

## Revenue Administration

### Technical Assistance in Fiscal Year 2017

METAC has provided support to its member countries to improve their RA practices and capacity across a broad range of areas. Support was provided on strengthening RA management and core administration functions (**Afghanistan, Algeria, Egypt, Iraq, Jordan**); establishing an organizational structure along functional lines and taxpayers' segments (**Iraq**); and better managed corporate priorities through effective risk management (**Egypt, Jordan, Lebanon**).

METAC assisted in strengthening core customs administration functions by ensuring customs control during the clearance process more effectively ensures accuracy of declarations through effective application of risk based control selectivity and procedures based on international standards for valuation, origin a tariff classification of goods (**Afghanistan, Sudan, WBG**).

Evidence of increased demand for TA is now apparent, especially in countries benefiting from IMF support, and it is expected that TA delivery rates will strengthen during FY18.

#### **Afghanistan** (February 20-24, April 23-27)

METAC organized two off-site missions, one joint with FAD in Dubai and one in Amman:

- The purpose of the first mission—organized jointly with FAD tax policy—was to develop options for short-term revenue mobilization both for tax and customs. Due to difficult operational circumstances, the first two days' meetings were held via Skype. The mission identified the establishment of a modern and well-functioning large taxpayers' office (LTO) as an important initiative that could increase tax revenue in both the short and long term. An LTO would help to secure tax revenues by achieving a sharp focus on the relatively few taxpayers who account for a large share of tax revenues. It was also agreed with the authorities that METAC would provide TA on the development of comprehensive 'multi-criteria' risk profiles to the Afghanistan Customs Department (ACD). An MCD mission started at the end of the coordinated tax administration/tax policy mission, building on its conclusions.
- Following the Memorandum of Economic and Financial Policies for 2016-2019, ACD has to implement multi-criteria risk profiles in all border crossing points and inland custom depots to effectively identify and prioritize high-risk traders and shipments for physical examination and post-release verification. Accordingly, the second METAC mission reviewed the new national risk management policy, and advised on how to establish, test and implement multi-criteria risk profiles in all border crossing points and inland custom depots of Afghanistan.

#### **Algeria** (November 23-December 6)

METAC's new resident advisor participated in a TA mission of the IMF's FAD to review the status of implementation of the strategic plan 2015-19 of the General Directorate of Taxes (GDT). The mission recommended mitigation measures and steps to improve tax

administration core processes, including to modernize filing and payment procedures, develop risk-based audit programs, and collect arrears. Attention was also given to VAT administration, including registration, filing, audit and refunds. The mission was an opportunity for METAC's advisor to meet the authorities and discuss areas where METAC could provide TA going forward.

**Egypt** (July 31-August 11, September 25-October 6, January 17-19, March 19-23)

Following a TADAT in October 2015, two METAC short-term experts provided post-assessment TADAT training to managers in the Egyptian Tax Authority (ETA) and the MoF to enhance their understanding of performance management standards, including obtaining and analyzing reliable performance data. The experts gathered feedback from participants regarding the priority areas to be addressed in building ETA capacity in line with international good practices. The five priority areas that were identified (transparency, risk management, dispute resolution, management reporting, and taxpayer register) will form the basis of a structured program for METAC TA support to the ETA over the next two years.

In September-October, a follow-up METAC mission assisted the authorities in developing a structure, governance arrangements, and key functions for sound risk management, as a basis for compliance improvement, effective resource deployment and institutional security. Together with the authorities, the mission also prepared an action plan for the introduction of risk management in the ETA.

In January, METAC's new resident advisor visited Cairo to hear the authorities' views on METAC's work and to assess Egypt's needs for TA going forward. He met with the Vice-Minister of Finance for Tax Policy and his senior staff. TA needs were discussed with IMF-HQ to determine how best to meet these. Special attention was given to the recently enacted and implemented VAT law.

Last, METAC assisted the authorities on VAT implementation. After many years preparing for implementation, Egypt introduced VAT in September 2016. Previous FAD and METAC TA had focused on ETA's readiness including: staffing, training, office preparations, information technology, tax operations, taxpayer assistance and stakeholder management. In addition, both the FAD Tax Policy Division and the IMF Legal Department had provided advice on legislative issues, including a new small business regime for those who are currently registered for the General Sales Tax but will not be required to register under the VAT law. METAC's visit took place in March six months after the introduction of the VAT, which was sufficient time for areas requiring further development to become apparent. The mission reviewed the implementation, and identified core administrative functions (registration, filing, payment, and compliance) and other areas, where further METAC TA support would be beneficial.

**Iraq** (February 5-9, March 19-23)

METAC organized two off-site missions, one joint with FAD in Baku and one in Amman:

- The first mission—organized jointly with FAD tax policy—discussed tax policy options for increasing non-oil tax revenue and options for short-term revenue mobilization. The

discussions were primarily guided by two inter-related objectives: (i) simplify the tax system and improve its neutrality, and (ii) increase non-oil tax revenue in the short term, primarily from policy changes. Although the simplification measures could help raise additional revenue without fundamental changes in the tax and custom administrations operations, the mission identified many operational areas requiring improvement, including information technologies both in tax and customs, and a more effective management of large taxpayers in the tax administration. The establishment of a modern and well-functioning LTO was identified as an important initiative that could increase revenue in both the short and long term.

- A second mission advised on the establishment of a modern LTO. A small unit in Baghdad conducts post-filing verification checks on the tax returns of a limited number of larger taxpayers. However, this falls well short of an LTO structure and modern compliance management methodologies. The mission reviewed the existing practices for management of large taxpayers and the current understanding within the Tax Department regarding the types of non-compliant behavior by large taxpayers and their relationship to compliance management strategy and activities. It also delivered workshops on the role, objectives, and functional design of an LTO, as well as a time-bound work plan to establish an LTO, including allocation of responsibilities, performance indicators and resource requirements.

#### **Jordan** (August 28-September 8, December 12-15, April 23-May 4)

Following a TADAT assessment in March 2016, two METAC experts visited Jordan's Income and Sales Tax Department (ISTD) to review the assessment results and develop a framework for METAC TA support over the next two years. The priority areas that were identified and agreed with the authorities are: risk management, arrears management, creating a formalized rulings system, cooperative compliance initiatives for large taxpayers, and ensuring that the ISTD monitors and learns from tax dispute outcomes.

METAC's new resident advisor visited Amman to confirm with the authorities the focus and scope of future METAC TA in selected priority areas and to discuss the regional workshop on RA that METAC will organize in Amman during March 20-23, 2017. He met with senior directors of the Jordanian ISTD to discuss a roadmap for further TA, and with representatives from the United States Agency for International Development (USAID) and the European Delegation to coordinate the assistance provided by the respective institutions.

In April, a METAC mission assisted the authorities in developing a structure, governance arrangements, and key functions for sound risk management, as a basis for compliance improvement, effective resource deployment and institutional security. Together with the authorities, the mission also prepared an action plan for the introduction of risk management in ISTD.

#### **Lebanon** (February 13-24)

In recent years FAD and METAC have organized several tax administration expert visits to Lebanon to provide assistance in RA. The April 2010 FAD mission reviewed progress made by the tax administration in reforming its organization and operations, and advised

on future reforms, including the integration of VAT and income tax administrations, and the design of appropriate strategies to improve tax compliance. A METAC mission, organized in July 2013, reviewed and identified weaknesses in the administration of VAT refunds. It recommended a set of measures to prevent abusive activities and fraudulent claims, and strengthen the VAT refund process. In this context, a METAC mission assessed commitment and progress in implementing the recommendations of the 2013 mission to improve the overall efficiency of VAT refund management. The mission advised on appropriate further measures to enhance detection and prevention of VAT refund fraud.

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

A METAC mission discussed with the Sudanese custom authorities improved custom administration functions, including concept and practice of post-clearance audits (PCA) and a framework for their implementation. The authorities are considering PCA as a priority, with further work on intelligence, and setting up an Authorized Economic Operator regime, all under the rubric of Risk Management necessary. The pilot risk management at Khartoum airport was reviewed and advise was given on how to extend risk management to Port Sudan.

#### **West Bank and Gaza (May 15-26, July 31-August 18, April 30-May 11)**

With the view help enhance revenue mobilization, METAC engaged with the Palestine National Authority (PNA) Department of Customs on strengthening its overall effectiveness in terms of revenue and general enforcement compliance.

- In this context, a mission helped define the future role and structure of the Risk Management and Intelligence functions, in line with established international good practice. The mission also prepared a development plan to improve the effectiveness of risk management/intelligence in the General Directorate of Customs, Excise and Value-Added Tax.
- A subsequent mission assisted the PNA Department of Customs to enhance its technical investigative capacity. This involved delivering a training course in investigation techniques, and working with Customs and General Prosecution Service staff to ensure the forensic adequacy of investigation files and improve existing mechanisms for joint action, to ensure the effective pursuit of customs litigation cases through better application of the legal process.
- This was followed by a third mission, which reviewed the development of the Revenue Management System (RMS) and its interface with ASYCUDA, and recommended enhancements and systems that will enable more effective information exchange between these systems. A plan was prepared and agreed with the relevant authorities to ensure that the RMS and ASYCUDA are being optimized to support the functions and structure of risk management and intelligence across the Department of Customs, particularly in regards cargo processing and audit.