local Tax Office	6,417	
General Assistant in State Administration	252	
Rest of Group D	163	
<b>TOTAL GROUP D</b>	<b>6,832</b>	<b>28</b>
<b>TOTAL GROUP E</b>	<b>40</b>	<b>-</b>
<b>TOTAL CIVIL SERVANTS</b>	<b>24,791</b>	<b>91</b>
<b>TOTAL WORKERS</b>	<b>2,435</b>	<b>9</b>
<b>TOTAL</b>	<b>27,226</b>	<b>100</b>



### Distribution of personnel by areas

AREA	NUMBER
TAX MANAGEMENT	6,799
INSPECTION	5,006
COLLECTION	4,510
CUSTOMS	3,618
TAX COMPUTING	2,782
OTHERS	4,511
<b>TOTAL</b>	<b>27,226</b>



### Distribution of personnel by age

AGE SECTIONS	18-32	33-40	41-48	49-56	57-70	TOTAL
<b>TOTAL STAFF</b>	879	6,101	11,927	5,948	2,371	<b>27,226</b>
<b>%</b>	3	22	44	22	9	<b>100</b>

The average age of the personnel in the Tax Agency is 45.82 years, 45.65 years

corresponding to civil servants and 47.62 years to workers.

### Distribution of personnel by sex

WOMEN	%	MEN	%
14.398	52.9	12,828	47.1

## 6. Information Technologies and Communications

Information Technologies and Communications (hereinafter, TIC) constitute a dynamic factor in the change that is occurring in Public Administration. Two aspects exist in which TIC contribute to improving administrative management. On the one hand, they permit the participation of users in the design of the actions offering, moreover, the possibility of them communicating perception of the level of provision of the services. On the other hand, they establish means of communication with other public and private agents.

Developing the first aspect, the behaviour of taxpayers is decisive in the functioning of a Local Tax Office. The Tax Agency wagers on favourably discriminating taxpayers who wish to comply with their tax obligations and negatively discriminating those do not comply. A great effort has been made in the application of TIC in tasks of assistance as is the case of the aid programmes and the Virtual Office. The Tax Fraud Prevention

Plan proposes new complementary lines of action to those already existing, such as the offer of services to new entrepreneurs and the spreading of aid programmes for keeping the tax books.

The second dynamic aspect is the possibility of collaborating with other private and public actors that wish to participate in the administrative activity based on principles of mutual benefit and reciprocal confidence and trust. During the Income Tax Campaign, taxpayers can have the tax return prepared not only in the Tax Agency offices but also in certain offices in the Autonomous Communities and some Local Corporations. There are also some branches of financial companies that provide this service. This collaboration is possible thanks to the use of aid programmes prepared by the Tax Agency.

With regard to the communications network, important advances have been made in the operating systems and increase in storage capacity. In this sense, the motivation brought about by cordless communications offered by telecommunications operators making remote access possible or information systems should also be highlighted.

### HARDWARE INSTALLED ON 31<sup>st</sup> DECEMBER 2005

	<b>CENTRAL SERVICES</b>	<b>TERRITORIAL SERVICES (*)</b>	<b>TOTAL</b>
Central Processing Units	2	1	3
Processing Speed (MIPS)	19,993	2,633	22,626
On-line Storage (GB)	204,816	7,893	212,709
Tapes/cartridges: real units	52	48	100
Tapes/cartridges: virtual units	768	512	1,280

*(\*) All the VSE equipment of the Territorial Services has been concentrated in a single CPU located in the DIT Central Services.*



With regard to communications in the offices of the Tax Agency corporate network, a decrease continues to occur as in previous years in the point-to-point and X-25y lines in favour of InterLan lines and this, as something new this year, in favour of MacroLan lines. MacroLan accesses are based on Ethernet technology, providing a high bandwidth with almost unlimited growth possibilities, maintaining the capacity and simplicity of the traditional local area network.

In 2005, 124 Tax Agency offices were provided with MacroLan access as the main line.

In the same way, the growth in capacity of the Internet connections was maintained for the Tax Agency Virtual Office. Thus, during the 2005 Income Tax Campaign, the infrastructure was capable of supporting flow requirements of up to 300 Mbps.

<b>TELEPROCESSING LINES 2005</b>						
<b>LINE TYPE</b>	<b>Nº OF LINES</b>			<b>SPEED (Kbps)</b>		
	<b>MAIN</b>	<b>BACK UP</b>	<b>SUBTOTAL</b>	<b>MAIN</b>	<b>BACK UP</b>	<b>SUBTOTAL</b>
Point-to-point	9		9	305		305
X-25	9		9	770		770
INTERLAN (*)	901	458	1,359	5,103.63	54.80	5,158.43
INTERNET	2	1	3	1,069.06	1,048.58	2,117.63
<b>TOTAL</b>	<b>921</b>	<b>459</b>	<b>1,380</b>	<b>6,173.76</b>	<b>1,103.37</b>	<b>7,277.13</b>

(\*) Including MACROLAN-MPLS lines

With respect to connectivity between the Autonomous Communities and the Tax Agency, the communications necessary for offering these the same services as those available on the Tax Agency Intranet have been maintained, which allows them to increase their degree of participation in tax management and, in particular, in the Income Tax Campaign.

The Tax Agency is also continuing to boost the obtaining of mobile services with the offer of confirmation of drafts for the Short Message System (SMS) and obtaining connectivity thanks to the installations in the new Universal Mobile Telecommunications System networks (UMTS).

## 7. Alliances. Institutional Relations

### 7.1. Autonomous Communities.

The Tax Agency has been entrusted with the management of tax transferred which means an important source of revenue for the Autonomous Communities of a general nature. This function takes on greater relevance inasmuch that they have been increasing the participation percentages of the Autonomous Communities in the tax transferred.

The recognition, together with the State, that the Autonomous Communities are also an interested part in the tax management performed by the Tax Agency, implies the need to define the relations established by the Tax Agency with the Autonomous Local Tax Offices.

#### 7.1.1. Autonomous Communities in the common system

In 2005 development was started of the recommendations and measures contained in the document on the framework of relations of the Secretary of State for the Treasury and Budgets and the State Local Tax Office Agency with the Local Tax Offices of the Autonomous Communities and Cities with a Statute of Autonomy, approved in the meeting of the Mixed Commission for Tax Coordination of 22<sup>nd</sup> October 2004.

More than 60 measures are specified in this document, in such fields as regulatory coordination, the training of civil servants, tax censuses, exchanges of information, acts of collaboration in the matter of control and the tax collection procedure. This document can be consulted at [www.agenciatributaria.es](http://www.agenciatributaria.es) in the section on Autonomous Communities.

Thus, during 2005 a large part of the measures considered in the aforementioned document were developed and can be summarised as follows:

Part of the conclusions of the work groups set up within Mixed Commission for

Management Coordination were considered in the preparation of the Project on the General Regulations on tax auditing and management and development actions for common rules in the tax application procedures.

In the field of management, the study on consolidation of census information was tackled, agreeing the procedure for exchanging this information. Also, encouragement was given to the participation of the Autonomous Communities in the Personal Income Tax and Wealth Tax Campaign, so that this participation should be better perceived by the taxpayers.

In tax collecting, a study was undertaken in 2005 on improvements in the application of agreements signed between the Tax Agency and the Autonomous Communities. A standard procedure was also developed for impounding refunds handled by the Tax Agency .

In the field of auditing, the best practices produced in the Territorial Control Committees for Tax Management were made common. In the General Tax Control Plan, priority was given to the preparation of collaboration documents as a coordination procedure, for which the corresponding computer application was designed, with special attention to the Wealth Tax. In precise terms, a commitment was made to provide the Autonomous Local Tax Offices with selection tools, for which a work group was set up.

#### Institutional presence

The participation of the Autonomous Communities in a common system and the Cities with a Statute of Autonomy in the Tax Agency takes place through the Higher Control Council, the Mixed Commission for Tax Management Coordination and the

Territorial Management Committees. The first two bodies were briefly explained in the section on "Organisational structure".

The Territorial Management Committee is the participating body of the respective Autonomous Community or City with a Statute of Autonomy in the Regional Office or Provincial Office of the Tax Agency.

#### Coordination between Local Tax Offices

Coordination work between Local Tax Offices was developed in 2005 both in the matter of information and assistance to the taxpayer with the participation of the Autonomous Communities and Cities with a Statute of Autonomy on the Income Tax and Wealth Tax Campaign 2004, and on the matter of tax control (auditing, VAT-ITP coordination, tax collection and application of connection points in the taxes transferred).

Also, the periodic supply of information by telematic means has continued on the taxpayer census (monthly); Wealth Tax (annual); statistics and sample of Income Tax; the Census on the Tax on Economic Activities (annual) and the debt situation in the SIR (monthly). With respect to the exchange of census information a procedure was designed for the consolidation of census information with the Autonomous Local Tax Offices. Also, a protocol was adopted to attend to individual requests for statistical information. Likewise, it has been possible to access information from taxpayers resident in the territorial environment of other Autonomous Communities or taxpayers in their own territorial environment but included in the Agency Auditing Plan on the previous express authorisation of the respective Representative in both cases.

With the object of improving coordination, six-monthly meetings have been held with those responsible for IT in the Autonomous Local Tax Offices.

#### 7.1.2. Autonomous Treasuries

In 2005, the Tax Agency and the Autonomous Treasuries continued the development and application of massive exchanges of tax information. It is a standard system for sending tax information periodically between the Local Tax Offices affected, which covers items such as the following: informative tax returns, in particular on real estate operations, donations, financial operations, etc.

Furthermore, the Tax Agency has provided information referring to the traffic of foreign currency, vehicles, exports, imports, Treasury payments and VIES, in particular, during this year an exchange of information on the taxpayer census and the percentage of tax in Company and Value Added taxes has been encouraged.

The setting up of two Work Groups was also specially encouraged during this year, one made up of representatives of the Autonomous Local Tax Offices, the Tax Agency and the Basque Government and the other between the Tax Agency and the Autonomous Community of Navarre, with the general purpose of encouraging mutual relations and coordinating tax control and collaboration actions, and, especially, fixing procedures by mutual accord in the field of action of checking auditing on entities that pay tax on the volume of operations, changes of address and payments into a non-competent Local Office, together with actions in the struggle against organised plots concerning VAT fraud, access to databases, Intra-community Operators Register and INTER (application that allows individual requests for information to/from abroad to be dealt with).

## 7.2. Collaboration Agreements

### 7.2.1. Corporate collaboration

#### Corporate collaboration for the prevention of tax fraud

The Prevention of Tax Fraud Plan lays down the signing of Agreements of understanding between the Tax Agency and entities representing different economic sectors, with the purpose of boosting corporate collaboration in the prevention of tax fraud thus avoiding the disloyal competition that fraud has associated with it.

These Agreements on understanding establish a permanent and direct communication channel between the Tax Agency and associations representing the sectors with the risk of fraud, that allow the sector to transmit information to the Tax Agency on the general functioning of the sector or on suspicious fraud operations (particular VAT plots) and, in general, to collaborate in the struggle against fraud.

The sectors with which these agreements were signed in 2005 were mobile telephony

computer software, automobile and trademark defence.

Corporate collaboration for the application of tax: Collaboration agreements for the telematic presentation of tax returns, communications and other tax documents

A large part of the success when presenting tax returns by telematics is due to the development of **corporate collaboration** in the application of the tax paid. The Tax Agency encourages the signing of collaboration agreements for the presentation of tax returns and other documents of a tax nature in representation of third parties. The entities that sign them - Public Administrations, financial bodies, associations and professional schools, etc – or their members (members and associates) present returns of third parties by telematics, thus bringing the advantages of the new technologies to those who do not have access to the Internet in their homes.

The collaboration agreements signed until 31<sup>st</sup> December 2005 by the Tax Agency with different types of entity were:

### COLLABORATION AGREEMENTS FOR THE PRESENTATION OF TAX RETURNS USING TELEMATICS

	<i>PREVIOUS TO 2005</i>	<i>2005</i>	<i>SUBTOTAL</i>
Professional tax management associations	214	10	(*)224
Other entities (business associations, cooperatives, syndicates, etc.)	160	56	216
Financial bodies	116	1	117
Autonomous Communities	16	-	16
Town Halls and other public bodies	81	1	(**)82
Companies (exclusively for presenting their workers' tax returns)	10	-	10
Associations in the automobile sector	1	15	16
<b>TOTAL</b>	<b>598</b>	<b>83</b>	<b>681</b>

\* Of these, 6 are national FRAMEWORK AGREEMENTS to which Territorial Entities join by signing the correspondent adherence protocol

\*\* In 2003 a FRAMEWORK AGREEMENT was signed with the Spanish Federation of Municipalities and Provinces (FEMP), to which Local Entities join by through a protocol



**ADDITIONAL PROTOCOLS FOR ADHERENCE TO FRAMEWORK  
COLLABORATION AGREEMENTS**

	<i>BEFORE 2005</i>	<i>2005</i>	<i>SUBTOTAL</i>
Adherence protocols for the six framework agreements signed with professional schools and associations	109	4	113
Adherence protocols for the Framework Agreement with the Spanish Federation of Municipalities and Provinces	110	26	136
Other adherence protocols	24	34	58
<b>TOTAL</b>	<b>243</b>	<b>64</b>	<b>307</b>

**7.2.2. Supply and exchange of information with the Public Administrations**

The Tax Agency continues to boost the direct supply of tax information to the Public Administrations with the purpose of avoiding the issue of certificates on paper and requiring people to visit our offices, and also to obtain an important saving in cost and time through having information.

The collaboration and exchange of information between the Tax Agency and Local Entities continued to be encouraged during 2005 from the time of the Protocol and the four Collaboration Agreements signed on 15<sup>th</sup> April 2003 with the Spanish Federation of Municipalities and Provinces.

There are 816 Local Entities adhered to the Collaboration Agreement with the FEMP for the supply of information (in order to avoid certificates on paper) and 364 adhered to the Agreement on the Exchange of Information and collaboration in tax collection management.

During 2005 the following types of supply were provided to the Local Entities adhered to these Agreements via the application of information transfer via the Internet:

- Identifying data
- Being up-to-date with tax obligations.
- Income level
- Information on the net worth of bank deposits and investment funds

Furthermore, under the Agreement for exchange and collaboration information of a real estate nature started to be received from Local Entities and the collaboration procedure was put into motion in tax collection management by means of reciprocal embargos between the Tax Agency and the Local Entities.

**7.2.3. Other collaboration agreements**

**Agreement with the General Council of Notaries Public**

On 23<sup>rd</sup> June 2005 the Collaboration Agreement between the State Tax Administration Agency and the General Council of Notaries Public was signed for the presentation using telematics of the declaration on inclusion in the census, Form 036, in representation of third parties and assignment of a provisional and final FIN in the process of creating entities before a notary public, with the object of establishing a framework for collaboration between the two bodies to facilitate compliance with the census duties of bodies corporate and entities without independent legal status in the process of constitution.

**Attention to disabled persons. Agreement with CERMI – ONCE**

The Follow-up Committee for the Collaboration Agreement between the Tax Agency, the Federation of Representatives of Disabled Persons (CERMI) and the ONCE Foundation approved the Plan of Actions for assistance to disabled persons for the year 2005.



The main lines of action considered in the document refer to the following aspects: improvement in accessibility to buildings, improvement in accessibility to the web site, services in the Income Tax Campaign for disabled persons, training actions for the sensitisation of civil servants in the Agency (based on didactic units prepared with the collaboration of CERMI-ONCE) and presentation of tax returns using telematics.

#### Agreement with the Institute of Tax Studies

In 2005, with the collaboration of the Institute of Tax Studies, the Tax Agency made the de Civic-Tax Education Portal available on the Internet. The objective of the Portal, aimed at 5<sup>th</sup> and 6<sup>th</sup> year pupils in Primary and Secondary Education, is education in values that will enable them to develop active and responsible citizenship. Furthermore, teachers have a specific area with contents to support their task, among which the didactic Guides should be highlighted.

### 7.3. International Relations

At the end of 2004, through a Decision of the President of the Tax Agency of 26<sup>th</sup> December 2004 (BOE (Official State Bulletin) of 21<sup>st</sup> January 2005), the International Relations Coordination Unit was created. The Decision stated that the mission of the Work Group, created with this undertaking in 1997, of a temporary nature, had come to an end and a specific organic unit was necessary to ensure the coordination of activities of an international nature by the Tax Agency.

The Decision integrated the Unit in the Department for Organisation, Planning and Institutional Relations and assigned it the functions of development and coordination of Agency relations with foreign bodies and institutions and international associations that are not specifically attributed to other bodies.

With the collaboration of all its Departments and provincial offices, the international presence of the Agency intensified in 2005, thanks to the participation of its experts in different international institutions and bodies, the provision of technical assistance, the holding of courses and attention to numerous visits from foreign delegations.

#### 7.3.1. Technical cooperation

##### European Union

The relationship with the European Union has been permanent both regarding customs and domestic tax payments. The Tax Agency participated and informed on aspects that had any managerial incidence on the processes of preparing legislation and planning guidelines for fiscal harmonisation in the Work Groups of the European Union Council.

The Tax Agency participates on different Committees for assistance to the European Commission in tax and customs matters, both regulatory and managerial committees and consulting committees. Likewise, it participates in diverse work groups on specific matters.

##### Fiscalis Programme

The Tax Agency manages Spanish participation in the FISCALIS Programme of the European Union whose objective is to encourage cooperation between the Local Tax Offices via joint actions. The enclosed table summarises the Spanish participation in the different types of activity.

In parallel with the Fiscalis Programme, the Customs and Special Tax Department actively collaborated in the Customs programme of the European Commission 2007 for cooperation, making 4 exchanges of civil servants and participating in 8 seminars.

**FISCALIS PROGRAMME SUMMARY OF ACTIONS (1998-2005)**

	1998	1999	2000	2001	2002	2003	2004	2005	TOTAL
<b>EXCHANGES</b>									
CIVIL SERVANTS SENT BY THE AGENCY	40	32	40	29	39	32	33	32	<b>277</b>
CIVIL SERVANTS RECEIVED BY THE AGENCY	37	27	32	29	41	36	34	37	<b>273</b>
<b>SEMINARS</b>									
ORGANISED BY OTHER ADMINISTRATIONS	7	9	11	14	9	5	16	14	<b>85</b>
ORGANISED BY THE TAX AGENCY	0	2	1	0	2	1		1	<b>7</b>
<b>SUBTOTAL</b>	<b>7</b>	<b>11</b>	<b>12</b>	<b>14</b>	<b>11</b>	<b>6</b>	<b>16</b>	<b>15</b>	<b>92</b>
<b>MULTILATERAL CONTROLS</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>44</b>

**OECD**

The Tax Agency actively participates in the OECD Local Tax Office Forum, forming part of the managerial *Bureau* and taking part in its different Work Groups.

In 2005 the Tax Agency participated in the 68<sup>th</sup> meeting of the CFA (Paris, January) and the 4<sup>th</sup> OECD Global Forum that took place in Melbourne, on 15<sup>th</sup> and 16<sup>th</sup> of November.

Spain also participated with experts from the Tax Agency in different seminars organised by the OECD in 2005, on occasions, in collaboration with other Institutions such as the Inter-American Local Tax Administration Center.

**Countries in Central and Eastern Europe**

The Agency collaborates intensely in the effort that the Spanish Administration is making to ensure that the process of extending the European Union to Countries in Central and Eastern Europe should be a success.

Within the framework of the PHARE programme, the European Commission is considering the execution of twinning programmes with new member states and candidate countries for adherence to the EU.

In 2005 the Tax Agency finalised a Twinning Project with Romania entitled

“Organisation of the customs laboratory network”, the objective of which was to establish the legislative and methodological framework, organisation and equipping of the network of laboratories for ensuring the measures necessary for an efficient struggle against commercial fraud and the illicit traffic of certain merchandise.

On the other hand, it also completed two Projects of short duration:

- One in Letonia, in collaboration with the Institute of Tax Studies and the Directorate General of Taxation, the objective of which was to strengthen the tax policy department of the Ministry of Finance.
- The other in Romania, with the Ministry of Public Finance for developing the systems for the exchange of information between member countries (VIES and SEED) and their managing offices (CLO and ELO), with the name of “Transposition of community patrimony in the field of exchange of information on VAT and Special Taxes”.

Likewise, in 2005 the Tax Agency was selected to manage three new twinings. One on Customs Procedure and Frontier Management, that started in December, and the other, on strengthening the tax

administration that will start in 2006, both in Romania and the third with Bulgaria for implementation of the Intrastat system.

During 2005 five civil servants from the Tax Agency collaborated in the European Union CAFAO programme in the Balkans.

### Latin America

Undoubtedly, the geographic environment in which Spanish cooperation has achieved the greatest projection is Latin America. This is a field for action of special relevance in answer to a clear Commitment to the cooperation and institutional support of Spain for the Local Tax Offices in the countries that form the Latin American community.

25 technical assistance missions were performed in this area, throughout 2005, in 11 Latin American countries, by virtue of bilateral or multilateral agreements in coordination with other institutions such as the Spanish International Cooperation Agency (AECI), the Inter-American Development Bank (BID), the Inter-American Centers of Local Tax Offices (CIAT), the International Monetary Fund (IMF), etc.

The execution of the Agreement on assistance to the Directorate General of Taxation in Uruguay was put into motion in 2005 for support in the FIGARI modernisation project.

Special mention should be made of the relationship with the Inter-American Center of Local Tax Offices (CIAT). Actions in collaboration with this cover multiple aspects: publications, courses and technical assistance to various countries, regional projects, the spread of better practices, monography competition, ...etc. Furthermore, the Agency actively participated in various CIAT Work Groups such as those dedicated to the Exchange of Information, the Promotion of Ethics, the Updating of the CIAT Tax Code Model and Internal Control of Local Tax Office.

Likewise, the Agency collaborated in the start-up of the EUROSOCIAL Project, launched in 2005 by the European Commission that constitutes an ambitious

Initiative of the European Commission that deals with tax payments to establish the conditions that allow the degree of corporate cohesion of Latin American companies to be increased by means of improvement in the capacity of those responsible for the preparation, approval and management of public policies. Within its fiscal environment, the Project is being performed by an international consortium of 10 institutions, headed by the Institute of Tax Studies.

### Bilateral relations

#### A) European Union countries

##### 1. Spanish-French cooperation:

On the one hand, a permanent framework of collaboration has been established with France and, as a result of this, various meetings have occurred throughout the course of the years with civil servants from the French Administration, among these, the first meeting of the Pilot Committee for the Agreement on the Direct Trans-frontier Exchange of Information.

On the other hand, just as last year and with a view to strengthen collaboration between the French Directorate General of Taxation and the Agency, an exchange of civil servants from each country was made, of those belonging to higher ranks of technical jobs with high responsibility in order to share technical knowledge and experiences. These exchanges had a duration of six months for the two Spanish civil servants and one year for the French civil servant.

##### 2. Spanish-Portuguese cooperation

In the month of June a meeting took place, within the framework of the Agreement on Mutual Administrative Assistance between Spain and Portugal, signed in September 2004, between civil servants from Customs and Tax Departments of the two countries.

#### B) Countries in America

Relations have been strengthened with Canada in the past few years and, in 2005, a civil servant from the Tax Agency worked for four months in the offices of the Canadian International Administration, in

Ottawa, within the framework of the programme for exchange of civil servants.

The relationship with Latin American countries was shown most importantly in the training actions and technical cooperation already described.

### **C) Rest of the world**

Finally, channels have been opened for bilateral relations with Morocco, Kuwait, Nigeria, China, etc., countries from which various delegations have been received.

In this area, mention should be made of the Agreement on Spanish-Moroccan cooperation signed by the Customs and Special Taxes department, with several actions developed both in Spain and in Morocco throughout 2005.

#### **7.3.2. Training actions**

The Agency has continued its training actions aimed at foreign civil servants, fundamentally from Latin American countries.

The Institute of Tax Studies and the Agency organise two courses annually in Spain which are already traditional: the *Course on Institutions and Tax Techniques* and the *Latin American Course on International Customs Techniques* attended by some 45 civil servants from the Local Tax Offices and Latin American Customs. The 25<sup>th</sup> and 27<sup>th</sup> editions were held from 6<sup>th</sup> June to 1<sup>st</sup> July 2005.

Within the framework of the project on the "Study of Relevant and Current Cases in Fiscal Policy and Local Tax Office", developed by the Agency in collaboration with the BID, it is intended to make common those practices whose importance or interest makes them representative. The project has financing by the BID and three meetings were held in 2005: on "Customs' Inspection", "Fiscal Processing of Small and Medium-size Companies" and the "Strategy of Local Tax Offices: Integral plans for the prevention and correction of tax fraud".

Likewise, in direct collaboration with the Spanish Agency for International

Cooperation, a further three seminars were held in Latin America on "Work methods for support of tax control", "Instruments for tax coordination and cooperation in a single market" and "Human Resources Policy of the Central American Local Tax Offices".

#### **International Mastery of Tax Administration and Public Finance (AEAT-IEF-AECI-UNED-CIAT-World Bank)**

The second edition of International Mastery (2004-2005) continued in 2005 that, with support on the Internet, uses the Virtual Campus of the Institute of Tax Studies, with the participation of 31 students from 12 Latin American countries.

The third edition of International Mastery started in October with a total of thirty students, of which twenty-four are civil servants from different Latin American Local Tax Offices.

The Old Students Network of the International Mastery Course was also created in 2005

#### **7.3.3. Exchange of experiences with other Administrations**

##### **Visits Received:**

56 visits of foreign delegations from international bodies and different countries (European, American, Asian and African), interested in knowing about the functioning of the Agency and taking our experience back to their own countries, were attended to by the different Departments and Regional offices of the Tax Agency in 2005.

**VISITS FROM FOREIGN DELEGATIONS**

AREAS	1998	1999	2000	2001	2002	2003	2004	2005	TOTAL
LATIN AMERICA	8	5	5	14	12	15	17	13	<b>89</b>
EUROPE	4	8	10	12	18	21	33	34	<b>140</b>
OTHER GEOGRAPHIC AREAS	1	1	6	3	2	9	9	9	<b>40</b>
<b>SUBTOTAL</b>	<b>13</b>	<b>14</b>	<b>21</b>	<b>29</b>	<b>32</b>	<b>45</b>	<b>59</b>	<b>56</b>	<b>269</b>

**7.3.4. Presence of the Tax Agency in organisations and international meetings**

The Tax Agency was accepted as a member of the Intra-European Organisation of Local Tax Offices (IOTA) at the General Assembly of 2005, with effect from 1<sup>st</sup> January 2006. It thus strengthens the collaboration that it was already giving as an associate institution.

Likewise, the Agency is continuing its collaboration with other organisations, of which the following can be highlighted:

- Global Conference on VAT, organised by the *International Tax Dialogue* (Italy, 15<sup>th</sup> and 16<sup>th</sup> March).
- 72<sup>nd</sup> Meeting of Customs Managers of the EU and Turkey (Cyprus, 12<sup>th</sup> and 13<sup>th</sup> May).
- OECD: Second Meeting of the Forum on Local Tax Offices (FTA) (Ireland, 1<sup>st</sup> and 2<sup>nd</sup> June).
- IOTA: 9<sup>th</sup> General Assembly (Poland, from 20<sup>th</sup> to 22<sup>nd</sup> June).
- CIAT: 39<sup>th</sup> General Assembly (Argentina, from 18<sup>th</sup> to 21<sup>st</sup> April) and Technical Conference (Colombia, from 26<sup>th</sup> to 29<sup>th</sup> September).
- Meeting of General Managers of Local Tax Offices of the EU (Italy, 9<sup>th</sup> September).
- 26<sup>th</sup> Meeting of National Customers Managers of Latin America, Spain and Portugal (Chile, from 24<sup>th</sup> to 27<sup>th</sup> October).



## 8. Planning the actions

Since its creation in 1992, the Tax Agency has given great importance to the task of planning, as it is an essential piece in its organisational model.

In 1997 it also created a department with specific planning functions: the Organisation, Planning and Institutional Relations Department.

In accordance with the directives contained in the Tax Fraud Prevention Plan, the structure of the planning instruments was modified in 2005, in such a way that the annual planning of Tax Agency objectives is developed in three documents, which are, the *“Plan for the Objectives of the Regional Offices and National Offices”*, the *“Commitments of the Central Services”* document and the *“General Tax Control Plan”*.

### 8.1. Plan for the Prevention of Tax Fraud

The Tax Fraud Prevention Plan (hereinafter PPF) is intended to increase efficacy and efficiency in the struggle against tax fraud, for which reason it establishes new strategic lines of action to be developed by the organisation as a whole and the re-directing of tax control methods and procedures, in accordance with the ever-changing economic reality and new fraud categories. This Plan is of an eminently operative nature and also includes measures of an organisational, regulatory and procedural type.

### 8.2. Planning and programming of actions for 2005

#### 8.2.1. Objectives Plan 2005

The Objectives Plan for the Regional Offices and the National Offices establishes the results that it is necessary to achieve every year and the priority actions that have to be performed for achieving those results, in the two aspects of assistance to the taxpayer and the fight against fraud.

In 2005, the Objectives Plan had a **new structure**, in which two sections can be seen:

**Results.** The key results to be achieved in the year are expressed in monetary units, the following being defined:

- **Gross and liquid collection on the tax income laid down in the General State Budgets for 2005.** They express the forecast of income in gross and liquid terms (difference between gross income and refunds made) consequently measuring the direct and indirect effects (induced effect) of the control and assistance actions carried out by the Tax Agency.
- **Direct effect of tax collection.** In order to strengthen control of compliance with tax obligations, to encourage the payment of debts and sanctions liquidated by the Tax Agency and to establish indicators that will motivate coordination between areas, an indicator is established that collects the direct monetary results from the control actions (revenue derived from control actions of the Tax Agency and the amount by which this is depleted by the refunds requested).

**Actions.** Tasks are included that have to be performed for achieving the results expected and for complying with the functions entrusted to the Agency: assistance to the taxpayer and control of compliance with tax payments.

- **Actions for assistance to the taxpayer.** The Objectives Plan 2005 highlights a series of objectives with respect to which substantial margins for improvement exist.

- **Actions in the struggle against fraud.** In accordance with that laid down in the General Tax Control Plan, representative indicators of the overall control actions performed by the different areas and offices are established. The following types of action are distinguished, classified in terms of the nature of the control to be performed.

- **Selective control and investigation actions.** The inspection actions on internal tax and customs payments, together with actions in the Customs and Special taxes in the operating area are grouped here related to the struggle against contraband, money laundering and collaboration in investigation missions.
- **Extensive control actions.** These include control in the field of internal and customs taxes and

on taxpayers included in the tax payment system by modules.

- **Tax collection management actions.** Leading to the payment of tax debts and sanctions and any other debts whose management is assumed by the Agency by virtue of the law or an agreement.

Considering the economic and corporate importance of tax control actions on the **real estate sector** and **organised fraud plots**, specific and independent objectives are assigned.

As the indicators of each objective, add actions of diverse nature and complexity – the sending of a request for information does not have the same difficulty or importance as an act of inspection of a large company – a process of homogenising the actions was performed (greater value is given to those actions of greater difficulty). For this, the objectives on actions are expressed in terms of homogeneous actions. Furthermore, for valuation for the effects of the objectives, the actions performed are weighted in terms of the results obtained.

The results obtained in the execution of the Objectives Plan for 2005 were higher than the forecasts fixed for that year in all the first level indicators, as can be seen below:

**PLAN OF OBJECTIVES OF THE TAX AGENCY FOR 2005**

<b>OBJECTIVE</b>	<b>REFERENCE</b>	<b>REALISED</b>	<b>% FULFILMENT</b>
<b>I. RESULTS*</b>			
1. Gross tax collection	175,477.00	183,312.70	104.47
2. Liquid tax collection	141,793.00	150.789,26	106.34
3. Direct tax collection effect	4,229.75	4,583.19	108.36
<b>II. ACTIONS</b>			
<b>II.1. ASSISTANCE TO THE TAXPAYER</b>			
4.1. Average time of appeal and claim proceedings (days)	45	42	107.14
4.2. Electronic, computer and telematics presentation of tax returns (%)	19	23.42	123.26
4.3. Certificates avoided through transfer of information to other A.P (n° of certificates)	5,575,000	6,079,967	109.06
<b>II.2. ACTIONS CONCERNING THE STRUGGLE AGAINST FRAUD</b>			
<b>SELECTIVE CONTROL AND INVESTIGATION ACTIONS**</b>			
5. Auditing acts on internal tax payments	117,442	118,476	100.88
6. Auditing acts on Customs and Special Taxes.	9,335	9,625	103.11
7. Auditing acts on the real estate sector	18,000	24,406	135.59
8. Actions on fraud plots and false bills	12,558	20,904	166.46
9. Customs and fiscal supervision actions	45,766	69,416	151.68
<b>EXTENSIVE CONTROL ACTIONS**</b>			
10. Extensive control actions on internal taxes and module	3,208,430	3,785,478	117.99
11. Extensive control actions on large companies	102,047	112,961	110.7
12. Customs management control actions, management and intervention of the Special Taxes	1,672,112	2,015,869	120.56
<b>TAX COLLECTION MANAGEMENT ACTIONS</b>			
13. Debt tax collection management	7,253.17	9,670.65	133.33

\*Amounts in millions of euros. These figures are adjusted in such a way that the liquid tax collection does not include income from the Autonomous Communities, Social Security, Autonomous Treasuries and the Directorate General of the Treasury and Financing Policy.

\*\* Control actions are measured in homogeneous actions.



### 8.2.2. General Tax Control Plan 2005

The General Tax Control Plan, of a reserved nature, gives details of the actions to be performed for each of the areas for which tax and customs control functions are entrusted, with a breakdown by territory and action programmes.

The General Directives of the General Tax Control Plan, approved by a Decision of the Director General of the Tax Agency of 21<sup>st</sup> January, were published in the BOE on 8<sup>th</sup> February 2005. The General Directives state the main lines to be followed in tax control and establish the areas of tax and customs risk on which efforts will be concentrated in the struggle against fraud.

The Plan is structured in three large sections: General Directives, Partial

Tax Control Partial, corresponding to areas of Financial and Tax Auditing, Customs and Special Taxes, Tax Management and Collection; and Integration Rules between Plans, which contain the rules and procedures for ordering actions that have to be performed in a coordinated manner among areas. Furthermore, a section is dedicated to a section on control actions in the matter of tax transferred.

### 8.2.3. Commitments of the central Services for 2005

The Commitments of the central Services include the objectives of the Tax Agency Departments and Services with the different members of the organisation (both central and territorial), with other Administrations and institutions and with the citizens themselves.



## **II. The balance of the actions**



## II. The balance of the actions

### 1. Tax collection

#### 1.1. Non-financial income from tax

Income from tax managed by the Tax Agency for the State and the local territorial offices in Common Fiscal System amounted in 2005, in terms of the collection

applied, to 160,705 million euros, that represent 92.6% of the total non-financial income. The participation of the local territorial offices represented, in 2005, 27.9% of the revenue handled by the Tax Agency.

#### TOTAL INCOME COLLECTED BY THE TAX AGENCY

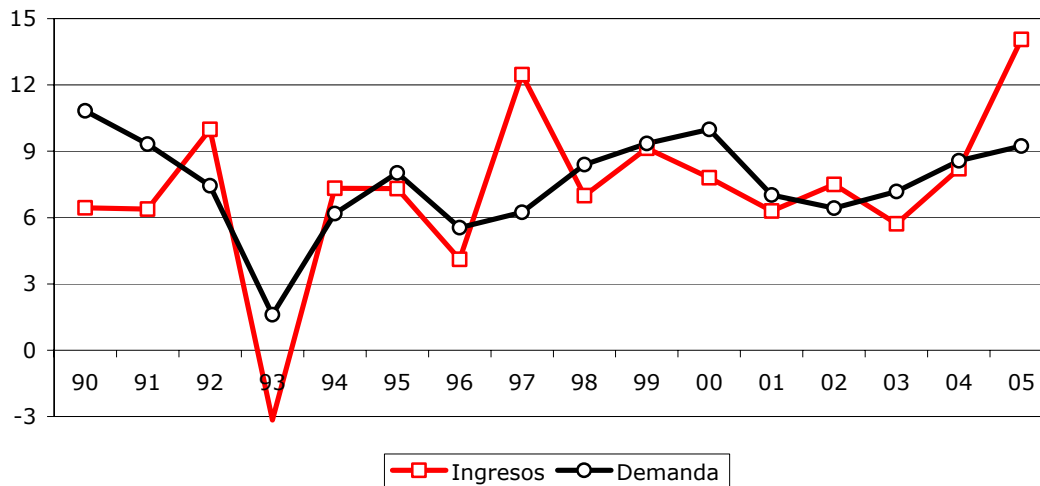
YEARS	TOTAL REVENUE COLLECTED BY THE AGENCY	TOTAL NON-FINANCIAL INCOME *	% AGENCY INCOME
1996	76,115	87,839	86.65
1997	85,607	100,247	85.40
1998	91,597	109,206	83.88
1999	99,968	115,084	86.87
2000	107,764	123,466	87.28
2001	114,552	130,077	88.06
2002	124,912	139,264	89.69
2003	130,176	143,774	90.54
2004	140,854	155,346	90.67
2005	160,705	173,634	92.55

\* Chapters VIII and IX excluded (Financial Assets and Liabilities)

The growth registered in 2005 amounted to 14.1%, six points more than in 2004 (8.2%) and constituted the maximum in the past 16 years (since 1989) as can be seen in the attached figure, that includes the

development of tax collection since 1990 together with that observed in internal demand at current prices, estimated by INE National Accounting.

**Figure 1.- INCOME FROM TAX AND INTERNAL DEMAND CN**



The reasons for this historic growth, in a year of regulatory stability practice, can be synthesised in the following points:

- The dynamism of the retentions on income tax on work and capital and payments on account of companies, that show a favourable situation of the income tax of families and the profits of companies in 2005.
- The positive impact of the differential quotas (greater income and fewer refunds) of Income Tax on Individuals and Companies that correspond to income tax and profits accrued in 2004.
- The dynamic evolution of the collection of VAT that is growing at a rhythm of 2.3 points above that of 2004 in spite of the final expenditure subject to VAT showing almost total stability. The greater costs of energy supported by companies in 2005 were clear in the requests for an annual refund of VAT in 2005 presented in the first months of 2006 and will negatively affect the liquid income for the year.
- The largest revenue by closed years from retentions on work of the Autonomous Communities (511 million), so that the rights recognised in 2005 (they include the rights pending payment in the year) grew by 13.4%.

- The favourable development in 2005 of revenue derived from control (income contracted previously and decrease in refunds), that registered a growth of 12.9%, and rates and other income, that benefited from the transfer to this year of the interest on delay and tax penalties retained until the coming into force of the new General Tax Law.

The participation of the tax income in the total non-financial income increased by almost two points (from 90.7% in 2004 to 92.6% in 2005) because the dynamic behaviour of the tax income contrasted with the strong reduction (over 40%) of two of the more significant items in the non-tax income: the profits of the Bank of Spain and the transfers of capital (in particular, of the FEDER).

As a necessary introduction for analysing the development of tax collection, the most relevant aspects regarding the progress of the economy and the regulatory framework in 2005 are given below.

## 1.2. The economic environment

The economic situation in 2005 was characterised by the prolongation of nominal and real growth of the Spanish economy upheld by internal demand and, particularly, by expenditure in investment of companies and the purchase of homes by

families and non-residents. The major activity was developed in the context of low interest rates, acceleration of payment means and the financing of companies and families, the weakness of external demand (particularly from the European Union, whose recovery did not materialise fully) and greater tension over prices derived mainly, but not only, from the higher cost of oil whose price in euros rose 42.8% in half a year.

The real growth of the Gross Domestic Product (GDP) was set provisionally by the National Statistics Institute at 3.4% with acceleration of three tenths of a point with respect to the rhythm of 2004 and nominal growth reached 8.0%, with acceleration of seven tenths. From the point of view of

revenue through taxes the nominal development of the internal demand has special relevance. Its annual growth reached 9.2% in 2005 with acceleration of six tenths of a point.

The information declared by companies and retainers corresponding to 2005, still incomplete, confirms the greater nominal dynamism of sales, of the final expenditure subject to VAT and the expenditure on investment by companies but the most outstanding note on the situation declared for 2005 is to be found in the strong growth of gross income tax of families and the tax assessment base of companies. The development of GDP in the past few years and the internal demand and main magnitudes of the economy declared is given in the table attached.

#### MAIN ECONOMIC INDICATORS (Annual variation rates)

		2004 (*)	2000	2001	2002	2003	2004	2005(p)
GDP (1)	Current prices	837,316	8.7	7.9	7.2	7.1	7.3	8.0
	Constant prices since 1995		4.4	3.5	2.7	3.0	3.1	3.4
	Deflator		3.4	4.2	4.4	4.0	4.1	4.4
Current price internal demand		897,448	10.0	7.0	6.4	7.2	8.6	9.2
<b>INDICATORS FROM TAX RETURNS</b>								
Final expenditure subject to VAT		377,964	7.8	6.1	7.8	8.5	8.9	9.1
	Sales (V)	1,596,568	14.1	10.3	6.2	8.6	7.5	9.3
	Purchases (C)	1,289,550	15.9	10.5	5.8	8.6	8.4	9.8
	Imports (M) (2)	241,016	18.5	6.1	1.7	6.4	12.6	9.3
	Exports (X)	187,188	19.9	9.3	0.3	5.9	5.0	5.8
Gross tax in homes		436,597	8.7	8.1	5.7	8.1	6.9	8.3
	Work	364,801	9.0	9.3	6.5	7.8	6.5	7.7
	Capital	35,420	12.2	1.4	-1.3	13.9	12.7	18.3
	Company	36,376	2.5	3.1	5.3	6.3	4.9	4.3
Tax available (3)		389,424	8.7	7.5	5.3	9.2	6.8	7.6
Tax assessment base of companies		109,797	5.2	14.1	0.3	16.0	15.3	23.4
<b>SPECIFIC INDICATORS OF LARGE COMPANIES (4)</b>								
Internal non-financial sales		884,679	11.7	6.3	5.1	6.3	7.3	8.8
Internal non-financial deflated sales		738,180	7.4	4.5	2.7	4.8	4.0	3.8
Salary recipients (non-financial sector)		4,977,372	6.3	3.3	2.1	1.9	2.2	3.3
Average gross remuneration (non-financial sector)		23,042	3.7	5.4	2.9	4.2	2.6	3.1
GE non-group accounting result (mod. 218)		25,313		---	---	33.6	18.1	9.7

(\*) Millions of euros (except amounts in italics: salary recipients in number and average gross remuneration in euros).

(1) National Quarterly Accounting in Spain Base 2000 (INE).

(2) Includes operations assimilated to importing.

(3) Gross tax minus income tax paid in the year.

(4) Companies with a volume of annual operations above 6 M. €. Variable rates for a constant population.

Final expenditure subject to VAT, obtained by the difference between sales and purchases and adding the net import balance, grew in 2005 by 9.1% with slight acceleration with respect to 2004. The most dynamic component was expenditure on a new home for families and non-residents that represents 17% of expenditure and grew at an annual rate of 16.1% similar to that of 2004, sustained by the intense growth in financing to families for buying homes. Current purchases and capital of the Public Administrations grew at an annual rate of 6.3% with deceleration with respect to the rhythm of 2004, and the rest of final expenditure subject to VAT, made up of consumption expenses of homes and non-residents and current purchases and capital of exempt sectors (Health, Education and Financial Services), grew at an annual rate of 8.0% higher than that of 2004.

The greater dynamism registered by small and medium-size companies was emphasised in 2005, with acceleration in the growth rhythms of their income through retentions on work (an increase of 10.8%, compared with 8.4% in 2004), payments in instalments by companies (11.7%, almost one point more than in the previous year) and gross VAT (11.3%, 9.2% in 2004).

The gross tax declared by families grew in 2005 by 8.3%, with acceleration of 1.4 points with respect to the annual rhythm of 2004. Growth in salaried employment in 2005, measured in terms of associated wage and salary earners, was 4.4% with acceleration of 1.6 points with respect to the rhythm of 2004 due, for the most part, to the standardisation process which was translated into almost half a million inclusions of immigrants at the end of the year.

Tax on work, motivated by the intense growth in salaried employment and by the activation of clauses on safeguarding salaries, wages and pensions, grew by 7.7% with acceleration of 1.2 points with respect to the rhythm of the previous year, but the greatest dynamism was found in taxes on capital that reached a growth of 18.3% that exceeded the rhythm of 2004 by more than 5 points. The recovery of interest on bank accounts and gains on investment funds and the maintenance of strong growth of dividends explain the expansion of tax on capital.

Approximate corporate results through payments on account by personal enterprises and companies also registered growth of 22.1% in 2005 with acceleration of 5.6 points with respect to the rhythm of 2004. Expansion was located in companies and, particularly, in groups that pay tax in a tax consolidation system, whose benefits grew 40.5% in 2005 due, to a large extent, to the extraordinary results. On the contrary, in small and medium-size companies and in large companies not integrated in groups, the benefits grew about 11.5%.

When valuing the effect of the economic situation on tax collection, the heterogeneous nature of the accounting measures for income must be taken into account (cash and banks and recognised rights). On the side of direct taxes, the extraordinary growth of 17.9% in revenue in 2005 not only reflected the favourable situation in 2005, determining the strong growth in retentions and payments on account, but also the positive development of tax from families and companies in 2004, which materialised in the differential quotas accrued in 2004 but liquidated in 2005.

In indirect tax, the 12.0% growth in tax collection through VAT in 2005 did not completely include the negative impact of the increased costs of oil on VAT supported by companies. These increased costs became patent, mainly, in applications for an annual refund that accompanied the last return in 2005 presented in the first months of 2006 and will be reflected, in the form of larger refunds, throughout this financial year.

### 1.3. The regulatory framework

The following stand out, from among the legal modifications introduced in 2005:

- The deflation of the rate of Personal Income Tax by 2%.



- The double rise in the legal rates of some Special Taxes. The first was established from January according to the Law on General State Budgets for 2005, that updated the tax rates on Alcohol, Beer and Tobacco by 2%. Later, Real Decree-Law 12/2005 of 16<sup>th</sup> September, on urgent measures in the matter of health financing once again raised the tax rates on Alcohol, Beer (10% in both figures) and Tobacco (an increase of almost one point of its "ad valorem" rate).

Moreover, there were also changes in the tax management and process rules with an appreciable effect on the development of tax collection. In the first case, some Autonomous Communities made significant revenue from closed years through retentions on work in 2005 (511 million), which had a positive effect on collection.

Secondly, the VAT quotas accrued through operations assimilated to importing became deductibles in the tax return on these operations and not in that of internal operations, which lead to a transfer of the collection (in the form of greater, fewer refunds and/or fewer local adjustments) from VAT on Importing to VAT on internal operations.

Thirdly, tax collection on rates and other revenue was positively affected in 2005 by two significant facts:

- The process of regularisation of foreign immigrants, which has appreciably raised revenue from rates on obtaining the professional and consular identity card.

- The coming into force of the General Tax Law in July 2004 originated, in the first place, a poor collection through tax penalties and interest on delay in the first months of the year (on retaining the files until the promulgation of this Law) and, secondly, a transfer of revenue to 2005 (as the files retained were being freed).

Besides these legislative or managerial novelties, a further one introduced by the aforementioned Royal Decree-Law 12/2005 stands out that affected the institutional distribution of revenue. In order to guarantee the greater sufficiency of the Autonomous Communities for financing health, this rule laid down pre-payments on account for their definitive participation in Income Tax, VAT and Special Taxes of up to 4% (2% in 2005) on the calculation base used for the initial fixing of revenue on account through shared tax payment. Through this item, 692 million euros were advanced, of which 285 million would correspond to Income Tax, 276 to VAT and 131 to Special Taxes.

#### 1.4. Total tax revenue

Total revenue from tax amounted to 160,705 million euros with a growth of 14.1% in 2005, the highest rate since 1989 almost six points above the increase in tax collection in 2004 (8.2%). Growth was particularly intense in Company Tax (24.9%), Income Tax (14.7%), VAT (12.0%) and Chapter III (18.7%).

EVOLUTION OF TOTAL TAX REVENUE

	2001	2002*	2003	2004	2005
PERSONAL INCOME TAX	41,371 12.5%	44,344 7.2%	46,451 4.8%	47,722 2.7%	54,723 14.7%
COMPANY TAX	17,215 0.1%	21,437 24.5%	21,920 2.3%	26,020 18.7%	32,495 24.9%
INCOME TAX ON NON-RESIDENTS	906 -17.6%	1,052 16.1%	948 -9.9%	1,395 47.2%	1,351 -3.2%
REST OF CHAPTER I	349 5.2%	41 -88.3%	49 19.0%	49 0.9%	63 28.2%
<b>TOTAL CHAPTER I</b>	<b>59,842</b> <b>8.0%</b>	<b>66,873</b> <b>11.7%</b>	<b>69,367</b> <b>3.7%</b>	<b>75,187</b> <b>8.4%</b>	<b>88,631</b> <b>17.9%</b>
VALUE ADDED TAX	34,673 3.8%	36,913 6.5%	40,579 9.9%	44,507 9.7%	49,870 12.0%
SPECIAL TAXES	16,576 3.2%	16,150 -2.6%	16,853 4.3%	17,514 3.9%	18,022 2.9%
REST OF CHAPTER II	1,871 2.5%	1,961 4.8%	2,169 10.6%	2,493 15.0%	2,813 12.8%
<b>TOTAL CHAPTER II</b>	<b>53,120</b> <b>3.6%</b>	<b>55,025</b> <b>3.6%</b>	<b>59,601</b> <b>8.3%</b>	<b>64,514</b> <b>8.2%</b>	<b>70,706</b> <b>9.6%</b>
<b>TOTAL CHAPTER III</b>	<b>1,590</b> <b>45.8%</b>	<b>1,246</b> <b>-21.6%</b>	<b>1,208</b> <b>-3.0%</b>	<b>1,153</b> <b>-4.6%</b>	<b>1,368</b> <b>18.7%</b>
<b>TOTAL TAX REVENUE</b>	<b>114,552</b> <b>6.3%</b>	<b>123,144</b> <b>7.5%</b>	<b>130,176</b> <b>5.7%</b>	<b>140,854</b> <b>8.2%</b>	<b>160,705</b> <b>14.1%</b>
<b>Total refunds</b>	<b>27,441</b> <b>11.0%</b>	<b>28,028</b> <b>2.1%</b>	<b>32,845</b> <b>17.2%</b>	<b>34,370</b> <b>4.6%</b>	<b>35,992</b> <b>4.7%</b>
· Managed by the Tax Agency	24,178 12.3%	24,431 1.0%	29,345 20.1%	30,796 4.9%	32,458 5.4%
· D. G. of the Treasury	1,817 12.7%	2,077 14.3%	1,823 -12.3%	1,815 -0.4%	1,819 0.2%
· Adjustments with the Basque Country and Navarre	1,446 -8.2%	1,519 5.1%	1,677 10.4%	1,759 4.9%	1,715 -2.6%
<b>Assignment to the Roman Catholic Church</b>	<b>130</b> <b>2.0%</b>	<b>133</b> <b>2.0%</b>	<b>136</b> <b>2.0%</b>	<b>138</b> <b>2.0%</b>	<b>141</b> <b>2.0%</b>

In millions of euros

\* Variation in rates in 2002 in the Rest of Chapter I, Special taxes and Chapter III were affected by the transfer to the Autonomous Communities of the major part of the revenue from the Wealth Tax (Madrid), Specific Means of Transport and rates on Gaming (Madrid and Cantabria).

This development showed two different periods throughout the year. The first half was characterised by a very high rhythm of growth in revenue from VAT and Companies through a comparison of months in 2004 with larger refunds; in the second half, the growth in revenue significantly decreased, once VAT refunds retained through auditing checks started to become effective. A high execution level of applications for refunds from Companies was achieved in 2005 for financial year 2004 (which furthermore increased

by 17.2%), and revenue from Hydrocarbons decelerated through the rise in the price of oil.

Revenue through direct tax was favoured by great dynamism in income (from work, 7.7%, from capital, 18.3%, and the tax assessment basis of companies, 23.4%) and dynamism in employment, which was transformed into stability through eliminating the effect of standardisation. These economic factors conditioned the good progress of retentions on income from

work and capital and payments on account of Companies. Furthermore, the positive evolution of income and profits accrued in 2004 was added to the favourable situation in 2005, a fact that is shown in the notable

increase in the differential quotas of Personal Income Tax and Company Tax in the past year (through greater revenue and smaller refunds).

#### DETAILS ON THE EVOLUTION OF TOTAL INCOME OF LARGE TAXPAYING FIGURES

	2001	2002	2003	2004	2005
<b>PERSONAL INCOME TAX</b>	<b>41,371</b>	<b>44,344</b>	<b>46,451</b>	<b>47,722</b>	<b>54,723</b>
	<b>12.5%</b>	<b>7.2%</b>	<b>4.8%</b>	<b>2.7%</b>	<b>14.7%</b>
· Retentions on work	37,383	40,577	43,417	45,106	50,854
	14.2%	8.5%	7.0%	3.9%	12.7%
· Retentions on capital	3,117	2,645	2,274	2,206	2,489
	14.5%	-15.1%	-14.0%	-3.0%	12.8%
· Retentions on leasing	906	984	1,099	1,192	1,313
	-2.5%	8.6%	11.7%	8.4%	10.2%
· Retentions on Investment Funds	504	404	243	267	360
	-46.5%	-19.8%	-40.0%	10.1%	34.8%
· Payments by instalments	2,472	2,570	2,728	2,883	3,013
	1.9%	4.0%	6.2%	5.7%	4.5%
· Net differential quota	-2,879	-2,704	-3,174	-3,794	-3,165
	0.3%	-6.1%	17.4%	19.5%	-16.6%
· Assignment to the Roman Catholic Church	-130	-133	-136	-138	-141
	2.0%	2.0%	2.0%	2.0%	2.0%
<b>PERSONAL INCOME TAX REFUNDS</b>	<b>7,835</b>	<b>8,062</b>	<b>9,099</b>	<b>9,725</b>	<b>10,227</b>
	<b>4.2%</b>	<b>2.9%</b>	<b>12.9%</b>	<b>6.9%</b>	<b>5.2%</b>
<b>COMPANY TAX</b>	<b>17,215</b>	<b>21,437</b>	<b>21,920</b>	<b>26,020</b>	<b>32,495</b>
	<b>0.1%</b>	<b>24.5%</b>	<b>2.3%</b>	<b>18.7%</b>	<b>24.9%</b>
· Retentions on investments	1,279	1,570	1,267	1,108	1,221
	15.8%	22.8%	-19.3%	-12.6%	10.2%
· Retentions on leasing	380	412	459	497	547
	-2.9%	8.3%	11.3%	8.3%	10.1%
· Retentions on Investment Funds	215	172	103	114	153
	-46.5%	-19.9%	-40.0%	10.2%	34.8%
· Company Tax Payments by instalments	9,819	10,822	13,231	15,456	18,821
	-0.5%	10.2%	22.3%	16.8%	21.8%
· Net differential quota	5,522	8,460	6,860	8,846	11,753
	1.5%	53.2%	-18.9%	29.0%	32.9%
<b>COMPANY TAX REFUNDS</b>	<b>3,300</b>	<b>2,439</b>	<b>3,865</b>	<b>3,691</b>	<b>3,496</b>
	<b>2.8%</b>	<b>-26.1%</b>	<b>58.4%</b>	<b>-4.5%</b>	<b>-5.3%</b>
· Managed by the Tax Agency	2,508	1,455	2,954	2,764	2,551
	-1.0%	-42.0%	103.0%	-6.4%	-7.7%
· D. G. Treasury	792	984	911	927	946
	16.9%	24.2%	-7.4%	1.7%	2.1%

*In millions of euros*



By items, Personal Income Tax had a growth of 14.7%, that changed to 13.3% in homogeneous terms (without the effect of revenue from those closed in the Autonomous Communities), through the good progress of retentions on work (12.7%, with a growth of income from work of about eight percent and increase of three points in the average standard retention, in spite of deflation of the rate), retentions on capital (12.8%, motivated by the expansive behaviour of income from investments in 2005) from leasing (10.2%) and investment funds (34.8%, through gains related to assets obtained after two years of high rises on the Stock Exchange) and, in particular, the gross differential quota in 2004 (with an increase of 19.2%, associated with strong gains on assets in shares and property).

Company Tax grew 24.9% through an increase in the positive differential quota in 2004 (23.2%) and payments on account (21.8%), together with the dynamic path of

retentions of capital and investment funds the strong drop in refunds of the differential quota for 2003 made in 2005.

Homogeneous growth was 23.8%, in tune with the evolution of the assessment base of the tax (23.4%).

Revenue through indirect tax maintained a different path in 2005. VAT and Foreign Traffic grew at a strong rhythm in the favourable evolution of internal demand (9.2%, in nominal terms), mainly in their price component (4.4% increase in the GDP deflator). Final expenditure subject to VAT increased by two tenths (9.1% compared with 8.9%) through deceleration in imports (9.3%, more than three points less than the increase in 2004), although the rise in price of oil motivated non-EU imports. Special taxes felt the slowing down of consumption of fuel through the high prices and loss of tax collection associated with the significant change in tobacco consumption to low-cost brands.

DETAILS OF THE EVOLUTION OF TOTAL INCOME OF LARGE TAXPAYING FIGURES (2)

	2001	2002*	2003	2004	2005
<b>VALUE ADDED TAX</b>	<b>34,673</b>	<b>36,913</b>	<b>40,579</b>	<b>44,507</b>	<b>49,870</b>
	<b>3.8%</b>	<b>6.5%</b>	<b>9.9%</b>	<b>9.7%</b>	<b>12.0%</b>
<b>· VAT ON IMPORTS</b>	<b>10,683</b>	<b>10,724</b>	<b>11,594</b>	<b>12,669</b>	<b>9,709</b>
	<b>4.8%</b>	<b>0.4%</b>	<b>8.1%</b>	<b>9.3%</b>	<b>-23.4%</b>
· Third country imports	5,599	5,613	6,068	6,684	7,487
	5.0%	0.2%	8.1%	10.1%	12.0%
· Assimilated Operations	5,084	5,111	5,526	5,986	2,222
	4.5%	0.5%	8.1%	8.3%	-62.9%
<b>· GROSS INTERNAL VAT OPERATIONS</b>	<b>38,678</b>	<b>42,158</b>	<b>47,479</b>	<b>51,431</b>	<b>61,102</b>
	<b>8.6%</b>	<b>9.0%</b>	<b>12.6%</b>	<b>8.3%</b>	<b>18.8%</b>
· General and Simplified System	17,824	18,210	20,227	21,997	24,329
	6.7%	2.2%	11.1%	8.7%	10.6%
· Large Companies	16,986	18,440	20,894	22,632	25,664
	10.5%	8.6%	13.3%	8.3%	13.4%
· Exporters	3,528	3,796	4,143	4,722	8,870
	9.1%	7.6%	9.2%	14.0%	87.8%
· Other income	340	1,713	2,215	2,080	2,240
	19.3%	403.9%	29.3%	-6.1%	7.7%
<b>· VAT REFUNDS</b>	<b>14,701</b>	<b>15,972</b>	<b>18,503</b>	<b>19,597</b>	<b>20,944</b>
	<b>18.2%</b>	<b>8.6%</b>	<b>15.8%</b>	<b>5.9%</b>	<b>6.9%</b>
· Managed by the Tax Agency	13,442	14,651	17,047	18,046	19,433
	20.8%	9.0%	16.4%	5.9%	7.7%
· Adjustments with the Basque Country and Navarre	1,259	1,321	1,456	1,551	1,511
	-3.9%	4.9%	10.2%	6.5%	-2.6%
<b>SPECIAL TAXES</b>	<b>16,576</b>	<b>16,150</b>	<b>16,853</b>	<b>17,514</b>	<b>18,022</b>
	<b>3.2%</b>	<b>-2.6%</b>	<b>4.3%</b>	<b>3.9%</b>	<b>2.9%</b>
· Alcohol and derived Drinks	779	810	815	842	900
	3.1%	4.0%	0.6%	3.4%	6.8%
· Beer	198	208	229	233	243
	3.4%	5.0%	10.1%	1.8%	4.3%
· Intermediate Products	17	17	18	18	18
	-5.3%	1.3%	8.3%	0.4%	-1.1%
· Hydrocarbons	9,244	9,505	9,790	10,123	10,210
	1.8%	2.8%	3.0%	3.4%	0.9%
· Tobacco	4,477	4,919	5,243	5,487	5,792
	7.0%	9.9%	6.6%	4.7%	5.6%
· Particular Means of Transport	1,204	0	0	1	4
	2.1%				
· Electricity	658	692	759	809	855
	1.4%	5.1%	9.7%	6.7%	5.7%
<b>· SPECIAL TAX REFUNDS</b>	<b>324</b>	<b>247</b>	<b>256</b>	<b>262</b>	<b>240</b>
	<b>-26.3%</b>	<b>-23.8%</b>	<b>3.9%</b>	<b>2.2%</b>	<b>-8.5%</b>
· Managed by the Tax Agency	137	49	36	54	36
	-21.1%	-64.5%	-26.4%	49.7%	-32.1%
· Adjustments with the Basque Country and Navarre	187	198	221	208	203
	-29.7%	6.1%	11.3%	-5.5%	-2.4%

In millions of euros

\*In 2002 tax collection through the Special Tax on Specific Means of Transport were ceded to the Autonomous Communities. Once this effect is corrected, the growth rate would be 4.6%.



VAT grew 12.0% in 2005, with gross VAT that increased 10.5% through the strength still maintained by final expenditure subject to tax, and some refunds that increased 6.9% (the strong increase in annual VAT refunds are compensated with the slowness of refunds to exporters in the last two years and the impact on local adjustments of the new way of liquidating assimilated operations). VAT grew 11.7% in homogeneous terms and both the homogeneous revenue from VAT on Imports (13.9%) and the net VAT of Large Companies and Exporters (12.4%) registered high growth, while the net homogeneous VAT of small and medium-size companies increased 8.8% through the greater amount of the annual refunds for 2004.

Income from Special Taxes rose 2.9% (3.0% in homogeneous terms), one point less than in 2004, the lethargy of the Special Tax on Hydrocarbons (0.9%) that felt the weakness of its consumption (1.2%) and the drop in its effective average rate. The homogeneous Special Tax on Tobacco grew 5.7%, less than the 2004 rate (6.3%) through a change in consumption to the lower-price cigarette segment.

In homogeneous terms, other income increased 16.1% through the motivation of income from taxes in Chapter III (22.0%, through the impact of the process of

legalising immigrants regarding income through the rates for obtaining a professional identity card for foreigners and those with consular posts, and the amounts retained the previous year through sanctions and interest on delay until the coming into force of the new General Tax Law), the External Traffic Law (18.3%) and Personal Income Tax for Non-residents (15.1%).

Participation in the total tax revenue in the nominal GDP in 2005 rose one point and amounted to 17.8%, mainly the result of the notable expansion experienced in Company Tax (its rate rose half a point, from 3.1% to 3.6%, motivated by an increase in corporate profits), Personal Income Tax (from 5.7% to 6.1%, once the effects of the reform had come to an end), VAT and Chapter III. Only the participation of special taxes was reduced through the low tone of tax collection in 2005, affected by the slowing down experienced by consumption and the average price of a packet of cigarettes.

### **1.5. Distribution of tax revenue by institutional bodies and comparison with the Budget**

A breakdown is given in this section of the total revenue from taxes in terms of the institutional body (State, Autonomous Communities and Local Corporations) to which it is finally allotted for their financing.

**TAX REVENUE OF THE LOCAL TERRITORIAL OFFICES AND THE STATE**

	2001	2002*	2003	2004	2005
<b>TOTAL PARTICIPATIONS OF THE A.C.</b>	<b>5,244</b>	<b>29,019</b>	<b>34,127</b>	<b>39,179</b>	<b>43,617</b>
	<b>12.9%</b>	<b>453.4%</b>	<b>17.6%</b>	<b>14.8%</b>	<b>11.3%</b>
PERSONAL INCOME TAX	5,244	12,067	13,622	16,678	18,221
	12.9%	130.1%	12.9%	22.4%	9.3%
VALUE ADDED TAX		11,184	13,439	14,929	17,367
			20.2%	11.1%	16.3%
SPECIAL TAXES		5,767	7,066	7,573	8,029
			22.5%	7.2%	6.0%
<b>TOTAL PARTICIPATIONS OF THE LOCAL CORP.</b>				<b>1,278</b>	<b>1,241</b>
					<b>-2.9%</b>
PERSONAL INCOME TAX				632	549
					-13.2%
VALUE ADDED TAX				455	494
					8.5%
SPECIAL TAXES				190	198
					4.2%
<b>TOTAL PARTICIPATIONS OF THE TERR. ADMIN.</b>	<b>5,244</b>	<b>29,019</b>	<b>34,127</b>	<b>40,457</b>	<b>44,858</b>
	<b>12.9%</b>	<b>453.4%</b>	<b>17.6%</b>	<b>18.5%</b>	<b>10.9%</b>
PERSONAL INCOME TAX	5,244	12,067	13,622	17,310	18,770
	12.9%	130.1%	12.9%	27.1%	8.4%
VALUE ADDED TAX		11,184	13,439	15,384	17,861
			20.2%	14.5%	16.1%
SPECIAL TAXES		5,767	7,066	7,763	8,227
			22.5%	9.9%	6.0%
PERSONAL INCOME TAX	36,127	32,277	32,829	30,412	35,953
	12.5%	-10.7%	1.7%	-7.4%	18.2%
COMPANY TAX	17,215	21,437	21,920	26,020	32,495
	0.1%	24.5%	2.3%	18.7%	24.9%
PERSONAL INCOME TAX FOR NON-RESIDENTS	906	1,052	948	1,395	1,351
	-17.6%	16.1%	-9.9%	47.2%	-3.2%
REST OF CHAPTER I	349	41	49	49	63
	5.2%	-88.3%	19.0%	0.9%	28.2%
<b>TOTAL CHAPTER I</b>	<b>54,598</b>	<b>54,806</b>	<b>55,745</b>	<b>57,876</b>	<b>69,862</b>
	<b>7.6%</b>	<b>0.4%</b>	<b>1.7%</b>	<b>3.8%</b>	<b>20.7%</b>
VALUE ADDED TAX	34,673	25,729	27,140	29,124	32,009
	3.8%	-25.8%	5.5%	7.3%	9.9%
SPECIAL TAXES	16,576	10,383	9,787	9,751	9,795
	3.2%	-37.4%	-5.7%	-0.4%	0.5%
REST OF CHAPTER II	1,871	1,961	2,169	2,493	2,813
	2.5%	4.8%	10.6%	15.0%	12.8%
<b>TOTAL CHAPTER II</b>	<b>53,120</b>	<b>38,073</b>	<b>39,096</b>	<b>41,368</b>	<b>44,617</b>
	<b>3.6%</b>	<b>-28.3%</b>	<b>2.7%</b>	<b>5.8%</b>	<b>7.9%</b>
<b>TOTAL CHAPTER III</b>	<b>1,590</b>	<b>1,246</b>	<b>1,208</b>	<b>1,153</b>	<b>1,368</b>
	<b>45.8%</b>	<b>-21.6%</b>	<b>-3.0%</b>	<b>-4.6%</b>	<b>18.7%</b>
<b>TAX REVENUE OF THE STATE</b>	<b>109,308</b>	<b>94,125</b>	<b>96,050</b>	<b>100,397</b>	<b>115,847</b>
	<b>6.0%</b>	<b>-13.9%</b>	<b>2.0%</b>	<b>4.5%</b>	<b>15.4%</b>

In millions of euros

\* In 2002 the greater part of the revenue from the Wealth Tax (Madrid), Tax on Particular means of Transport and Gaming Rates (Madrid and Cantabria) was ceded to the Autonomous Communities.



**The balance of the actions**  
**Tax collection**

Participation in tax and similar levies by the Autonomous Communities rose in 2005 to 43,617 million euros, 11.3% more than in 2004. Participation in Personal Income Tax amounted to 18,221 millions (33.3% of the total), participation in VAT to 17,367 millions (34.8% of the total VAT), and the participation of the Autonomous Communities in Special Taxes reached 44.6%. It should be highlighted that 2005 was the first year in which the Autonomous Communities received advances on account of the final liquidation in the sum of 692 millions.

Participation in state tax and similar levies by Local Corporations meant revenue for these bodies of 1,241 million euros (549 millions in Income Tax, 494 in VAT and 198 in S.T.). The participations of the Local Corporations meant scarcely 1.0% of the total paid for these taxes.

The difference between the growth rates of the total tax revenue (14.1%) and the Local Territorial Offices (10.9%) lead to State tax revenue growing an extraordinary 15.4% in 2005 (115,847 million euros).

The deviation of the State tax revenue from the Budget reached 8,764 million euros in 2005, with a level of budgetary execution of 108.2%. More than half of this deviation was concentrated on Companies (4,594 million euros, the major part of this from payments in instalments and gross differential quota as a consequence of expansion of the assessment base above its expected value). The positive deviations of Income Tax also stand out (2,250 million euros, mainly in retentions on work and the net differential quota) and VAT (1,994 millions, of which 1,205 correspond to refunds made, above all of the annual VAT, less than those budgeted for).

**DEVIATIONS IN THE BUDGET FROM STATE TAX REVENUE**

<b>ITEMS</b>	<b>BUDGET 2005</b>	<b>COLLECTION 2005</b>	<b>DIFFERENCE</b>	<b>EXECUTION LEVEL %</b>
<b>PERSONAL INCOME TAX</b>	<b>33,703</b>	<b>35,953</b>	<b>2,250</b>	<b>106.7</b>
<b>COMPANY TAX</b>	<b>27,901</b>	<b>32,495</b>	<b>4,594</b>	<b>116.5</b>
<b>PERSONAL INCOME TAX ON NON-RESIDENTS</b>	<b>1,202</b>	<b>1,351</b>	<b>149</b>	<b>112.4</b>
<b>VAT</b>	<b>30,015</b>	<b>32,009</b>	<b>1,994</b>	<b>106.6</b>
- Imports	13,528	9,709	-3,819	71.8
- Internal operations	16,487	22,300	5,813	135.3
<b>SPECIAL TAXES</b>	<b>10,413</b>	<b>9,795</b>	<b>-618</b>	<b>94.1</b>
- Alcohol and Drinks	559	575	16	102.9
- Beer	140	141	1	100.9
- Intermediate Prod.	11	9	-2	84.3
- Hydrocarbons	6,191	5,833	-358	94.2
- Tobacco	3,545	3,299	-246	93.1
- Particular Means of Transport	0	4	4	--
- Electricity	-33	-67	-34	203.6
<b>REST</b>	<b>3,849</b>	<b>4,244</b>	<b>395</b>	<b>110.3</b>
<b>REVENUE FROM THE STATE</b>	<b>107,083</b>	<b>115,847</b>	<b>8,764</b>	<b>108.2</b>

*In millions of euros*



<b>DEVIATIONS IN THE BUDGET FROM PARTICIPATIONS OF THE LOCAL TERRITORIAL OFFICES</b>				
<i>ITEMS</i>	<i>BUDGET 2005</i>	<i>COLLECTION 2005</i>	<i>DIFFERENCE</i>	<i>EXECUTION LEVEL %</i>
<b>INCOME TAX</b>	<b>18,503</b>	<b>18,770</b>	<b>267</b>	<b>101.4</b>
<b>VAT</b>	<b>17,587</b>	<b>17,861</b>	<b>274</b>	<b>101.6</b>
<b>SPECIAL TAXES</b>	<b>8,097</b>	<b>8,227</b>	<b>130</b>	<b>101.6</b>
- Alcohol and Drinks	318	324	6	102.0
- Beer	100	102	2	102.0
- Intermediate Prod.	9	9	0	98.5
- Hydrocarbons	4,308	4,377	69	101.6
- Tobacco	2,455	2,493	38	101.5
- Electricity	907	922	15	101.7
<b>LOCAL TERR. OFFICE PARTICIPATIONS</b>	<b>44,187</b>	<b>44,858</b>	<b>671</b>	<b>101.5</b>

*In millions of euros*

### 1.6. Homogeneous tax revenue

The homogenisation process for tax revenue is intended to eliminate factors that distort the inter-annual comparison of the tax collection, among which are highlighted the difference in the rates of execution of refunds, the different calendars for the expiry of Public Debt and the incidence of revenue from financial years closed.

Once these effects had been corrected, the homogeneous revenue grew 13.6%, the highest annual growth of the series, very similar to the 14.1% of the total revenue because the execution of the refunds was adjusted to the standard campaign objective in the year (only the greater revenues in 2005 from retentions from closed years of the Autonomous Communities were left). All the figures, except the Special Taxes (3.0%), maintained high homogeneous growth rates.

<b>VARIATION RATES OF THE NET HOMOGENEOUS TAX REVENUE</b>					
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
PERSONAL INCOME TAX	11.5%	8.5%	3.2%	4.3%	13.3%
COMPANY TAX	0.0%	18.0%	8.6%	18.4%	23.8%
PERSONAL INCOME TAX ON NON-RESIDENTS	8.6%	7.9%	-9.3%	18.2%	15.1%
REST OF CHAPTER I	5.5%	7.4%	5.3%	0.0%	28.9%
<b>TOTAL CHAPTER I</b>	<b>7.9%</b>	<b>11.3%</b>	<b>4.7%</b>	<b>9.0%</b>	<b>17.0%</b>
VALUE ADDED TAX	3.9%	5.1%	11.9%	10.5%	11.7%
SPECIAL TAXES	3.6%	5.6%	4.6%	4.5%	3.0%
REST OF CHAPTER II	2.7%	4.6%	10.5%	14.8%	12.6%
<b>TOTAL CHAPTER II</b>	<b>3.5%</b>	<b>5.0%</b>	<b>9.6%</b>	<b>8.9%</b>	<b>9.3%</b>
<b>TOTAL CHAPTER III</b>	<b>3.0%</b>	<b>3.1%</b>	<b>16.2%</b>	<b>-3.2%</b>	<b>22.0%</b>
<b>TOTAL TAX REVENUE</b>	<b>5.8%</b>	<b>8.4%</b>	<b>7.0%</b>	<b>8.9%</b>	<b>13.6%</b>

The most outstanding development was obtained by Company Tax, whose growth in homogeneous terms was 23.8%, in tune with that of the development registered by the tax assessment base (23.4%) motivated by a strong increase in corporate profits (40.6% those of companies quoted in 2005). The notable development of Personal Income Tax also stood out, which accumulated a homogeneous growth of 13.3% through the path of retentions on work, capital, and leasing and through the special motivation of retentions on investment funds and the net differential quota for 2004. VAT grew 11.7% in homogeneous terms through the dynamic evolution of the final expenditure (particularly in the home component), and External Traffic also registered accelerated evolution (18.3%), as did rates and other tax revenue (22.0%) and Personal Income Tax on non-residents (15.1%).

### **1.7. Refunds**

The refunds made amounted to 35,992 million euros in 2005 (of which 90% were handled by the Agency), 4.7% more than in 2004, maintaining execution levels for refunds similar or better (14 points more in the case of Companies) than those associated with standard campaigns in all figures. In tax figures, the growths registered in 2005 for VAT refunds (6.9%: those for annual VAT grew 14.6%, while

those for monthly VAT only increased by 1.3% through the slowness of refunds to exporters in the past two years) and those for Personal Income Tax (5.2%), while those managed by the Agency on Companies dropped 7.7%.

### **1.8. Tax collection of Community own resources**

The Tax Agency has the task of collecting the so-called "Traditional Own Resources" in the Budget of the European Union, made up by the Common Customs Tariff, the charges and other rights within the framework of common agricultural policy, together with the levies on production in the sugar sector.

Once the checking and collection of these rights have taken place, they are at the disposal of the European Commission by the Spanish State, on previous retention of 25 percent as collection expenses.

The following table shows the Community Own Resources that were checked in the period between November 2004 and October 2005, which were placed at the disposal of the Commission in the course of 2005

OWN RESOURCES OF THE EUROPEAN UNION MADE  
AVAILABLE TO THE COMMISSION IN 2005

<b>ITEMS</b>	<b>AMOUNT*</b>
E.U. Import Duty	1,333.76
E.U. antidumping right	16.28
Reg. Active Improvement Reg. Compensation Levy	--
<b>CUSTOMS RIGHTS (excl. agricultural rights)</b>	<b>1,350.04</b>
Agricultural Sector Customs Rights	85.95
Regulation levies (imports)	--
Regulation levies (exports)	--
Compensation adhesion amounts	--
Compensation monetary amounts	--
<b>AGRICULTURAL LEVIES</b>	<b>85.95</b>
Sugar storage contribution	--
Sugar production contribution	22.05
Isoglucose production contribution	1.23
Supplementary contributions	3.71
<b>SUGAR AND ISOGLUCOSE CONTRIBUTIONS</b>	<b>26.99</b>
<b>TOTAL OWN EUROPEAN UNION RESOURCES (1)</b>	<b>1,462.98</b>

\*Amounts in million euros

(1) Covering the period from Nove



## 2. Census of compulsory taxpayers

The taxpayer census is a basic instrument for the application of the tax system by the Local Tax Office. Logically, the general information contained in the census is stratified and organised in terms of the own

characteristics of certain groups of taxpayers (census of businessmen, professionals and retainers, large companies, special tax operators, etc.)

### General census of compulsory taxpayers

	2004	2005	2005/2004 VARIATION
Individuals	37,614,431	37,941,205	0.87%
Companies	2,083,830	2,208,891	6.00%
Other legal individuals	1,674,280	1,758,460	5.03%
<b>TOTAL COMPULSORY TAXPAYERS</b>	<b>41,372,541</b>	<b>41,908,556</b>	<b>1.30%</b>

### Census of businessmen, professionals and retainers

This census includes those people or entities who have the obligation to present in a periodical manner certain tax

returns for carrying out business or professional activities or for satisfying yields subject to taxation.

	2004	2005	2005/2004 VARIATION
Businessmen, professionals and retainers	4.364.044	4.755.304	8,97%

*Not includes the Basque Country and Navarre*

### Census of large companies

This Census includes companies with a volume of operations higher than

6,010,121.04 euros.

CENSUS OF LARGE COMPANIES			
	2004	2005	2005/2004 VARIATION
Central Unit for Large Companies (1)	2,063	2,498	21.09%
Management Units of the Regional Offices for Large Companies	26,957	29,591	9.77%
<b>TOTAL</b>	<b>29,020</b>	<b>32,089</b>	<b>10.58%</b>

*(1) Also, another 6 companies appeared as being registered in 2005; almost half of the total companies registered belong to one of the 429 tax groups in tax consolidation whose check corresponds to the National Inspection Office.*

### Census of taxpayers in modules

YEAR	POTENTIAL CENSUS	THOSE RENOUNCING	% THOSE RENOUNCING FROM THE POTENTIAL CENSUS	TAXPAYERS IN MODULES
2004	2,296,078	469,942	20.47	1,826,136
2005	2,295,250	473,974	20.65	1,821,276

### Census of special tax operators

The regulations on Special Taxes and the Tax on Retail Sale of Certain Hydrocarbons impose the obligation for certain operators

to be registered, before the start of their activities, in the Territorial Registries kept in the Special Tax management offices.

#### CENSUS OF SPECIAL TAX OPERATORS

	2004	2005	2005/2004 VARIATION
Alcohol and Derived Drinks	12,394	12,172	-1.79%
Hydrocarbons	7,762	7,655	-1.38%
Beer	32	32	0%
Tobacco	32	31	-3.12%
Various	3,469	3,792	9.31%
Retail Sales of Hydrocarbons	15,078	15,397	2.12%
<b>TOTAL</b>	<b>38,767</b>	<b>39,084</b>	<b>0.8%</b>

### Census of compulsory Intrastat taxpayers

	2004	2005	2005/2004 VARIATION
In introduction/imports	39,652	40,112	1.16%
In issue/exports	27,802	28,222	1.51%
<b>TOTAL</b>	<b>67,454</b>	<b>68,334</b>	<b>1.30%</b>

### Customs operator census

	2004	2005	2005/2004 VARIATION
Customs and Special tax Agents	597	712	1.19%
Indirect Representatives	361	421	1.17%
<b>TOTAL</b>	<b>958</b>	<b>1,133</b>	<b>1.18%</b>



### 3 Managed tax returns

Below there is detailed information on the declarations presented in 2005 related to the main tax concepts, highlighting in

particular those presented telematically.

#### 3.1. Returns presented for taxable items

##### RETURNS PRESENTED FOR THE INCOME TAX OF INDIVIDUALS (IRPF)

	TOTAL RETURN 2004	TOTAL RETURN 2005	Δ 05/04	TELEMATIC PRESENTATION 2004	TELEMATIC PRESENTATION 2005*	Δ 05/04
Positive	3,212,210	3,512,745	9.36	91,592	271,587	196.52
To be refunded	12,006,465	12,345,842	2.83	2,205,114	2,676,946	21.40
Negative and renunciations	129,174	133,549	3.39	23,058	34,361	49.02
<b>TOTAL IRPF</b>	<b>15,347,849</b>	<b>15,992,136</b>	<b>4.20</b>	<b>2,319,764</b>	<b>2,982,894</b>	<b>28.59</b>

\*Apart from the returns presented and the drafts confirmed via the Internet (2,982,894), a total of 1,357,978 returns and drafts were presented and confirmed via the corporate Intranet (111,438 positive; 1,237,750 to be refunded and 8,790 negative and renunciations).

##### RETURNS PRESENTED FOR THE TAX ON WEALTH (IP)

	TOTAL RETURN 2004	TOTAL RETURN 2005	Δ 05/04	TELEMATIC PRESENTATION 2004	TELEMATIC PRESENTATION 2005*	Δ 05/04
Positive	880,644	908,247	3.13	7,895	48,504	514.36
Negative	16,860	15,663	-7.10	1,211	1,795	48.22
<b>TOTAL IP</b>	<b>897,504</b>	<b>923,910</b>	<b>2.94</b>	<b>9,106</b>	<b>50,299</b>	<b>452.37</b>

##### RETURNS PRESENTED FOR THE COMPANY TAX (IS)\*

	TOTAL RETURN 2004	TOTAL RETURN 2005	Δ 05/04	TELEMATIC PRESENTATION 2004	TELEMATIC PRESENTATION 2005*	Δ 05/04
Positive	393,783	413,364	4.97	7,840	11,285	43.94
To be refunded	202,965	222,217	9.49	41,013	64,232	56.61
Zero quota and renunciations	451,503	497,362	10.16	111,107	170,156	53.15
<b>TOTAL IS</b>	<b>1,048,251</b>	<b>1,132,943</b>	<b>8.08</b>	<b>159,960</b>	<b>245,673</b>	<b>53.58</b>

Excluding the data of the DCGC and URGGE's.

\*Including Models 200/201 and 225

<b>RETURNS PRESENTED FOR VALUE ADDED TAX</b>						
	<b>TOTAL RETURN 2004</b>	<b>TOTAL RETURN 2005</b>	<b>Δ 05/04</b>	<b>TELEMATIC PRESENTATION 2004</b>	<b>TELEMATIC PRESENTATION 2005*</b>	<b>Δ 05/04</b>
To be refunded	274,271	276,871	0.95	63,672	93,691	47.15
To be compensated	636,880	675,525		176,053	270,696	
Positive	1,974,261	2,017,481	2.19	365,213	599,120	64.05
Negative	110,004	122,329	11.20	18,762	30,649	63.36
<b>TOTAL VAT</b>	<b>2,995,416</b>	<b>3,092,206</b>	<b>3.23</b>	<b>623,700</b>	<b>994,156</b>	<b>59.40</b>

<b>RETURNS PRESENTED IN THE SPECIAL TAXES</b>						
	<b>TOTAL RETURN 2004</b>	<b>TOTAL RETURN 2005</b>	<b>Δ 05/04</b>	<b>TELEMATIC PRESENTATION 2004</b>	<b>TELEMATIC PRESENTATION 2005*</b>	<b>Δ 05/04</b>
Positive	30,102	34,261	13.81	6,712	9,388	39.87
Zero quota	7,939	9,902	24.73	3,959	5,668	43.18
<b>TOTAL</b>	<b>38,041</b>	<b>44,163</b>	<b>16.09</b>	<b>10,671</b>	<b>15,056</b>	<b>41.09</b>

### 3.2. Telematic returns presented by companies

#### Large companies

The use of new technologies by large companies for presenting the returns by telematics have experienced a 9% increase

in compulsory presentation and of 51 percent in voluntary presentation.

<b>TELEMATIC PRESENTATIONS OF LARGE COMPANIES 2005 COMPULSORY PRESENTATION</b>				
<b>FORMS</b>	<b>N° OF COMPANIES</b>		<b>PRESENTATIONS</b>	<b>Δ 05/04</b>
111	32,203		380,015	8%
320	22,808		266,204	10%
332	7,400		85,398	5%
117	159		1,382	7%
218	24,772		71,976	9%
222	683		1,889	10%
<b>TOTAL</b>			<b>806,864</b>	<b>9%</b>

<b>TELEMATIC PRESENTATIONS OF LARGE COMPANIES 2005. VOLUNTARY PRESENTATION</b>				
<b>FORMS</b>	<b>N° OF COMPANIES</b>		<b>PRESENTATIONS</b>	<b>Δ 05/04</b>
123	4,584		14,282	48%
124	48		383	22%
126	129		1,153	27%
115	7,964		74,872	52%
128	45		449	49%
216	2,548		15,975	56%
<b>TOTAL</b>			<b>107,114</b>	<b>51%</b>



**Small and medium sized companies**

Likewise, the small and medium sized companies have notably increased telematic presentation of returns. The following table

shows the main forms presented telematically.

<b>TELEMATIC PRESENTATIONS OF SMALL AND MEDIUM SIZED COMPANIES 2005 VOLUNTARY PRESENTATION</b>				
<b>FORMS</b>	<b>N° OF COMPANIES</b>	<b>PRESENTATIONS</b>	<b>Δ 05/04</b>	
110	275,315	648,769	39%	
115	19,897	56,063	56%	
130	309,195	695,929	44%	
131	23,363	68,392	41%	
202	14,697	30,884	70%	
300	677,529	1,679,124	44%	
310	34,989	7,544	44%	

<b>TELEMATIC PRESENTATIONS OF SMALL AND MEDIUM SIZED COMPANIES 2005 COMPULSORY PRESENTATION</b>				
<b>FORMS</b>	<b>N° OF COMPANIES</b>	<b>PRESENTATIONS</b>	<b>INCREASE WITH REGARD TO 2004</b>	
330	11,478	91,211	70%	
<b>TOTAL</b>	<b>11,478</b>	<b>91,211</b>	<b>70%</b>	

*It is compulsory to present Form 330 via the Internet from October 2005.*



### 3.3. Other documents handled by the Special Tax management offices

<b>MAIN DOCUMENTS HANDLED BY THE SPECIAL TAX MANAGEMENT OFFICES</b>			
	<b>2004</b>	<b>2005</b>	<b>Δ 04/05</b>
Tax marks delivered to those requesting them*:	5,259,912,756	5,590,277,559	6.28
a) Derived drinks	467,298,556	471,183,910	0.83
b) Cigarettes	4,792,614,200	5,119,093,649	6.81
Circulation document issued:	7,008,002	7,385,273	5.38
a) Accompanying documents	1,554,440	1,750,848	12.64
b) Delivery notes (sales en route)	5,453,562	5,634,425	3.32
Accompanying documents received	73,779	77,675	5.28
Cards for registry in the Territorial Register	3,982	21,243	433.48(1)
Cards for alcohol supply	2,317	5,055	118.17(1)
Alcohol factory result reports	3,401	3,723	9.47
Quarterly raw material summaries	3,843	4,781	24.41
Declaration of operations in factories and tax deposits	25,359	27,238	7.41
Request for authorisation to receive products from the rest of the EU	3,562	3,665	2.89

(\*) The data regarding the tax marks delivered to those requesting them include those delivered by all the Spanish Customs and Special Tax Management Offices, including those located in the Autonomous Communities of Navarre and the Basque Country. The rest of the information refers to the documents processed in the Special Tax Management Offices of Common Territory, that is to say, not including those corresponding to the Management Offices of Álava, Guipúzcoa, Navarre and Vizcaya.

(1) All cards affected by a change in the composition of the Activity and Establishment Code (CAE) going from 8 to 13 digits, had to be renewed within the framework of Community harmonisation.



### 3.4. Documents handled by Customs

The number of foreign trade returns managed by Customs continued to increase during 2005, both in the scope of

intra-communitarian trade and regarding trade with third countries.

#### MAIN DOCUMENTS HANDLED BY CUSTOMS

##### RETURNS CONCERNING TRADE WITH THIRD PARTY COUNTRIES:

	NUMBER		
	2004	2005	05/04
<b>Import returns</b>	2,506,961	3,723,713	1.49
<b>EDI</b>	2,404,256	3,664,720	1.52
<b>Paper</b>	102,705	58,993	0.57
<b>Export returns</b>	4,204,477	4,226,022	1.01
<b>EDI</b>	4,106,026	4,158,813	1.01
<b>Paper</b>	98,451	67,209	0.68
<b>Entry transit documents (n° of headers)</b>	411,918	383,178	0.93
<b>EDI</b>	373,612	367,440	0.98
<b>Paper</b>	38,306	15,738	0.41
<b>Exit transit documents (n° of headers)</b>	431,161	385,479	0.89
<b>EDI</b>	399,334	370,842	0.93
<b>Paper</b>	31,837	14,637	0.46
<b>Returns concerning link to customs deposit</b>	98,335	283,583	2.88
<b>EDI</b>	82,785	280,702	3.39
<b>Paper</b>	15,550	2,881	0.19

##### INTRASTAT RETURNS:

	NUMBER		
	2004	2005	05/04
<b>Introduction</b>	438,848	466,879	1.06
<b>Telematics</b>	332,931	359,254	1.08
<b>Rest of supports</b>	79,442	107,625	1.35
<b>Issue</b>	308,749	320,708	1.04
<b>Telematics</b>	242,766	256,948	1.06
<b>Rest of supports</b>	65,983	63,760	0.97

The increase in the number of documents handled by customs reflects the growth

that foreign trade has felt in Spain.

#### SPANISH FOREIGN TRADE

	2004	2005	% 05/04
<b>INTRODUCTION AND IMPORTS</b>	<b>207,129.961</b>	<b>231,371.595</b>	<b>11,7</b>
Community trade	133,756.354	140,722.453	5.21
Trade with third party countries	73,373.608	90,649.113	23.54
<b>ISSUE AND EXPORTS</b>	<b>146,460.358</b>	<b>153,559.009</b>	<b>4.85</b>
Community trade	108,272.050	110,700.490	2.24
Trade with third party countries	38,188.307	42,858.505	12.23

Amounts in million euros

### 3.5. Returns with the right to an official refund in the self-liquidation system

The tax regulations establish specific cases in which the Administration has to officially refund the amounts resulting from self-liquidations of non-taxable persons. This occurs, for example, in Personal Income Tax and in Company Tax when the sum of

the amounts retained at source and the income on account exceed the amount of the quota resulting from self-liquidation, or in the Value Added Tax when the amount of the deductible quotas supported exceeds the amount of the quotas accrued.

#### RETURNS WITH THE RIGHT TO AN OFFICIAL REFUND IN THE SELF-LIQUIDATION SYSTEM

<i>ITEMS</i>	<i>NUMBER</i>
<b>PERSONAL INCOME TAX</b>	
Financial Year 2004	12,346,069
Financial Year 2003	12,003,231
% Difference 2004/2003	2.86
<b>COMPANY TAX</b>	
Financial Year 2004	220,920
Financial Year 2003	202,624
% Difference 2004/2003	9.03
<b>V.A.T.</b>	
Financial Year 2004	276,871
Financial Year 2003	274,172
% Difference 2004/2003	0.98

### 3.6. Communications regarding fast refund of Personal Income Tax

Taxpayers without the obligation to present a Personal Income Tax return, in accordance with article 97 of the Law, may send a communication to the Local Tax Office requesting a refund of the amount applicable, whenever the returns and income on account supported, of the divided payments made and, where applicable, of the deduction laid down in article 83 of the Law, is higher than the total liquid quota reduced in the amount of the deductions for double international taxation and that on dividends.

Therefore, the Tax Agency has put two campaigns in motion. On the one hand the campaign for handling requests for refund for non-taxpayers, through Forms 104 and 105. On the other hand, the income campaign that includes, apart from the traditional one, the possibility of the taxpayer requesting the pre-filed tax return.

777,627 requests for return (Form 104) were presented in 2005, of which 73,418 were accompanied by Form 105 for communication of additional data.

<b>REQUESTS FOR REFUND MODEL 104 CAMPAIGN 2004</b>				
<b>SITUATIONS</b>	<b>CAMPAIGN 2003</b>	<b>%</b>	<b>CAMPAIGN 2004</b>	<b>%</b>
Refund Requests Presented	989,886	100	777,627	100.00
With errors, removals and outside the period given	13,253	1.34	12,726	1.64
Correct	976,633	98.66	764,901	98.36
Not Ended (Pending Provisional Liquidations, removals, etc.)	21,415	2.16	17,809	2.29
Ended	968,471	97.84	759,818	97.71
<b>RESULTS</b>				
104 Calculation **	803,520	80.92	636,174	81.33
Compulsory Pre-filed Tax Return	134,730	13.57	106,507	13.62
Pre-filed Tax Return Not Compulsory	11	0	14,886	1.90
Tax Data	54,689	5.51	24,680	3.16
<b>TOTAL END RESULTS</b>	<b>992,950</b>	<b>100</b>	<b>782,247</b>	<b>100.00</b>
<b>RESULTS CALCULATION 104</b>			<b>NUMBER</b>	<b>AMOUNT*</b>
104 Refund Results			552,119	152.24
Refund Pre-filed Tax Return Results			78,360	37.01
DAMA Positive Results			475	0.31
Positive Pre-filed Tax Return Results			44,937	17.19
Zero Amount			117,367	0.00
<b>TOTAL 104 RESULTS CALCULATION**</b>			<b>793,258</b>	<b>206.75</b>

\*Amount in million euros

\*\*The figure in both sections does not coincide, due to fact that the collective requests (family unit) are broken down into several results leading to duplicates.

The number of applications removed, with errors, outside the given period and without calculation meant a total of 12,726 (1.64 percent of the total requests presented), 764,901 therefore being correct. Of the returns completed, in 106,507 cases (13.69 percent) the taxpayer was informed he had the obligation to declare, in 14,886 cases the pre-filed tax return was calculated without the obligation to pay the return and in 24,680 cases the tax data was processed.

In 117,367 cases, the result was zero because the taxpayer had not supported any return, in 44,937 cases there were pre-filed tax returns to pay in for an amount of

17,189 million euros and in 475 the results were positive with regularisation of the DAMA (deduction for maternity), for an amount of 0.313 million euros.

The requests presented lead to 552,119 refunds and 78,360 pre-filed tax returns with the right to a refund.

The amount derived for the refunds was 152.236 million euros and in the case of pre-filed tax returns to be refunded, 37,014 million euros.

## 4. Services for assistance to citizens

The Tax Agency makes a permanent effort to offer all citizens a wide group of information and help services in order to make voluntary compliance with tax obligations easier. The great majority of these services are provided using the most modern information and communication technologies. In this sense, the web site of the Tax Agency [www.agenciatributaria.es](http://www.agenciatributaria.es) is an alternative, convenient and efficient way for relating citizens with the Tax Agency that, also, provides full guarantees regarding safety and confidentiality.

### 4.1. Information services

#### 4.1.1. Non-personalised information

This information is provided to citizens in a general nature without requiring their express request. The Tax Agency informs citizens by means of advertising campaigns via the different means of communication. Likewise, it sends informative letters and issues guides, technical manuals and informative publications whose purpose is to offer taxpayers specific information on the taxes that may affect them.

<b>NON-PERSONALISED INFORMATION</b>			
	<b>2004</b>	<b>2005</b>	<b>2005/2004 VARIATION</b>
Informative letters	17,434,177	36,270,697	108.04
Practical manuals	504,900	468,000	-7.31
Informative publications	13,600,000	11,489,000	-15.52

*Number of copies sent*

#### 4.1.2. Individual information

The Tax Agency also provides information services on request by the citizens.

Offices and Administrations, 901335533) 5,750,511 calls were attended to, a level of cover regarding received calls of 93.21 percent.

##### General telephone information

Via the centralised telephone information service (a single telephone number for the entire national territory and independent of the information services of the Provincial

For the Income Tax campaign, the tax information platforms were reinforced from 25<sup>th</sup> March to 30<sup>th</sup> June with 382 workstations and 747 people, attending 2,985,191 calls in these months.

<b>GENERAL TELEPHONE INFORMATION</b>			
	<b>2004</b>	<b>2005</b>	<b>2005/2004 VARIATION</b>
Calls received (1)	5,763,755	6,169,434	7.04
Calls attended (2)	5,433,189	5,750,511	5.84
Cover (2)/(1)	94%	93.21%	-0.84
Attempts (1)/(2)	1.06	1.07	0.94



**Consultation to the Informa programme**

The Informa programme is the main way for obtaining written information from the Tax Agency. It consists of a database of tax questions and answers that can also be accessed externally.

In 2005, 2,584,319 people accessed the consultancy, corresponding to internal users. The use of this programme in an external manner also amounted to another 717,294 users.

**Binding information on tariffs**

The Community Tariff Code allows consultation of the tariff classification for specific merchandise. The information obtained links the customs authorities of all member States for import and export operations. A total of 416 consultations were attended to 2005.

**4.2. Help services**

The help services have the purpose of allowing compliance with obligations for the taxpayer. The Tax Agency provides computer programmes for the taxpayer to

perform his return himself. Likewise, the Tax Agency helps the taxpayer directly when preparing the return, both in the actual offices of the Agency and in collaborating entities of the Agency, or even by means of a telephone attention service. The Agency also provides the taxpayer with relevant fiscal data for the income tax return and sends, where applicable, the pre-filed tax return to his address.

**4.2.1. Income pre-filed tax return**

In order to enable the taxpayers to comply with their Personal Income Tax obligations to the maximum, the Tax Agency prepares a pre-filed tax return for the citizens who request it.

The pre-field tax return received, once revised by the taxpayers, can be confirmed in different ways (by telephone, Internet, SMS, etc.) or completed or modified; in any case, it is a very useful help for citizens. The data for 2005 showed a definitive consolidation of the service and a significant increase (35.56 percent) in demand for this.

**INCOME TAX PRE-FILED TAX RETURN**

	<b>2004</b>	<b>2005</b>	<b>2005/2004 VARIATION</b>
Request for a pre-filed tax return	7,370,757	*9,991,860	35.56
Pre-filed tax return confirmed	1,536,801	2,873,462	86.98

*\* Without grouping the individual requests of spouses for Personal Income Tax 2003*

**4.2.2. Help computer programmes**

At present there are computer programmes for help in the preparation of the main returns. The majority of the returns received

are generated with these programmes, both on paper and in PDF (Portable Data File) format as on magnetic support or via the Internet.

PERCENTAGE OF RETURNS INCLUDED IN THE DATABASES  
PREPARED WITH THE HELP PROGRAMMES

<i>TYPE</i>	<i>2005</i>
Personal Income Tax	97.1
Value Added Tax (VAT)	78.0
Company Tax	96.5

Help Programme for Personal Income Tax Returns (PADRE)

This programme can be acquired on CD-Rom or downloaded from the web site of the Agency [www.agenciatributaria.es](http://www.agenciatributaria.es)

Also, taxpayers without a personal computer, or who prefer to do so, can visit the offices of the Tax Agency or specific collaborating entities for specialised personnel using the PADRE programme to prepare their returns.

HELP PROGRAMME FOR PERSONAL INCOME TAX RETURNS (PADRE)

<i>RETURNS PREPARED WITH THE PADRE PROGRAMME</i>	<i>2004</i>	<i>2005</i>	<i>2005/2004 VARIATION</i>
Returns prepared in the Agency	2,792,036	2,648,722	-5.13
Returns prepared by telephone	81,966	18,967	-76.86
Returns prepared in collaborating entities	2,100,000	2,370,000	12.86
Returns prepared with diskette/CD-Rom and printing module	7,897,598	7,609,774	-3.64

Other help programmes for the preparation of returns

The Help Programmes made available to the taxpayers during 2005 were those corresponding to:

- Tax returns: Income Tax (PADRE Programme), Wealth Tax (714), Company Tax (201 and 225), VAT (390, 392, 311 and 300) and Modules (131, 310).
- Informative returns: Forms 180, 182, 184, 188, 190, 193, 198, 296, 345, 347 and 349.
- Instalment printing module, for Forms 110, 115, 123, 130, 131, 202, 300, 310 and 311.

4.2.3. Previous appointment service

The previous appointment service is designed for the appointments to be arranged by means of the Internet (without

a user certificate) or by telephone on number 901 22 33 44, although they can also be arranged directly in the offices of the Tax Agency.

3,194,827 appointments were arranged in 2005 to request the preparation of returns or to rectify the pre-filed tax return.

4.2.4. Telephone Attention Centre

This service was created to speed up tax refunds to those not presenting the Personal Income Tax return as far as possible. At present, not only is information given on the fast refund procedure and the calculation of the refund calculated by means of this service, but also any doubt or discrepancy that may have occurred is attended to, informing on the status of handling of returns, while other tasks can be performed without having to go to the Agency offices.

**The balance of the actions**  
**Services for assistance to citizens**

**TELEPHONE ATTENTION CENTRE**

	<b>2004</b>	<b>2005</b>	<b>2005/2004 VARIATION</b>
Fast Personal Income Tax refund management (1)	989,886	817,060	-17.46
Pre-filed tax return management (1)	1,917,134	1,302,348	-32.07
Management of the refund for maternity (1)	204,402	225,601	10.37
Management of VAT refunds to businessmen and non-established professionals (2)	29,545	31,601	6.96
Management of VAT exemptions and returns of diplomatic and consular representations and international bodies (3)	3,706	4,327	16.76
Management of inheritance tax for non-residents (4)	2,765	3,408	23.25
Centralised previous appointment (1)		45,360	
Change of address (1)		161,746	
Collection (5)		90,101	

(1) Number of calls attended to. The service included the information in 2004.

(2) Number of requests for refunds

(3) Number of exemptions and refunds handled

(4) Number of files

(5) Including calls related to: recording of requests for deferment and payment by instalments; compensations, together with subscription to Tax Agency services

**4.2.5. Voice recognition units - 901 12 12 24**

This is an automated service for attention 24 hours a day.

The following services were provided in 2005 by automatic voice recognition telephone units: request for identification

labels, automatic information on Income, VAT and Company Tax refunds, request for tax data for the Income Tax return, confirmation of attached letters sent to taxpayers who did not declare the previous year and request for income tax certificates.

**VOICE RECOGNITION UNITS - 901 12 12 24**

	<b>2004</b>	<b>2005</b>	<b>2005/2004 VARIATION</b>
Request for identification labels	143,561	82,611	-42.46
Automatic information on Income Tax refunds	1,536,617	1,302,035	-15.27
Request for tax data for the Income Tax return	1,204,148	1,266,163	5.15
Confirmation of attached letters	95,874	487,213	408.18
Request for income tax certificates	4,445	2,802	-36.96
<b>TOTAL</b>	<b>2,984,645</b>	<b>3,140,824</b>	<b>5.23</b>

*Number of calls attended*





**4.2.6. Anticipated payment of the deduction for maternity**

Women with children under three years of age, who carry out an activity on their own account or for others for which they are registered in the Social Security or mutual insurance society, have the right to a deduction on the Personal Income Tax of up to 1,200 euros per annum for each child under three years of age.

In 2005, the Tax Agency agreed to the payment of 617,808 million euros for this concept, from 699,993 requests presented.

**4.2.7. Speeding up of customs dispatch**

Customs dispatch was speeded up reducing the average dispatch time of 44 minutes in 2004 to 25 minutes in 2005.

**4.3. Facilities for the payment of debts**

The Tax Agency receives tax debts in the voluntary period through authorised credit entities (collaborators in collection management).

**4.3.1. Collaborating entities**

On 31<sup>st</sup> December 2005, the Tax Agency had authorised 190 entities to act as collaborators in collection management.

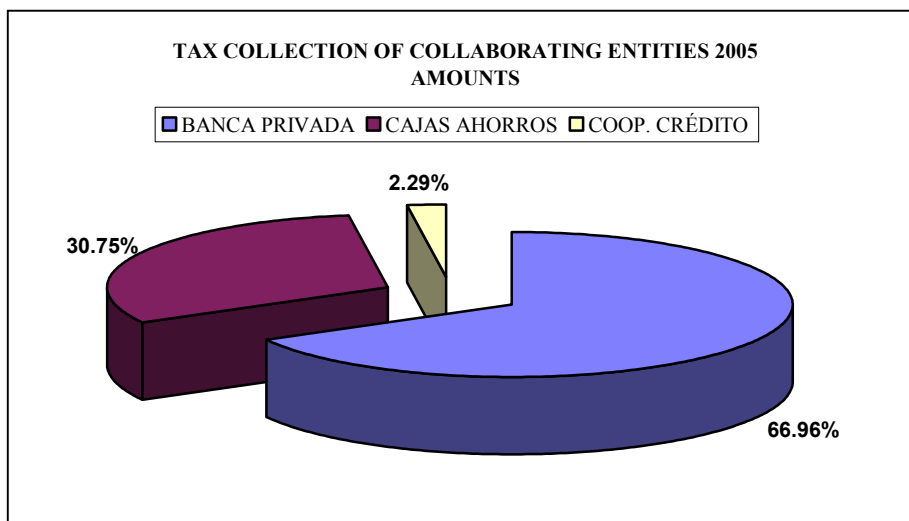
In this financial year, the amount of the collection through collaborating entities reached almost 196,000 million euros, which highlights the importance of this income channel.

The distribution between the different types of credit entities is shown in the following table:

**COLLABORATING ENTITIES**

	<i>AMOUNTS</i>		
	<i>2004</i>	<i>2005</i>	<i>2005/2004 VARIATION</i>
PRIVATE BANKS	118,972	131,215	10%
SAVINGS BANKS	50,671	60,252	19%
COOP. RURAL SAVINGS BANKS	3,723	4,481	20%
<b>TOTAL</b>	<b>173,366</b>	<b>195,948</b>	<b>13%</b>

*In million euros*



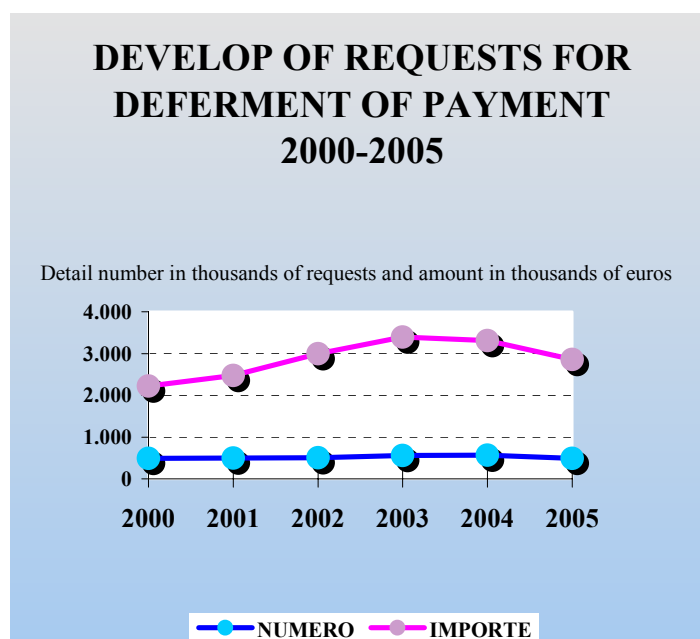
## The balance of the actions Services for assistance to citizens

The collaborating entities are subject to the follow-up and control systems of the Tax Agency. Checks were performed on 31 of these during 2005, 6 of which were controlled from an integral point of view. 11 penalty files were opened against collaborating entities. 6 files were resolved in 2005, resulting in restrictive measures being adopted (temporary suspension) on the authorisation conceded and 219 liquidations of interest on the delay were made to 108 entities for payments outside the time

period. The amount of the interest liquidated on the delay amounted to 281,680.20 euros.

### 4.3.2. Deferments and payment by instalments

The deferments and payment by instalments constitute a way of making compliance with obligations easier. This possibility affects both debts in the voluntary period and those in the executive period. The following graph shows the development in number and amount of deferments requested, from 2000 to 2005.



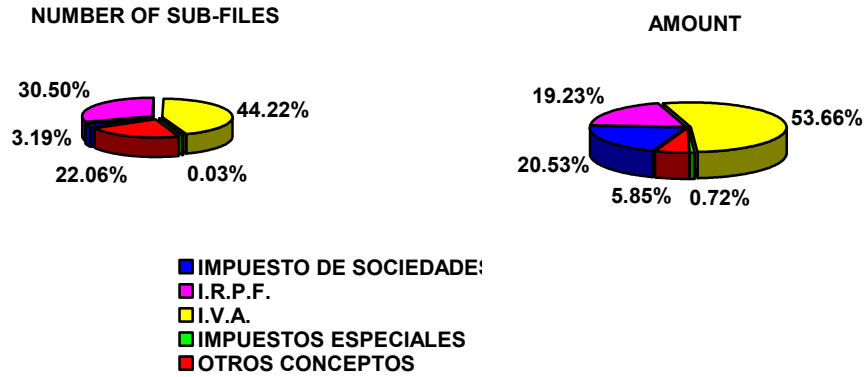
### DEFERMENTS REQUESTED 2004-2005. BREAKDOWN ACCORDING TO THE SITUATION OF THE DEBT.- NATIONAL TOTAL

	NUMBER			AMOUNT		
	2004	2005	% VAR.	2004	2005	% VAR.
VOLUNTARY	427,009	366,991	-14.06	2,716.95	2,449.22	-9.85
EXECUTIVE	138,922	123,558	-11.06	590.83	405.73	-31.33
<b>TOTAL</b>	<b>565,931</b>	<b>490,549</b>	<b>-13.32</b>	<b>3,307.78</b>	<b>2,854.95</b>	<b>-13.69</b>

*In million euros*

With regard to the distribution of the requests for deferment due to tax concepts, the greatest percentages in number of requests correspond to VAT (44.22%) and Personal Income Tax (30.50%). With regard to

amount, the highest percentages are those relating to VAT (53.66%) and Company Tax (20.53%). This information is shown in the following pie charts:



Finally, the summary of deferment management corresponding to financial year

2005, with a breakdown of the debt situation is:

<b>SUMMARY OF DEFERMENT MANAGEMENT CORRESPONDING TO 2005 NATIONAL TOTAL</b>						
<i>DEBT SITUATION</i>	<i>TOTAL REQUESTS*</i>	<i>CONCEDED</i>	<i>REFUSED</i>	<i>CANCELLED</i>	<i>TOTAL RESOLVED</i>	<i>PENDING ON 31-12-05</i>
<b>VOLUNTARY</b>						
NUMBER	374,323	264,213	85,070	18,344	367,627	6,696
AMOUNT	2,719.87	1,143.91	657.19	621.84	2,422.94	296.93
<b>EXECUTIVE</b>						
NUMBER	131,326	99,642	19,259	5,071	123,972	7,354
AMOUNT	473.29	294.29	85.96	41.67	421.91	51.38
<b>TOTAL</b>						
NUMBER	<b>505,649</b>	<b>363,855</b>	<b>104,329</b>	<b>23,415</b>	<b>491,599</b>	<b>14,050</b>
AMOUNT	<b>3,193.16</b>	<b>1,438.21</b>	<b>743.15</b>	<b>663.50</b>	<b>2,844.86</b>	<b>348.31</b>

*Details on the number and amount in million euros*

*\*The total requests include those pending at the start of 2005, those carried out during 2005 and the incidents regularising the "pending at the start" dragged over from the "pending the end of the period" of the immediately previous year.*



#### **4.3.3. Debt exoneration procedure**

This procedure has the purpose of totally or partially exonerating certain beneficiaries of public subsidies or aid from complying with their tax obligations, previously to the payment, to accredit that they are up to date with the tax obligations and regarding the Social Security.

56 exoneration agreements were made in 2005. Of these, 3 were made to individuals, 36 to Town Halls, 7 to Autonomous Communities and 10 to other legal entities. The amount of the subsidies for which exonerations were requested amounted to 233.81 million euros, 3.69 million euros corresponding to subsidies affecting the payment of debts to the Treasury.

#### **4.3.4. Payment in kind foreseen by General Tax Law 58/2003**

The number of requests received was lower during 2005. However, their amounts increased noticeably with regard to 2004, reaching 14 million euros. The amount of debt paid through the agreements conceded increased considerably, and according to tax concepts the one of most relevance in the year being Company Tax.

### **4.4. Other services**

#### **4.4.1. Issue of tax certificates**

5,416,715 tax certificates were issued in 2005 (13 percent more than in 2004) on the request by taxpayers, of which almost two million corresponded to contractors, and started being issued on 1<sup>st</sup> July 2004.

Thanks to the supply of tax information via telematic means to the different Public Administrations, 6,079,967 certificates were sent to the Autonomous Communities and to the Local Entities that avoided direct contribution by citizens. The Autonomous Communities increased the request for tax information via telematic means and, in the same way, increased the number of Local Entities adhered to any of the Collaboration Agreements between the Tax Agency and the Spanish Federation of Municipalities and Provinces allowing them to request tax information in this way, thus avoiding contribution by citizens.

#### **4.4.2. Previous valuation agreements**

Taxpayers can request the Tax Agency, whenever the laws and regulations of each tax foresee this, to previously and with a binding nature determine the valuation of income, products, goods, expenses and other determining elements of the tax debt for tax effects.

19 previous agreements on linked operations (and others) were resolved in the central services of the Financial and Tax Inspection Department during 2005, of which 16 were considered, the rest being abandoned by the applicants. Also, 14 R+D+I requests were handled, of which 10 were considered and 4 rejected.

35 requests for temporary imputation criteria different from that of accrual were handled, of which 20 were estimated; those requesting desisted in 5 cases and the other 10 were rejected.

## 5. Tax and customs control

The tasks of assistance and aid to taxpayers were supplemented with control actions aimed at detecting and correcting non-compliances. These actions have two main objectives: the discovery of the debts not declared by taxpayers and collection of the debts not paid voluntarily within the periods established. The control actions can be:

1. Extensive. They are controls of a massive nature, carried out with strong IT support with regard to all returns and particularly at the time of the annual campaigns for the different taxes, fundamentally based on information available in the tax databases.
2. Selective and investigative. With controls on taxpayers who, based on objective criteria, are considered to present a greater risk of eluding tax obligations.
3. Collection. These are actions aimed at receiving the tax credits and others in public right not paid in the voluntary period by the debtor.

### 5.1. Extensive control

#### 5.1.1. Actions for extensive control in internal taxes

##### 5.1.1.1. Purging of the census

A series of tasks with the purpose of clearing up the census of businessmen, professionals and retainers were carried out in 2005, the following two campaigns having been performed:

- Integral census clean-up (DCI):
  - Letters issued: 154,362
  - Taxpayers visited: 823
  - Taxpayers removed from the DCI when cleaning up all the criteria: 172,866
- Clean-up of the Entity Index and requirements for those not declaring Company Tax (DIE):
  - Requirements issued: 215,035
  - Provisional removals issued: 78,193

#### 5.1.1.2. Check of Annual Tax Returns

##### Personal Income Tax

As in previous years, the Personal Income Campaign check campaign was performed in two differentiated stages.

The first stage corresponded to a massive verification of returns with the aim of detecting errors and discrepancies in the data declared with regard to the information contained in the Tax Agency databases. 491,062 provisional liquidations were issued for an amount of 364,349 million euros.

Within the first massive verification stage the returns were qualified according to a series of established filters that can be grouped into:

- Arithmetical. Controlling possible arithmetical or regulatory errors existing in the data declared.
- Pseudo-liquidation. Detecting discrepancies between the data declared and imputations from informative returns.
- Proposal for liquidation by limits or amounts. Certain parts of the return are controlled so that they do not exceed certain limits or amounts.

PERSONAL INCOME TAX 2003 (FIRST STAGE)							
ORIGIN	LIQUIDATIONS			AMOUNT			
	NUMBER OF LIQUIDATIONS	%	% VARIATION 2003/2002	AMOUNT*	%	% VARIATION 2003/2002	AVG. AMOUNT**
Parallel arithmetical origin	30,330	6.18	1.36	13.889	3.81	21.97	457.93
Pseudo-liquidation origin	226,467	46.12	-31.28	143.569	39.40	-21.57	633.95
Liquidation proposal origin	234,265	47.71	-15.13	206.891	56.78	2.17	883.15
<b>TOTAL</b>	<b>491,062</b>	<b>100.00</b>	<b>-22.72</b>	<b>364.349</b>	<b>100.00</b>	<b>-8.21</b>	<b>741.96</b>

\*In million euros

\*\*In euros

The second stage of the campaign for checking those making returns and those not doing so, 12,006 liquidations were performed for an amount of 8,186 million euros. However, it must be taken into account that on the date of obtaining these data, "those not making Personal Income

Tax returns 2003" campaign had not yet concluded.

The global results of the Personal Income Tax check campaign 2003 meant a total of 372,534 million euros and the regularisation of 503,068 taxpayers, as can be seen in the following table:

PERSONAL INCOME TAX 2003 (FIRST AND SECOND STAGES)				
	NUMBER	% var. regarding the previous year	AMOUNT	% var. regarding the previous year
Provisional liquidations on returns presented	491,062	-22.72%	364.348	-8.21%
2 <sup>nd</sup> stage (including those making returns and those not doing so)	12,006	-35.88%	8.186	-36.50%
<b>TOTAL</b>	<b>503,068</b>	<b>-23.10%</b>	<b>372.534</b>	<b>-9.10%</b>

Amount in million euros

On the other hand, the Personal Income Tax control campaign 2004 was started in 2005.

#### Company Tax

En 2005, 19,218 liquidations were performed resulting from Company Tax for 2003 for a global amount of 69.05 million euros. These data do not include the checks carried out by Large Company Management Units, which are analysed in the "Extensive control actions on Large Companies" section.

#### Value Added Tax

With regard to VAT-2004, 60,430 provisional liquidations were performed for a global amount of 334,880 million euros. These data are not final, given that the campaign will come to an end during 2006.

#### 5.1.1.3. Check on periodic tax returns

The existence of a census of businessmen, professionals and retainers in which, among other data, the periodic obligations each of these has makes it possible to control those not complying with their

obligations by means of comparison with the self-liquidations presented.

The periodic obligation control is performed via the Self-liquidation Presentation Control System (SCPA). This system distinguishes between two paths of procedure in terms of the reference level.

1. Obligations with a certain reference level which, in turn, include:

- a) Non-taxable persons included in the modules scheme for Personal Income Tax, a unique procedure developed in the "Actions on taxpayers in modules" section.

The results of the "Actions on taxpayers in modules" of the 2005 Campaigns are those corresponding to the third and fourth quarters of 2004 and first and second quarters of 2005. The data are those appearing in the following table.

**CHECK ON PERIODIC RETURNS FORM 131**

WARNING LETTERS			CONSIDERATION STAGE OF ADMINISTRATIVE PROCEEDINGS			PROVISIONAL LIQUIDATIONS	
Issued	Presenting Self-liquidation	Amount Paid	Issued	Presenting Self-liquidation	Amount Paid	Issued	Amount Paid
81,009	3,290	3.942	13,333	377	0.334	6,860	0.101

Amount in million euros

- b) Obligation Form 202, procedure for checking instalments paid on account of Company Tax. These payments are made in reference to the total quota of the past financial year minus deductions, retentions and instalments paid.

The following table shows the results of the 2005 Campaigns for control of payments on account of Form 202 made during the third period of 2004 and the first and second periods of 2005.

**CHECK ON PERIODIC RETURNS FORM 202**

WARNING LETTERS			CONSIDERATION STAGE OF ADMINISTRATIVE PROCEEDINGS			PROVISIONAL LIQUIDATIONS	
Issued	Presenting Self-liquidation	Amount Paid	Issued	Presenting Self-liquidation	Amount Paid	Issued	Amount Paid
1,701	361	1.012	30,909	936	9.773	14,274	1.231

Amount in million euros

2. Obligations with estimated reference level, whose control is made quarterly and includes:

- The sending of a letter-communication without acknowledgement of receipt, to taxpayers who have not complied with an obligation in that quarter, requesting them to present the corresponding return.

- The sending of a requirement with acknowledgement of receipt, requesting the taxpayer to present the returns during the financial year.

The results of the 2005 Campaigns are those corresponding to the third and fourth quarters of 2004 and the first and second of 2005 as shown in the following.



**CHECK ON PERIODIC SCPA OBLIGATIONS ESTIMATED REFERENCE LEVEL (3Q and 4Q  
– 2004 and 1Q and 2Q - 2005)**

	<b>SELF-LIQUIDATIONS PRESENTED</b>			
	<b>ISSUED</b>	<b>NUMBER</b>	<b>AMOUNT*</b>	<b>AVERAGE AMOUNT**</b>
Communication Letters	360,498	58,492	20.290	346.88
Requirements issued	257,752	49,254	57.955	1,176.66
<b>TOTAL</b>	<b>618,250</b>	<b>107,746</b>	<b>78.245</b>	<b>726.19</b>

\* Amount in million euros

\*\* Amount in euros

**5.1.2. Actions on taxpayers in modules**

The results of the actions for regularisation of the tax situation of taxpayers in modules

that materialise by means of acts of inspection and provisional liquidations during 2005 have been:

**RESULTS OF MODULE CONTROL ACTIONS FINANCIAL YEAR 2005**

	<b>NUMBER</b>	<b>AMOUNT</b>
Provisional Liquidations Issued	6,860	0.101
Acts of Inspection	35,062	45.180
<b>TOTAL</b>	<b>41,922</b>	<b>45.281</b>

Amount in million euros

**5.1.3. Actions of extensive control on Large Companies**

Up until 2005, the extensive control of large companies was the responsibility of:

- The Central Unit for Management of Large Companies (UCGGE) which centres its activities on the development of the tax management functions corresponding to the census of Large Companies whose

inspecting attachment corresponds to the National Inspection Office.

- The Large Company Management Units of the Regional Inspection Dependencies (UGGES).

In 2005, the liquidation results of the management activities carried out by the Large Company Management Units (UCGE and UGGES) were:

**ACTIONS FOR EXTENSIVE CONTROL ON LARGE COMPANIES**

	<b>2004</b>	<b>2005</b>	<b>2005/2004 VARIATION</b>
Liquidated debt	139.75	184.315	31.89
Decrease in refunds and compensations	525.33	186.819	-64.43
Decrease in negative tax assessment bases	18.19	77.076	323.72
<b>TOTAL</b>	<b>683.27</b>	<b>448.210</b>	<b>-34.40</b>

En million euros



The reduction in the results relating to a decrease in the refunds and compensations in 2005 is due to the necessary adaptation, during the first quarter of the year, of the computer applications to the new General Tax Law. Also, it is necessary to consider that the results for 2004 included exceptional results in the reduction of VAT refunds and compensation of large exporting companies.

#### 5.1.4. Actions for control of Intrastat tax returns

During 2005 the provincial Intrastat offices continued performing their tasks for control of compliance with the statistical Intrastat obligation, both by means of issuing the corresponding requirements for non-compliance and by means of a clean-up of the quality of statistical data, basically performed by means of requirements due to errors in the return and the communication of average prices.

There has been an increase of 1 percent in the requirements through non-compliance derived from the intensification of the controls made by the Intrastat offices.

Requirements due to errors in the return have the purpose of correcting the formal errors detected. The communication of average prices refers to those operators whose returns contain data that are incongruous from the point of view of the relation between the code of the merchandise, the mass or the units and the value declared.

The trend, already indicated in previous years, both towards a reduction in the number of requirements for errors (0.5 percent) and to a decrease in communication of average prices (2 percent) continues. The operators, by having an exact and fast knowledge of the errors and incongruities, resolve them to a great extent each time without having to resort to the requirement path.

#### 5.1.5. Special Tax management and intervention actions

The actions regarding management and intervention of Special Taxes by being characterised by being concomitant, by implying both previous controls and those simultaneous to the moment of execution of the taxable action. This is motivated because, in these cases, occurrences of exemptions, not being subject to taxation and tax bonuses in terms of destination, with non-monetary tax assessment bases, converge with high tax rates. When carrying out their functions, the auditors prepare reports of a previous nature to regularise the tax situation of the non-taxable person they check. The previous nature of these reports is caused, among other circumstances, by the fact that the accounting check is limited to the registers demanded by Law and the Special Tax Regulations.

The auditing activity performed in 2005 is shown in the following table:

<b>AUDITING ACTIVITY</b>			
	<b>2004</b>	<b>2005</b>	<b>% Var. 2004/2005</b>
Nº Actions	205,855	117,807	-42.77
Diligences	11,467	10,515	-8.3
Acts formulated	150	117	-22
Penalty Files	282	254	-9.93
<b>TOTAL</b>	<b>217,754</b>	<b>128,610</b>	<b>-40.94</b>

## 5.2. Selective control and investigation actions

economic importance and with a high risk of tax fraud.

### 5.2.1. Auditing and investigation actions on Internal Taxes

The selective control actions in 2005 had the aim of complying with the objectives stated in the Tax Fraud Prevention Plan (PPFF), basically preventing and avoiding fraud, of persecuting the most serious and complex forms and giving more importance to investigation than checking.

In this way, the checking actions were re-directed towards investigation of the property sector – understood in a wide sense - the organised fraud plots regarding VAT and Special Taxes, the prevention and fight against money laundering and tax offences, together with the execution of checks of a sectorial nature and the control of contractors and sub-contractors.

Following the provisions of the General Tax Control Plan 2005, that includes the development of the National Inspection Plan for the year, the Tax Agency performed selective checks, mainly directing its actions towards sectors of great

There was also a continuation of the standardisation and homogenisation of control actions, encouraging the use of new technologies and insisting particularly on investigation.

The results of the inspection actions during 2005 are summarised as follows:

#### NUMBER OF TAXPAYERS CHECKED

	2004	2005	2005/2004 VARIATION
UIS(1)/ EIS(2)	28,255	25,903	-8.32%
URIS(3) / ERIS(4)	3,402	3,454	1.53%
TERRITORIALTOTAL	31,657	29,357	-7.27%
CENTRALISED INSPECTION (5)	384	510	32.81%
<b>NATIONAL TOTAL</b>	<b>32,041</b>	<b>29,867</b>	<b>-6.79%</b>

(1) *Inspection Units (UIS), preferably checking and investigating inspection actions different from those carried out by the EIS, URIS and ERIS.*

(2) *Inspection Teams (EIS), as a priority acting on individual taxpayers who perform business activities or legal entities whose volume of operations in the financial years checked exceed 1,803,036.31 euros in the case of business activities and 180,303.63 euros in the case of professional activities.*

(3) *Regional Inspection Units (URIS), preferably performing checking and investigating inspection actions relating to persons or entities belonging to a specific economic sector, sub-sector or economic activity whose turnover, in any of the periods being checked, exceeds 6,010,121.04 euros.*

(4) *Regional Inspection Teams (ERIS), their scope of action refers preferably to checking and investigating inspection actions of special complexity.*

(5) *Centralised Inspection, basically corresponding to the National Inspection Office (ONI), although including data from other units of a centralised scope, for example teams from the National Office for the Investigation of Fraud (ONIF).*

Of the 29,867 taxpayers inspected, 21,360 were legal entities (71.52 percent) and 8,507 individuals (28.48 percent).

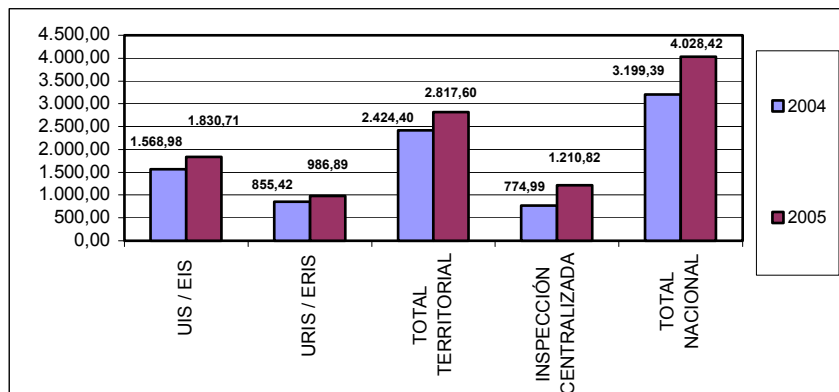
NUMBER OF ACTS APPRAISED

	2004	2005	2005/2004 VARIATION
UIS / EIS	62,539	60,261	-3.64%
URIS / ERIS	9,456	10,237	8.26%
TERRITORIALTOTAL	71,995	70,498	-2.08%
CENTRALISED INSPECTION	2,159	2,214	2.55%
<b>NATIONALTOTAL</b>	<b>74,154</b>	<b>72,712</b>	<b>-1.94%</b>

DEBT APPRAISED

	2004	2005	2005/2004 VARIATION
UIS / EIS	1,568.98	1,830.71	16.68%
URIS / ERIS	855.42	986.89	15.37%
TERRITORIALTOTAL	2,424.40	2,817.60	16.22%
CENTRALISED INSPECTION	774.99	1,210.82	56.24%
<b>NATIONALTOTAL</b>	<b>3,199.39</b>	<b>4,028.42</b>	<b>25.91%</b>

DEBT APPRAISED BY UNITS



The total debt appraised for legal entities amounted to 3,461.89 million euros (85.94 percent), while in the case of individuals the amount of the debt amounted to 566.53 million euros (14.06 percent of the total).

According to tax concepts, the greatest contribution corresponded to Company Tax

(56.13 percent); followed by Value Added Tax (27.61 percent), Personal Income Tax (9.98 percent), Retentions on Personal and Professional Work (3.07 percent), Wealth Tax (1.08 percent) and Retentions on Investments (0.44 percent).

**DEBT APPRAISED FOR TAXATION CONCEPTS AND UNITS**  
(in million euros)

TAX CONCEPT	UIS / EIS	%	URIS / ERIS	%	ONI	%	OTHER (1)	%	TOTAL	%
COMPANY TAX	722.53	39.47	506.00	51,27	1,022.44	85.29	10.17	84.47	2,261.14	56.13
VAT	699.70	38.22	299.18	30,32	113.21	9.44	0.04	0.33	1,112.13	27.61
PERSONAL INCOME TAX	346.51	18.93	55.36	5,61	0.00	0.00	0.19	1.58	402.06	9.98
RET. PERSONAL AND PROF. WORK	25.28	1.58	59.56	6,04	38.75	3.23	0.00	0.00	123.59	3.07
RET. ON INVESTMENTS	4.16	0.23	3.52	0,36	9.87	0.82	0.00	0.00	17.55	0.44
WEALTH TAX	3.61	0.20	39.92	4,05	0.00	0.00	0.00	0.00	43.53	1.08
OTHERS	28.92	1.58	23.35	2,37	14.51	1.21	1.64	13.62	68.42	1.70
<b>TOTAL</b>	<b>1,830.71</b>	<b>100.00</b>	<b>986.89</b>	<b>100,00</b>	<b>1,198.78</b>	<b>100.00</b>	<b>12.04</b>	<b>100.00</b>	<b>4,028.42</b>	<b>100.00</b>

(1) Other centralised inspection units, basically ONIF Teams

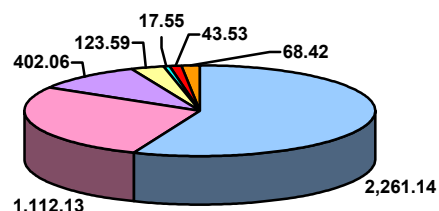
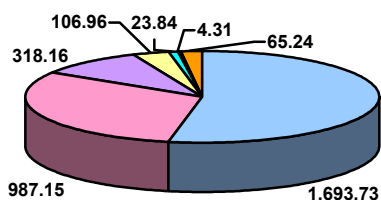
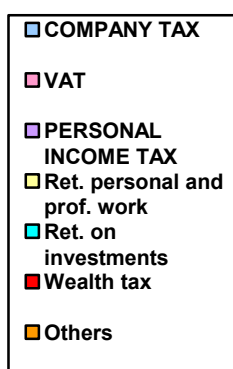
**DEBT APPRAISED FOR TAXATION CONCEPTS**

TAXATION CONCEPT	TOTAL DEBT APPRAISED		
	2.004	2.005	% 05/04
COMPANY TAX	1,693.73	2,261.14	33.50
VAT	987.15	1,112.13	12.66
PERSONAL INCOME TAX	318.16	402.06	26.37
Ret. personal and prof. work	106.96	123.59	15.55
Ret. on investments	23.84	17.55	-26.38
Wealth tax	4.31	43.53	909.98
Others	65.24	68.42	4.87
<b>TOTAL</b>	<b>3,199.39</b>	<b>4,028.42</b>	<b>25.91</b>

**DEBT APPRAISED FOR TAXATION CONCEPTS**

2004

2005



Of the 4,028.42 million euros of debt appraised, 2,689.48 million (66.76 percent) corresponded to quotas, 768.39 million (19.07 percent) corresponded to sanctions and 570.55 million to interest on delay and other concepts.

The amount of the debt liquidated in 2005 amounted to 3,567.94 million euros. This amount does not coincide with that of debt appraised (4,028.42 million) since this corresponds to debt reported or proposed in an act that will only become that effectively liquidated once the act has been confirmed.

Of the control actions, those made on plots and false bills should be highlighted. A total of 583 companies were investigated, 6,000 preventive checks or controls of companies that requested their inclusion in the Registry of Intra-community Operators being carried out. In this area, investigation of company hotbeds and international collaboration have been essential, on which data is given in the "Other actions relating to tax control" section.

Actions were carried out in 2005 to avoid fraud in the Tax on Certain Means of Transport. In this way and in coordination with the Directorate General for Traffic, actions were developed aimed at controlling the administrative procedure regarding number plate registration with the Provincial Traffic Authorities and to prevent the registration of vehicles that do not sufficiently prove payment of the Special Number plate Registration Tax. The results derived from these actions were very positive; they achieved almost total disappearance of registrations with purely symbolic tax assessment bases declared and also the average quota declared in 2005 for this tax grew 9.97 percent (30.47 percent in the case of Private Limited Companies, the legal figure normally used for committing fraud regarding VAT and the special tax in the sector).

#### Tax offence

The development of actions regarding offences against the Treasury is summarised in the following table:

#### DEVELOPMENT OF ACTIONS REGARDING OFFENCES AGAINST PUBLIC FINANCE (in million euros)

	2002 (1)	2003 (1)	2004 (1)	2005 (2)	2005/2004 VARIATION
Number of files	1,029	1,548	1,278	1,018	-20.34
Number of Taxpayers	553	752	740	764	3.24
Quotas defrauded	499.39	666.20	687.67	867.16	26.10
Average quota per file	0.495	0.434	0.540	0.852	57.69
Average quota per taxpayer	0.903	0.899	0.934	1.135	21.48

(1) Including taxpayers and files processed for tax offences, accounting offences, fraud regarding subsidies, fraud plots regarding VAT and those paralysed through concurring with a criminal procedure. When determining the average quotas, accounting offences were not taken into account through not having the effective quota.

(2) As a consequence of changes in the computer applications it was not possible in 2005 to separate accounting offences from cases of a concurring criminal and other illicit procedures, for which reason they are all included, also affecting the amounts of the average quotas.

Of the 1,018 files, 311 refer to plots for defrauding VAT and 540 to tax offences; the remaining 167, that affect 120 taxpayers, group accounting offences, files paralysed due to a concurring criminal or other illicit procedures.

The effective quotas amounted to 867.16 million euros, of which 825.69 million correspond to tax offence files (of these 392.80 million correspond to plots to defraud VAT), and 41.47 million to other illicit criminal acts or to files paralysed due to a concurring criminal procedure.

**Other check-up actions**

The Agency carries out multiple controls leading to the reduction in refunds requested, reduction in the tax assessment bases to be compensated, adjustments in consolidated taxation, etc. The reduction in refunds requested in 2005 amounted to 308.78 million euros, which indicates the importance of these actions.

Information is an essential asset for the Local Tax Office. Therefore, the Tax Agency has very diverse sources of information: the returns presented by taxpayers; the documentation provided by these in the course of control actions; the informative returns regarding operations with third parties (production satisfied, subject to retention, business sales and purchases, donations received, etc.); the data acquired by means of individual requirements, etc.

**Other actions regarding tax control**

**DATA OBTAINED IN THE SUPPORT INFORMATION**

<b>A) TOTAL NUMBER OF DATA ON 31-12-05</b>		<b>19,151,966</b>
<b>B) BREAKDOWN ACCORDING TO MEANS OF ACQUISITION:</b>		
CENTRAL INFORMATION TEAM		18,629,043
AGENCY OFFICES		522,923
<b>C) COMPARISON WITH YEAR 2004</b>		
	<b>2.004</b>	<b>2.005</b>
ECI	13,880,507	18,629,043
AEAT OFFICES	25,258	522,923

Also, the Tax Agency sends information to other Local Tax Offices and receives information from these, based on agreements and directives.

handling individual requests for information, both those made by our actuaries to other countries and those received from abroad. The application allows registration of the automatic information exchanged, whether direct taxes or VAT.

The INTER application started functioning in April 2005; this application serves for

**EXCHANGE OF INFORMATION WITH OTHER COUNTRIES  
DIRECT TAXES**

<i>EXCHANGE OF INFORMATION ON REQUEST (1)</i>	<i>FROM SPAIN TO THIRD COUNTRIES</i>	<i>FROM THIRD COUNTRIES TO SPAIN</i>
Requests for information	124	375
<b>AUTOMATIC DATA EXCHANGE REGARDING DIRECT TAXES</b>		
	<b>Nº of files:</b>	<b>Nº of taxpayers:</b>
<b>DATA SENT TO OTHER COUNTRIES (2)</b>	15	7,572,498
<b>DATA RECEIVED FROM OTHER COUNTRIES</b>	20	120,972
<b>SPONTANEOUS DATA EXCHANGE REGARDING DIRECT TAXES</b>		
	<b>Nº of files:</b>	<b>Nº of taxpayers:</b>
<b>DATA SENT TO OTHER COUNTRIES (2)</b>	72	73
<b>DATA RECEIVED FROM OTHER COUNTRIES</b>	158	7,270

(1) Shows the number of requests.

(2) Data corresponding to Form 296 and referring to different types of income.

**EXCHANGE OF INFORMATION (VAT) WITH OTHER COUNTRIES OF THE EUROPEAN UNION (VIES)**

	<i>FROM SPAIN TO THIRD COUNTRIES</i>	<i>FROM THIRD COUNTRIES TO SPAIN</i>
REQUESTS FOR INFORMATION (1)	1,071	1,724
DISPATCH OF INFORMATION WITHOUT PREVIOUS REQUEST (1)	10	243

(1) Not including exchanges directly made by the fraud plot teams. The fraud plot teams handled the following international information exchange files in 2005: Vehicle sector: 1,104 files handled. I.T. sector: 967 files. Metal and scrap metal sector: 34 files. Mobile telephony sector: 782 files.

**5.2.2. Auditing and investigation actions on taxes imposed on External Commerce operations and on Special Taxes**

The actions of the Inspection bodies is directed by the General Tax Control Plan of the Tax Agency, which includes the Partial Customs and Special Tax Control Plan, which includes the National Plan for Inspection of Customs and Special Taxes.

The 2005 Inspection Plan presents the following new elements, derived from the Tax Fraud Prevention Plan:

Definition of programmes for preferential action that, as opposed to the plans of previous years, are established in terms of the type of fraud and not of the type of tax.

The importance of coordination actions with other bodies of the Tax Agency (inside or outside the Customs and Special Taxes Area), of other Administrations (national, of the European Union or of third party countries) and the inclusion of actions for valuation or help with regard to the Administration of Justice.

The following are Programmes for Preferential Action:

- a) Fraud in the Special Tax on Certain Means of Transport (IESDMT) regarding high range cars from other countries of the European Union
- b) Fraud in intra-Community movement of products imported with VAT exemption (free practice dispatch
- c) Fraud in the IESDMT in ships with exemption

d) Fraud in the IESDMT or in Taxes on Foreign Trade in ships with a non-Spanish flag

e) Fraud in Special Taxes on manufacturing due to irregularities in circulation under a suspensive regime of products subject to these Taxes under a suspensive arrangement: special attention being paid to Tax on Alcohol and drinks derived from this and that on oil

f) Fraud in the import of products from Asia

g) Fraud in the use of products with exemptions or bonuses in the Special Tax on Manufacturing

h) Actions in the Tax on Retail Sales of Oil

i) Fraud in VAT derived from operations with products subject to Special Taxes or for Foreign Trade operations

It is necessary to highlight three factors that are have had a favourable influence on the results of this area in the past few years. In first place, the specialisation of the investigation services; in second place improvement in the systems for selection of taxpayers, providing the Inspection bodies with new means that allow the work of inspection to be directed towards the sectors with the highest risk; and, finally, the updating of computer systems. The results of the inspection actions during 2005 are summarised as follows:



**NUMBER OF TAXPAYERS CHECKED**

	2004	2005	2005/2004 VARIATION
URIS	2,700	3,065	13.52
ONI	253	221	-12.65
<b>TOTAL</b>	<b>2,953</b>	<b>3,286</b>	<b>11.28</b>

**NUMBER OF ACTAS APPRAISED**

	2004	2005	2005/2004 VARIATION
URIS	4,889	6,476	32.46
ONI	459	379	-17.43
<b>TOTAL</b>	<b>5,348</b>	<b>6,855</b>	<b>28.18</b>

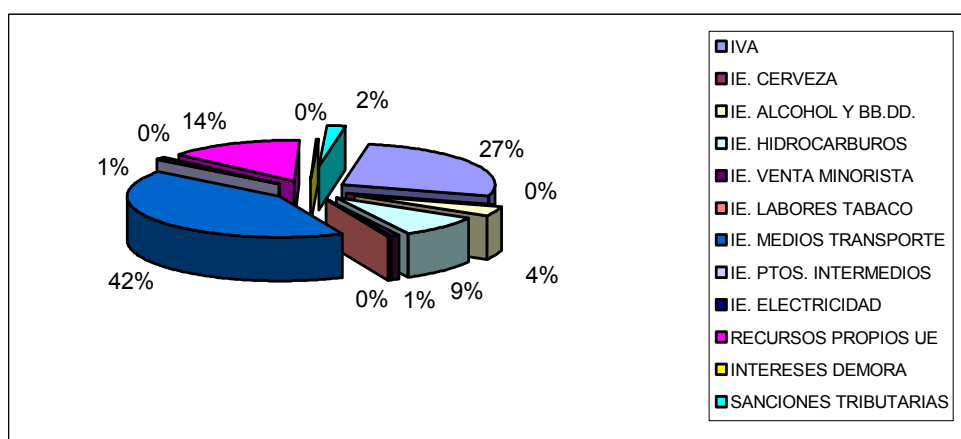
**DEBT APPRAISED (in million euros)**

	2004	2005	2005/2004 VARIATION
URIS	227.5	262.10	15.21
ONI	67.63	73.99	9.4
<b>TOTAL</b>	<b>295.13</b>	<b>360.70</b>	<b>13.88</b>

Amount in million euros

According to taxation concepts, it can be seen that the debt appraised for VAT and

Special Tax on Certain Means of Transport amounts to 68.72 percent of the total.





DEBT APPRAISED PER CONCEPT

CONCEPT	2004	2005	D% 05/04
VAT	90.725	89.509	-1.34
SPECIAL TAX (ST) ON BEER	0.107	0.054	-49.98
ST ON ALCOHOL AND D.D.	51.77	12.799	-75.28
ST ON OIL	25.911	29.862	15.25
ST ON RETAIL SALES	1.169	3.598	207.83
ST ON TOBACCO	0.339	0.164	-51.55
ST ON MEANS OF TRANSPORT	78.454	141.471	80.32
S. INTERMEDIATE TAXES	1.237	0.765	-38.19
ST ON ELECTRICITY	23.092	3.128	-86.45
OWN EU RESOURCES	21.454	47.555	121.66
INTEREST ON DELAY	0.331	0.834	151.77
TAX PENALTIES	0.544	6.362	1,070.22
<b>TOTAL</b>	<b>295.132</b>	<b>336.099</b>	<b>13.88</b>

Amounts in million euros

It should be highlighted that the Special Tax on Certain Means of Transport is the one with the highest volume of debt, with 42.09 percent of the total and it increased by 80.32 percent in 2005 with regard to the previous year. This was affected by there being three preferential action programmes in 2005, intensifying the action on the so-called "screen companies", which are recently created or inactive companies, with addresses in companies providing services to companies, etc. and without any real economic activity, in favour of which the acquisition of high range cars from other countries of the European Union is simulated. The bases declared for liquidation of this tax are very small. This fraud is also related to other taxes, since these companies do not present any tax return, except inclusion in the census and in the sale to the end company have an effect on the corresponding VAT that they do not pay to Public Finance.

The greatest percentage increase is registered in Tax Penalties, since the data from years 2004 and 2005 are distorted by the effect of sluggishness of the penalty procedures in 2004, as a consequence of General Tax Law 58/2003, of 17<sup>th</sup> December, coming into force. The tax figure with the greatest increase was the Special Tax on Retail Sales of certain Oils, With 207,83 percent, which would appear logical when it is considered that it is a very recent tax, since it was created to start having effect on 1<sup>st</sup> January 2002.

The Special Tax on Electricity suffered a reduction of 86.45 percent. The Special Tax on Alcohol and Derived Drinks was reduced by 75.28 percent, although the strong increase (278.36%) it had in 2004 as a result of the action for the regularisation of losses admissible in the alcoholic fermentation of molasses and other sweetening substances, should be taken into account. It is also important to highlight that 21,560 million euros of debt regarding this tax were processed as tax offences, therefore not being included in the debt appraised.

A debt of 6,355 million euros was processed as a contraband offence in the Tax on Tobacco.

**Tax and contraband offences**

In its check-up and investigation actions during 2005, the Tax Agency discovered fraudulent activities which, due to their amount and fraudulent intent, were considered as crime actions, 24 reports for tax offences and 5 for contraband offences being made to the Tax Ministry, which



**The balance of the actions**  
**Tax and customs control**

were evaluated at 59,741 million euros, meaning a reduction by 1,064 million euros with regard to the previous year. These data refer to the inspection and investigation actions on tax on foreign trade

operations and on special taxes. Therefore, they are additional to the data already indicated in the section on inspection and investigation actions on internal taxes.

**TAX AND CONTRABAND OFFENCES REPORTED BY THE INSPECTION**

	2004		2005		DD% 2005/2004	
	N° OF OFFENCES	DEBT (*) Mill. euros	N° OF OFFENCES	DEBT (*) Mill. euros	N° OF OFFENCES	DEBT
URI	17	60.805	29	59.741	70.59	-1.75
ONI	0	0	0	0		
<b>TOTAL</b>	<b>17</b>	<b>60.805</b>	<b>29</b>	<b>59.741</b>	<b>70.59</b>	<b>-1.75</b>

(\*)Weighting: 1.5

Although the number of reports increased by 70 percent, their amounts were maintained at a level slightly below that of the previous year.

**Reduction in actions related to exports**

Some of the actions carried out in the scope of inspection of taxes on foreign trade operations are not shown in previously contracted debt. Among these, 41 check-ups performed in 2005 with regard to refunds for exports stand out, for an amount of 14,078 million euros.

**REDUCTION IN REFUNDS FOR EXPORTS**

	2004		2005		DEBT % 2005/2004
	N° OF ACTIONS	DEBT Mill. Euros	N° OF ACTIONS	DEBT Mill. Euros	
URI	43	1.184	33	0.725	-38.77
ONI	5	10.366	8	13.353	28.82
<b>TOTAL</b>	<b>48</b>	<b>11.55</b>	<b>41</b>	<b>14.078</b>	<b>21.89</b>

The Check-up Plan with regard to restitutions is set by the General State Administration Public Accounts Department.

The increase in the debt is due to the regularisation of frozen beef meat imports without justifying the origin of the product.

**Other actions regarding control**

In reference to the mutual assistance actions, legally based on Regulation (EC) 515/97 and on the Agreements signed to this effect between the European Union and Third Countries, the following collaboration actions have been carried out:

**COLLABORATION**

	UPON REQUEST OF SPAIN	UPON REQUEST OF THE MEMBER STATES
WITH THE MEMBER STATES	27	132
WITH THIRD PARTY COUNTRIES	18	211



### 5.2.3. Customs Supervision Actions

The Customs Supervision Operating Area performs two types of task. On the one hand, control tasks such as the detection of contraband on customs premises, seizure of vessels transporting cocaine, reporting of money laundering offences and confiscation of goods that infringe industrial or intellectual property rights. On the other hand, prevention tasks such as patrolling with vessels to discourage the possible introduction of contraband merchandise and sealing off establishments or production apparatus so that there is no fraud in special taxes.

Some of the results obtained are highlighted below:

The total value of the merchandise seized, discovered and confiscated by the customs supervision bodies in 2005 amounted to 3,254.28 million euros.

Actions referring to the smuggling of narcotics (seizure of 172 tonnes of hashish and 30.5 tonnes of cocaine) represent somewhat over 81 percent of the total value of the actions in the year.

The main interventions performed in 2005 were:

#### MAIN ACTIONS IN THE CUSTOMS OPERATING AREA

OPERATION	AMOUNTS (KG)
<b>2 CONTAINERS. OPERATION "OTOÑO II"</b>	4,600
Drugs – Cocaine	
<b>WHITE SANDS</b>	3,947
Drugs – Cocaine	
<b>CERES II</b>	3,509
Drugs – Cocaine	
<b>YEMAYA II</b>	3,500
Drugs – Cocaine	
<b>SQUILA</b>	8,000
Drugs – Hashish	
<b>CAMIÓN</b>	7,096
Drugs – Hashish	
<b>OPERATION "MOJITOS"</b>	2,000
Drugs – Cocaine	
Euros - Money laundering	115,505,300

With regard to actions against tobacco smuggling, 8,115,452 packs of cigarettes were seized and discovery procedures for a total of 4,330,799 packs were performed.

Of the 5,088 smuggling files handled, 4,610 were for offences and 478 for administrative infringements.

9,424 actions not referring to smuggling were carried out, of which 1,374 corresponded to money laundering.

With regard to the scope of special taxes, 7,714 proceedings were carried out. As a result of the activities carried out, 1,185 people were arrested or charged (884 for smuggling and the other 301 for other offences).

#### 5.2.4. Analytical control performed in the Customs Laboratories

The activity of analytical control of the samples of merchandise that were the object of foreign

trade or subject to Special Tax regulations observed in customs laboratories is summarised in the following table:

<b>DEVELOPMENT OF THE NUMBER OF SAMPLES ANALYSED</b>					
<b>LABORATORY</b>	<b>NUMBER OF SAMPLES</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
CENTRAL	7,684	6,339	8,298	7,522	8,278
BARCELONA	2,621	2,174	1,973	2,734	2,396
IRÚN	267	230	218	202	79
SEVILLE	1,173	737	830	1,049	1,309
VALENCIA	1,131	1,226	1,189	1,232	1,730
<b>TOTAL</b>	<b>12,876</b>	<b>10,706</b>	<b>12,508</b>	<b>12,739</b>	<b>13,792</b>

#### 5.3. Collection management

This section analyses the management of collection performed by the Tax Agency of tax debts from and penalties on liquidations carried out by the Agency itself and not paid voluntarily and resources of a public nature

from other entities whose collection was entrusted by law or agreement. The following table shows a summary of management in 2005, broken down in terms of the entities issuing the debts to be managed.

<b>GENERAL SUMMARY OF MANAGEMENT PERFORMED DURING 2005.- NATIONAL TOTAL</b>					
<b>ISSUING ENTITIES</b>	<b>PENDING ON 01/01/2005</b>	<b>CHARGED DURING 2005</b>	<b>TOTAL MANAGED</b>	<b>TOTAL MANAGEMENT</b>	<b>MANAGEMENT PENDING ON 31/12/05</b>
AEAT DEBTS	6,867.77	3,862.72	10,730.50	3,314.28	7,416.22
DEBTS WITH OTHER ENTITIES	908.53	1,220.69	2,129.22	972.99	1,156.24
<b>TOTAL</b>	<b>7,776.30</b>	<b>5,083.42</b>	<b>12,859.72</b>	<b>4,287.27</b>	<b>8,572.45</b>

*Amount in million euros*

In the case of payment of the debt not being made within the voluntary period, the executive period will commence and once notified of the final enforcement order, the final enforcement procedure will commence. Final enforcement orders issued in the financial year 2005 amounted to 5,084 million euros (29.4 percent more than in 2004); 76% of the total corresponding to debts from liquidations made by the Tax Agency and the rest to other entities.

##### 5.3.1. Debts from liquidations made by the Tax Agency

Distribution according to origin of the total debt to be managed is shown in the following table:

**AEAT DEBT COLLECITON MANAGEMENT 2005.  
DISTRIBUTION ACCORDING TO ORIGIN OF THE DEBT**

	<i>PENDING ON 01/01/2005</i>	<i>CHARGED IN THE FINANCIAL YEAR</i>	<i>TOTAL LIABILITY BURDEN</i>	<i>TOTAL MANAGEMENT</i>	<i>PENDING ON 31/12/2005</i>
ACTS	3,684.60	1,802.89	5,487.50	1,411.47	4,076.03
ACKNOWLEDGEMENT OF DEBTS	1,588.03	979.62	2,567.65	962.35	1,605.30
OTHER AEAT LIQUIDATIONS	1,595.14	1,080.21	2,675.35	940.45	1,734.90
<b>TOTAL</b>	<b>6,867.77</b>	<b>3,862.73</b>	<b>10,730.50</b>	<b>3,314.28</b>	<b>7,416.22</b>

*Amount in million euros*

### 5.3.2. Debts of other entities

The Tax Agency also performs collection management in an executive manner of the resources of other bodies of the State and its Autonomous Bodies together with those of other Public Administrations or Entities, whose collection is entrusted by Law or Agreement.

In 2005, collection was carried out for a group of 120 external Entities, including 63 Autonomous Bodies, 16 Autonomous Communities, 1 Regional Government, 2 Local Entities and 38 Public Entities. Furthermore, debts liquidated by the different Ministerial Departments included in the final demand and notice system will be considered..

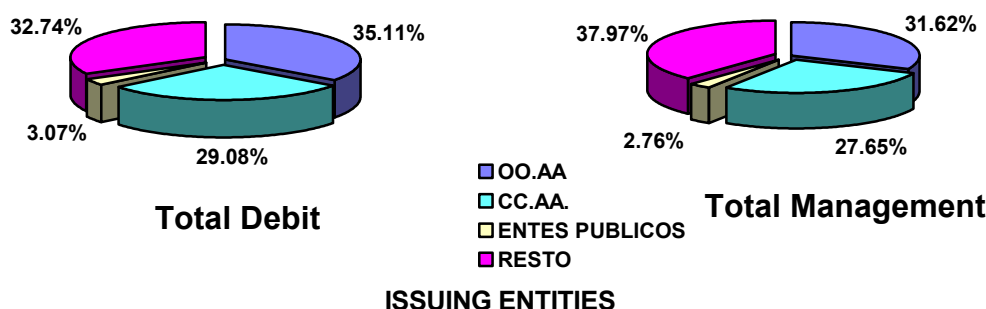
MANAGEMENT IN 2005 CORRESPONDING TO DEBTS OF OTHER ENTITIES. BREAKDOWN  
ACCORDING TO ISSUING ENTITIES

ISSUING ENTITIES	PENDING ON 1-1- 05	CHARGED 2005	TOTAL LIABILITY BURDEN	TOTAL MANAGEMENT	PENDING MANAGEMENT ON 31-12-05
AUTONOMOUS BODIES	357.93	389.72	747.65	307.70	439.95
AUTONOMOUS COMMUNITIES	289.86	329.26	619.12	269.02	350.11
PUBLIC ENTITIES	25.83	39.43	65.26	26.84	38.42
REST	234.90	462.29	697.19	369.43	327.76
<b>TOTAL ENTITIES</b>	<b>908.53</b>	<b>1,220.69</b>	<b>2,129.22</b>	<b>972.99</b>	<b>1,156.24</b>

Amount in million euros



MANAGEMENT OF DEBTS OF OTHER ENTITIES 2005 - BREAKDOWN ACCORDING TO



ISSUING ENTITIES

ORIGIN OF THE LIABILITY BURDENS OF OTHER ENTITIES IN 2005

<i>ISSUING ENTITIES</i>	<i>IN MILLION EUROS</i>	<i>PERCENTAGE</i>
A.C. OF ANDALUSIA	41.87	1.97%
A.C. OF ARAGON	17.65	0.83%
A.C. OF THE PRINCIPALITY OF ASTURIAS	2.43	0.11%
A.C. OF THE BALEARICS	3.69	0.17%
A.C. OF THE CANARIES	0.46	0.02%
A.C. OF CANTABRIA	4.18	0.20%
A.C. OF CASTILE-LA MANCHA	42.97	2.02%
A.C. OF CASTILE LEON	44.18	2.07%
A.C. OF CATALONIA	238.56	11.20%
A.C. OF EXTREMADURA	5.00	0.23%
A.C. OF GALICIA	12.76	0.60%
A.C. OF MADRID	112.36	5.28%
A.C. OF MURCIA	1.24	0.06%
A.C. OF THE BASQUE COUNTRY	4.67	0.22%
A.C. OF LA RIOJA	0.82	0.04%
A.C. OF VALENCIA	86.30	4.05%
DIRECTORATE GENERAL FOR TRAFFIC HYDROGRAPHIC CONFEDERATION AUTONOMOUS BODIES	436.69	20.51%
I.N.E.M. AUTONOMOUS BODY	201.00	9.44%
A.E.N.A.	49.05	2.30%
P.E. PORT AUTHORITIES	1.62	0.08%
HIGHER COUNCIL OF CHAMBERS OF COMMERCE	22.61	1.06%
OTHER PUBLIC BODIES	23.02	1.08%
MINISTERIAL DEPARTMENTS AND E.O.E. EXTERNAL TO THE AEAT	78.92	3.71%
	697.19	32.74%
<b>TOTAL</b>	<b>2,129.22</b>	<b>100.00%</b>

The external entities with the highest amount of debt to be managed by the Tax Agency during 2005 were: the Autonomous Body of the Directorate General for Traffic (20.51%) and the group of Hydrographical Confederations (9.44%).

Regarding Autonomous Communities, those of Catalonia, Madrid and Valencia stand out, with a higher amount of debt to be managed during 2005.

### 5.3.3. Management of rates

The Tax Agency was entrusted, on the one hand, with tax collection management for

this public revenue of a tax nature and, on the other, the effective execution of collection management in the executive period for the rates whose management corresponds to the Ministerial Departments and Autonomous Bodies.

The liquid collection obtained in 2005 for rates managed by the different Ministerial Departments and by the Autonomous Bodies of the General State Administration is broken down in the following table:

<b>LIQUID COLLECTION OF RATES IN VOLUNTARY PERIOD YEAR 2005</b>	
<i>IN THOUSAND EUROS</i>	
THROUGH COLLABORATING ENTITIES*	691,635.92
THROUGH RESTRICTED ACCOUNTS **	809,966.23
BY MEANS OF STAMPED DOCUMENTS	38.40
CONSULAR RATES	40,001.35
PAYMENTS BY AEAT DELEGATIONS	50,812.68
TRANSFER OF INCOME	98,831.32
RETURNS ISSUED	-2,684.88
<b>TOTAL</b>	<b>1,688,601.02</b>

\* Total collected by Collaborating Entities for rates managed by Ministerial Departments and Autonomous Bodies

\*\* Total collected by means of restricted accounts corresponding to Ministerial Departments and Autonomous Bodies

### 5.3.4. Other actions relating to control in the collection phase

Within the framework of mutual assistance between the Member Countries of the European Union, in 2005 the Tax Agency received: 15 notification requests, 158 requests for information, 11 requests for precautionary measures to be adopted and 782 requests for payment.

With regard to management, the number of files charged by the Local Tax Office State Agency in favour of other Member States of the European Union increased by almost fifty percent, although the total amount charged was maintained.

With regard to requests sent by Spain, data relating to the lower number of requests made in comparison with those received from abroad was maintained.





### **III. The opinion and participation of citizens**



## III. Opinion and participation of the citizens

### 1. Studies and opinion polls

Citizens' opinions are a knowledge tool of great value when the Tax Agency has to take decisions, precisely because they are the people at whom the majority of the services designed and provided are aimed. Various studies analyse the opinion of citizens in relation to the services provided by the Tax Agency.

#### 1.1. Public Opinion and Tax Policy (Sociological Investigation Centre)

The Sociological Investigation Centre, a body dependent on the Ministry of the Presidency, performs a demoscopic study annually called Public Opinion and Tax Policy using a sample of two thousand

five hundred interviews at national level. Some questions to citizens are included in this study related to the Tax Agency. During the past few years, Spaniards have recorded a high degree of satisfaction with the treatment and attention given in the Tax Agency offices, and highly valued the information and assistance services.

In 2005, 82.5 percent of those interviewed declared that they were "satisfied" or "very satisfied" with the treatment and attention received in the Tax Agency offices and 69.3 percent stated that the Tax Agency attention and assistance services had merited the opinion of "good".

The results of the surveys on services provided, since 2000, are given below.

#### DEGREE OF SATISFACTION WITH THE TREATMENT AND ATTENTION IN THE TAX AGENCY OFFICES

(%)	2000	2001	2002	2003	2004	2005
Very satisfied / satisfied	83.2	81.2	82.9	85.5	82.8	82.5
Average	8.6	11.6	9.1	6.9	9.2	8.4
Dissatisfied / very dissatisfied	8.0	7.1	7.8	7.3	8	8.6
Doesn't know / Doesn't answer	0.2	0.1	0.2	0.3	0	0.5

#### EVOLUTION OF OPINION ON TREATMENT AND ATTENTION

(%)	2000	2001	2002	2003	2004	2005
Has improved	55.3	52.2	56.3	56.4	51.1	54.8
Continues the same	29.1	34.7	31.6	33.3	33.7	31.6
Has worsened	2.6	2.4	2.2	1.5	3.3	1.9
Doesn't know		10.0	9.7	8.4	10.9	10.5
Doesn't answer	13.0	0.6	0.2	0.4	1.00	1.2



**OPINION MERITED BY THE SERVICE FOR INFORMATION  
AND ATTENTION TO THE TAXPAYER**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Good	69.6	69.0	71.0	73.0	69.3	69.3
Average	23.5	24.3	23.1	19.6	24.1	22.8
Bad	5.3	5.1	4.6	6.1	5	6.0
Dk/Da	1.6	1.6	1.2	1.3	1.6	1.9

**1.2. Public Opinion and Taxation  
(Institute of Tax Studies)**

In 2005, the Institute of Tax Studies, a body dependent on the Office of the State Secretary for the Treasury and Budgets, with the collaboration of the Tax Agency, performed the annual demoscopic study called Public Opinion and Taxation, known as the "Tax Barometer". The field work was carried out by means of personal interviews with a sample of one thousand five hundred citizens, distributed over five segments (employers, farmers, professionals, salaried persons and people not working) selected by habitat, sex, age and socio-economic category quotas (studies and income).

Among the highlighted aspects of the Tax Barometer it was stated that the level of knowledge of the services provided by the Tax Agency was high, reaching 65 percent in 2005. Likewise, the degree of use of the services provided by the Tax Agency had a figure of 35 percent for those interviewed and the valuation made of the services was very high (85 percent of those interviewed valued it positively).

In this study, the opinion of citizens with respect to the Tax Agency civil servants was also sounded out and it was considered that they were good technicians, impartial and gave correct treatment.

Data available related to services provided since 2000 are given below.

**KNOWLEDGE AND USE OF THE TAX AGENCY SERVICES**

<b>(%)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Knowledge	56	56	56	61	65	65
Use	21	28	29	31	35	35

**OPINION ON THE TAX AGENCY SERVICES**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Negative (%)	15	9	13	18	16	15
Positive (%)	85	91	87	82	84	85
Average valuation on a 1-4 scale	2.9	3.1	3.0	2.9	2.9	2.9

**OPINION ON THE TAX AGENCY CIVIL SERVANTS**

<b>AVERAGE VALUATION MEDIA 1-7 SCALE</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Impartiality	4.5	4.8	4.5	4.7	4.6	4.6
Technical preparation	4.7	5	4.7	4.9	5.0	5.0
Correct treatment	4.6	4.9	4.6	4.8	4.7	4.7
Concern for the taxpayers' problems	3.9	4	4.1	3.7	3.7	3.9

**1.3. Tax Agency Opinion Polls**

The Tax Agency also performed opinion polls directly such as; for example, the one that it has carried out from its web site in each Personal Income Tax Campaign since 1998, publishing the results obtained on the web site itself. In the "Personal Income Tax Opinion Poll 2004", 74 percent of the taxpayers who used this site were satisfied or very satisfied with the services offered.

The five services that users considered to be of the greatest value are the presentation of tax returns; communication by the Agency of data available related to Personal Income Tax; the request, rectification or confirmation of the pre-filed tax return; consultation of the refund status and tax payments via the Tax Agency .

**2. COMPLAINTS AND SUGGESTIONS**

**2.1. Council for the Defence of Taxpayers**

The Council for the Defence of Taxpayers, integrated in the Ministry of Economy and the Treasury, watches over the effectiveness of compulsory tax rights and attends to complaints caused by the application of the tax system carried out by State bodies and makes opportune proposals and suggestions. Citizen participation, through their complaints to the Council for the Defence of Taxpayers, makes an improvement in the processes that uphold the provision of services in the Tax Agency possible. The Operating Unit of the Council for the Defence of Taxpayers is a unit integrated in the Internal Auditing Service of the Agency.

Distribution by subject matter of the complaints and suggestions received in 2005 is shown in the following table:

**COMPLAINTS AND SUGGESTIONS RECEIVED**

<b>ITEM</b>	<b>2004</b>	<b>2005</b>	<b>Δ 04/05 %</b>
Information and Attention	3,767	5,122	36
Processing time and execution of solutions	733	876	19
Application of rules	199	231	16
Management Procedure	1,134	1,242	9
Inspection Procedure	87	55	- 36
Tax Collection Procedure	302	282	- 6
Specific Property Register Procedures	152	175	15
Sale of Printed Matter	48	54	12
Cash desks	16	16	0
Rest	179	296	65
<b>TOTAL</b>	<b>6,617</b>	<b>8,349</b>	<b>26</b>



## **2.2 Suggestion box for the Tax Fraud Prevention Plan**

In order to encourage the direct participation of citizens and representative associations in the definition of Agency strategy in its mission to prevent and, where applicable, correct tax fraud, a suggestion box for the Tax Fraud Prevention Plan was opened.

In 2005, citizens, professionals in tax management, business associations, etc. were able to participate in the process of preparing the Tax Fraud Prevention Plan, a draft of which was published on the Internet where a suggestion box was started.

The suggestions received (more than 500) and the valuation made by the Tax Agency of these can be consulted on the web site (classified by subject matter and in chronological order).

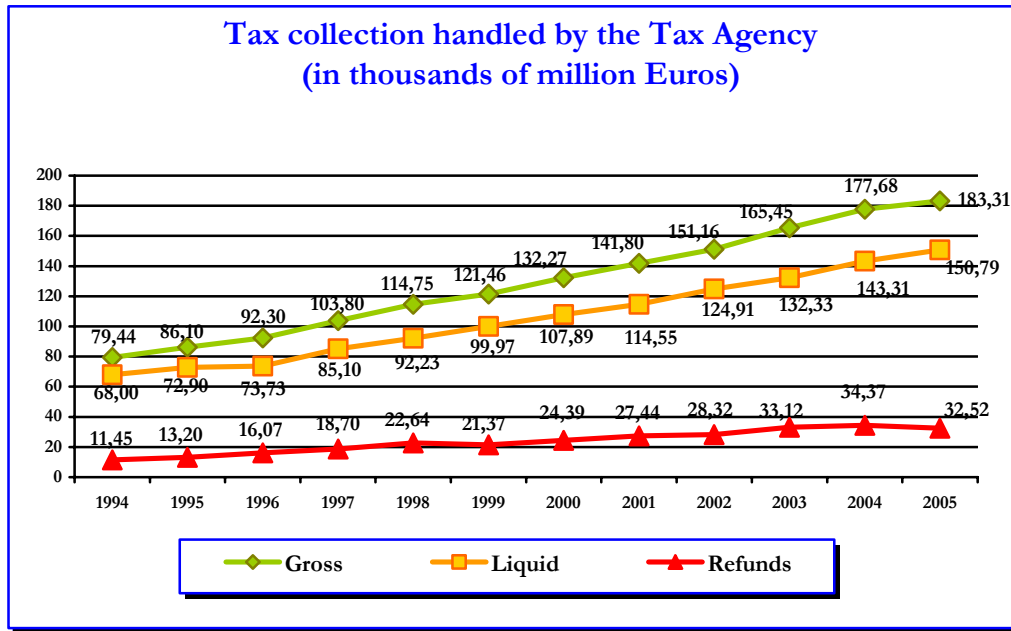
Furthermore, once the Tax Fraud Prevention Plan had been approved, a permanent suggestion box was kept open at the disposal of all citizens. In the period between February and December 2005, 642 suggestions were received in this box.

## **IV. Statistical Appendix**

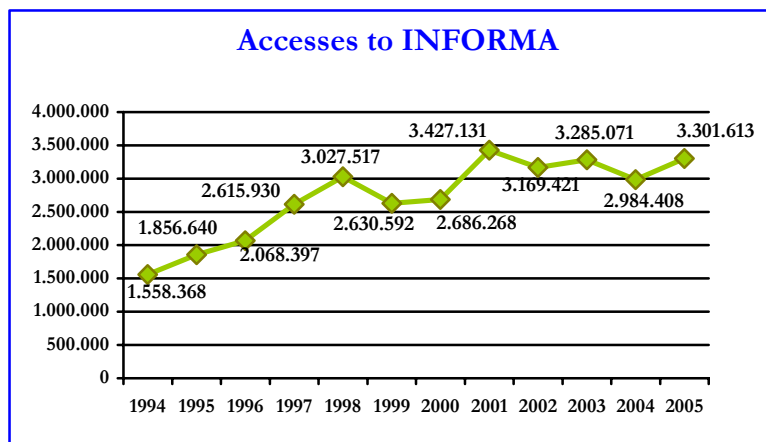
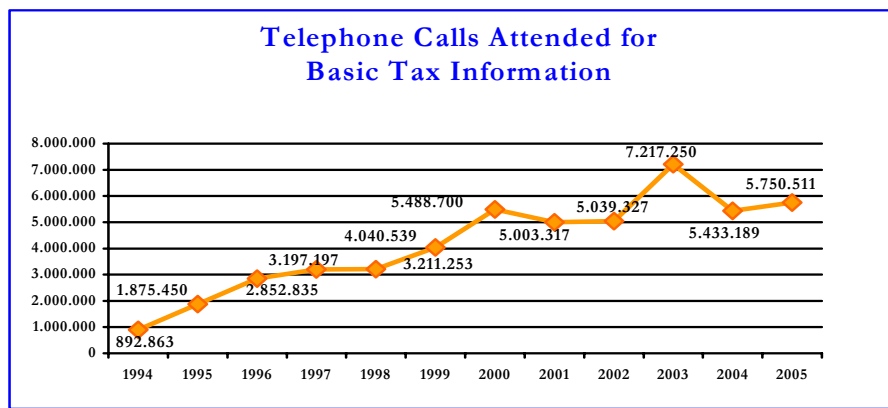
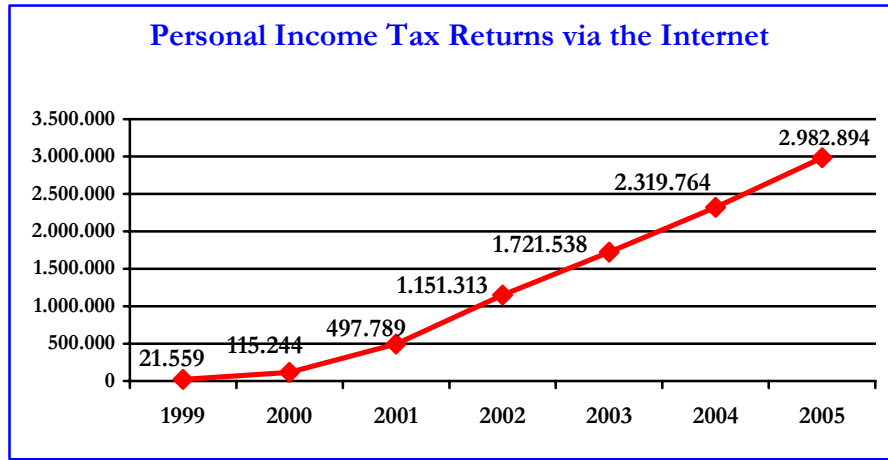


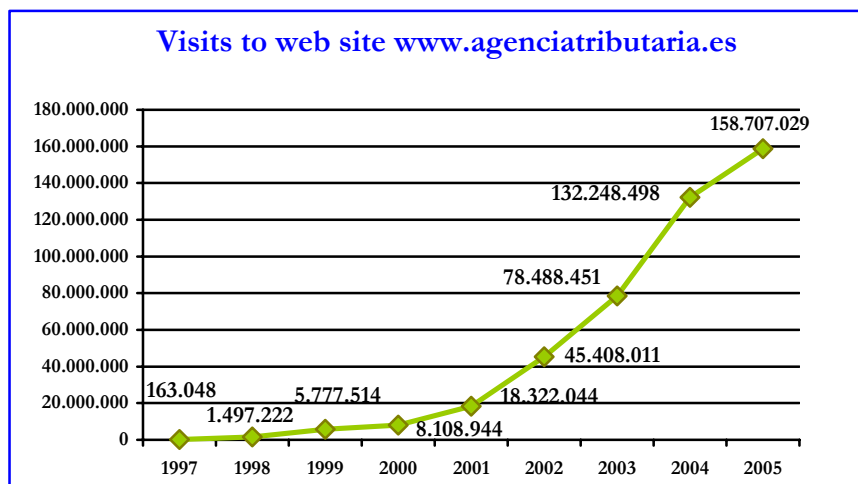
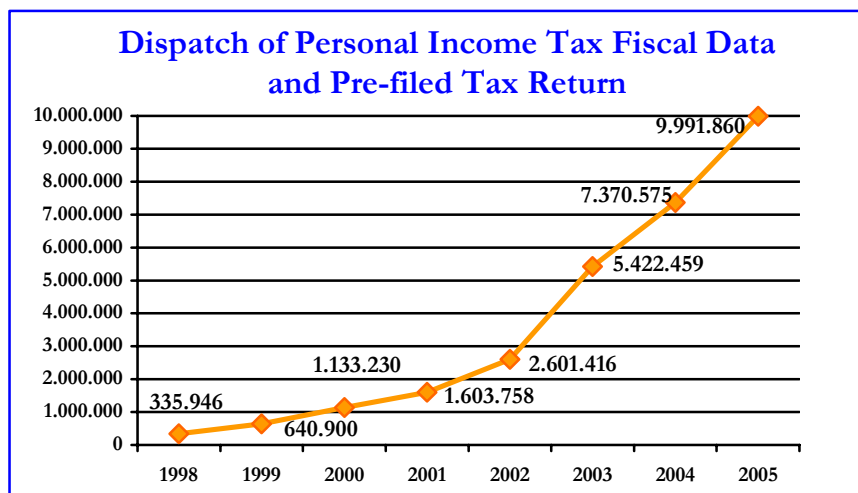
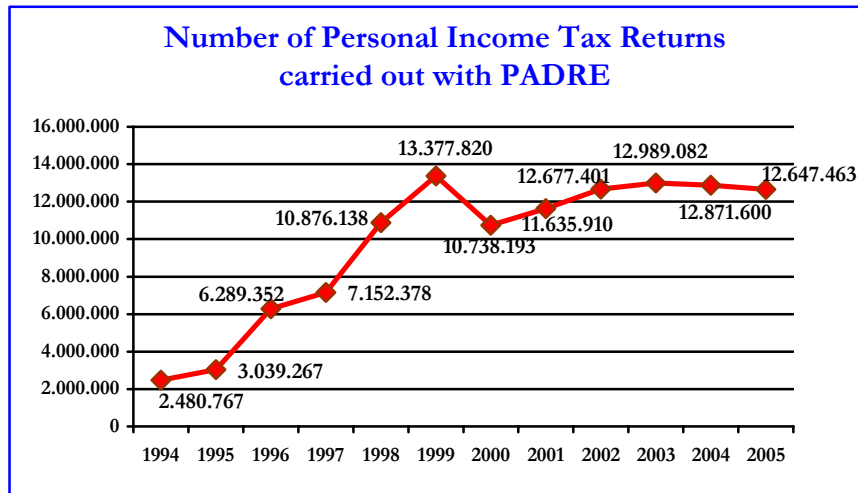


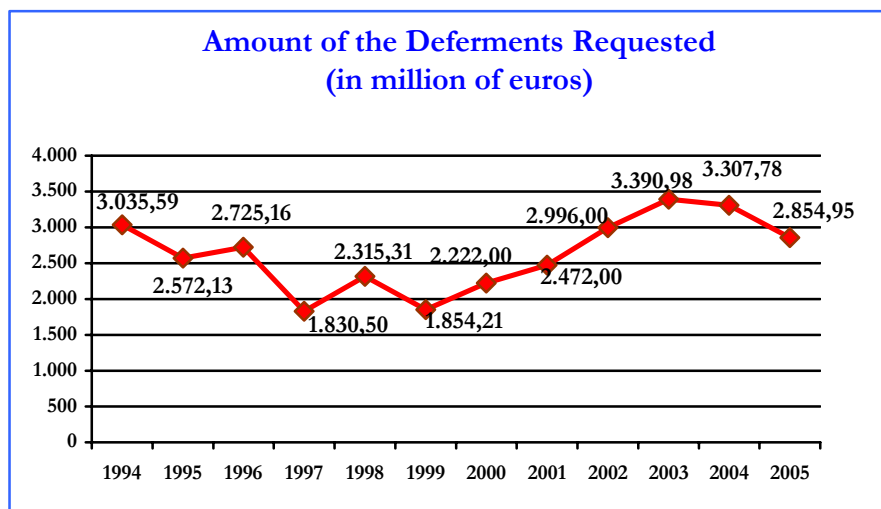
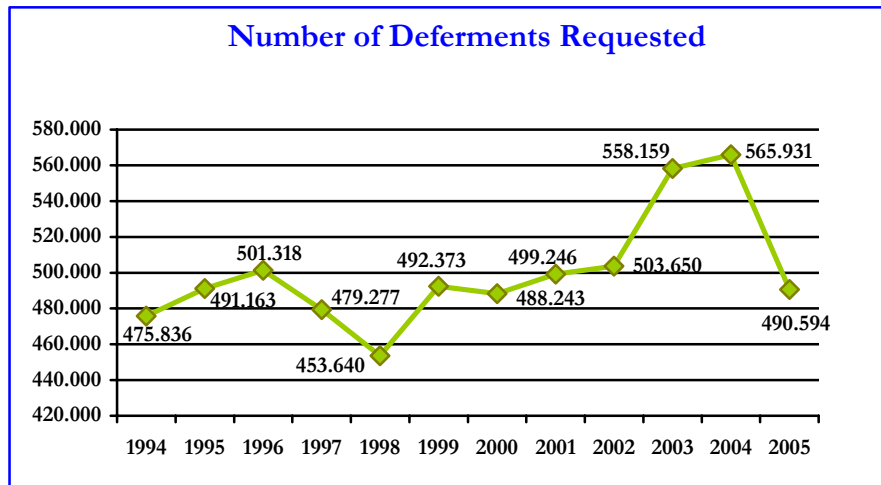
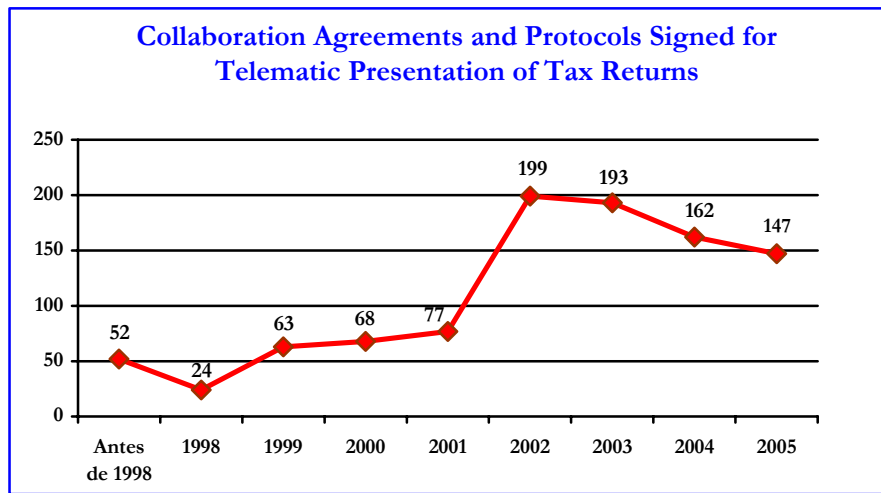
## Tax Collection Handled



## Information and Assistance







## Tax and Customs Control

