

## Revenue Administration

### Technical Assistance in Fiscal Year 2018

#### **Afghanistan** (December 10-14)

An off-site mission worked with the Afghanistan Revenue Department (ARD) on an implementation plan for creating a National Large Taxpayers Office (NLTO). This office will provide the full range of tax administration services to large taxpayers—who contribute to a substantial share of national tax revenues—across Afghanistan. The mission focused on supporting ARD finalize the criteria for determining who is considered to be “large” taxpayers so that revenue projections can be estimated by the NLTO. It also reviewed the implementation plan and provided support to the ARD, to help them meet the milestones for key business process modernizations around taxpayer registration, tax return filing, and tax audit. The mission also shared international good practice on (i) the functions of a NLTO; (ii) factors that need to be applied in the risk profiles of large taxpayers and in the assessment of compliance risk; and (iii) outcome-based performance measurement in the key tax administration areas of filing, tax payment, and management of debt arrears.

#### **Egypt** (May 7-18, July 24 – August 3, January 14-24, April 1-12)

In FY17, METAC organized a short-term expert visit to Egypt to support the development and introduction of an enhanced risk management structure in the Egyptian Tax Administration (ETA). The mission advised on the organizational structures, roles and methodologies required for the ETA to implement effective risk management. A time-bound action was prepared. The assessment paved the way for TA provided under the Swiss State Secretariat for Economic Affairs (SECO)-funded project to address weaknesses in tax return filing and payment performance identified during the TADAT assessment. With the help of METAC/FAD assistance new procedures and working practices were designed, and introduced in a range of pilot offices in 2016 and 2017.

In FY18, METAC organized three missions to help the authorities implement the action plan.

The first mission reviewed progress made by the ETA in relation to both compliance risk management and institutional risk management, and defined further improvements required to roll-out the risk management function across the whole ETA in line with international good practice. It also reviewed the integration of the risk management function into the annual planning process, including the development of a formal Compliance Improvement Plan. Last, the mission took part in risk assessment and strategy development activities for two risks identified by senior officials as being important. A full risk assessment of the identified risks was undertaken, appropriate risk mitigation strategies were developed, appropriate measures of success and an accompanying evaluation methodology were identified.

The second mission continued to support ETA in developing and implementing improved filing and payment compliance management procedures based upon international good practice, and in developing permanent Performance Improvement Unit. An analysis of the pilot exercises confirmed that the new procedures are effective, but that they could not be rolled-out across ETA’s entire taxpayer population with existing staffing and levels of automation. Therefore, another pilot phase was planned to test the capability of offices to use the improved compliance management procedures across a broader number of taxpayers and across all offices involved in filing and payment processes using risk-based criteria, to focus on the biggest tax risks. In

close collaboration with ETA a subsequent full-scale roll-out plan across the whole ETA was established and proposals for strengthening the existing PMO made. The agreed plan was to roll-out across the ETA in eight groups, each over 3 months. In all, the roll-out will be to 420 offices over 24 months. Offices with higher risk cases by value will have the new procedures rolled-out earlier than offices with lower value cases. This will maximize value, and ensure the most challenging offices will benefit both from the experience gained from earlier roll-outs and from medium-and longer-term initiatives such as use of mobile phones, automation, and taxpayer database cleanse.

The third mission reviewed the progress and initial results from the implementation of the new pilot, testing the capability of offices to use the improved compliance management procedures across a broader number of taxpayers and across all staff in the offices involved in filing and payment processes. The mission agreed with ETA on next steps, which include enhancements to project methodologies, strengthening the project management function and transitioning into a permanent performance improvement unit, and commitment to provide full support to a national roll-out of the new procedures.

In addition, METAC RA advisor participated in an FAD mission, which undertook a high-level assessment of the status of the Egyptian Tax Administration based on the recent TADAT report and the progress achieved since 2015 in the nine TADAT performance outcome areas. The mission discussed with ETA and MoF (i) the ongoing reform initiatives; (ii) the ETA project on business processes reengineering; (iii) the latest plans to develop integrated IT systems; (iv) the integration of the organizational structure across VAT and Income tax administration; and (v) the reforms that the authorities are considering to transforming ETA into modern revenue organization. The mission advised on reform priorities, their implementation sequencing, and the establishment of program governance and management arrangements.

#### **Iraq** (January 8-12)

METAC provided an off-site technical assistance mission to the General Commission for Taxes in Iraq. The mission reviewed and discussed the latest plans of the Commission for Taxes regarding the modernization of the Information Technology (IT) and the current status of automation across the core tax business processes. It advocated for a high-level set of functional requirements that the IT-system should support in order to deliver the services required by an effective tax administration, and advised on how to design and implement an IT strategic plan covering short- and long-term needs. The mission also provided guidance on how to set a project management structure for the implementation of the new IT system and how to manage the transition to the new system.

#### **Jordan** (August 6-17, January 7-18, April 15-26)

METAC supported the Income and Sales Tax Department (ISTD) in developing and introducing a public and advanced rulings process. A TADAT assessment of the ISTD was conducted jointly by USAID and METAC in March 2016. It identified a range of weaknesses in current tax administration practices. A key weakness identified was the ISTD's lack of a system of formalized binding rulings. A formal binding ruling system will provide taxpayers with certainty as to how ISTD will apply tax law to transactions that are being contemplated or are already in place. Accordingly, METAC organized two missions in FY18:

- The first mission developed a time-bound action plan for the introduction of public and private rulings systems, which was agreed by the authorities: ISTD will introduce binding rulings in phases and will prioritize the preparation of a program for binding public rulings.

This will take precedence over implementing a private rulings regime, where more detailed design work remains to be done and which will be implemented possibly in two years. Rulings will be produced by a new Rulings Unit within ISTD's Legal Affairs Unit that is free from operational influence.

- The second mission reviewed progress against the existing action plan. It advised ISTD on ways to (i) overcome some obstacles they faced during implementation and (ii) strengthen governance arrangements. The mission conducted an analysis across various jurisdictions to provide a basis for establishing suitable service standards for rulings. It agreed with the authorities on key milestones, and provided recommendations on establishing project-based arrangements for effective implementation. The mission also held discussions with representatives of professional associations on and ISTD on issues to be addressed through public rulings, and advised maximizing consultation opportunities while developing a forward program of Public rulings. Consideration was given to emerging opportunities to leverage planned law changes to establish a legal framework for private rulings. Furthermore, the mission held a workshop for ISTD staff to assist them with the development of an internal and external communication strategy.

In FY18, METAC also helped the ISTD to develop a compliance risk management function. Assistance was provided on how to identify, assess, and rank compliance and institutional risks; and how to develop a compliance improvement program to mitigate indentured risks. The mission reviewed the current structure and governance arrangements for sound risk management, and advised for further development. The mission presented international good practices in compliance risk management processes, i.e., that they need to be fully integrated, cross cutting management functions of management, and directly linked with the strategic and annual planning cycles.

#### **Lebanon** (April 16-27)

METAC assessed the Lebanese tax administration, using the TADAT. The diagnostic mission identified the strengths and weaknesses in administering core taxes, addressing all relevant issues pertaining to the major taxes. The assessment provided a baseline for the current reform efforts, and an input to potentially necessary adjustments to the current reform process. It also created the basis for measuring progress over time, and provided the authorities with the necessary information for determining the need for future TA. Following up on this assessment, in FY19 METAC will provide further support in one of the TADAT outcome areas.

#### **Morocco** (September 18-22)

Morocco is one of the first countries selected to benefit from the "G20 Compact with Africa (CWA)" initiative to which the IMF contributes. As part of the implementation of the revenue mobilization component of the initiative, METAC joined an IMF headquarters mission to discuss Morocco' priorities with the Directorate General of Taxes (DGT). The following new tools were presented and discussed: 'Medium-Term Revenue Strategy' (MTRS); 'International Survey on Revenue Administration' (ISORA), and the diagnostic assessment tools: 'Revenue Administration Gap Analysis Program' (RA-GAP) and 'Tax Administration Diagnostic Assessment Tool' (TADAT). As a result, DGT requested that the IMF Fiscal Affairs Department and METAC to undertake a TADAT assessment and a value-added tax gap analysis later in FY18.

#### **Sudan** (October 22 – November 2, December 10-21, April 10-12, April 15-26)

In FY18, METAC assisted both Sudan Customs Administration (SCA) and Sudan Taxation Chamber (STC):

METAC continued to support SCA in rolling out risk management to the Red Sea ports and implementing the World Trade Organization Valuation Agreement. To this end, it organized two missions in Khartoum, and a study visit for SCA officials in Jordan:

- The first mission found that the risk management rollout has made significant progress, with the launch at the three main ports in the Red Sea Directorate on 29 October 2017. Over 60 percent of import cargo is now handled under risk-based approaches. The high level of revenue fraud in unaccompanied baggage has been markedly reduced. Nevertheless, procedures for free zone administration at Garri (Aljaily) free zone are of considerable concern in terms of revenue leakage and SCA requested METAC for TA to help them address this issue. The mission also proposed a study visit to Jordan Customs and Jordan Police for a small group of SCA officers, to be facilitated by METAC, to help them gain understanding of the use of software of risk management, and to benefit from the training available for risk and intelligence analysts.
- The second mission helped SCA to develop revised procedures for the free zone administration to improve the control over the goods entering the Garri (Aljaily) free zones. The mission also identified the legal barriers to strengthen control, and advised on the necessary legislative changes.
- In response to SCA's request, and to help build its human capacity, METAC organized a study visit for SCA officers to Jordan Customs. The visit allowed the official to learn how to use the software for risk management, and how ASYCUDA can be used to strengthen control. During their visits, SCA officers also received a briefing on the Jordan Police analyst training, and discussed the possibility of attaching SCA officers to several of these courses.

METAC assisted the STC improve its performance reporting and develop links to management decision-making, using all the information available in the new IT system. It also conducted a workshop on the implications of the digital economy for tax administration. During the mission the STC Secretary General requested additional assistance on selected critical administrative areas including: risk management; large taxpayer operations; and VAT administration, which will be delivered in the future.

#### **Tunisia** (November 19-30)

In March/April 2017, an IMF-FAD mission recommended integrating all tax administration functions into the LTO. It proposed a high-level action plan that includes the enactment of a decree modifying the organization and functioning of the LTO, the transfer of all tax administration functions to the LTO, and the initiation of the reform of existing business processes. In November, METAC reviewed the current LTO operations. It found that while there was some progress, more work was needed on several selected critical administrative areas including: risk management, audit and recovery. Accordingly, the mission advised on a LTO structure and operations that will facilitate improved compliance by large taxpayers, and worked with the General Directorate for Taxes (GDT) on a detailed time-bound work plan for the establishment of a modern LTO that will have national jurisdiction and provide the full range of tax administration services to large taxpayers across Tunisia. To facilitate the implementation of its recommendations, METAC also delivered a workshop on the role, objectives, functional design, and business processes of a modern LTO.

#### **West Bank and Gaza** (September 6-17)

METAC advised the Palestinian Ministry of Finance and Planning on strengthening the management of large taxpayers' (LT) compliance. The mission reviewed the large taxpayers unit's (LTU) existing practices for managing LTs, and the current understanding within the tax department of the types of non-compliant behaviour, and their relationship to compliance management strategy and activities. Accordingly, it recommended fundamental changes to reform and modernize the LTU. As a starting point, it proposed developing a new LT strategy, focusing on risk-based compliance management, targeted audits, and improved services to taxpayers. It also outlined a functional organizational structure and new performance management objectives.