

# FIELD GUIDE

Prepared by the TADAT Secretariat



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# Abbreviations and Acronyms

<b>CIT</b>	Corporate Income Tax
<b>IT</b>	Information Technology
<b>IMF</b>	International Monetary Fund
<b>M1</b>	Method 1 (for scoring TADAT indicators)
<b>M2</b>	Method 2 (for scoring TADAT indicators)
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PAR</b>	Performance Assessment Report
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PAYE</b>	Pay As You Earn
<b>PIT</b>	Personal Income Tax
<b>POA</b>	Performance Outcome Area
<b>SSC</b>	Social Security Contribution
<b>TADAT</b>	Tax Administration Diagnostic Assessment Tool
<b>TIN</b>	Taxpayer Identification Number
<b>VAT</b>	Value Added Tax

# I. Overview of TADAT

## Purpose of TADAT

The aim of the Tax Administration Diagnostic Assessment Tool (TADAT) is to provide a standardized means of assessing the health of key components of a country's tax administration system and its level of maturity in the context of international good practice. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view on the condition of the tax administration among all stakeholders (e.g., country authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda, including reform objectives, priorities, initiatives, and implementation sequencing.
- Facilitating management and coordination of external support for reforms, and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of repeat assessments each 2 to 3 years.

## Scope of TADAT assessments

TADAT is a global tool that can be used by any country to assess the relative strengths and weaknesses of their tax administration system.

TADAT assessments focus on administration of the major direct and indirect taxes critical to central/federal government revenues (i.e. TADAT does not examine administration of all national taxes; to do so would be too time-consuming and resource intensive). Accordingly, TADAT assessments are based on administration of the following specific taxes which collectively are referred to as 'core taxes' throughout the field guide and serve as proxies for all national taxes. Core taxes are: corporate income tax (CIT), personal income tax (PIT), value added tax (VAT)<sup>1</sup>, and Pay As You Earn (PAYE) amounts withheld by employers (which, strictly speaking, are remittances of PIT). Social security contributions (SSCs) may also be included in assessments where they are a major source of government revenue and are collected by the tax administration, as is the case in many European countries. By assessing outcomes

in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of a country's tax administration system.

TADAT is not designed to assess the administration of special tax regimes, such as those applying in the natural resource sector (i.e. these taxes are not included in the definition of core taxes for TADAT purposes). Nor does TADAT assess customs administration.<sup>2</sup>

TADAT provides an assessment within the country's existing revenue policy framework, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

## Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
3. **Support given to taxpayers to help them comply:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.
4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
5. **On-time payment of taxes:** Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
6. **Accuracy of information reported in tax declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.

<sup>1</sup> For the small number of countries that do not have a VAT, an indirect tax equivalent such as sales tax should be used.

<sup>2</sup> The World Customs Organization has developed and actively promotes a diagnostic process for customs reform and modernization.



7. **Adequacy of dispute resolution processes:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.
8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.

### Indicators and associated measurement dimensions

A set of 28 high-level indicators critical to tax administration performance are linked to the POAs—see Table 1. It is these indicators that are scored and reported upon. A total of 47 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has one to four measurement dimensions.<sup>3</sup>

TADAT assesses the relative strengths and weaknesses of a country's tax administration system by reference to each indicator; it does not attempt to assign a single overall performance rating for the administration. TADAT assessments reflect the maturity level of a tax administration in the context of international good practice. Repeat assessments (at 2 to 3 year intervals) will provide information

<sup>3</sup> Throughout the field guide each POA, indicator, and measurement dimension set is identified by the code Px.y.z: where z is the measurement dimension of indicator y for POA x. For example, P2-3-1 represents measurement dimension 1 of indicator 3 of POA 2.

**Table 1. TADAT Performance Indicators**

<b>POA 1: Integrity of the Registered Taxpayer Base</b>
P1-1. Accurate and reliable taxpayer information.
P1-2. Knowledge of the potential taxpayer base.
<b>POA 2: Effective Risk Management</b>
P2-3. Identification, assessment, ranking, and quantification of compliance risks.
P2-4. Mitigation of risks through a compliance improvement plan.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.
P2-6. Identification, assessment, and mitigation of institutional risks.
<b>POA 3: Supporting Voluntary Compliance</b>
P3-7. Scope, currency, and accessibility of information.
P3-8. Scope of initiatives to reduce taxpayer compliance costs.
P3-9. Obtaining taxpayer feedback on products and services.
<b>POA 4: Timely Filing of Tax Declarations</b>
P4-10. On-time filing rate.
P4-11. Use of electronic filing facilities.
<b>POA 5: Timely Payment of Taxes</b>
P5-12. Use of electronic payment methods.
P5-13. Use of efficient collection systems.
P5-14. Timeliness of payments.
P5-15. Stock and flow of tax arrears.
<b>POA 6: Accurate Reporting in Declarations</b>
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.
P6-17. Extent of proactive initiatives to encourage accurate reporting.
P6-18. Monitoring the extent of inaccurate reporting.
<b>POA 7: Effective Tax Dispute Resolution</b>
P7-19. Existence of an independent, workable, and graduated dispute resolution process.
P7-20. Time taken to resolve disputes.
P7-21. Degree to which dispute outcomes are acted upon.
<b>POA 8: Efficient Revenue Management</b>
P8-22. Contribution to government tax revenue forecasting process.
P8-23. Adequacy of the tax revenue accounting system.
P8-24. Adequacy of tax refund processing.
<b>POA 9: Accountability and Transparency</b>
P9-25. Internal assurance mechanisms.
P9-26. External oversight of the tax administration.
P9-27. Public perception of integrity.
P9-28. Publication of activities, results, and plans.



on the extent to which a country's tax administration system is improving and maturing.

Over time, as more assessments are conducted, a picture will emerge of relative performance differences across countries, regions, and country income groups. This will assist researchers to better understand the strengths of different administrative responses, and will inform thinking at a global level about which ones are the more effective approaches to tax administration.

A TADAT assessment report will not, however, include recommendations for specific reforms or state assumptions about the potential impact of ongoing reforms on tax administration performance. Rather, the report will—in highlighting weaknesses of administration—provide the basis for discussions about reform goals, implementation strategies, and prioritization and sequencing of interventions.

### Scoring methodology

The assessment of indicators follows a similar approach to that followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool, thereby facilitating comparability where both tools are used.<sup>4</sup>

Each of TADAT's 47 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. These are scored on a four-point 'ABCD' scale according to specific scoring criteria prescribed throughout the field guide. The interpretation of these scores is broadly as follows:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- 'B' represents sound performance (i.e. a healthy level of performance but a rung below international good practice).
- 'C' means weak performance relative to international good practice.
- 'D' denotes inadequate performance, and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations

<sup>4</sup> The PEFA diagnostic tool assesses the condition of a country's public expenditure, procurement, and financial accountability systems. Many countries and donor agencies have adopted the PEFA performance measurement framework since its launch in 2005.

where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices relative to a given dimension.

Scores allocated to each dimension are combined into an overall score for an indicator using one of two methods: Method 1 (M1) or Method 2 (M2).

Method M1 is used for all single dimensional indicators, and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator). For indicators with 2 or more dimensions, the steps in determining the overall or aggregate indicator score are as follows:

- Assess each dimension separately and give it a score (i.e. A, B, C, or D).
- Combine the scores for the individual dimension by choosing the lowest score given for any dimension.

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator. Though the dimensions all fall within the same area of the tax administration system, progress on individual dimensions can be made independent of the others and without logically having to follow any particular sequence. The steps in determining the overall or aggregate indicator score are as follows:

- For each dimension, assess what standard has been reached on the 4-point 'ABCD' calibration scale (as for M1).
- Go to the conversion table (Table 2) for scoring M2 and find the appropriate section of the table (2-4 dimension indicators).
- Identify the line in the table that matches the combination of scores that has been given to the dimensions of the indicator (the order of the dimension scores is immaterial).
- Pick the corresponding overall score for the indicator.

Table 2 is a conversion table that applies to all indicators using the M2 scoring methodology only and cannot be used for indicators using the M1 methodology, as that would result in an incorrect score. The conversion table should not be used to aggregate scores across all, or subsets, of indicators, as the table is not designed for this purpose.

Table 3 summarizes the appropriate scoring method (M1 or M2) to be used in respect of each of the 28 indicators in the TADAT framework.



**Table 2. Conversion Table for Scoring Method M2**

2-dimensional indicators				
D	D			D
D	C			D+
D	B			C
D	A			C+
C	C			C
C	B			C+
C	A			B
B	B			B
B	A			B+
A	A			A

3-dimensional indicators				
D	D	D		D
D	D	C		D+
D	D	B		D+
D	D	A		C
D	C	C		D+
D	C	B		C
D	C	A		C+
D	B	B		C+
D	B	A		B
D	A	A		B
C	C	C		C
C	C	B		C+
C	C	A		B
C	B	B		B
C	B	A		B
C	A	A		B+
B	B	B		B
B	B	A		B+
B	A	A		A
A	A	A		A

4-dimensional indicators				
D	D	D	D	D
D	D	D	C	D
D	D	D	B	D+
D	D	D	A	D+
D	D	C	C	D+
D	D	C	B	D+
D	D	C	A	C
D	D	B	B	C
D	D	B	A	C+
D	D	A	A	C+
D	C	C	C	D+
D	C	C	B	C
D	C	C	A	C+
D	C	B	B	C+
D	C	B	A	C+
D	C	A	A	B
D	B	B	B	C+
D	B	B	A	B
D	B	A	A	B
D	A	A	A	B+
C	C	C	C	C
C	C	C	B	C+
C	C	C	A	C+
C	C	B	B	C+
C	C	B	A	B
C	C	A	A	B
C	B	B	B	B
C	B	B	A	B
C	B	A	A	B+
C	A	A	A	B+
B	B	B	B	B
B	B	B	A	B+
B	B	A	A	B+
B	A	A	A	A
A	A	A	A	A

Note: This table CANNOT be applied to indicators using scoring method M1.

**Table 3. Scoring Method Associated With Each Indicator**

POA	M1		M2
	Indicator	Single dimension (S) or multi-dimensional (M)?	Indicator
1	P1-1	M	--
	P1-2	S	--
2	P2-3	M	--
	P2-4	S	--
	P2-5	S	--
3	P2-6	S	--
	P3-7	M	--
	P3-8	S	--
4	P3-9	M	--
	--	--	P4-10
	P4-11	S	--
5	P5-12	S	--
	P5-13	S	--
	P5-14	M	--
6	--	--	P5-15
	--	--	P6-16
	P6-17	S	--
7	P6-18	S	--
	--	--	P7-19
	P7-20	S	--
8	P7-21	S	--
	P8-22	S	--
	P8-23	S	--
9	--	--	P8-24
	--	--	P9-25
	--	--	P9-26
	P9-27	S	--
	--	--	P9-28

### Performance assessment report

The objective of the TADAT performance assessment report (PAR) is to provide full coverage of the country's TADAT assessment in a standardized and concise manner. To achieve this, and to ensure consistency and quality of reports across countries, assessors must use the PAR template set out in Appendix 4. Points to note about the PAR template are:

- Much of the text in the template is generic with built-in quality standards (a template of the PAR will be made available to assessors on the TADAT Secretariat's website ([www.tadat.org](http://www.tadat.org))).

- The PAR comprises an executive summary, three sections, and five attachments.
- The executive summary consists of a one-page description of the main strengths and weaknesses of the tax administration, together with a table of assessed performance scores across the 28 indicators and a diagram showing the distribution of scores.
- An introductory section (Section I) sets out the scope of the assessment and reminds the reader of what the TADAT assessment aims to do, and not do. A reader seeking more information about the TADAT methodology can go to Attachment I of the PAR.
- Section II and Attachment II provide contextual information about the country being assessed.
- Section III—the detailed assessment—methodically walks the reader through each POA and indicator, starting with a short description of what is being measured and why. Assessed scores (in a table) then follow, together with an explanation of reasons underlying the scores. Each explanatory paragraph commences with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences then expand on, and support, the key point made in the topic sentence. Scores based on quantitative measures (e.g., filing rates) are cross-referenced to numerical data tables in an attachment.
- Sources of evidence in respect of each indicator are summarized in an attachment.

Where materially different views of performance are held by assessors and the authorities, these will be recorded in the final PAR.

The TADAT Secretariat will review and validate PARs to ensure that reports have been prepared in accordance with the template and that required quality standards have been met.

### TADAT assessments

TADAT assessments will usually be commissioned by either international agencies (e.g., African Development Bank, Asian Development Bank, European Commission, IMF, Inter-American Development Bank, and World Bank), bilateral donors, or by a country's Ministry of Finance or tax administration.

TADAT assessments are conducted by an assessment team typically comprising 3 or 4 trained assessors, one of whom is the designated assessment team leader. The team shall include at least one (but preferably two or more) trained assessor(s) with at least five years of tax administration experience. The team may also include one or more analysts in a supporting role to assist in data collection, evidence gathering, and analysis. However, these analysts cannot be involved in determining 'ABCD' scores (i.e. only the team's trained assessors can determine the assessment ratings).

There are four phases of an assessment:

■ **Phase 1. Assessment initiation:** All TADAT assessments will require a formal request from the country authorities to the sponsoring organization (e.g., IMF, World Bank), or directly to the Secretariat. Where the request is not sent to the Secretariat directly, the sponsoring organization must forward a copy to the Secretariat. The request letter would typically come from the country's minister responsible for tax administration (generally the Minister of Finance) and/or the head of the principal agency responsible for administering the country's national taxes (e.g., tax department or national revenue authority). The letter should also indicate the desired timing of the assessment. The Secretariat will notify all TADAT partners<sup>5</sup> and technical assistance providers of these requests. The purpose of this requirement is to:

- Identify and account for interests of the candidate country and those of domestic and international technical assistance providers, the key objective being to minimize duplication of effort and working at cross-purposes;
- Encourage the fielding of mixed teams of trained assessors from a cross-section of technical assistance providers and any interested parties; and ultimately
- Upon completion of the TADAT assessment, enable a country and its donor/s and technical assistance provider/s, together, to coordinate, prioritize, and sequence reform priorities and support based on a shared diagnostic.

■ **Phase 2. Pre-assessment:** This is the assessment team's planning and preparation phase that begins 6 to 8 weeks prior to the in-country assessment phase (Phase 3). Tasks include:

- Initiating arrangements through formal communication with the client country. This will entail the team leader responding to the request letter from the minister and/or head of the tax administration explaining briefly the TADAT process and seeking the country's support in getting the assessment underway.
- Communicating with the client country's tax administration about assessment logistics, including confirming the dates when the in-country assessment (Phase 3 activity) will be undertaken and establishing a single point of contact within the tax administration for ongoing communication with the assessment team. Having a direct counterpart is invaluable during assessment phases 2 to 4.
- Copying all communication to donors or potential donors, as appropriate. This will happen in situations where a donor, in consultation with the client country,

has contributed to the country's decision to undergo a TADAT assessment.

- Advising the Secretariat of the upcoming assessment once the Phase 3 dates are confirmed.
- Sending a questionnaire to the tax administration—via the country counterpart and at least 3 weeks prior to the start of Phase 3—to gather numerical data and other information critical to the TADAT process. As a minimum, assessors must use the Appendix 2 'Pre-assessment Questionnaire Template'. In situations where a country's tax administration encounters problems in gathering the required information it may be appropriate to send an analyst to the client country a few days ahead of the Phase 3 start date to assist in assembling the data.
- Sending a suggested assessment work schedule to the counterpart. This should be done 2 to 3 weeks prior to the start of Phase 3 to allow the counterpart sufficient time to set up meetings with appropriate officials—see 'Suggested In-country Assessment Work Schedule' in Appendix 3.
- Undertaking country research, including gathering general background information on the country and the economic, business, political, and social environment in which its tax system operates. Country tax administration websites often provide a rich source of information relevant to the POAs and assessment of the indicators. So too do the websites of other stakeholders (e.g., Ministry of Finance, government audit office, [tax ombudsman](#), judiciary, statistics office, company registry office, accounting bodies, and chamber/s of commerce). Country reports on the IMF's website are also helpful, as are World Bank and other development partner and country stakeholder reports (e.g., country economic memoranda, and tax project-related documents). Additionally, any reports relating to recent technical assistance in the area of tax administration should be requested from the country.

■ **Phase 3. In-country assessment:** The critical work of a TADAT assessment occurs during this phase, which typically takes 2 to 3 weeks. Key tasks include:

- An opening meeting with the minister (if appropriate), and the head and senior management team of the tax administration. The aim of this meeting is to: (1) acquaint the senior officials with the objectives, processes, and outputs of the TADAT diagnostic approach (this may entail a short presentation of the TADAT framework); (2) discuss the assessment team's work program; and (3) respond to questions and issues raised.
- A series of meetings with tax officials, typically spread over 5 days. In this regard, a meeting of around 3 to 4 hours' duration will be held for each POA but may vary depending on circumstances on the ground. The aim of

<sup>5</sup> TADAT is supported by international development partners and institutions, including the European Commission, Germany, IMF, Japan, Netherlands, Norway, Switzerland, United Kingdom, and World Bank.

these meetings is to gather information and evidence in respect of each indicator and measurement dimension. In conducting these meetings assessors will use the checklists of questions and examples of evidence set out in the field guide. Follow up meetings, including validation of evidence, may be required. There is no set sequence in which the POA meetings need to be held as the scheduling will be determined by the availability of participating officials. However, it is strongly recommended that POA1 is tackled first since the state of the registered taxpayer database has been found to have an influence on the assessment of other POAs.

- A walk-through of the work processes of operational/field offices, including the large taxpayer office.
- Scoring each dimension and indicator based on analysis of the evidence gathered. For this task, assessors will apply the scoring criteria prescribed in the field guide for each POA.
- Preparing a draft report (the PAR) using the template in Appendix 4. The draft PAR must be delivered to the minister and/or tax administration head at least 24 hours prior to the exit meeting.
- An exit meeting on the final day of Phase 3 with the minister (if appropriate), and head and senior management team of the tax administration. The purpose of this meeting is for the assessment team to present the TADAT assessment contained in the draft PAR and to provide country officials with an opportunity to comment and discuss the scores.
- Inviting the country to provide written comments on the draft PAR within 21 calendar days of the end of the in-country assessment (the country must be notified of this invitation in writing when delivering the draft PAR and verbally during the exit meeting).
- The assessment team leader providing the country authorities (minister or head of the tax administration) with a questionnaire aimed at evaluating the quality of the assessment team's work—see questionnaire template in Appendix 5. The authorities should be requested to send the completed questionnaire to the Secretariat—at [Secretariat@tadat.org](mailto:Secretariat@tadat.org)—within 21 calendar days of the end of the in-country assessment.
- Briefing stakeholders—as appropriate, and only with the agreement of the country authorities, the assessment team could (without providing a copy of the draft PAR) brief relevant stakeholders such as government agencies and/or technical assistance providers on assessment outcomes.

■ **Phase 4. Post-assessment:** The PAR is finalized during this phase and the assessment team leader evaluates team members. Tasks include:

- On the final day of the in-country assessment (Phase 3), sending an electronic version of the draft PAR to the Secretariat for review; the Secretariat, as custodian of the TADAT brand, will review the PAR against required quality standards.
- Uploading to the TADAT secure website the working papers and evidence underlying the draft PAR; this facilitates the Secretariat's quality review process and should be done on the final day of Phase 3.
- Securing country feedback within 21 calendar days of the end of Phase 3.
- Considering country feedback and making changes to the PAR as appropriate. Where there are materially different views of performance held by assessors and the authorities, these will need to be recorded in the PAR.
- Within 35 calendar days of the end of the Phase 3, sending an electronic copy of the PAR incorporating country feedback to the Secretariat for final review and approval.
- Within 45 calendar days of the end of Phase 3, the TADAT assessment team leader from the sponsoring institution sending the approved PAR to the client country using a transmittal letter, a template of which will be provided on the Secretariat's website ([www.tadat.org](http://www.tadat.org)). The transmittal letter should include a paragraph requesting the country to publish the PAR for wider consumption, and that acceptance to publish should be in writing. Once permission is granted, in writing, publication protocols of the sponsoring institution should be followed. The country's decision to publish, or not, should be respected.
- Publishing and discussing the approved PAR with relevant parties where the country has given the assessment team or sponsoring institution permission, in writing, to do so.
- The Secretariat sharing the PAR with the TADAT Steering Committee members.
- The assessment team leader providing feedback to the Secretariat on the quality and contribution of each assessment team member using an automatically generated e-questionnaire provided by the Secretariat—see questionnaire template in Appendix 6.

Further details of the post-assessment quality assurance process are provided in Appendix 7.

## II. Introduction to the Field Guide

### Purpose of the field guide

The purpose is to:

- Provide trained assessors with a structured methodology to undertake an objective performance assessment of a country's tax administration system.
- Establish a set of quality standards to be applied in conducting an assessment and preparing a PAR.
- Ensure consistency of approach amongst assessors.

### Structure of the field guide

This field guide is structured around the nine POAs comprising the TADAT framework. A separate section is devoted to each POA—see sections III to XI—and includes:

- A short statement of the desired performance outcome and description of what represents international good practice.
- A summary of the indicators, measures, and scoring methods used to assess performance.
- A detailed checklist of questions to guide TADAT assessors in their field enquiries. The checklist is not intended to be exhaustive; there will be occasions where assessors, using their professional skill and judgment, need to probe further and ask additional questions to assess a particular performance indicator.
- Examples of evidence to be gathered by assessors during preparation and fieldwork, given that TADAT assessments are evidence based (i.e. assessed scores must be based in fact and supported by documentary or other evidence, including administrative policy documents, procedural manuals, numerical data extracted from the tax administration's management information system, and observations by TADAT assessors of work processes and procedures in operation).
- A detailed performance measurement framework in the form of a matrix showing, for each indicator and measurement dimension, the criteria to be applied in determining a performance score. As with the checklist of questions, assessors will need to exercise professional judgment in

applying the performance measurement framework; inevitably there will be situations that do not align precisely with the stated criteria, thereby requiring judgment in determining an appropriate performance score.

Finally, appendixes to the field guide provide: (1) a glossary of terms; (2) a questionnaire to be sent to the client country in advance of the assessment team's fieldwork; (3) a suggested work schedule to be used by the assessment team in the field; (4) a template of the PAR to be prepared once the assessment of all POAs is complete; (5) a template for country evaluation of the assessment team; (6) a template for evaluating assessment team members; and (7) a description of the quality review process for PARs.

### Standard terms used in the field guide

Key terms that have a specific meaning in this field guide are defined in the glossary in Appendix 1. To assist the reader, all terms included in the glossary are underlined on first use in the field guide.

### Confidentiality of information

This field guide—and especially the checklists of questions and pre-assessment questionnaire contained therein—sets out the detailed fields of information required for the conduct of a TADAT assessment. Assessors will require full access to all fields of information in order to complete their analysis and assessment work. Importantly, the conduct of analysis and assessment work will not require the disclosure of information about the affairs of any individual taxpayer. All data related to taxpayers' compliance with their tax obligations will be in aggregated form. Nonetheless, if national laws and/or the internal rules of the tax administration might prevent access to particular information required for analysis and assessment purposes, arrangements will need to be made between the tax administration and the assessors before the assessment takes place. The purpose is to identify and protect the information, yet facilitate assessor access to that information.



# III. Performance Outcome Area 1

## Integrity of the Registered Taxpayer Base

### Desired outcome

All businesses, individuals, and other entities that are required to register are included in a taxpayer registration database. Information held in the database is complete, accurate, and up-to-date.

### Background and good practice

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals required by law to register; these will include business and individual taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Additionally, there may be some who choose to register even though they are not required to do so (e.g., voluntary registration for VAT by small traders seeking to claim input tax credits). Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, collection, and reporting to government (e.g., Ministry of Finance, government auditor, and legislature and its committees).

Examples of good practice adopted by tax administrations to achieve the desired outcome include:

- Use of a unique taxpayer identification number (TIN) that facilitates routine identification of taxpayers for administrative actions (e.g., detection of non-filers), third party information reporting and data matching (e.g., data matching in respect of interest earned on bank deposits, dividends paid by public companies, contract income, and

asset sales), and exchange of information with other government agencies. High integrity TINs are typically straightforward numbers with no embedded information (i.e. contain no alphabetic or special characters) and have a self-validating mechanism (e.g., a check digit).

- Having an IT system with features of the kind described in Box 1.
- Maintaining a database of sufficient, accurate and reliable identifying information (e.g., name, address, contact details, nature and size of business activity, and tax obligations by tax type) to assist interactions with the taxpayer and tax intermediaries (i.e. tax advisors and accountants), especially in relation to filing, payment, and assessment matters.
- Identifying and flagging dormant registrations (e.g., seasonal businesses and taxpayers temporarily residing in other countries) and keeping the database clean of inactive (deceased persons and defunct businesses) invalid, and duplicate records—noting that inactive and erroneous records produce unnecessary costs (e.g., through wasted enforcement actions initiated against defunct businesses or deceased persons) and distort filing statistics.
- Ensuring that applications for registration are authentic—this includes, for example, carrying out proof of identity checks to prevent bogus entities from registering, given that both VAT and income tax are targets for refund fraud.
- Undertaking initiatives to detect unregistered businesses and individuals, especially those representing high revenue risks (e.g., high income self-employed). Initiatives

### Box 1. Key Features of a Taxpayer Registration IT System

An effective registration IT sub-system:

- Allocates a national TIN to each registered taxpayer.
- Validates TINs through use of check digits.
- Links associated entities and related parties of the taxpayer (e.g., where a company is part of a corporate group, or a taxpayer is a partner in a partnership).
- Mitigates the risk of duplicate or conflicting records (e.g., where a company or individual that is already registered for tax attempts to register again).
- Interfaces with other IT sub-systems to support filing and payment enforcement (e.g., management of non-filers and debtors, as covered in POAs 4 and 5).
- Provides frontline staff with a whole-of-taxpayer view of a taxpayer's identifying and other details across all core taxes.
- Allows for deactivation or deregistration of taxpayers and archives information in a way that can be restored if needed.
- Generates registration-related management information (e.g., statistics of registered taxpayers by entity type, location, and economic sector) and provides an audit trail of user access and changes made to taxpayer registration data.
- Provides secure online access to businesses and individuals to register and, once registered, to update details held in the database (e.g., a taxpayer's postal or business address).

**Table 4. POA 1 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P1-1. Accurate and reliable taxpayer information</b>	<ul style="list-style-type: none"> <li>• The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.</li> <li>• The accuracy of information held in the registration database.</li> </ul>	M1  (See note)
<b>P1-2. Knowledge of the potential taxpayer base</b>	<ul style="list-style-type: none"> <li>• The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.</li> </ul>	M1

Note: M1 is used in this instance because a poor score on the first dimension will undermine a good score on the second, and vice versa. For example, a comprehensive database of taxpayer information (which would score well under the first dimension) would be undermined if much of the information were inaccurate (which would score poorly under the second dimension). Similarly, a high score with regard to accuracy (second dimension) would be undermined if the database contained insufficient information to support the tax administration in its interactions with taxpayers and tax intermediaries (first dimension). Under M1, the overall score for an indicator with multiple dimensions is based on the dimension with the lowest score.

would include, for example, use of third party information to identify new business start-ups and economic activity of existing businesses that have failed to register; use of labor force data in specific industries to gauge levels of personal taxpayer registration; and unannounced visits to businesses in commercial districts to uncover unregistered traders and/or unregistered workers.

### Indicators, dimensions, and scoring

Two performance indicators with the following three measurement dimensions are used to assess:

- The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.
- The accuracy of information held in the registration database.
- The extent of initiatives to detect businesses and individu-

als who are required to register but fail to do so.

Table 4 summarizes the indicators, dimensions, and associated scoring methods for POA 1.

### Assessor checklist of questions

Table 5 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 1.

### Performance measurement framework

Table 6 sets out the criteria for scoring the indicators and dimensions of POA 1.



**Table 5. POA 1 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 1: Integrity of the Registered Taxpayer Base		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Background questions:</b></p> <ul style="list-style-type: none"> <li>• Under the country's tax laws: <ul style="list-style-type: none"> <li>◦ Who <i>must</i> register in respect of the core taxes?</li> <li>◦ Who <i>can</i> register voluntarily?</li> <li>◦ Who is <i>not permitted</i> to register?</li> </ul> </li> <li>• What, if any, other government agencies are involved in the process of registering businesses and individuals for tax purposes? What is their role? What interaction is there between these agencies and the tax administration?</li> <li>• What organizational unit/s of the tax administration is/are responsible for registering businesses and individuals and maintaining the taxpayer registration database?</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of background material include: <ul style="list-style-type: none"> <li>◦ Core tax laws.</li> <li>◦ Web site and other information published by the tax administration regarding tax registration requirements of businesses and individuals.</li> <li>◦ Web sites of other regulatory agencies involved in citizen, business, and corporate registration and numbering.</li> <li>◦ Organizational chart of the tax administration, and role descriptions of the main organizational units.</li> </ul> </li> </ul>
<b>P1-1</b>  <b>Accurate and reliable taxpayer information</b>	<p><b>Dimension 1: The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.</b></p> <ul style="list-style-type: none"> <li>• For individuals, does the registration database include, for example, the following taxpayer information: <ul style="list-style-type: none"> <li>◦ Full name?</li> <li>◦ Address?</li> <li>◦ Contact details (e.g., telephone number of the taxpayer and/or intermediary)?</li> <li>◦ Date of birth?</li> <li>◦ Filing and payment obligations applicable to the core taxes for which the taxpayer is registered?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Field observation by the TADAT assessor of the identification and other information held in the registration database in respect of individuals.</li> <li>• Application form for tax registration and taxpayer identification number.</li> </ul>
	<ul style="list-style-type: none"> <li>• For businesses, does the registration database include, for example, the following taxpayer information: <ul style="list-style-type: none"> <li>◦ Full name?</li> <li>◦ Business and postal address?</li> <li>◦ Contact details (e.g., telephone number/s of the taxpayer and/or intermediary)?</li> <li>◦ Filing and payment obligations applicable to the core taxes for which the taxpayer is registered?</li> <li>◦ Date of incorporation for companies or date of business registration for other entities?</li> <li>◦ Nature of business activity and/or economic or industry sector classified according to government or other recognized coding systems (e.g., International Standard Industrial Classification)?</li> <li>◦ Taxpayer segment (e.g., whether the taxpayer is a small, medium or large taxpayer, as defined by the segmentation criteria applied by the tax administration)?</li> <li>◦ Identity of associated entities and related parties of the taxpayer (e.g., details of subsidiary companies and corporate grouping arrangements).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Field observation by the TADAT assessor of identifying and other information held in the registration database in respect of business taxpayers.</li> <li>• Application form for tax registration and taxpayer identification number.</li> </ul>

**Table 5. POA 1 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 1: Integrity of the Registered Taxpayer Base		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<ul style="list-style-type: none"> <li>Is the taxpayer registration database:               <ul style="list-style-type: none"> <li>Computerized or manual?</li> <li>Centralized (i.e. there is a single national taxpayer registration database for the country's entire taxpayer population) or decentralized (e.g., separate decentralized databases exist for taxpayers located in different geographic regions within the country)?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Field observation by the TADAT assessor.</li> <li>Documented high-level map describing the configuration of the tax administration's IT system and registration database/s.</li> </ul>
	<ul style="list-style-type: none"> <li>What type of numbering system is used to identify taxpayers? For example:               <ul style="list-style-type: none"> <li>Does each registered taxpayer have a unique identification number—either a TIN or other high integrity number (e.g., a national citizen/business identification number)—that is used for key compliance obligations (such as filing, payment, and assessment) in respect of all core taxes?</li> </ul> </li> <li>OR</li> <li>Do registered taxpayers have more than one identification number (e.g., there are separate identification numbers for income tax and VAT)? If so, are the separate identification numbers linked within the registration database?</li> <li>For countries where a TIN is used, does the TIN comprise a straightforward number with a self-validating mechanism (e.g., a check digit)?</li> </ul>	<ul style="list-style-type: none"> <li>Field observation by the TADAT assessor of the numbering system used.</li> <li>Policy and procedural documentation and/or IT system specifications, relating to the numbering system.</li> </ul>
	<ul style="list-style-type: none"> <li>Does the tax administration's registration IT sub-system:               <ul style="list-style-type: none"> <li>Interface with other IT sub-systems (e.g., filing and payment processing)?</li> <li>Provide frontline staff with a whole-of-taxpayer view of a taxpayer's identifying and other details (e.g., filing and payment obligations)?</li> <li>Allow for the deactivation of dormant registrations to suspend generation of tax declarations, reminders, estimated assessments, and other actions in respect of taxpayers who are temporarily inactive?</li> <li>Allow for deregistration of taxpayers and archiving of information in a way that can be restored if needed?</li> <li>Generate registration-related management information (e.g., statistics of registered taxpayers by entity type, location, and economic sector) and provide an audit trail of user access and changes made to taxpayer registration data?</li> <li>Use taxpayer registration details to generate tax declarations?</li> <li>Provide secure online access to businesses and individuals to register for core taxes and, once registered, to update details held in the database (e.g., a taxpayer's postal or business address)?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Field observation by the TADAT assessor of the IT system, including a demonstration of its use by frontline staff.</li> <li>Examples of management information reports generated by the IT sub-system.</li> <li><u>Taxpayer portal</u> on the tax administration's web site that allows businesses and individuals to register for core taxes and, subsequently, update details held in the database.</li> <li>Documented IT system specifications describing the functional capabilities of the system.</li> </ul>

**Table 5. POA 1 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 1: Integrity of the Registered Taxpayer Base		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Dimension 2: The accuracy of information held in the registration database.</b></p> <ul style="list-style-type: none"> <li>• Do documented national procedures exist to: <ul style="list-style-type: none"> <li>◦ Identify and remove inactive taxpayers (e.g., deceased persons and defunct businesses), duplicated records, and false/invalid registrants from the <u>active taxpayer</u> registration database? If so, are the procedures applied routinely (i.e. performed regularly in a planned or scheduled manner), or on an ad hoc basis (i.e. unplanned or performed infrequently).</li> <li>◦ Ensure that applications for registration are authentic and all applicants meet the legal requirements for registration? Is proof of the applicant's identity verified to ensure that bogus entities are prevented from registering, given that both VAT and income tax are targets for refund fraud?</li> <li>◦ Verify the accuracy of information held in the registration database? In particular, is information crosschecked against third party information sources (e.g., other government agencies such as the registrar of companies) to ensure information held is up-to-date? If so, is this done on a routine or ad hoc basis? Is information crosschecking done on a large scale using automated processes?</li> </ul> </li> <li>• Where no documented procedures exist, what actions are taken by the tax administration to improve the accuracy of information held in the registration database?</li> <li>• To what extent does the registration database provide certainty to the tax administration as to the number of active taxpayers (i.e. businesses and individuals with current tax obligations) for each core tax? To what extent has this issue been examined by tax administration management? For example, have management or <u>internal audit</u> reports been prepared during the past 1-2 years in relation to the accuracy of information held in the registration database? If so, what are the findings, conclusions, and recommendations of these reports? Likewise, has the external auditor examined this issue in recent times?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented national procedures covering: <ul style="list-style-type: none"> <li>◦ Identification and removal of inactive, duplicate, and invalid records from the registration database.</li> <li>◦ Proof of identity and other checks to prevent bogus registrations.</li> <li>◦ Use of third party sources (e.g., other government agencies) to verify the accuracy of information held in the registration database.</li> </ul> </li> <li>• Reports and other documents describing the actions taken by the tax administration to improve the accuracy of information held in the registration database. Evidence of regular planned cleansing of the database would include, for example, management statistics of the number of taxpayers removed from the registration database over the past 1-2 years.</li> <li>• Internal management reports (including from internal audit) and/or external audit reports regarding the accuracy and reliability of information held in the registration database.</li> </ul>
<p><b>P1-2</b></p> <p><b>Knowledge of the potential taxpayer base</b></p>	<p><b>Dimension: The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.</b></p> <ul style="list-style-type: none"> <li>• Does the tax administration undertake initiatives to detect unregistered businesses and individuals? For example, does the administration: <ul style="list-style-type: none"> <li>◦ Use third party information to identify new business start-ups and economic activity of existing businesses that have failed to register?</li> <li>◦ Make unannounced visits to commercial districts to detect unregistered businesses and/or unregistered workers?</li> </ul> </li> <li>• In relation to initiatives undertaken during the past 1-2 years, were outcomes monitored and reported upon?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented initiatives undertaken and planned by the tax administration to detect unregistered businesses and individuals.</li> <li>• Management statistics of the number of taxpayers added to the registration database over the past 1-2 years as a result of initiatives to detect unregistered businesses and individuals.</li> </ul>

**Table 6. POA 1 Performance Measurement Framework**

Performance Measurement Framework for POA 1: Integrity of the Registered Taxpayer Base			
Indicator	Dimension	Score	Scoring Criteria
<b>P1-1</b>  <b>Accurate and reliable taxpayer information</b>  <b>Scoring method M1</b>	<b>Dimension 1:</b> The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	A	All of the following are present: (i) Information held in the registration database includes, as a minimum, the taxpayer's full name, address, contact details, date of birth or date of incorporation, nature of business activity, identity of associated entities and related parties of the taxpayer (e.g., shareholders and/or subsidiary companies), taxpayer segment, economic/industry sector, and the filing and payment obligations applicable to the core taxes for which the taxpayer is registered. (ii) There is a central national computerized registration database. (iii) Each registered taxpayer has a unique high integrity identification number. (iv) The registration IT sub-system: a. Interfaces with other IT sub-systems (e.g., filing and payment processing). b. Provides frontline staff with a whole-of-taxpayer view of a taxpayer's identifying and other details across all core taxes. c. Allows for the deactivation or deregistration of taxpayers and archives information in a way that can be restored if needed. d. Generates registration-related management information (e.g., statistics of registered taxpayers by entity type, location, and economic sector) and provides an audit trail of user access and changes made to taxpayer registration data. e. Uses taxpayer registration details to generate tax declarations. f. Provides secure online access to businesses and individuals to register for core taxes and, once registered, to update details held in the database (e.g., a taxpayer's postal or business address).
		B	(i) Same as A (i). (ii) Same as A (ii). (iii) Registered taxpayers have more than one identification number (e.g., there are separate identification numbers for income tax and VAT). These numbers are linked within the registration database. Each number comprises a straightforward number with a self-validating mechanism (e.g., a check digit). (iv) Same as A (iv) (a) to (d).
		C	(i) Same as A (i). (ii) The registration database is computerized but is decentralized across a number of sites. (iii) Same as B (iii) except that the separate identification numbers are linked within each decentralized registration database. (iv) Same as B (iv) but in a decentralized environment.
		D	The requirements for a 'C' rating or higher are not met.

**Table 6. POA 1 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 1: Integrity of the Registered Taxpayer Base			
Indicator	Dimension	Score	Scoring Criteria
	<b>Dimension 2:</b> The accuracy of information held in the registration database.	A	<p>All of the following are present:</p> <p>(i) Documented procedures exist and are routinely applied (i.e. as planned or scheduled activities performed on a regular basis) to:</p> <ul style="list-style-type: none"> <li>a. Identify and remove inactive taxpayers (e.g, deceased persons and defunct businesses), duplicate records, and false and invalid registrants from the active registration database AND deactivate and flag dormant registrations (i.e. taxpayers that are temporarily inactive);</li> <li>b. Ensure that applications for registration are authentic and all applicants meet the legal requirements for registration—this would include, for example, carrying out proof of identity checks to prevent bogus entities from registering, given that both VAT and income tax are targets for refund fraud; and</li> <li>c. Verify accuracy of information held in the registration database, including through use of large-scale automated processes to crosscheck information against databases of other government agencies such as the registrar of companies.</li> </ul> <p>(ii) Management, internal audit, or external audit reports (or other evidence) indicate a high level of confidence in the accuracy of the registration database for each core tax.</p>
		B	<p>(i) Same as A (i) (a) and (b), and similar to A (i) (c) except that crosschecking of information against databases of other agencies is done on a smaller scale (e.g., may be restricted to verification of information on a case-by-case basis only).</p> <p>(ii) Same as A (ii).</p>
		C	<p>(i) Same as B (i) except that the documented procedures are applied on an ad hoc basis (i.e. as an unplanned infrequent activity).</p> <p>(ii) Management, internal audit, or external audit reports (or other evidence) are either unavailable or indicate a low level of confidence in the accuracy of the registration database for each core tax.</p>
		D	The requirements for a 'C' rating or higher are not met.

**Table 6. POA 1 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 1: Integrity of the Registered Taxpayer Base			
Indicator	Dimension	Score	Scoring Criteria
<b>P1-2</b>  <b>Knowledge of the potential taxpayer base</b>  <b>Scoring method M1</b>	The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	A	(i) The tax administration's annual operational plans specify initiatives to detect unregistered businesses and individuals, including at least: <ul style="list-style-type: none"> <li>a. <u>Systematic</u> use of third party information sources (e.g., business registration and labor force data); and</li> <li>b. A program of inspections of business premises and traders.</li> </ul> (ii) Evidence exists (e.g., documented reports) of actions and results during the past year in detecting unregistered businesses and individuals.
		B	(i) Same as A (i) (a). (ii) Same as A (ii).
		C	Evidence exists (e.g., documented reports) of ad hoc actions and results during the past year in relation to detecting unregistered taxpayers.
		D	The requirements for a 'C' rating or higher are not met.

# IV. Performance Outcome Area 2

## Effective Risk Management

### Desired outcome

Risks to revenue and tax administration operations are identified and managed effectively.

### Background and good practice

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations dealt with in POAs 1, 4, 5, and 6 (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration).

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning. While there is no single right way to identify and assess risks, methodologies and standards exist in management literature and guidelines promoted by various bodies such as the International Organisation for Standardization (ISO).<sup>1</sup> Moreover, International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD) publications provide examples of risk management processes suitable for use by tax administrations.<sup>2</sup>

Good practice in **compliance** risk management includes:

- Gathering risk-related information from internal and external sources, including:

- Analysis of results of environmental scanning undertaken by the tax administration—as part of its strategic planning—to identify emerging compliance risks;<sup>3</sup>
  - Analysis of tax audits and tax declarations—these provide insights into areas where taxpayers do not understand the requirements of the law, are prone to making errors, or are inclined not to comply (e.g., in failing to report income);
  - Third party information (e.g., from banks, credit card providers, online vendors, stock exchanges, Customs and other government agencies such as anti-money laundering bodies and registrars of land and property ownership);
  - Studies of taxpayer behavior and attitudes towards paying taxes;<sup>4</sup>
  - Research on topical compliance issues internationally, such as potential revenue losses from transfer pricing and other forms of profit shifting by taxpayers with cross border operations, and aggressive tax planning, especially by high-wealth and high-income individuals;
  - Studies into hidden economic activity of businesses; and
  - Tax compliance gap analysis
- Identifying, assessing, and ranking risks within a framework of taxpayer segments (i.e. where market segmentation principles are applied to divide the taxpayer population into smaller, more manageable groupings based on common characteristics and risks), core taxes, and key obligations (registration, filing, payment, and reporting).
  - Managing major risks via development and implementation of a compliance improvement plan with features of the kind described in Box 2.

<sup>1</sup> See, for example, ISO 31000:2009 “*Risk management – Principles and guidelines*”.

<sup>2</sup> See the risk assessment framework set out in the following publications: IMF technical note “*Revenue Administration: Developing a Taxpayer Compliance Program*”, November 2010, and OECD guidance note “*Compliance Risk Management: Managing and Improving Tax Compliance*”, 2004.

<sup>3</sup> Environmental scanning involves studying and interpreting external factors that potentially may affect the tax system and its administration in the medium to longer term. These factors include political, economic, social, technological, legal, environmental, and demographic events and trends.

<sup>4</sup> These types of studies identify the socio-economic factors (such as age, gender, employment status, and educational attainment) and institutional factors (such as trust in government and community satisfaction with the quality of public services) that have an impact on a business's or individual's motivation to comply with tax obligations.



Good practice in **institutional** risk management includes:

- Having a risk register (i.e. a central repository of identified institutional risks that potentially pose a threat to the continuity of tax administration operations). Risk registers may vary from organization to organization but typically include, as a minimum, the following information: short description of the risk; date identified; likelihood of occurrence; severity of effect; mitigation measures; name of risk owner (i.e. person responsible for ensuring that risk is addressed); and risk status.<sup>5</sup>
- Having a plan for continuity of tax administration operations in the event of a disaster that destroys part or all of the administration's assets and resources, including human resources, buildings, IT and other equipment, data and other records. Plans of this kind (commonly referred to as business continuity plans or disaster recovery plans) typically:
  - Assess the likelihood and consequences of natural disasters (e.g., flood, fire, and earthquake) and man-made events (e.g., sabotage, theft, civil unrest, and internal fraud);
  - Outline steps to be taken in the event of disaster to maintain revenue collections, provide taxpayer services, ensure safety of staff, and preserve confidentiality of taxpayer records.
- Training staff in disaster recovery procedures (e.g., through disaster simulation exercises).

<sup>5</sup> Project management resources provide good examples of risk register contents. For example, The Project Management Institute Body of Knowledge (at <http://www.pmi.org/>) and PRINCE2 (<https://www.axelos.com/best-practice-solutions/prince2>) make recommendations on risk register contents. Another example of institutional risk management can be found at: <http://www.riskauditing.eu/wp-content/uploads/2010/09/LloydsRMTToolkit.pdf>.

- Taking preventive measures (e.g., offsite backup of data) and implementing internal controls to protect tax administration systems from fraud and error (covered in detail in POA 9).
- Having effective internal and external oversight to detect and deter unwanted events (see POA 9).

### Indicators, dimensions, and scoring

Four performance indicators with the following five measurement dimensions are used to assess the extent to which the tax administration:

- Undertakes intelligence gathering and research to identify compliance risks in respect of the main tax obligations.
- Uses structured processes to assess, rank, and quantify taxpayer compliance risks.
- Mitigates assessed risks to the tax system through a compliance improvement plan.
- Monitors and evaluates the impact of compliance risk mitigation activities.
- Identifies, assesses and mitigates institutional risks.

Table 7 summarizes the indicators, dimensions, and associated scoring methods for POA 2.

### Assessor checklist of questions

Table 8 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 2.

### Performance measurement framework

Table 9 sets out the criteria for scoring the indicators and dimensions of POA 2.

## Box 2. Common Features of a Compliance Improvement Plan

A typical compliance improvement plan:

- Brings together—generally in a single document—a description of the most significant compliance risks identified in the tax system, and explains how the tax administration intends to respond to the risks.
- Focuses on core taxes and key tax obligations.
- Is structured around:
  - Taxpayer segments, such as: (1) individuals; (2) micro and small businesses; (3) medium-size businesses; (4) large businesses; (5) non-profit organizations; (6) government organizations; (7) high-wealth and high-income individuals; and
  - Other parameters, including: (1) type of tax; (2) industry sector; and (3) geographic region.
- Summarizes, for each taxpayer segment, the economic, revenue, and business environment (e.g., number of taxpayers, nature of entities, role of intermediaries, and tax revenue contribution).
- Outlines headline compliance issues and segment-specific risks (headline issues are those that have an impact across two or more segments and include, for example, international profit shifting and use of tax havens).
- Describes the risk mitigation strategies and actions to be taken. These focus on the underlying drivers or causes (not symptoms) of noncompliance and comprise a mix of responses, including taxpayer education and assistance, improvements to laws and procedures, audits, and other forms of enforcement.
- Explains the process to be used to monitor and evaluate the impact of the risk mitigation activities.

**Table 7. POA 2 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P2-3. Identification, assessment, ranking, and quantification of compliance risks.</b>	<ul style="list-style-type: none"> <li>• The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.</li> <li>• The process used to assess, rank, and quantify taxpayer compliance risks.</li> </ul>	M1 (See note)
<b>P2-4. Mitigation of risks through a compliance improvement plan.</b>	<ul style="list-style-type: none"> <li>• The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.</li> </ul>	M1
<b>P2-5. Monitoring and evaluation of compliance risk mitigation activities.</b>	<ul style="list-style-type: none"> <li>• The process used to monitor and evaluate the impact of compliance risk mitigation activities.</li> </ul>	M1
<b>P2-6. Identification, assessment, and mitigation of institutional risks.</b>	<ul style="list-style-type: none"> <li>• The process used to identify, assess, and mitigate institutional risks.</li> </ul>	M1

Note: M1 is used in this instance because a poor score on one dimension will undermine a good score on the other. For example, having a sound methodology to assess and prioritize identified risks (which would score well under the second dimension) would be undermined if little is done by the tax administration to gather intelligence and conduct research into taxpayer compliance levels in respect of key obligations (which would score poorly under the first dimension). Similarly, a high score with regard to intelligence gathering and compliance research (first dimension) would be undermined if a process were lacking to assess the relative importance of identified risks in terms of consequence and likelihood (second dimension). Under M1 the overall score for an indicator with multiple dimensions is based on the dimension with the lowest score.

**Table 8. POA 2 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 2: Effective Risk Management		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Background questions:</b></p> <ul style="list-style-type: none"> <li>• What organizational unit/s of the tax administration is/are responsible for setting risk management policy and overseeing its implementation?</li> <li>• Are any active committees of senior managers in place to manage compliance and/or institutional risks?</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of background material include: <ul style="list-style-type: none"> <li>o Organizational chart of the tax administration, and role descriptions of the main organizational units.</li> <li>o Charters or terms of reference for risk management committees.</li> </ul> </li> </ul>
<p><b>P2-3</b></p> <p><b>Identification, assessment, ranking and quantification of compliance risks</b></p>	<p><b>Dimension 1.</b> The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.</p> <ul style="list-style-type: none"> <li>• Does the tax administration undertake intelligence gathering and research initiatives to build knowledge of compliance levels and risks in respect of core taxes, taxpayer segments, and key tax obligations (registration, filing, payment, and accurate reporting in declarations)? Specifically, are the following type of initiatives undertaken: <ul style="list-style-type: none"> <li>o Analysis of the results of environmental scans undertaken by the tax administration as part of its multi-year strategic planning?</li> <li>o Analysis of tax declarations and financial statements?</li> <li>o Analysis of audit results including results from <u>random audits</u> conducted as a component of the tax administration's wider audit program to test compliance levels across a representative sample of the target taxpayer population (e.g., vendors registered for VAT or business income taxpayers within a particular industry segment)?</li> <li>o Research into hidden economic activity (e.g., registered and unregistered businesses selling and buying goods and services in cash and falsifying accounting records to evade tax)?</li> <li>o Studies into topical compliance issues internationally, such as transfer pricing and other forms of profit shifting by <u>large taxpayers</u> with cross border operations, and aggressive tax planning of high-wealth and high-income taxpayers?</li> <li>o Analysis of environmental factors that influence taxpayer compliance behavior (e.g., business, industry, sociological, economic, and psychological factors)?</li> <li>o Analysis of third party information gathered from, for example, banks, stock exchange, and government agencies such as the anti-money laundering agency and registrar of land and property ownership?</li> <li>o Tax gap studies? [Note: This is a general question given that tax gap analysis is covered in depth in POA 6.]</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Documentation in respect of the following type of initiatives: <ul style="list-style-type: none"> <li>o Analysis of environmental scans conducted as part of the tax administration's strategic planning.</li> <li>o Random audit program/s to test compliance levels across the taxpayer population.</li> <li>o Analysis of tax declarations and financial statements.</li> <li>o Transfer pricing and profit shifting studies.</li> <li>o Studies into the tax planning practices of high-wealth and high-income taxpayers.</li> <li>o Research into hidden economic activity of registered and unregistered businesses.</li> <li>o Studies into environmental factors that influence taxpayer attitudes to paying taxes.</li> <li>o Analysis of third party information.</li> <li>o Exchange of information and mutual assistance agreements with other countries.</li> </ul> </li> </ul>

**Table 8. POA 2 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 2: Effective Risk Management		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Dimension 2.</b> The process used to assess, rank, and quantify taxpayer compliance risks.</p> <ul style="list-style-type: none"> <li>• Does the tax administration have a structured process—of the kind described in contemporary management literature and/or depicted in, for example, IMF and OECD publications as suitable for use by tax administrations—in place to assess and prioritize compliance risks?</li> <li>• If yes, does the process: <ul style="list-style-type: none"> <li>o Cover all core taxes?</li> <li>o Cover the key taxpayer segments?</li> <li>o Use information gathered from the range of sources discussed in Dimension 1?</li> <li>o Form part of the tax administration's planning process so that compliance risks and associated responses are determined in a context of the administration's broader objectives and capabilities? If so, is the risk process tied to a multi-year strategic planning process? Alternatively, is it linked to the tax administration's annual business planning?</li> </ul> </li> <li>• Does the tax administration maintain a compliance risk register? Typically, a risk register describes each risk and the nature of the threat it poses to the tax system, including the impact on tax revenue, government policy goals, community confidence in the system, and reputation of the tax administration. An example of a compliance risk of the large taxpayer segment would be risk associated with transfer pricing and other profit shifting arrangements of multi-national enterprises operating in the country and having extensive cross-border transactions. Examples of risk associated with the small business taxpayer segment would be concealment of income through falsified accounting records and cash transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Documented risk management methodology used by the tax administration to identify, assess, and prioritize taxpayer compliance risks.</li> <li>• Register of identified compliance risks for each taxpayer segment and/or sub-segment.</li> <li>• Documentation showing how identified risks have been assessed and prioritized. A tax administration may, for example, use a 'risk rating matrix' approach—which examines the likelihood and consequences of each risk—in establishing the relative priorities of identified risks.</li> </ul>

**Table 8. POA 2 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 2: Effective Risk Management		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<ul style="list-style-type: none"> <li>• Does the tax administration make estimates of the amount of tax unpaid as a result of taxpayer noncompliance? (By nature, such estimates are likely to be approximate and solely intended to inform the process of assessing and responding to the risks.)</li> <li>• How often are estimates made?</li> <li>• Is the estimation methodology documented, including the assumptions upon which estimates are based? Is the methodology consistently applied?</li> <li>• Are tax revenue leakage estimates made in respect of specific areas of noncompliance including, for example:               <ul style="list-style-type: none"> <li>◦ Unregistered businesses?</li> <li>◦ <u>Tax avoidance</u> through aggressive tax planning (e.g., avoidance involving transfer pricing and other forms of profit shifting by large taxpayers with cross border operations, and avoidance schemes of high-wealth and high-income taxpayers)?</li> <li>◦ Illegal <u>tax evasion</u> (e.g., unreported business income and over-claimed deductions and rebates)?</li> <li>◦ <u>Tax fraud</u> (e.g., fraudulent VAT and income tax refund claims)?</li> </ul> </li> <li>• Are all core taxes covered?</li> <li>• Are tax revenue leakage estimates publicly reported?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented methodology used by the tax administration to estimate the amount of tax unpaid as a result of taxpayer noncompliance.</li> <li>• Documented estimates of tax revenue leakage in specific areas of noncompliance, including unregistered businesses, tax evasion from unreported income and over-claimed deductions, tax avoidance through aggressive tax planning (e.g., tax avoided by multi-national enterprises through transfer pricing and other profit shifting arrangements), and refund and other tax fraud.</li> <li>• Published reports prepared by the tax administration in relation to tax revenue leakage.</li> </ul>
<b>P2-4</b>  <b>Mitigation of risks through a compliance improvement plan</b>	<p><b>The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.</b></p> <ul style="list-style-type: none"> <li>• Does the tax administration have a compliance improvement plan to mitigate identified risks to the tax system?</li> <li>• If so, does the compliance improvement plan include planned mitigation actions in respect of:               <ul style="list-style-type: none"> <li>◦ All core taxes?</li> <li>◦ The key taxpayer segments?</li> <li>◦ Risks associated with the four main compliance obligations of taxpayers (registration, filing, payment, and accurate reporting in declarations)?</li> <li>◦ All risks assessed as 'high'?</li> </ul> </li> <li>• Does the compliance improvement plan also cover less serious risks where ongoing monitoring, rather than active intervention, is appropriate to ensure that any further erosion of compliance is quickly identified?</li> <li>• Does the compliance improvement plan cover multiple years or a single year only?</li> <li>• To what extent was the compliance improvement plan for the most recent completed fiscal year actually implemented?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented multi-year and/or annual compliance improvement plan.</li> </ul>

**Table 8. POA 2 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 2: Effective Risk Management		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P2-5</b>  <b>Monitoring and evaluation of compliance risk mitigation activities</b>	<b>The process used to monitor and evaluate the impact of compliance risk mitigation activities.</b> <ul style="list-style-type: none"> <li>• Does the tax administration monitor progress and evaluate the impact of risk mitigation initiatives?</li> <li>• Are regular reports on progress of risk mitigation actions monitored at senior management level in the tax administration?</li> <li>• Has the tax administration quantified the compliance impact—including the impact on tax revenue collections and compliance behavior of taxpayers—of the main risk mitigation activities undertaken during the past 1-2 years?</li> <li>• Is there evidence during the past 1-2 years of the tax administration alerting policy makers of weaknesses in the law that expose the tax system to high levels of risk (e.g., aggressive tax planning practices involving contrived schemes to avoid tax).</li> <li>• Is it usual practice to document findings from compliance risk mitigation activities and feed the findings back into the process of developing future compliance improvement plans?</li> </ul>	<ul style="list-style-type: none"> <li>• Status reports on progress with implementation of planned risk mitigation activities.</li> <li>• Evaluation reports of the compliance impact—including the impact on tax revenue collections and compliance behavior of taxpayers—of the main risk mitigation activities undertaken during the past 1-2 years.</li> <li>• Documented process and procedure for feeding mitigation activity findings into the development of future compliance improvement plans.</li> <li>• Reports prepared by the tax administration to alert policy makers of identified policy weaknesses that expose the tax system to high levels of risk.</li> <li>• Changes to the law to rectify policy weaknesses identified by the tax administration.</li> </ul>
<b>P2-6</b>  <b>Identification, assessment, and mitigation of institutional risks</b>	<b>The process used to identify, assess, and mitigate institutional risks.</b> <ul style="list-style-type: none"> <li>• Does the tax administration have a structured process in place to identify, assess, prioritize, and mitigate institutional risks, such as the risk of IT system failure and loss of taxpayer data?</li> <li>• If yes, does the process form part of the tax administration's planning process so that institutional risks and associated responses are determined in a context of the administration's broader objectives and capabilities?</li> <li>• Does the tax administration maintain an institutional risk register?</li> <li>• Is a business continuity (or disaster recovery) plan in place?</li> <li>• How often is the business continuity (disaster recovery) plan reviewed and updated?</li> <li>• Does the tax administration monitor progress and evaluate the impact of institutional risk mitigation initiatives?</li> <li>• Are regular reports on progress of risk mitigation actions monitored at senior management level in the tax administration?</li> <li>• How does the tax administration test its capability to respond to unplanned internal or external disruptions to its business operations? For example, does it conduct disaster simulation exercises? Are any other staff training programs undertaken?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented risk management methodology used by the tax administration to identify, assess, prioritize, and mitigate institutional risks.</li> <li>• Documented list of identified institutional risks (e.g., recorded in a risk register).</li> <li>• Documentation showing how identified risks have been assessed and prioritized.</li> <li>• Documented plans for mitigation actions and reports to senior management regarding implementation.</li> </ul>

**Table 9. POA 2 Performance Measurement Framework**

Performance Measurement Framework for POA 2: Effective Risk Management			
Indicator	Dimension	Score	Scoring Criteria
<b>P2-3</b>  <b>Identification, assessment, ranking and quantification of compliance risks</b>  <b>Scoring method M1</b>	<b>Dimension 1.</b> The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.	A	The tax administration builds knowledge of compliance levels and current and emerging risks by: <ul style="list-style-type: none"> <li>a. Analyzing the results of environmental scans undertaken by the tax administration as part of its multi-year strategic planning;</li> <li>b. Gathering and interpreting data from a range of external sources (e.g., financial institutions, Customs and other government agencies, other tax jurisdictions, studies into taxpayer behavior and topical compliance issues); and</li> <li>c. Gathering and interpreting data from a range of internal sources (e.g., tax audits, tax declarations, tax compliance gap studies, studies into taxpayer behavior and other internal research).</li> </ul>
		B	The tax administration builds knowledge of compliance levels and risks by: same as A (b) and (c).
		C	The tax administration's intelligence gathering and research initiatives are less comprehensive and mostly limited to internal data sources.
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 2:</b> The process used to assess, rank, and quantify taxpayer compliance risks.	A	A structured risk assessment process—of the kind described in contemporary management literature and/or depicted, for example, in IMF and OECD publications as suitable for use by tax administrations—is in place as part of a multi-year strategic planning process to assess and prioritize compliance risks for all core taxes, the four main compliance obligations, and key taxpayer segments.
		B	Similar to A, except that the risk assessment process is not part of a multi-year strategic planning process. The process is, however, linked to the tax administration's broader annual business planning.
		C	A less structured risk assessment process is in place to assess and prioritize compliance risks for all core taxes and the four main compliance obligations.
		D	The requirements for a 'C' rating or higher are not met.
<b>P2-4</b>  <b>Mitigation of risks through a compliance improvement plan</b>  <b>Scoring method M1</b>	The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	A	(i) A documented compliance improvement plan exists comprising mitigation activities in respect of all identified high risks, and covers all of the following: <ul style="list-style-type: none"> <li>a. All core taxes;</li> <li>b. The four main compliance obligations; and</li> <li>c. Key taxpayer segments.</li> </ul> (ii) The compliance improvement plan is resourced fully, and implementation progress is monitored on a regular basis (e.g., monthly).
		B	(i) Same as A (i) (a) and (b). In respect of A (i) (c), at least the risks in the large taxpayer segment are specifically covered in the compliance improvement plan. (ii) Same as A (ii).
		C	(i) A documented annual compliance plan exists comprising mitigation activities in respect of identified risks in the tax system. The plan may not cover all core taxes, all four main tax obligations, or all key taxpayer segments. (ii) Similar to A (ii). Some aspects may not be fully resourced and implementation may be monitored less regularly (e.g., quarterly).
		D	The requirements for a 'C' rating or higher are not met.



**Table 9. POA 2 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 2: Effective Risk Management			
Indicator	Dimension	Score	Scoring Criteria
<b>P2-5</b>  <b>Monitoring and evaluation of compliance risk mitigation activities</b>  <b>Scoring method M1</b>	The process used to monitor and evaluate the impact of compliance risk mitigation activities.	A	(i) Formal governance arrangements are in place at senior management level (i.e., there is an active risk management committee) to approve compliance <u>risk mitigation strategies</u> and monitor progress with implementation.  (ii) Evaluations of the effectiveness of all approved compliance risk mitigation strategies in achieving targeted outcomes are documented and reviewed by senior management.
		B	(i) Same as A (i).  (ii) Evaluations of the effectiveness of at least 50 percent of approved compliance risk mitigation strategies in achieving targeted outcomes are documented and reviewed by senior management.
		C	(i) Compliance risk management strategies are approved by senior management and monitored at least on an ad hoc basis.  (ii) Evaluations of the effectiveness of approved compliance risk mitigation strategies in achieving targeted outcomes are sometimes documented and reviewed by senior management.
		D	The requirements for a 'C' rating or higher are not met.
<b>P2-6</b>  <b>Identification, assessment, and mitigation of institutional risks</b>  <b>Scoring method M1</b>	The process used to identify, assess, and mitigate institutional risks.	A	(i) A structured process is applied annually to identify, assess, and prioritize institutional risks across the whole organization.  (ii) A documented institutional risk register is in place.  (iii) A business continuity plan exists to mitigate risks, and is reviewed annually. Staff are trained in disaster recovery procedures (e.g., through disaster simulation exercises).
		B	(i) A structured process is applied at least every 2 years to identify, assess, and prioritize institutional risks across the whole organization.  (ii) Same as A (ii).  (iii) A business continuity plan exists, and is reviewed at least every 2 years. Staff are trained in disaster recovery procedures.
		C	(i) A risk assessment process is in place to identify, assess, and mitigate at least risks associated with the tax administration's IT system.  (ii) Same as B (iii).
		D	The requirements for a 'C' rating or higher are not met.

# V. Performance Outcome Area 3:

## Supporting Voluntary Compliance

### Desired outcome

Taxpayers have the necessary information and support to voluntarily comply at a reasonable cost to them.

### Background and good practice

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law.

Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements (e.g., pre-filled tax declarations) and systems that eliminate the need to file (e.g., where income tax withheld at source is treated as a final tax). Furthermore, taxpayers of all kinds can gain greater flexibility in managing their tax affairs when provided with an online taxpayer portal that allows them and their authorized agents 24-hour access to registration and tax account details. Additionally, adoption of electronic filing and payment and other e-services can reduce taxpayer costs of doing business with the tax administration.

Examples of good practice adopted by tax administrations to achieve the desired outcome include:

- Providing taxpayers with information through a variety of user-friendly products (e.g., in the form of guides, brochures, fact sheets, forms, web pages, frequently asked questions, practice notes, rulings and other written information, media articles, and oral information) and public education programs (e.g., outreach programs for people starting or running a business and first-time employers, and course material for teaching school students about taxes).
- Customizing information to meet the specific needs of particular taxpayer segments, such as small traders who

cannot afford the services of tax intermediaries, and disadvantaged groups in society (e.g., citizens with literacy or language difficulties).

- Delivering cost effective services through means convenient to taxpayers. Traditional service delivery methods—such as walk-in enquiry centers, telephone, and letters—are giving way to e-products and e-services. Tax administrations are increasingly adopting service delivery channel strategies aimed at eliminating or at least shifting taxpayer service demand from costly to more cost-efficient service channels. Self-service via the Internet is considerably cheaper and easier to support than in-person and telephone enquiries.
- Committing to service delivery standards (e.g., maximum wait times/response times) associated with taxpayer requests for information. These standards are often documented in a taxpayer charter.
- Regularly updating information products to reflect changes in the law and administrative procedures, and undertaking initiatives to raise taxpayer awareness of the changes.
- Introducing measures to reduce compliance costs for taxpayers (e.g., simplified record keeping and reporting requirements for small businesses; pre-filing of tax declarations and/or systems that eliminate the need to file; automated telephone and online (including through mobile platforms) facilities that allow taxpayers to notify the tax administration of ‘nil’ declarations; and taxpayer portals that provide 24-hour online access to information and services).
- Monitoring frequently asked questions and common misunderstandings of the law detected through audit and other verification or outreach activities to help target and refine information products and services.
- Monitoring taxpayer perceptions of service, and seeking taxpayer feedback on information products and services (such as web page content and layout, and forms design).

### Indicators, dimensions, and scoring

Three performance indicators with the following seven measurement dimensions are used to assess the extent to which:

- The tax administration provides a comprehensive range of up-to-date (and quality) information to assist taxpayers to meet their obligations and claim entitlements.

- Information available to taxpayers accurately reflects the current law and administrative policy.
  - Taxpayers can easily obtain information. For countries with widespread public use of the Internet, ease of acquiring information is assessed largely by reference to how easy it is for taxpayers to navigate the tax administration's web site to get the information they need. On the other hand, where a very low percentage of a country's population use computers and the Internet, ease of getting information is assessed by reference to accessibility of other service delivery channels such as walk-in and telephone enquiry centers.
  - The tax administration responds in a timely way to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls, particularly through dedicated call centers, is used as a proxy for measuring a tax administration's performance in responding to information requests generally).
  - Initiatives are in place to reduce taxpayer compliance costs.
  - The tax administration seeks taxpayer and other stakeholder views in relation to its delivery of services.
  - Taxpayer feedback is taken into account in the design of administrative processes and products.
- Table 10 summarizes the indicators, dimensions, and associated scoring methods for POA 3.

### Assessor checklist of questions

Table 11 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 3.

### Performance measurement framework

Table 12 sets out the criteria for scoring the indicators and dimensions of POA 3.

**Table 10. POA 3 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P3-7. Scope, currency, and accessibility of information</b>	<ul style="list-style-type: none"> <li>• The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.</li> <li>• The degree to which information is current in terms of the law and administrative policy.</li> <li>• The ease by which taxpayers obtain information from the tax administration.</li> <li>• The time taken to respond to taxpayer and intermediary requests for information.</li> </ul>	M1 (See note 1)
<b>P3-8. Scope of initiatives to reduce taxpayer compliance costs</b>	<ul style="list-style-type: none"> <li>• The extent of initiatives to reduce taxpayer compliance costs.</li> </ul>	M1
<b>P3-9. Obtaining taxpayer feedback on products and services</b>	<ul style="list-style-type: none"> <li>• The use and frequency of methods to obtain feedback from taxpayers on the standard of services provided.</li> <li>• The extent to which taxpayer input is taken into account in the design of administrative processes and products.</li> </ul>	M1 (See note 2)

Note 1: M1 is used in this instance because a good score for one dimension will be undermined by poor scores for others. For example, notwithstanding that a tax administration may produce wide-ranging information for taxpayer use (which would score highly under the first dimension) this would be undermined if much of the information was out of date (thereby scoring poorly under the second dimension) or was inaccessible to a large number of taxpayers because of the absence of convenient means to obtain it (third dimension) or lengthy delays in responding to information requests (fourth dimension). Under M1 the overall score for an indicator with multiple dimensions is based on the dimension with the lowest score.

Note 2: M1 is used here because the dimensions are connected. For example, obtaining frequent feedback from taxpayers (which would score well under the first dimension) would be undermined if the feedback were rarely taken into account by the tax administration in designing service products and programs (thereby attracting a poor score under the second dimension). Likewise, if all or most taxpayer feedback were considered in the design of products (which would score highly under the second dimension) this would count for little overall if feedback were seldom sought from taxpayers (a weak score under the first dimension).

**Table 11. POA 3 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 3: Supporting Voluntary Compliance		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<b>Background questions:</b> <ul style="list-style-type: none"> <li>• What organizational unit/s of the tax administration is/are responsible for taxpayer assistance and education?</li> <li>• Does the tax administration have a dedicated call center(s) for taxpayer assistance?</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of background material include: <ul style="list-style-type: none"> <li>o Organizational chart of the tax administration, and role descriptions of the main organizational units.</li> <li>o Existence of a dedicated call center(s).</li> </ul> </li> </ul>
<b>P3-7</b>  <b>Scope, currency, and accessibility of information</b>	<b>Dimension 1: The range of information available and assistance given to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.</b> <ul style="list-style-type: none"> <li>• Does the tax administration provide information to the public in respect of the main areas of taxpayer obligations (i.e. registration, filing, payment, and reporting of information in tax declarations) and entitlements (e.g., refund claims)?</li> <li>• Does the publicly available information cover all core taxes?</li> <li>• Is the publicly available information tailored to the needs of key taxpayer segments? For example, is the information that is provided to small business taxpayers in a form that can be readily understood and applied by small traders who cannot afford the services of tax intermediaries?</li> <li>• Does the tax administration conduct or promote public education programs (e.g., tax seminars for people starting and running a business, and programs for teaching school students about taxes)?</li> </ul>	<ul style="list-style-type: none"> <li>• Web site and/or hard copy information products available to the public in respect of the main areas of taxpayer obligations and entitlements for all core taxes.</li> <li>• Customized information products tailored to the specific needs of key taxpayer segments, tax intermediaries, and disadvantaged groups, etc.</li> <li>• Customized public education programs.</li> </ul>
	<b>Dimension 2: The degree to which information is current in terms of the law and administrative policy.</b> <ul style="list-style-type: none"> <li>• Is all publicly available information current in terms of the law and administrative policy, noting that 'current' would also include legislative changes that have a future commencement date?</li> <li>• Do documented procedures exist to ensure regular and systematic updating of information (e.g., when there are changes to tax laws)? Are the procedures consistently applied in practice?</li> <li>• How are taxpayers made aware of changes to laws that affect them? For example, are taxpayers alerted in advance of the date of effect of the new laws (including through the use of proactive client relationship management approaches)? Or are they made aware only through general media (e.g., website and/or press release)?</li> <li>• Are dedicated technical staff resources assigned to the task of keeping publicly available information up to date?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented procedures for the regular and systematic updating of publicly available information.</li> <li>• Examples of communications with taxpayers regarding changes to the law, including: <ul style="list-style-type: none"> <li>o Communication by mail/post;</li> <li>o Web site alerts;</li> <li>o Newspaper, radio, and television announcements; and</li> <li>o Articles in business and professional journals.</li> </ul> </li> <li>• Organizational chart—and field observation by the TADAT assessor—of dedicated technical staff resources assigned to the task of keeping publicly available information up-to-date.</li> </ul>

**Table 11. POA 3 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 3: Supporting Voluntary Compliance		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Dimension 3: The ease by which taxpayers obtain information and advice from the tax administration.</b></p> <ul style="list-style-type: none"> <li>• By what means do taxpayers obtain information and advice from the tax administration? Specifically, is information obtained by way of: <ul style="list-style-type: none"> <li>o A web site?</li> <li>o Guides, brochures, fact sheets, bulletins, and frequently asked questions?</li> <li>o Public education seminars?</li> <li>o Practice notes?</li> <li>o Rulings?</li> <li>o Telephone?</li> <li>o E-mail and text messages?</li> <li>o Letters?</li> <li>o Face-to-face requests at a tax administration enquiry counter?</li> </ul> </li> <li>• Does the tax administration charge a fee for information and/or advice? If so, in what specific circumstances are fees charged, and how much is charged?</li> <li>• Does the tax administration have a documented service delivery channel strategy? (Typically, a delivery channel strategy describes the means by which the tax administration provides, or plans to provide, information to taxpayers in the most efficient, cost effective, and convenient manner. It may be contained in a stand-alone policy document or in the tax administration's strategic plan or other planning documents. It may also be part of a broader agenda of government to promote e-services.)</li> </ul>	<ul style="list-style-type: none"> <li>• Field observation by the TADAT assessor of the means by which taxpayers obtain information and advice from the tax administration, including web site, brochures, fact sheets, rulings, telephone, e-mail, letters, and walk-ins.</li> <li>• Documented 'service delivery channel strategy'.</li> </ul>
	<p><b>Dimension 4: The time taken to respond to taxpayer and intermediary requests for information.</b></p> <ul style="list-style-type: none"> <li>• Does the tax administration have service delivery standards in relation to time taken to respond to taxpayer and intermediary requests received by way of letter, email, telephone, and personal visits (where walk-in enquiry facilities exist)?</li> <li>• If so, is performance against the service delivery standards monitored and reported upon?</li> <li>• Are performance results publicly reported?</li> <li>• In what percentage of cases are telephone enquiry calls (particularly through dedicated call centers) from taxpayers and intermediaries answered within 6 minutes' waiting time?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented service delivery standards (these may be contained in a published taxpayer charter).</li> <li>• Management reports of performance achieved against the service delivery standards.</li> <li>• Published reports (e.g., on the tax administration's web site) of performance achieved against standards.</li> <li>• Data gathered in Questionnaire Table 3 ("<i>Telephone Enquiry Call Waiting Time</i>").</li> </ul>

**Table 11. POA 3 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 3: Supporting Voluntary Compliance		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P3-8</b>  <b>Scope of initiatives to reduce taxpayer compliance costs</b>	<b>Dimension: The extent of initiatives to reduce taxpayer compliance costs.</b> <ul style="list-style-type: none"> <li>• Are simplified record keeping and reporting arrangements available to small taxpayers?</li> <li>• Are simplified filing arrangements (e.g., pre-filled tax declarations and notification of 'nil' tax declarations via automated telephone systems or online) and/or systems that eliminate the need to file (e.g., where income tax withheld at source is treated as a final tax) in place for individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors)?</li> <li>• Are taxpayers and their authorized agents able to access registration and tax account details online (e.g., via a taxpayer portal)? If so, what mechanisms are in place to protect the integrity and confidentiality of taxpayer data that is accessible online?</li> <li>• Are frequently asked questions and common misunderstandings of the law detected through verification and other outreach activities monitored to help target and refine taxpayer information products and services?</li> <li>• Are the design and content of tax declarations and other taxpayer forms reviewed regularly to ensure that obsolete and superfluous data items are removed?</li> <li>• What other measures are taken to reduce or minimize taxpayer compliance costs (e.g., use of electronic payment facilities; publication of tax rulings; and/or inter-agency data sharing to reduce taxpayer reporting burdens)?</li> </ul>	<ul style="list-style-type: none"> <li>• Documentation of the simplified record keeping and reporting arrangements in place for small taxpayers.</li> <li>• Field observation by the TADAT assessor of simplified filing arrangements (e.g., pre-filled tax declarations) and/or systems that eliminate the need to file in respect of individuals with relatively simple tax obligations.</li> <li>• Field observation by the TADAT assessor of the means by which taxpayers and their agents can access registration and tax account details online.</li> <li>• Documentation of the control mechanisms in place to protect the integrity and confidentiality of taxpayer data that is accessible online.</li> <li>• Documented procedures for reviewing frequently asked questions and common misunderstandings detected through verification activities, and management reports resulting from these reviews.</li> <li>• Documented procedures for reviewing tax declarations and other taxpayer forms, and management reports and recommendations resulting from these reviews.</li> </ul>

**Table 11. POA 3 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 3: Supporting Voluntary Compliance		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P3-9</b>  <b>Obtaining taxpayer feedback on products and services</b>	<b>Dimension 1: The use and frequency of methods to obtain feedback from taxpayers on the standard of services provided.</b> <ul style="list-style-type: none"> <li>• What methods, if any, are used to obtain feedback from taxpayers about the standard of tax administration services? Specifically, is feedback obtained by way of: <ul style="list-style-type: none"> <li>◦ Perception surveys?</li> <li>◦ Meetings with stakeholders (e.g., chambers of commerce, peak industry bodies, and tax intermediaries)?</li> <li>◦ Public forums?</li> <li>◦ Other means (e.g., surveys via e-mail, telephone, website, and day-to-day interactions with taxpayers in public contact centers).</li> </ul> </li> <li>• How often are perception surveys conducted?</li> <li>• How often are other feedback mechanisms (e.g., stakeholder meetings) employed?</li> <li>• Are perception surveys conducted by independent third parties? Or are they conducted by the tax administration itself?</li> <li>• Is performance feedback obtained from key taxpayer segments (e.g., large, medium-size, and small business segments, and non-business individuals)?</li> </ul>	<ul style="list-style-type: none"> <li>• Reports on findings of perception surveys.</li> <li>• Documented record/s of meetings with stakeholder groups (e.g., chambers of commerce, peak industry bodies, and tax intermediaries).</li> </ul>
	<b>Dimension 2: The extent to which taxpayer input is taken into account in the design of administrative processes and products.</b> <ul style="list-style-type: none"> <li>• Does the tax administration take account of taxpayer input in the design of taxpayer service programs and products?</li> <li>• If so, is this done in a routine and systematic way (e.g., the tax administration regularly uses taxpayer focus groups to test the design of forms and other products and services)? Or is it done on an ad hoc (i.e. unplanned infrequent) basis?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented feedback from taxpayer focus groups involved in testing information products (e.g., web page content and layout, and forms design).</li> </ul>



**Table 12. POA 3 Performance Measurement Framework**

Performance Measurement Framework for POA 3: Supporting Voluntary Compliance			
Indicator	Dimension	Score	Scoring Criteria
<b>P3-7</b>  <b>Scope, currency, and accessibility of information</b>  <b>Scoring method M1</b>	<b>Dimension 1:</b> The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	A	(i) Information on the main areas of taxpayer obligations (registration, filing, payment, and reporting of information in tax declarations) and entitlements is readily available in respect of all core taxes.  (ii) Information is tailored to the needs of key taxpayer segments, industry groups, intermediaries, and disadvantaged groups.
		B	(i) Same as A (i).  (ii) Information is tailored to the needs of at least one taxpayer segment or industry group, and tax intermediaries.
		C	(i) Same as A (i).
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 2:</b> The degree to which information is current in terms of the law and administrative policy.	A	(i) Procedures are in place, and dedicated technical staff are assigned, to ensure information is current.  (ii) Taxpayers are made aware of changes in the law or administrative policy through targeted and general communication before the law or policy takes effect.
		B	(i) Same as A (i).  (ii) Taxpayers are made aware of changes in the law or administrative policy through general communication before the law or policy takes effect.
		C	(i) Ad hoc actions are taken to update information.  (ii) Taxpayers are not always alerted to changes in the law or administrative policy before the law or policy takes effect.
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 3:</b> The ease by which taxpayers obtain information from the tax administration.	A	(i) The tax administration provides a broad range of proactive taxpayer education programs (e.g., regular tax seminars for people starting and running a business, and programs for teaching school students about taxes).  (ii) Information is available through a variety of user-friendly service delivery channels (e.g., telephone, website, brochures, fact sheets, and rulings).  (iii) Information is available at minimal or no cost to taxpayers and intermediaries.  (iv) Information and self-service facilities are available to taxpayers and intermediaries at a time convenient to them—including, for example, outside normal business hours.
		B	(i) The tax administration provides public education programs for at least micro- and small businesses, new businesses, and first-time employers.  (ii) Same as A (ii).  (iii) Same as A (iii).
		C	(i) Public education programs are undertaken on an ad hoc basis.  (ii) Same as A (ii).  (iii) Same as A (iii).
		D	The requirements for a 'C' rating or higher are not met.

**Table 12. POA 3 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 3: Supporting Voluntary Compliance			
Indicator	Dimension	Score	Scoring Criteria
	<b>Dimension 4:</b> The time taken to respond to taxpayer and intermediary requests for information.  (Note: waiting time for telephone enquiry calls (particularly through dedicated call centers) is used as a proxy for measuring a tax administration's performance in responding to information requests generally)  (Using data gathered in the Questionnaire Table 3 ("Enquiry Call Waiting Time")).	A	At least 70 percent of telephone enquiry calls are answered within 6 minutes' waiting time.
		B	At least 60 percent of telephone enquiry calls are answered within 6 minutes' waiting time.
		C	At least 50 percent of telephone enquiry calls are answered within 6 minutes' waiting time.
		D	The requirements for a 'C' rating or higher are not met. OR The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., performance is unknown because the tax administration is unable to produce the necessary data to determine the time taken to respond to written requests for information and advice—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).
<b>P3-8</b>  <b>Scope of initiatives to reduce taxpayer compliance costs</b>  <b>Scoring method M1</b>	<b>Dimension:</b> The extent of initiatives to reduce taxpayer compliance costs.	A	(i) Simplified record keeping and reporting arrangements exist for small taxpayers (i.e., simple accounting records, less frequent filing and payment, and use of pre-filled tax declarations).  (ii) Frequently asked questions and common misunderstandings of the law detected through service and verification activities are routinely analyzed to improve information products and services.  (iii) Secure online facilities (e.g., a taxpayer portal) provide taxpayers and their authorized agents with 24-hour access to registration and tax account details.  (iv) Tax declarations and other forms are reviewed regularly to ensure that only information that is needed and used is sought from taxpayers.
		B	Same as A (i) except that pre-filling of tax declarations may not be present, (ii), and (iii).
		C	(i) Same as A (i) except that pre-filling of tax declarations may not be present.  (ii) Same as A (ii).
		D	The requirements for a 'C' rating or higher are not met.
<b>P3-9</b>  <b>Obtaining taxpayer feedback on products and services</b>  <b>Scoring method M1</b>	<b>Dimension 1:</b> The use and frequency of methods to obtain feedback from taxpayers on the standard of services provided.	A	(i) The tax administration regularly obtains feedback from taxpayers through, for example, surveys via e-mail, telephone, website, public contact centers and meetings with stakeholders.  (ii) A survey—based on a statistically valid sample of key taxpayer segments—is conducted by an independent third party at least once every 3 years to monitor trends in taxpayer perceptions of tax administration services and products.
		B	(i) Same as A (i).  (ii) Same as A (ii) except that surveys are conducted on a less regular basis (i.e., at least once every 5 years) and may be undertaken solely by the tax administration.
		C	(i) Feedback is obtained, but on an ad hoc basis.  (ii) Same as B(ii) except that surveys are conducted on an ad hoc basis or not based on statistically valid sample.
		D	The requirements for a 'C' rating or higher are not met.

**Table 12. POA 3 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 3: Supporting Voluntary Compliance			
Indicator	Dimension	Score	Scoring Criteria
	<b>Dimension 2:</b> The extent to which taxpayer input is taken into account in the design of administrative processes and products.	A	(i) The tax administration regularly consults with key taxpayer groups and intermediaries to identify deficiencies in administrative processes and products.  (ii) There is active involvement of taxpayers and intermediaries in the design and/or testing of new processes and products (e.g., forms design, web page content, and clarity of <u>public rulings</u> ).
		B	Same as A (i).
		C	The tax administration consults on an ad hoc basis with key taxpayer groups and intermediaries to identify deficiencies in processes and products.
		D	The requirements for a 'C' rating or higher are not met.

# VI. Performance Outcome Area 4:

## Timely Filing of Tax Declarations

### Desired outcome

Taxpayers file tax declarations on time.

### Background and good practice

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As discussed in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations.

Where filing is required, tax laws and administrative procedures specify who is required to file; the declaration form to be used; dates by which declarations must be filed; supporting documentation to be included with declarations; and filing methods. It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5). Failure by a taxpayer to meet the filing requirements may result in penalties and, in more serious cases, prosecution.

Tax declarations may be paper-based or in electronic form, and may be filed by taxpayers themselves or via tax intermediaries (e.g., public accountants engaged by taxpayers to assist in preparing and filing declarations).

Examples of good practice adopted by tax administrations to achieve the desired outcome include:

- Simplifying filing arrangements, including pre-filing of tax declarations (covered in POA 3).
- Being proactive in reminding taxpayers of approaching filing deadlines (e.g., through media campaigns, providing taxpayers with calendars of filing dates, and sending automated reminder messages).
- Using automated processes to quickly identify taxpayers who have failed to file declarations when due. To achieve this, a tax administration must have an accurate taxpayer database. As noted in POA 1, filing enforcement is

compromised if the taxpayer database is laden with inactive and duplicated records.

- Timely follow-up and enforcement action tailored to the circumstances and filing history of the non-filers concerned. For example:
  - Contacting the taxpayer directly (e.g., by telephone, email or visit) to determine the reasons for non-filing and to secure filing of the tax declaration without further delay. This approach is taken especially for large taxpayers because of the potential impact on collections if any large taxpayer fails to meet filing and payment obligations.
  - Sending a letter or notice of demand to the taxpayer stipulating a final date by which filing must occur in order to avoid stronger penalties and fines.
  - Issuing an assessment of estimated tax liability based on the taxpayer's previous trading history where there is a reasonable belief that the taxpayer continued to trade during the filing period. This type of assessment—often referred to as a default or arbitrary assessment—can be effective in inducing uncooperative taxpayers to file declarations so that a more accurate assessment of the tax liabilities can be made.
  - Prosecuting habitual non-filers through the courts.
- Using taxpayer profiling techniques based on known circumstances and behaviors to predict the most effective action to achieve on-time filing.
- Ensuring that tax intermediaries engaged in preparing and filing tax declarations are aware of current filing processes and procedures and changes to the tax laws.
- Outreach programs to assist specific taxpayer groups in understanding and/or meeting their filing obligations (e.g., elderly taxpayers and citizens with literacy and language difficulties).
- Dedicated filing enforcement operations with full-time staff trained in customer relations and negotiation techniques.
- Providing and promoting use of electronic filing facilities for all core taxes. In many countries, large taxpayers are required by law to file declarations electronically.
- Having an IT system with features of the kind described in Box 3.

### Box 3. Features of a Filing and Declaration Processing IT System:

An effective filing and declaration processing IT sub-system:

- Processes tax declarations (including amended declarations) for all core taxes.
- At time of filing, automatically checks the taxpayer's identity against the registration database, records the date of filing, performs arithmetic checks, records the tax liability, and stores declaration data.
- Receives electronically filed declarations, and generates an electronic receipt for each e-filed declaration.
- Provides a consolidated picture of a taxpayer's filing history across all core taxes.
- Identifies and reports on all instances where a tax declaration is expected from the taxpayer, and automatically generates the relevant declaration in paper or electronic form (inclusive of TIN and other identification details) for the taxpayer to complete and file.
- Records an extended due date for filing where this has been approved.
- Automatically generates reminders and demand notices to taxpayers.
- Allocates non-filer cases to filing enforcement staff via a case management system.
- Generates assessment notices, including estimated assessments.
- Produces management information (e.g., statistical reports by core tax/region/taxpayer segment etc. including: the number of declarations expected from registered taxpayers; the number of declarations filed on-time; the number filed late; the number that remain to be filed; and the age of outstanding declarations).

### Indicators, dimensions, and scoring

Two performance indicators are used to assess POA 4:

- On-time filing rate.
- Use of electronic filing facilities.

The first indicator, with four measurement dimensions, uses recent filing data to compute an on-time filing rate (i.e. the number of declarations filed on time relative to the number of expected tax declarations) for each of CIT, PIT, VAT, and PAYE withholding. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declaration forms, and enforcement action against those who fail to file on time. The accuracy of the on-time filing rate is dependent upon an accurate taxpayer database (as indicated, the denominator will be inflated if inactive traders

and duplicated taxpayer records remain on the register of active taxpayers).

The second indicator measures the extent to which declarations, for all core taxes, are filed electronically.

Table 13 summarizes the indicator, dimensions, and associated scoring method for POA 4.

### Assessor checklist of questions

Table 14 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 4.

### Performance measurement framework

Table 15 sets out the criteria for scoring the indicators and dimensions of POA 4.

**Table 13. POA 4 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P4-10. On-time filing rate</b>	<ul style="list-style-type: none"><li>• The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers.</li><li>• The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers.</li><li>• The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.</li><li>• The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers.</li></ul>	M2
<b>P4-11. Use of electronic filing facilities</b>	<ul style="list-style-type: none"><li>• The extent to which tax declarations are filed electronically.</li></ul>	M1

**Table 14. POA 4 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 4: Timely Filing of Tax Declarations		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Background questions:</b></p> <ul style="list-style-type: none"> <li>• What are the statutory filing requirements (frequency, due dates, filing methods) for each of CIT, PIT, VAT, and PAYE withholding?</li> <li>• In the data provided in tables 4-8 (on-time filing) is there any 'period of grace' applied to the statutory due date by the tax administration as a matter of administrative policy (e.g., extra filing days granted after the statutory due date to take into account delays in mail delivery, intervening weekends and public holidays, or more serious events such as natural disasters)?</li> <li>• What organizational unit/s of the tax administration is/are responsible for filing enforcement?</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of background material include: <ul style="list-style-type: none"> <li>◦ Core tax laws and general tax administration laws.</li> <li>◦ Web site and other information published by the tax administration regarding filing requirements of businesses and individuals.</li> <li>◦ Organizational chart of the tax administration, and role descriptions of the main organizational units.</li> </ul> </li> </ul>
<b>P4-10 On-time filing rate</b>	<p><b>Dimension 1. The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers, i.e. expressed as a ratio:</b></p> $\frac{\text{Number of CIT declarations filed by the due date}}{\text{Number of declarations expected from registered CIT taxpayers}} \times 100$ <ul style="list-style-type: none"> <li>• What is the on-time filing rate for CIT declarations (filed for the fiscal year covered in Questionnaire Table 4) for: <ul style="list-style-type: none"> <li>◦ All CIT taxpayers?</li> <li>◦ Large taxpayers only?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The ratios computed from data gathered in <i>Questionnaire Table 4</i> ("On-time Filing of CIT Declarations").</li> </ul>
	<p><b>Dimension 2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers, i.e. expressed as a ratio:</b></p> $\frac{\text{Number of PIT declarations filed by the due date}}{\text{Number of PIT declarations expected from registered PIT taxpayers}} \times 100$ <ul style="list-style-type: none"> <li>• What is the on-time filing rate for PIT declarations filed for the fiscal year covered in Questionnaire Table 5?</li> </ul>	<ul style="list-style-type: none"> <li>• The ratio computed from data gathered in <i>Questionnaire Table 5</i> ("On-time Filing of PIT Declarations").</li> </ul>
	<p><b>Dimension 3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers, i.e. expressed as a ratio:</b></p> $\frac{\text{Number of VAT declarations filed by the due date}}{\text{Number of declarations expected from registered VAT taxpayers}} \times 100$ <ul style="list-style-type: none"> <li>• What is the on-time filing rate for VAT declarations (filed during the 12-month period covered in Questionnaire Tables 6 and 7) for: <ul style="list-style-type: none"> <li>◦ All VAT taxpayers?</li> <li>◦ Large taxpayers only?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The ratios computed from data gathered in <i>Questionnaire Table 6</i> ("On-time Filing of VAT Declarations – All taxpayers") and <i>Table 7</i> ("On-time Filing of VAT Declarations – Large taxpayers only").</li> </ul>
	<p><b>Dimension 4. The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers, i.e. expressed as a ratio:</b></p> $\frac{\text{Number of PAYE withholding declarations filed by the due date}}{\text{No. of PAYE w/holding declarations expected from reg'd employers}} \times 100$ <ul style="list-style-type: none"> <li>• What is the on-time filing rate for PAYE withholding declarations filed during the 12-month period covered in Questionnaire Table 8?</li> </ul>	<ul style="list-style-type: none"> <li>• The ratio computed from data gathered in <i>Questionnaire Table 8</i> ("On-time Filing of PAYE Withholding Declarations Filed by Employers").</li> </ul>

**Table 14. POA 4 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 4: Timely Filing of Tax Declarations		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P4-11</b> <b>Use of electronic filing facilities</b>	<p><b>Dimension.</b> The extent to which tax declarations are filed electronically.</p> <ul style="list-style-type: none"> <li>To what extent are electronic filing arrangements available and used for: <ul style="list-style-type: none"> <li>CIT?</li> <li>PIT?</li> <li>VAT?</li> <li>PAYE withholding?</li> </ul> </li> <li>Are electronic filing arrangements available and used by: <ul style="list-style-type: none"> <li>Large taxpayers?</li> <li>Medium-size taxpayers?</li> <li>Small businesses?</li> <li>Non-business individuals?</li> <li>Tax intermediaries?</li> </ul> </li> <li>Does the tax administration actively promote use of electronic filing?</li> <li>Is electronic filing mandatory for any classes of taxpayer (e.g., large taxpayers)?</li> <li>What plans does the tax administration have to expand use of electronic filing in the medium term (2-5 years)?</li> </ul>	<ul style="list-style-type: none"> <li>Data gathered in <i>Questionnaire Table 9 ("Use of Electronic Services")</i>.</li> <li>Documented e-filing promotion activities.</li> <li>Documented reform plans or multi-year strategic plan.</li> </ul>

**Table 15. POA 4 Performance Measurement Framework**

Performance Measurement Framework for POA 4: Timely Filing of Tax Declarations			
Indicator	Dimension	Score	Scoring Criteria
<b>P4-10 On-time filing rate</b>  <b>Scoring method M2</b>	<p><b>Dimension 1:</b> The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers, i.e. expressed as a ratio:</p> $\frac{\text{Number of CIT declarations filed by the due date}}{\text{Number of declarations expected from registered CIT taxpayers}} \times 100$ <p>(Using data gathered in <i>Questionnaire Table 4 ("On-time Filing of CIT Declarations")</i>).</p>	A	<p>(i) The ratio is 90 percent and above in respect of all taxpayers for which a CIT declaration is expected.</p> <p>(ii) The ratio is at least 99 percent for all large taxpayers in respect of which a CIT declaration is expected.</p>
		B	<p>(i) The ratio is 75 percent and above up to 90 percent in respect of all taxpayers for which a CIT declaration is expected.</p> <p>(ii) The ratio is at least 95 percent for all large taxpayers in respect of which a CIT declaration is expected.</p>
		C	<p>(i) The ratio is 50 percent and above up to 75 percent in respect of all taxpayers for which a CIT declaration is expected.</p> <p>(ii) The ratio is at least 90 percent for all large taxpayers in respect of which a CIT declaration is expected.</p>



**Table 15. POA 4 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 4: Timely Filing of Tax Declarations			
Indicator	Dimension	Score	Scoring Criteria
	<p><b>Dimension 2:</b> The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers, i.e. expressed as a ratio:</p> $\frac{\text{Number of PIT declarations filed by the due date}}{\text{Number of PIT declarations expected from registered PIT taxpayers}} \times 100$ <p>(Using data gathered in <i>Questionnaire Table 5 ("On-time Filing of PIT Declarations")</i>).</p>	D	<p>The requirements for a 'C' rating or higher are not met.</p> <p>OR</p> <p>The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the on-time filing rate of CIT declarations—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).</p>
		A	The ratio is 90 percent and above.
		B	The ratio is 75 percent and above up to 90 percent.
		C	The ratio is 50 percent and above up to 75 percent.
		D	<p>The requirements for a 'C' rating or higher are not met.</p> <p>OR</p> <p>The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the on-time filing rate of PIT declarations—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).</p>

**Table 15. POA 4 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 4: Timely Filing of Tax Declarations			
Indicator	Dimension	Score	Scoring Criteria
	<p><b>Dimension 3:</b> The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers, i.e. expressed as a ratio:</p> $\frac{\text{Number of VAT declarations filed by the due date}}{\text{Number of declarations expected from registered VAT taxpayers}} \times 100$ <p>(Using data gathered in <i>Questionnaire Table 6 ("On-time Filing of VAT Declarations – All taxpayers")</i> and <i>Table 7 ("On-time Filing of VAT Declarations – Large taxpayers only")</i>).</p>	A	<p>(i) The ratio is 90 percent and above in respect of all taxpayers for which a VAT declaration is expected.</p> <p>(ii) The ratio is at least 99 percent for all large taxpayers in respect of which a VAT declaration is expected.</p>
		B	<p>(i) The ratio is 75 percent and above up to 90 percent in respect of all taxpayers for which a VAT declaration is expected.</p> <p>(ii) The ratio is at least 95 percent for all large taxpayers in respect of which a VAT declaration is expected.</p>
		C	<p>(i) The ratio is 50 percent and above up to 75 percent in respect of all taxpayers for which a VAT declaration is expected.</p> <p>(ii) The ratio is at least 90 percent for all large taxpayers in respect of which a VAT declaration is expected.</p>
		D	<p>The requirements for a 'C' rating or higher are not met.</p> <p>OR</p> <p>The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the on-time filing rate of VAT declarations—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).</p>

**Table 15. POA 4 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 4: Timely Filing of Tax Declarations			
Indicator	Dimension	Score	Scoring Criteria
	<b>Dimension 4:</b> The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers, i.e. expressed as a ratio:  $\frac{\text{Number of PAYE declarations filed by the due date}}{\text{Number of PAYE w/holding docs expected from registered employers}} \times 100$ (Using data gathered in <i>Questionnaire Table 8 ("On-time Filing of PAYE Withholding Declarations Filed by Employers")</i> ).	A	The ratio is 90 percent and above.
		B	The ratio is 75 percent and above up to 90 percent.
		C	The ratio is 50 percent and above up to 75 percent.
		D	The requirements for a 'C' rating or higher are not met.  OR  The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the on-time filing rate of PAYE declarations—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).
<b>P4-11</b> <b>Use of electronic filing facilities</b>  <b>Scoring method M1</b>	<b>Dimension.</b> The extent to which tax declarations are filed electronically.  (Using data gathered in <i>Questionnaire Table 9 ("Use of Electronic Services")</i> ).	A	(i) At least 85 percent of declarations are filed electronically for each of the core taxes.  (ii) All large taxpayers file core tax declarations electronically.
		B	(i) At least 70 percent of declarations are filed electronically for each of the core taxes.  (ii) At least 80 percent of large taxpayers file core tax declarations electronically.
		C	At least 50 percent of declarations are filed electronically for at least two core taxes.
		D	The requirements for a 'C' rating or higher are not met.

# VII. Performance Outcome Area 5:

## Timely Payment of Taxes

### Desired outcome

Taxpayers pay their taxes in full on time.

### Background and good practice

Taxpayers are expected to pay taxes on time. Tax laws, regulations, and administrative procedures specify payment requirements, including deadlines (or due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and follow-up action by the tax administration, including legal debt recovery action.

The aim of tax administration is to attain high rates of voluntary on-time payment and low incidence of tax arrears. Achieving this requires a high level of on-time filing to establish amounts owed (covered in POA 4) and quick follow-up when payment is overdue.

The desired outcome is more likely to be achieved when the following are present:

- Collection systems that reduce the incidence of unpaid taxes, especially:
  - Withholding of tax at source (e.g., in respect of employment, dividend, and interest income); and
  - Advance payment regimes that ensure that the bulk of income tax payable by businesses is collected at regular intervals (e.g., quarterly) during the year in which the income is earned.
- Use of electronic payment methods.
- An appropriate legal framework encompassing:
  - Effective debt recovery powers (e.g., authority to close the business of a tax debtor, obtain a lien over assets, and collect amounts owing from third parties);
  - Suitable late payment penalties and interest that are uniform across core taxes; and
  - Authority to grant time-payment arrangements to viable businesses with a good payment record but experiencing temporary cash flow problems.
- Dedicated collection enforcement units with full-time specialist staff trained in collection techniques, customer (debtor) relationships, and negotiation.
- Use of outbound call centers and e-communication facilities to contact debtors during and outside regular business hours.

- Active management of the arrears inventory by reference to value, age, and collectibility of arrears cases.
- Prompt write-off of uncollectible arrears (e.g., where the taxpayer has no funds or other assets or cannot be located, or the debt is not legally recoverable because of bankruptcy).
- Special attention to new debts, given that the rate of recovery of tax arrears tends to decline as arrears get older.
- Tax clearance required to gain access to government contracts, grants, and subsidies.
- An IT system with features of the kind described in Box 4.

### Box 4. Features of an Arrears Management IT System

An effective arrears management IT sub-system:

- Identifies and reports all instances where amounts have not been paid on time.
- Automatically generates reminders and demand-for-payment notices to taxpayers.
- Provides a consolidated picture of a taxpayer's total tax arrears across all core taxes.
- Prioritizes arrears cases based on risk criteria (e.g., size of arrears, age of arrears, number of core taxes involved, taxpayer's payment history).
- Allocates cases to arrears collection staff via a case management system.
- Applies taxpayer' profiling analytics which predict the most effective action to achieve payment of the debt based on known circumstances and behavior.
- Generates management information (e.g., statistical reports on the value and age of arrears for each core tax, the number of debtors, value and number of cases subject to legal recovery action, time payment arrangements, and write-off).

### Indicators, dimensions, and scoring

Four performance indicators are used to assess POA 5:

- Use of electronic payment methods.
- Use of efficient collection systems.
- Timeliness of payments.
- Stock and flow of tax arrears.

The first indicator examines the degree to which core taxes are paid by electronic means, including through

electronic funds transfer (where money is electronically transferred via telecommunications/computer networks from a taxpayer's bank account directly to the Government's account), credit cards, and debit cards. For TADAT measurement purposes (and as a minimum), payments made in-person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Government's account are accepted as electronic payments.

The second indicator assesses the extent to which withholding at source and advance payment regimes are used.

With regard to the third indicator, VAT payment (or equivalent tax) performance is used as a proxy for on-time payment performance of core taxes generally.<sup>1</sup> Two dimensions measure the extent of on-time payment over a specified recent 12-month period: (1) the number of VAT payments made by the statutory due date relative to total number of payments due; and (2) the value of VAT payments made by the due date relative to total value of VAT payments due. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts.

<sup>1</sup> Using VAT payments as a proxy for all core tax payments avoids data gathering complications associated with tracking income tax payments involving advance payment installments.

With regard to the fourth indicator, the following are measured:

- The size of the tax administration's total core tax arrears inventory relative to annual core tax collections.
- The size of the administration's collectible tax arrears inventory (core taxes only) relative to annual core tax collections (this is similar to the first dimension but provides a more refined picture of accumulated arrears).
- The extent of old core tax arrears (a high percentage may indicate poor debt collection practices and performance).

To smooth the impact of exogenous factors, such as a serious downturn in the economy, ratios for each of the above three measurement dimensions are averaged over a 3-year period.

Table 16 summarizes the indicators, dimensions, and associated scoring methods for POA 5.

### Assessor checklist of questions

Table 17 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 5.

### Performance measurement framework

Table 18 sets out the criteria for scoring the indicators and dimensions of POA 5.

**Table 16. POA 5 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P5-12. Use of electronic payment methods</b>	<ul style="list-style-type: none"> <li>• The extent to which core taxes are paid electronically.</li> </ul>	M1
<b>P5-13. Use of efficient collection systems</b>	<ul style="list-style-type: none"> <li>• The extent to which withholding at source and advance payment systems are used.</li> </ul>	M1
<b>P5-14. Timeliness of payments</b>	<ul style="list-style-type: none"> <li>• The number of VAT payments made by the statutory due date in percent of the total number of payments due.</li> <li>• The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.</li> </ul>	M1 (See note)
<b>P5-15. Stock and flow of tax arrears</b>	<ul style="list-style-type: none"> <li>• The value of total core tax arrears at fiscal year-end in percent of total core tax revenue collections for the fiscal year.</li> <li>• The value of collectible core tax arrears at fiscal year-end in percent of total core tax revenue collections for the fiscal year.</li> <li>• The value of core tax arrears more than 12 months' old in percent of the value of all core tax arrears.</li> </ul>	M2

Note: M1 is used in this instance because a poor score on the second dimension will undermine a good score on the first, and vice versa. For example, a high number of payments made by the due date relative to the total number of payments due (which would score well under the first dimension) would be undermined if the value of payments made on time represented a small percentage of the total value of payments due (which would score poorly under the second dimension). Similarly, a high score with regard to value (second dimension) would be undermined if the vast majority of taxpayers—albeit those owing relatively small amounts—paid their taxes late (first dimension). Under M1 the overall score for an indicator with multiple dimensions is based on the dimension with the lowest score.

**Table 17. POA 5 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 5: Timely Payment of Taxes		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Background questions:</b></p> <ul style="list-style-type: none"> <li>• What are the statutory payment requirements (frequency, due dates, payment methods) for each of the core taxes and taxpayer segments?</li> <li>• What are the general tax administration laws relating to the recovery of unpaid taxes?</li> <li>• What organizational unit/s of the tax administration is/are responsible for collection enforcement?</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of background material include: <ul style="list-style-type: none"> <li>o Core tax laws and general tax administration laws.</li> <li>o Web site and other information published by the tax administration regarding payment requirements of individuals and businesses.</li> <li>o Organizational chart of the tax administration, and role descriptions of the main organizational units.</li> </ul> </li> </ul>
<b>P5-12</b> <b>Use of electronic payment methods</b>	<p><b>Dimension. The extent to which core taxes are paid electronically.</b></p> <ul style="list-style-type: none"> <li>• To what extent are the following types of electronic payment arrangements available and used: <ul style="list-style-type: none"> <li>o Blanket 'direct debit' authority for payment of all or some core tax liabilities?</li> <li>o Direct debit authority for payment on a liability-by-liability basis?</li> <li>o Internet or other online payment methods (e.g., via electronic funds transfer or online payment by debit/credit card)?</li> <li>o Telephone banking (including mobile telephony and apps)?</li> <li>o Automatic teller machines?</li> <li>o Other?</li> </ul> </li> <li>• To what extent are electronic payment arrangements available and used for: <ul style="list-style-type: none"> <li>o CIT?</li> <li>o PIT?</li> <li>o VAT?</li> <li>o PAYE withholding?</li> </ul> </li> <li>• To what extent are electronic payment arrangements available and used by: <ul style="list-style-type: none"> <li>o Large taxpayers?</li> <li>o Medium-size taxpayers?</li> <li>o Small businesses?</li> <li>o Non-business individuals?</li> <li>o Tax intermediaries?</li> </ul> </li> <li>• Does the tax administration pay tax refunds electronically (i.e. via direct credits to taxpayer bank accounts)?</li> <li>• Does the tax administration actively promote use of electronic payment?</li> <li>• What plans does the tax administration have to expand use of electronic payment in the medium term (2-5 years)?</li> </ul>	<ul style="list-style-type: none"> <li>• Data gathered in <i>Questionnaire Table 9 ("Use of Electronic Services")</i>.</li> <li>• Field enquiry and observation by the TADAT assessor of the range of payment methods used by taxpayers.</li> <li>• Documented e-payment promotion activities.</li> <li>• Documented reform plans or multi-year strategic plan.</li> </ul>

**Table 17. POA 5 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 5: Timely Payment of Taxes		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
P5-13 Use of efficient collection systems	<b>Dimension: The extent to which withholding at source and advance payment systems are used.</b> <ul style="list-style-type: none"> <li>Do withholding at source arrangements exist for: <ul style="list-style-type: none"> <li>Employment income (salaries and wages)?</li> <li>Interest income?</li> <li>Dividend income paid by public companies to resident taxpayers?</li> <li>Other types of income?</li> </ul> </li> <li>Are advance payment regimes used to collect income tax from businesses within the year the relevant income is earned? If so, what is the scope and nature of the advance payment systems?</li> </ul>	<ul style="list-style-type: none"> <li>Relevant provisions in the tax laws relating to withholding at source and advance payment.</li> </ul>
	<b>P5-14</b> <b>Timeliness of payments</b>	<ul style="list-style-type: none"> <li>The ratio computed from data gathered in <i>Questionnaire Table 10</i> ("VAT Payments").</li> </ul>
P5-15 Stock and flow of tax arrears	<b>Dimension 1: The number of VAT payments made by the statutory due date in percent of the total number of payments due, i.e. expressed as a ratio:</b> $\frac{\text{Number of VAT payments made by the due date}}{\text{Total Number of VAT payments due}} \times 100$ <ul style="list-style-type: none"> <li>What is the on-time payment (by number) rate for VAT for the period covered in Questionnaire Table 10?</li> </ul>	<ul style="list-style-type: none"> <li>The ratio computed from data gathered in <i>Questionnaire Table 10</i> ("VAT Payments").</li> </ul>
	<b>Dimension 2: The value of VAT payments made by the statutory due date in percent of the total value of payments due, i.e. expressed as a ratio:</b> $\frac{\text{Value of VAT payments made by the due date}}{\text{Total Value of VAT payments due}} \times 100$ <ul style="list-style-type: none"> <li>What is the on-time payment (by value) rate for VAT for the period covered in Questionnaire Table 10?</li> </ul>	<ul style="list-style-type: none"> <li>The ratio computed from data gathered in <i>Questionnaire Table 10</i> ("VAT Payments").</li> </ul>
P5-15 Stock and flow of tax arrears	<b>Dimension 1: The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year, i.e. expressed as a ratio:</b> $\frac{\text{Value of total core tax arrears at end of fiscal year}}{\text{Total core tax collected for fiscal year}} \times 100$ <ul style="list-style-type: none"> <li>What is the ratio of core tax arrears to annual core tax collections, averaged over the past 3 years?</li> </ul>	<ul style="list-style-type: none"> <li>The ratio computed from data gathered in <i>Questionnaire Table 11</i> ("Value of Tax Arrears").</li> </ul>
	<b>Dimension 2: The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year, i.e. expressed as a ratio:</b> $\frac{\text{Value of collectible core tax arrears at end of fiscal year}}{\text{Total core tax collected for fiscal year}} \times 100$ <ul style="list-style-type: none"> <li>What is the ratio of collectible core tax arrears to annual core tax collections, averaged over the past 3 years?</li> </ul>	<ul style="list-style-type: none"> <li>The ratio computed from data gathered in <i>Questionnaire Table 11</i> ("Value of Tax Arrears").</li> </ul>
P5-15 Stock and flow of tax arrears	<b>Dimension 3: The value of core tax arrears more than 12 months' old as a percentage of the value of all core tax arrears, i.e. expressed as a ratio:</b> $\frac{\text{Value of tax arrears > 12 months old at end of fiscal year}}{\text{Value of all tax arrears at end of fiscal year}} \times 100$ <ul style="list-style-type: none"> <li>What is the ratio of core tax arrears greater than 12 months' old to all core tax arrears?</li> </ul>	<ul style="list-style-type: none"> <li>The ratio computed from data gathered in <i>Questionnaire Table 11</i> ("Value of Tax Arrears").</li> </ul>



**Table 18. POA 5 Performance Measurement Framework**

Performance Measurement Framework for POA 5: Timely Payment of Taxes			
Indicator	Dimension	Score	Scoring Criteria
<b>P5-12</b> <b>Use of electronic payment methods</b> <b>Scoring method M1</b>	<b>Dimension.</b> The extent to which core taxes are paid electronically. (Using data gathered in <i>Questionnaire Table 9 ("Use of Electronic Services")</i> ).	A	Electronic payments account for more than 75 percent of the value of total tax collections for each of CIT, PIT, VAT, and PAYE.
		B	Electronic payments account for more than 50 percent of the value of total tax collections for each of CIT, PIT, VAT, and PAYE.
		C	Electronic payment facilities are used for at least one of the 4 core taxes.
		D	The requirements for a 'C' rating or higher are not met.
<b>P5-13</b> <b>Use of efficient collection systems</b> <b>Scoring method M1</b>	<b>Dimension.</b> The extent to which withholding at source and advance payment systems are used.	A	(i) Withholding at source is in place for all employment income (i.e. PIT).  (ii) Advance payment arrangements are in place for all business income (i.e. CIT and PIT).  (iii) Withholding or mandatory reporting/ disclosure arrangements are in place for interest and dividend income.
		B	(i) Same as A. (ii) Same as A.
		C	(i) Same as A (i). (ii) Advance payment arrangements are in place for CIT.
		D	The requirements for a 'C' rating or higher are not met.
<b>P5-14</b> <b>Timeliness of payments</b> <b>Scoring method M1</b>	<b>Dimension 1:</b> The number of VAT payments made by the statutory due date in percent of the total number of VAT payments due, i.e. expressed as a ratio: $\frac{\text{Number of VAT payments made by the due date}}{\text{Total Number of VAT payments due}} \times 100$ (Using data gathered in <i>Questionnaire Table 10 ("VAT Payments")</i> ).  Note: An on-time payment (by number) ratio is computed for VAT over a specified recent 12-month period. This is used as a proxy measure of on-time payment for all core taxes. For countries that do not have a VAT, an indirect tax equivalent (e.g., sales tax) should be used as the proxy measure.	A	The ratio is 90 percent and above.
		B	The ratio is 75 percent and above up to 90 percent.
		C	The ratio is 50 percent and above up to 75 percent.
		D	The requirements for a 'C' rating or higher are not met.  OR  The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the ratio—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).

**Table 18. POA 5 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 5: Timely Payment of Taxes			
Indicator	Dimension	Score	Scoring Criteria
	<p><b>Dimension 2:</b> The value of VAT payments made by the statutory due date in percent of the total value of payments due, i.e. expressed as a ratio:</p> $\frac{\text{Value of VAT payments made by the due date}}{\text{Total Value of VAT payments due}} \times 100$ <p>(Using data gathered in <i>Questionnaire Table 10</i> ("VAT Payments")).</p> <p>Note: An on-time payment (by value) ratio is computed for VAT over a specified recent 12-month period. This is used as a proxy measure of on-time payment for all core taxes. For countries that do not have a VAT, an indirect tax equivalent (e.g., sales tax) should be used as the proxy measure.</p>	A	The ratio is 90 percent and above.
		B	The ratio is 75 percent and above up to 90 percent.
		C	The ratio is 50 percent and above up to 75 percent.
		D	<p>The requirements for a 'C' rating or higher are not met.</p> <p>OR</p> <p>The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the ratio—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).</p>
<p><b>P5-15</b></p> <p><b>Stock and flow of tax arrears</b></p> <p><b>Scoring method M2</b></p>	<p><b>Dimension 1:</b> The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year, i.e. expressed as a ratio:</p> $\frac{\text{Value of total core tax arrears at end of fiscal year}}{\text{Total core tax collected for fiscal year}} \times 100$ <p>(Using data gathered in <i>Questionnaire Table 11</i> ("Value of Tax Arrears")).</p> <p>Note: The numerator includes all core tax arrears including penalties and interest, both collectible and uncollectible. The denominator includes the total amount of core tax collected (net of refunds) by the tax administration during the year. A ratio is computed for each of the past three fiscal years and a 3-year average taken to score this dimension.</p>	A	The ratio is below 10 percent.
		B	The ratio is at least 10 percent and up to 20 percent.
		C	The ratio is at least 20 percent and up to 40 percent.
		D	<p>The requirements for a 'C' rating or higher are not met.</p> <p>OR</p> <p>The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the ratio—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).</p>

**Table 18. POA 5 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 5: Timely Payment of Taxes			
Indicator	Dimension	Score	Scoring Criteria
	<p><b>Dimension 2:</b> The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year, i.e. expressed as a ratio:</p> $\frac{\text{Value of collectible core tax arrears at end of fiscal year}}{\text{Total core tax collected for fiscal year}} \times 100$ <p>(Using data gathered in <i>Questionnaire Table 11</i> (“<i>Value of Tax Arrears</i>”).)</p> <p>Note: The numerator, collectible tax arrears, is defined in the glossary of terms (Appendix 1). A ratio is computed for each of the past three fiscal years and a 3-year average taken to score this dimension.</p>	A	The ratio is below 5 percent.
		B	The ratio is at least 5 percent and up to 10 percent.
		C	The ratio is at least 10 percent and up to 20 percent.
		D	<p>The requirements for a ‘C’ rating or higher are not met.</p> <p>OR</p> <p>The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the ratio—this indicates deficiencies in the tax administration’s management information systems and performance monitoring practices).</p>
	<p><b>Dimension 3:</b> The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears, i.e. expressed as a ratio:</p> $\frac{\text{Value of tax arrears > 12 months old at end of fiscal year}}{\text{Value of all tax arrears at end of fiscal year}} \times 100$ <p>(Using data gathered in <i>Questionnaire Table 11</i> (“<i>Value of Tax Arrears</i>”).)</p> <p>Note: This ratio gives an indication of the extent of old debt (i.e. core taxes which are significantly overdue), both collectible and uncollectible. A ratio is computed for each of the past three fiscal years and a 3-year average taken to score this dimension.</p>	A	The ratio is below 25 percent.
		B	The ratio is at least 25 percent and up to 50 percent.
		C	The ratio is 50 percent and above up to 75 percent.
		D	<p>The requirements for a ‘C’ rating or higher are not met.</p> <p>OR</p> <p>The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to compute the ratio—this indicates deficiencies in the tax administration’s management information systems and performance practices).</p>

# VIII. Performance Outcome Area 6:

## Accurate Reporting in Declarations

### Desired outcome

Taxpayers report complete and accurate information in their tax declarations.

### Background and good practice

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. This is especially the case in relation to business taxpayers. Unlike the situation with non-business individuals—where withholding at source and systematic use of third-party information reporting obligations ensure high levels of compliance with reporting of employment and investment income—income from business activities is less likely to be subject to these instruments. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: (i) verification activities (e.g., tax audits, investigations, and income matching against third party information sources); and (ii) proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

Examples of good practice adopted by tax administrations to achieve the desired outcome include:

- Implementing a program of verification activities that has far wider impact than simply raising additional revenue from detected discrepancies. Programs of this kind—which aim to improve accurate reporting across-the-board—focus on the highest compliance risks (see POA 2). The main objectives are:
  - Corrective—where additional tax and penalties are assessed to taxpayers to rectify discrepancies detected in tax declarations, particularly non-disclosure of income.
  - Deterrent—where the perceived likelihood of detection and awareness of consequences of tax evasion (i.e. imposition of penalties and criminal prosecution of serious offenders) deters taxpayers in general from filing inaccurate declarations.
  - Intelligence gathering—where verification activity assists in identifying emerging compliance risks and confirming perceived risks, quantifying revenue losses attributable to particular risks, and identifying common taxpayer errors and misunderstandings of the law.
- Building capacity in systematic crosschecking of third party information (e.g., from banks, stock exchanges, and government agencies) with amounts reported in tax declarations. Because of the high cost and relative low

coverage rates associated with traditional audit methods, tax administrations are increasingly using large-scale automated data matching systems to verify declared amounts.<sup>1</sup>

#### ■ Supporting audit operations with:

- An IT system that provides a consolidated view of the taxpayer's compliance history across all core taxes.
  - Centralized audit case selection using analytics to select the highest risk cases within a target population of taxpayers.
  - An automated case management system that allocates audit cases, monitors progress, records decisions, stores working papers and data, and generates management reports (e.g., on revenue yield directly attributable to audit actions, and productivity of auditors).
  - Computer-assisted audit tools that automate the extraction, analysis, and crosschecking of large volumes of data from the taxpayer's accounting system.
  - A uniform set of administrative penalties (i.e. that apply irrespective of the core tax involved) for inaccurate reporting (e.g., omitting income), and judicial penalties for tax offences such as falsification of records. Typically, higher penalties apply in cases of deliberate tax evasion and/or where the taxpayer hinders or obstructs the conduct of an audit. Lesser penalties generally apply in cases where the taxpayer has taken reasonable care in completing a tax declaration.
- Developing benchmark economic performance parameters for key industries, business activities, professions, and occupations to identify taxpayers who file 'out-of-pattern' tax declarations.
  - Issuing binding tax rulings to provide taxpayers with certainty as to how the tax administration will apply the tax law to particular transactions. Two kinds of ruling are common: (1) a public ruling, which has wide general application; and (2) a private ruling, which is given on request to a single taxpayer or group of taxpayers. If a taxpayer follows a binding ruling, the tax administration is bound by it (so long as the taxpayer has entered into the transaction exactly as described in the ruling, and satisfies any stated assumptions or conditions).

<sup>1</sup> Two pre-conditions are generally necessary, however, for these arrangements to be efficient: (1) provision of electronic information reports by third parties; and (2) use of a high integrity TIN (as covered in POA 1) to facilitate the matching of information reports with tax administration records.

**Table 19. POA 6 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.</b>	<ul style="list-style-type: none"> <li>• The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.</li> <li>• The extent of large-scale automated crosschecking to verify information reported in tax declarations.</li> </ul>	M2
<b>P6-17. Extent of proactive initiatives to encourage accurate reporting.</b>	<ul style="list-style-type: none"> <li>• The nature and scope of proactive initiatives undertaken to encourage accurate reporting.</li> </ul>	M1
<b>P6-18. Monitoring the extent of inaccurate reporting.</b>	<ul style="list-style-type: none"> <li>• The soundness of the method/s used by the tax administration to monitor the extent of inaccurate reporting.</li> </ul>	M1

■ Adopting cooperative compliance approaches to manage risks of inaccurate reporting. This involves building collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. Typically, cooperative compliance arrangements are based on:

- The taxpayer demonstrating: (a) good governance of their tax affairs, including an appropriate level of validation and review of its accounting systems; and (b) a willingness to operate in an open and transparent manner and make full disclosure of their tax risks as they occur (i.e. in real time).
- The tax administration providing enhanced service to the taxpayer through, for example: (a) dedicated points of contact—including the use of client relationship management approaches; (b) speedier resolution of technical and administrative issues; (c) assignment of a reduced risk rating to the taxpayer for audit purposes; and (d) reduced penalties.

■ Monitoring the level of inaccurate reporting through various methods, for example:

- Estimation of the VAT compliance gap (being the percentage difference, for a given year, between the amount of tax that is paid and the total amount of tax theoretically due) as an indicator of the extent to which taxpayers understate sales and over-claim credits in VAT declarations.<sup>2</sup> A top-down method is typically employed using data sources on consumption that are independent of the tax administration (e.g., national accounts data, input-output or source-use statistical tables, and customs records).<sup>3</sup>

<sup>2</sup> Non-payment of assessed taxes (covered in POA 5) also contributes to the compliance gap, but the bulk of the gap is attributable to underreporting of sales and over-claiming of credits.

<sup>3</sup> Increasingly, a number of countries—through their tax administra-

- Estimation of compliance gaps for direct taxes (e.g., CIT and PIT) using mainly bottom-up techniques in several categories of income (e.g., business income, capital gains, interest, rents etc.).<sup>4</sup>
- Advanced analytics using large data sets to determine the likelihood of taxpayers making full and accurate disclosures of income.
- Surveys monitoring taxpayer attitudes towards accurate reporting of income.

### Indicators, dimensions, and scoring

Against this background, three performance indicators with four measurement dimensions examine:

- The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.
- The extent of automated crosschecking to verify information reported in tax declarations.
- The nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting.
- The methods used in monitoring the extent of inaccurate reporting.

Table 19 summarizes the indicators, dimensions, and associated scoring methods for POA 6.

tions, Ministries of Finance, and research institutions—are conducting periodical VAT compliance gap estimates. Additionally, VAT gap estimates are made by international, regional, and bilateral agencies (e.g., the European Commission measures VAT gaps of EU member states, the IMF conducts VAT gap analysis in several countries through its Revenue Administration Gap Analysis Program, and the Inter-American Center of Tax Administrations compiles results of VAT gaps for most Latin American countries).

<sup>4</sup> For example, the United States Internal Revenue Service makes estimates of the income tax gap for corporations and individuals using a methodology that it has developed and refined over more than 20 years.

## Assessor checklist of questions

Table 20 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 6.

## Performance measurement framework

Table 21 sets out the criteria for scoring the indicators and dimensions of POA 6.

**Table 20. POA 6 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 6: Accurate Reporting in Declarations		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P6-16</b>  <b>Scope of verification actions taken to detect and deter inaccurate reporting</b>	<b>Dimension 1.</b> The nature and scope of the tax audit program in place to detect and deter inaccurate reporting. <ul style="list-style-type: none"> <li>• Does the tax administration have an annual tax audit program?</li> <li>• If so, does it: <ul style="list-style-type: none"> <li>o Cover all core taxes?</li> <li>o Cover key taxpayer segments?</li> <li>o Orient audit coverage towards areas of highest risk (e.g., large taxpayers and high wealth individuals and economic sectors)?</li> <li>o Select audit cases centrally and on the basis of assessed risks?</li> <li>o Use a range of audit types, noting that audit types vary in nature, scope, and intensity and include, for example, comprehensive (multiple tax and multiple year) audits, single-issue audits, inspections of books and records, examination of VAT refund claims, and in-depth investigations of suspected tax fraud?</li> <li>o Use a range of audit methodologies (e.g., direct and indirect audit methodologies)?</li> <li>o Evaluate the impact of audits on taxpayer compliance?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Documented annual tax audit program.</li> <li>• Field enquiry and observation of the TADAT assessor regarding the tax audit activities and the types of tax audits undertaken, and audit methodologies used.</li> <li>• Documented reports of the impact of audits on taxpayer compliance.</li> </ul>
	<b>Dimension 2.</b> The extent of large-scale automated crosschecking to verify information reported in tax declarations. <ul style="list-style-type: none"> <li>• Does the tax administration use technology to crosscheck, on a large scale, amounts reported in tax declarations with information obtained from third parties?</li> <li>• If so, is there large-scale automated crosschecking of amounts reported in PIT and CIT declarations with information from sources such as: <ul style="list-style-type: none"> <li>o VAT declarations?</li> <li>o Banks/financial institutions?</li> <li>o Employers (for purposes of crosschecking reported employment income)?</li> <li>o Government agencies (e.g., customs; agencies responsible for government procurement of goods and services; registrar of companies; anti-money laundering regulator responsible for tracking cash transactions; and registrars of immovable property and other assets such as motor vehicles or land)?</li> <li>o Stock exchanges and/or shareholder registries of listed companies?</li> <li>o Social security agency or agencies (for purposes of crosschecking reported employment income)?</li> <li>o Internet-based vendors.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Documented large-scale third party information crosschecking program.</li> <li>• Field enquiry and observation of the TADAT assessor regarding large-scale crosschecking activities undertaken.</li> </ul>



**Table 20. POA 6 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 6: Accurate Reporting in Declarations		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P6-17</b>  <b>Extent of proactive initiatives to encourage accurate reporting</b>	<p><b>Dimension.</b> The nature and scope of proactive initiatives undertaken to encourage accurate reporting.</p> <ul style="list-style-type: none"> <li>Does the tax administration undertake proactive (non-audit) initiatives to encourage and facilitate accurate reporting? In particular: <ul style="list-style-type: none"> <li>Are rulings used to provide answers in real time about the tax treatment of specific transactions? If so, what types of ruling are provided (i.e. public and/or private rulings)? Are they binding on the tax administration? To which core taxes and taxpayer segments do rulings apply?</li> <li>Has the tax administration adopted cooperative compliance approaches to manage risks of inaccurate reporting? If so, what is the nature of the cooperative compliance arrangements? To which core taxes and taxpayer segments do the arrangements apply?</li> </ul> </li> <li>Is the impact of the initiatives on taxpayer compliance evaluated?</li> </ul>	<ul style="list-style-type: none"> <li>Existence of a rulings system, including publication of public rulings and practice notes.</li> <li>Documentation of the scope of cooperative compliance arrangements available to taxpayers.</li> <li>Documented examples of cooperative agreements entered into with taxpayers.</li> </ul>
<b>P6-18</b>  <b>Monitoring the extent of inaccurate reporting.</b>	<p><b>Dimension.</b> The soundness of the method/s used by the tax administration to monitor inaccurate reporting.</p> <ul style="list-style-type: none"> <li>Does the tax administration monitor tax revenue losses resulting from inaccurate reporting in declarations?</li> <li>If so, what analytical models and methodologies are used to do this? For example, does the tax administration: <ul style="list-style-type: none"> <li>Estimate the VAT compliance gap at a macro level?</li> <li>Estimate the compliance gap of income taxes at a macro level?</li> <li>Estimate losses based on random audit program results?</li> <li>Estimate losses based on results from third party data matching?</li> <li>Engage in advanced analytics of large data sets (e.g., predictive modeling)?</li> </ul> </li> <li>With regard to the model/s used: <ul style="list-style-type: none"> <li>Which core taxes are covered?</li> <li>What taxpayer segments are covered (e.g., large taxpayers; medium-sized businesses; high-wealth and high-income individuals; self-employed professionals)?</li> <li>How often are the models applied (e.g., annually; every 2 years etc.)?</li> <li>What does the tax administration do to ensure the credibility of the results? Specifically, are the results subjected to independent review (e.g., by the government auditor or a parliamentary committee) and made public?</li> <li>How are the results used? Specifically, are the results systematically used in designing tax administration interventions to improve accuracy of reporting?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Documented report/s of results of compliance gap and other studies (e.g., predictive modeling) undertaken by or on behalf of the tax administration.</li> <li>Documentation of the models and methodologies used.</li> <li>Documented reports of independent reviewers.</li> <li>Documentation demonstrating how the results of gap and other studies have been used in designing interventions to improve the accuracy of reporting.</li> </ul>



**Table 21. POA 6 Performance Measurement Framework**

Performance Measurement Framework for POA 6: Accurate Reporting in Declarations			
Indicator	Dimension	Score	Scoring Criteria
<b>P6-16</b>  <b>Scope of verification actions taken to detect and deter inaccurate reporting</b>  <b>Scoring method M2</b>	<b>Dimension 1.</b> The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	A	The tax administration's audit program: (i) Covers all core taxes. (ii) Covers key taxpayer segments, weighted towards large taxpayers and other high-risk segments and economic sectors (e.g., high wealth individuals, construction sector). (iii) Selects audit cases centrally on the basis of assessed risks. (iv) Uses a range of audit types, and audit methodologies (i.e. direct and indirect). (v) Routinely evaluates the impact of audits on levels of taxpayer compliance.
		B	The tax administration's audit program: (i) Same as A (i). (ii) Covers key taxpayer segments, weighted towards at least large taxpayers. (iii) Same as A (iii). (iv) Same as A (iv).
		C	The tax administration's audit program: (i) Same as A (i). (ii) Selects audit cases on the basis of assessed risks in a decentralized manner. (iii) Uses a range of audit types.
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 2.</b> The extent of large-scale automated cross-checking to verify information reported in tax declarations.	A	There is large-scale automated crosschecking of amounts reported in PIT and CIT declarations with information from all of the following sources: (i) VAT declarations. (ii) Banks/financial institutions. (iii) Employers. (iv) Three or more Government agencies (e.g., customs; agencies responsible for government procurement of goods and services; registrar of companies; anti-money laundering regulator responsible for tracking cash transactions; and registrar of immovable property). (v) Stock exchanges and/or shareholder registries of listed companies. (vi) Social security agency or agencies (for purposes of crosschecking reported employment income). (vii) internet-based vendors.
		B	There is large-scale automated crosschecking of amounts reported in PIT and CIT declarations with information from A (i), (ii), (iii), and (iv).
		C	There is large-scale automated crosschecking of amounts reported in PIT and CIT declarations with information from, at least, VAT declarations, employers, and two Government agencies.
		D	The requirements for a 'C' rating or higher are not met.

**Table 21. POA 6 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 6: Accurate Reporting in Declarations			
Indicator	Dimension	Score	Scoring Criteria
<b>P6-17</b>  <b>Extent of proactive initiatives to encourage accurate reporting</b>  <b>Scoring method M1</b>	<b>Dimension.</b> The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	A	(i) A system of public and private binding rulings is in place.  (ii) Cooperative compliance arrangements are entered into with qualifying taxpayers.
		B	Same as A (i).
		C	A system of public binding rulings is in place.
		D	The requirements for a 'C' rating or higher are not met.
<b>P6-18</b>  <b>Monitoring the extent of inaccurate reporting</b>  <b>Scoring method M1</b>	<b>Dimension.</b> The soundness of the method/s used by the tax administration to monitor inaccurate reporting.	A	The tax administration monitors the extent of inaccurate reporting using a methodology or methodologies that satisfy the following tests:  (i) Covers VAT and at least one other core tax.  (ii) The methods are applied at least once every two years.  (iii) The results are subjected to credibility tests, such as being independently reviewed (e.g., by the government auditor, a parliamentary committee or academia) and are made public.  (iv) The results are used in designing tax administration interventions to improve accuracy of reporting.
		B	The tax administration monitors the extent of inaccurate reporting using a methodology or methodologies that satisfy the following tests:  (i) Covers at least VAT.  (ii) The methods are applied at least once every four years.  (iii) Same as A (iii).  (iv) Same as A (iv).
		C	The tax administration monitors the extent of inaccurate reporting using a methodology or methodologies that satisfy the following tests:  (i) Same as B (i).  (ii) The methods are applied at least once every five years.
		D	The requirements for a 'C' rating or higher are not met.

# IX. Performance Outcome Area 7

## Effective Tax Dispute Resolution

### Desired outcome

The tax dispute resolution process is fair and independent, accessible to taxpayers, and effective in resolving disputed matters in a timely manner.

### Background and good practice

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit.<sup>1</sup>

Above all, a dispute process must safeguard a taxpayer's right to challenge an assessment resulting from an audit and to get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner. A taxpayer should be entitled to dispute three elements of a tax assessment: (1) the accuracy of the facts relied upon by the auditor; (2) the correctness of interpretation of the tax law; and (3) the amount of penalties imposed by the tax administration.

Examples of good practice adopted by tax administrations to achieve the desired outcome include:

- Codifying the dispute resolution process in a general tax administration law that has uniform application across all core taxes.
- Publishing clear explanations of taxpayers' rights and legal avenues for review of decisions made by the tax administration.
- Requiring auditors to provide taxpayers with a clear explanation of:
  - Adjustments made to tax liabilities as a result of an audit;
  - Reasons for penalties imposed; and
  - Rights and avenues of review.
- Minimizing the incidence of disputes by:
  - Regularly up-skilling auditors in audit techniques and interpretation of the tax laws;
  - Having effective audit case management frameworks, including supervisory review and approval processes throughout the conduct of an audit;
  - Monitoring the underlying causes of disputes (e.g., weaknesses in the audit process or gaps in the tax laws or regulations) and taking remedial action (e.g., retraining staff, changing administrative procedures or amending laws and regulations).
- Having a simple, transparent, and graduated dispute resolution mechanism comprising the following stages:
  - **First stage**—independent review by the tax administration (i.e. reviews are undertaken by designated review officers independent of the audit department). Internal review of this kind is variously referred to as objection, complaint, appeal or administrative review.
  - **Second stage**—review by an independent external specialist tax tribunal, review board/committee, or court where the taxpayer is dissatisfied with the outcome of an administrative review (an alternative fast-track dispute resolution process involving arbitration may also be in place); and
  - **Final stage**—review by a higher appellate court to resolve remaining disputes concerning legal interpretation and facts.<sup>2</sup>
- Allowing taxpayers to escalate a dispute directly to the second stage where the tax administration fails to complete an administrative review within a reasonable timeframe.
- Allowing collection of all or some of a disputed amount to be suspended for the duration of the appeal process if recovery of the debt is not considered to be at risk (e.g., is secured by a lien on an asset owned by the taxpayer or a third party guarantee).
- Promptly refunding overpaid tax where a dispute is resolved in the taxpayer's favor.
- Making public the conditions under which the tax administration may reach an out-of-court settlement in respect of a tax dispute.
- Having an IT system that:
  - Records receipt of all disputes;
  - Uses an automated case management system; and
  - Generates management information (e.g., number of cases received, number of cases resolved, value of disputed tax, age of cases, nature of issues in dispute, dispute outcomes, and potential impact of the case(s) on the tax system—policy, legal or operational).

<sup>1</sup> Disputed tax assessments normally arise: (a) from administrative error; or (b) as an outcome of a tax audit or investigation that has identified a discrepancy that is disputed by the taxpayer on grounds of facts or legal interpretation. TADAT assessments focus on (b).

<sup>2</sup> TADAT assessments do not assess the performance of the judicial review processes.

**Table 22. POA 7 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P7-19. Existence of an independent, workable, and graduated dispute resolution process</b>	<ul style="list-style-type: none"> <li>• The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.</li> <li>• Whether the administrative review mechanism is independent of the audit process.</li> <li>• Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.</li> </ul>	M2
<b>P7-20. Time taken to resolve disputes</b>	<ul style="list-style-type: none"> <li>• The time taken to complete administrative reviews.</li> </ul>	M1
<b>P7-21. Degree to which dispute outcomes are acted upon</b>	<ul style="list-style-type: none"> <li>• The extent to which the tax administration responds to dispute outcomes.</li> </ul>	M1

### Indicators, dimensions, and scoring

Three performance indicators with the following five measurement dimensions are used to assess:

- The extent to which a dispute may be escalated to an independent external tax tribunal, review board or committee, or court where a taxpayer is dissatisfied with the result of an administrative review.
- The extent to which the administrative review process is independent of the audit process that gave rise to the assessment.
- The degree to which taxpayers are informed of their rights and avenues of review.
- The time taken to complete administrative reviews.
- The degree to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure.

Table 22 summarizes the indicators, dimensions, and associated scoring methods for POA 7.

### Assessor checklist of questions

Table 23 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 7.

### Performance measurement framework

Table 24 sets out the criteria for scoring the indicators and dimensions of POA 7.

**Table 23. POA 7 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 7: Effective Tax Dispute Resolution		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Background questions:</b></p> <ul style="list-style-type: none"> <li>• What legal rights and review processes are available to taxpayers who wish to dispute a tax assessment resulting from an audit?</li> <li>• Do taxpayers exercise their legal rights in practice?</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of background material include: <ul style="list-style-type: none"> <li>o Core tax laws and general tax administration laws.</li> <li>o Web site and other information published by the tax administration regarding taxpayer dispute rights and related procedures.</li> </ul> </li> </ul>
<p><b>P7-19</b></p> <p><b>Existence of an independent, workable and graduated dispute resolution process</b></p>	<p><b>Dimension 1: The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.</b></p> <ul style="list-style-type: none"> <li>• Does a tiered review mechanism of the following kind (or variant thereof) exist: <ul style="list-style-type: none"> <li>o <b>First stage</b>—administrative review (i.e. independent review within the tax administration)? Preferably, it should be a single (i.e. not multi-layered) review process.</li> <li>o <b>Second stage</b>—review by an independent specialist tax tribunal, review board or committee, or court where the taxpayer is dissatisfied with the outcome of an administrative review? Is an alternative fast-track dispute resolution process involving arbitration in place?</li> <li>o <b>Final stage</b>—review by a higher appellate court to resolve remaining disputes concerning legal interpretation and facts?</li> </ul> </li> <li>• Is the graduated mechanism of administrative and judicial review available to all taxpayers, and is it used?</li> <li>• Is the administrative review process perceived by taxpayers to be sound?</li> <li>• If the dispute mechanism is rarely used, what is the underlying reason for this? Reasons may include, for example, prohibitive costs of challenging an assessment through the courts; excessive delays in getting a hearing and decision on the matters in dispute; or lack of taxpayer confidence that a fair hearing will be given. On the other hand, the reason may be that the high standards exercised by auditors minimize the causes of dispute (e.g., high level of competency in collecting evidence, correctly applying the law, and providing a clear explanation of the audit findings to the taxpayer including the facts and tax law upon which the assessment is based).</li> </ul>	<ul style="list-style-type: none"> <li>• Field observation by the TADAT assessor that there is an appropriately graduated mechanism of administrative and judicial review available to taxpayers, and is routinely used.</li> <li>• Provisions contained in core and general tax administration laws setting out the framework of an appropriately graduated mechanism of review.</li> <li>• Web site and other information published by the tax administration describing the graduated process of administrative and judicial review.</li> <li>• Reports on findings of perception surveys.</li> <li>• Documented record/s of meetings with stakeholder groups (e.g., chambers of commerce, peak industry bodies, and tax intermediaries).</li> </ul>

**Table 23. POA 7 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 7: Tax Dispute Resolution		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Dimension 2: Whether the administrative review mechanism is independent of the audit process.</b></p> <ul style="list-style-type: none"> <li>• To what extent is the administrative review process independent of the audit process? Specifically: <ul style="list-style-type: none"> <li>o Is there an administrative review unit that is physically and organizationally separate from the audit department (i.e. a unit located outside the tax audit department with a separate reporting line to senior management)?</li> </ul> </li> <li>OR</li> <li>o Are administrative reviews undertaken by designated review officers (i.e. as opposed to auditors) located in the audit department?</li> <li>OR</li> <li>o Do auditors—separate from those who conducted the audit of the taxpayer—conduct administrative reviews?</li> <li>OR</li> <li>o Does the auditor who conducted the audit of the taxpayer undertake the administrative review?</li> <li>• Are objective review procedures applied in administrative reviews?</li> </ul>	<ul style="list-style-type: none"> <li>• Field observation by the TADAT assessor that independent mechanisms are in place for administrative reviews.</li> <li>• Organizational chart of the tax administration, and role descriptions, showing that a physically and organizationally separate unit conducts administrative reviews.</li> <li>• Documented procedures demonstrating that objective review procedures are applied in administrative reviews.</li> </ul>
	<p><b>Dimension 3: Whether information on the dispute resolution process is published, and whether taxpayers are explicitly made aware of it.</b></p> <ul style="list-style-type: none"> <li>• Is information on the dispute resolution process published?</li> <li>• Are taxpayers explicitly made aware of the dispute resolution process? Specifically: <ul style="list-style-type: none"> <li>o Do auditors explicitly inform taxpayers of their right of dispute, and dispute resolution procedures, following completion of a tax audit?</li> </ul> </li> <li>AND/OR</li> <li>o Is information on dispute rights and dispute resolution procedures included in notices of assessment and/or audit finalization letters sent to taxpayers?</li> <li>AND/OR</li> <li>o Is information publicly available (e.g., on the tax administration's web site)?</li> </ul>	<ul style="list-style-type: none"> <li>• Field observation by the TADAT assessor that information regarding dispute rights and the dispute resolution process is provided to taxpayers: <ul style="list-style-type: none"> <li>o On the tax administration's web site;</li> <li>o In re-assessment notices;</li> <li>o In documented instructions to auditors; and</li> <li>o In audit finalization letters.</li> </ul> </li> </ul>

**Table 23. POA 7 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 7: Tax Dispute Resolution		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P7-20</b>  <b>Time taken to resolve disputes</b>	<b>The time taken to complete administrative reviews.</b> <ul style="list-style-type: none"> <li>Does the tax administration regularly monitor (e.g., monthly) the time taken to complete administrative reviews?</li> <li>What percent of administrative reviews is completed within 30 calendar days?</li> </ul>	<ul style="list-style-type: none"> <li>Data gathered in <i>Questionnaire Table 12 ("Finalization of Administrative Reviews")</i>.</li> </ul>
<b>P7-21</b>  <b>Degree to which dispute outcomes are acted upon</b>	<b>The extent to which the tax administration responds to dispute outcomes.</b> <ul style="list-style-type: none"> <li>Does the tax administration monitor dispute outcomes of a material nature and take account of these in the determination of policy, legislation, and administrative procedures?</li> <li>If so, how is this done? Is there regular monitoring (involving, for example, preparation of decision impact statements), or is monitoring undertaken on an ad hoc basis (i.e. as an unplanned infrequent activity)?</li> <li>Are outcomes of disputes made public, so far as confidentiality allows?</li> </ul>	<ul style="list-style-type: none"> <li>Field observation by the TADAT assessor that finalized disputes (e.g., <u>tax tribunal</u>, review board/committee, and court decisions) are: <ul style="list-style-type: none"> <li>Monitored by, for example, the tax administration's legal department; and</li> <li>Dispute outcomes of a material nature are taken into account in determining policy, legislation, and administrative procedures.</li> </ul> </li> <li>Documented decision impact statements/reports.</li> <li>Publication of dispute outcomes (in a sanitized form where necessary) on the tax administration's website.</li> </ul>



**Table 24. POA 7 Performance Measurement Framework**

Performance Measurement Framework for POA 7: Tax Dispute Resolution			
Indicator	Dimension	Score	Scoring Criteria
<b>P7-19</b>  <b>Existence of an independent, workable and graduated dispute resolution process</b>  <b>Scoring method M2</b>	<b>Dimension 1:</b> The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	A	(i) A tiered review mechanism of the following kind exists:  a. <b>First stage</b> —independent single (i.e. not multi-layered) administrative review process within the tax administration.  b. <b>Second stage</b> —review by an independent external specialist tax tribunal, review board or committee, or court where the taxpayer is dissatisfied with the outcome of an administrative review. An alternative fast-track dispute resolution process involving arbitration may also be in place.  c. <b>Final stage</b> —review by a higher court to resolve remaining disputes concerning legal interpretation and facts.  (ii) Taxpayers use the formal dispute process.
		B	(i) The tiered review mechanism described in A (i) is in place with the exception that either the administrative review process within the tax administration is multi-layered or a independent external specialist tax tribunal, review board or committee, or court does not exist and generalist lower courts provide the first avenue of appeal for a taxpayer dissatisfied with the outcome of the administrative review process.  (ii) Same as A (ii).
		C	(i) The tiered review mechanism described in A (i) is in place but the administrative review process within the tax administration is multi-layered and there is no independent external specialist tax tribunal, review board or committee, or court.  (ii) Same as A (ii).
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 2:</b> Whether the administrative review mechanism is independent of the audit process.	A	(i) An administrative review unit that is physically and organizationally independent of the audit department conducts all administrative reviews; and  (ii) Objective review procedures are documented and applied.
		B	(i) Designated review officers located in the audit department conduct all administrative reviews; and  (ii) Same as A (ii).
		C	(i) Administrative reviews are conducted by auditors separate from those involved in the audit of the taxpayer; and  (ii) Same as A (ii).
		D	The requirements for a 'C' rating or higher are not met.

**Table 24. POA 7 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 7: Effective Tax Dispute Resolution			
Indicator	Dimension	Score	Scoring Criteria
	<b>Dimension 3:</b> Whether information on the dispute resolution process is published, and whether taxpayers are explicitly made aware of it.	A	(i) General information on taxpayer dispute rights and the dispute resolution process is publicly available (e.g., on the tax administration's website).  (ii) Auditors are required by written instruction to explicitly inform taxpayers of their dispute rights and the associated dispute procedures.  (iii) Information on dispute rights and associated dispute procedures is specifically included in audit finalization letters, notices of assessment, and notifications of administrative review outcomes.
		B	(i) Same as A (i).  (ii) Same as A (iii).
		C	(i) Same as A (i).
		D	The requirements for a 'C' rating or higher are not met.
<b>P7-20</b>  <b>Time taken to resolve disputes</b>  <b>Scoring method M1</b>	The time taken to complete administrative reviews.  (Using data gathered in <i>Questionnaire Table 12</i> ("Finalization of Administrative Reviews")).	A	The administrative review stage is completed for at least 90 percent of cases within the lower of 30 calendar days or the statutory deadline.
		B	The administrative review stage is completed for at least 90 percent of cases within the lower of 60 calendar days or the statutory deadline.
		C	The administrative review stage is completed for at least 90 percent of cases within the lower of 90 calendar days or the statutory deadline.
		D	The requirements for a 'C' rating or higher are not met.  OR  The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., performance is unknown because the tax administration is unable to produce the necessary data to determine the time taken to complete administrative reviews—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).
<b>P7-21.</b>  <b>Degree to which dispute outcomes are acted upon</b>  <b>Scoring method M1</b>	The extent to which the tax administration responds to dispute outcomes.	A	There is regular monitoring and analysis of dispute outcomes (e.g., decision impact statements are routinely prepared). This analysis is taken into account in the formulation or adjustment of policy, legislation, and administrative procedures.
		B	Dispute outcomes of a material nature (e.g., outcomes with significant revenue implications and/or outcomes affecting a large number of taxpayers) are analyzed. This analysis is taken into account in the formulation or adjustment of policy, legislation, and administrative procedures.
		C	Some ad hoc analysis of dispute outcomes is undertaken. Some examples exist in the past 3 years where this analysis has been taken into account in the formulation or adjustment of policy, legislation, and administrative procedures.
		D	The requirements for a 'C' rating or higher are not met.

# X. Performance Outcome Area 8

## Efficient Revenue Management

### Desired outcome

Tax revenue collections are fully accounted for, monitored against expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds are paid promptly.

### Background and good practice

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on various factors including changes in the macroeconomic environment and forecasts of revenue for different taxes.<sup>1</sup> While tax administrations are expected to contribute to enhancing the quality of revenue forecasts, there are a number of factors that are beyond their control. In recognition of this issue, the TADAT framework tests a tax administration's ability to contribute to enhancing the quality of forecasts by providing inputs to the government budget process.
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Examples of good practice adopted by tax administrations to achieve the desired outcome include:

- Having a tax revenue analysis capability—generally in the form of a specialist analytical unit—focused on, for example, tax collection trends, revenue yields from audits and other compliance activities, payment behavior across tax types and taxpayer segments, revenue effects of tax expenditures (i.e. the value of tax revenue foregone by government because of tax law provisions, including deductions, exemptions, preferential rates, and deferral of

tax liabilities), and the amount of past years' tax losses yet to be recouped.

- Regular monitoring and reporting to government of core tax collections to ensure early detection of significant deviations from budgeted revenue forecasts, and identification of reasons for deviations.
- Utilizing automated tax revenue accounting systems—with features of the kind described in Box 5—that minimize the scope for accounting errors and internal fraud, and ensure timely posting of payments and other transactions to the correct taxpayer accounts.
- Routinely reconciling the tax administration's taxpayer ledger to the Government's revenue accounts (noting that the tax administration's accounting system is subsidiary to the broader system of revenue accounts maintained by the Ministry of Finance), and to the value of tax payments deposited in the Government's bank account.
- Conducting regular internal audits of the tax revenue accounting system to provide assurance that suitable controls are in place to guard against accounting errors and fraud (further coverage of internal assurance mechanisms is contained in POA 9).
- Paying legitimate tax refunds promptly, while having safeguards in place to prevent payment where fraudulent claims for refund are involved. In the case of VAT refunds (which commonly exceed a third of gross VAT collections), good practices include, for example:
  - Subjecting VAT registration applications to proof of identity checks to prevent fictitious traders from entering the VAT system (this safeguard is covered in POA 1).
  - Using purpose-built automated risk assessment software to review all VAT refund claims against risk criteria to distinguish refund claimants with good compliance history from those with poor or unknown compliance histories. High-risk claims are subjected to pre-refund audits or other verification, while lower-risk cases may be subject to post-refund verification.
  - Paying legitimate VAT refunds, or offsetting the credits against other tax liabilities, within a reasonable timeframe (e.g., 30 calendar days from the date on which a refund claim is made).
  - Paying interest to taxpayers where legitimate refunds are delayed.

<sup>1</sup> The Ministry should have a credible revenue forecasting model which takes into account factors such as GDP growth, inflation, consumption patterns, expected prices of major exports, and fluctuations in the value of a country's currency. And, if major factors used to determine the revenue projections change during the course of the fiscal year, for example, GDP growth falls sharply, or if a price shock occurs with respect to the major exports, then the revenue forecasts for that year should be revised by the Ministry in a timely manner.

**Table 25. POA 8 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P8-22. Contribution to government tax revenue forecasting process</b>	<ul style="list-style-type: none"> <li>The extent of tax administration input to government tax revenue forecasting and estimating.</li> </ul>	M1
<b>P8-23. Adequacy of the tax revenue accounting system</b>	<ul style="list-style-type: none"> <li>Adequacy of the tax administration's tax revenue accounting system.</li> </ul>	M1
<b>P8-24. Adequacy of tax refund processing</b>	<ul style="list-style-type: none"> <li>Adequacy of the VAT refund system.</li> <li>The time taken to pay (or offset) VAT refunds.</li> </ul>	M2

- Having forecasting and monitoring systems in place to anticipate VAT refund levels and ensure sufficient funds are available to meet all legitimate refund claims when they occur.

### Indicators, dimensions, and scoring

Three performance indicators with the following four measurement dimensions are used to assess:

- The extent of tax administration input to government tax revenue forecasting and estimating.
- The adequacy of the tax revenue accounting system.
- The adequacy of the VAT refund system.
- The time taken to pay (or offset) VAT refunds.

Table 25 summarizes the indicators, dimensions, and associated scoring methods for POA 8.

### Assessor checklist of questions

Table 26 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 8.

### Performance measurement framework

Table 27 sets out the criteria for scoring the indicators and dimensions of POA 8.

### Box 5. Features of a Tax Revenue Accounting System

An effective tax revenue accounting IT sub-system:

- Maintains an account for each and every taxpayer, and provides a whole-of-taxpayer view of account details across all core taxes.
- Posts payments to the correct taxpayer accounts in a timely manner.
- Maintains a suspense account to record unidentified payments.
- Provides authorized frontline staff with online access to taxpayer accounts (both full access and read-only access).
- Allows taxpayers and their authorized agents to view their accounts via web access, subject to appropriate identity verification checks.
- Calculates and imposes late payment penalties and interest charges.
- Structures the account so that amounts in respect of tax, penalties, fines, and interest can be separately identified.
- Archives dormant taxpayer accounts in a way that can be readily restored if needed.
- Generates a taxpayer statement of account, both for each core tax and in consolidated form (i.e. all core taxes).
- Provides for a variety of accounting transactions (e.g., debits, credits, transfers, offsets, advance payments, refunds, penalties, adjustments, write-offs).
- Generates accounting-related management information, both for tax administration internal use and for wider government accounting purposes.
- Maintains detailed records and audit trails for internal control purposes (e.g., identity of frontline staff that have accessed a taxpayer's account; details of all account transactions).

**Table 26. POA 8 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 8: Efficient Revenue Management		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P8-22</b>  <b>Contribution to government tax revenue forecasting process</b>	<b>Dimension 1: The extent of tax administration input to government tax revenue forecasting and estimating.</b> <ul style="list-style-type: none"> <li>• What organizational unit(s) within the tax administration is/are responsible for providing inputs to government budgeting processes of tax revenue forecasting and tax revenue estimating?</li> <li>• How does the tax administration interact with the Ministry of Finance in developing tax revenue forecasts? Is there interaction on all core taxes?</li> <li>• What kind of data and analysis does the tax administration provide to government budgeting processes of tax revenue forecasting and tax revenue estimating?</li> <li>• How does the tax administration monitor actual tax revenue collections for core taxes?</li> <li>• Does the tax administration report to the Ministry of Finance on material variances in actual collections from tax revenue forecasts? How is this done?</li> <li>• Does the tax administration monitor tax revenue foregone as a result of tax expenditures (exemptions, preferential rates etc.)? How is this done?</li> <li>• Does the tax administration monitor and forecast VAT refund levels to ensure that sufficient funds are available to meet all legitimate refund claims when they occur? How is this done?</li> <li>• Does the tax administration monitor the stock of tax losses carried forward by taxpayers that may be offset against future taxable income? How is this done?</li> </ul>	<ul style="list-style-type: none"> <li>• Organizational chart of the tax administration, and role descriptions of the main organizational units.</li> <li>• Field observation by the TADAT assessor of the skills and qualifications of the staff involved in revenue analysis and forecasting.</li> <li>• Field observation by the TADAT assessor of the interaction of the tax administration with the Ministry of Finance.</li> <li>• Documented reports to senior management and/or Ministry of Finance regarding: <ul style="list-style-type: none"> <li>◦ Core tax revenue forecasts.</li> <li>◦ Actual collections compared with forecasts for the current fiscal year.</li> <li>◦ Reasons for material differences between collections and forecasts.</li> <li>◦ Tax revenue foregone as a result of tax expenditures.</li> <li>◦ VAT refund forecasts.</li> <li>◦ Stock of tax losses carried forward by taxpayers to future fiscal years.</li> </ul> </li> </ul>

**Table 26. POA 8 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 8: Efficient Revenue Management		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P8-23</b>  <b>Adequacy of tax revenue accounting</b>	<b>Dimension 1: Adequacy of the tax administration's tax revenue accounting system.</b> <ul style="list-style-type: none"> <li>• Does the tax administration have an automated accounting system that meets government accounting standards?</li> <li>• Does the tax administration's accounting system interface with the Ministry of Finance revenue accounting system?</li> <li>• How long, on average, does it take the tax administration to post a payment to a taxpayer's account?</li> <li>• Do documented procedures exist to routinely and systematically review the taxpayer ledger (especially in respect of accounts of taxpayers that contribute the bulk of core tax revenue) to correct accounting errors and omissions? Specifically: <ul style="list-style-type: none"> <li>o What account reconciliations are performed?</li> <li>o How often is the suspense account reviewed?</li> <li>o Is a report of credit balances produced periodically and reviewed?</li> </ul> </li> <li>• For the core taxes, do taxpayers receive or have e-access to a monthly statement of tax liabilities and credit balances?</li> <li>• Is the tax administration's accounting system audited to ensure that it aligns with the tax laws (e.g., to ensure that the system correctly calculates tax liabilities, penalties, and interest) and government accounting standards? If so, how often is the system audited? Who audits the system (e.g., internal audit; government auditor; both)?</li> </ul>	<ul style="list-style-type: none"> <li>• Field enquiry and observation by the TADAT assessor of the nature and scope of the accounting system.</li> <li>• Documented revenue accounting procedures of the tax administration.</li> <li>• External and internal audit reports on the operation of the accounting system.</li> </ul>
<b>P8-24</b>  <b>Adequacy of tax refund processing</b>	<b>Dimension 1: Adequacy of the VAT refund system.</b> <ul style="list-style-type: none"> <li>• Do net credit VAT declarations automatically trigger an entitlement to refund or are taxpayers required to file a separate refund claim?</li> <li>• How does the tax administration assess the risk attached to individual VAT refund claims? For example, are claims automatically assessed and ranked against predetermined risk criteria?</li> <li>• Are special arrangements in place for managing VAT refund claims of regular exporters? For example, are exporters categorized according to their compliance history and perceived level of risk (such that low risk claimants receive automatic refunds, while selected higher risk taxpayers are required to substantiate their claims).</li> <li>• What percentage of VAT refund claims is subjected to pre-issue verification? How is this verification done?</li> <li>• Is interest paid to taxpayers on delayed refunds?</li> <li>• Are excess VAT credits offset against other tax liabilities (e.g., income tax)?</li> <li>• Are VAT refunds paid from consolidated revenue or is there a special budget appropriation? If the latter, what happens if insufficient funds have been appropriated to meet all legitimate refund claims?</li> </ul>	<ul style="list-style-type: none"> <li>• Field observation by the TADAT assessor of the VAT refund risk management process.</li> <li>• Documented procedures for processing VAT refunds.</li> <li>• Stock and age of unpaid VAT refunds.</li> </ul>

**Table 26. POA 8 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 8: Efficient Revenue Management		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Dimension 2: The time taken to pay (or offset) VAT refunds.</b></p> <ul style="list-style-type: none"> <li>• Does the tax administration routinely monitor (e.g., each month) the time taken to pay (or offset) VAT refunds?</li> <li>• Are there instances when VAT refunds have been approved for payment or offset but remain unpaid (or not offset) due to insufficient funds or for other reasons such as the need to achieve revenue targets?</li> <li>• What percentage of VAT refund claims, by number of cases and value, is paid (or offset) within 30 calendar days?</li> </ul>	<ul style="list-style-type: none"> <li>• Published or internal service standards for payment (or offset) of VAT refunds.</li> <li>• Field enquiry on the extent of approved but unpaid VAT refunds, (typically, outstanding stock of approved but unpaid VAT refunds at the end of the fiscal year).</li> <li>• Data gathered in Questionnaire Table 13 (“Payment of VAT Refunds”).</li> </ul>

**Table 27. POA 8 Performance Measurement Framework**

Performance Measurement Framework for POA 8: Efficient Revenue Management			
Indicator	Dimension	Score	Scoring Criteria
<p><b>P8-22</b></p> <p><b>Contribution to government tax revenue forecasting process</b></p> <p><b>Scoring method M1</b></p>	<p><b>Dimension.</b> The extent of tax administration input to government tax revenue forecasting and estimating.</p>	A	<p>Dedicated expert staff within the tax administration routinely:</p> <ul style="list-style-type: none"> <li>(i) Gather data on tax revenue collection and economic conditions to provide input to government budgeting processes of tax revenue forecasting and tax revenue estimating.</li> <li>(ii) Monitor tax revenue collections against budgeted revenue forecasts and report findings to government.</li> <li>(iii) Forecast VAT refund levels to ensure that sufficient funds are available to meet all legitimate refund claims when they occur.</li> <li>(iv) Monitor and report on the cost to revenue of tax expenditures.</li> <li>(v) Monitor and report on the stock of tax losses carried forward by taxpayers that may be offset against future tax liabilities.</li> </ul>
		B	Same as A (i), (ii), and (iii).
		C	Same as A (i) and (ii).
		D	The requirements for a ‘C’ rating or higher are not met.



**Table 27. POA 8 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 8: Efficient Revenue Management			
Indicator	Dimension	Score	Scoring Criteria
<b>P8-23</b>  <b>Adequacy of tax revenue accounting</b>  <b>Scoring method M1</b>	<b>Dimension:</b> Adequacy of the tax administration's tax revenue accounting system.	A	(i) The tax administration has an automated accounting system that meets government information technology and accounting standards.  (ii) The tax administration's accounting system interfaces with the Ministry of Finance revenue accounting system.  (iii) All tax payments received are posted to the tax administration's accounting system within one business day.  (iv) Regular external and internal audits are conducted to ensure that the accounting system aligns with the tax laws (e.g., correctly calculates liabilities, penalties, and interest) and government accounting standards.
		B	(i) Same as A (i).  (ii) Same as A (ii).  (iii) All tax payments received are posted to the tax administration's accounting system within 2 business days.  (iv) Regular internal audits are conducted to ensure that the accounting system aligns with the tax laws (e.g., correctly calculates liabilities, penalties, and interest) and government accounting standards.
		C	(i) Same as A (i).  (ii) Same as A (ii).  (iii) All tax payments received are posted to the tax administration's accounting system within 3 business days.
		D	The requirements for a 'C' rating or higher are not met.

**Table 27. POA 8 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 8: Efficient Revenue Management			
Indicator	Dimension	Score	Scoring Criteria
<b>P8-24</b>  <b>Adequacy of tax refund processing</b>  <b>Scoring method M2</b>	<b>Dimension 1:</b> Adequacy of the VAT refund system.	A	All of the following are present:  (i) Risk-based verification (e.g., screening of refund claims using automated risk assessment software; pre-refund audits of high-risk cases; and post-refund verification of lower-risk cases).  (ii) Budget funds are allocated to meet all legitimate refund claims when they occur.  (iii) Offsetting of excess VAT credits against tax arrears, except where an outstanding amount is subject to a genuine dispute.  (iv) Preferential (fast-track) treatment is given to low-risk taxpayers (e.g., regular exporters with a sound compliance history).  (v) Payment of interest on delayed refunds.
		B	Same as A (i), (ii), and (iii).
		C	Same as A (i).
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 2:</b> The time taken to pay (or offset) VAT refunds.  (Using data gathered in <i>Questionnaire Table 13</i> ("Payment of VAT Refunds")).	A	At least 90 percent of VAT refund claims (by number of cases and value) are paid, offset, or declined within 30 calendar days.
		B	At least 80 percent of VAT refund claims (by number of cases and value) are paid, offset, or declined within 30 calendar days.
		C	At least 70 percent of VAT refund claims (by number of cases and value) are paid, offset, or declined within 30 calendar days.
		D	The requirements for a 'C' rating or higher are not met.  OR  The information available to the TADAT assessors is insufficient to allow an assessment to be made (e.g., the level of performance is unknown because the tax administration is unable to produce the necessary data to determine the time taken to process VAT refund claims—this indicates deficiencies in the tax administration's management information systems and performance monitoring practices).

# XI. Performance Outcome Area 9:

## Accountability and Transparency

### Desired outcome

The tax administration is transparent in the conduct of its activities and accountable to the government and community.

### Background and good practice

Accountability and transparency are two of the central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, legislature, and general public.

Examples of good practice that facilitate transparency and accountability include:

- External oversight of the tax administration through, for example (1) mandatory reporting to parliament by way of an annual report of tax administration operational and financial performance, (2) financial and performance audits conducted by the government auditor, and (3) parliamentary committees or similar bodies probing the senior executive in relation to external audit findings.
- Independent and impartial investigation of taxpayer complaints concerning wrongdoing and maladministration by the tax administration. In this regard, many countries have an ombudsman or equivalent state official with powers to investigate taxpayer complaints of, for example, unfair treatment, poor service, and uncorrected administrative mistakes. Systemic problems, and recommended actions to fix them, are reported to the minister and tax administration head. It is also common for countries to have an anti-corruption agency that, amongst its broader responsibilities, oversees tax administration anti-corruption policies and investigates alleged corrupt conduct of tax officials.
- Regular (e.g., monthly) monitoring and reporting to senior management of actions in response to recommendations of the tax ombudsman and anti-corruption agency—actions would include, for example, reconsideration and changing of decisions, correction of administrative mistakes, payment of compensation, changing of procedures, and disciplining of staff including dismissal and prosecution in serious cases.
- Embracing of ethical standards and procedures—including codes of conduct, declaration of interests and assets of tax officials, and protection of whistle-blowers—aimed at preventing tax officials from abusing the powers of their position.
- Having internal assurance mechanisms in place, especially:
  - Internal controls in the form of internal policies, procedures, and systems to protect the administration's accounting systems from error and fraud, safeguard its assets and records, and ensure compliance with laws. Examples of specific types of controls include: (a) authorization of transactions; (b) functional separation of duties; (c) audit trails of transactions and activities; (d) physical security over assets; (e) control over access to electronic and manual records; and (f) backup and recovery procedures.
  - An internal audit unit responsible for assuring senior management of the soundness—and adherence to—the administration's internal control, risk management, and governance frameworks. Internal audit activities are typically set out in an annual plan (comprising internal control checks, operational performance audits, and financial audits) that provides wide coverage and scrutiny of all key operations, revenue accounting, and internal financial management. It is also usual practice for an internal audit unit to report to the tax administration head or Board, thus providing an independent viewpoint to senior management. This is often done via an audit committee of senior tax officials and independent professionals that have broad responsibility for overseeing the administration's financial reporting, system of internal controls, and risk management activities.
  - An internal affairs unit responsible for formulating integrity and ethics policy and ensuring that everyone within the organization adheres to it. Units of this kind investigate professional misconduct of tax officials and bring wrongdoers to account, often in cooperation with relevant enforcement agencies (e.g., police, anti-corruption body, and public prosecutor). Due to the sensitive nature of their responsibility, internal affairs units usually report directly to the tax administration head or deputy head.
- Engagement of citizens through stakeholder consultation and client surveys. A wide range of consultative activities are undertaken to engage with the community including business and industry partnerships, segment-based liaison forums, interactive seminars, and various feedback

**Table 28. POA 9 Performance Indicators, Dimensions, and Scoring**

Indicators	Dimensions to be measured	Scoring method
<b>P9-25. Internal assurance mechanisms</b>	<ul style="list-style-type: none"> <li>• Assurance provided by internal audit.</li> <li>• Staff integrity assurance mechanisms.</li> </ul>	M2
<b>P9-26. External oversight of the tax administration</b>	<ul style="list-style-type: none"> <li>• The extent of independent external oversight of the tax administration's operations and financial performance.</li> <li>• The investigation process for suspected wrongdoing and maladministration.</li> </ul>	M2
<b>P9-27. Public perception of integrity</b>	<ul style="list-style-type: none"> <li>• The mechanism for monitoring public confidence in the tax administration.</li> </ul>	M1
<b>P9-28. Publication of activities, results, and plans</b>	<ul style="list-style-type: none"> <li>• The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.</li> <li>• The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.</li> </ul>	M2

channels. The hallmark of good practice is to also involve users directly in the design and/or testing of new or enhanced tax products prior to rolling them out (see POA 3). Typically, regular surveys are also conducted to monitor trends in public confidence in the tax administration. These surveys should be based on a statistically valid sample of the taxpayer population and conducted by an independent third party. Ideally, the sampling approach and the structure of the survey questions should provide an overall measure of public confidence and allow for the identification of any particular clusters of disaffection by issue, region, industry or size of entity etc. Tax administrations committed to transparency make the survey results public in a timely fashion and are open about how they intend to respond to the community feedback.

### Indicators, dimensions, and scoring

Four performance indicators with seven measurement dimensions are used to assess the level of governance in tax administration in areas of:

- Assurance provided by internal audit including internal controls to protect systems of administration from loss, error, and fraud.

- Staff integrity assurance.
- External oversight of operations and financial performance.
- Investigation of wrongdoing and maladministration of tax officials.
- Mechanisms to gauge public confidence in the tax administration.
- Public reporting of financial and operational performance.
- Publication of future directions and plans.

Table 28 summarizes the indicators, dimensions, and associated scoring methods for POA 9.

### Assessor checklist of questions

Table 29 provides a checklist of questions and examples of sources of evidence to guide the assessor during field interviews and information gathering related to POA 9.

### Performance measurement framework

Table 30 sets out the criteria for scoring the indicators and dimensions of POA 9.

**Table 29. POA 9 Assessor Checklist of Questions**

Assessor Checklist of Questions for POA 9: Accountability and Transparency		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P9-25</b>  <b>Internal assurance mechanisms</b>	<p><b>Dimension 1: The level of assurance provided by internal audit.</b></p> <ul style="list-style-type: none"> <li>• Does the tax administration have: <ul style="list-style-type: none"> <li>◦ An internal audit unit? If so, to whom does it report? For example, does it report to the head of the tax administration, board, or audit committee?</li> <li>◦ An audit committee? If so, what is its function and responsibilities?</li> <li>◦ A documented annual internal audit plan? If so, to what extent does it provide scrutiny of key operations and internal financial management?</li> </ul> </li> <li>• How many auditors are employed in the internal audit unit? What audit skills do they have? What training do they receive?</li> <li>• To what extent are internal audit findings and recommendations acted upon?</li> <li>• Are internal audit operations independently reviewed (e.g., by the government auditor)? If so, how often is this done (e.g., once every 5 years)?</li> <li>• To what extent is the tax administration's system of internal controls adequate to protect the systems of administration and confidential taxpayer information from loss, error, or fraud? In this regard: <ul style="list-style-type: none"> <li>◦ Are the internal controls documented—i.e. what internal control policies, processes, and procedures exist? Who maintains the documentation—for example, is this role performed by the internal audit unit?</li> <li>◦ Do the internal controls cover all key operations (registration, filing, declaration/return and payment processing, debt collection, taxpayer audit, and taxpayer accounting), as well as internal financial management (e.g., procurement and payroll)?</li> <li>◦ Do the internal controls cover the following areas: <ul style="list-style-type: none"> <li>✓ IT system controls, including controls to detect incidents that threaten the confidentiality and integrity of tax administration data? (This would include audit trails of user access, logging of all interactions with the IT system, and effective surveillance by internal audit to identify inappropriate access, including through use of system-generated reports and other audit tools).</li> <li>✓ Functional separation of duties?</li> <li>✓ Authorization of transactions?</li> <li>✓ Accounting reconciliations?</li> <li>✓ Physical safeguards to protect tax administration assets, including mechanisms to detect inappropriate use?</li> <li>✓ Supervision and monitoring of operations?</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Documented mandate of the tax administration's internal audit unit.</li> <li>• Documented charter or terms of reference for an audit committee, and minutes of audit committee meetings held in the past 12 months.</li> <li>• Organizational chart of the tax administration showing the reporting line of the internal audit unit.</li> <li>• Documented annual internal audit plan describing the nature, scope, and timing of audits to be undertaken.</li> <li>• Documented training plan for internal auditors and statistics of training delivered in the past 1-2 years.</li> <li>• Documented reports to senior management (e.g., quarterly reports to the audit committee) regarding the implementation status of audit recommendations.</li> <li>• Report by the government auditor and/or other independent review body on the effectiveness of internal audit operations.</li> <li>• Documented internal controls associated with key operations (e.g., registration, filing, declaration/return and payment processing, debt collection, taxpayer audit, and taxpayer accounting), as well as internal financial management (e.g., procurement and payroll). Documentation may be in the form of a central repository of internal control policies, processes and procedures (this is often maintained by the internal audit unit).</li> <li>• Internal audit and external audit reports evaluating internal controls in key operational areas.</li> </ul>

**Table 29. POA 9 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 9: Accountability and Transparency		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Dimension 2: Staff integrity assurance mechanisms.</b></p> <ul style="list-style-type: none"> <li>• Does the tax administration have an internal affairs unit? If so: <ul style="list-style-type: none"> <li>o To whom does it report? Specifically, does it report directly to the head or deputy head of the tax administration given the sensitive nature of its responsibility?</li> <li>o What investigative powers does the unit have?</li> <li>o How many investigators are employed in the unit? What skills do they have? What training do they receive?</li> <li>o To what extent does the unit provide leadership in the formulation of integrity and ethics policy, including codes of conduct?</li> <li>o To what extent does the unit cooperate with relevant agencies (e.g., anti-corruption agency, police and public prosecutor)?</li> <li>o Does the unit maintain integrity related statistics for the organization, while preserving confidentiality? Are the statistics made public?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Documented mandate of the tax administration's internal affairs unit.</li> <li>• Organizational chart of the tax administration showing the reporting line of the internal affairs unit.</li> <li>• Documented training plan for investigators and statistics of training delivered in the past 1-2 years.</li> <li>• Documented liaison arrangements with external agencies.</li> <li>• Documented integrity-related statistics for the organization.</li> </ul>
<p><b>P9-26</b></p> <p><b>External oversight of the tax administration</b></p>	<p><b>Dimension 1: The extent of independent external oversight of the tax administration's operations and financial performance.</b></p> <ul style="list-style-type: none"> <li>• Are there periodical audits of the tax administration's financial statements and operational performance by an independent external review body (e.g., government auditor or independent entity appointed in line with the country's laws and regulations)?</li> <li>• Does the tax administration respond to findings and recommendations of the external review body?</li> <li>• Are the findings and recommendations of the external review body publicly reported?</li> <li>• Are the tax administration's responses publicly reported?</li> </ul>	<ul style="list-style-type: none"> <li>• The tax administration's annual reports.</li> <li>• Documented reports prepared by the government auditor and other independent review bodies in relation to the tax administration's financial statements and operational performance.</li> <li>• Documented annual external audit program describing the nature, scope, and timing of financial and operational performance audits to be undertaken.</li> <li>• Documented responses by the tax administration in relation to external audit findings and recommendations.</li> </ul>

**Table 29. POA 9 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 9: Accountability and Transparency		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
	<p><b>Dimension 2: The investigation process for suspected wrongdoing and maladministration.</b></p> <ul style="list-style-type: none"> <li>• Do independent and impartial investigative bodies exist to safeguard the community in their dealings with the tax administration? Specifically: <ul style="list-style-type: none"> <li>◦ Does a tax ombudsman or equivalent authority (e.g., taxpayer advocate) investigate unresolved complaints from taxpayers about the service and treatment they have received from the tax administration?</li> <li>◦ Does an anti-corruption agency oversee tax administration anti-corruption policies and investigate alleged corrupt conduct of tax officials?</li> </ul> </li> <li>• Does the tax administration act on findings and recommendations of the tax ombudsman and anti-corruption agency including, for example, reconsidering and changing decisions, correcting administrative mistakes, paying compensation, changing procedures, and disciplining staff (including dismissal and prosecution in serious cases)?</li> <li>• Are systemic service and fairness problems, and recommended actions to fix them, reported to the minister and head of the tax administration?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented mandate of the ombudsman and other investigative bodies (e.g., anti-corruption agency, and taxpayer advocate).</li> <li>• Documented reports of the ombudsman and other investigative bodies in relation to investigations of taxpayer complaints.</li> <li>• Documented responses by the tax administration in relation to findings and recommendations of the ombudsman, anti-corruption agency, and other investigative bodies.</li> <li>• Documented reports to senior management on the implementation status of external audit recommendations.</li> <li>• Documented reports of systemic problems in tax administration identified by external investigative agencies.</li> </ul>
<p><b>P9-27</b></p> <p><b>Public perception of integrity</b></p>	<p><b>Dimension: The mechanism for monitoring public confidence in the tax administration.</b></p> <ul style="list-style-type: none"> <li>• Are levels of public confidence in the tax administration monitored? If so, by what monitoring mechanisms (e.g., by way of independent surveys, feedback directly from taxpayers and intermediaries, and formal studies)?</li> <li>• To the extent that perception surveys are conducted, are the surveys based on valid statistical sampling techniques? Is the validity of the sampling externally verified (e.g., by the government statistician)?</li> <li>• How often are monitoring activities (surveys, studies etc.) undertaken?</li> <li>• Are the results of monitoring activities made public? If so, within what timeframe does this occur?</li> <li>• Does the tax administration take account of the results of monitoring activities when reviewing its integrity framework (e.g., taxpayer charter; internal assurance program, including internal controls, code of conduct, and so on), and public relations campaigns?</li> </ul>	<ul style="list-style-type: none"> <li>• Documented design parameters for surveys undertaken.</li> <li>• Documented results of perception surveys of businesses and citizens.</li> <li>• Documented public announcements of survey results.</li> <li>• Documented examples of changes made by the tax administration to its integrity framework and/or public relations campaigns in the past 1-2 years.</li> </ul>



**Table 29. POA 9 Assessor Checklist of Questions (continued)**

Assessor Checklist of Questions for POA 9: Accountability and Transparency		
Indicator	Questions to be asked in assessing each dimension	Examples of evidence
<b>P9-28</b>  <b>Publication of activities, results, and plans</b>	<b>Dimension 1: The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.</b> <ul style="list-style-type: none"> <li>• Does the tax administration prepare an annual report outlining the full financial and operational performance of the tax administration for the immediate past fiscal year?</li> <li>• Is the report presented to the parliament/legislature and made available to the public? If so, within what timeframe is this done?</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report to parliament/legislature outlining the full financial and operational performance of the tax administration for the immediate past fiscal year.</li> </ul>
	<b>Dimension 2: The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.</b> <ul style="list-style-type: none"> <li>• Does the tax administration prepare and make public future plans including, for example, a multi-year strategic (or reform) plan and annual operational plans?</li> <li>• If so, when are the plans made public? Specifically, are the plans made public:               <ul style="list-style-type: none"> <li>o In advance of the period covered by the plans?</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>o After the commencement of the period covered by the plans?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Future plans of the tax administration (e.g., a multi-year strategic plan and annual operational plans) released to the public.</li> </ul>

**Table 30. POA 9 Performance Measurement Framework**

Performance Measurement Framework for POA 9: Accountability and Transparency			
Indicator	Dimension	Score	Scoring Criteria
<b>P9-25</b>  <b>Internal assurance mechanisms</b>  <b>Scoring method M2</b>	<b>Dimension 1:</b> Assurance provided by internal audit.	A	(i) The tax administration has an organizationally independent internal audit unit reporting directly to an audit committee.  (ii) There is an annual internal audit plan comprising internal control checks, operational performance audits, information technology systems audits and financial audits. The program provides wide coverage and scrutiny of key operations, revenue accounting, and internal financial management.  (iii) There is regular training of internal auditors in audit methodologies.  (iv) There is independent review of internal audit operations and systems at least every five years.  (v) There is a central repository of internal control policies, processes and procedures.  (vi) IT system controls are in place to detect incidents that threaten the confidentiality and integrity of tax administration data. Specifically, audit trails of user access and changes made to taxpayer data exist, together with effective surveillance by internal audit, including through use of system-generated reports and other audit tools.
		B	(i) The tax administration has an organizationally independent internal audit unit reporting directly to the tax administration head or board.  (ii) Same as A (ii).  (iii) Same as A (iii).  (iv) There is an independent review of internal audit operations and systems at least every seven years.  (v) Internal control policies, processes, and procedures are adequately documented.  (vi) Same as A (vi).

**Table 30. POA 9 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 9: Accountability and Transparency			
Indicator	Dimension	Score	Scoring Criteria
		C	<p>(i) There is an internal audit function but it does not report directly to the tax administration head or board.</p> <p>(ii) There is an annual internal audit plan covering, as a minimum, internal control checks and financial audits (the plan may not include operational performance audits or information systems audits).</p> <p>(iii) Internal auditors are given ad hoc training in audit methodologies.</p> <p>(iv) Audit trails of user access and changes made to taxpayer data exist.</p>
		D	The requirements for a 'C' rating or higher are not met.
	Dimension 2: Staff integrity assurance mechanisms.	A	<p>(i) The tax administration has an organizationally independent internal affairs or equivalent unit. It reports directly to the tax administration head or deputy head in recognition of the sensitive nature of its responsibilities.</p> <p>(ii) The internal affairs or equivalent unit:</p> <ul style="list-style-type: none"> <li>a. Has appropriate investigative powers, and exercises these powers with due process;</li> <li>b. Provides leadership to the formulation of integrity and ethics policy, including codes of conduct;</li> <li>c. Cooperates with relevant enforcement agencies (e.g., anti-corruption agency, police, and public prosecutor);</li> <li>d. Maintains integrity-related statistics for the organization, while preserving confidentiality; and</li> <li>e. The integrity statistics are publicly reported.</li> </ul>
		B	<p>(i) Same as A (i).</p> <p>(ii) Same as A (ii) (a), (b) and (c).</p>
		C	<p>(i) The tax administration has an internal affairs unit but it does not report directly to the tax administration head or deputy head.</p> <p>(ii) Same as A (ii) (a).</p>
		D	The requirements for a 'C' rating or higher are not met.

**Table 30. POA 9 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 9: Accountability and Transparency			
Indicator	Dimension	Score	Scoring Criteria
<b>P9-26</b>  <b>External oversight of the tax administration</b>  <b>Scoring method M2</b>	<b>Dimension 1:</b> The extent of independent external oversight of the tax administration's operations and financial performance.	A	(i) There is an annual audit of the tax administration's financial statements by an external review body (e.g., government auditor or other independent entity).  (ii) There is an annual program of operational performance audits by an external review body (e.g., government auditor).  (iii) External review findings are responded to by the tax administration.  (iv) External review findings and the response of the tax administration or Ministry of Finance to the findings are publicly reported.
		B	(i) Same as A (i).  (ii) Same as A (ii).  (iii) Same as A (iii).
		C	(i) Same as A (i).  (ii) Same as A (iii).
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 2:</b> The investigation process for suspected wrongdoing and maladministration.	A	(i) An ombudsman or equivalent authority routinely investigates complaints from taxpayers about treatment they have received from the tax administration.  (ii) Systemic problems identified by the ombudsman, and recommended actions to fix them, are reported to the tax administration and government.  (iii) An anti-corruption agency oversees tax administration anti-corruption policies and investigates the most serious cases of alleged corrupt conduct of tax officials.  (iv) There is regular (i.e., monthly) and systematic monitoring and reporting to senior management of actions taken in response to recommendations of the tax ombudsman and anti-corruption agency.
		B	(i) Same as A (i).  (ii) Same as A (iii).  (iii) Same as A (iv).

**Table 30. POA 9 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 9: Accountability and Transparency			
Indicator	Dimension	Score	Scoring Criteria
		C	<p>(i) An ombudsman or equivalent authority exists but investigates, on an ad hoc basis only, complaints from taxpayers about treatment they have received from the tax administration.</p> <p>(ii) An anti-corruption agency exists and investigates cases of alleged corrupt conduct of tax officials, but does not oversee the tax administration's anti-corruption policies.</p> <p>(iii) There is limited evidence that findings and recommendations on corruption and maladministration are acted upon systematically by the tax administration.</p>
		D	The minimum performance requirements described in 'C' above are not met.
<b>P9-27</b>  <b>Public perception of integrity</b>  <b>Scoring method M1</b>	<b>Dimension.</b> The mechanism for monitoring public confidence in the tax administration.	A	<p>(i) An independent third party conducts a survey—based on a statistically valid sample of key taxpayer segments—at least every 2 years to monitor trends in public confidence in the tax administration.</p> <p>(ii) The results of the survey are made public within 6 months of completion.</p> <p>(iii) The tax administration takes the survey results into account in reviewing its integrity framework and public relations campaigns.</p>
		B	<p>(i) An independent third party conducts a survey—based on a statistically valid sample of key taxpayer segments—at least every 3 years to monitor trends in public confidence in the tax administration.</p> <p>(ii) The results of the survey are made public within 9 months of completion.</p> <p>(iii) The tax administration takes the survey results into account in reviewing its integrity framework.</p>
		C	A survey—based on a statistically valid sample of the taxpayer population—is conducted at least every 4 years to monitor trends in public confidence in the tax administration. The survey may be conducted by an independent third party or by the tax administration itself.
		D	The requirements for a 'C' rating or higher are not met.

**Table 30. POA 9 Performance Measurement Framework (continued)**

Performance Measurement Framework for POA 9: Accountability and Transparency			
Indicator	Dimension	Score	Scoring Criteria
<b>P9-28</b>  <b>Publication of activities, results, and plans</b>  <b>Scoring method M2</b>	<b>Dimension 1:</b> The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	A	(i) There is an annual report to government outlining the full financial and operational performance of the tax administration.  (ii) The annual report is made public within 6 months of the end of the fiscal year.
		B	(i) same as a (i).  (ii) the annual report is made public within 9 months of the end of the fiscal year.
		C	A. same as a (i).  B. the annual report is made public within 12 months of the end of the fiscal year.
		D	The requirements for a 'C' rating or higher are not met.
	<b>Dimension 2:</b> The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.	A	Strategic and operational plans are made public in advance of the period covered by the plans.
		B	Strategic and operational plans are made public within 3 months of the commencement of the period covered by the plans.
		C	Elements of the plans are made public within 3 months of the commencement of the period covered by the plans.
		D	The requirements for a 'C' rating or higher are not met.

# Appendix 1:

## Glossary of Terms

**Active taxpayer** – A registered taxpayer from whom a tax declaration (return) is expected (i.e. ‘active’ taxpayers exclude those who have not filed a declaration within at least the last year because the case is defunct (e.g., a business taxpayer has ceased trading or an individual is deceased), the taxpayer cannot be located, or the taxpayer is insolvent).

**Administrative review** – The first stage in the formal dispute resolution process. Administrative reviews (also known in some countries as complaints, appeals and objections) are reviewed by the tax administration, as opposed to an independent external review body (i.e. tribunal or court).

*See also ‘tax dispute’ and ‘tax tribunal’.*

**Aggressive tax planning** – Refers to two areas of concern for tax administrations:

- Planning involving a tax position that is tenable but has unintended and unexpected tax revenue consequences. Tax administration concerns relate to the risk that tax laws can be misused to achieve results that were not foreseen by legislators. This is exacerbated by the often-lengthy period between the time schemes are created and promoted and the time tax administrations discover them and remedial legislation is enacted.
- Taking a tax position that is favorable to the taxpayer without openly disclosing that there is uncertainty whether significant matters in the tax declaration accord with the law. Tax administration concerns relate to the risk that taxpayers will not disclose their view on the uncertainty or risk taken in relation to grey areas of law (sometimes, tax administrations would not even agree that the law is in doubt).

**Analytics** – A discipline that identifies patterns, relationships, and trends from data, using a variety of mathematically based technologies principally drawn from statistics and data mining. Most broadly, analytics covers what might be called basic analytics, including data exploration and aggregation, and advanced analytics, which uses data mining technology for discovery and model building purposes. Using statistical and data mining technologies, significantly more complex relationships within and between entities (e.g. taxpayers) can be discovered and modeled, based on analyses over very large populations of collected data. Analytics is assisted by the use of good data matching and data linking techniques that improve the quality and value of data inputs available to a data miner. Conversely, analytics can also provide technology to assist data matching and data linking activities.

**Audit committee** – A committee providing independent advice and assurance to the tax administration board and/or

CEO on the appropriateness of the administration’s accountability and control framework. This includes independently verifying and safeguarding the integrity of both financial and performance reporting. An audit committee’s responsibilities typically include:

- Assuring that the financial statements are prepared correctly and that all government reporting obligations are fulfilled;
- Assuring that the tax administration has an adequate internal control framework, including appropriate controls over its internal budgeting and reporting;
- Approving and monitoring implementation of an annual internal audit program;
- Advising on action that could be taken on significant matters of concern or significant opportunities for improvement that are mentioned in reports of internal and external audits;
- Monitoring the adequacy of the tax administration’s response to reports of internal and external audits; and
- Approving and monitoring implementation of the tax administration’s risk management framework, including risk management plan and business continuity plan.

The distinguishing feature of an audit committee is its independence. The committee’s independence from the day-to-day activities of management helps to ensure that it acts in an objective, impartial manner, free from conflict of interest, inherent bias or undue external influence. Appointing external members with relevant financial experience to the committee is a visible and practical way of ensuring that the committee is as independent as possible from the management of the tax administration.

**Collectible tax arrears** – The total amount of domestic tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

**Compliance** – The fulfillment of tax obligations by businesses and individuals. The four main categories of taxpayer obligations prescribed in tax laws are: (a) registration in the tax system; (b) timely filing of declarations; (c) payment of tax liabilities on time; and (d) complete and accurate reporting of information in tax declarations.



**Compliance improvement plan** – A high level plan that describes—generally in a single document—the most significant compliance risks identified in the tax system and the actions the tax administration intends to take to mitigate those risks. Compliance improvement plans (also known as ‘compliance’ and ‘compliance management’ plans or programs) are commonly structured around major national taxes and taxpayer segments.

*See also ‘compliance’, ‘risk mitigation strategies’, and ‘taxpayer segments’.*

**Cooperative compliance** – A voluntary arrangement between the tax administration and a taxpayer (usually a large taxpayer) aimed at improving working relationships by reducing legal uncertainty and the risk of disputes, creating a level playing field for business at large, and reducing costs of both the administration and taxpayer.

Cooperative compliance arrangements—also known as horizontal monitoring and enhanced taxpayer relationship management—are characteristically conditional upon the taxpayer demonstrating: (a) good governance of its tax affairs, including an appropriate level of validation and review of its accounting systems; and (b) a willingness to operate in an open and transparent manner and make full disclosure of its tax risks as they occur (i.e. in real time).

In return, the tax administration commits to providing enhanced service to the taxpayer through, for example: (a) dedicated points of contact; (b) speedier resolution of technical and administrative issues; (c) assignment of a reduced risk rating to the taxpayer for audit purposes; and (d) reduced penalties.

**Core taxes** – For purposes of TADAT assessments, core taxes include the major direct and indirect taxes critical to central government revenues, specifically corporate income tax (CIT), personal income tax (PIT), value added tax (VAT), and Pay As You Earn (PAYE) amounts withheld by employers (which, strictly speaking, are remittances of PIT). Social security contributions (SSCs) may also be included in assessments where SSCs are a major source of government revenue and are collected by the tax administration, as is the case in many European countries.

Where a country does not have a VAT, an indirect tax equivalent such as sales tax should be used for TADAT assessments.

*See also ‘corporate income tax’, ‘personal income tax’, ‘Pay As You Earn’, ‘social security contributions’, and ‘value added tax’.*

**Corporate income tax** – Income tax imposed on a corporation (company), as opposed to income tax imposed on a person (individual) or other entity (e.g., a trust).

*See also ‘core taxes’, ‘income tax’, and ‘personal income tax’.*

**Dispute resolution** – The processes by which disagreements regarding the amount of tax assessed by the administration are resolved with the taxpayer.

**Electronic payment methods** – Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer’s bank account to the Treasury account or, in the case of tax refunds, from the Treasury account to a taxpayer’s bank account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.

For TADAT measurement purposes, payments made in-person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Treasury account are accepted as electronic payments.

**Expected tax declarations** – For TADAT purposes of measuring on-time filing rates, ‘expected tax declarations’ means the number of declarations that the tax administration expects to receive from registered taxpayers that are required, by law, to file declarations.

*See also ‘on-time filing rate’.*

**Good practice** – A tested and proven approach applied by a majority of leading tax administrations. For a process to be considered ‘good practice’, it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.

**High-wealth and high-income individuals** – Individuals at the top of the wealth or income scale, usually defined by specific criteria determined by each country’s tax administration. Some pose significant challenges to tax administrations, including through their use of aggressive tax planning schemes and involvement in offshore tax evasion.

*See also ‘large taxpayers’ and ‘taxpayer segments’.*

**Income tax** – A tax imposed on the annual gains of a person (individual), corporation, or other entity (e.g., a trust) derived through work, business pursuits, investments, property dealings, and other sources defined in a country’s income tax law.

*See also ‘corporate income tax’ and ‘personal income tax’.*

**Information reporting obligations** – A legal requirement on payers of income to periodically report payment information to the tax administration (e.g., name and TIN of the payee, amount paid, and payment date), either as an integral part of a withholding system or a separate stand-alone requirement in respect of a prescribed category of payments.

*See also ‘verification activities’ and ‘withholding at source’.*

**Internal affairs** – The internal affairs unit of a tax administration is responsible for formulating staff integrity and ethics policy and ensuring that everyone within the organization

adheres to it. The unit investigates incidents and plausible suspicions of law breaking and professional misconduct of tax officials. In doing so, it cooperates with relevant enforcement agencies (e.g., police, anti-corruption body, and public prosecutor). Due to the sensitive nature of its responsibility, the internal affairs unit usually reports directly to the tax administration head or deputy head.

*See also 'internal audit'.*

**Internal audit** – The internal audit function of a tax administration is concerned with evaluating and improving the effectiveness of risk management, control, and governance processes in the organization. To do this, internal auditors review systems and operations to identify how well institutional risks are managed, whether the right processes are in place, and whether formal procedures are adhered to.

The scope of internal auditing within a tax administration can be broad and extend across all areas of the organization, including financial control, IT, core and ancillary operations, human resource management, and ethics. Internal auditors may also participate in fraud investigations—under the direction of the internal affairs unit—to identify control breakdowns and establish financial loss.

Internal audit reports are usually presented to the tax administration head (and board, if there is one) generally via an audit committee as the reports provide an independent viewpoint to senior management.

*See also 'audit committee' and 'internal affairs'.*

**Internal controls** – Internal policies, procedures, and systems used by the tax administration to: (a) protect its financial and accounting systems from error and fraud; (b) safeguard its physical assets and records; (c) ensure compliance with laws and regulations; and (d) ensure efficiency and effectiveness of operations.

Examples of specific types of controls include: (a) proper authorization of transactions and activities; (b) functional separation of duties requiring that different individuals be assigned responsibility for different elements of related activities, particularly those involving authorization; (c) adequate documentation and records to provide evidence and an audit trail of transactions and activities; (d) physical security over assets; and (e) control over records including access privileges to electronic and manual records, and backup and recovery procedures.

**Large taxpayers** – Taxpayers that make significant tax payments and account, in aggregate, for a large proportion of total tax revenue (often more than 50 percent of total annual collections). Countries tend to define large taxpayers by reference to: (1) amount of annual sales/turnover; (2) amount of annual income; (3) value of assets; (4) level of imports and/or exports; and (5) type of economic activity (e.g., financial services sector). Of these criteria, the amount of annual sales/turnover is normally the primary criterion.

*See also 'taxpayer segments' and 'high wealth and high income individuals'.*

**Maladministration** – Maladministration of the tax administration includes, for example, unfair treatment of taxpayers, poor service (e.g., undue delays in paying refunds and giving misleading advice), and uncorrected administrative mistakes.

*See also 'wrongdoing'.*

**Ombudsman** – A state official, with a high degree of independence, appointed to investigate taxpayer complaints of maladministration or violation of taxpayer rights by the tax administration.

**On-time filing rate** – The on-time filing rate is the ratio of declarations filed by the statutory due date (plus any days of grace applied by the tax administration as a matter of administrative policy) relative to all declarations expected from registered taxpayers. Excluded from the measure are: (1) unregistered taxpayers—the denominator does not include estimates of declarations required from potential (i.e. unregistered) taxpayers; and (2) non-mandatory tax declarations—the denominator does not include declarations likely to be filed by taxpayers that have no legal obligation to file. For example, the law may exempt particular classes of taxpayer from filing annual income tax declarations, such as non-profit organizations, or individuals whose taxable income falls below a tax-free threshold. Notwithstanding, in the case of the latter, some individuals may wish to file declarations in order to claim a refund of taxes withheld at source. Finally, it should be noted that the law may require certain exempt taxpayers, such as businesses that have been granted tax holidays, to file declarations in order that the cost of tax exemptions (i.e. foregone revenue) can be computed.

*See also 'expected tax declarations'.*

**Out-of-court settlement** – An agreement between parties to resolve matters in dispute where one or both parties make concessions on what they consider is the legally correct position. In reaching a decision to settle a dispute out-of-court, tax administrations normally consider matters such as: the relative strength of the respective legal arguments; the cost versus the benefit of continuing the dispute; and (c) the impact of the decision to settle on the future compliance of the taxpayer concerned and the broader taxpayer community.

**Pay As You Earn** – A tax payment method by which an employer is required by law to deduct income tax (and social security contributions, if applicable) from an employee's taxable salary or wages and remit the amount promptly to government. Hence amounts of PIT are paid as they are earned. In some countries withheld amounts are treated as a final tax, thereby eliminating the need for large numbers of workers (salary and wage earners) to file annual income tax declarations.

*See also 'personal income tax' and 'withholding at source'.*

**Personal income tax** – Income tax imposed on a person (individual), as opposed to income tax imposed on a corporation or other entity (e.g., a trust). Income tax payable by employees is generally withheld from their salaries and wages and remitted to government by their employers. Income of self-employed persons is not usually subject to withholding arrangements. Some sources of income (e.g., interest earned on bank deposits) may be subject to information reporting obligations imposed on payers.

*See also* ‘core taxes’, ‘corporate income tax’, ‘income tax’, ‘information reporting obligations’, ‘Pay As You Earn’, and ‘withholding at source’.

**Pre-filled income tax declaration** – Preparation or pre-filling of an income tax declaration by the tax administration using information gathered from third parties such as employers and financial institutions. In their most advanced form, pre-filled declarations (also referred to as ‘pre-populated declarations’) eliminate most of the effort required of taxpayers, mainly employees and investors, to prepare their annual income tax declaration.

*See also* ‘tax declaration’.

**Private ruling** – A written explanation prepared by the tax administration of how the tax laws apply in respect of a specific set of facts or transactions as described by the taxpayer in a formal request for a private ruling. Private rulings are often binding on the tax administration provided that the taxpayer has made a full and true disclosure of the facts and has acted in strict accordance with the terms of the ruling.

**Public ruling** – A public statement of how specific provisions of the tax law will be interpreted and applied by the tax administration. Public rulings are usually binding on the tax administration provided taxpayers operate strictly within the terms of the ruling.

**Random audit** – A process for selecting tax declarations for audits such that all declarations have the same probability of being chosen. Random audit programs are used by tax administrations for a variety of purposes: (a) to develop and refine audit risk profiling systems; (b) to develop tax gap estimates; (c) to monitor specific areas of the tax system; and (d) as a general deterrent to noncompliance. Random audits are conducted in conjunction with other types of audits (i.e. they are a component of a broader audit program).

**Risk mitigation strategies** – Strategies and plans designed to address causes of noncompliance. Risk mitigation strategies (also known as treatment strategies) vary depending on the underlying reasons for noncompliance. For example, audits and penalties are a fitting response to deliberate tax evasion, while education and assistance are appropriate to situations where taxpayers do not understand the law. Mitigation strategies seek to achieve wide impact and enduring compliance across the broader taxpayer population and, typically, are

described in detail in a tax administration’s compliance improvement plan.

*See also* ‘compliance improvement plan’.

**Routine** – Throughout the field guide the term ‘routine’ is used according to its ordinary meaning, i.e. actions regularly followed, or an activity performed as part of a regular or frequent procedure rather than infrequently or for a special reason. In other words, ‘routine’ simply means a planned or scheduled activity performed regularly.

In contrast, ‘ad hoc’ refers to an unplanned infrequent activity.

**Service delivery channel** – The means by which the tax administration delivers information to taxpayers. Tax administrations are increasingly seeking to shift taxpayer service demand away from costly in-person channels (such as walk-in enquiry centers) to more cost-efficient service channels. Self-service via the Internet is considerably cheaper and easier to support than in-person, written, and telephone enquiries.

**Social security contributions** – All compulsory payments that confer an entitlement to receive a (contingent) future social benefit, including: (a) employers’ social security contributions (SSCs); (b) employees’ SSCs; and (c) SSCs paid by independent entrepreneurs and non-employed persons.

*See also* ‘core taxes’.

**Systematic** – Throughout the field guide the term ‘systematic’ is used according to its ordinary meaning. References to a ‘systematic approach’ therefore mean use of a structured, repeatable, method or system.

**Tax arrears** – The total amount of domestic tax, including interest and penalties, which is overdue (i.e. has not been paid by the statutory due date for payment).

**Tax audit** – An examination of taxpayer financial records and dealings to verify amounts reported in tax declarations. Audit types vary in nature, scope, and intensity and include, for example, comprehensive (multiple tax and multiple year) audits, single-issue audits, inspections of books and records, examination of VAT refund claims, and in-depth investigations of suspected tax fraud. In some countries, tax audits are known as tax controls.

**Tax avoidance** – Practices by taxpayers to reduce tax liabilities by exploiting weaknesses in the law or through contrived schemes that push the boundaries of legal interpretation (e.g., use of complex and opaque structures by corporations to artificially shift income into low-tax jurisdictions). Also referred to as aggressive tax planning.

**Tax compliance gap** – The tax compliance gap (also known as the ‘tax gap’) is the difference between actual collections and

potential collections, *given the current tax structure*. Typically, a top-down method is used in estimating the tax gap for indirect taxes, particularly VAT (i.e. using national accounts data, input-output or source-use statistical tables, customs records, as well as tax declaration data). A bottom-up method is generally used for direct taxes (i.e. using data from tax declarations, audit records, the taxpayer registration database, and public accounting records).

See also 'VAT compliance gap'.

**Tax declaration** – A standard form provided by the tax administration on which a taxpayer reports information relating to a core tax liability. Also called a tax return.

See also 'pre-filled income tax declaration'.

**Tax dispute** – Disputed tax assessments normally arise: (a) from administrative error; or (b) as an outcome of a tax audit or investigation that has identified a discrepancy that is disputed by the taxpayer on grounds of facts or legal interpretation. TADAT assessments focus on (b). Tax laws typically provide for a formal dispute mechanism.

See also 'administrative review', and 'tax tribunal'.

**Tax evasion** – Deliberate acts to conceal income in order to escape tax liabilities (e.g., hiding money in secret offshore bank accounts).

**Tax fraud** – Mostly involves false tax refund and credit claims, including through organized crime.

**Tax intermediaries** – Includes tax agents, public accountants, and other tax professionals (such as tax lawyers) involved in preparing tax declarations, providing advice to taxpayers on the application of the tax laws, and representing taxpayers in dealings with the tax administration.

**Tax revenue estimating** – The process of assessing the impact on revenues of tax law changes proposed at the time of the government's budget, or subsequently. It is a process closely related to, but sufficiently different from, revenue forecasting. Revenue forecasts are required even when no change to the law is proposed; on the other hand, revenue estimates are often made for proposals that are not subsequently adopted, and therefore do not need to be taken into account in any revenue forecasts.

See also 'tax revenue forecasting'.

**Tax revenue forecasting** – National governments forecast revenues from different taxes in the course of budget preparation. Tax revenue forecasts may be revised at one or more points during the budget period. Generally, the first step in tax revenue forecasting is to prepare a macroeconomic forecast. In many countries this will cover aggregates such as wages and salaries, corporate profits, consumer spending, imports etc. that are closely related to the bases on which

taxes are levied; in other countries it may cover GDP only. In both cases, however, the results of the macroeconomic forecast will be crucial inputs to the forecast of tax revenues. Tax revenue forecasting may thus be seen as a two-stage process, consisting of: (1) a macroeconomic forecast; and (2) a tax revenue forecast that is conditional on the results of that macro forecast.

See also 'tax revenue estimating'.

**Tax tribunal** – A specialist body providing quasi-judicial review of tax dispute decisions of the tax administration. A tax tribunal is not a court or part of a country's court hierarchy, however its decisions are generally subject to review by the court/s. For TADAT purposes, appeals lodged by taxpayers with tax tribunals are treated in the same manner as appeals to courts, given that the role, powers, and procedures of tax tribunals resemble those of courts of law—although tribunal procedures are generally simpler and involve less cost for taxpayers.

See also 'administrative review' and 'tax dispute'.

**Taxpayer charter** – A taxpayer charter (also known as a taxpayer bill of rights) is a formal declaration by the tax administration of the rights and obligations of taxpayers. Its overriding purpose is to foster a relationship of mutual trust, respect, and responsibility between taxpayers and the tax administration. Taxpayer rights expressed in charters may include, for example:

- The right to be informed, assisted, and heard;
- The right to quality services;
- The right to appeal in an independent forum;
- The right to pay no more than the correct amount of tax;
- The right to certainty; and
- The right to confidentiality and secrecy.

To achieve a balance in the relationship, charters also usually spell out basic obligations and behaviors expected of taxpayers in dealing with the tax administration. For example, taxpayers may be expected to:

- Be truthful;
- Keep the required records;
- Take reasonable care;
- File tax declarations on time; and
- Pay taxes on time; and be cooperative.

**Taxpayer portal** – An electronic gateway, using secure authentication, through which taxpayers and their authorized agents gain online access to information, services, and functions. Typically, taxpayer portals allow taxpayers and their agents to: (a) update bank account and contact (e.g., address and telephone) details; (b) view, prepare, and file tax declarations; (c) view statements of account and payment options, request refunds, and transfer money between tax accounts; and (d) communicate with the tax administration via a secure mailbox.



**Taxpayer segments** – Taxpayer segmentation involves categorization of the taxpayer population into manageable groups that share common characteristics and potential compliance risks. A typical approach is to first segment the taxpayer population into businesses, individuals, government organizations, and non-profit bodies, and then break each category down into meaningful sub-segments based on, for example, size, sector, and entity type.

Common taxpayer segments are: (1) non-business individuals (e.g., employees, retirees, passive investors); (2) micro and small businesses; (3) medium-size businesses; (4) large businesses; (5) non-profit organizations; (6) government organizations; and (7) high-wealth and high-income individuals

*See also 'large taxpayers' and 'high-wealth and high-income individuals'.*

**Value added tax** – Despite its name, VAT is not generally intended to be a tax on value added as such; rather it is usually intended as a tax on consumption (indeed, several countries call the tax a 'goods and services tax' or 'GST'). Its essence is that it is charged at all stages of production, but with the provision of some mechanism enabling firms to offset the tax they have paid on their own purchases of goods and services against the tax they charge on their sales of goods and services.

In practice VATs show considerable diversity with regard to, among other things, the range of inputs for which tax offsetting is available and the economic activities to which the tax applies (i.e. the tax base). Most countries exclude exports from the tax, in the sense that tax is not charged on sales for export but tax paid on inputs is recoverable.

For TADAT assessment purposes, where a country does not have a VAT, an indirect tax equivalent such as sales tax should be used.

*See also 'core taxes'.*

**VAT compliance gap** – The VAT compliance gap (also known as the 'VAT gap') is the difference, in a given year, between actual VAT paid and the estimated amount of VAT that should have been paid (i.e. total VAT theoretically due). Total VAT theoretically due is estimated using data sources on consumption that are independent of the tax administration, principally a country's national accounts (typically, these will include input-output or supply-use tables that provide sector-wide data on final consumption and investment by households, government, non-profit, and exempt firms). A country's tax rates are applied to aggregate consumption data to arrive at the total amount of VAT theoretically due.

Examples of comprehensive methodologies used to estimate the VAT compliance gap are: (1) the IMF's Revenue Administration Gap Analysis Program estimation methodology; and (2) the methodology used by the United Kingdom's revenue administration (Her Majesty's Revenue and Customs).

*See also 'tax compliance gap'.*

**Verification activities** – Comprise all activities undertaken by a tax administration to check whether taxpayers have properly reported information in tax declarations. Verification activities include tax audits, examinations, investigations, enquiries, and income and document matching using information gathered from third party sources. On the latter, systematic data cross matching enables the tax administration to: (a) verify amounts of income reported in tax declarations; (b) identify and follow up discrepancies; and (c) identify non-filers that are deriving assessable income.

*See also 'information reporting obligations' and 'tax audit'.*

**Withholding at source** – A collection system where a legal obligation is placed on independent third parties such as employers and financial institutions to withhold and pay to government an amount of tax from payments made to payees (e.g., employees and account holders). Pay As You Earn (PAYE) systems are, for example, a particular case of withholding at source.

Advantages of withholding systems include: (a) reduction or elimination of the ability of taxpayers to understate income for tax assessment purposes; (b) reduction in the incidence of unpaid taxes; (c) payment of tax is transacted in a cost efficient way; and (d) the steady flow of tax revenue to government assists budgetary management.

*See also 'information reporting obligations' and 'Pay As You Earn'.*

**Wrongdoing** – Wrongdoing of the tax administration includes inappropriate behavior of its employees, especially the misuse of public office for personal gain (i.e. corruption).

*See also 'maladministration'.*

# Appendix 2:

## Pre-assessment Questionnaire Template

### TADAT Questionnaire

In preparation for the TADAT assessment to be undertaken from [date] to [date] it would be appreciated if the following general information and numerical data could be provided to the assessment team by [date].

Part I of this questionnaire requests a number of documents that are commonly prepared by tax administrations. These documents will assist the assessment team in familiarizing itself with the system of tax administration operating in [country].

Part II requests numerical data needed to compute a range of performance-related measures in areas such as filing, payment, collection, and so on.

#### Part I: Documents

Please provide the following key documents:

- The tax administration's two most recent annual reports.
- The tax administration's current strategic plan and/or multi-year reform plan.
- The tax administration's current compliance improvement plan (if one has been prepared).
- The tax administration's organizational chart, together with role descriptions of the main organizational units depicted in the chart.
- Taxpayer charter.
- Report/s of compliance gap analysis undertaken in the last 5 years, either by the tax administration, Ministry of Finance, other institution/s, or by international, regional, or bilateral agencies.

#### Part II: Numerical data

Please complete the attached tables, which are grouped as follows:

- Section A: Tax revenue collections
- Section B: Movements in the taxpayer register
- Section C: Telephone enquiries
- Section D: Filing of tax declarations
- Section E: Electronic services
- Section F: Payments
- Section G: Domestic tax arrears
- Section H: Tax dispute resolution
- Section I: Payment of VAT refunds

Explanatory notes are provided at the foot of each table to assist completion. If further assistance or explanation is required in completing the tables, please contact [name and contact details of TADAT assessor].

## A. Tax Revenue Collections

Table 1. Tax Revenue Collections, [insert 3 complete fiscal years, e.g., 2013-15] <sup>1</sup>			
	[2013]	[2014]	[2015]
In local currency			
National budgeted tax revenue forecast <sup>2</sup>			
Total tax revenue collections			
Corporate Income Tax (CIT)			
Personal Income Tax (PIT)			
Value-Added Tax (VAT)—gross domestic collections			
Value-Added Tax (VAT)—collected on imports			
Value-Added Tax (VAT)—refunds approved and paid	( _ )	( _ )	( _ )
Excises on domestic transactions			
Excises—collected on imports			
Social contribution collections			
Other domestic taxes <sup>3</sup>			
In percent of total tax revenue collections			
Total tax revenue collections	100.0	100.0	100.0
CIT			
PIT			
Value-Added Tax (VAT)—gross domestic collections			
Value-Added Tax (VAT)—collected on imports			
Value-Added Tax (VAT)—refunds approved and paid	( _ )	( _ )	( _ )
Excises—collected on domestic transactions			
Excises—collected on imports			
Social contribution collections			
Other domestic taxes			
In percent of GDP			
Total tax revenue collections			
CIT			
PIT			
Value-Added Tax (VAT)—gross domestic collections			
Value-Added Tax (VAT)—collected on imports			
Value-Added Tax (VAT)—refunds approved and paid	( _ )	( _ )	( _ )
Excises—collected on domestic transactions			
Excises—collected on imports			
Social contribution collections			
Other domestic taxes			
Nominal GDP in local currency			

Explanatory notes:

<sup>1</sup> This table gathers data for three fiscal years (e.g. 2013-15) in respect of all domestic tax revenues collected by the tax administration at the national level, plus VAT and Excise tax collected on imports by the customs and/or other agency.

<sup>2</sup> This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.

<sup>3</sup> 'Other domestic taxes collected at the national level by the tax administration include, for example, property taxes, financial transaction taxes, and environment taxes.



## B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register, [insert 3 complete fiscal years, e.g., 2013-15] (Ref: POA 1)					
	Active <sup>1</sup> [A]	Inactive (not yet deregistered) [B]	Total end-year position [A + B]	Percentage of inactive (not yet deregistered)	Deregistered during the year
	[2013]				
Corporate income tax					
Personal income tax					
PAYE withholding (# of employers)					
Value Added Tax					
Domestic excise tax					
Other taxpayers					
	[2014]				
Corporate income tax					
Personal income tax					
PAYE withholding (# of employers)					
Value Added Tax					
Domestic excise tax					
Other taxpayers					
	[2015]				
Corporate income tax					
Personal income tax					
PAYE withholding (# of employers)					
Value Added Tax					
Domestic excise tax					
Other taxpayers					

Explanatory Note:

<sup>1</sup> 'Active' taxpayers means registrants from whom tax declarations (returns) are expected (i.e. 'active' taxpayers exclude those who have not filed a declaration within at least the last year because the case is defunct (e.g., a business taxpayer has ceased trading or an individual is deceased, the taxpayer cannot be located, or the taxpayer is insolvent).

## C. Telephone Enquiries

Table 3. Telephone Enquiry Call Waiting Time (for most recent 12-month period) (Ref: POA 3)			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
<b>12-month total</b>			

## D. Filing of Tax Declarations

Table 4. On-time Filing of CIT Declarations for [insert most recently completed year, e.g., 2014] (Ref: POA 4)			
	Number of declarations filed on-time <sup>1</sup>	Number of declarations filed on-time <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
All CIT taxpayers			
Large taxpayers only			

Explanatory notes:

<sup>1</sup> 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

<sup>2</sup> 'Expected declarations' means the number of CIT declarations that the tax administration expected to receive from registered CIT taxpayers that were required by law to file declarations.

<sup>3</sup> The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of CIT declarations filed by the due date}}{\text{Number of declarations expected from registered CIT taxpayers}} \times 100$$

Table 5. On-time Filing of PIT Declarations for [insert most recently completed year, e.g., 2014]		
Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)

Explanatory notes:

<sup>1</sup> 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

<sup>2</sup> 'Expected declarations' means the number of PIT declarations that the tax administration expected to receive from registered PIT taxpayers that were required by law to file declarations.

<sup>3</sup> The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of PIT declarations filed by the due date}}{\text{Number of PIT declarations expected from registered PIT taxpayers}} \times 100$$

Table 6. On-time Filing of VAT Declarations – All taxpayers (for most recent 12-month period)			
Month	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
<b>12-month total</b>			

Explanatory notes:

<sup>1</sup> 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

<sup>2</sup> 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from registered VAT taxpayers that were required by law to file declarations.

<sup>3</sup> The 'on-time filing rate' is the number of VAT declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered VAT taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date}}{\text{Number of VAT declarations expected from registered VAT taxpayers}} \times 100$$

Table 7. On-time Filing of VAT Declarations – Large taxpayers only (for most recent 12-month period)			
Month	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
<b>12-month total</b>			

Explanatory notes:

<sup>1</sup> 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

<sup>2</sup> 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from large taxpayers that were required by law to file VAT declarations.

<sup>3</sup> The 'on-time filing rate' is the number of VAT declarations filed by large taxpayers by the statutory due date as a percentage of the total number of VAT declarations expected from large taxpayers, i.e. expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date by large taxpayers}}{\text{Number of VAT declarations expected from large taxpayers}} \times 100$$

Table 8. On-time Filing of PAYE Withholding Declarations (filed by employers) (for most recent 12-month period)			
Month	Number of declarations filed on-time <sup>1</sup>	Number of declarations expected to be filed <sup>2</sup>	On-time filing rate <sup>3</sup> (In percent)
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			
<b>12-month total</b>			

Explanatory notes:

<sup>1</sup> 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

<sup>2</sup> 'Expected declarations' means the number of PAYE withholding declarations that the tax administration expected to receive from registered employers with PAYE withholding obligations that were required by law to file declarations.

<sup>3</sup> The 'on-time filing rate' is the number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the total number of PAYE withholding declarations expected from registered employers, i.e. expressed as a ratio:

$$\frac{\text{Number of PAYE withholding declarations filed by the due date}}{\text{Number of PAYE withholding declarations expected from registered employers}} \times 100$$

## E. Electronic Services

Table 9. Use of Electronic Services, [insert 3 complete fiscal years, e.g., 2013-15] <sup>1</sup> (Ref: POAs 4 and 5)			
	[2013]	[2014]	[2015]
	Electronic filing <sup>2</sup> (In percent of all declarations filed for each tax type)		
CIT			
PIT			
VAT			
PAYE withholding (declarations filed by employers)			
	Electronic payments <sup>3</sup> (In percent of total number of payments received for each tax type)		
CIT			
PIT			
VAT			
PAYE withholding (remitted by employers)			
	Electronic payments (In percent of total value of payments received for each tax type)		
CIT			
PIT			
VAT			
PAYE withholding (remitted by employers)			

Explanatory notes:

<sup>1</sup> Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.

<sup>2</sup> For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.

<sup>3</sup> Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made. For TADAT measurement purposes, payments made in-person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Treasury account are accepted as electronic payments.

## F. Payments

Table 10. VAT Payments Made During [insert most recent completed fiscal year, e.g., 2014] (Ref: POA 5)			
	VAT payments made on-time <sup>1</sup>	VAT payments due <sup>2</sup>	On-time payment rate <sup>3</sup> (In percent)
Number of payments			
Value of payments			

Explanatory notes:

<sup>1</sup> 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

<sup>2</sup> 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).

<sup>3</sup> The 'on-time payment rate' is the number (or value) of VAT payments made by the statutory due date in percent of the total number (or value) of VAT payments due, i.e. expressed as ratios:

• The on-time payment rate by number is:  $\frac{\text{Number of VAT payments made by the due date}}{\text{Total number of VAT payments due}} \times 100$

• The on-time payment rate by value is:  $\frac{\text{Value of VAT payments made by the due date}}{\text{Total value of VAT payments due}} \times 100$

## G. Domestic Tax Arrears

Table 11. Value of Tax Arrears, [insert 3 complete fiscal years (FY), e.g., 2013-15] <sup>1</sup> (Ref: POA 5)			
	[2013]	[2014]	[2015]
<b>In local currency</b>			
Total tax revenue collections (from Table 1) (A)			
Total tax arrears at end of fiscal year <sup>2</sup> (B)			
Of which: Collectible <sup>3</sup> (C)			
Of which: More than 12 months' old (D)			
<b>In percent</b>			
Ratio of (B) to (A) <sup>4</sup>			
Ratio of (C) to (A) <sup>5</sup>			
Ratio of (D) to (B) <sup>6</sup>			

Explanatory notes:

<sup>1</sup> Data in this table will be used in assessing the value of tax arrears relative to annual collections, and examining the extent to which unpaid tax liabilities are significantly overdue (i.e. older than 12 months).

<sup>2</sup> 'Total tax arrears' include tax, penalties, and accumulated interest.

<sup>3</sup> 'Collectible' tax arrears is defined as the total amount of domestic tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

<sup>4</sup> i.e.  $\frac{\text{Value of total tax arrears at end of fiscal year (B)}}{\text{Total tax collected for fiscal year (A)}} \times 100$

<sup>5</sup> i.e.  $\frac{\text{Value of collectible tax arrears at end of fiscal year (C)}}{\text{Total tax collected for fiscal year (A)}} \times 100$

<sup>6</sup> i.e.  $\frac{\text{Value of total tax arrears > 12 months old at end of year (D)}}{\text{Value of total tax arrears at end of fiscal year (B)}} \times 100$



## H. Tax Dispute Resolution

**Table 12. Finalization of Administrative Reviews  
(for most recent 12-month period)  
(Ref: POA 7)**

Month	Total number finalized	Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
		Number	In percent of total	Number	In percent of total	Number	In percent of total
Month 1							
Month 2							
Month 3							
Month 4							
Month 5							
Month 6							
Month 7							
Month 8							
Month 9							
Month 10							
Month 11							
Month 12							
12-month total							

## I. Payment of VAT Refunds

**Table 13. VAT Refunds**  
(for most recent 12-month period)  
(Ref: POA 8)

	Number of cases	In local currency
Total VAT refund claims received (A)		
Total VAT refunds paid <sup>1</sup>		
Of which: paid within 30 days (B) <sup>2</sup>		
Of which: paid outside 30 days		
VAT refund claims declined <sup>3</sup>		
VAT refund claims not processed <sup>4</sup>		
Of which: no decision taken to decline refund		
Of which: approved but not yet paid or offset		
	In percent	
Ratio of (B) to (A) <sup>5</sup>		

Explanatory note:

<sup>1</sup> Include all refunds paid, as well as refunds offset against other tax liabilities.

<sup>2</sup>TADAT measures performance against a 30-day standard.

<sup>3</sup> Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met).

<sup>4</sup> Include all cases where refund processing is incomplete—i.e. where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset.

$$^5 \text{ i.e. } \frac{\text{Value of VAT refunds paid within 30 days (B)}}{\text{Value of VAT refund claims received (A)}} \times 100$$

## Appendix 3:

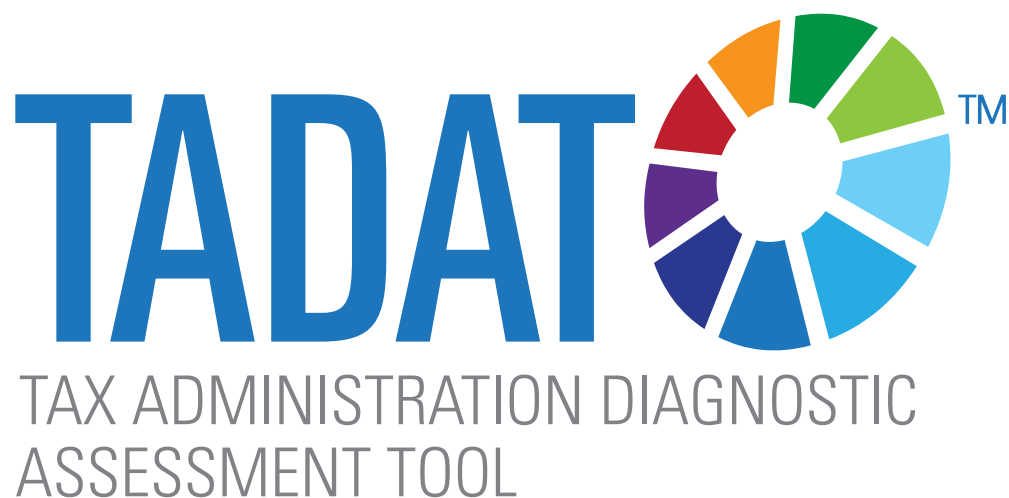
### Suggested In-country Assessment Work Schedule

Date/Time	Subject	Objective/s
<b>Day 1 (AM)</b> <b>Day, date, and time</b>	Opening meeting and presentation	<ol style="list-style-type: none"> <li>1. Acquaint senior officials with the objectives, processes, and outputs of the TADAT diagnostic approach (this may entail a short presentation by the assessment team of the TADAT framework).</li> <li>2. Discuss the work schedule.</li> <li>3. Respond to questions and issues raised.</li> </ol>
<b>Day 1 (AM/PM)</b>	Data validation meeting	<ol style="list-style-type: none"> <li>1. Review numerical data and other information gathered in the TADAT questionnaire.</li> <li>2. Discuss data-related issues with the authorities.</li> </ol>
<b>Day 1 (PM)</b>	POA 1 meeting:  Integrity of the Registered Taxpayer Base	<p>Gather information and evidence to score POA 1:</p> <ul style="list-style-type: none"> <li>• P1-1. Accurate and reliable taxpayer information.</li> <li>• P1-2. Knowledge of the potential taxpayer base.</li> </ul>
<b>Day 2 (AM)</b>	POA 2 meeting:  Risk Management	<p>Gather information and evidence to score POA 2:</p> <ul style="list-style-type: none"> <li>• P2-3. Identification, assessment, ranking, and quantification of compliance risks.</li> <li>• P2-4. Mitigation of risks through a compliance improvement plan.</li> <li>• P2-5. Monitoring and evaluation of compliance risk mitigation activities.</li> <li>• P2-6. Identification, assessment, and mitigation of institutional risks.</li> </ul>
<b>Day 2 (PM)</b>	POA 3 meeting:  Supporting Voluntary Compliance	<p>Gather information and evidence to score POA 3:</p> <ul style="list-style-type: none"> <li>• P3-7. Scope, currency, and accessibility of information.</li> <li>• P3-8. Scope of initiatives to reduce taxpayer compliance costs.</li> <li>• P3-9. Obtaining taxpayer feedback on products and services.</li> </ul>
<b>Day 3 (AM)</b>	POA 4 meeting:  Timely Filing of Tax Declarations	<p>Gather information and evidence to score POA 4:</p> <ul style="list-style-type: none"> <li>• P4-10. On-time filing rate.</li> <li>• P4-11. Use of electronic filing facilities.</li> </ul>
<b>Day 3 (PM)</b>	POA 5 meeting:  Timely Payment of Taxes	<p>Gather information and evidence to score POA 5:</p> <ul style="list-style-type: none"> <li>• P5-12. Use of electronic payment methods.</li> <li>• P5-13. Use of efficient collection systems.</li> <li>• P5-14. Timeliness of payments.</li> <li>• P5-15. Stock and flow of tax arrears.</li> </ul>
<b>Day 4 (AM)</b>	POA 6 meeting:  Accurate Reporting in Declarations	<p>Gather information and evidence to score POA 6:</p> <ul style="list-style-type: none"> <li>• P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.</li> <li>• P6-17. Extent of proactive initiatives to encourage accurate reporting.</li> <li>• P6-18. Monitoring the extent of inaccurate reporting.</li> </ul>

<b>Day 4 (PM)</b>	POA 7 meeting:  Effective Tax Dispute Resolution	Gather information and evidence to score POA 7:  <ul style="list-style-type: none"> <li>• P7-19. Existence of an independent, workable, and graduated dispute resolution process.</li> <li>• P7-20. Time taken to resolve disputes.</li> <li>• P7-21. Degree to which dispute outcomes are acted upon.</li> </ul>
<b>Day 5 (AM)</b>	POA 8 meeting:  Efficient Revenue Management	Gather information and evidence to score POA 8:  <ul style="list-style-type: none"> <li>• P8-22. Contribution to government tax revenue forecasting process.</li> <li>• P8-23. Adequacy of the tax revenue accounting system.</li> <li>• P8-24. Adequacy of tax refund processing.</li> </ul>
<b>Day 5 (PM)</b>	POA 9 meeting:  Accountability and Transparency	Gather information and evidence to score POA 9:  <ul style="list-style-type: none"> <li>• P9-25. Internal assurance mechanisms.</li> <li>• P9-26. External oversight of the tax administration.</li> <li>• P9-27. Public perception of integrity.</li> <li>• P9-28. Publication of activities, results, and plans.</li> </ul>
<b>Days 6-7</b>	Assessment team internal work— preliminary analysis	<ul style="list-style-type: none"> <li>• Conduct preliminary analysis and initial scoring.</li> <li>• Identify areas requiring follow up action (e.g., information/evidence gaps).</li> </ul>
<b>Days 8-10</b>	Follow up meetings and information gathering as required	<ul style="list-style-type: none"> <li>• Gather additional information/evidence and confirm understanding of systems, processes, institutional arrangements etc. in order to complete final scoring and PAR preparation.</li> </ul>
<b>Days 11-13</b>	Assessment team internal work— final assessment and preparation of the PAR	<ul style="list-style-type: none"> <li>• Review evidence.</li> <li>• Assess each indicator and measurement dimension against the field guide scoring criteria.</li> <li>• Prepare the PAR using the PAR template.</li> </ul>
<b>Day 13</b>	PAR delivery	<ul style="list-style-type: none"> <li>• Deliver the draft PAR to the authorities 24 hours before the scheduled exit meeting.</li> <li>• Following authorization by the authorities, brief other stakeholders as appropriate (e.g., development partners and/or other interested parties).</li> </ul>
<b>Day 14</b>	Exit meeting	<ul style="list-style-type: none"> <li>• Present the assessment results and explain the reasons underlying the scores given.</li> <li>• Explain the post-assessment phase and invite written comments on the draft PAR (to be provided to the assessment team within 21 calendar days).</li> </ul>

## Appendix 4:

### Performance Assessment Report Template



# Performance Assessment Report

**[Country name]**

Prepared by: [name of each member of the  
assessment team]

[MONTH/YEAR]

<b>Preface</b> . . . . .	
<b>Abbreviations and Acronyms</b> . . . . .	
<b>Executive Summary</b> . . . . .	
<b>I. Introduction</b> . . . . .	
<b>II. Country Background Information</b> . . . . .	
A. Country Profile . . . . .	
B. Data Tables . . . . .	
C. Economic Situation . . . . .	
D. Main Taxes . . . . .	
E. Institutional Framework . . . . .	
F. International Information Exchange . . . . .	
<b>III. Assessment of Performance Outcome Areas</b> . . . . .	
A. POA 1: Integrity of the Registered Taxpayer Base . . . . .	
B. POA 2: Effective Risk Management . . . . .	
C. POA 3: Supporting Voluntary Compliance . . . . .	
D. POA 4: Timely Filing of Tax Declarations . . . . .	
E. POA 5: Timely Payment of Taxes . . . . .	
F. POA 6: Accurate Reporting in Declarations . . . . .	
G. POA 7: Effective Tax Dispute Resolution . . . . .	
H. POA 8: Efficient Revenue Management . . . . .	
I. POA 9: Accountability and Transparency . . . . .	
<b>Assessment Tables</b> . . . . .	
1. Summary of TADAT Performance Assessment . . . . .	
2. P1-1 . . . . .	
3. P1-2 . . . . .	
4. P2-3 . . . . .	
5. P2-4 . . . . .	
6. P2-5 . . . . .	
7. P2-6 . . . . .	
8. P3-7 . . . . .	
9. P3-8 . . . . .	
10. P3-9 . . . . .	
11. P4-10 . . . . .	
12. P5-11 . . . . .	
13. P5-12 . . . . .	
14. P5-13 . . . . .	
15. P5-14 . . . . .	
16. P5-15 . . . . .	
17. P6-16 . . . . .	
18. P6-17 . . . . .	
19. P6-18 . . . . .	
20. P7-19 . . . . .	
21. P7-20 . . . . .	
22. P7-21 . . . . .	
23. P8-22 . . . . .	
24. P8-23 . . . . .	
25. P8-24 . . . . .	

26. P9-25 . . . . .

27. P9-26 . . . . .

28. P9-27 . . . . .

29. P9-28 . . . . .

**Figure** . . . . .

1. Distribution of Performance Scores . . . . .

**Attachments.** . . . .

I. TADAT Framework . . . . .

II. Country Snapshot . . . . .

III. Data Tables . . . . .

IV. Organizational Chart . . . . .

V. Sources of Evidence . . . . .





## Preface

An assessment of the system of tax administration of [Insert country name] was undertaken during the period [dd/mm/yyyy to dd/mm/yyyy] using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team comprised the following: [Insert name of each member of the assessment team].

[Insert the following paragraph into the **final** PAR in situations where the country has provided written comments on the draft report to the assessment team following completion of an in-country assessment.]

“A draft performance assessment report was presented to the [insert name of country tax administration] at the close of the in-country assessment. Written comments since received from [name of country tax administration] on the draft report have been considered by the assessment team and, as appropriate, reflected in this final version of the report.”]





## Abbreviations and Acronyms

CIT	Corporate Income Tax
PAYE	Pay As You Earn
PIT	Personal Income Tax
POA	Performance Outcome Area
TADAT	Tax Administration Diagnostic Assessment Tool
VAT	Value Added Tax
[Insert country specific abbreviations and acronyms].	

# Executive Summary

The results of the TADAT assessment for [Insert country name] follow, including the identification of the main strengths and weaknesses.

**Strengths**

- [6-8 bullet points of the main strengths of the tax administration].
- ...
- ...
- ...
- ...
- ...
- ...
- ...

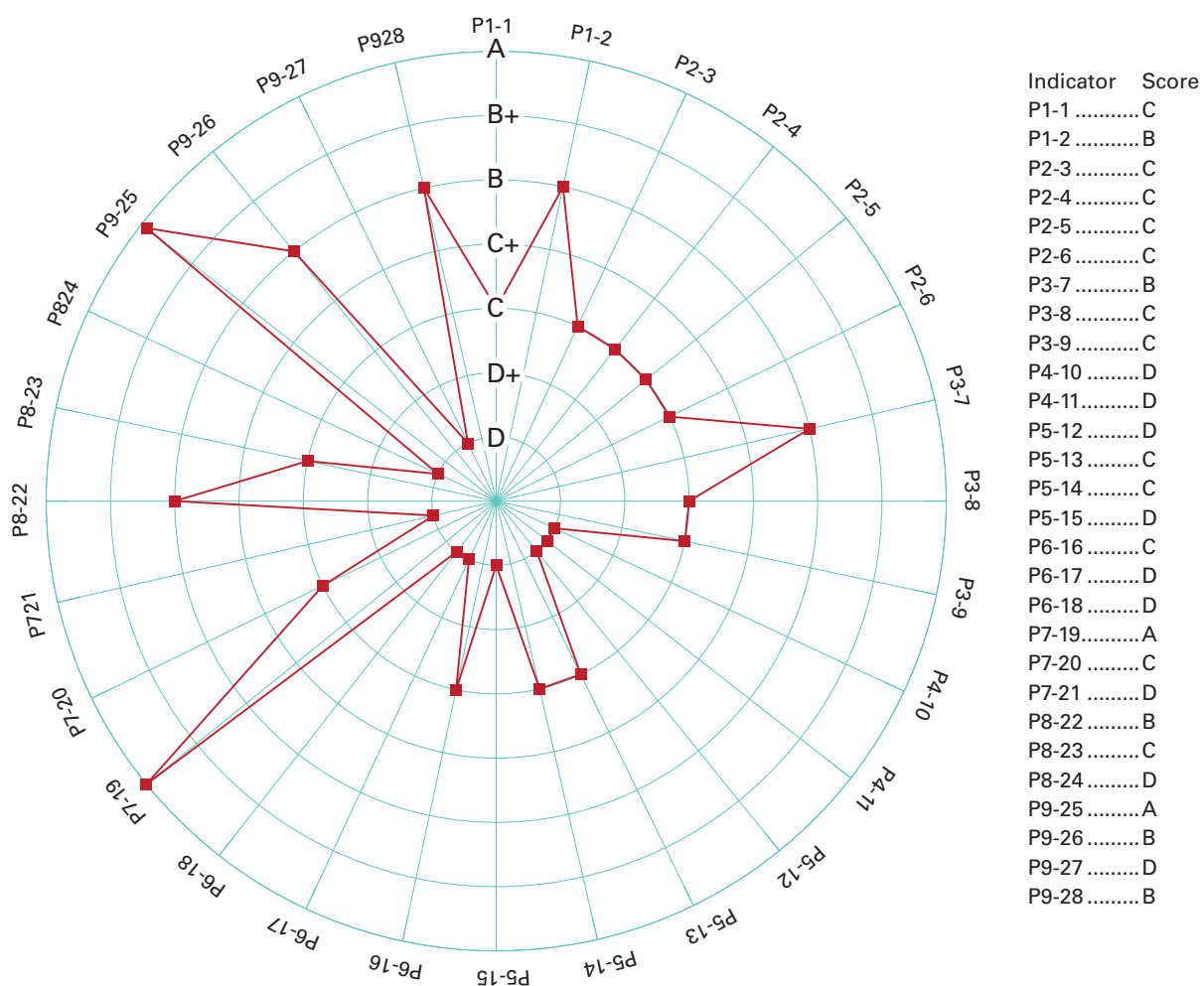
**Weaknesses**

- [6-8 bullet points of the main weaknesses of the tax administration].
- ...
- ...
- ...
- ...
- ...
- ...
- ...

[Insert a summary paragraph of the major issues impacting tax administration performance but do not recommend solutions.]

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework’s nine performance outcome areas (POAs) and 28 high level indicators critical to tax administration performance. An ‘ABCD’ scale is used to score each indicator, with ‘A’ representing the highest level of performance and ‘D’ the lowest.

Figure 1. [Insert country name]: Distribution of Performance Scores



**Table 1. [Insert country name]: Summary of TADAT Performance Assessment**

Indicator	Scores 201_	Summary Explanation of Assessment
<b>POA 1: Integrity of the Registered Taxpayer Base</b>		
P1-1. Accurate and reliable taxpayer information.	X	[Insert a short one-sentence explanation.]
P1-2. Knowledge of the potential taxpayer base.	X	
<b>POA 2: Effective Risk Management</b>		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	X	
P2-4. Mitigation of risks through a compliance improvement plan.	X	
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	X	
P2-6. Identification, assessment, and mitigation of institutional risks.	X	
<b>POA 3: Supporting Voluntary Compliance</b>		
P3-7. Scope, currency, and accessibility of information.	X	
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	X	
P3-9. Obtaining taxpayer feedback on products and services.	X	
<b>POA 4: Timely Filing of Tax Declarations</b>		
P4-10. On-time filing rate.	X	
P4-11. Use of electronic filing facilities.	X	
<b>POA 5: Timely Payment of Taxes</b>		
P5-12. Use of electronic payment methods.	X	
P5-13. Use of efficient collection systems.	X	
P5-14. Timeliness of payments.	X	
P5-15. Stock and flow of tax arrears.	X	
<b>POA 6: Accurate Reporting in Declarations</b>		
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	X	
P6-17. Extent of proactive initiatives to encourage accurate reporting.	X	
P6-18. Monitoring the extent of inaccurate reporting.	X	
<b>POA 7: Effective Tax Dispute Resolution</b>		
P7-19. Existence of an independent, workable, and graduated dispute resolution process.		
P7-20. Time taken to resolve disputes.	X	
P7-21. Degree to which dispute outcomes are acted upon.	X	
<b>POA 8: Efficient Revenue Management</b>		
P8-22. Contribution to government tax revenue forecasting process.	X	
P8-23. Adequacy of the tax revenue accounting system.	X	
P8-24. Adequacy of tax refund processing.	X	
<b>POA 9: Accountability and Transparency</b>		
P9-25. Internal assurance mechanisms.	X	
P9-26. External oversight of the tax administration.	X	
P9-27. Public perception of integrity.	X	
P9-28. Publication of activities, results, and plans.	X	

# I. Introduction

This report documents the results of the TADAT assessment conducted in [Insert country name] during the period [Insert dd/mm/yyyy to dd/mm/yyyy] and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 28 high level indicators critical to tax administration performance that is linked to the POAs. Forty-seven measurement dimensions are taken into account in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the very forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- 'B' represents sound performance (i.e. a healthy level of performance but a rung below international good practice).
- 'C' means weak performance relative to international good practice.
- 'D' denotes inadequate performance, and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to central government revenues, specifically corporate income tax (CIT), personal income tax (PIT), value added tax (VAT), and Pay As You Earn (PAYE) amounts withheld by employers (which, strictly speaking, are remittances of PIT). By assessing outcomes in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of a country's tax administration.
- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of [Insert country name]).
- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework in a country, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view among all stakeholders (country authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).
- Facilitating management and coordination of external support for reforms, and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

## II. Country Background Information

### Country Profile

General background information on [Insert country name] and the environment in which its tax system operates are provided in the country snapshot in Attachment II.

### Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

### Economic Situation

[Insert 4-6 paragraphs summarizing the country's economic position—to include economic growth, inflation, current account position, overall fiscal balance and public debt].

### Main Taxes

[Insert 1-2 paragraphs listing the country's main national taxes (e.g., CIT, PIT, and VAT) highlighting the relative contribution of each, in percentage terms, to total tax revenue].

Further details on tax revenue collections are provided in Table 1 of Attachment III.

### Institutional Framework

[Insert 1-3 paragraphs describing the main institution responsible for administering and collecting direct and indirect taxes at the national level, including its governance arrangements and organizational structure, staff complement and total operating budget for the financial year under review.]

An organizational chart of the tax administration is provided in Attachment IV.

### International Information Exchange

[Insert 1-2 paragraphs indicating whether the country is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, noting any reviews that have been made in this connection, and describing any actions taken to meet its commitments. In this regard, over 100 jurisdictions participate in the work of the Global Forum's peer review process that examines both the legal and regulatory aspects of information exchange (Phase 1 reviews) and the exchange of information in practice (Phase 2). All review reports are published once approved by the Global Forum. (Further information is at <http://www.oecd.org/tax/transparency/>). Also mention the number of double taxation agreements the country has (if any) and mention a few countries that have signed these agreements.]

### III. Assessment Of Performance Outcome Areas

#### POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

#### P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e. tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

Table 2. P1-1 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	X	X
P1-1-2. The accuracy of information held in the registration database.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

#### P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment		
Measurement dimension	Scoring Method	Score 201_
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

#### POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such



as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration).

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Four performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Identification, assessment, and mitigation of institutional risks.

### P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

Table 4. P2-3 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations	M1	X	X
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

Table 5. P2-4 Assessment		
Measurement dimension	Scoring Method	Score 201_
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment		
Measurement dimension	Scoring Method	Score 201_
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

## P2-6: Identification, assessment, and mitigation of institutional risks

This indicator examines how the tax administration manages institutional risks. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment		
Measurement dimension	Scoring Method	Score 201_
P2-6. The process used to identify, assess, and mitigate institutional risks.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

## C. POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Three performance indicators are used to assess POA 3:

- P3-7—Scope, currency, and accessibility of information.
- P3-8—Scope of initiatives to reduce taxpayer compliance costs.
- P3-9—Obtaining taxpayer feedback on products and services.

### P3-7: Scope, currency, and accessibility of information

For this indicator four measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information; and (4) how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in responding to information requests generally). Assessed scores are shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P3-7 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P3-7-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	M1	X	X
P3-7-2. The degree to which information is current in terms of the law and administrative policy.		X	
P3-7-3. The ease by which taxpayers obtain information from the tax administration.		X	
P3-7-4. The time taken to respond to taxpayer and intermediary requests for information.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence, and reference numerical data in Table 3 in Attachment III.]

### P3-8: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment		
Measurement dimension	Scoring Method	Score 201_
P3-8. The extent of initiatives to reduce taxpayer compliance costs.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P3-9: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

Table 10. P3-9 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P3-9-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	X	X
P3-9-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

## D. POA 4: Timely Filing of Tax Declarations

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through enforcement if necessary).

The following performance indicators are used to assess POA 4:

- P4-10—On-time filing rate.
- P4-11—Use of electronic filing facilities.

#### P4-10: On-time filing rate

A single performance indicator, with 4 measurement dimensions, is used to assess POA 4. Within this framework the aim is to measure the on-time filing rate for CIT, PIT, VAT, and PAYE withholding declarations. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P4-10 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P4-10-1. The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers.	M2	X	X
P4-10-2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers.		X	
P4-10-3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.		X	
P4-10-4. The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence, and reference numerical data in Tables 4 to 8 in Attachment III.]

#### P4-11: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

Table 12. P4-11 Assessment		
Measurement dimension	Scoring Method	Score 201_
P4-11. The extent to which tax declarations are filed electronically.	M1	X

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence, and reference numerical data in Table 9 in Attachment III.]

### E. POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Three performance indicators are used to assess POA 5:

- P5-12—Use of electronic payment methods.
- P5-13—Use of efficient collection systems.
- P5-14—Timeliness of payments
- P5-15—Stock and flow of tax arrears.

## P5-12: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. For TADAT measurement purposes, payments made in-person by a taxpayer to a third party agent (e.g., a bank or post office) that are then electronically transferred by the agent to the Government's account are accepted as electronic payments. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

**Table 13. P5-12 Assessment**

Measurement dimension	Scoring Method	Score 201_
P5-12. The extent to which core taxes are paid electronically.	M1	X

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence, and reference numerical data in Table 9 in Attachment III.]

## P5-13: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment regimes—are used. Assessed scores are shown in Table 14 followed by an explanation of reasons underlying the assessment.

**Table 14. P5-13 Assessment**

Measurement dimension	Scoring Method	Score 201_
P5-13. The extent to which withholding at source and advance payment systems are used.	M1	X

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

## P5-14: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, VAT payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

**Table 15. P5-11 Assessment**

Measurement dimension	Scoring Method	Score 201_	
P5-14-1. The number of VAT payments made by the statutory due date in percent of the total number of payments due.	M1	X	X
P5-14-2. The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on and support the key point made in the topic sentence, and reference numerical data in Table 10 in Attachment III.]

## P5-15: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collection<sup>1</sup>. A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P5-15-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	X	X
P5-15-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		X	
P5-15-3. The value of core tax arrears more than 12 months' old as a percentage of the value of all core tax arrears.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence, and reference numerical data in Table 11 in Attachment III.]

## F. POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. Increasingly, these include adopting cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, three performance indicators are used to assess POA 6:

- P6-16—Scope of verification actions taken to detect and deter inaccurate reporting.

<sup>1</sup> For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

■ P6-17—Extent of proactive initiatives to encourage accurate reporting.

■ P6-18—Monitoring the extent of inaccurate reporting.

### P6-16: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, two measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P6-16 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P6-16-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M2	X	X
P6-16-2. The extent of large-scale automated crosschecking to verify information in tax declarations.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P6-17: Extent of proactive initiatives to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

Table 18. P6-17 Assessment		
Measurement dimension	Scoring Method	Score 201_
P6-17. The nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting.	M1	X

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P6-18: Monitoring the extent of inaccurate reporting

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 19 followed by an explanation of reasons underlying the assessment.

Table 19. P6-18 Assessment		
Measurement dimensions	Scoring Method	Score 201_
P6-18. The soundness of the method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

## G. POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.



Three performance indicators are used to assess POA 7:

- P7-19—Existence of an independent, workable, and graduated dispute resolution process.
- P7-20—Time taken to resolve disputes.
- P7-21—Degree to which dispute outcomes are acted upon.

#### P7-19: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P7-19 Assessment			
Measurement dimension	Scoring Method	Score 201_	
P7-19-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	X	X
P7-19-2. Whether the administrative review mechanism is independent of the audit process.		X	
P7-19-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

#### P7-20: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P7-20 Assessment		
Measurement dimensions	Scoring Method	Score 201_
P7-20. The time taken to complete administrative reviews.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence, and reference numerical data in Table 12 in Attachment III.]

#### P7-21: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 22 followed by an explanation of reasons underlying the assessment.

Table 22. P7-21 Assessment		
Measurement dimension	Scoring Method	Score 201_
P7-21. The extent to which the tax administration responds to dispute outcomes.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### H. POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)<sup>2</sup>

- Maintaining a system of revenue accounts.

- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-22—Contribution to government tax revenue forecasting process.

- P8-23—Adequacy of the tax revenue accounting system.

- P8-24—Adequacy of tax refund processing.

### P8-22: Contribution to government tax revenue forecasting process

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

Table 23. P8-22 Assessment		
Measurement dimensions	Scoring Method	Score 201_
P8-22. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P8-23: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P8-23 Assessment		
Measurement dimension	Scoring Method	Score 201_
P8-23. Adequacy of the tax administration's revenue accounting system.	M1	X

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P8-24: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing VAT refund claims. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P8-24 Assessment			
Measurement dimension	Scoring Method	Score 201_	
P8-24-1. Adequacy of the VAT refund system.	M2	X	X
P8-24-2. The time taken to pay (or offset) VAT refunds.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D).]

<sup>2</sup> It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence, and reference numerical data in Table 13 in Attachment III.].

## I. POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-25—Internal assurance mechanisms.
- P9-26—External oversight of the tax administration.
- P9-27—Public perception of integrity.
- P9-28—Publication of activities, results, and plans.

### P9-25: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 26. P9-25 Assessment			
Measurement dimensions	Scoring Method	Score 201_	
P9-25-2. Assurance provided by internal audit.	M2	X	X
P9-25-3. Staff integrity assurance mechanisms.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P9-26: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 27 followed by an explanation of reasons underlying the assessment.

Table 27. P9-26			
Measurement dimensions	Scoring Method	Score 201_	
P9-26-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	X	X
P9-26-2. The investigation process for suspected wrongdoing and maladministration.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P9-27: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P9-27 Assessment

Measurement dimension	Scoring Method	Score 201_
P9-27. The mechanism for monitoring public confidence in the tax administration.	M1	X

[Insert a paragraph explaining the reason/s for the assessed score (A or B or C or D). Commence the paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

### P9-28: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

Table 29. P9-28 Assessment

Measurement dimensions	Scoring Method	Score 201_	
P9-28-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	X	X
P9-28-2. The extent to which there is publication of the tax administration's future directions and plans are made public, and the timeliness of publication.		X	

[Insert a paragraph for each measurement dimension explaining the reason/s for the assessed score (A or B or C or D). Commence each paragraph with a bolded topic sentence that encapsulates the principal reason for the score. Additional sentences should expand on, and support, the key point made in the topic sentence.]

# Attachment I. TADAT Framework

## Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

- 1. Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
- 2. Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
- 3. Support given to taxpayers to help them comply:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.
- 4. On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
- 5. On-time payment of taxes:** Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
- 6. Accuracy of information reported in tax declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.
- 7. Adequacy of dispute resolution processes:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.
- 8. Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
- 9. Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.



## Indicators and associated measurement dimensions

A set of 28 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 47 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and four measurement dimensions.

The indicators are oriented towards assessing performance outcomes, although in some cases outputs are used as proxies for outcomes. As far as possible, TADAT avoids measuring inputs and enabling factors that contribute to outcomes (e.g., organizational structures, human resources, administrative budgets, information technology (IT), and legislation).

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

## Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 47 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

**Method M1** is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

**Method M2** is based on averaging the scores for individual dimensions of an indicator. It is used for selected

multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

## Attachment II. [Insert Country name]: Country Snapshot

<b>Geography</b>	
<b>Population</b>	X million [year (20xx)]_ census. (Source: _)
<b>Adult literacy rate</b>	X percent of persons aged 15 and over can read and write. (Source: e.g., UNICEF)
<b>Gross Domestic Product</b>	201_ nominal GDP: _. (Source: e.g., IMF)
<b>Per capita GDP</b>	US\$_. (Source: e.g., IMF)
<b>Main industries</b>	
<b>Communications</b>	<ul style="list-style-type: none"> <li>• Internet users per 100 people: _.</li> <li>• Mobile 'phone subscribers per 100 people: _.</li> </ul> (Source: e.g., World Bank)
<b>Main taxes</b>	
<b>Tax-to-GDP</b>	X percent in 201_, excluding Customs tax collections (X percent including customs). (Source: _)
<b>Number of taxpayers</b>	CIT (_); PAYE (_), PIT (_); VAT (_), and Domestic Excise Taxes (_)
<b>Main collection agency</b>	
<b>Number of staff in the main collection agency</b>	
<b>Financial Year</b>	E.g., calendar year.

## Attachment III. Data Tables

[Insert completed questionnaire tables:

- **Table 1.** Table 1. Tax Revenue Collections
- **Table 2.** Movements in the Taxpayer Register
- **Table 3.** Telephone Enquiry Call Waiting Time
- **Table 4.** On-Time Filing of CIT Declarations
- **Table 5.** On-Time Filing of PIT Declarations
- **Table 6.** On-Time Filing of VAT Declarations—All VAT taxpayers
- **Table 7.** On-Time Filing of VAT Declarations—Large taxpayers only
- **Table 8.** On-Time Filing of PAYE Withholding Declarations (filed by employers)
- **Table 9.** Use of Electronic Services
- **Table 10.** VAT Payments
- **Table 11.** Value of Tax Arrears
- **Table 12.** Finalization of Administrative Reviews
- **Table 13.** VAT Refunds

## Attachment IV. Organizational Chart

[Insert organizational chart of the main revenue collection agency.]



## Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	<ul style="list-style-type: none"> <li>• [Insert sources of evidence in bullet point form]</li> <li>• ...</li> </ul>
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P2-4. Mitigation of risks through a compliance improvement plan.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P2-6. Identification, assessment, and mitigation of institutional risks.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P3-7. Scope, currency, and accessibility of information.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P3-9. Obtaining taxpayer feedback on products and services.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P4-10. On-time filing rate.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P4-11. Use of electronic filing facilities.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P5-12. Use of electronic payment methods.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P5-13. Use of efficient collection systems.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P5-14. Timeliness of payments.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P5-15. Stock and flow of tax arrears.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P6-15. Scope of verification actions taken to detect and deter inaccurate reporting.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P6-17. Extent of proactive initiatives to encourage accurate reporting.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P6-18. Monitoring the extent of inaccurate reporting.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P7-19. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P7-20. Time taken to resolve disputes.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P7-21. Degree to which dispute outcomes are acted upon.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P8-22. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P8-23. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P8-24. Adequacy of tax refund processing.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P9-25. External oversight of the tax administration.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P9-26. Internal assurance mechanisms.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P9-27. Public perception of integrity.	<ul style="list-style-type: none"> <li>• ...</li> </ul>
P9-28. Publication of activities, results, and plans.	<ul style="list-style-type: none"> <li>• ...</li> </ul>

# Appendix 5:

## Evaluation of the TADAT Assessment Team's Work by Country Authorities—Questionnaire Template

### Questionnaire: Evaluation of the TADAT Assessment Team's Work

<b>Country:</b>	<b>Assessment Dates:</b>
<b>Assessment Description:</b> Tax Administration Diagnostic Assessment	<b>Assessment Team Leader:</b>

Kindly complete this questionnaire and email it within 21 days to the Unit Chief of the TADAT Secretariat at [Secretariat@tadat.org](mailto:Secretariat@tadat.org). Any additional comments you wish to send will also be welcome.

1. In preparing for the assessment team's visit, the team leader gave you and/or your senior staff sufficient time and opportunity to provide input into the visit's tasks (on the 1-10 scale, please circle your response)

Strongly disagree		Disagree		Slightly disagree	Slightly agree		Agree		Strongly agree
1	2	3	4	5	6	7	8	9	10

Comments, if any: .....

.....

.....

2. The assessment team addressed all the issues outlined in the TADAT Field Guide.

Strongly disagree		Disagree		Slightly disagree	Slightly agree		Agree		Strongly agree
1	2	3	4	5	6	7	8	9	10

Comments, if any: .....

.....

.....

3. The assessment team provided adequate time to meet with you and your senior staff to discuss and seek feedback on its work program, findings, and performance scoring of all the TADAT indicators.

Strongly disagree		Disagree		Slightly disagree	Slightly agree		Agree		Strongly agree
1	2	3	4	5	6	7	8	9	10

Comments, if any: .....

.....

.....

4. You are satisfied with the overall quality of the assessment team's work and the timeliness of its performance assessment report. If not, please indicate why.

Strongly disagree			Disagree		Slightly disagree	Slightly agree		Agree		Strongly agree
1	2	3	4	5	6	7	8	9	10	

Comments, if any: .....

.....

.....

5. The assessment team's analysis was/will be useful in your policy formulation, prioritization of improvements, and implementation sequencing. If you disagree, please indicate why.

Strongly disagree			Disagree		Slightly disagree	Slightly agree		Agree		Strongly agree
1	2	3	4	5	6	7	8	9	10	

Comments, if any: .....

.....

.....

6. Overall, you are satisfied with the assessment team's work.

Strongly disagree			Disagree		Slightly disagree	Slightly agree		Agree		Strongly agree
1	2	3	4	5	6	7	8	9	10	

Comments, if any: .....

.....

.....

7. What could the assessment team have done differently or better that would have made its work more useful to you?

.....

.....

.....

Signature

Name and title

## Appendix 6:

### TADAT Team Leader's Assessment of Team Members—Questionnaire Template

The TADAT Secretariat will send an online assessment notification to each team leader on completion of the in-country phase of the TADAT assessment visit. The team leader will assess each team member according to the elements outlined below.

<b>Country:</b>	<b>Assessment Dates:</b>
<b>Assessment description:</b> Tax Administration Diagnostic Assessment	<b>Name of assessment team leader:</b>
<b>Name of team member:</b>	

Evaluation of your team members is designed to help improve delivery of TADAT assessments. It will also assist in determining those who have been active and sufficiently skilled, as well those who did not effectively participate and are in need of up skilling. Be consistent when evaluating the team member's performance by using the guidelines below.

#### Effectiveness as an assessment team member (mark as appropriate):

Description	Rating scale				Remarks
	Poor	Satisfactory	Good	Very good	
1. Attendance at assessment visit and team meetings					
2. Effort applied to assigned work					
3. Contributions at meetings					
4. Respect to authorities and team members					
5. Oral communication skills					
6. Writing skills					
7. Overall rating and areas needing improvement (in the remarks column)					

# Appendix 7:

## Post-assessment Quality Assurance of PARs

As custodian of the TADAT brand, the TADAT Secretariat will review all PARs to make sure quality standards are met. To this end, the clearance process for PARs and their distribution is set out below. TADAT assessment team leaders will need to ensure that deadlines for submitting documents to the Secretariat for review are adhered to.

Process	Responsibility	Steps to be Taken	PAR Distribution
Finalization of PARs	TADAT Secretariat and assessment team leader	<ul style="list-style-type: none"> <li>On the final day of the in-country phase of the assessment, the assessment team leader will:               <ul style="list-style-type: none"> <li>Circulate the draft PAR—prepared in accordance with the PAR template set out in the field guide—and invite comments from country authorities (to be provided within 21 days), Secretariat, and others as relevant; and</li> <li>Upload to the TADAT secure website all working papers and evidence used in drafting the PAR.</li> </ul> </li> <li>The Secretariat will secure foreign-language reviewers where necessary, including seeking assistance of select TADAT technical advisory group members or other relevant experts.</li> </ul>	<b>For comments:</b> <ul style="list-style-type: none"> <li>Country authorities</li> <li>Secretariat</li> <li>Select technical advisory group members or other experts, as necessary</li> </ul>
		<ul style="list-style-type: none"> <li>The PAR, finalized by the assessment team leader within 35 days of the end of in-country phase of the assessment, will be reviewed and cleared by the head of the Secretariat or his/her delegate.</li> </ul>	<b>For clearance:</b> Head of Secretariat or his/her delegate
		<ul style="list-style-type: none"> <li>Once cleared, the PAR will be referred for approval to the line manager—located in the IMF's Fiscal Affairs Department—who is responsible for overseeing the work of the Secretariat.</li> </ul>	<b>Once cleared:</b> Secretariat line manager
		<ul style="list-style-type: none"> <li>Once approved, the Secretariat will enter the finalization date into the PAR database.</li> <li>The assessment team leader will transmit an electronic copy of the approved PAR to the country authorities using a transmittal letter, a copy of which will be sent to the Secretariat for inclusion in the PAR database.</li> </ul>	<b>Once approved:</b> <ul style="list-style-type: none"> <li>Secretariat to enter into PAR database</li> <li>Assessment Visit team leader to transmit to country authorities</li> </ul>

Process	Responsibility	Steps to be Taken	PAR Distribution
Printing and transmission of PARs	Assessment Visit team leader	<ul style="list-style-type: none"> <li>• A PDF copy of the final PAR will be sent to the country authorities as soon as it is approved (hard copies will follow, unless the authorities agree that the electronic submission is sufficient).</li> <li>• To ensure that proper protocol is followed regarding dissemination policy, a standard transmittal letter will accompany the PAR. Samples transmittal letters in various languages will be provided on the TADAT secure website.</li> <li>• The transmittal letter should include a paragraph requesting the country to publish the PAR for wider consumption, and that acceptance to publish should be in writing. Once permission is granted, in writing, publication protocols of the sponsoring institution should be followed. The country's decision to publish, or not, should be respected.</li> <li>• Substantive changes made to the PAR between the draft stage and finalization will be flagged to the authorities in the transmittal letter accompanying the final PAR.</li> <li>• Donor attribution should be included in the letter as necessary.</li> <li>• If a translation of the report is needed, the original English version should be sent to the authorities straightaway. The translated copies can be sent at a later stage but not later than 75 calendar days from the in-country phase of the assessment end date.</li> </ul>	<p><b>Addressee:</b> Minister of Finance or Head of the Tax Administration (whichever is applicable)</p> <p>With copies to:</p> <ul style="list-style-type: none"> <li>• Head of the tax administration (as applicable)</li> <li>• Head of Secretariat</li> </ul>

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