

# **SPAIN: AEAT BONUS ARRANGEMENTS: A CRITIQUE OF DISCLOSURES BY AGENCIA ESTATAL DE ADMINISTRACIÓN TRIBUTARIA (AEAT)**

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**T**he purpose of this note is to provide a critique of an AEAT document about its bonus scheme which was released in September 2022. It is based on an English language version of the document.

This document was made available by AEAT following an order by the Central Administrative Court No 4 of Madrid on 22 July 2022. The order was the result of an application by AEDAF (the Spanish Association of Tax Advisers) to have access to the regulations relating to the “productivity bonus” for tax inspectors and technicians. Access had previously been refused by AEAT. The drafting of AEAT’s note does not make

clear whether the arrangements described constitute all of the bonus arrangements for AEAT staff. Eleven bonus schemes are separately identified in AEAT’s annual accounts, with a quantum attached to each of them. This document may, therefore, respond to a narrow definition of “productivity bonus”. It is dated 19 September 2022.

The critique draws attention to aspects of the document that may require particular reflection on the part of the reader.

# NOTE ON CRITERIA FOR DISTRIBUTING INSPECTION PRODUCTIVITY SCORES, AEAT, MADRID, 19 SEPTEMBER 2022

## 1. Summary

This document purports to explain the arrangements under which bonus payments are made to staff in general and to the inspectorate in particular. There are a number of issues:

- The explanations are incomplete.
- Terms are not defined.
- Numerical examples, which might have been used to clarify key points, are entirely absent.
- The relationship between the schemes described and the eleven categories of bonus in AEAT's annual accounts are not elaborated.
- A number of statements are made that are evidently at best disingenuous.

It was prepared as a response to a Madrid court requirement that AEAT publish details of the scheme. It is defensive in tone, covering not just the issue of bonuses but the issue of individual accountability of inspectors and Chief Inspectors for audit adjustments ('regularisation').

Like many of the documents (eg Acta) issued by AEAT, it is poorly structured and can only be understood as a meandering and partial description of the different elements in the bonus scheme and the issues that influence the distribution of bonuses, going back and forth over issues, so that the precise meaning becomes obscure.<sup>1</sup>

It starts by setting out the legal basis on which bonus payments are made, which has not generally been contested. It proceeds to describe the "closed pool" which is said to fund the annual bonus. It confirms that the scheme is explicitly designed to encourage competition between individuals, teams and units for a share of the fixed bonus pool.

It reveals that each inspector will be aware of how much every audit they undertake can contribute to the points that their team and unit require to maximise their budget allocation.

Notwithstanding the emphasis on generating internal competition, the note seeks to create the impression that most of the bonus pool is in fact utilised

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<sup>1</sup> The vagueness of the AEAT note is surprising. Resolution of 27 April 2018 of the General Directorate of the State Tax Administration Agency, on which it was presumably based, is much clearer and more robust.

in support of an underlying philosophy that the bonus arrangements should not “discourage ordinary work by disproportionately rewarding extraordinary work.” This results in a particularly confused account which fails to link different aspects of the bonus arrangements in a coherent manner.

What is apparent, however, is that the bonus pool, which is the subject of AEAT’s note, is split broadly 70/30. Almost 70% of the pool is apparently shared widely among AEAT’s 26,000 employees, thus meeting the objective that almost every member of staff should receive a bonus. (This suggests that a better approach would be to incorporate the bonus into base pay and manage performance and behaviour through other HR initiatives.) The 30+% remaining is shared among the group of inspectors which is thought to number around 2,500. The exact figure is not published by AEAT.

The size of the bonus pool is not disclosed in AEAT’s note but its annual accounts show that approximately €250 million has routinely been paid annually in bonuses in the years 2020-2024. The total was more than €280,000,000 in 2024.

On the basis of these numbers, the notional average inspector would expect to receive, annually, around €30,000 from the 30+% pool and more than €6,000 from the general pool. Clearly some will receive more and some less in practice. Numerical examples are regrettably not provided by AEAT. It should be borne in mind that a €30,000 bonus (on average) would seem to add close to 50% to an inspector’s remuneration so it might be considered large enough to influence his behaviour. €30,000 is higher than the average salary across the whole of Spain.

The AEAT note explains how a theoretical framework, enshrined in the Resolution of 27 April 2018 of the General Directorate of the State Tax Administration Agency, creates the basis on which the 70-% pool is allocated to individuals. It appears to involve an entirely subjective assessment founded on a number of general, basic employment performance expectations and on an additional subjective category described as “special performance and dedication”. This is not elaborated more fully. No weightings are attached to the evaluation

categories in the note. AEAT asserts but does not evidence that “the incentive has no relation whatsoever to the quantitative results of the inspection activity”.

The note offers an explanation of how the 30+% is allocated. This is the most sensitive part of the note as attention is focused on whether there is, or could be, a link between inspectors’ audit work and the bonuses they receive.

The note identifies three main factors that affect an inspector’s bonus allocation. These are reflected in the following calculation of so-called scale points, which is set out in the note:

**“Total scale points = (“assessed scheduled actions” + scale points resulting from the application of the coefficients) multiplied by the overall file assessment coefficient”.** (AEAT emphasis)

The total scale points earned by each inspector ultimately determine what share of the closed bonus pool he, his team, and his unit are entitled to receive.

Scale points, as the formula shows, are earned by reference to two factors:

- An assessment of the actual case work that the inspector has been assigned, in terms of complexity, scope and scale (“assessed scheduled actions”)
- An evaluation based on four coefficients, some highly subjective, some overlapping and some which appear to be impossible to implement as described. These are addressed more fully below.

In addition to these two factors, a critical third factor is introduced into the calculation of “Total scale points”. This is the multiplier which is applied to the sum of the points awarded by reference to the other two factors. It is referred to in AEAT’s note as the *overall file assessment coefficient*.

This multiplier can be set anywhere in a range 0-2.5. The decision is entirely within the discretion of the Regional Inspector. A multiplier of zero eliminates completely the scale points earned through the other

factors. A multiplier of 2.5, on the other hand, converts, for example, a (maximum) score of 4 points for the *composite effectiveness coefficient* (which recognises the financial effect of an audit adjustment) into a score of 10 points.

The Regional Inspector, therefore, has considerable power to influence the pay of units, teams and individual inspectors, potentially providing a substantial measure of influence over their behaviour.

As can readily be seen, the design of both the 70-% and 30+% elements of the bonus arrangements, as described in the note, results in a system of bonus allocation which is largely discretionary and subjective, but which is held out by AEAT to be scientific and objective.

A fact that the note does not highlight – as it deals only with the distribution of bonuses – is that

**the overall size of the bonus pool and, therefore, the size of bonuses, is dependent on the achievement of pre-determined target collection levels.** Higher collections allow access to a bigger bonus pool. All inspectors stand to benefit by an increase in overall collections. This is confirmed by the text of the 2025 bonus agreement between AEAT management and the unions, dated 9 April 2025.

Finally, the AEAT note concludes with the routine, unevicenced and discredited assertion that only 1.4% of the inspector's remuneration depends on the quantitative results of inspection activity. The words are chosen carefully to avoid being identified easily as an outright lie, but in reality, the whole bonus pool is conditional on the achievement of targeted quantitative results.

## 2. The note in detail

The critique which follows does not examine exhaustively every paragraph in the AEAT note. It aims to highlight sections of the note that appear questionable and to consider whether some issues might not have been covered, or covered transparently, in it.

### 2.1. The legal framework for the bonuses (Section I):

The note starts with the legal framework for the bonuses. The *legality* of bonus payments has not generally been the focus of commentators, but AEAT nevertheless provides an explanation of the framework in which it sits.

“We also find explicit and comprehensive references to the relationship between objectives and productivity in the General State Budget Laws. We can refer to Article 22.1. E) of the current LPGE for 2022, approved by Law 11/2020, of December 30, which establishes the following with regard to this supplement:

*E) The productivity bonus, which will reward special performance, extraordinary activity and dedication, and the interest or initiative with which the jobs are performed.*

*Each ministerial department shall determine (...) the criteria for distributing and setting the individual amounts of the productivity bonus, in accordance with the following rules:*

*1. Productivity shall be assessed on the basis of objective circumstances related to the type of job and its performance, and the degree of participation in the achievement of the results or objectives assigned to the corresponding program.”* (AEAT’s emphasis here and throughout)

The note also states:

*“Last but not least, performance evaluation for the purposes of paying supplementary productivity bonuses is not something foreign to the civil service, but rather an obligation. This is established by Royal Legislative Decree 5/2015 of October 30, which approves the revised text of the Basic Law on Public Employees:*

*Article 14. Individual rights.*

*Public employees have the following individual rights in accordance with the legal nature of their employment relationship: (...)*

*d) To receive remuneration and compensation for their service.*

*e) To **participate in the achievement of the objectives assigned to the unit** where they provide their services and to be informed by their superiors of the tasks to be performed.* (ed. It is not clear in the English text what the opening words regarding “participation” mean in law or practice. It is used here as if to imply an entitlement to a financial share of collections, rather than an expectation that they will work to achieve AEAT’s objectives.)

*Article 20. Performance evaluation.*

*1. Public administrations shall establish systems for evaluating the performance of their employees.*

*Performance evaluation is the procedure by which professional conduct and performance or achievement of results are measured and assessed.*

*2. Performance evaluation systems shall, in all cases, comply with criteria of transparency, objectivity, impartiality, and non-discrimination and shall be applied without prejudice to the rights of public employees.*

3. *Public administrations shall determine the effects of the evaluation on horizontal career progression, training, job provision, and the receipt of supplementary remuneration provided for in Article 24 of this Statute<sup>2</sup>.*

It is questionable whether all of the requirements of Article 20 are properly fulfilled in practice, as will be seen, but there is little doubt that performance evaluation is required within the system and that it is to be carried out in accordance with a rigid set of criteria, even if, on closer examination, it becomes clear that the outcome of that evaluation can be overridden by subjective judgement.

The bonus arrangements might normally have been the subject of primary legislation but, in this case, a Royal Legislative Decree has been used. In principle, this is permitted by Article 82 of the Constitution, which allows the government to consolidate legislation and to draft law on parliament's behalf, but only within limits set by parliament.

## 2. 2. The Inspection Scale (included in Section I)

The note references the *Inspection Scale*, which apparently represents a significant part of the evaluation system.

The AEAT note says that it is “*used to objectively measure the work of the teams, following the legal principles of transparency, objectivity, impartiality, and non-discrimination.*” “*The Scale is based on the principle of continuous evaluation of work and assessment of the performance history of actuaries...*” “*the Scale seeks to evaluate the activity of civil servants not only in relation to a specific case, but also beyond the current year, in order to assess their overall work performance.*”

There is no evidence provided of how this multi-year assessment is operationalised in practice. It does not feature in any of the criteria or coefficients on which the distribution of bonuses is said to be based. The system appears to be annual in scope and to have a fixed annual budget.

It continues: “*For this reason, the Scale is based on the completion of assigned checks*”, the difficulty of which is “*basically taken into consideration*”. “*In summary and in conclusion, the Agency works towards objectives, which are reflected in the control plans in the form of a number of checks to be carried out. These are not all the same, so they must be assessed differently according to their complexity and expected duration.*”

The note does not explain exactly how the Inspection Scale influences the allocation of bonuses to units, teams or individuals. Logic suggests that it relates to an initial distribution of bonus that is made available to all staff, but this is simply inference.

## 2. 3. Responsibility of inspectors for assessments (Section II.1)

The note addresses the following issue: “*whether there is true autonomy in the activity of the actuaries of the Inspectorate (Tax Inspectors and Tax Technicians) that could lead them to make decisions that affect the interests of those being inspected for reasons derived from the variable remuneration of those actuaries. In other words, is it possible to say that an actuary or team leader can decide on their own what assessments will be made? The answer is clearly no.*”

As explained in the AEAT note, all team members potentially benefit from the issue of a higher assessment, so there is a common interest among all those

<sup>2</sup> Article 24 b refers to special difficulty and dedication and 24.c to the degree of interest, initiative, effort, and performance or results obtained.

These points are not elaborated further. The full text of Article 24 reads as follows:

“*The amount and structure of supplementary remuneration for civil servants will be established by the corresponding laws of each Public Administration, taking into account, among others, the following factors:*

- a) *The progression achieved by the official within the administrative career system.*
- b) *The special technical difficulty, responsibility, dedication, incompatibility required for the performance of certain jobs or the conditions in which the work is carried out.*
- c) *The degree of interest, initiative or effort with which the official performs his work and the performance or results obtained.*
- d) *Extraordinary services provided outside of normal working hours.*”

involved in the inspection process and in determining its outcome. This note, disingenuously, makes this an issue about an individual rather than the team.

The note states that the Inspector will make merely “*a proposal for regularisation*” – no possibility is admitted that a regularisation may not be required – and “*may also make a proposal to initiate penalty proceedings*”. These “*are simply brought to the attention of the Chief Inspector who, with the assistance of a body known as the Technical Office, must decide whether to agree to these proposals either in their current terms or, where appropriate, by altering those terms, ordering that the proceedings be completed or modified, or even annulling them*”

So, “*once the Inspection Unit issues its agreement, this administrative act is not that of the official, but of the Tax Agency itself*”.

This device has little to do with bonuses but neatly tries to sidestep the possibility that an AEAT inspector might be charged with malfeasance in the course of an inspection process. It only has relevance to the issue of bonuses because it is quite clear that, in a conventional system, a bonus should not be awarded for an action for which an individual has no responsibility. Nevertheless, that is what the system does.

## **2. 4. Responsibility for cases lost in court (Section II.2)**

The note recognises that the outcome of an inspection may be overturned in the courts but explicitly states that, in no case, “*should we assume a priori that the administrative acts lacked the necessary factual or legal basis*.” “*The filing of appeals or the upholding of these does not generally imply that the work has been done poorly*.”

Such an outcome “*does not mean that the authors of the administrative act, and even less so those who drafted the proposal, deserve to be reproached for their performance*.”

It is on this basis that AEAT justifies that no claw-back of a previously-paid bonus is required when a case is lost. The system, as described, is patently absurd.

## **2. 5. General method of allocating bonuses (Section II.4)**

The basis on which bonuses are awarded to teams, for ultimate distribution to their members, does not seem to be fully disclosed in the note, whereas it is clear from what follows that the teams decide on the individual allocations.

Regarding performance assessment, the note declares that “*teams, and not the civil servants who comprise them, constitute the unit for the fulfilment of objectives*.” Unfortunately, this statement lacks precision. The logical way of allocating bonuses to teams would be to add up the point score for each individual in the team and compare the total with the total for other teams. However, this implies a system based on individual, not team performance.

“*Once the amounts corresponding to each inspection team have been obtained, there will naturally be an internal distribution within the team according to the performance of each of the actuaries who comprise it, objectively assessing the actions carried out, but also based on the opinion of the team or unit leader*.” The opinion of the team/unit leader is clearly subjective.

In conclusion, the basis on which awards of bonuses are made to inspection teams is not clarified at this point in AEAT’s note. Nor is it clear that the statement which follows is true. “*Teamwork therefore determines the distribution of productivity and makes it even more difficult for an individual actuary to make unique and autonomous decisions*.”

Thus far in the note, there is no clarification of how bonuses are actually awarded or what the link is to the so-called Inspection Scale.

## **2. 6. The closed bonus pool (Section III.1)**

The next section of the note describes the concept of the “*closed pool*” from which bonuses are allocated. The amount of the closed pool is “*clearly fixed at the beginning of the fiscal year*.” However, the 2025 bonus agreement between AEAT management and unions was only signed in April, well into the (calendar) financial year.

The concept of the so-called closed bonus pool is important. In 2025, the maximum size of the bonus pool was set in the agreement with the unions, but its actual size was dependent on the collections achieved. It is the size of this bonus pool that is used to drive the behaviour of Inspectors. If collections are higher, more of the tax collected goes into the pockets of Inspectors. They compete among themselves for how much of the total amount available they receive as teams and individuals.

In this section of the AEAT note, a fuller explanation of the allocation of bonuses within the closed pool is provided. It is described in the following terms: “since the Scale determines an initial distribution among Inspection Units<sup>3</sup> and, only secondarily, a distribution among inspection teams and units, the way in which each Unit meets the objectives assigned to it will determine the share of the overall pool allocated to the officials in that unit. This means that it is entirely possible for the remuneration corresponding to a specific official in a given year to be lower than that obtained in the previous year, even if they have carried out many more inspections and these have resulted in more significant adjustments, given that these earnings are not only a function of the performance of that official in their team in that year, but also a function of the performance of the other officials in their unit and the relative position of their unit among the other Inspection Units throughout Spain. The distribution of productivity is therefore competitive and zero-sum, meaning that the amount that one official receives in excess will necessarily be lost by another.”

There are six important points to note in this paragraph.

(i) *the Scale determines an initial distribution among Inspection Units.* This indicates that there is a pre-allocation system. The relationship between this and the rest of the bonus system is not explained.

(ii) *the way in which each Unit meets the objectives assigned to it will determine the share of the overall*

*pool allocated to the officials in that unit* It’s not clear whether the words “*the way in which*” are significant. More precise language would help to clarify whether this is a hard-edged, financial test or a soft, subjective test.

(iii) *these earnings are not only a function of the performance of that official in their team in that year,*

(iv) *but also a function of the performance of the other officials in their unit*

(v) *and the relative position of their unit among the other Inspection Units throughout Spain*

(vi) *the amount that one official receives in excess will necessarily be lost by another.*

So, the bonus system, (as described), which is the basis of reward for an audit function that should be independent and neutral, is explicitly competitive and (vi) zero-sum. It is designed to encourage competition (ii)(v) between units, and (iii) individual officials. It encourages peer pressure by (iv) subjecting rewards for individual performance to a limitation imposed by reference to the performance of the other members of the unit.

## 2.7. The Scale system (Section III.1; III.2; IV.1)

The note explicitly acknowledges that each inspector (*actuary*) will know “*the “scale points” that will be calculated as a result of the action (ie the audit)*”. It then asserts that it is impossible for an inspector to calculate how much, in terms of cash bonus, a particular audit is worth because of the competitive aspects. However, it is absolutely clear that the higher the points that are achieved on a particular audit the higher the likelihood that it will result in a higher cash payment to the inspector and his colleagues. **Each inspector is, therefore, personally incentivised financially to score the maximum points on each audit and under peer pressure to do so as well. This is the result, not by accident, but by design.**

3 There is an Inspection Unit in each Special Delegation of the Tax Agency and a Control Unit in the Central Delegation for Large Taxpayers.

It is disingenuous for AEAT to assert, as it does, that, “*there is no direct link between the scaled productivity bonus received and this or that case file*”. Each inspector is **fully aware** how the outcome from each audit will help to maximise the financial rewards made available to his team. This misleading statement is repeated in the *Conclusions and Summary*.

The Scale-based system is said to impose a cap on the maximum points for a single audit and (apparently) “*a higher financial incentive for intermediate compliance than for over-compliance*”. There is no indication of what this actually means, how it might be measured or to whom it relates. It also states that “*once any team exceeds certain compliance thresholds, their remuneration will no longer be improved*.” The philosophy behind this seems to be in marked contrast to the fundamental design objective of the bonus scheme which is to encourage sharp competition within the inspectorate.

The note states that “*the distribution of productivity under the Scale seeks not to discourage ordinary work by disproportionately rewarding extraordinary work*.” Again, this appears to run counter to normal concepts in bonus schemes. If all are to be rewarded for turning up, not just for performing, an alternative and more honest approach would be to raise base salaries.

The note confirms, however, that “*a high regularized amount...can improve the position of a team or an actuary*”, arguing only that the conversion of that outcome into cash bonuses might be limited by the functioning of the Scale. The use of “*various [completely unspecified] arithmetic mechanisms*” is said to prevent one department from obtaining “*a disproportionately higher share of productivity*” than another. The absence of any further clarification leaves open the question of how discretionary these arithmetic mechanisms might be in their application.

The note states that “*A portion of the ordinary credit allocated to the Inspection area, up to 70%, will be distributed in modules*”. The meaning of this is not clarified. There is no explanation of “*the ordinary credit*”, how this relates to the closed pool previously described, nor the meaning of “*modules*”. The inference, from the whole AEAT note, is that the Scale-based bonus

is the bonus potentially available to all staff (70-% of the pool), and the remainder is available only to the inspectorate (30+%) but, disingenuously, nowhere is this stated plainly.

## 2. 8. Scale-based bonus (Section IV.1)

The distribution of the Scale-based bonus is said to be based on an assessment of the individual’s grade and the adequacy of their performance. “*Adequate performance*” is said to be defined explicitly in the Resolution of 27 April 2018 as:

- *special performance and dedication*
- *assigned workload*
- *punctuality*
- *cooperative spirit: cooperative with colleagues, subordinates or superiors*
- *sufficiency in the quality of work*
- *management, coordination, and promotion of teamwork,*
- *contribution to the functioning of the Departments and Offices*
- *number of teams, units, or officials under their charge.*

In fact, the definitions in the Resolution are somewhat different. Presumably the note captures what AEAT management considers to be important. This notably excludes cooperative behaviour towards taxpayers.

With the exception of the first bullet, these appear more like base-level expectations than a reason for a bonus award. The first bullet seems to be a measure of productivity, open entirely to subjective judgement.

No indication of how these individual performance factors might be weighted is provided. They all appear to be largely subjective. No evidence is provided in the AEAT note that there are measurement systems that support them.

The note asserts, but in no way evidences its conclusion that “*the most important part of the incentive has no relation whatsoever to the quantitative results*

of the inspection activity”. The first bullet implies that this is not, or might not be, the case in practice. The fact that this element of the award “*is based exclusively on the general assessment by management*” provides unlimited scope for discretionary awards to be made to those who achieve high financial adjustments in their audits.

The importance of the words “*up to 70%*” is left unclear. The lack of precision again suggests some discretionary flexibility which sits uncomfortably with the idea that this note is intended to provide clarification of the actual operation of the bonus scheme.

## 2. 9. Bonuses allocated to executive units

The remainder of the “credit” – described as the second part of the incentive – is distributed only to the “*executive units of the portfolio (i.e., the actuaries)*” through what is called an objective assessment of the work performed by each team. The main criterion for the assessment of performance is said to be the number of audits completed, although how this works in practice is not specified. The number of audits completed does not appear anywhere in the list of four coefficients that are said to be used to measure performance for the purposes of this bonus.

The limitation on the distribution of this award to actuaries requires some numerical context in order to be understood. There are said to be approximately 26,000 employees of AEAT. The number of inspectors (actuaries) is not reported but is understood to be around 2,500. So, on this basis, up to 70% of the Scale-based award is open to be paid to all staff, including the inspectors, “*based exclusively on the general assessment by management*”. The remainder (30+) is paid to a much smaller group, representing less than 10% of the workforce.

On the conservative assumption that €250 million<sup>4</sup> is made available annually in this way, the 30+% represents, on average, a minimum of **€30,000 per inspector** (€75,000,000/2,500) **on top of** the discretionary award to which they might be entitled under the allocation of the “ordinary credit” which is available to all. The average entitlement, if that element was distributed equally to all staff, would be **€6,730**. However, there is no evidence that suggests it is distributed equally as management appears to have complete discretion.

The result is that a very substantial amount is potentially available to inspectors by way of bonuses. This is not explained in AEAT’s note. As a point of reference, the average annual salary in Spain today is approximately €28,000. The average bonus alone exceeds that by a significant margin.

## 2. 10. Award criteria for bonuses in the inspectorate

The AEAT note attempts to clarify how the 30+% is awarded. It addresses this in the following terms.

First, each audit case file is evaluated and given a value, weighted by reference to:

- Complexity
- Scope (general or partial audit)
- Turnover of the entity to be audited

Large company audits may be given additional “value” by reference to the number of years involved in the audit and possible complexity involving international issues.

Each case is given “scale points”. These points are said to be the result of applying certain coefficients to the value of the audit. The coefficients are said to

4 AEAT’s own annual accounts numbers reflect the following bonus payments:

2020: €235 million

2021: €244 million

2022: €253 million

2023: €267 million

2024: €282 million

Bonuses are paid under multiple arrangements and to different staff. However, “productivity better performance” appears to be the main channel for these payments together with “benchmarked productivity inspection”. In 2024, these represented more than 86% of bonus payments disclosed.

evaluate “*the quality and effectiveness of the inspection actions carried out*”. No example of how this works is provided.

The coefficients for 2022 (the year for which this disclosure was made) included:

a. Quality coefficient.

The so-called quality coefficient aims to ensure “*proper management of the file in the Unit once the regularisation proposal has been issued*”. So described, this appears to measure performance during a very short period of time between the issue of the proposed assessment and the agreement or disagreement of the taxpayer being formally recorded. The maximum length of this period is highly regulated. So, the quality coefficient seems to be a very narrow measure, as described. The inspector is responsible for the activities prior to the issue of the regularisation proposal, and the Chief Inspector is involved in its finalisation. However, confusingly, the coefficient is clarified (?) in the same paragraph as being positive when agreement has been reached with the taxpayer six months before the end of the maximum duration of the audit and negative if the minutes are signed “*very close to the end of the file’s maximum duration*” (The term “*very close*” is not explained.) This appears to include a measure of the duration of the audit/inspection itself rather than just a measure of the performance in the period after the regularisation proposal is issued.<sup>5</sup>

b. Quality coefficient of the action for the use of action and verification techniques

This coefficient is simply described as assessing “*any action that has led to the detection of unknown operations and the hidden economy*.” This is a very broad measure, with no evident quantitative aspect. Any previously undisclosed income, and any income which the Inspector believes should be taxed but has not been, potentially falls into this category. It appears to be highly discretionary.

c. Effectiveness coefficient relating to the direct collection of settlement notices and the reduction of disputes

This coefficient is said to be based on the proportion of audits settled by agreement with the taxpayer rather than disagreement, resulting in appeals. This coefficient appears to be based on simple quantitative analysis.

d. Composite effectiveness coefficient

This coefficient purports to reflect the “*direct result of the inspection activities*.” This includes the regularised amount (ie the audit adjustment), the discovery of hidden tax bases (apparently overlapping considerably with b) above) and “*the amount of effective improvements in voluntary or induced tax compliance by both the taxpayer and their immediate environment*”, all of which are said to be referenced back to the scale of the taxpayer.

No evidence is provided of how any of this evaluation is, or can be, carried out objectively in practice. The easy part of the evaluation is the value of the audit adjustment, and **it seems likely that it is the audit adjustment that is given the greatest weight.** The assessment of voluntary or induced compliance is at the other end of the spectrum in terms of ease of measurement and would require an extraordinary allocation of resources to make a fair determination. A footnote states “*The improvement in the behaviour of the taxpayer and their environment during the inspection and the following months is assessed. This improvement is determined by the increase in their level of tax returns for the various taxes.*” This would be exceptionally difficult. It would require the exclusion of factors that would naturally result in a higher tax declaration (eg increased income) and, in practice, it could apply only to a narrow range of taxes that have a monthly or quarterly reporting requirement. Income taxes, for example, are only reported annually. So, this measure could not be applied to them, as it is said to be based

<sup>5</sup> A change was made in this coefficient in 2025. According to *Instruction 01/2025, of March 21, 2025, from the Director of the Department of Financial and Tax Inspection, for the distribution of the productivity bonus scaled in the 2025 fiscal year*. The coefficient now includes a measurement of the time elapsed from the date of the notification of the audit to the date of the signing of the minutes. The coefficient varies from +0.2 for investigation time of less than 12 months through a range to -1 for investigation time exceeding the permitted period.

on a few months only. It seems, therefore, unlikely that this coefficient is used “scientifically” to any significant extent in practice.

If the intention was to establish a meaningful coefficient, it would be necessary to measure the increase in voluntary compliance over a much longer period of time. The short-run measure that is said to be used today has little or no value for the administration of the tax system.<sup>6</sup>

The AEAT note states that, in any event, the point score for this coefficient will be limited to no more than 4, so as not to give too heavy a weighting to a larger than expected settlement (that is, larger than “*the reference value*”). This reference value is not explained but is presumably an *a priori* assessment of the additional amount expected to be raised from an audit of this taxpayer. ie the target audit adjustment before opening the inspection. In any event, the value of 4 has no meaning in this note as the values potentially attributable to the other coefficients are not disclosed. **It is clear that the note is simply intended to downplay, for an external audience, the value of this coefficient because it specifically includes the points awarded for achieving audit adjustments.**

It should be noted that none of the coefficients described in the AEAT note measure the **number of audits** carried out during a specified period. This seems to contradict the statement by AEAT that rewards for the inspectorate are determined “*through an objective assessment of the work performed by each team, based on a set of criteria, the main one being the number of inspections completed in a given period...*”

The final element, the so-called Scale Resolution, or the overall file assessment coefficient, appears to be an entirely discretionary adjustment: a multiplier within the range 0-2.5, to be determined by the Regional Inspector, and applied to the scale points awarded from the other coefficients in a case “*when*

*these do not correctly reflect the work carried out during the proceedings.*” This clearly overrides any objectivity that exists in the earlier evaluations. **As the note states plainly, it “recognises the power of the Regional Inspector”.**

The note summarises the calculation of the scale points in the following terms:

**“Total scale points = (“assessed scheduled actions” + scale points resulting from the application of the coefficients<sup>7</sup>) multiplied by the overall file assessment coefficient”.** (AEAT emphasis)

No example is provided of how this calculation is in fact made. The note ascribes no numerical values to the criteria that it purports to use in the calculation of the “*assessed scheduled actions*” so their relationship to the scale points (to which no numerical value is ascribed either) is not disclosed, making the disclosure of the apparently scientific formula **entirely meaningless.**

What is immediately apparent, however, is that the Regional Inspector has enormous power and discretion. His freedom to apply a multiple of 0-2.5 to the sum of the value of the other factors assessed has significant consequences.

**A multiple of 0 eliminates the value of the other factors entirely.** So, the inspector and his team receive no points, no bonus for performance, when that multiplier is applied. **This is an extraordinarily strong control device, no doubt leading to inspectors behaving in the manner that the Regional Inspector requires.**

In fact, any overall assessment coefficient (Scale Resolution) below 1, reduces the points that the inspector would hope for from a particular case, below its natural score from the other coefficients. Again, it

6 The Service Inspection Report on the Evolution in 2024 of the Indicators of the 2024-2027 Strategic Plan, issued by AEAT in July 2025 states that taxpayers who were inspected showed a greater increase in reported income than those not inspected. The measurement period before and after audit was three years rather than the few months that are used in the bonus assessment. Over this longer period, the difference in reported income was marginal, further invalidating this part of the coefficient: audited taxpayers showed a 21.6% increase compared with all taxpayers who showed a 20% increase.

7 The AEAT note suggests in one place that these two factors are added. In another, that they are multiplied

hands extraordinary, discretionary control to the Regional Inspector, as the note admits.

**All of this is said to be used in the determination of allocations of the closed annual bonus pool across AEAT, in which winning points by an individual for himself and his team and unit have been made the subject of deliberate competitive pressure and peer pressure. The size of the pool itself is determined by reference to additional collections achieved.**

The section concludes with another entirely unevidenced and unsupported statement: “*From the calculation of the proportion represented by the composite effectiveness coefficient on the total remuneration of each actuary, and for illustrative purposes only, it can be estimated that, considering average values for both remuneration and participation in scaled productivity, only €1.4 of every €100 of an official’s total remuneration depends on the quantitative results of their inspection activity, including any induced effects.*”

This is obviously not true. Key points to note in this statement are:

- It is written to downplay the importance of the *composite effectiveness coefficient* which has the closest relationship with the audit adjustment proposed by an inspector.
- It is explicitly “*for illustrative purposes only*” and, therefore, not to be relied upon
- The relative value of the *composite effectiveness coefficient* in the calculation is not disclosed. The maximum value of 4 attributable to it, has no meaning when no other values are included in the note.
- The value of all of the coefficients that affect the bonus, including the *composite effectiveness coefficient*, as noted above, are determined in practice by the Regional Inspector who has the discretionary ability to reduce their total value to nil or to increase them by a multiple of 2.5.

The 1.4% is unevidenced and unsupported. AEAT has provided no example calculations. These could easily have been provided on an anonymised basis.

AEAT’s bonus scheme does not appear to be audited. In view of the concern and controversy it has generated, an external, independent audit of the bonus scheme, carried out by a firm outside AEAT’s reach, and published without intervention by AEAT leadership, would be extremely valuable.

## 2. 11. Conclusions and Summary

Finally, in its *Conclusions and Summary*, the AEAT note refers to another factor not addressed earlier in the explanations of how the bonus scheme works: “*the quantitative results obtained from the planned actions are also measured. This measurement, which is carried out once a year and refers to all the team’s actions, is another factor that influences the assessment of civil servants. However, it is not the main criterion, nor is it the only one. In addition, this result is assessed by comparison with equivalent actions carried out by the Inspectorate in previous years.*”

This appears to be an oblique reference to a factor which inescapably links all bonus awards to the achievement of specified collection targets. The size of the bonus pool is affected by the overall quantitative results from inspections. It is not a given. This is also evident from the 2025 agreement between the unions and management of AEAT. It shows that management has targets that drive the reward of staff. They are based on ratcheting up prior year performance. The bonus pool increases as collections increase. There are financial thresholds for higher rewards that affect all those who are party to the agreement.

**So, Inspectors will always have an incentive to assess more, in order to maximise the bonus pool for themselves and for everyone in the scheme. To believe or assert otherwise is to ignore the fundamental driver and dynamics of AEAT’s bonus scheme.**