



# A COMPARATIVE ANALYSIS OF TAX ADMINISTRATION IN ASIA AND THE PACIFIC

2016 EDITION

ASIAN DEVELOPMENT BANK



# A COMPARATIVE ANALYSIS OF TAX ADMINISTRATION IN ASIA AND THE PACIFIC

2016 EDITION



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2016 Asian Development Bank  
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines  
Tel +63 2 632 4444; Fax +63 2 636 2444  
www.adb.org

Some rights reserved. Published in 2016.  
Printed in the Philippines.

ISBN 978-92-9257-569-4 (Print), 978-92-9257-570-0 (PDF)  
Publication Stock No. RPT168375-2

#### Cataloging-In-Publication Data

Asian Development Bank.  
A comparative analysis of tax administration in Asia and the Pacific. 2016 edition.  
Mandaluyong City, Philippines: Asian Development Bank, 2016.

1. Tax administration. 2. Comparative analysis. 3. Asia and the Pacific. I. Asian Development Bank.

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)  
<https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

**Attribution**—You should always acknowledge ADB as the source using the following format:

[Author]. [Year of publication]. [Title of the work in italics]. [City of publication]: [Publisher]. © ADB. [URL or DOI] [license].

**Translations**—Any translations you create should carry the following disclaimer:

Originally published by ADB in English under the title [title in italics]. © ADB. [URL or DOI] [license]. The quality of the translation and its coherence with the original text is the sole responsibility of the translator. The English original of this work is the only official version.

**Adaptations**—Any adaptations you create should carry the following disclaimer:

This is an adaptation of an original work titled [title in italics]. © ADB. [URL or DOI] [license]. The views expressed here are those of the authors and do not necessarily reflect the views and policies of ADB or its Board of Governors or the governments they represent. ADB does not endorse this work or guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use.

Please contact [pubsmarketing@adb.org](mailto:pubsmarketing@adb.org) if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use the ADB logo.

#### Notes:

In this publication, “\$” refers to US dollars.

ADB recognizes “Hong Kong” as Hong Kong, China; “Taipei” as Taipei, China; and “China” as the People’s Republic of China. Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>

# CONTENTS

Figures, Tables, and Boxes	v
Acknowledgments	viii
Abbreviations	ix
Executive Summary	xi
I. INTRODUCTION	1
II. TAX SYSTEM REVENUE COLLECTIONS AND STRUCTURE	2
A. Tax System Revenue Collections	2
B. Tax Structure	3
C. Key Observations	4
III. INSTITUTIONAL AND ORGANIZATIONAL DESIGN OF TAX ADMINISTRATION	9
A. Institutional and Organizational Design and Governance Arrangements for Tax Administration	9
B. The Revenue Body as an Institution	11
C. Recent and Expected Developments in Institutional Reform	17
D. Organizational Structure of Revenue Bodies	18
IV. STRATEGIC MANAGEMENT IN REVENUE ADMINISTRATION	33
A. General Guidance on Strategic Planning and Management	33
B. Planning and Management Approaches of Revenue Bodies	34
C. Strategic Plans of National Revenue Bodies	37
D. Examples of Revenue Bodies' Strategic Plans and Statements	38
E. Managing Taxpayers' Compliance	43
V. HUMAN RESOURCE MANAGEMENT	46
A. National Revenue Body Practice in Human Resource Management	47
B. Staffing Metrics	51
VI. OPERATING BUDGETS AND STAFFING OF REVENUE BODIES	55
A. Aggregate Resource Budgets and Expenditure	55
B. Cross-Economy Comparisons of the Relative Costs of Tax Administration	59

VII. TAX ADMINISTRATION OPERATIONS	65
A. The Processes of Tax Administration	66
B. Registration and Taxpayer Identification	67
C. Taxpayer Services	70
D. Verification Programs	70
E. Verification Activities	74
F. Taxpayer Disputes	77
G. Collection of Tax Payments, Including Enforced Debt Collection	81
VIII. USE OF ELECTRONIC SERVICES IN TAX ADMINISTRATION	88
A. Revenue Bodies' Plans for the Development of Electronic Services	89
B. Use of Electronic Filing for Major Taxes	89
C. Achieving Success with Electronic Filing	91
D. Use of Electronic Tax Return Filing in 2013	91
E. Use of Electronic Payment Methods for Collecting Taxes	93
F. Further Reading	95
IX. LEGISLATED ADMINISTRATIVE FRAMEWORKS	96
A. Taxpayers' Rights and Obligations	96
B. Withholding and Reporting Regimes for Personal Income Tax	100
C. Tax Offenses	102
D. Voluntary Disclosure Policies	105
APPENDIX	108
REFERENCES	110

## FIGURES, TABLES, AND BOXES

### FIGURES

1	Tax Structure in OECD Economies in 2013	3
2	Total Tax to GDP Ratio (%) in 2013 of Economies in This Study	4
3	Total Tax to GDP Ratio for Economies with Consistent Year-on-Year Growth over the Period 2010–2013	5
4	Organizational Structure of Cambodia’s General Department of Taxation	22
5	Organizational Structure of the Philippines’ Bureau of Internal Revenue	22
6	Organizational Structure of Taipei, China’s Tax Administration	23
7	Essential Elements of a Human Resource Management Strategy	48
8	Staff Attrition Rates in Revenue Bodies in 2013	53
9	Percent of Staff with University Degree or Equivalent	53
10	Total IT Expenditure as a Share of All Administrative Expenditure in Selected Economies, 2010–2013	58
11	The Functions of Tax Administration	66

### TABLES

1	Tax Revenues (Including SSC) as a Percentage of GDP, 2009 to 2013	6
2	Revenue Productivity of Corporate Income Tax and Value-Added Tax in Selected Economies	7
3	Tax Revenue Categories as a Share of Total Taxes in 2013	8
4	Institutional Arrangements for Tax Administration	12
5	Malaysia and Singapore: Boards of Management	13
6	Delegated Authority of National Revenue Bodies	16
7	Non-Tax Roles of Revenue Bodies	18
8	Revenue Bodies’ Internal Organization Design	21
9	Office Network for Tax Administration (Number of Offices)	25
10	Office Network for Tax Administration (Office Types and Staff Usage in 2013)	26
11	Large Taxpayer Unit Operations	31
12	Selected Management Practices: Business Plans, Annual Reports, Surveys	34
13	Quantified Targets of Revenue Bodies for Key Areas of Performance	35
14a	Key Elements of Strategic Plans—Australian Taxation Office	39
14b	Key Elements of Strategic Plans—Maldives Inland Revenue Authority	40
14c	Key Elements of Strategic Plans—New Zealand Inland Revenue	41
14d	Key Elements of Strategic Plan—Papua New Guinea’s Internal Revenue Commission	42
14e	Strategic Statements of the Republic of Korea’s National Tax Service	42

15	Compliance Risk Management: Practical Guidance Prepared by the OECD's Forum on Tax Administration	44
16	Main Reported Areas of Tax Compliance Risks	45
17	Revenue Bodies' Human Resource Management Strategies	51
18	Aspects of Human Resource Management	52
19	Age Profile of Revenue Body Staff in the Region	54
20	Salary Expenditure as a Share of All Tax Administration Expenditure	56
21	IT Expenditure and HRM Expenditure as a Share of Total Expenditure	57
22	Tax Administration Expenditure as Percent of Net Revenue Collected	60
23	Tax Administration Expenditures as Percent of Gross Domestic Product	61
24	Revenue Body Staff Usage and Selected Staff Usage Ratios	63
25	Staff Usage (2013) by Major Tax Functional Groupings	64
26	Numbers of Registrations for Major Taxes (end of 2013)	68
27a	Verification: Information Access and Search Powers of Tax Officials	73
27b	Information Access and Search Powers of Tax Administration Officials	74
28	Verification: Number Completed for ALL and LARGE Taxpayers	75
29	Verification: Value of Assessments/Net Revenue Collections	76
30a	Selected Features of Tax Disputes of Assessment or Rulings	79
30b	Selected Features of Tax Disputes of Assessment or Rulings	80
31	Tax Disputes: Numbers of Cases Finalized and Unfinalized	81
32a	Enforced Tax Debt Collection Powers	84
32b	Enforced Tax Debt Collection Powers	85
33	Year-End Tax Debt as a Share of Net Revenue Collections	86
34	Debts Written Off and Number of Debt Cases	87
35	Strategic Priorities for Increasing Use of Online Services	90
36	Rates of Electronic Tax Filing for the Major Taxes (2011 and 2013)	93
37	Tax Payment Methods Available and Volume Usage in 2013	94
38	Taxpayers' Rights and Selected Features of the Revenue Rulings System	98
39	Employer (Personal Income Tax) Withholding Obligations	101
40	Withholding and Reporting Regimes for Income of Resident Taxpayers (2013)	102
41	Withholding and Reporting Regimes for Income of Non-Resident Taxpayers (2013)	103
42	Incorrect Reporting of Tax Liabilities—Framework for Sanctions	104
43	Revenue Bodies' Use of Voluntary Disclosure Programs	106
A1	Gross Domestic Product, Total Population, and Size of Labor Force in the Survey Economies, 2010–2013	108
A2	Participating Revenue Bodies and Related Information	109



**BOXES**

1	Typical Powers of Semi-Autonomous Revenue Bodies	15
2	Commonly Observed Features of Large Taxpayer Units in Advanced Economies	30
3	Mongolia's Initiative to Strengthen Its Large Taxpayer Office	32
4	General Guidance on Strategic Planning for and Management of Tax Systems	33
5	Consultation with the Tax and Legal Professions in Hong Kong, China	36
6	Consultation with the Tax and Legal Professions in Australia	36
7	Steps in Building a Strategic Plan: The Maldives' Experience	37
8	Good Practice in Compliance Risk Management	43
9	Assessing Revenue Body Staff Satisfaction and Engagement	49
10	The IMF's Tax Administration Diagnostic Assessment Tool	65
11	Good Practices in Taxpayer Registration and Identification	67
12	Japan's New Taxpayer Identification and Numbering System	69
13	Good Practices in Service Delivery	71
14	Good Practices in Ensuring Accuracy of Reporting	72
15	Good Practices in Tax Dispute Resolution	78
16	Good Practices in Collecting Tax Obligations	82
17	Achieving Success with Electronic Filing: What the Experience Shows	92
18	Hong Kong Inland Revenue's Taxpayer Charter	97
19	The Republic of Korea's Advance Ruling System	99
20	The OECD's Standard for Automatic Exchange of Financial Account Information in Tax Matters	107



## ACKNOWLEDGMENTS

This comparative analysis report, the second in the series, is part of an Asian Development Bank (ADB) regional research and development technical assistance project, Tax Policy and Administration Research and Capacity Development, which was launched in September 2013.

The initial version of this report was prepared and published by ADB in April 2014, covering fiscal year performance-related data up to the end of 2011 for selected revenue bodies in Asia and the Pacific.

The authors wish to thank the Centre for Tax Policy and Administration, Organisation for Economic Co-operation and Development (OECD), for assisting the completion of this and the prior series by sharing survey data from a number of economies that are included in the OECD comparative information series, *Tax Administration 2013* and *Tax Administration 2015*.

ADB also acknowledges the cooperation and assistance from revenue bodies in Brunei Darussalam; Cambodia; the Kyrgyz Republic; the Lao People's Democratic Republic; the Maldives; Mongolia; Myanmar; Papua New Guinea; the Philippines; Taipei, China; and Tajikistan.

This series was prepared by Richard Highfield, a contracted consultant advisor in international tax administration engaged by ADB. The officer responsible for this project is Yuji Miyaki, who can be contacted by telephone at +63 2 683 1864, or by e-mail at [ymiyaki@adb.org](mailto:ymiyaki@adb.org)

## ABBREVIATIONS

ADB	Asian Development Bank
ATO	Australian Tax Office
CAA	Competent Authority Agreement (of the OECD)
CIT	corporate income tax
CRS	Common Reporting Standard (of the OECD)
DGT	Directorate General of Taxes (of Indonesia's Ministry of Finance)
EC	European Commission
EU	European Union
FTA	Forum on Tax Administration (of the OECD)
FTE	full-time equivalent (i.e., with respect to annual usage of staff)
GDP	gross domestic product
GST	goods and services tax
HRM	human resource management
ICT	information and communication technology
IRBM	Inland Revenue Board of Malaysia
IMF	International Monetary Fund
IR	Inland Revenue (of New Zealand)
IRAS	Inland Revenue Authority of Singapore
IRC	Internal Revenue Commission (of Papua New Guinea)
ISO [9001]	International Organisation for Standardization [Protocol 9001]
IT	information technology
Lao PDR	Lao People's Democratic Republic
LBI	Large Business and International division (of the United States Internal Revenue Service)
LTO	large taxpayer office
LTU	large taxpayer unit
MDMOF	multiple directorates within the ministry of finance
MIRA	Maldives Internal Revenue Authority
MNE	multinational enterprise
NTA	National Tax Agency (of Japan)
NTS	National Tax Service (of the Republic of Korea)

OCS	Organisational Climate Survey (of Singapore's Inland Revenue)
OECD	Organisation for Economic Co-operation and Development
PAYE	pay as you earn
PEM	public expenditure management
PESTEL	political, economic, social, technological, environmental, and legal (analysis tool)
PIT	personal income tax
PNG	Papua New Guinea
PRC	People's Republic of China
RMCD	Royal Malaysian Customs Department
SAT	State Administration of Taxation (of the People's Republic of China)
SDMOF	single directorate within the ministry of finance
SME	small and medium-sized enterprise
SSC	social security contribution
SWOT	strengths, weaknesses, opportunities, and threats (analysis tool)
TADAT	Tax Administration Diagnostic Assessment Tool (of the IMF)
TIN	taxpayer identification number
USB	unified semi-autonomous body (within the ministry of finance)
USBB	unified semi-autonomous body with a management or oversight board (within the ministry of finance)
VAT	value-added tax

**T**he primary purpose of taxation is to raise revenue to finance government expenditure. With the revenue collected, governments are able to provide a wide range of public goods and services such as maintaining security; constructing infrastructure; and providing education, health systems, and social safety nets. Robust and sustainable tax collection requires a well-designed set of tax administration arrangements that are managed competently.

This report of the Asian Development Bank's (ADB) comparative series on tax administration analyzes the administrative frameworks, functions, and performance of 21 economies in the Asia and Pacific region. The primary objective of the series is to help governments and revenue officials by sharing knowledge of important developments and trends in tax administration practice and performance, and to identify opportunities to enhance the operation of their tax systems.

Before getting into matters of substance, it is important to recognize that the economies covered by this series represent a broad mix of advanced, emerging, and developing economies that can also be distinguished by a diverse range of cultural, political, economic, social, and historical factors. It is therefore to be expected that the analyses made reflect economies where the tax administration setups in place and their respective levels of performance are at widely varying levels of maturity.

Some broad observations and conclusions emerging from the analyses made are as follows:

- Data for the vast majority of economies reveal an increasing tax to gross domestic product ratio (tax-GDP ratio) in the years up to 2013, although there is significant variation in the tax mix relied on.
- In line with international practice, in the vast majority of economies there is a unified revenue body (administering both direct and indirect taxes), with an internal structure based on functional principles and undertaking the full range of recognized tax administration processes, and with a dedicated large taxpayer division.
- Revenue bodies in many developing economies have fairly limited autonomy, particularly in relation to the flexible use of budgeted expenditure, the design of their internal structure, and/or the ability to influence the recruitment and mix of staff.
- Many revenue bodies appear to have a limited planning horizon (i.e., the immediate fiscal year). Consideration should be given to adopting a longer planning horizon and developing a more robust strategic planning framework that includes a comprehensive set of performance measures for the key objectives set. This report provides some useful examples in this regard.
- Many revenue bodies reported a diverse mix of strategic tax compliance risks, with the more frequently reported risks being: (i) nonpayment of tax debts; (ii) non-filing of returns; (iii) profit shifting; (iv) tax avoidance schemes; (v) value-added tax (VAT) fraud; and (vi) hidden economy-related tax evasion.

- Chapter V (Human Resource Management) draws attention to factors driving the need for sound human resource management policies, and provides a framework for developing an effective human resource management strategy based on recognized international practice.
- Applying a variety of comparative measures, the total resources invested in tax administration in many developing economies are at very low levels; in all likelihood, many of these revenue bodies will require significant further investments of resources to achieve improved levels of voluntary compliance, and to support growth in their economic and revenue base.
- There was a wide disparity in the relative amounts reported across economies for information technology (IT)-related expenditure for tax administration, although there was correlation between revenue bodies reporting relatively low amounts of IT-related expenditure and other indicators of low levels of automation (e.g., non-use or low uptake of electronic filing).
- Chapter VII draws attention to the mix of programs and processes that are required to conduct day-to-day tax operations, and uses material from the IMF's *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide* to provide guidance on aspects of good tax administration practice, along with an array of performance-related data. However, from the survey data reported, many revenue bodies appear to have gaps in their management reporting systems. This limited the scope for any comprehensive analysis in this regard.
- The vast majority of economies reported having a formal plan or strategy for improving the range and quality of their electronic services over the medium term. The areas for priority attention most frequently reported were (i) online filing of tax returns; (ii) online payment of taxes; (iii) upgraded websites, offering additional tax system information and applications; (iv) other online transactions; and (v) integrated taxpayer accounts.
- Good levels of progress with the use of online filing of tax returns is being achieved by a number of emerging and developing economies (e.g., Malaysia, Mongolia, and Thailand). However, for many developing economies (e.g., Cambodia; Hong Kong, China; the Kyrgyz Republic; Papua New Guinea; the Philippines; and Tajikistan), either very limited progress has been made in this regard, or such services are yet to be offered.
- Most emerging and developing economies appear to have significant potential to make substantially greater use of fully electronic payment services, and to dispense with other more costly payment services (e.g., in-person and agency payments). Similarly, many revenue bodies do not appear to monitor the usage of the different payment methods used and, as a result, do not have a good understanding of their related costs and benefits.
- There appears to be potential for many revenue bodies to improve tax compliance levels and increase revenue by deploying an ongoing voluntary disclosure program, as described in the report and practiced by some revenue bodies in the region (e.g., Australia, New Zealand, and Singapore).

This report, the second in this series, analyzes the administrative frameworks, functions, and performance of revenue bodies in selected economies in the Asia and Pacific region. The analysis and practical guidance provided in the report are based on surveys of revenue bodies conducted in 2014 and 2015, along with accompanying research of revenue bodies' corporate documents, and guidance and diagnostic materials published by international organizations that seek to promote improvements in tax administration (e.g., the European Commission's Fiscal Blueprints, the International Monetary Fund's Tax Administration Diagnostic Assessment Tool [TADAT], and the Organisation for Economic Co-operation and Development [OECD]).

Twenty-one economies in Asia and the Pacific are included in the study, although not all of these participated in both years' surveys. The economies are Australia; Brunei Darussalam; Cambodia; the People's Republic of China (PRC, or China); Hong Kong, China; Indonesia; Japan; the Republic of Korea; the Kyrgyz Republic; the Lao People's Democratic Republic; Malaysia; the Maldives; Mongolia; Myanmar; New Zealand; Papua New Guinea; the Philippines; Singapore; Taipei, China; Tajikistan; and Thailand.

Survey data for 10 economies (i.e., Australia; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; New Zealand; Singapore; and Thailand) are based on the OECD's comparative information series, *Tax Administration 2015*. Data for the remainder of the economies were obtained from surveys conducted by the Asian Development Bank (ADB) in 2013 and 2015, and accompanying research. ADB's survey instrument is based largely on the OECD's survey model, albeit in a slightly abbreviated format.

The objective of the series is to help revenue bodies and governments to identify opportunities for enhancing the operation of their tax systems by sharing internationally comparable data on aspects of tax systems and their administration. However, considerable care needs to be taken with international comparisons of tax administration setups and performance-related data. The functioning of tax systems is influenced by many factors, including the size and composition of the tax base, tax reforms, the level of economic development, the structure and openness of economies, business cycle fluctuations, and the rate of political, economic, and social development. All of these factors and others are likely to be relevant to varying degrees to the information presented in this series, particularly as it includes a mix of advanced, emerging, and developing economies.

The remainder of the report is structured as follows: Chapter II provides a general overview on tax revenue collections (for all levels of government) and tax structure, while Chapter III describes the institutional and organizational arrangements in place to administer national tax laws. Chapter IV addresses aspects of strategic management, while Chapter V looks briefly at some aspects of human resource management. Chapter VI analyzes the resources used by revenue bodies to administer tax laws, while Chapter VII deals with key aspects of tax administration operations. Chapter VIII deals with the use of electronic services, while the concluding Chapter IX addresses selected aspects of the legislated administrative framework in place in each economy. An appendix to the report includes various statistical data (e.g., GDP, currency, and population) and details of participating revenue bodies.

# CHAPTER TWO

## TAX SYSTEM REVENUE COLLECTIONS AND STRUCTURE

**A**n important consideration in understanding the administrative frameworks, functions, and performance of national revenue bodies is the size and composition of their respective tax bases. This chapter briefly reviews the revenue performance (i.e., tax burdens) and structure of the tax system for the economies included in this series.

### A. Tax System Revenue Collections

#### 1. Tax Ratios

Information on aggregate net tax revenue collections *for all levels of government*, often expressed in terms of a country's "tax ratio" or "tax burden" is typically presented, for cross-country comparative purposes, as a percentage share of gross domestic product. In practice, most tax revenue is collected by the national revenue body, although the relative proportion of tax collected by tax bodies at the various levels of government can vary significantly from economy to economy. This is due to a variety of factors, such as the degree of reliance on taxes on imports (which are collected by customs bodies) as opposed to subnational taxes, and institutional design issues.

For the purpose of presenting internationally comparable data on the tax revenues of the economies included for all levels of government, this series generally follows the Organisation for Economic Co-operation and Development's (OECD) definition of taxes (i.e., "taxes" are confined to compulsory, unrequited payments to general government). As outlined in the Interpretative Guide to its publication *Revenue Statistics*, taxes are "unrequited" in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments. Applying this definition, regimes of social security contributions (SSC) that have been established by governments in many developed economies, including a number covered by this series, are generally regarded as a "tax" and form part of a country's computed tax ratio or tax burden.

It is also important to recognize that the tax ratios computed for each economy rely as much on the denominator (GDP) as the numerator (net revenue collected), and that the denominator is subject to periodic revision by the statistical body of the economy concerned.

#### 2. Revenue Productivity

Tax system performance can also be viewed across economies by contrasting the "revenue productivity" of individual taxes. The revenue productivity of a tax is calculated by dividing its tax ratio by the statutory (standard) rate of the tax. For example, a value-added tax (VAT) with a 10% standard rate of tax that produces tax revenue equivalent to 5% of GDP will have a rate of revenue productivity equal to 0.5.



In practice, the revenue productivity of a tax is determined by both policy design choices and administration-related factors. Concerning the former, decisions by policy makers to, for example, exclude specific items from the scope of a tax and/or to tax specific items at a concessional rate of tax by their very nature reduce the amount of tax otherwise potentially collectable. On the administration side, revenue productivity is impacted by the incidence of taxpayers' noncompliance that is not detected by the revenue body. Revenue productivity can generally be calculated for VAT and corporate income tax (CIT) where it is generally the practice to have a standard rate, but not for the personal income tax (PIT) where it is normally the practice to have a progressive or multiple rate structure.

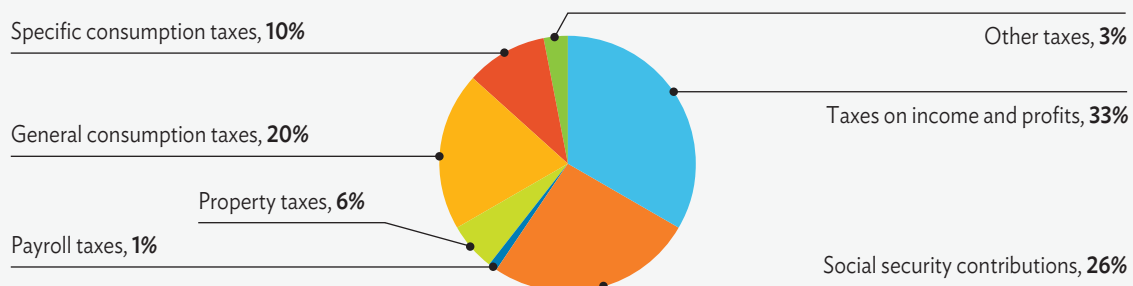
## B. Tax Structure

The term “tax structure” generally refers to the mix of taxes that is relied on for overall government revenue purposes, and the relative amount of tax revenue each contributes to aggregate revenue collections, expressed as a percentage of total taxes. Tax structures are impacted by a range of factors, such as the following, that can vary significantly from country to country:

1. policy choices regarding the extent of reliance on *direct taxes* (e.g., personal income tax) vis-a-vis *indirect taxes* (e.g., a general consumption tax such as a VAT and excise taxes);
2. policy choices concerning whether to establish a regime of social security contributions to fund specific social needs (e.g., unemployment and health insurance, and old-age pensions), or to fund such requirements from general taxation revenue and/or non-taxation sources of revenue;
3. the scope of taxing powers of subnational governments and how those powers are applied in a revenue-raising context;
4. the extent of taxes raised from natural resources, especially oil and gas, and
5. the availability of non-taxation sources of revenue (e.g., sales of mineral resources and real property, and investment income).

Across the OECD grouping of 34 largely advanced economies, the average tax structure in 2013 reflected considerable reliance on direct taxes and SSC, followed by general consumption taxes and excise taxes (Figure 1).

**Figure 1: Tax Structure in OECD Economies in 2013**



Source: OECD Revenue Statistics 1965–2014.

However, these averages cloud the fact that even across OECD economies, there are considerable variations in the degree of reliance placed on the different tax types for national revenue-raising purposes. For example, neither Australia nor New Zealand has a regime of SSC. These economies instead rely largely on general government revenue to fund their respective social programs. On the other hand, social security regimes are the primary source of government tax revenue in many European economies (e.g., Austria, 14.6% of GDP, and France, 16.7% of GDP). Reliance on the VAT also varies enormously, with tax ratios ranging from 2.8% of GDP to 11.4% of GDP. In this regard, economies at the lower end of the scale include Australia (3.6% of GDP), Japan (2.8% of GDP), and the Republic of Korea (4.1% of GDP), while economies at the high end of the scale include Hungary (11.4% of GDP), Denmark (9.6% of GDP), and New Zealand (9.4% of GDP).

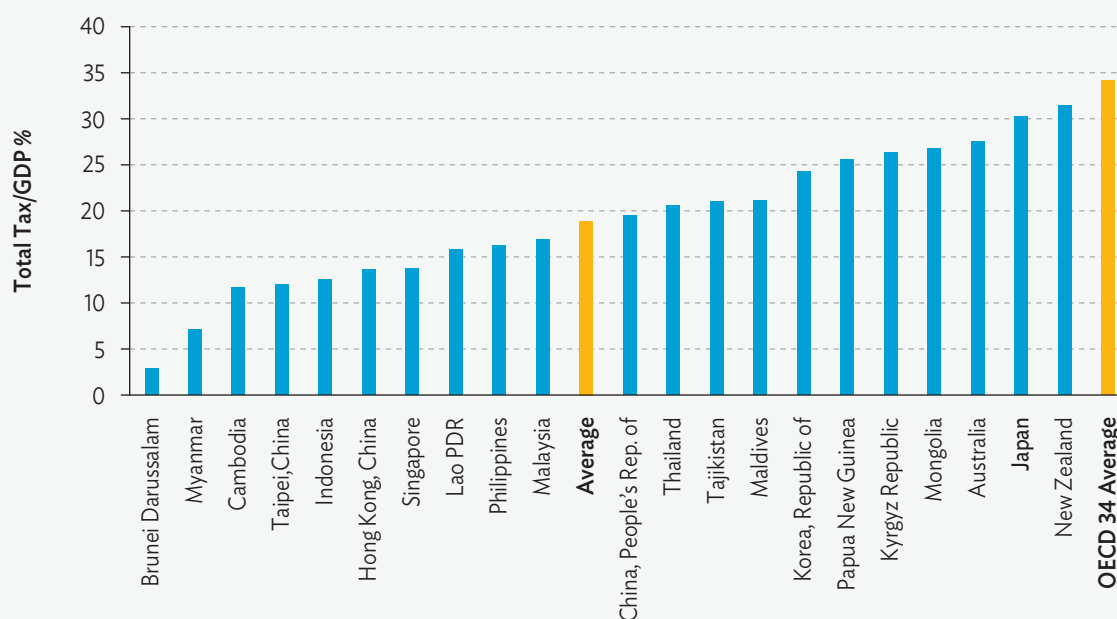
## C. Key Observations

Data collected on tax ratios, revenue productivity, and tax structures for the economies included in this series are set out in Figures 2 and 3 and Tables 1, 2, and 3. The key observations in this regard are as follows:

### 1. Tax Ratios

- Overall, the unweighted measure of the ratio of average tax to GDP (average tax–GDP) for fiscal year 2013 was 18.8%, up marginally from 2011 and 2012, although significantly short of the OECD average tax burden of 34.2%.

**Figure 2: Total Tax to GDP Ratio (%) in 2013 of Economies in This Study**

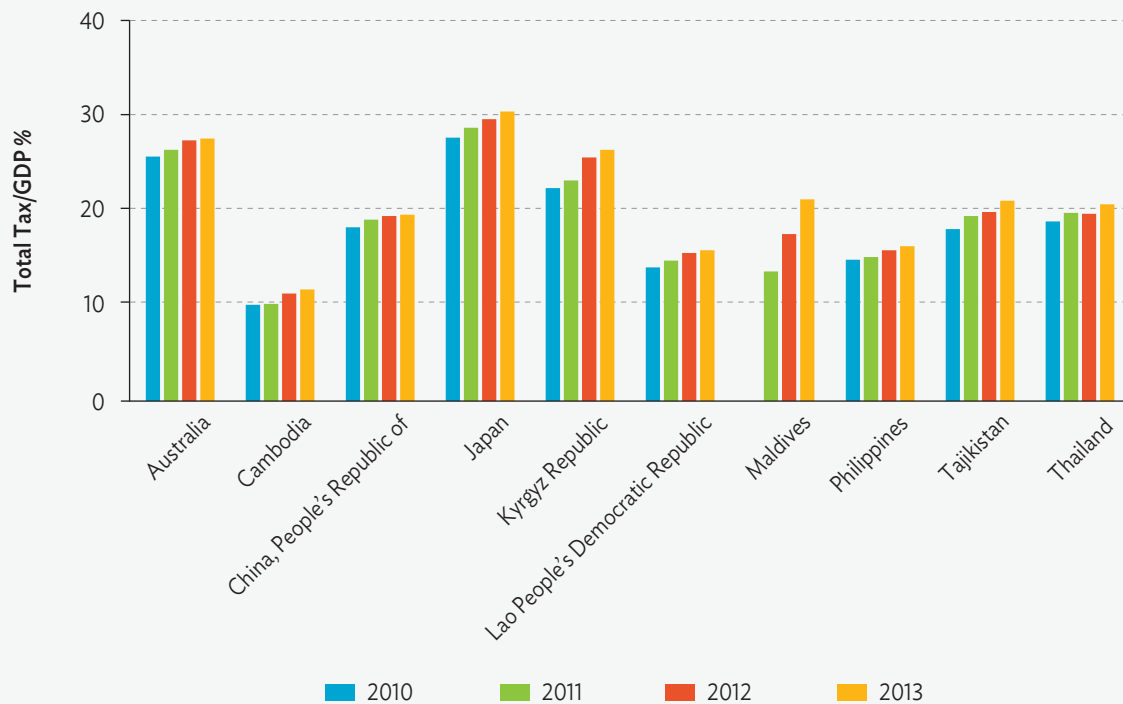


GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

Sources: OECD Revenue Statistics 2014; OECD Revenue Statistics in Asian Countries, Trends in Indonesia, Malaysia, and Philippines, 2015; various IMF Article IV reports (see bibliography); and Taipei Ministry of Finance, Yearbook of Financial Statistics 2014.

- Compared to 2012, the ratio of tax revenue to GDP rose in 14 of the 21 economies surveyed, while it fell in 7.
- The tax ratios of the economies surveyed vary enormously, reflecting the mix of a few advanced economies and many newly emerging economies, as well as the fact that governments in a number of the economies surveyed have significant streams of non-taxation revenue (e.g., sales of oil and minerals, real property, and investment income) that reduce the need for taxation revenue:
  - For fiscal year 2013, three economies (Australia, Japan, and New Zealand) had a tax–GDP ratio in excess of 27%, while in seven economies the tax ratio was below 14% (Brunei Darussalam; Cambodia; Hong Kong, China; Indonesia; Myanmar; Singapore; and Taipei, China).
  - Economies with significant non-taxation revenue streams (i.e., equivalent to 6.0% of GDP or more) included Brunei Darussalam; the People’s Republic of China (PRC, or China); Hong Kong, China; the Lao People’s Democratic Republic (Lao PDR); the Maldives; Myanmar; and Singapore.
- The tax ratios for a number of developing economies (Cambodia, the PRC, the Kyrgyz Republic, the Lao PDR, the Maldives, the Philippines, Tajikistan, and Thailand) reflect a trend of consistent year-on-year growth over the period 2010–2013.

**Figure 3: Total Tax to GDP Ratio for Economies with Consistent Year-on-Year Growth over the Period 2010–2013**



GDP = gross domestic product.

Sources: OECD Revenue Statistics 2014; OECD Revenue Statistics in Asian Countries, Trends in Indonesia, Malaysia, and Philippines, 2015; various IMF Article IV reports (see bibliography); and Taipei Ministry of Finance, Yearbook of Financial Statistics 2014.

## 2. Tax Structures

- Across all of the economies included in the study, the distribution of tax types aligns closely with the overall OECD position, although there are significant variations between the survey economies (both advanced and newly emerging).
- Direct taxes are the main source of tax revenue, although this outcome masks significant variation between individual economies:
  - In eight economies (i.e., Cambodia, the PRC, the Republic of Korea, the Kyrgyz Republic, the Lao PDR, the Maldives, Mongolia, and Tajikistan), direct taxes represented less than 25% of the overall tax burden.
  - Consumption taxes in the form of VAT and excise taxes represented over 45% of the total tax burden in five economies (Cambodia, the PRC, the Lao PDR, Tajikistan, and Thailand).

**Table 1: Tax Revenues (Including SSC) as a Percentage of GDP, 2009 to 2013**  
(for All Levels of Government)

Economy	Total Tax Revenue/GDP (%)				
	2009	2010	2011	2012	2013
Australia	25.8	25.6	26.3	27.3	27.5
Brunei Darussalam	...	2.6	2.5	1.9	2.9
Cambodia	...	10.1	10.2	11.3	11.7
China, People's Rep. of	17.5	18.2	19.0	19.4	19.5
Hong Kong, China	13.0	12.8	13.6	14.1	13.6
Indonesia	11.9	12.1	12.2	12.5	12.5
Japan	27.0	27.6	28.6	29.5	30.3
Korea, Rep. of	23.6	23.2	24.0	24.8	24.3
Kyrgyz Republic	...	22.3	23.1	25.5	26.3
Lao PDR	...	14.0	14.7	15.5	15.8
Malaysia	16.1	14.8	16.3	17.1	16.9
Maldives	...	...	13.6	17.6	20.4
Mongolia	...	31.9	29.7	25.7	26.8
Myanmar	...	...	...	3.9	7.1
New Zealand	31.0	31.0	31.4	33.0	31.4
Papua New Guinea	...	24.8	27.0	26.3	25.6
Philippines	15.0	14.8	15.1	15.8	16.2
Singapore	...	12.7	12.6	13.1	13.7
Taipei, China	11.8	11.5	12.3	12.2	12.0
Tajikistan	...	18.0	19.4	19.8	21.0
Thailand	17.6	18.8	19.7	19.6	20.6
<b>Average</b>	<b>19.0</b>	<b>18.1</b>	<b>18.5</b>	<b>18.3</b>	<b>18.8</b>
<b>OECD 34 Average</b>	<b>32.7</b>	<b>32.8</b>	<b>33.3</b>	<b>33.7</b>	<b>34.2</b>

... = data not available, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, OECD = Organisation for Economic Co-operation and Development, SSC = social security contribution.

Sources: OECD Revenue Statistics 2014; OECD Revenue Statistics in Asian Countries, Trends in Indonesia, Malaysia, and Philippines, 2015; various IMF Article IV reports (see bibliography); and Taipei Ministry of Finance, Yearbook of Financial Statistics 2014.

- Regimes of SSC are largely non-existent in the economies included in the study, although they represent a significant source of government revenue in Japan, the Republic of Korea, and the Kyrgyz Republic.
- For fiscal year 2013, a VAT form of consumption tax was in place in all but two economies (i.e., Hong Kong, China and Malaysia). Malaysia introduced a VAT system in early 2015.

### 3. Revenue Productivity

- The relative revenue productivity of both corporate income tax and VAT systems varies enormously across the selected economies highlighted in Table 2. This outcome is impacted to varying degrees by policy design choices and compliance factors:
  - Although only calculated for a small sample of economies, revenue productivity for the corporate income tax varies by a factor of more than three, ranging from 0.100% in Indonesia to 0.356% in Malaysia.
  - Revenue productivity for the VAT also varies markedly, ranging from 0.183% in the Philippines to 0.710% in the Kyrgyz Republic.

**Table 2: Revenue Productivity of Corporate Income Tax and Value-Added Tax in Selected Economies**

Economy	Corporate Income Tax				Value-Added Tax			
	Year	Tax-GDP (%)	Standard Rate	Revenue Productivity	Year	Tax-GDP (%)	Standard Rate	Revenue Productivity
Australia	2013	4.9	30	0.163	2013	3.6	10	0.360
Indonesia	2013	4.0	25	0.100	2013	4.2	10	0.420
Japan	2013	4.0	30	0.133	2013	2.8	5	0.560
Korea, Rep. of	2013	3.4	22	0.154	2013	4.1	10	0.410
Kyrgyz Republic	2013	3.4	10	0.340	2013	8.5	12	0.710
New Zealand	2013	4.4	28	0.157	2013	9.4	15	0.626
Malaysia	2013	8.9	25	0.356	-----No VAT before 2015-----			
Philippines	2013	4.2	30	0.140	2013	2.2	12	0.183
Singapore	2012	4.1	17	0.241	2012	2.5	7	0.357
Thailand	2011	6.1	20	0.305	2011	4.2	7	0.600

Sources: OECD Tax Database, OECD Revenue Statistics 2014, OECD Revenue Statistics in Asian Countries 2015, and IMF reports.

**Table 3: Tax Revenue Categories as a Share of Total Taxes in 2013**

Economy	Percentage Share in Total Tax Revenue Collected in 2013						
	Taxes on Income/ Profits	Social Security	Payroll	Property	General Consumption Taxes	Specific Consumption Taxes	Other Taxes
Australia	57	0	5	9	13	11	5
Brunei Darussalam	100	0	0	0	0	0	0
Cambodia	21	0	0	0	58	0	21
China, People's Rep. of	25	0	0	14	54	4	3
Hong Kong, China	65	0	0	1	-----35-----		26
Indonesia	45	...	0	(in 'other')	32	9	14
Japan	32	41	0	9	9	7	2
Korea, Rep. of	29	26	1	10	17	12	5
Kyrgyz Republic	18	22	–	2	32	5	21
Lao PDR	24	0	0	(in 'other')	27	22	27
Malaysia	69	1	0	3	6	14	7
Maldives	21	0	0	0	42	0	37
Mongolia	22	17	–	(in 'other')	28	9	24
Myanmar	...	...	...	...	...	...	...
New Zealand	56	0	0	6	30	6	2
Papua New Guinea	31	-----36-----		1	-----31-----		1
Philippines	41	13	0	3	14	25	4
Singapore	48	0	0	8	17	4	17
Taipei, China	46	0	0	13	18	19	4
Tajikistan	18	13	0	1	42	17	9
Thailand	39	4	...	...	-----49-----		8
<b>Average</b>	<b>39</b>	<b>7</b>	<b>&lt;1</b>	<b>4</b>	<b>-----35-----</b>		<b>16</b>
<b>OECD average</b>	<b>34</b>	<b>26</b>	<b>1</b>	<b>6</b>	<b>20</b>	<b>10</b>	<b>3</b>

... = data not available, Lao PDR = Lao People's Democratic Republic, OECD = Organisation for Economic Co-operation and Development.

Sources: OECD Revenue Statistics 2014; OECD Revenue Statistics in Asian Countries, Trends in Indonesia, Malaysia, and Philippines, 2015; and various IMF Article IV reports (2014 to 2016) that are referenced in the bibliography appearing at the end of the series.

# CHAPTER THREE

## INSTITUTIONAL AND ORGANIZATIONAL DESIGN OF TAX ADMINISTRATION

With few exceptions, countries rely on their tax systems to generate the bulk of revenue required to fund the services their respective governments deliver. Administering a range of complex taxes across a large population of citizens and businesses is inevitably a complex and costly undertaking. Further, it is a task that requires that the national revenue body be equipped with sufficient powers, autonomy, and resources to be able to carry out its mandate efficiently and effectively. At the same time, revenue bodies are subject to their respective governments' laws and regulations, systems of checks and balances, and codes of conduct. Further, they must be seen to operate in a fair and impartial manner, while also demonstrating a proper level of accountability for their performance. These considerations raise many important questions including the following:

1. *What are the appropriate institutional and organizational arrangements for national tax administration?*
2. *How much autonomy should a revenue body be given?*

Such matters have not been the subject of detailed study by ADB. However, practical guidance concerning the features and characteristics of institutional and organizational design and governance arrangements appropriate for national tax administration, can be found in reports provided by international bodies (e.g., the International Monetary Fund [IMF], OECD, and World Bank) and the European Commission (EC) as part of their efforts to assist countries to improve their standards of tax administration. A summary description of this guidance, as reflected in the OECD's comparative series *Tax Administration 2015*, is set out in the following sections.

### **A. Institutional and Organizational Design and Governance Arrangements for Tax Administration**

Guidance provided by the IMF's Fiscal Affairs Department concerning institutional design, governance, and organization structure can largely be found in various working papers prepared by IMF staff and published over a number of years, and can be seen in much of the practical advice and recommendations provided to individual countries as part of IMF technical assistance efforts and, for some countries, as part of formal IMF program requirements.

For its part, the EC developed a set of fiscal blueprints in the late 1990s to guide EU candidate countries—all emerging economies—and member countries in strengthening their revenue bodies. These blueprints were updated and republished in 2007. The blueprints, structured in the form of a diagnostic tool, are organized into five groups. One group addresses frameworks, structures, and basis, and contains valuable practical guidance for policy makers and revenue officials. This advice and guidance is expressed in the form of strategic objectives (or principles), relative weightings reflecting their perceived importance, and a range of key indicators to help gauge the effectiveness of their application in practice.



Generally speaking, the guidance provided by both the IMF and EC concerning institutional and organizational setups are in close alignment and emphasize the following desirable features:

- *There is a unified body responsible for the administration of both direct and indirect taxes, and with linkages to the collection of social security contributions (SSC). This body comprises all the functions necessary for effective and efficient administration of tax laws.*
- *The revenue body is structured primarily on a functional basis, but also includes divisions and units to manage the compliance of different taxpayer segments (e.g., large taxpayers).*
- *The revenue body has a sufficiently resourced and empowered headquarters operation to oversee all aspects of administration conducted at the regional and local levels, but is not primarily responsible for tax policy matters, which are seen to best fall within the province of a dedicated policy function within the ministry of finance.*
- *Office networks for tax administration operations (e.g., information processing, service delivery, verification, and debt collection) take account of viable critical mass and economic considerations, with specialist regional and national centers for some functions (e.g., tax return and payment processing).*

Concerning the desirable features of arrangements for effective governance of a revenue body, the guidance gives emphasis to the following:

- *The revenue body has adequate autonomy, sometimes described as being “semi-autonomous,” particularly concerning organizational design, managing budgets, and human resource management. This aspect is discussed in more detail later in this chapter.*
- *The revenue body has a robust strategic management framework to prepare medium- and short-term business plans, underpinned by clear statements of mission, vision, and objectives.*
- *The revenue body employs modern risk management approaches, particularly for managing taxpayer compliance.*
- *There is a common and stable legal framework for the administration of all taxes, as opposed to a separate framework for each tax.*
- *The revenue body has a flexible strategic approach to managing its staff resources, making adjustments to how they are allocated, taking account of emerging priorities.*
- *The revenue body’s administrative operations are assessed on the basis of a performance management system.*
- *The revenue body is accountable for its operations and is subject to control and assessment.*

These features and characteristics provide a useful frame of reference for analysis of the institutional setups for national tax administration in the economies studied by this series.

## B. The Revenue Body as an Institution

For this series, revenue bodies are classified within five categories of “institutional setup”:

- **A single directorate within the ministry of finance (SDMOF):** Tax administration functions are the responsibility of a single organizational unit (e.g., a directorate) located within the structure of the ministry of finance (or its equivalent).
- **Multiple directorates within the ministry of finance (MDMOF):** Tax administration functions are the responsibility of multiple organizational units (e.g., directorates) within the ministry of finance that often share support functions (e.g., information technology and human resources).
- **A separate unified semi-autonomous body (USB):** Tax administration functions, along with support functions (e.g., information technology and human resources), are carried out by a unified semi-autonomous body, with the head reporting to a government minister.
- **A unified semi-autonomous body with a management or oversight board (USBB):** Tax administration functions, along with necessary support functions (e.g. information technology, human resources) are carried out by a unified semi-autonomous body, the head of which reports to a government minister and oversight body or board of management that comprises external officials.
- **A category of “Other”:** Types of setups not falling within the above mentioned categories.

Revenue bodies were requested to specify the category that, in their view, best matched their current setup, and to identify the major taxes administered by them (Table 4). Key findings and observations in this regard are as follows:

- Nine of the 21 economies surveyed reported the existence of a unified semi-autonomous body or, in the case of the PRC, a separate ministry responsible for tax administration. In the Maldives and Singapore, the unified semi-autonomous revenue body is overseen by a management board comprising government and nonexecutive officials. This board reports to the minister of finance or, in the case of the Maldives, is directly accountable to Parliament.
- In all but one economy (Malaysia), a unified revenue body is responsible for collection of both direct and indirect taxes. This unified revenue body is generally structured on a functional basis, with a single large taxpayer service.

Malaysia has separate bodies for direct and indirect tax administration. The Inland Revenue Board of Malaysia (IRBM) is responsible for collection of direct taxes, while the Royal Malaysian Customs Department (RMCD) is responsible for administration of both customs duties and indirect taxes, including Malaysia’s new Goods and Services Tax (VAT) which became operational in early 2015. IRBM is largely self-autonomous and reports to a board of directors comprising external officials. In contrast, RMCD operates as a normal government department without a board comprising nonexecutive officials, and reports to a government minister.

- Unlike the arrangements in many African and South American economies and some European economies, nearly all of the economies included in the study have separate tax and customs administration bodies. *In approximately 50% of the economies surveyed, excise taxes are collected by the customs administration body, as opposed to the national revenue body.*

**Table 4: Institutional Arrangements for Tax Administration**

Economy	Type of Body for National Tax Administration	Major Tax Types Administered by the Revenue Body in 2013 (✓ where applicable)				
		PIT	SSC	CIT	VAT	Excise Taxes
Australia	USB	✓		✓	✓	✓
Brunei Darussalam	MDMOF			✓		
Cambodia	SDMOF	✓		✓	✓	✓
China, People's Rep. of	Other (separate ministry)	✓		✓	✓	✓
Hong Kong, China	SDMOF	✓		✓		
Indonesia	SDMOF	✓		✓	✓	
Japan	USB	✓		✓	✓	✓
Korea, Rep. of	USB	✓		✓	✓	✓
Kyrgyz Republic	Other	✓		✓	✓	✓
Lao PDR	SDMOF	✓		✓	✓	
Malaysia	Other (two agencies)	✓		✓		
Maldives	USBB			✓	✓	
Mongolia	SDMOF	✓	✓	✓	✓	✓
Myanmar	SDMOF	✓		✓	✓	
New Zealand	USB	✓		✓	✓	
Papua New Guinea	USB	✓		✓	✓	
Philippines	SDMOF	✓		✓	✓	✓
Singapore	USBB	✓		✓	✓	
Taipei, China	SDMOF	✓		✓	✓	✓
Tajikistan	Other	✓	✓	✓	✓	✓
Thailand	SDMOF	✓		✓	✓	

CIT = corporate income tax, Lao PDR = Lao People's Democratic Republic, MDMOF = multiple directorates within the Ministry of Finance, OECD = Organisation for Economic Co-operation and Development, PIT = personal income tax, SDMOF = single directorate within the Ministry of Finance, SSC = social security contributions, USB = unified semi-autonomous body, USBB = unified semi-autonomous body with board comprised of external officials, VAT = value-added tax.

Note: The absence of a tick mark (✓) means "not applicable."

Sources: ADB and OECD survey responses and research (e.g., revenue body reports).

## 1. Boards of Management

As noted earlier in this chapter, revenue bodies in Malaysia (for direct taxes), the Maldives, and Singapore have a governance structure that has at its apex a board of management that comprises government and nonexecutive officials. This arrangement is similar to that in many African economies in which semi-autonomous revenue authorities have been established to strengthen tax administration. This form of institutional setup, which is also seen in some advanced OECD economies (e.g., Canada and the United Kingdom), typically sees the

establishment of a governance framework in which the revenue body is given considerable autonomy in exchange for greater accountability. International experience reveals that these arrangements, where properly applied, can have a number of benefits:

- (i) strengthened accountability,
- (ii) private sector experience is injected into the strategic management of the tax agency,
- (iii) an improved reputation and public image for the revenue body,
- (iv) a more effective mechanism for addressing taxpayers' concerns, and
- (v) reinforcement of the notion that the tax system is a "community asset."

Key features of management board setups in Malaysia and Singapore are shown in Table 5.

**Table 5: Malaysia and Singapore: Boards of Management**

Subject	Malaysia	Singapore
<b>Role</b>	<p>The Board of Directors is responsible for overall management of the Inland Revenue Board of Malaysia (IRBM). It is wholly involved in strategic planning, analyzing IRBM's operational performance, implementing internal controls, and enforcing compliance with legal requirements as outlined for IRBM.</p> <p>Concerning human resource management matters affecting IRBM, the board also finalizes proposals for the creation of posts, approves proposals for terms and conditions of service, approves proposals for organizational restructuring of IRBM, and approves structures of salaries, allowances, and other facilities.</p>	<p>The board oversees the Inland Revenue Authority of Singapore (IRAS) and ensures that it carries out its functions competently. The board meets three times a year to review major corporate policies and to approve financial statements, the annual budget, and major expenditure projects.</p> <p>The board operates with two committees. The Audit Committee reviews whether IRAS' accounting and financial policies and internal controls are in place, adequate, and adhered to. The Staff Committee is the approving authority for IRAS' key remuneration policies, as well as key appointments, promotions, and remuneration of senior IRAS executives.</p>
<b>Composition</b>	<p>The board comprises the secretary general (treasury) who is the chairperson, the attorney general or designated representative, the director general of public service or designated representative, the chief executive officer, no more than two other persons representing the government, and no more than three other persons of standing and experience in financial, commercial, tax, or legal matters.</p>	<p>The board comprises the chairperson, who is also the permanent secretary of the Ministry of Finance, the commissioner of inland revenue, and seven other members that comprise public and private sector representatives approved by the minister.</p>
<b>Features of Operation</b>	<p>The board is required to meet once every 2 months. Decisions at meetings are adopted by a simple majority of members present at the meeting. The chairperson has a casting vote in the case of an equality of votes.</p> <p>Board members are obliged to disclose any interest in any project or transaction of the revenue body. Such an interest must be recorded in meeting minutes. Members are excluded from deliberations on such matters.</p>	<p>The board determines its own operating procedures and meets three times a year. A quorum of five members is required to make decisions, which are made by simple majority, with the chair having a casting vote, if needed.</p>

Sources: Revenue bodies' websites and annual performance reports.

## 2. Revenue Body Autonomy

As noted earlier in this chapter, the conventional guidance of international organizations is that a revenue body should be given “sufficient autonomy” to properly carry out its mandate. Such guidance raises questions of what constitutes “sufficient” autonomy, and which powers or delegated responsibilities are particularly critical for a revenue body to carry out its mandate effectively. The answers to these questions are not entirely straightforward, and vary from country to country, depending on a variety of factors (e.g., the system of government, and the degree of maturity [i.e., development] of public sector administration).

Over recent decades, governments have sought to reform their institutions and management practices in response to a variety of pressures (e.g., increasing demands of citizens and businesses for improved services, changing societal needs and business models, and reduced budgets). Generally speaking, these reforms have seen many governments take steps to make their institutions (including revenue bodies) more autonomous, *but in return for increased accountability*. In the context of public sector administration, Crandall (2010) observes that autonomy generally refers to

*“.... The degree to which a government department or agency is able to operate independently from government in terms of legal form and status, funding, and budget, and financial, human resources, and administrative practices.”*

### a. Importance of Autonomy

Generally speaking, the granting of increased autonomy to institutions responsible for revenue administration (and other government activities) has been seen as the most appropriate response to the sorts of pressures and challenges that traditional government line departments have been unable to address. As observed by Taliercio (2004):

*“A useful way to think about autonomy is in terms of the problems it is intended to solve. Autonomy is a response to inadequate central government civil service and public expenditure management (PEM) systems. Autonomy is also considered an antidote to the failure of the political system to build in effective accountability mechanisms that channel political influence around and through the public administration in appropriate, salutary ways. When the political system fails to do these things, undue political influence, which distorts and undermines public service provision, is exerted over public administration. Autonomy is then the vehicle by which the intended outcome—competent, effective, and fair administration—is supposed to be attained.*

*Viewed through this lens, then, autonomy is intended as a remedy for administrative as well as political problems. On the administrative side, there are many cases in which sclerotic civil service systems impeded the development of a competent and effective tax administration. Centralized civil service commissions may not recruit the professional, specialized employees that tax agencies need. Moreover, civil service salaries, which may be quite low by private sector standards, are often insufficient for attracting high caliber professionals. This problem no doubt affects the entire government, but it is especially acute in the area of tax administration which requires professional accountants and lawyers with skills easily employed in private sector firms and consulting practices. In addition, civil service systems are often unable to provide the specialized training needed by tax agencies. All of these problems are made worse by the slow, red-tape-*

*laden processes and procedures of typical developing country civil services. So though the problems of a weak civil service affect the whole of government, one can make an argument that those problems are felt much more acutely in the tax administration as compared to most other public sector agencies....*

*Autonomy is also seen as a remedy for weak corporate governance, in both the administrative and political senses. On the administrative side the idea is to empower a manager to have enough control over personnel, funding, budgeting, and procurement to manage the tax agency effectively and efficiently. Note, however, that each of these dimensions—personnel, funding, budgeting, and procurement—are characterized by separate autonomy enhancing mechanisms. Even given these separate mechanisms, many autonomous revenue agencies also grant a certain amount of autonomy to the tax agency chief.... The additional autonomy granted to agency management has to do more with the political motivation for reform.”*

In short, increased autonomy is a response to a broad mix of systemic shortcomings, intended to empower a revenue administration’s management with the tools it requires to become more responsive, adaptable, innovative, professional, outward-looking, and in an overall sense, better equipped to perform its primary mandate.

#### *b. Specific Powers Important in an Autonomy Context*

Against this background, the OECD, in its comparative studies of tax administration, sets out a menu (Box 1) of the sorts of powers typically delegated to semi-autonomous bodies, and uses this to contrast the setups of over 50 of the largest advanced and emerging economies. This series uses a similar menu to contrast the economies covered by this series.

### **Box 1: Typical Powers of Semi-Autonomous Revenue Bodies**

- ✓ **Budget expenditure management:** Discretion to allocate or adjust budgeted administrative funds across administrative functions to take account of changed circumstances, or to meet emerging priorities without seeking higher approval.
- ✓ **Organization and planning:** Empowered to (i) determine the revenue body’s internal organizational structure to conduct tax administration operations, including its network size and the geographical location of tax offices; and (ii) formulate strategic and operational plans.
- ✓ **Performance standards:** Discretion to set its own administrative performance standards (e.g., for taxpayer service delivery).
- ✓ **Personnel recruitment, development, and remuneration:** Ability to set academic or technical qualification standards for categories of recruits, and to recruit and dismiss staff in accordance with public sector policies and procedures; ability to establish and operate staff training and development programs; and ability to negotiate staff remuneration levels, generally in accordance with broader public-sector-wide policies and arrangements.
- ✓ **Information technology:** Authority to administer the revenue body’s own in-house information technology systems, or to outsource the provision of such services to private contractors.
- ✓ **Tax law interpretation:** Authority to interpret, both in the form of public and private rulings, how tax laws will be interpreted, subject only to review by judicial bodies.
- ✓ **Enforcement:** Authority to exercise, without referral to another body, certain enforcement powers associated with administration of laws (e.g., to obtain information from taxpayers and third parties and to impose liens over property in respect of unpaid debts).
- ✓ **Penalties and interest:** Authority to impose administrative sanctions (i.e., penalties and interest) for acts of noncompliance, and to remit such sanctions in appropriate circumstances.

Source: OECD *Tax Administration* 2015, p. 33.

Drawing on the survey responses (Table 6), key findings and observations regarding autonomy of revenue bodies are as follows:

- The areas of least autonomy observed in the study economies were in the areas of (i) negotiating pay levels (7 economies); (ii) allocating budget (13 economies); (iii) setting staffing levels and the mix of staff (13 economies); and (iv) designing the body's own internal structure (13 economies).
- Among the non-OECD economies included in the study, the level of autonomy available to the revenue body is relatively limited in Brunei Darussalam; Cambodia; Hong Kong, China; Indonesia; Mongolia; Myanmar; Tajikistan; and Taipei, China. Among the OECD economies included in the study, the overall degree of autonomy appears relatively limited in both Japan and the Republic of Korea.

**Table 6: Delegated Authority of National Revenue Bodies**

Economy	Authority Delegated to Revenue Body (✓ where applicable)							
	Make Tax Rulings	Remit Interest or Penalties	Design Own Internal Structure	Allocate Budget	Set Staff Levels/ Staff Mix	Influence Staff Recruitment	Hire and Dismiss Staff	Negotiate Staff Pay Levels
Australia	✓	✓	✓	✓	✓	✓	✓	✓
Brunei Darussalam		✓				✓		
Cambodia	✓					✓		
China, People's Rep. of			✓	✓	✓	✓	✓	
Hong Kong, China	✓		✓			✓	✓	
Indonesia	✓	✓						
Japan	✓	✓				✓	✓	
Korea, Rep. of	✓	✓		✓		✓	✓	
Kyrgyz Republic	✓		✓		✓	✓	✓	✓
Lao PDR	...	...	✓	✓	✓	...	✓	
Malaysia	✓	✓	✓	✓	✓	✓	✓	✓
Maldives	✓	✓	✓	✓	✓	✓	✓	✓
Mongolia	✓	✓				✓	✓	
Myanmar								
New Zealand	✓	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓	✓	✓	✓	✓
Philippines	✓	✓	✓		✓	✓	✓	
Singapore	✓	✓	✓	✓	✓	✓	✓	✓
Taipei, China								
Tajikistan	✓				✓	✓	✓	✓
Thailand	✓	✓	✓	✓	✓	✓		

... = data not available, Lao PDR = Lao People's Democratic Republic.

Note: The absence of a tick mark (✓) means "not applicable."

Sources: ADB and OECD survey responses.



## C. Recent and Expected Developments in Institutional Reform

The research underlying this series identified a number of economies in which major institutional and organizational reform has recently been introduced or is anticipated over the medium term. These reforms are described briefly below:

- The Government of **Indonesia** recently announced that its national tax administration is to be upgraded to a semi-autonomous revenue agency from early 2017. At present, its Directorate General of Taxes (DGT) operates from within the Ministry of Finance and has fairly limited autonomy, as indicated earlier in this chapter. A preliminary legislative framework for the new body is expected to be finalized by the end of 2015 or early 2016.
- Officials of **Papua New Guinea's** revenue body reported that in 2013, transformation of the revenue body into a statutory organization had begun. The process involves establishing the legal framework required for such an organization, and having the relevant legislation passed by Parliament. Once this has occurred, the revenue body is expected to be more independent, and to have more flexibility, especially in relation to staff recruitment and equipment procurement, thereby enabling it to better serve taxpayers and to function more efficiently.

In an effort to cut costs, introduce new policies, or generally simplify the workings of the public sector, over recent decades the governments of the economies under study have increasingly expanded the scope of work undertaken by revenue bodies by giving them additional responsibilities not directly related to administration of tax laws. In this series, such responsibilities are referred to as “non-tax roles.” This has been driven by a variety of factors, including (i) taking advantage of a revenue body’s competency in collecting revenues; (ii) using the tax system or infrastructure to deliver a variety of benefits and concessions; and (iii) taking advantage of a revenue body’s large client base. Internationally, the more common non-tax roles allocated to national revenue bodies have been

1. responsibility for registration of businesses for all government purposes,
2. administration of certain welfare-related benefits,
3. administration of government retirement income policy (particularly in cases in which elements of such policy are associated with the tax system),
4. collection of student loans and other non-tax revenues (e.g., from licenses),
5. property valuation, and
6. customs administration.

Table 7 summarizes the information gathered under the study regarding non-tax roles. Generally, in most of the economies surveyed, governments have not allocated extensive non-tax roles to their respective revenue bodies, the most important exceptions being Australia and New Zealand. The most common non-tax role reported was property valuation.

Concerning customs administration, it is worth noting that while the practice of establishing combined tax and customs administration bodies is followed fairly extensively across economies in Central and South America as well as in Africa, it is notably absent in the economies included in this series. Of the 21 economies included in the study, only Malaysia has integrated tax and customs operations, although this integration is limited only to the administration of indirect taxes.

**Table 7: Non-Tax Roles of Revenue Bodies**

Non-Tax Role	Economies Where Revenue Bodies Are Assigned This Role
Administers customs laws	Malaysia
Administers certain welfare-related benefits	New Zealand
Administers property valuation	Cambodia, Lao People's Democratic Republic, Indonesia, Philippines, Singapore
Collects student loans	Australia, Republic of Korea, New Zealand
Collects certain non-tax revenues	Maldives
Administers registration of businesses and/or individuals for all government purposes	Australia; Hong Kong, China; Tajikistan
Administers aspects of the government's retirement incomes policy	Australia, New Zealand
Licenses public accountants, administers accountancy standards, negotiates bilateral investment treaties	Brunei Darussalam
Collects miscellaneous fees and charges	Lao People's Democratic Republic, Maldives
Administers child support	New Zealand
Regulates liquor industry	Japan

Sources: ADB and OECD *Tax Administration Series* 2015.

## D. Organizational Structure of Revenue Bodies

### 1. Organizational Design

Organizational design is the process by which an organization aligns its structure and internal coordinating processes with its mission and strategy. As observed in PriceWaterhouseCoopers (2009):

*“Organizational structures exist to enable the performance of work activities in line with the company’s strategy. This definition applies at every level of the organization, from corporate layers to functional subunits. As in devising strategy, designing an effective structure requires making trade-offs. In addition there is never a single best structure for any company or function. All structures have inherent strengths and weaknesses, and all companies have different capabilities and strategic positions.*

*Good organization design is finely tailored to deliver the company’s competitive strategy through enabling its work activities. The design can be evaluated by specific criteria, such as what strategic initiatives and critical operational capabilities the structure should enable.”*

This definition is equally relevant to both private and public sector bodies. Further, in an environment of rapid change it is not surprising that the organizational structure of revenue bodies has been an ongoing focus of international agencies over recent decades as they seek to improve the performance of tax administration bodies. As observed in OECD (2015a):

*“International organizations promoting reform of tax administration have consistently drawn attention to the importance of revenue bodies having a coherent organizational structure for the administration of national taxes....*

*The EC’s Fiscal Blueprints establish two strategic objectives dealing directly with organizational structure: (i) the tax administration is structured and organized to identify and manage all significant risks and priorities; and (ii) there is a unified tax administration. In relation to these objectives, the blueprints draw attention to a range of indicators, including:*

- *Is it (the revenue body) structured to understand and meet the needs of key taxpayer groups or segments?*
- *Is there a large taxpayer unit in place, at a national level, to deal with the most important companies?*
- *Are there special units with specific skills, offering operational economies of scale (e.g., intelligence, enforced collection)?*
- *Is it responsible for all taxes and linked to social contributions?*
- *Is it responsible for all fiscal functions (assessment, collection, data processing, audit, taxpayer service and claim investigation) and organized accordingly (i.e., by function)?*
- *Are there special units with specific skills, offering operational economies of scale (e.g., intelligence, enforced collection)?*

*These indicators all point to the preference for a body structured primarily on a functional basis, with divisions to deal with key taxpayer segments (e.g., large entities). Similar views on the importance of structure can be found in IMF guidance materials, drawing on extensive experience in tax reform projects.*

As described in OECD (2015a), the earliest organizational model employed by tax administrators was based principally on the “type of tax” criterion. Applying this model, separate multifunctional departments were responsible for direct and indirect taxes respectively, and were largely self-sufficient and independent of each other. While serving its original objectives, this model was eventually seen to have a number of shortcomings, including the following:

- It was inefficient and excessively costly, largely as a result of its inherent duplication of operational functions across different taxes.
- It was particularly burdensome on those taxpayers with multiple tax dealings, requiring them to deal with different departments on similar issues (e.g., debts).
- It led to complications and additional costs, both to revenue bodies and taxpayers, in coordinating compliance actions across different taxes.
- It contributed to inconsistent treatment of taxpayers (e.g., service delivery and debt).

- It entailed the inflexible use of staff whose skills (and often entire careers) were largely confined to a particular tax.
- It overly fragmented management of the overall tax system, complicating organizational planning and coordination.

To address these and other shortcomings, many revenue bodies saw merit in restructuring their operations, adopting a model based on functional principles.

With the functional model, work processes and staff are organized largely within functional groupings and work across taxes. Such an approach enables greater standardization of work processes and assists their computerization, thereby contributing to increased efficiency. It can also simplify dealings with taxpayers and help reduce their compliance burden. The functional approach is particularly relevant to the performance of routine tax administration tasks (e.g., taxpayer registration, accounting, and inquiry services, data processing, and debt collection) and organization-wide support activities (e.g., personnel, information technology, finance, and public relations).

However, the functional principle has been found to be less suitable in relation to the conduct of compliance programs. Here, there has been a clear trend internationally for revenue bodies to organize around different “taxpayer segments” (e.g., large businesses and small businesses). The rationale for this approach is that each segment of taxpayers has different characteristics and behaviors and as a result presents different tax compliance risks that require more tailored treatment. Delivering compliance programs effectively “segment by segment” is best executed by separate organizational divisions with their own management and risk management approaches.

Given these sorts of trends, international bodies such as the EC and IMF have consistently emphasized in their practical guidance the merits of an internal organizational structure for a revenue body based largely on functional principles and with a dedicated large taxpayer division for compliance program purposes.<sup>1</sup>

For this series, revenue bodies were asked to describe the type of organizational structure in place, and to indicate features of its structure (Table 8). Key findings and observations in this regard are as follows:

- The vast majority of revenue bodies reported having a structure based largely along functional lines.
- Over 75% reported having a dedicated large taxpayer division.
- The use of dedicated processing centers in which bulk taxpayer information processing work is concentrated was reported by around 50% of the revenue bodies surveyed.
- Most or all of the revenue bodies surveyed reported having separate dedicated functions such as enforced tax debt collection and handling of disputes and appeals. However, only around half reported having a dedicated tax fraud investigation function that examines and addresses serious cases of tax fraud and evasion.
- The vast majority of revenue bodies surveyed reported having a comprehensive in-house information technology capability to support their administration.

<sup>1</sup> Useful guidance on these matters can be found in M. Kidd, 2010. *Revenue Administration: Functionally Organised Administration*. Washington, DC: IMF; and European Commission, 2007. *Fiscal Blueprints—A Path to a Robust, Modern and Efficient Tax Administration*. Luxembourg: Office for Official Publications of the European Commission.

**Table 8:** Revenue Bodies' Internal Organization Design

Economy	Structural Criteria	Selected Units of Internal Organization Structure (✓ where applicable)					
		Large Taxpayer Division	Dedicated Processing Center	Debt Collection Function	Fraud/Serious Evasion Function	Dedicated Disputes and Appeals Function	Full In-House Information Technology Function
Australia	T, F	✓	✓	✓	✓	✓	✓
Brunei Darussalam	F			✓			
Cambodia	F	✓		✓			✓
China, People's Rep. of	All	✓	✓	✓	✓	✓	✓
Hong Kong, China	All		✓	✓	✓	✓	✓
Indonesia	F	✓	✓	✓	✓	✓	✓
Japan	All	✓	✓	✓	✓	✓	✓
Korea, Rep. of	All	*		*	*	✓	✓
Kyrgyz Republic	F	✓		✓		✓	✓
Lao PDR	F	✓					
Malaysia	F	✓	✓	✓	✓	✓	✓
Maldives	All	✓	✓	✓	✓	✓	✓
Mongolia	F, TP	✓		✓		✓	✓
Myanmar	F						
New Zealand	All	✓	✓	✓	✓	✓	✓
Papua New Guinea	All			✓		✓	✓
Philippines	All	✓	✓	✓	✓	✓	✓
Singapore	T, F	✓**	✓	✓	✓		✓
Taipei, China	F						
Tajikistan	All	✓		✓		✓	✓
Thailand	F, TP	✓	✓		✓	✓	✓

F = function, Lao PDR = Lao People's Democratic Republic, T = tax, TP = taxpayer.

Note: The absence of a tick mark (✓) means the feature is "not applicable" as per heading.

\* These divisions and units operate only at the regional level.

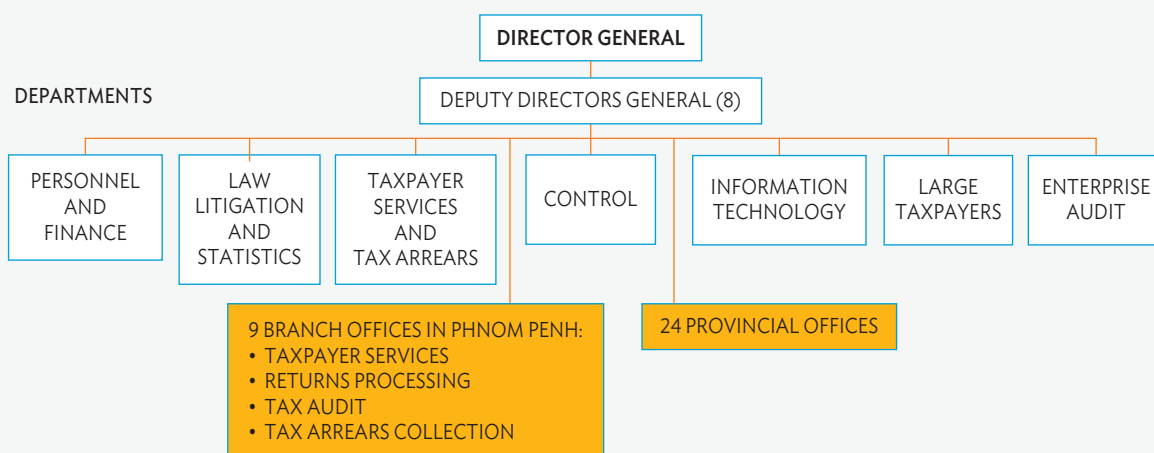
\*\* There are separate large taxpayer units for both corporate tax and goods and services tax.

Sources: ADB and OECD survey responses.

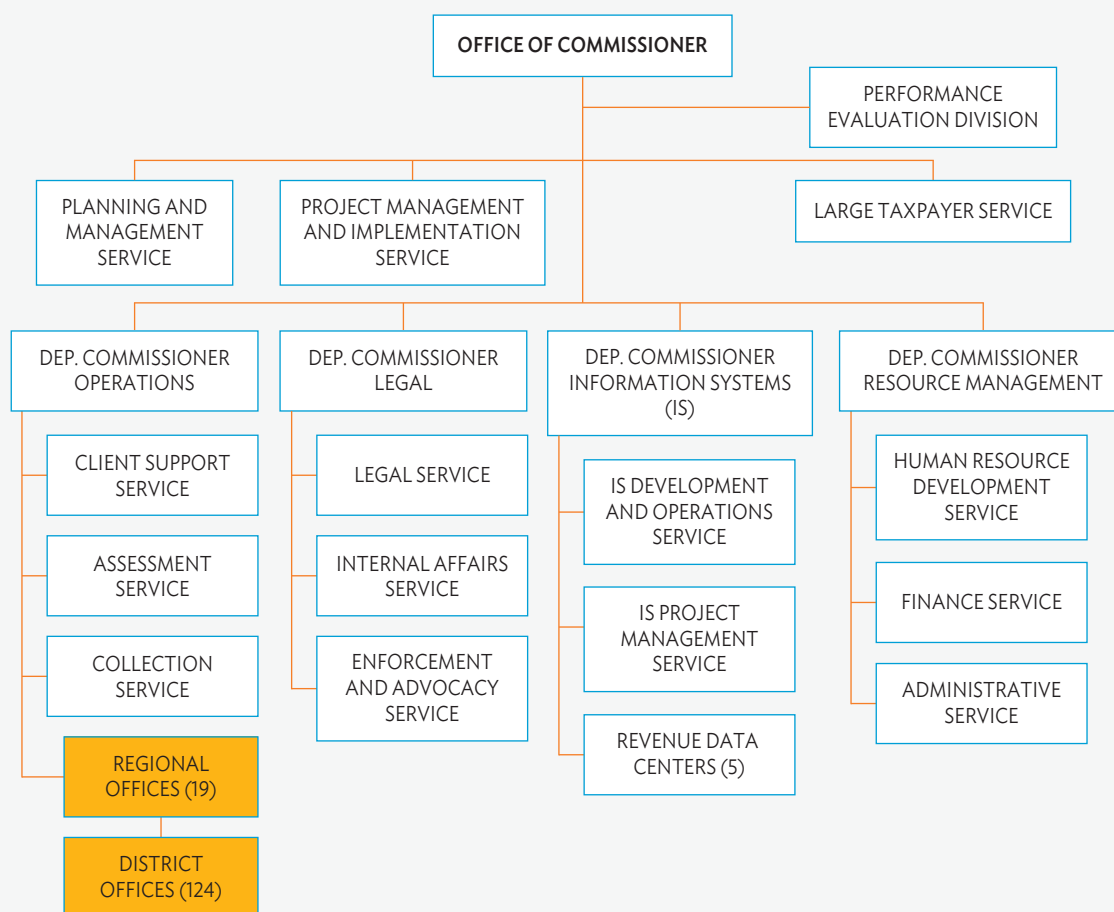
## 2. Examples of Organizational Structure of Revenue Bodies

The prior edition of this series provided examples of the organizational structure of revenue bodies from Papua New Guinea and Singapore. This series uses three revenue bodies as examples to illustrate two approaches to organizational design observed:

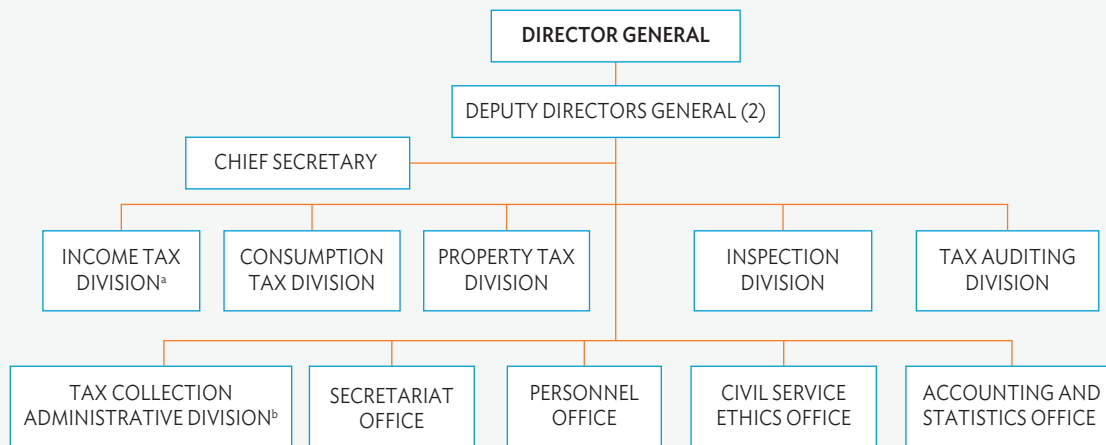
- **A largely functional structure with a dedicated large taxpayer service:** Cambodia's General Department of Taxation and the Philippines Bureau of Internal Revenue (Figures 4 and 5 respectively), and
- **A structure depicting a mix of tax types and functional units and with no dedicated large taxpayer division:** Taipei, China's Tax Administration Department (Figure 6).

**Figure 4: Organizational Structure of Cambodia's General Department of Taxation**

Source: Tax Administration website (July 2015).

**Figure 5: Organizational Structure of the Philippines' Bureau of Internal Revenue**

Source: Bureau of Internal Revenue website (May 2015).

**Figure 6: Organizational Structure of Taipei, China's Tax Administration**

<sup>a</sup> Includes international tax affairs.

<sup>b</sup> Encompasses tax-related administrative matters including information technology planning, and tax-related education and publicity campaigns.

Source: Tax Administration website (May 2015).

Examples of organizational structures of other revenue bodies can be found in the OECD's *Tax Administration 2015* located at <http://www.oecd.org/ctp/administration/tax-administration-23077727.htm> (pp. 64–66) and in prior editions of the series.

### 3. Office Networks

Office networks are another important consideration in determining a revenue body's overall structure, its costs of operation, and overall efficiency. With few exceptions (e.g., small island economies such as Hong Kong, China as well as Singapore), revenue bodies require a network of offices across their main population centers to conduct routine tax administration processes, including those processes requiring face-to-face contact with taxpayers (e.g., taxpayer inquiries and audits).

Historically, office networks were designed having regard largely to demographic factors and judgments as to the appropriate size for offices and the role of the headquarters function. In some economies, political factors also came into play. For many economies, these sorts of considerations led to the establishment of fairly large networks of relatively small offices located reasonably close to their respective taxpayer bases, which reported to a regional layer of management which in turn reported to the national headquarters. Over recent decades, thinking in many economies around how best to structure their office networks for more efficient tax administration has led to considerable rationalization, in large part assisted by greater use of technology that has considerably reduced the need for face-to-face contact with taxpayers, and by greater attention by revenue body management to achieving more efficient use of resources. For example,

- The introduction of new electronic services (e.g., electronic filing and payment) has encouraged some revenue bodies to shift routine processing work from local offices to a smaller number of dedicated processing centers.



- The emergence of modern “call center” arrangements to support phone inquiry services, assisted by use of advanced telephony technology, has encouraged many revenue bodies to establish a small number of call center sites to handle taxpayer inquiries.
- Many revenue bodies are using their Internet sites to provide an increasing array of online services directly to taxpayers and scaling back their in-person counter services.
- Many revenue bodies have abandoned facilities enabling taxpayers to make “in-person” payments of tax at the revenue body, relying instead on less costly payment collection methods such as those offered by third parties (e.g., banks and post offices) and/or electronic payment methods that taxpayers themselves can use.
- With an eye to reducing operational costs for their routine processes, many revenue bodies have reconceptualized the “ideal” size of local offices required for efficient administration within their respective environments, amalgamating relatively small local offices into larger regional centers with sufficient critical mass. Also driving this approach has been a recognition of the dangers associated with having tax audit officials located too close and being too familiar with the taxpayers they are expected to administer.
- For some revenue bodies, the role of the headquarters function has been broadened while regional layers of management have been significantly reduced or eliminated.

Examples of revenue bodies that have undertaken significant office network rationalization in recent years include Austria, Croatia, Greece, and Norway, all of which have downsized their office networks by over 50%,<sup>2</sup> as well as the United Kingdom.

Tables 9 and 10 present data concerning the office networks as of the end of 2013 for the revenue bodies covered by this series. Key observations and findings in this regard are as follows:

- Having regard to their respective aggregate staffing levels, relatively large office networks are observed in a few economies (e.g., Indonesia, Japan, Myanmar, and Thailand).
- Headquarters operations appear relatively large, in staffing terms, in a small number of economies (e.g., Cambodia, New Zealand, and the Philippines). A factor relevant in the case of New Zealand concerns the significant scale of Internal Revenue’s non-tax responsibilities that account for around 30% of its overall staffing level of around 5,300.
- The use of call center operations of reasonable scale were noticeably absent in many economies, including some advanced economies (e.g., Japan).

<sup>2</sup> Organisation for Economic Co-operation and Development (OECD). 2015. *Tax Administration 2015*. Paris: OECD Centre for Tax Policy and Administration, p. 81.

**Table 9: Office Network for Tax Administration (Number of Offices)**

Economy	Number of Operational Units at End of 2013				
	Regional Offices	Local and Branch Offices	Data Processing Centers	Call Centers	Other Offices
Australia	17	11	0	10	5
Brunei Darussalam	(Headquarters and all tax operations performed from one office)				
Cambodia	23	9	0	0	0
China, People's Rep. of	71	6,667	0	68	0
Hong Kong, China	(Headquarters and all tax operations performed from one office)				
Indonesia	31	538	4	1	0
Japan	12	518	0	0	33
Korea, Rep. of	6	111	1	1	2
Kyrgyz Republic	9	57	0	1	0
Lao PDR	0	17	0	0	0
Malaysia	12	77	1	2	0
Maldives	1	...	0	1	0
Mongolia	9	21	1	1	0
Myanmar	16	262	0	0	0
New Zealand	0	17	3	6	0
Papua New Guinea	3	18	0	0	0
Philippines	19	124	5	1	0
Singapore	(Headquarters and all tax operations performed from one office)				
Taipei, China	5	82	0	0	0
Tajikistan	5	79	0	1	0
Thailand	12	968	1	1	0

Lao PDR = Lao People's Democratic Republic.

Sources: ADB and OECD.

## 4. Major Reforms Recently Implemented or Under Development

A number of revenue bodies reported, either in response to the ADB survey or as part of the OECD's *Tax Administration Series*, on recently implemented or planned developments concerning institutional and organizational design for improving efficiency and effectiveness. These reforms are briefly summarized directly below.

- **Australia** reported that its new leadership team is driving a transformation program that seeks to “reinvent” the Australian Tax Office in order to achieve its vision of being known for contemporary services, expertise, and integrity. This includes transforming how clients and staff experience the tax and superannuation systems, with this reform being underpinned by significant cultural change. The program

**Table 10: Office Network for Tax Administration (Office Types and Staff Usage in 2013)**

Economy	Staff Usage in 2013 (expressed in FTE positions)							HQ Staff Usage as % of Total Usage
	HQ	Regional Offices	Local or Branch Offices	Data Processing Centers	Call Centers	Other Offices	Total for All Office Types	
Australia	2,927	16,189	80	0	1,010	42	20,248	14.5
Brunei Darussalam	34	0	0	0	0	0	34	(100)
Cambodia	346	772	299	0	0	0	1,417	24.4
China, People's Rep. of	800	11,000	740,700	0	3,500	0	756,000	0.1
Hong Kong, China	2,826	0	0	0	0	0	2,826	(100)
Indonesia	3,910	3,137	24,863	246	117	0	32,273	12.1
Japan	787	11,439	42,830	0	0	800	56,194	1.4
Korea, Rep. of	702	4,161	13,617	156	114	91	18,841	3.7
Kyrgyz Republic	169	222	1,865	0	6	0	2,262	7.5
Malaysia	2,169	309	7,975	509	87	0	11,049	19.6
Maldives	175	3	0	0	3	0	181	99.0
Mongolia	110	788	926	17	4	0	1,845	6.0
New Zealand	1,030	0	1,515	329	558	0	3,432	30.0
Papua New Guinea	353	12	34	0	0	0	399	0
Philippines	2,060	1,730	5,881	158	20	0	9,849	20.9
Singapore	1,870	0	0	0	0	0	1,870	(100)
Tajikistan	185	205	1,341	0	4	0	1,735	10.7
Thailand	2,490	1,696	18,978	226	119	0	23,509	10.6

FTE = full-time equivalent, HQ = headquarters.

Sources: ADB and OECD.

challenges thinking around concepts such as compliance and participation, and managing the pressures of being a useful and sustainable large public service organization. Other reforms recently implemented include abolition of the Australian Valuation Office (previously under the Australian Tax Office), closure of 10 regional (shop front) sites from 31 October 2014, and transfer of responsibility for individual taxpayer complaints from the Australian Ombudsman Office to the Office of Inspector General of Taxation.

- The **People's Republic of China's** State Administration of Taxation reported that since 2012, in accordance with the central government requirement to deepen reforms of administrative systems, it has been advancing organizational changes of tax bodies to accelerate their functional transformation and institutional improvement. To accommodate the demand for a “one-level tax investigation” and a specialized tax administration for large businesses, the reforms focus on: (i) optimizing the assignment of working responsibilities, organizational structure, and staffing; (ii) streamlining superior–subordinate relationships; and (iii) encouraging high-level tax bodies to assume more significant functions. The aim of the reforms is to establish a flat tax organizational system, scientifically designed functions, and efficient

management that adapts to reforms to the tax system and its administration, and optimizes taxpayer services. Through these reforms, human resources within the tax system are expected to be more centralized, and tax administration resources are expected to be allocated in a manner that better accords with the distributional status of tax revenue sources. In addition, the reforms are expected to further improve taxpayer service and compliance.

- **Indonesian** authorities reported that in 2012, the Ministry of Finance established an Oil and Gas Tax Office to oversee the administration of companies operating in the oil and gas sector. Action was also taken to unify and streamline the Foreign Enterprise and Individual Tax Office to allow it to handle all tax matters relating to foreign enterprises and individual taxpayers. In early 2015, three new senior executive positions immediately under the director general were created to strengthen executive leadership and management. The government has also decided to transform the Directorate General of Taxation into a semi-autonomous authority from the beginning of 2017, with a view to improving its effectiveness and overall administration.
- The **Kyrgyz Republic's** State Tax Service reported that its structure has been reviewed and modified to a largely functional setup. In addition, a series of activities related to the automation of tax administration operation processes have been implemented as part of a broader program of modernization. A recent IMF report also notes that authorities will carry out a reform of the State Tax Service and strengthen the Large Taxpayer Unit (LTU) by (i) reorganizing the institutional structure of the tax service so as to reduce duplication of functions with respect to interregional tax service departments, (ii) analyzing the taxpayer population to determine the optimum number of taxpayers administered by the LTU, and (iii) providing LTU coverage of all large taxpayers including electronic filing by such taxpayers.<sup>3</sup>
- **Malaysia** reported that its headquarters has been restructured, and now includes a Dispute Resolution Department, a Special Task Department (Investigation), and divisions for Intelligence, Risk Management, Petroleum, and Development and Facility Management. The objectives of this restructuring are to strengthen operations, simplify and expedite appeal processes, and expedite reporting and decision making. In addition, 10 new Revenue Service Centres were opened in 2012 and 2013. The Inland Revenue Board of Malaysia took part in opening counters at six Urban Transformation Centres (public amenities centers established by the government for the urban community) together with other government agencies. The objectives of these changes are to provide services to the taxpayer, and to improve operational efficiency in revenue collection.
- **The Maldives'** Internal Revenue Authority (MIRA) reported that numerous activities were carried out in 2013 and 2014 to improve the administration of the tax system. These included the establishment of the SAP-based software Tax and Revenue Management System. Also, online tax returns services were set up through "MIRAconnect," which paved the way for a more convenient mechanism for taxpayers to fulfill their tax obligations. MIRAconnect was further expanded in 2015 by introducing online payment options. One of the most notable activities carried forward from 2013 was the establishment of the Large Taxpayer Service Department from January 2014. Additionally, to make services more accessible, two new regional offices and collection centers were to be opened in 2015 (in addition to the two existing regional offices).

<sup>3</sup> International Monetary Fund (IMF). 2015. *Kyrgyz Republic: Request for a Three-Year Arrangement Under the Extended Credit Facility—Staff Report*. Washington, DC, p. 73.

- **New Zealand's Inland Revenue:** In late 2012, Inland Revenue (IR) reviewed its senior management structure and approach to governance. The review established a new Executive Leadership Team with nine second-tier managers reporting directly to the commissioner. The new structure includes changes to the responsibilities of some deputy commissioners, new deputy commissioner roles, and the addition of three chief officer roles to the Executive Leadership Team. The Executive Leadership Team took up its role in February 2013. It provides greater focus on delivering IR's services for customers, and ensures that the leadership required to drive its change program over the coming few years is in place. Reporting lines in the new structure were aligned progressively during the first half of 2013. Inland Revenue has also recently created three new governance boards: (i) a Strategy Board, which focuses on longer-term organizational strategy development including environmental scanning, strategic planning, and resourcing implications; (ii) an Investment Board, which focuses on investment-related decisions for Inland Revenue; and (iii) a Business Performance Board, which focuses on shorter-term financial and business performance, resource management, and operational and financial planning. The new governance boards are expected to significantly strengthen the quality of Inland Revenue's governance and decision making, particularly as it increases the pace of change.

Inland Revenue is also increasingly working with other government agencies to make the public sector more effective and provide better services. It is contributing to the government's Better Public Services results, sharing information with other agencies to improve performance, and sharing service delivery and facilities. These efforts include (i) helping design the future "one-stop online shop" for business, a shared online "front door" that integrates all information, government-to-business transactions, and online services provided by the public and private sectors; (ii) supporting the introduction of the New Zealand Business Number, which is a key enabler for delivering integrated services for business across government; and (iii) helping create an integrated New Zealand business register.

- In addition to undertaking work to establish the revenue body as an independent tax authority, **Papua New Guinea** reported that it is also establishing new revenue accounting systems. As part of this change, there will be moves toward partial self-assessment and introduction of electronic filing and payment capabilities.
- **Singapore** reported that it set up an International Tax Affairs and Relations Branch in September 2013. The branch maintains strategic oversight of the Internal Revenue Authority of Singapore's international engagement framework and programs. It drives international engagement efforts to advance Singapore's interest on the international tax front, and advises the government on international tax matters. It manages the exchange of information function, and is the liaison office for all international engagements. The International Tax Affairs and Relations Branch complements the existing Tax Policy and International Tax Division that provides technical advice in the formulation of tax policies and fair application of tax laws, reviews tax policies, initiates tax rules changes, and safeguards Singapore's economic interest through tax treaty negotiations and resolution of international tax issues.
- Since 2013, **Tajikistan's** Tax Committee has been implementing a project, supported by World Bank loan funding, to modernize its tax administration. The project involves reforms to organizational arrangements and business processes, and is underpinned by the use of enhanced information and communication

technologies in all areas of the revenue body. A recent report prepared by the World Bank on the progress being made highlights a range of developments and matters receiving attention:<sup>4</sup>

- The Tax Committee is preparing four new regional training centers and refurbishing the main training center in Dushanbe. The first of the new regional training centers was commissioned in 2015 (with capacity to train 80 students at a time), while a second is under construction. The remaining centers are in the planning stage.
- The audit function is being strengthened. The number of auditors is being increased; in the Large Taxpayer Office, the number has increased from 12 to 33. Auditors are also being trained more regularly. The Tax Committee is also using a risk model developed with technical assistance, which will be strengthened under the project.
- Tax arrears management has improved, but more needs to be done. While the level of overall tax debt as a share of revenue collections has improved, the Tax Committee is taking further steps to help manage tax arrears, including the development of new software.
- The Call Centre is functioning well and providing a useful service to taxpayers. The Tax Committee reported that over 5,000 queries were answered in 2014, while the number in the first quarter of 2015 was 2,379. The project will support further development of the Call Centre by providing call tracking and other relevant software and equipment.
- The use of third party information for risk management is growing. The Tax Committee now routinely receives data from the Customs Committee for developing risk profiles of taxpayers for audit purposes. Data are also being received from other agencies that will assist risk management in the future. In addition, a project is under way to digitize property data. Once completed, this will provide an additional source of revenue.
- The Tax Committee will introduce electronic VAT invoices from July 2015, which is expected to improve VAT management. Currently, the Tax Committee is conducting training of taxpayers on the proper use of electronic invoices.

## 5. Operation of Dedicated Large Taxpayer Divisions

As noted earlier in this chapter, there has been a trend to organize revenue bodies' compliance programs around "taxpayer segments." Such an approach has been strongly encouraged by international organizations over recent decades, particularly for large taxpayers. The reasons for the focus on large taxpayers are largely as follows:

1. **High tax contribution:** In any country, large taxpayers contribute the bulk of tax revenue, taking account of all the taxes for which they are responsible.
2. **Complex business and tax affairs:** Large taxpayers often have complex business and tax affairs for a variety of reasons: (a) they may have multiple operating entities or operate across multiple industries; (b) they may operate in industries that raise novel or complex tax issues (e.g., oil and gas, and banking); (c) their business dealings may extend across international boundaries and raise complex tax issues (e.g., profit-shifting and thin capitalization); (d) their operations may be widely spread or located in remote locations (e.g., oil and mining); and (e) they may use complex tax planning arrangements.

<sup>4</sup> World Bank. 2015. *Implementation Status & Results Report*. May, Washington, DC.

3. **Unique and significant tax compliance risks:** As a result of the types of factors referred to in (2) above, large taxpayers may present tax compliance risks with significant tax revenue potential.
4. **Use of professional tax experts:** Large taxpayers typically employ top-end tax experts to represent them in their tax affairs, or have their own in-house tax expertise.

Given the above characteristics, revenue bodies in the vast majority of countries have established dedicated large taxpayer units (LTU) to manage the tax affairs of these taxpayers, with many incorporating the features set out in Box 2.

### Box 2: Commonly Observed Features of Large Taxpayer Units in Advanced Economies

- ✓ A large taxpayer unit's (LTU) responsibilities tend to cover both direct and indirect taxes, enabling a "whole of taxpayer" focus to be given to administering taxpayers' affairs.
  - ✓ Business units typically provide both service and verification functions. Reflecting this and the significant revenue and compliance risks they present, considerable resources are devoted to large taxpayer administration in many economies (e.g., Australia, Canada, Italy, Japan, Mexico, the Netherlands, Poland, Spain, Turkey, the United Kingdom, and the United States).
  - ✓ A fair number of economies have specialized industry-focused setups within their LTUs. For example:
    - **United Kingdom:** Compliance operations are organized into 17 industry-based sectors: agriculture and food, alcohol and tobacco, automotive, banking, business services, chemicals, construction, general retailing, healthcare and pharmaceuticals, insurance, leisure and media, manufacturing, oil and gas, public bodies, real estate, telecommunications and information technology, transport, and utilities.
    - **United States:** The Large Business and International (LBI) Division of the Internal Revenue Service is organized along six domestic industries and four international functions. LBI's field specialist functions are now integrated into LBI's domestic industries. The domestic industries are (i) communications, technology, and media; (ii) financial services; (iii) heavy manufacturing and pharmaceuticals; (iv) natural resources and construction; (v) retailers, food, transportation, and healthcare; and (vi) global high wealth.
- In addition to tax and accounting skills, specialist teams or expertise for support in areas such as industry knowledge, economics, international tax issues and computer-based examination techniques are included in the LTU. To optimize performance, considerable emphasis is given to the development of industry knowledge through the use of industry-based teams and experts for key sectors of each country's economy.
- ✓ An "account manager" concept to provide designated large businesses with a nominated contact point for interactions with the revenue body.
  - ✓ Increasing emphasis is being placed on the use of cooperative compliance strategies with large taxpayers to encourage increased levels of voluntary compliance.

Source: OECD Tax Administration 2015.

This series assembles basic information on the setups established in the economies covered by the series, and identifies relevant developments and experience. Table 11 sets out details of the criteria used by revenue bodies to identify large taxpayers, the resources allocated for their administration in 2013 (expressed as full-time equivalents (FTE), and the number of taxpayers and economic groups under administration in 2013. The key observations and findings in this regard are set out below:

- The vast majority of economies covered by this series have established LTUs, although the resource data provided indicates that many of these are relatively small scale and suggests that they are at an early stage of their development. Box 3 outlines the approach of Mongolia's administration and its early positive results.



**Table 11: Large Taxpayer Unit Operations**

Economy	Criteria Applied to Identify Large Taxpayers	Number of Taxpayers in 2013	Dedicated Staff in 2013 (FTE)	Verification Results Reported
Australia	Turnover over A\$250 million	24,000	1,280	✓
Cambodia	Turnover over KR1,000 million	2,419	107	
China, People's Rep. of	Cross-regional businesses, complex tax issues, or certain scale of tax revenue	45,144 (45 groups)	3,515	✓
Indonesia	Weighted average of tax payment (80%) and turnover (20%) for last 3 fiscal years, and discretion by the Directorate General of Taxes	2,730	529	✓
Japan	Capital over ¥100 million	29,705	2,352	✓
Kyrgyz Republic	Business income over Som50 million, non-business income over Som20 million, tax paid over Som2.5 million or assets over Som5 million	308	45	
Lao PDR	Turnover over KN5 billion	...	...	
Malaysia	Specific sectors	...	...	
Maldives	Top 100 business profits and GST taxpayers, along with next top 100 taxpayers, and all banks	LTU set up in 2014 with 23 staff and 150 taxpayers		
Mongolia	Turnover and specific industries	398	84	✓
New Zealand	Large enterprise customers with gross turnover over NZ\$100 million, or operating in specialist industries or subject to specialized tax laws	16,700	177 (est.)	✓
Papua New Guinea	There is no dedicated division for managing the tax affairs of designated large taxpayers. However, the Tax Office has sections within Audit, Assessing, and Advising that have large business units for managing the largest 200 taxpayers.			✓
Philippines	All public corporations and others based on size (i.e., authorized capital, tax paid, annual sales, purchases, and/or net worth)	2,028	610	✓
Singapore	(i) CIT: net tax assessed, turnover, complexity; (ii) GST: annual GST supplies over S\$100 million	CIT- 1,600 GST-1,741	CIT-53 GST-25	
Tajikistan	Legal entities with annual turnover over TJS15 million	303	77	✓
Thailand	Turnover over B2 billion	3,450	547	

... = data not available, CIT = corporate income tax, FTE = full-time equivalents, GST = goods and services tax, Lao PDR = Lao People's Democratic Republic.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

- The vast majority of revenue bodies reported having a dedicated organizational division or unit that manages the tax affairs of designated large taxpayers. Exceptions to this included Brunei Darussalam; Hong Kong, China; the Republic of Korea; Myanmar; Papua New Guinea; and Taipei, China.
- For some revenue bodies (e.g., Tajikistan) the operation of a large taxpayer office is a relatively new venture that has yet to be fully established. As a result, the level of resources allocated for administration of designated large taxpayers is relatively small (i.e., less than 1% of overall staff resources). On the other hand, there were a fair number of revenue bodies (e.g., Australia, Indonesia, Japan, the Philippines, and Thailand) reporting relatively large LTU operations (i.e., more than 5% of total resources).



### Box 3: Mongolia's Initiative to Strengthen Its Large Taxpayer Office

In Mongolia, just under 400 large enterprises contribute about 60% of state tax revenue, with mining companies accounting for more than 70%. Improving large taxpayer administration is therefore critical for greater revenue mobilization.

**The Approach:** With technical assistance from a variety of sources (e.g., IMF, the United States Treasury, and the World Bank), Mongolia's Large Taxpayer Office has been reorganized along functional lines with specialized units for mining companies. A new mining sector compliance strategy has been implemented. Legislation is being amended to fill gaps and remove ambiguities. Taxpayer services have been improved, and new audit methods introduced for the mining, construction, and banking sectors. Finally, agreements for exchange of information have been arranged with the Mineral Resources Authority and the Petroleum Authority of Mongolia. Over the coming year, Mongolia's Large Taxpayer Office intends to introduce a comprehensive set of performance measures including tax administration results, taxpayer satisfaction, and tax officer engagement.

**The Results:** Early results from Mongolia's Large Taxpayer Office operations are impressive. The large taxpayer reforms have had a positive impact on tax collection. High rates of timely tax return filing (nearly 100%) and payment have been achieved. Audit results in both 2012 and 2013, in respect of 105 and 135 taxpayers respectively, amounted to around 60% of total verification outputs (i.e., taxes, penalties, and interest).

Sources: IMF. 2015. *Fiscal Affairs Department at a Glance, 2015*. Washington, DC: IMF; and Mongolia's survey response.

- Revenue bodies tend to use a mix of criteria (e.g., turnover, tax payments, and specific industries) to identify taxpayers for their large taxpayer segment, although for ease of identification a few revenue bodies (e.g., Australia, Cambodia, and Japan) use a single criterion to readily identify those to be included.
- A number of revenue bodies failed to report the results of verification activities for their LTUs. This raises questions as to the scope and nature of the arrangements in place for monitoring these taxpayers' affairs.

# CHAPTER FOUR

## STRATEGIC MANAGEMENT IN REVENUE ADMINISTRATION

Collecting taxes efficiently and effectively is a considerable challenge for all revenue bodies. It is particularly demanding on those revenue bodies in developing or emerging economies that face low levels of tax morale and understanding, limited or inexperienced resources for revenue administration, complex tax laws, economic difficulties, widespread corruption, or regular natural disasters. Addressing such challenges requires, among other things, a structured, systematic and comprehensive approach to planning and managing revenue body operations.

### A. General Guidance on Strategic Planning and Management

The guidance provided for revenue bodies provided by international organizations on strategic planning and management of the tax system is fairly limited. However, for the purposes of this series, some useful practical guidance can be found in the European Community's (EC's) Fiscal Blueprints and the International Monetary Fund's (IMF's) recently disseminated field guide for its tax administration diagnostic assessment tool (TADAT).<sup>5</sup> Guidance drawn from these sources is set out in Box 4.

#### Box 4: General Guidance on Strategic Planning for and Management of Tax Systems

##### Setting the direction

- ✓ The obligations of the revenue body are clearly translated into its mission, vision, and objectives, which are publicized among taxpayers and other stakeholders, as well as among its personnel.

##### Developing the plan

- ✓ The revenue body's budget planning cycle covers several years, allowing comprehensive strategic planning and the carryover of funding surpluses.
- ✓ There is a robust and adequately resourced headquarters function, able to undertake strategic operational planning and with access to specific departments or staff responsible for research (e.g., "think tank studies"); the establishment of performance objectives and targets; the measurement, monitoring, and evaluation of field operations; and the identification, gathering, and dissemination of good practices and knowledge.
- ✓ The revenue body draws up strategies providing objectives, benchmarks, targets, and plans for its operations, and takes account of the views of taxpayers and other stakeholders.

##### Monitoring performance

- ✓ The revenue body is managed applying benchmarks and indicators agreed with stakeholders while the results of its activities are constantly monitored. There is a proper reporting system to ensure that performance reports are delivered to management, while there is also a quality management system to monitor the standard of services rendered to taxpayers and other parties.

##### Accountability and transparency

- ✓ The revenue body is accountable for its operations that are subject to control and assessment, including via a system of internal audit and external assessment by an independent external institution (e.g., the national audit agency or a tax ombudsman).
- ✓ The revenue body engages with taxpayers and other stakeholders through consultation and surveys to evaluate its performance and obtain feedback on ideas for improvements.
- ✓ The revenue body prepares and publishes a comprehensive annual report of its performance, ideally reporting on its performance vis-à-vis objectives and targets reflected in its strategic plan.

Sources: EC Fiscal Blueprints and IMF TADAT Field Guide, November 2015.

<sup>5</sup> IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

## B. Planning and Management Approaches of Revenue Bodies

For this series, revenue bodies were asked a number of general questions concerning their planning processes (e.g., the preparation and publication of an annual or multiyear business plan, the setting of quantified targets for improved performance, the publication of an annual performance report, compliance risk management, and gathering of feedback from stakeholders). In addition, efforts were made identify and examine published materials (e.g., revenue body plans, corporate planning-related statements, and annual performance reports) to gather insights as to the approaches and practices adopted, revenue bodies' priorities, and key developments. Survey responses are summarized in Tables 12 and 13. The key observations and findings from the responses and related research are as follows:

- Most revenue bodies reported that they prepare and publish an annual or multiyear business plan. However, efforts to locate copies of such plans from revenue bodies' websites were relatively unsuccessful, raising doubts as to their public availability.

**Table 12: Selected Management Practices: Business Plans, Annual Reports, Surveys**

Economy	Business Plan		Annual Report		Surveys of Taxpayers		Consultative Forum for Tax Advisors
	Prepared	Made Public	Prepared	Made Public	Citizens	Business	
Australia	✓	✓	✓	✓	✓	✓	✓
Brunei Darussalam							✓
Cambodia	✓	✓	✓	✓			✓
China, People's Rep. of	✓		✓	✓	✓	✓	
Hong Kong, China	✓	✓	✓	✓	✓	✓	✓
Indonesia	✓	✓	✓	✓	✓	✓	
Japan			✓	✓	✓	✓	✓
Korea, Rep. of	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	✓	✓
Maldives	✓		✓	✓	✓	✓	✓
Mongolia	✓		✓		✓	✓	
New Zealand	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓			
Philippines	✓	✓	✓	✓			✓
Singapore	✓		✓	✓	✓	✓	✓
Tajikistan	✓		✓	✓	✓	✓	
Thailand	✓	✓	✓	✓	✓	✓	✓

Note: The absence of a tick mark (✓) means the feature is "not applicable" as per heading.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

- From the documents and other references examined (e.g., revenue bodies' websites), the strategic statements and plans of many revenue bodies appeared to have only a single-year focus, and performance indicators were generally lacking in relation to stated objectives. On a positive note, there were a number of revenue bodies (e.g., Australia, New Zealand, Papua New Guinea, Malaysia, and most recently the Maldives) that publish comprehensive planning documents. Further details of these planning approaches and documents are provided later in this chapter.
- Just half of the revenue bodies reported that there were formal quantified targets for improved performance in 2014 in one of more of the following areas:
  1. reductions in aggregate tax debt (seven revenue bodies),
  2. improved taxpayer satisfaction (seven revenue bodies),
  3. reductions in administrative burden (two revenue bodies), and
  4. reductions in administrative expenditure (two revenue bodies).

Examples of the targets reported by revenue bodies are set out in Table 13.

**Table 13: Quantified Targets of Revenue Bodies for Key Areas of Performance**

Target Area	Description of Targets Reported	Economy
Tax debt reduction	35% reduction in aggregate tax debt outstanding	Indonesia
	Reduce aggregate tax debt by 10%	Kyrgyz Republic
	Reduce total tax debt at beginning of year by 56.2%	Malaysia
	Annual reduction in arrears to collections ratio (a key performance indicator in the Maldives Inland Revenue Authority's 2015–2019 strategic plan)	Maldives
	6% of arrears collected as % of potentially recoverable arrears	Philippines
	Aggregate year-end debt should not exceed 16,442 million baht at the end of 2014	Thailand
Improved taxpayer satisfaction	Level of satisfaction with the State Administration of Taxation reported by surveyed taxpayers reaches 80%	China, People's Rep. of
	Increased taxpayer satisfaction level from 3.9 to 4.2 (as per 2014–2019 Ministry of Finance's transformation plan)	Indonesia
	Taxpayer satisfaction with the online return filing and tax payment system: target of 60%	Japan
	Taxpayer satisfaction with filing assistance on the National Tax Agency website: target of 80%	Japan
	Improvements in taxpayer satisfaction levels (as per feedback given in service centers)	Maldives
	Minimum % of customers who are satisfied with the quality of (i) phone and correspondence contacts (target 85%); and (ii) online services (target: 90%)	New Zealand
	Minimum % of customers who are confident Inland Revenue takes action to ensure people receive their proper social support entitlements (target 70%)	
Compliance burden reduction	Reductions in processing time of applications for primary registration and a tax file number	Philippines
	35% of tax refund claims for value-added tax were processed	
Cost reductions	Australian Tax Office's share of \$1 billion savings required from across government	Australia
	Enable online payment and filing for all taxes so that at least 75% of tax returns are filed online and 50% of payments are made online (as per strategic priorities for 2015–2019)	Maldives
Cost reductions	Fixed % efficiency dividend—annual funding reduction of total administrative budget	Australia
	Reduce operating expenditure/staffing by around 5% per year.	Thailand

Sources: ADB survey responses and OECD *Tax Administration* 2015.

### *Annual performance reports*

- The practice of preparing and publishing an annual performance report is just about universal. Research undertaken indicates that revenue bodies in Australia; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; New Zealand; and Singapore provide comprehensive and informative reports of their annual performance. These reports all serve as useful models for others seeking to make improvements in this area.

### *Evaluating performance through taxpayer surveys*

- Around 80% of revenue bodies reported that they conduct regular surveys of taxpayers (i.e., both citizens and businesses) to gauge their views and perceptions of the quality of services delivered and the general standards of tax administration.

### *Consultative arrangements with the tax professions*

- Around three-quarters of revenue bodies reported having a formal consultative forum for engaging with representatives of the tax profession.

Tax professionals play an important role in the operation of the tax system in many economies, with experience from advanced economies indicating that the revenue body–tax profession relationship becomes more critical as economies grow and business activities (and related aspects of taxation) become more complex and global, and wealth generally increases. For this reason, mature revenue bodies typically have formal consultative mechanisms in place involving representatives of the main tax professional bodies to facilitate regular dialogue on important tax system matters. Two examples from the region are Australia and Hong Kong, China (Boxes 5 and 6).

#### **Box 5: Consultation with the Tax and Legal Professions in Hong Kong, China**

To maintain effective communication with the accounting profession on tax matters, the Inland Revenue Department holds annual meetings with the Hong Kong Institute of Certified Public Accountants to exchange views and discuss issues of common interest. Meeting agendas reflect matters of interest raised by both the tax profession and the Inland Revenue Department. Agreed minutes of the meeting are published in the form of an electronic tax bulletin on the institute's and the Inland Revenue Department's home pages. (See example from October 2014 at [www.hkicpa.org.hk/file/media/section5\\_membership/Professional%20Representation/pdf-file/tax-b/25.pdf](http://www.hkicpa.org.hk/file/media/section5_membership/Professional%20Representation/pdf-file/tax-b/25.pdf))

Source: Inland Revenue Department website (September 2015).

#### **Box 6: Consultation with the Tax and Legal Professions in Australia**

The Australian Taxation Office's (ATO) National Tax Liaison Group is a stewardship committee focusing on significant matters in the national interest, and supports key relationships reflecting the broader community. The National Tax Liaison Group provides an opportunity to discuss the strategic direction of the tax system, and provides opportunities for improvements to its administration. It is chaired by the second commissioner, Law Design, and Practice, and its membership comprises representatives of the major tax, law, and accounting professional associations, and senior members of the ATO and Treasury. The group meets quarterly and detailed minutes of its meetings are published on the ATO's website.

In addition, the ATO's Tax Practitioner Advisory Group is a stewardship committee that focuses on the "system in operation" and deals with significant issues in the national interest that are specific to tax practitioners. It meets quarterly, and its minutes are also published by the ATO.

Source: ATO website (September 2015).

## C. Strategic Plans of National Revenue Bodies

Research carried out for this series indicates that while most revenue bodies have developed statements of mission, vision, values, and strategic objectives or themes and priorities, for most revenue bodies in Asian economies, the planning framework does not extend beyond the current or upcoming fiscal year period. While the circumstances of individual economies has not been examined, there are a number of possible reasons for this, including the following (i) the government's budgetary planning framework also has a 1-year window, limiting the scope for the revenue body's senior management to adopt a longer-term planning horizon with any degree of confidence; (ii) there is a policy of regularly rotating the revenue body's senior management (e.g., every 1 or 2 years); and (iii) a general lack of experience in longer-term planning. There are, however, some exceptions, with a few revenue bodies in advanced and emerging economies adopting a longer planning horizon.

In its first strategic plan released in early 2015, the Maldives Inland Revenue Authority (MIRA) observes that it was established in 2010 to administer a modern tax system which was introduced in 2011. During its initial years, its main focus was on the successful implementation of a range of the newly introduced taxes. At the same time, it was also required to establish a credible organization and organizational setup. Having largely met those objectives, MIRA's senior management decided in early 2015 that it was time....

*“to develop a strong strategic vision in order for it to sail smoothly to the next level. Consequently, MIRA reflected on its achievements over the past four years to set the tone for the next stage.”*

MIRA's first strategic plan accordingly sets out its strategic priorities for the period 2015–2019 under six programs, and defines a set of key performance indicators for each program. Table 16 provides an extract of the plan. The plan also outlines the process undertaken by MIRA, which may be of interest to other revenue bodies (Box 7).

### Box 7: Steps in Building a Strategic Plan: The Maldives' Experience

As stated in MIRA's strategic plan:

*“The strategic planning process in MIRA involves a multitude of steps to gauge the opinion of various stakeholders with respect to MIRA and the services it provides. It is followed by brainstorming sessions to analyze the external and internal environments and to identify the risks and challenges facing MIRA. Further, MIRA's strengths, together with the opportunities available, are also considered. All these analyses are carried out using management analysis tools such as PESTEL (i.e., political, economic, social, technological, environmental, and legal) and SWOT (i.e., strengths, weaknesses, opportunities, and threats), and a risk matrix used by highly regarded institutions. The factors identified are then prioritized based on a risk score, and strategies are formulated to address high-risk factors. Strategic priorities are then formed by grouping these strategies.*

*The strategic planning process identified the most crucial strategies that MIRA should focus on over the next five years. In the meantime, there will also be other complementary strategies that will be pursued. MIRA's strategic framework will be embedded to the annual budgetary process, and strategic priorities will be listed high up in the annual action plan drawn up for budgeting and annual planning purposes. The strategic plan, together with the annual action plan, provides strategic and operational guidance on all activities that will be carried out by MIRA.”*

Source: Strategic Plan 2015–2019 – Maldives Inland Revenue Authority, p. 4.

## D. Examples of Revenue Bodies’ Strategic Plans and Statements

Extracts of the key elements of published strategic plans and other related statements of a sample of revenue bodies (i.e., Australia, the Republic of Korea, the Maldives, New Zealand, and Papua New Guinea) are set out in Tables 14(a–e). They are presented to highlight both their common and distinctive elements, the strategies being adopted to achieve stated goals and, where available, the measures of success that will be used to gauge progress toward each goal—in other words, expected impacts and outcomes from each goal. From the examples provided and others observed, a few points are worth noting:

- Published plans and related statements (e.g., on revenue bodies’ websites) generally provide a relatively brief account of a revenue body’s mission or mandate, vision, values, and key goals or objectives. For some, there is a set of key performance measures and a stated commitment to regularly report on progress against the goals.
- Statements of mission generally describe the primary role of the revenue body and, for some, the broader societal role or the benefits of a well-performing tax system. For example,
  - “We contribute to the economic and social well-being of Australians, etc...” (ATO);
  - “Finance the national budget while supporting economic revitalization...” (NTS [of the Republic of Korea]).
- Statements of revenue bodies’ values (i.e., expected norms of behavior) typically refer to integrity, fairness, respect, trust, and professionalism, while for a few there are expressed aspirations of innovation and continual improvement to raise performance.
- Often in advanced or some developing economies, the plan includes a summary of the key environmental factors that have been taken into account in formulating the plan and, in particular, have influenced the strategies outlined in the plan.
- Formally expressed strategic goals tend to be relatively few in number and tend to give emphasis to four strategic aspects of tax administration:
  - improving the overall level of taxpayers’ voluntary compliance,
  - improving service delivery performance,
  - increasing organizational efficiency, and
  - strengthening internal capabilities (especially human resources).
- Measures of success for each goal, where identified in plans, tend to be focused on output and on outcome and impact. Examples of both output and outcome measures frequently used by revenue bodies are set out below:

Output-Related Measures	Outcome- and Impact-Related Measures
✓ Numbers of taxpayers registered	✓ % of returns filed on time (by tax type)
✓ Numbers of returns processed	✓ % of tax paid on time (by tax type)
✓ % of returns filed electronically	✓ % of collectable tax outstanding or annual net revenues
✓ Numbers of rulings provided	✓ % of taxpayers expressing satisfaction with specific revenue body services
✓ Numbers of letters answered	✓ % of taxpayers expressing confidence in revenue body’s administration
✓ Numbers of tax debt cases finalized	
✓ Numbers of audit cases or the value of assessments from completed audits	



**Table 14a: Key Elements of Strategic Plans—Australian Taxation Office**

<b>Mission</b>	We contribute to the economic and social well-being of Australians by fostering willing participation in our tax and superannuation systems.
<b>Vision</b>	We are a leading tax and superannuation administration known for our contemporary service, expertise, and integrity.
<b>Goals</b>	<b>Easy for people to participate:</b> We will design and operate the tax and superannuation systems for the majority of taxpayers who do the right thing, rather than for the few who do not.
	<b>Contemporary and tailored service:</b> People expect convenient and accessible service in their dealings with a contemporary service organization.
	<b>Purposeful and respectful relationships:</b> To succeed we must have a greater connection with, and understanding of, the community, government, and stakeholders.
	<b>Professional and productive organization:</b> Delivering our change agenda and business improvements is about transforming our words into actions. It is about leading and managing well, and mobilizing and motivating our people.
<b>Strategies</b>	<ul style="list-style-type: none"> <li>• Build a culture that embodies our values and transforms the client experience.</li> <li>• Simplify interactions, maximize automation and reduce costs.</li> <li>• Connect with the community and other agencies in meaningful ways.</li> <li>• Influence policy and law design for more certain outcomes.</li> <li>• Use data in a smarter way to improve decisions, services, and compliance.</li> <li>• Reshape the workforce to optimize capability and performance.</li> </ul>
<b>Measures</b>	<p>We have four interconnected impacts that we are setting out to achieve which are integrity, willing participation, revenue, and productivity. These impacts are based on internationally recognized categories from the OECD and provide a high-level indication of the health of our administration. Under each of these broad impacts we have developed more specific impact indicators with supporting performance measures, including:</p> <ul style="list-style-type: none"> <li>• community and key stakeholder engagement and satisfaction with ATO performance;</li> <li>• employee engagement compared to previous years and other large Australian Public Service organizations;</li> <li>• number of customer service interactions delivered through our multi-channel environment;</li> <li>• proportion of businesses and individuals registered in the system;</li> <li>• proportion of businesses and individuals that lodge on time;</li> <li>• proportion of liabilities paid on time by value for each of the major tax revenue types;</li> <li>• adjusted average cost to individual taxpayers of managing their tax affairs;</li> <li>• net cost to collect \$100;</li> <li>• earlier resolution of disputed cases;</li> <li>• ratio of collectable debt to net tax collections;</li> <li>• GST gap as a proportion of GST revenue;</li> <li>• operating within budget;</li> <li>• expected revenue—actual revenue collections against forecast revenue; and</li> <li>• audit yield—cash collected from direct audit activities.</li> </ul>

ATO = Australian Tax Office, GST = goods and services tax, OECD = Organisation for Economic Co-operation and Development.

Source: ATO Corporate Plan 2015–2019.



**Table 14b: Key Elements of Strategic Plans—Maldives Inland Revenue Authority**

<b>Mission</b>	To establish a highly committed and competent organization, delivering effective and fair administration of the tax laws, promoting voluntary compliance, and providing quality services to taxpayers
<b>Vision</b>	To be recognized as a leading professional organization engaged in collection of revenue in an effective and efficient manner and providing quality services to taxpayers
<b>Core values</b>	Fairness, professionalism, integrity, neutrality, and transparency

Program and Strategic Priorities	Key Performance Indicators (2015 to 2019)
<b>Taxpayer Education:</b> Design and implement innovative [programs], and target education and awareness programs.	Establish a regionally recognized tax training institute 95% of taxpayers scoring at least 90% in the survey examining knowledge of taxpayers on basic tax matters
<b>Tax Administration Services:</b> Seek mechanisms to minimize the tax gap, and strengthen the tax administration.	Determine the tax gap and yearly reduction of the tax gap Enable online filing and payment for all taxes Ensure that at least 75% of tax returns are filed online, and 50% of payments are made online MIRA presence in all atolls Establish a strong relationship with other tax authorities and build a network of treaties
<b>Compliance and Debt Collection:</b> Protect the revenue base by promoting voluntary compliance and deterring abuse of the tax system.  Improve the ability to provide assistance to taxpayers and manage debt collection.	Achieve at least 95% on-time filing and payment rate Annual increment in the % of returns filed without errors Establish a fully automated risk profiling and audit case selection system Annual reduction in the arrears to collection ratio Annual reduction in the number of days taken to collect arrears from taxpayers
<b>Corporate Governance:</b> Implement sustainable cost saving strategies and strengthen governance.	Improve the spending to collection ratio to 40 laari per 100 rufiyaa collected. (NB: 1 rufiyaa = 100 laari.) Communicate the organizational risks to staff and take steps to minimize them Publication of information at continuous and regular intervals
<b>People and Place:</b> Implement resource management strategies aimed at increasing productivity.	At least 80% of staff achieve 75% marks in the quarterly performance appraisal Improve the graduate employees ratio to 70% At least 20% of staff are members of professional body Retain at least 90% of staff annually Increase the working area per staff
<b>Information Technology:</b> Provide business solutions and state of the art technology to strengthen both corporate affairs and tax administration.	Improve service standards to fulfill requirements of ISO9001 Integrate all revenue collection into a single platform Zero errors in data

Source: Strategic Plan 2015–2019 – Maldives Inland Revenue Authority.

**Table 14c: Key Elements of Strategic Plans—New Zealand Inland Revenue**

What we are here for	We contribute to the economic and social well-being of New Zealand by collecting and distributing money.		
What we want to be	A world-class revenue organization recognized for service and excellence.		
Strategic intentions	To help achieve <i>IR for the future</i> , we will focus on three main areas: (i) implementing our transformation change agenda; (ii) contributing to government policy and priorities; and (iii) delivering and improving our core business, including enhancing the customer experience. We will work in these three linked areas concurrently, balancing our need to deliver today and transform for tomorrow.		
Contributing to government priorities	We have a responsibility as a government agency to contribute to the government's priorities. These are to (i) responsibly manage the government's finances; (ii) build a more competitive and productive economy; (iii) deliver better public services within tight fiscal constraints; and (iv) rebuild Canterbury. We will also continue to participate in a range of all-of-government activities, and collaborate with other agencies to reduce costs and improve efficiency and effectiveness.		
Delivering and improving our core business	<b>Improve the customer experience:</b> We want customer interactions with us to be as convenient and easy as possible. We will continue to do this by enhancing and expanding our services.		
	<b>Improve compliance:</b> A key aspect of our core business is helping to maximize voluntary compliance. We assist customers who are willing to meet their compliance obligations but are unaware or uncertain how to do so. Influencing voluntary compliance, targeting inadvertent noncompliance by providing information, assistance and tools, and detecting and deterring deliberate noncompliance are part of our core activities.		
	<b>Improve business efficiency:</b> We will continue to increase the value for money we deliver through improving our processes, strengthening our capital asset management, maintaining our ICT environment, and reducing property overheads.		
Measuring our performance (2018 targets vs 2013 performance)	IMPACT INDICATORS	TARGET	LATEST
	More customers self-manage:		
	• % of customers aware of their obligations and entitlements increases	85%	82%
	• % of customers who find it easy to comply increases	80%	79%
	More customers register and report accurate information when required:		
	• % of returns filed without errors increases	88%	85%
	• % of applications submitted without errors increases	90%	83%
	• % of correct student loan deductions for New Zealand-based borrowers is maintained	98%	99%
	• Employer registrations follow an appropriate trend	n/a	
	• GST assessed to consumer spending follows an appropriate trend	n/a	
	More customers claim their correct entitlements:		
	• % of accurate Working for Families Tax Credits payments increases	70%	67%
	• % of child support assessments collected increases	75%	73%
	• Working for Families Tax Credits registrations follow an appropriate trend	n/a	
	• Donation rebates claimed follow an appropriate trend	n/a	
	More customers pay and file information on time:		
	• % returns filed on time is maintained	83%	83%
	• % payments made by customers on time is maintained	86%	86%
	• % child support assessments paid on time increases	68%	64%

Source: Internal Revenue's Statement of Intent 2014–2018.

**Table 14d: Key Elements of Strategic Plan—Papua New Guinea’s Internal Revenue Commission**

<b>Mission</b>	To efficiently and appropriately collect revenue on behalf of the people of Papua New Guinea (PNG) to fund government services and programs that develop our nation
<b>Vision</b>	To be the best performing public sector agency in PNG and the leading tax administration in the Pacific
<b>Values</b>	Fairness and respect, professionalism, and openness and honesty
<b>Strategic themes and objectives</b> (accompanied by a set of strategies to achieve each objective)	<p><b>Tax Administration and Revenue Collection</b></p> <ul style="list-style-type: none"> <li>Objective 1.1: Administer taxes and collect revenue.</li> <li>Objective 1.2: Simplify legislation and improve the tax administration framework.</li> <li>Objective 1.3: Develop and refine core tax administration processes.</li> <li>Objective 1.4: Improve compliance and broaden the tax base.</li> </ul> <p><b>Leadership and Governance</b></p> <ul style="list-style-type: none"> <li>Objective 2.1: IRC’s leadership and accountability arrangements are developed and strengthened.</li> <li>Objective 2.2: IRC’s organizational structure is progressively refined and redefined.</li> </ul> <p><b>People and Training</b></p> <ul style="list-style-type: none"> <li>Objective 3.1: Populate the IRC structure through recruitment and lateral movement of the best and brightest employees to carry out our mission.</li> <li>Objective 3.2: IRC’s resource management capability is defined and developed.</li> <li>Objective 3.3: IRC’s training packages are developed, approved, and delivered to provide staff with quality tax administration training that is recognized under PNG’s National Qualification Framework.</li> </ul> <p><b>Core Enabling Functions</b></p> <ul style="list-style-type: none"> <li>Objective 4.1: IRC’s business activities are fully supported by appropriate and effective information, technology and communications systems.</li> <li>Objective 4.2: IRC’s budget, assets, and facilities are efficiently, effectively, and accountably managed and administered.</li> <li>Objective 4.3: IRC’s productivity is enhanced through compliance and anticorruption activities.</li> </ul>

IRC = Internal Revenue Commission.

Source: Internal Revenue Commission Strategic Plan 2013–2017.

**Table 14e: Strategic Statements of the Republic of Korea’s National Tax Service**

<b>Mission</b> (core activities)	<ul style="list-style-type: none"> <li>Finance the national budget while supporting economic revitalization.</li> <li>Realize a fair tax administration by addressing tax evasion and avoidance.</li> <li>Establish a sustainable base for tax compliance.</li> <li>Comply with laws and basic principles as a tax administration.</li> <li>Build a strong and transparent tax administration.</li> </ul>
<b>Goal</b>	Trustworthy and fair administration
<b>Strategies</b>	<p><b>NTS will focus on supporting its taxpayers by creating an easier and simpler tax filing environment.</b> Specifically the NTS plans to (i) shift from “post verification of tax returns” to “prior support for tax compliance”; and (ii) promote a taxpayer-oriented tax administration so that taxpayers may concentrate on their daily lives.</p> <p><b>NTS will achieve fairness in taxation by countering deliberate and intelligent tax evasion.</b> Specifically the NTS plans to (i) innovate investigation management and litigation system to better respond to tax evasion; (ii) continue to take action against offshore tax evasion and underground economy created by MNE’s, high net worth individuals, and high-income earners; and (iii) strengthen capabilities to trace hidden assets and to respond to tax appeals.</p> <p><b>NTS will effectively respond to future fiscal demand by strengthening infrastructure for tax compliance.</b> Specifically, the NTS plans to (i) launch a new database (“Next Generation Tax Integrated System”) for better risk analysis and internal work process; (ii) enhance the capability to capture tax evasion through timely analysis using cash transaction data (e.g., e-tax invoice, cash receipt system); and (iii) continue the current efforts to improve the NTS system (e.g., offshore tax evasion, tracing of tax resources), thereby increasing transparency in tax administration.</p>

Source: The Republic of Korea’s *National Tax Service Annual Report 2015*.

## E. Managing Taxpayers' Compliance

Improving taxpayers' voluntary compliance is the major challenge for all revenue bodies, as this is the only way to enhance revenue collection performance in an efficient manner while also strengthening community confidence in the administration. To this end, how revenue bodies go about managing their major tax compliance risks is critical. There is a general consensus among international bodies of the elements of a sound approach to managing compliance risks, and a large number of practical guidance materials have been developed and published on this topic. The IMF's field guide prepared to accompany its Tax Administration Diagnostic Assessment Tool (TADAT), described more fully in Chapter VII, provides a useful summary that is set out in Box 8.

### Box 8: Good Practice in Compliance Risk Management

#### Context and relevance

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 and institutional risks (e.g., failure of IT system). 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 multiyear 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). Moreover, both the IMF and the OECD publications provide examples of risk management processes suitable for use by tax administrations.

#### Recognized good practice

Good practice in compliance risk management includes the following:

- ✓ 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;
  - 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 antimoney-laundering bodies and registrars of land and property ownership);
  - studies of taxpayer behavior and attitudes toward paying taxes;
  - 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 or 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, the features of which are described in the TADAT Field Guide.

Source: IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

In addition to the IMF's guidance, the OECD's Forum on Tax Administration has over the last decade or so produced a broad array of practical guidance materials on aspects of managing taxpayers' compliance, drawing on the extensive practical experience of its member revenue bodies. A brief summary of these materials, all of which can be located on the OECD's website at [www.oecd.org/tax/administration/](http://www.oecd.org/tax/administration/), is set out in Table 15.

**Table 15: Compliance Risk Management: Practical Guidance Prepared by the OECD's Forum on Tax Administration**

OECD Forum on Tax Administration Publication	Brief Description of Content
Compliance Risk Management: Managing and Improving Tax Compliance (2004)	Describes elements of a tax compliance risk management framework to help revenue bodies prioritize risks and choose appropriate treatment strategies.
Study into the Role of Tax Intermediaries (2008)	Addresses the topic of aggressive tax planning and analyses the tripartite relationship between revenue bodies, taxpayers, and tax intermediaries. It encourages revenue bodies and large taxpayers to engage in a relationship based on cooperation and trust and spells out how this might be achieved.
Cooperative Compliance: A Framework (2013)	Builds on the 2008 study and explores how revenue bodies have evolved their risk management framework for large taxpayers, applying approaches founded on cooperation and trust.
Understanding and Influencing Taxpayers' Compliance Behavior (2010)	Drawing on a wide body of research, describes the more important drivers of individual taxpayers' compliance behavior.
Right from the Start: Influencing the Compliance Environment for Small and Medium-Sized Enterprises (SME) (2012)	Provides a practical framework to help revenue bodies explore the development of systematic and coherent strategies for creating an environment that influences compliance processes and behaviors to achieve compliance "right from the start."
Together for Better Outcomes (2014)	Explores how engaging and involving SME taxpayers and stakeholders can lead to improved outcomes and reduced costs.
Tax Compliance by Design (2014)	Draws attention to opportunities for improving tax compliance at the point taxpayers' liabilities are determined by leveraging developments in technology.
Monitoring Taxpayers' Compliance: A Practical Guide Based on Revenue Body Experience (2008)	Explores the idea of revenue bodies having a compliance monitoring framework at the aggregate level that includes a range of measures and indicators for their main tax compliance risk categories—registration, filing, payment, and reporting.
Evaluating the Effectiveness of Compliance Risk Treatment Strategies (2010)	Provides a practical methodology for conducting outcome evaluations of compliance risk treatment strategies.
Measures of Tax Compliance Outcomes (2014)	Provides a comprehensive summary of contemporary approaches for measuring tax compliance outcomes.

Sources: OECD *Tax Administration 2015* and OECD Forum on Tax Administration website.

This background provides context for the issues raised with revenue bodies in the survey undertaken: (i) Does the revenue body use a formal risk management process for identifying, assessing, and prioritizing its key compliance risks as part of its annual planning processes? and (ii) What are the main compliance risk areas (from a menu provided) identified for 2014–2015? The key findings from survey responses (Table 16) are set out below:

- Just about all revenue bodies reported having a formal risk management process for identifying, assessing, and prioritizing their key compliance risks. Further information would be required to understand the nature and robustness of the processes in place.

**Table 16:** Main Reported Areas of Tax Compliance Risks

Economy	Major Area of Tax Compliance Risk (✓ where applicable)								
	Profit Shifting/ Transfer Pricing	Other Tax Avoidance Schemes	Value-Added Tax Fraud	Other Tax Fraud	Hidden Economy	Evasion-Illegal Activities	Other Evasion	Unpaid Tax Debts	Non-filing of Returns
Australia	✓	✓	✓	✓	✓				
Brunei Darussalam			✓					✓	✓
Cambodia		✓	✓	✓	✓	✓	✓	✓	✓
China, People's Rep. of	✓	✓	✓					✓	✓
Hong Kong, China	✓	✓					✓	✓	✓
Indonesia	✓	✓	✓					✓	✓
Japan	–	–	–	–	–	–	–	–	–
Korea, Rep. of	✓	✓	✓		✓			✓	
Kyrgyz Republic		✓	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓			✓			✓	✓
Maldives								✓	✓
Mongolia	✓	✓	✓	✓	✓	✓		✓	✓
New Zealand	✓	✓		✓	✓			✓	
Papua New Guinea	–	–	–	–	–	–	–	–	–
Philippines		✓	✓		✓	✓	✓	✓	✓
Singapore	✓	✓	✓	✓	✓				
Tajikistan		✓	✓	✓	✓			✓	✓
Thailand	✓	✓	✓		✓			✓	

– = means country did not respond to question asked.

Note: The absence of a tick mark (✓) means country did not deem risk type to be major.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

- From a menu provided in the survey process, just about all revenue bodies were able to specify their main risk areas, with the most frequently reported risk types being

1. unpaid tax debts (14 revenue bodies),
2. tax avoidance schemes (13),
3. corporate profit shifting (11),
4. non-filing of tax returns (11),
5. hidden economy activities (i.e., unreported cash transactions) (11), and
6. VAT fraud (12).

## CHAPTER FIVE

# HUMAN RESOURCE MANAGEMENT

The revenue bodies covered by this series invest, on average, around 60% of their overall tax administration budget on staff remuneration. When account is taken of the additional costs associated with employing staff (e.g., accommodation, furniture, and equipment), the proportion of all costs directly attributable to employing staff is likely to be in the range, on average, of 70%–80% of total administrative expenditure. The staff of revenue bodies clearly constitutes a significant investment, and one that should be managed with considerable care and attention, particularly when account is taken of their important role in the overall system of government.

A recent OECD discussion paper draws attention to the broader environmental context in which public sector bodies must today operate, and the implications for internal human resource policies (OECDc):<sup>6</sup>

*“Today’s public administrations face numerous challenges which appear to be increasingly intertwined, cross-jurisdictional and less predictable. Globalization, the fast pace of technology, the impact of demographic and societal changes, and the shifting values of an increasingly diverse population all challenge public administrations to respond to the ever-changing diverse needs of the populations they serve. And this is occurring within the context of post-economic crisis fiscal consolidation and public sector downsizing. This fast changing world requires organizations to innovate, to use a diverse range of competencies to meet citizens’ expectations, and to promote often tailor-made solutions for citizens and other stakeholders...”*

### **Human resource management is a strategic enabler to achieve organizational success**

*The strategic orientation of human resource management is playing an increasingly important role in supporting sustainable reform efforts in public administration. To improve innovative capacity in public administration, as well as to implement reforms on a sustainable basis, the administration needs employees who not only identify strongly with their job tasks as contributors to public value, but who also identify strongly with their employer and its organizational goals. In terms of the structure of the body of personnel, new strategies are needed that take into account the needs and expectations of a diverse and, in part, aging workforce. In the future, three or four generations—each with different values, needs, and expectations (e.g., working conditions, work-life balance)—will work alongside one another, raising new challenges of finding appropriate management and communication styles. It is important to utilize, maintain, and foster their numerous and diverse competencies (e.g., intercultural competencies) in each phase of life (i.e., to value and foster diversity) in order to address the similarly diverse demands of citizens. This will require changes in knowledge management, with regard to, for example, intergenerational cooperation and knowledge transfer. The needs for such policies are often linked to the results of strategic workforce planning.”*

<sup>6</sup> OECD. 2015. *Lead-Engage-Perform, Public Sector Leadership for Improved Employee Engagement and Organisational Success*, p. 2. <http://www.oecd.org/gov/pem/lead-engage-perform-expert-meeting.htm>



## A. National Revenue Body Practice in Human Resource Management

There is relatively little information publically available on the approaches and practices of national revenue bodies for managing and developing their staff, even in respect of advanced economies. And needless to say, how revenue bodies go about this aspect of their responsibilities will vary enormously across continents and countries, given the many cultural, economic, political, and social factors that come into play. To provide some context and a potentially useful comparative analysis, this series relies on a framework for exploring human resource management matters that is set out in the EC's set of fiscal blueprints dealing with human resource management.<sup>7,8</sup> The fiscal blueprint for human resource management, which is expressed in fairly generic terms, seeks to promote

*“The development of a human resource management strategy, policies, systems and procedures that support the achievement of the tax administration’s objectives and the development of members of staff through structured training and professional development.”*

The fiscal blueprint for human resource management sets out the key components of a modern and efficient human resource management function. Within the blueprint itself, these are expressed in terms of a set of strategic objectives and accompanying indicators that taken together provide a summary of what a revenue body's human resource management setup should look like in practice. These are depicted in Figure 7.

This chapter provides a brief snapshot of national revenue body approaches to these matters drawing on survey responses that are tabulated in Tables 17 and 18, and revenue bodies' annual performance reports and other documents. The key observations and findings, along with a few country examples of particular approaches, are set out below:

### *Human Resource Management Strategy and Plan*

- Most revenue bodies reporting having a formal plan for their human resource management requirements, and at least half indicated that major policy changes were being planned or implemented concerning recruitment, training and development, performance management, or remuneration. However, very little information was provided concerning the nature of the policy changes being planned or implemented.

### *Staff Recruitment, Appointment, and Dismissal*

- The vast majority of revenue bodies reported having some level of autonomy in relation to staff recruitment and dismissal. However, a much smaller number reported having autonomy in relation to being able to fix the numbers and mix of staff, acknowledging the budget constraints that all revenue bodies face.

### *Assessment of Staff Satisfaction and Engagement*

- Around two-thirds of revenue bodies indicated that they undertake regular surveys of staff to assess levels of engagement, motivation, and satisfaction.

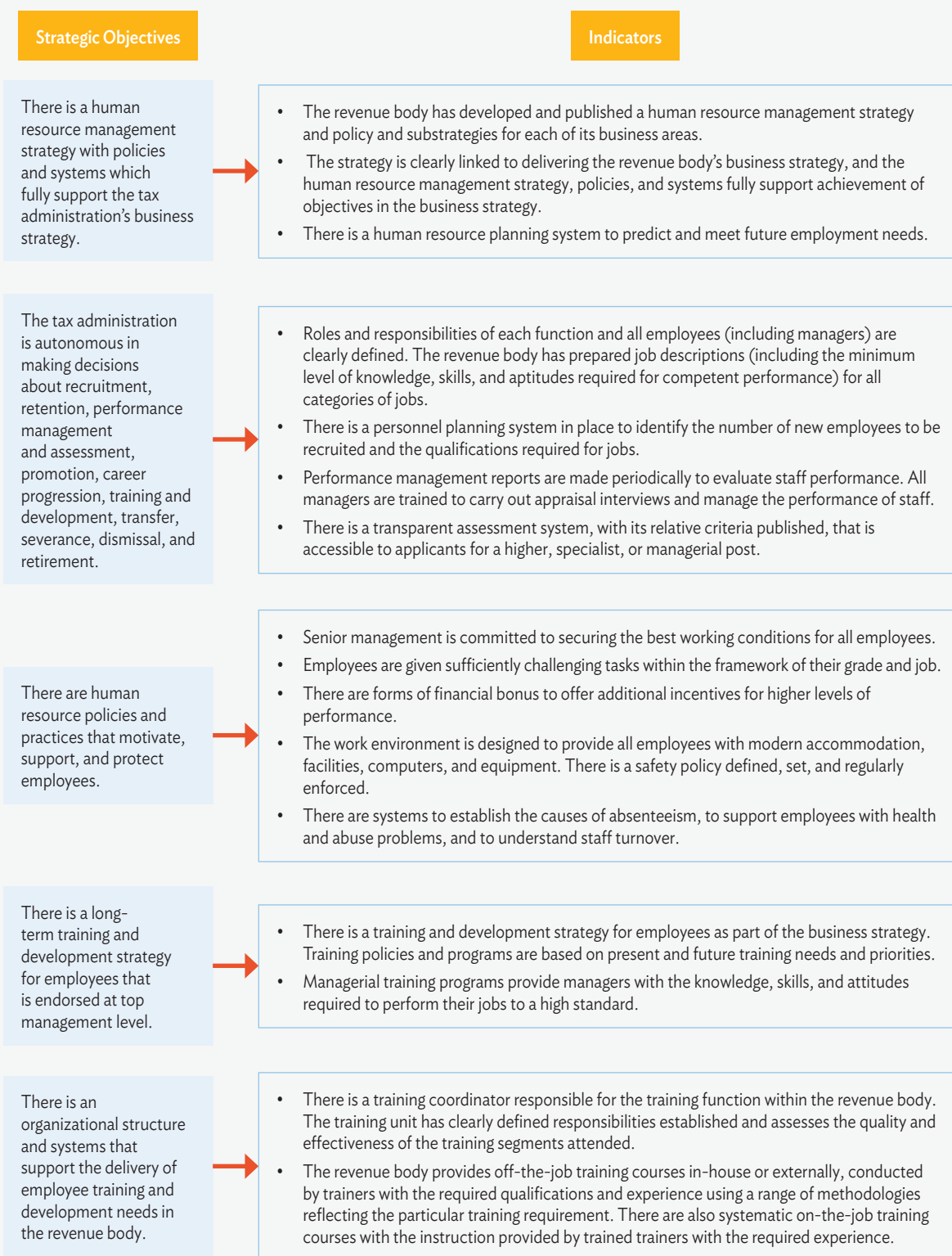
<sup>7</sup> EC. 2007. *Fiscal Blueprints—A Path to a Robust, Modern, and Efficient Tax Administration*. Luxembourg. p. 25.

<sup>8</sup> The OECD's *Tax Administration Series 2015* also relies on this same framework for its comparative analyses.



**Figure 7: Essential Elements of a Human Resource Management Strategy**

**Aim:** The development of a human resources management strategy, policies, systems, and procedures that support the achievement of the revenue body's objectives, and the development of staff through structured training and professional development.



Source: Compiled from EC Fiscal Blueprints, 2007.

Seeking feedback from staff in a systematic way can be a useful means of gauging the impacts of a revenue body's human resource management strategy and its general management. Revenue bodies in many advanced economies seek to obtain such feedback through regular surveys (e.g., conducted annually or biannually) using external researchers. In many cases, the results of such surveys are shared and discussed with staff. In some economies (e.g., the United Kingdom and the United States) there is a government-wide approach to measuring staff engagement, and agencies are ranked according to their overall performance levels, enabling them to gauge their "human resource health" vis-à-vis other government agencies, along with trends in their own performance.

Box 9 sets out further information on assessing staff satisfaction and engagement, including a brief reference to the approaches adopted by revenue bodies in both Hong Kong, China and Singapore.

### Box 9: Assessing Revenue Body Staff Satisfaction and Engagement

Many government organizations, including revenue bodies, seek to monitor the level of staff morale, job satisfaction, and overall staff motivation by conducting regular surveys of staff. These surveys serve as barometer of staff engagement and can assist in gauging whether organizational human resource management objectives are being met, and point to factors that may be negatively impacting aspects of organizational performance (e.g., productivity, taxpayers' perceptions, and organizational reputation). Many revenue bodies regularly conduct such surveys, or have other processes with a similar objective; for example,

- ✓ *Singapore's* Inland Revenue has an Organisational Climate Survey (OCS) that measures the effectiveness of the overall employee engagement process and identifies ways to enhance it. Inland Revenue analyses the results of each OCS and formulates organizational, divisional, or branch action plans to address the gaps identified. The OCS results and related outcomes are communicated to staff at a divisional and branch level. Besides OCS, Inland Revenue monitors staff feedback from various channels such as exit interviews with resigning staff and staff focus groups. Inland Revenue monitors the results from these channels and incorporates them in the review of engagement mechanisms.
- ✓ *Hong Kong's* Inland Revenue, while not conducting regular surveys of staff, has a number of processes in place that seek to promote staff engagement. As described in its 2014–2015 annual performance report, these include (i) a Departmental Consultative Committee that provides a formal and effective platform for the management and staff to exchange views on matters of mutual concern such as recruitment, promotion, career posting, training, working environment, staff welfare, office security, and safety; (ii) the General Grades Consultative Committee, chaired by the departmental secretary, which allows staff members of the secretarial and clerical grades to discuss with the management issues of specific interest to their grades; and (iii) a Meet-the-Staff Programme first launched in 1996–1997 that enables senior management of each unit and staff of Inland Revenue's various sections and groups to exchange ideas face-to-face regarding departmental and service-wide issues in an open and relaxed manner. It aims to supplement the formal consultative channel, and effectively enhances communication between staff and the management.

Sources: OECD *Tax Administration 2015* and Hong Kong Inland Revenue website (August 2015).

### Staff Development and Performance Management

- All revenue bodies reported that they were undertaking staff development in the area of risk management although more information is required to assess the nature and scale of such activities across all surveyed economies.

As described in the OECD's *Tax Administration 2015*,<sup>9</sup> the Australian Taxation Office (ATO) has a range of initiatives in place to enhance the risk management skills and commercial awareness of its staff. It has informal relationships with large-scale industries and it engages with many industries through

<sup>9</sup> OECD *Tax Administration 2015*, p. 155.

attendance at industry and professional conferences and external learning events. It also has regular contact with external organizations to discuss learning opportunities with the ATO. For example, the ATO has built a Learning and Development Community of Practice with several government and private organizations in Melbourne, Australia. It also engages external providers and subject matter experts for specific learning needs such as a quarterly tax update series provided by the Certified Practising Accountants Society, one of the professional bodies in Australia, with a special focus on real case studies. The ATO has also instituted an Expert Speaker Series that brings specialists in from the private sector to make presentations on specialized tax topics and management topics.

The ATO has a range of internal and externally facilitated formal courses that build capability around tax-effective activities of business; financial instruments; the oil, gas, and resource industries; and employer obligations. In addition, it uses external conferences to build commercial awareness in a wide range of client industries and professions. The ATO has a focus on private industry and public sector secondments designed to enhance capability. This has the potential to apply to a diverse range of technical and specialist roles where exposure to external operating environments would be beneficial.

Finally, the ATO has developed a Dispute Management Curriculum that provides a range of foundation, intermediate, and advanced level courses to address learning needs with respect to; prevention of disputes, recognizing emerging disputes, managing conflict situations, client relationship management, negotiation and influencing skills, facilitation, and understanding alternative dispute resolution.

### *Staff Remuneration*

- Less than half of revenue bodies reported that their remuneration levels are tied directly to civil service levels, meaning that for the majority, some flexibility exists. However, little information was forthcoming on the nature of the specific remuneration systems in place. As most revenue bodies reported that they do not have any autonomy in negotiating wage levels, it is more than likely that the flexibility which exists is limited to setting amounts of year-end bonuses that are relatively limited in their value.

As described in the OECD's *Tax Administration 2015* series, the Inland Revenue Authority of Singapore (IRAS) has considerable power and flexibility concerning staff remuneration levels. IRAS, which is established as a semi-autonomous revenue body, has its own scheme of service and a set of salary pay grades which are benchmarked to the jobs market. A performance-based remuneration system that ties rewards to performance has been adopted. Performance bonus and salary increments are given in addition to monthly salaries to recognize good performance and motivate staff to continue their good performance. Under this performance-based remuneration system, better performing staff are rewarded with higher performance bonuses and increments. The bonus payments corresponding to each performance grade are transparent, so staff can see the differentiated payments and be motivated to strive for better performance, thus reinforcing superior performance.

IRAS's Organisation Bonus Framework helps to strengthen the linkage between organization bonuses and business needs, and makes it more transparent to all staff. Key performance indicators are selected as the payment criteria for the Organisation Bonus Framework. The key performance indicators cover the critical areas of the business and affect all branches. All staff are familiar with the key performance indicators, and are able to relate and influence the outcomes. The number of key performance indicators met determines the amount of organisation bonus that IRAS can pay to staff, providing a direct linkage between staff performance and organizational performance.

**Table 17: Revenue Bodies' Human Resource Management Strategies**

Economy	Human Resource Management Strategic Plan	Major Policy Changes Implemented or Planned (✓ where applicable)			
		Recruitment	Training and Development	Performance Management	Remuneration
Australia	✓				
Brunei Darussalam	...	...	...	...	...
Cambodia	✓	✓	✓	✓	✓
China, People's Rep. of	✓		✓	✓	
Hong Kong, China	✓				
Indonesia	✓				
Japan	✓				
Korea, Rep. of	✓				
Kyrgyz Republic	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓
Maldives	✓				
Mongolia	✓				
New Zealand	✓				
Papua New Guinea	✓	✓	✓	✓	✓
Philippines		✓	✓	✓	✓
Singapore	✓				
Tajikistan	✓	✓	✓	✓	✓
Thailand	✓	✓			

... = data not available.

Note: No tick mark (✓) means not a priority area.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

## B. Staffing Metrics

The survey sought limited quantitative data on staffing levels, numbers of recruits and departures, and educational qualifications. Unlike the OECD's survey, it did not seek data on staff age profiles, meaning that such information is only available for a subset of economies in this series. From all of the information gathered, it is possible to make some broad conclusions and observations on staff turnover and attrition rates, age profiles, and educational qualifications.

### 1. Staff Turnover and Attrition Rates

The staff turnover and attrition rate reflects the rate at which staff leave an organization over the course of a year. Staff attrition, which is measured as a percentage, equals the number of staff departures in a particular year, divided by the average staffing level.

**Table 18: Aspects of Human Resource Management**

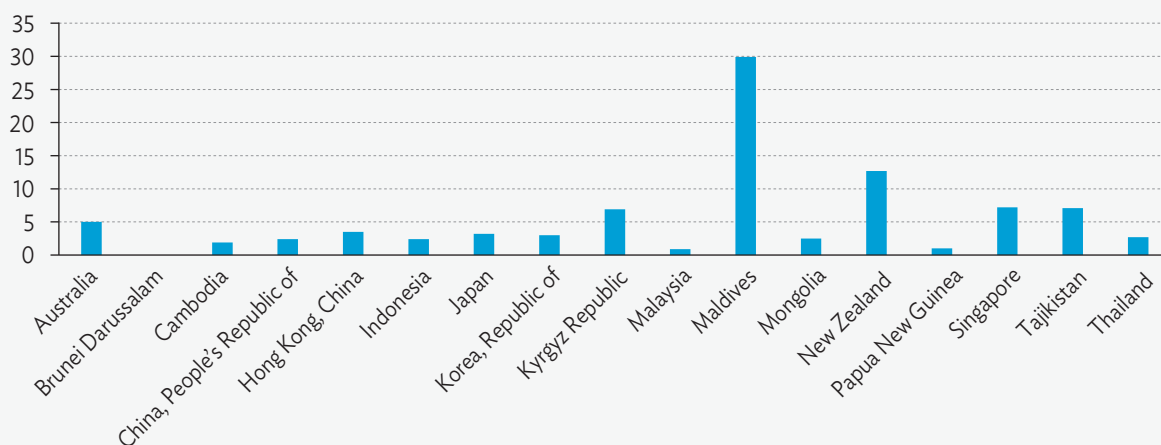
Economy	Aspects of Revenue Body's Human Resource Management Strategy and Approaches (✓ where applicable)				
	Periodic Surveys	Risk Management	Performance Management	Civil Service Remuneration	Rewards for Performance
Australia	✓	✓	✓		✓
Brunei Darussalam	✓	✓	✓	✓	✓
Cambodia		✓	✓	✓	✓
China, People's Rep. of	✓	✓			
Hong Kong, China		✓	✓	✓	
Indonesia	✓	✓	✓		
Japan	✓	✓	✓		✓
Korea, Rep. of	✓	✓	✓	✓	✓
Kyrgyz Republic		✓	✓		
Malaysia	✓	✓	✓		
Maldives	✓	✓	✓		✓
Mongolia	✓	✓	✓		
New Zealand	✓	✓	✓		✓
Papua New Guinea		✓	✓	✓	
Philippines	✓	✓	✓	✓	✓
Singapore	✓	✓	✓		✓
Tajikistan	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	✓

Note: No tick mark (✓) means not a priority area.

Sources: ADB and OECD survey responses.

The average staffing level is calculated by adding the number of staff at the beginning of the year to the number of staff at the end of the year and dividing the result by 2, and then multiplying the figure obtained by 100.

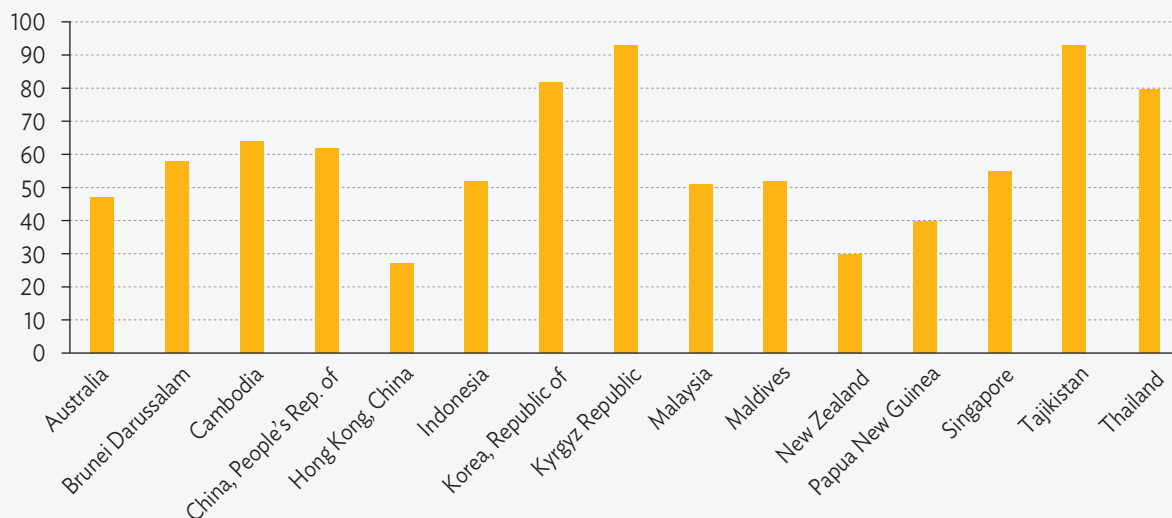
A high turnover rate can result from a variety of factors, for example, (i) high levels of staff dissatisfaction; (ii) significant downsizing impacts resulting from cuts in staffing expenditure; and (iii) age demographics (i.e., an aged workforce that sees significant numbers of retirements). The staff attrition rates computed for 2013 where data were available are set out in Figure 8, and generally show relatively low rates of staff movement for most revenue bodies. The sole major exception to this (e.g., the Maldives) experienced a relatively large number of staff recruits as part of a general expansion program and, at the same time, a fair number of staff departures.

**Figure 8: Staff Attrition Rates in Revenue Bodies in 2013 (%)**

Sources: ADB survey responses and OECD Tax Administration 2015.

## 2. Educational Qualifications

Revenue bodies typically perform a large volume of technical tax law related work, and for this reason require academically or professionally qualified lawyers, tax accountants, auditors, and investigators. Other areas of administration requiring professionally qualified staff typically include information technology, human resource management, economic analysis, and senior management. Figure 9 sets out responses from roughly two-thirds of the revenue bodies surveyed in relation to a question concerning the proportion of staff that had qualified at university or an equivalent level as of the end of 2013. As is evident from Figure 8, the reported rates vary significantly. Additional information would be required to understand all of the factors influencing the reported outcome.

**Figure 9: Percent of Staff with University Degree or Equivalent**

Sources: ADB survey responses and OECD Tax Administration 2015.

### 3. Age Profiles of Revenue Body Staffing

Data on the age profiles of revenue body staff are limited to the economies covered by the OECD's series and these are set out in Table 19, which also provides international comparative data from the OECD's *Tax Administration 2015*. Generally speaking, the profiles of revenue bodies in Asia reflect a considerably younger workforce than seen, on average, across OECD economies and this is also likely to be the case for the additional economies covered by this series.

**Table 19: Age Profile of Revenue Body Staff in the Region**

Region and Number of Economies	Average Percentage of Staff Aged:			
	<30 years	30–49 years	50–59 years	Over 60 years
North America (2)	9	48	33	10
Latin/South America (5)	6	47	31	14
Europe (25)	8	49	36	7
Nordic countries (5)	4	43	37	16
Russian Federation (1)	27	56	14	3
Middle East/Africa (4)	20	59	20	1
Asia (7)	10	71	19	<1
Pacific (2)	13	51	29	7
<b>OECD economies (32)</b>	<b>9</b>	<b>50</b>	<b>34</b>	<b>7</b>
<b>Non-OECD economies (30)</b>	<b>12</b>	<b>67</b>	<b>20</b>	<b>1</b>

OECD = Organisation for Economic Co-operation and Development.

Source: OECD *Tax Administration 2015*.

## CHAPTER SIX

# OPERATING BUDGETS AND STAFFING OF REVENUE BODIES

The overall level of resources (including staff) devoted to tax system administration is an important and topical issue for governments, their revenue bodies, and external observers. It is particularly critical in emerging economies, where the funds available for public sector administration are likely to be quite limited, where the tax payment culture is low, or where comprehensive use of modern technology for tax administration is yet to be fully realized.

A central issue for all revenue bodies concerns how to make optimal use of the funds allocated to them to administer the laws in the most efficient and effective manner. As noted earlier in this series, most revenue bodies have some flexibility in deciding how their available funding is used for carrying out their responsibilities. For some, it is possible to carry over unspent funds into the following fiscal year. Where such flexibility exists, resource allocation can be a critical part of planning, enabling resource shifts to be made to meet newly emerging priorities.

This chapter provides an account of the aggregate resource allocations made to revenue bodies to carry out their mandate and how those resources are used in broad terms, and uses an array of comparative ratios and trend data pointing to their relative performance across the economies covered by the series. As the revenue bodies included in this series administer a similar range of taxes, comparisons across economies can provide useful benchmarks. However, considerable care needs to be taken in making such comparisons and drawing conclusions around the relative efficiency or the adequacy of resource investments, particularly when contrasting the performance of revenue bodies in advanced and developing economies.

### A. Aggregate Resource Budgets and Expenditure

This section deals with revenue bodies' resource budgets, particularly the amounts expended for employing staff and investments in information technology (IT) and staff development (referred to as "human resource management expenditure"). For this series, the following definitions are used:

1. **Aggregate salary expenditure:** The total expenditure attributable to direct employee costs (including contributions to pension plans) for all roles performed by the revenue body. The reported amount should not include payments to contractors or consultants.
2. **Information technology expenditure:** The actual or estimated cost of providing all IT support from the revenue body's budget for all tax and non-tax roles.
3. **Human resource management expenditure:** The actual or estimated cost of providing all human resource management support functions (e.g., personnel, payroll, recruitment, learning and development) for administrative operations (including non-tax roles).

Tables 20 and 21 present comparative ratios dealing with salary expenditure, total expenditure on information technology, and human resource management expenditure as a share of total administrative expenditure for each year over the period 2010–2013. Figure 10 complements this data with a graphic representation of



**Table 20: Salary Expenditure as a Share of All Tax Administration Expenditure**

Economy	Percentage Share of Salary Expenditure in Total Expenditure on Tax Administration and Support Functions				Factors Affecting Comparability of Data Across Survey Economies
	2010	2011	2012	2013	
Australia	62.1	63.1	64.8	62.5	
Brunei Darussalam	...	...	...	...	
Cambodia	...	...	...	...	
China, People's Rep. of	...	...	...	...	
Hong Kong, China	86.6	88.9	88.0	86.4	
Indonesia	65.0	50.5	31.1	31.5	Total expenses include interest on overpayments – 2012/2013
Japan	80.5	80.7	81.4	81.0	
Korea, Rep. of	61.9	64.4	68.1	68.2	
Kyrgyz Republic	90.7	89.8	90.7	86.7	
Lao PDR	...	...	...	...	
Malaysia	79.2	82.4	75.4	78.4	
Maldives	68.1	78.1	36.8	79.7	Significant IT expenditure
Mongolia	42.4	18.6	41.4	43.6	Significant IT expenditure
Myanmar	49.7	45.2	...	...	
New Zealand	59.9	59.2	55.3	55.0	
Papua New Guinea	44.1	38.3	31.2	34.7	Significant IT expenditure
Philippines	53.6	53.4	63.1	53.6	
Singapore	52.8	55.3	56.7	54.0	
Taipei, China	...	...	...	...	
Tajikistan	51.6	27.2	20.4	20.8	
Thailand	60.5	59.1	63.5	62.8	
<b>Average</b>	<b>63.2</b>	<b>59.6</b>	<b>57.9</b>	<b>59.8</b>	
<b>OECD (34 economies)</b>	<b>72.0</b>	<b>71.9</b>	<b>71.8</b>	<b>71.2</b>	

... = data not available, IT = information technology, Lao PDR = Lao People's Democratic Republic.

Sources: ADB and OECD survey responses.

the percentage share of expenditure on information technology in total expenditure over the 4-year period 2010–2013 for revenue bodies able to report this data. The key observations that may be drawn from Tables 20 and 21 and Figure 10 are summarized immediately below.

## 1. Aggregate Salary Expenditure

The percentage share of salary expenditure in total expenditure on tax administration varies significantly across the economies surveyed. For the Maldives, Mongolia, and Papua New Guinea, large investments in information technology in one or more of the survey years significantly influenced this percentage share.

**Table 21: IT Expenditure and HRM Expenditure as a Share of Total Expenditure**

Economy	Percentage Share of Expenditure on IT in Total Expenditure on Tax Administration				Percentage Share of Expenditure on HRM in Total Expenditure on Tax Administration			
	2010	2011	2012	2013	2010	2011	2012	2013
Australia	21.7	21.5	21.1	21.2	5.3	6.0	4.7	4.2
Brunei Darussalam	...	...	...	...	...	...	...	...
Cambodia	...	...	3.4	4.3	...	...	...	...
China, People's Rep. of	...	...	1.9	1.9	...	...	...	...
Hong Kong, China	9.1	9.6	9.6	10.0	1.2	1.3	1.1	1.1
Indonesia	...	...	2.8	2.7	...	...	0.6	0.4
Japan	8.5	8.6	7.1	6.9	0.0	0.0	0.0	0.0
Korea, Rep. of	8.8	7.1	7.7	6.6	0.7	0.7	0.7	0.7
Kyrgyz Republic	2.7	2.9	<1.0	<1.0	1.5	1.4	...	...
Lao PDR	...	...	...	...	...	...	...	...
Malaysia	5.9	2.4	3.0	1.9	2.7	3.0	3.8	3.5
Maldives	23.4	13.0	40.3	8.7	17.0	11.8	...	...
Mongolia	27.5	12.4	47.1	53.8	...	...	1.1	1.8
Myanmar	...	...	...	...	...	...	...	...
New Zealand	24.5	22.5	18.8	18.3	1.5	1.6	1.5	1.8
Papua New Guinea	22.3	23.5	28.6	28.8	4.0	5.7	...	...
Philippines	12.6	16.5	10.2	13.7	0.8	0.6	0.7	0.5
Singapore	40.4	39.4	36.6	39.6	1.6	1.8	1.8	1.7
Taipei, China	...	...	...	...	...	...	...	...
Tajikistan	7.6	3.0	2.2	1.7	0.3	0.1	0.5	0.5
Thailand	...	...	1.3	0.3	1.6	1.7	2.3	2.2
<b>Average</b>	<b>16.5</b>	<b>14.1</b>	<b>14.6</b>	<b>13.6</b>	<b>2.9</b>	<b>2.8</b>	<b>1.6</b>	<b>1.6</b>
<b>OECD average (34 economies)</b>	<b>9.7</b>	<b>11.1</b>	<b>10.9</b>	<b>11.3</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>

... = data not available, HRM = human resource management, IT = information technology, Lao PDR = Lao People's Democratic Republic.

Sources: ADB survey responses (2014) and (2015), and OECD *Tax Administration Series 2015*.

Over the 4-year reporting period covered, the percentage share of expenditure on salaries in total expenditure on tax administration in the surveyed economies remained relatively stable at around 60%, a level well below that reported for OECD economies. While not examined in depth, this lower investment in staffing costs may reflect the relatively lower salaries of public sector officials in many of the developing economies included in the series.

In validating the expenditure data reported, a number of unusual expenditure accounting practices were identified in the official reports that, had they gone undetected, would have significantly impacted the results presented. For example, for Indonesia, the revenue body's reported administrative expenditure included outlays for "interest on overpayments of tax" made to taxpayers, while for the Philippines, total administrative

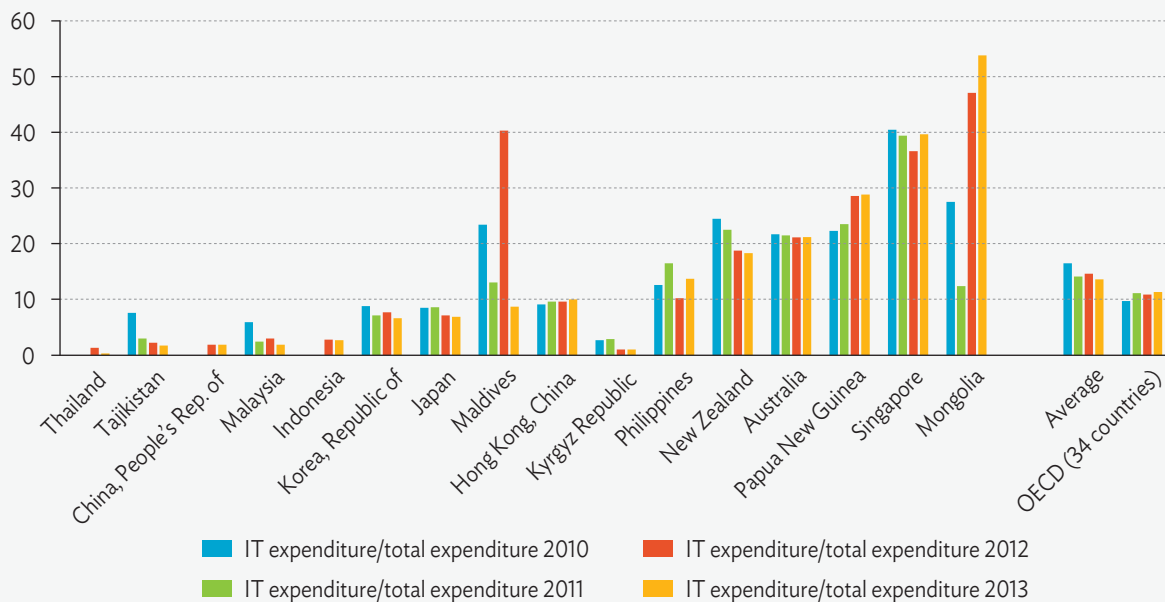
expenditure included the “value of tax refunds” made to taxpayers. For comparative purposes, neither of these items is regarded as an administrative expense item. As a result, they were excluded when calculating the percentage share of salary expenditure in total expenditure on tax administration.

## 2. Expenditure on Information Technology

Reported information technology costs in relation to total expenditure on tax administration can also vary enormously in size, particularly for economies that have made major investments in information technology for business system modernization programs (e.g., the Maldives). For others, the amounts reported remain at consistently low levels over the entire 4-year reporting period, a result that suggests relatively low levels of automation.

The average level of investment in information technology for all economies for which data are available suggests that expenditure on information technology is higher, on average, than in the OECD economies (Figure 10). However, the values presented in Figure 10 are abnormally impacted by data from a small number of economies for some years (e.g., Singapore, Maldives, Mongolia, and Papua New Guinea).

**Figure 10: Total IT Expenditure as a Share of All Administrative Expenditure in Selected Economies, 2010–2013 (%)**



Sources: ADB and OECD survey responses.

A fair number of revenue bodies were unable to report their amounts of information-technology-related expenditure, suggesting possible deficiencies in revenue bodies' resource management systems. On a more positive note, as reported in Chapter VII, the vast majority of revenue bodies reported that they have a formalized plan for improving the range and quality of electronic services provided to taxpayers, suggesting likely increased investment in information technology over the medium term.

### 3. Expenditure on Human Resource Management

Many economies were unable to report this item, and for a few, the information provided may not be entirely consistent with the survey information sought, particularly for the years 2010 and 2011.

## B. Cross-Economy Comparisons of the Relative Costs of Tax Administration

### 1. Ratio of Net Administrative Expenditure to Net Revenue Collected

As observed by the OECD,<sup>10</sup> it has become a fairly common practice for revenue bodies to compute and publish a “cost of collection ratio” as one of their measures of organizational efficiency and effectiveness. This ratio, which is computed by comparing the annual cost of tax administration (including support functions) with annual net revenue collections, is expressed as the cost to collect 100 units of revenue. Observed over a number of years, a downward trend in the value of the ratio may result from improvements in efficiency or effectiveness.

However, as observed by the OECD,<sup>11</sup> the ratio can also be significantly impacted by other factors unrelated to changes in administrative efficiency and effectiveness over time. For example, changes in the value of the ratio may be due to (i) major changes in tax rates and policies, (ii) abnormal levels of revenue body expenditure (e.g., major investments in information technology), (iii) economic factors, and (iv) changes in the scope of taxes collected by the revenue body.

When interpreting the ratio and its trend, analysts should remember that such factors may be at play, and that additional indicators may be required to reach definitive conclusions concerning changes in a revenue body’s efficiency and effectiveness over time.

The cost of collection ratio is also often used to make cross-country comparisons of revenue bodies’ performance. In this context, there are additional factors to be taken into account before drawing conclusions concerning relative efficiency and effectiveness. These include the following:

1. differences in tax rates and structures,
2. differences in the scope of taxes administered by revenue bodies,
3. whether the revenue body is responsible for collecting social security contributions,
4. differences in the scope of functions undertaken by the respective revenue bodies (which can impact their underlying cost structure), and
5. differences in the measurement methodology used for deriving the ratio.

For these reasons, use of the ratio in international comparisons should take account of, or at least acknowledge, the existence of such factors.

<sup>10</sup> OECD *Tax Administration 2015*, p. 178.

<sup>11</sup> OECD *Tax Administration 2015*, p. 179.

**Table 22: Tax Administration Expenditure as Percent of Net Revenue Collected**

Economy	Ratio of Total Costs of Tax Administration to Net Revenue Collected				Factors Affecting Comparability of Ratios
	2010	2011	2012	2013	
Australia	1.05	0.99	0.98	0.93	
Brunei Darussalam	...	...	...	...	
Cambodia	...	...	0.25	0.35	Costs may be slightly understated
China, People's Rep. of	...	...	...	...	
Hong Kong, China	0.85	0.75	0.65	0.66	Excise taxes not included
Indonesia	0.48	0.55	0.60	0.56	Excise taxes not included
Japan	1.93	1.75	1.84	1.74	
Korea, Rep. of	0.81	0.76	0.70	0.74	
Kyrgyz Republic	1.44	1.15	1.66	1.78	
Lao PDR	...	...	...	...	
Malaysia	0.78	0.70	0.82	1.00	Direct taxes only
Maldives	...	0.37	0.87	0.52	No personal income tax
Mongolia	0.09	0.22	0.10	0.08	
Myanmar	0.50	0.40	...	...	
New Zealand	0.81	0.89	0.92	0.85	Excise taxes not included
Papua New Guinea	0.61	0.47	0.72	0.69	
Philippines	0.79	0.71	0.59	0.61	
Singapore	0.89	0.87	0.78	0.79	Excise taxes not included
Taipei, China	0.71	0.65	...	...	
Tajikistan	1.20	2.02	1.86	1.98	SSCs included in tax revenue
Thailand	0.83	0.76	0.73	0.71	

... = data not available, Lao PDR = Lao People's Democratic Republic, SSC = social security contribution.

Sources: ADB survey responses, OECD *Tax Administration 2015*, and Sri Lanka *Annual Report 2013*.

Table 22 presents annual values for the cost of collection ratio for the period 2010–2013 for the economies covered by this series. Given that the economies included in the series cover a broad mix of advanced, emerging, and developing economies, all of these factors are likely influence the value of the ratios reported. Key observations from the information provided in Table 22 are as follows:

- Computed ratios tend to be relatively low for economies with a low tax-GDP (e.g., Cambodia, Indonesia, and Myanmar). In the case of Mongolia, the ratio is heavily influenced by the large amount of tax revenue from resource extraction.
- For a few economies (e.g., Australia; Hong Kong, China; the Philippines; and Thailand) there is a consistently declining trend in the reported values for the ratio. This may be attributable to a variety of factors (e.g., positive macroeconomic developments, increased levels of taxation, and increased administrative efficiency or effectiveness).

## 2. Percentage Share of Tax Administration Expenditure in GDP

The total resources devoted by governments to tax administration can also be viewed in a comparative context by relating tax administration expenditure to the gross domestic product (GDP) of the economy in question and observing the trend in the values for this variable over time. In other words, what proportion of an economy's total domestic income is devoted to national tax administration? While such a ratio is useful in that it removes the influence of tax law changes that can impact the cost of collection ratio, there are factors unrelated to changes in efficiency that can influence the value of this ratio over time (e.g., significant one-time investments in information technology). Table 23 presents annual values for the tax administration expenditure to GDP ratio for the economies included in the series.

**Table 23: Tax Administration Expenditures as Percent of Gross Domestic Product**

Economy	Percentage Share of Tax Administration Expenditure in GDP (measured at market prices)				Factors Affecting Comparability of Data Presented
	2010	2011	2012	2013	
Australia	0.206	0.193	0.198	0.191	
Brunei Darussalam	...	...	...	...	
Cambodia	...	...	0.010	0.015	
China, People's Rep. of	...	...	0.130	0.121	
Hong Kong, China	0.059	0.056	0.056	0.057	
Indonesia	0.041	0.050	0.061	0.057	
Japan	0.143	0.142	0.152	0.148	
Korea, Rep. of	0.106	0.103	0.098	0.099	
Kyrgyz Republic	0.304	0.234	0.187	0.186	
Lao PDR	...	...	...	...	
Malaysia	0.078	0.081	0.102	0.122	Expenditure for direct taxes only
Maldives	0.017	0.054	0.016	0.011	
Mongolia	0.016	0.042	0.015	0.014	
Myanmar	0.015	0.013	...	...	
New Zealand	0.187	0.201	0.214	0.202	
Papua New Guinea	0.134	0.109	0.152	0.150	
Philippines	0.072	0.074	0.059	0.064	
Singapore	0.083	0.088	0.083	0.088	
Taipei, China	0.085	0.085	...	...	
Tajikistan	0.143	0.259	0.259	0.319	
Thailand	0.104	0.109	0.087	0.087	

... = data not available, Lao PDR = Lao People's Democratic Republic.

Sources: ADB survey responses, OECD *Tax Administration 2015*, and IMF.

The key observations that may be drawn from the data presented in Table 23 are as follows:

- As would be expected, values for the ratios vary significantly across the advanced, developing, and emerging economies included in the series, with the more advanced economies (e.g., Australia, Japan, and New Zealand) generally spending a far greater percentage share of their GDP on national tax administration than the developing and emerging economies. For many of the advanced economies, the values presented range from 0.15% to 0.25% of GDP.
- While the series includes a fair number of developing economies for which the percentage share of tax administration expenditure in GDP appears to be quite low (e.g., Cambodia, Mongolia, and Indonesia), the corresponding value for Tajikistan over most of the years reported appears to be abnormally high.

### 3. Relative Staffing Levels

Table 24 presents values for four different variables relating to the staff strength of the national revenue bodies included in the series. The *first* of these variables reports the total number of full-time equivalent staff positions (FTEs) used by the national tax bodies for all tax-related functions performed. The *second* variable reports the number of FTE positions used solely for tax administration and related support functions.

The *third* variable presented in Table 24 is the ratio of the number of FTE staff positions used solely for tax administration and related support functions to the total population of the economy in question. This variable in essence reports the *number of taxpayers* served by one FTE staff position in tax administration and related support functions.

The *fourth* variable presented is the ratio of the number of FTE staff positions used solely for tax administration and related support functions to the total labor force of the economy in question. This variable in essence reports the *number of labor force participants* served by one FTE staff position in tax administration and related support functions.

Note the relatively low tax administration staff strength both per taxpayer and per labor force participant in Cambodia, Indonesia, Papua New Guinea, and the Philippines.

### 4. Allocation of Staff Resources among Tax Administration Functions

Revenue bodies have important choices to make concerning how their limited resources are allocated to undertake the tasks required for effective administration of the laws. On the one hand, staff resources must be allocated to deal with *mandatory* work streams (e.g., registering taxpayers, processing tax returns and tax payments, and answering taxpayer inquiries). On the other, while resources must be devoted to other important work categories (e.g., taxpayer education, audits, and debt collection), these latter work categories are subject to a degree of discretion. However, adequate resources must also be allocated to critical support capabilities (e.g., information and communication technology, staff development, and finance).

Ideally, revenue bodies should be able to optimize their use of technology, and employ clever organizational design and business practices that minimize the resources required for mandatory work streams and organizational support capabilities, thereby maximizing the amount of remaining resources available for discretionary work

**Table 24: Revenue Body Staff Usage and Selected Staff Usage Ratios**

Economy	Aggregate Staff Usage		Staff Usage Ratios		Factors Affecting Comparability of Computed Staff Usage Ratios
	All Roles	Tax and Related Support Roles	Taxpayers/FTE	Labor Force Participants/FTE	
Australia	20,248	17,477	1,323	699	
Brunei Darussalam	34	34	12,352	5,882	Corporate tax only
Cambodia	1,417	1,412	10,694	6,090	
China, People's Rep. of	756,000	...	1,795	1,048	
Hong Kong, China	2,826	2,588	2,790	1,491	
Indonesia	32,273	32,273	7,742	3,724	
Japan	56,194	56,194	2,265	1,170	
Korea, Rep. of	18,841	18,841	2,665	1,373	
Kyrgyz Republic	2,255	22,255	2,456	1,152	
Lao PDR	...	...	...	...	
Malaysia	11,049	9,005	3,299	1,488	Only direct taxes
Maldives	178	178	1,910	899	No personal income tax
Mongolia	1,824	1,824	1,557	713	
Myanmar	...	...	...	...	
New Zealand	5,282	3,433	1,302	705	
Papua New Guinea	399	399	18,345	8,220	
Philippines	9,849	9,849	9,990	4,291	
Singapore	1,898	1,898	2,845	1,128	
Taipei, China	...	...	...	...	
Tajikistan	1,783	1,627	5,039	2,200	
Thailand	23,129	23,129	2,897	1,706	

... = data not available, FTE = full-time equivalent, Lao PDR = Lao People's Democratic Republic.

Sources: ADB survey responses, OECD *Tax Administration 2015*, and Sri Lanka *Annual Report 2013*.

that can secure additional tax revenue and improve overall voluntary compliance. Table 25 sets out data on how revenue bodies reported their allocations of staff resources to broadly defined work groupings.

The reader should note that the survey data presented in Table 25 should be interpreted with considerable care, as the work groupings presented in the table may not readily align with the organizational structures of some revenue bodies. Further, it is possible that these work groupings may have been misinterpreted by the revenue bodies reporting the data presented. In sum, readers should view the data presented in Table 25 as estimates of the values they represent rather than as absolute numerical values. Bearing this qualification in mind, the key observations that may be drawn from the data presented in Table 25 are as follows.

- The average allocation of staff resources to each work grouping is broadly consistent with those of national tax bodies in the OECD economies, although there are large variations in the values presented for the individual survey economies.



- Allocations for verification functions appear to be abnormally high in a few economies (e.g., Japan and the Philippines), and may include resources devoted to the clerical vetting of returns rather than actual verification of the data reported.
- Allocations for verification functions appear to be relatively low for Cambodia; Hong Kong, China; the Kyrgyz Republic; Papua New Guinea; and Tajikistan.
- Allocations for debt collection appear to be very low for Cambodia, Indonesia, and the Philippines.
- A number of economies (e.g., Brunei Darussalam, Cambodia, Indonesia, and the Philippines) reported abnormally large allocations to support functions, which may warrant further examination.

**Table 25: Staff Usage (2013) by Major Tax Functional Groupings (% of Total Usage)**

Economy	Percentage Share of Total Staff Strength Allocated to:					
	Account Management	Verification	Tax Debt Collection	Other Tax Functions	Support: Human Resources	Support: Other Functions
Australia	17.5	35.0	9.8	16.5	6.0	15.2
Brunei Darussalam	0.0	55.9	8.8	0.0	0.0	35.3
Cambodia	8.6	21.2	4.5	10.1	5.5	49.9
China, People's Rep. of	...	...	...	...	...	...
Hong Kong, China	58.8	9.3	17.2	2.0	0.1	12.5
Indonesia	20.8	14.0	2.0	2.1	9.2	51.9
Japan <sup>a</sup>	0.0	63.3	21.2	2.3	0.7	12.4
Korea, Rep. of <sup>b</sup>	58.0	24.0	1.0	9.3	0.6	7.1
Kyrgyz Republic	15.9	15.5	18.7	41.6	3.6	5.4
Malaysia	9.1	37.9	23.6	15.1	2.0	12.2
Maldives	6.2	40.4	22.5	20.8	2.2	14.0
Mongolia	13.0	25.0	-----39.0-----		-----23.0-----	
New Zealand	37.4	22.4	9.4	6.4	2.0	22.5
Papua New Guinea	26.1	21.3	22.1	<1	-----30.1-----	
Philippines	1.8	58.5	2.6	5.3	29.9	1.9
Singapore	8.7	52.2	11.1	9.7	1.6	16.8
Tajikistan	20.6	12.1	6.6	54.4	1.2	4.0
Thailand	...	...	...	...	...	...
<b>Average</b>	<b>18.8</b>	<b>31.7</b>	<b>12.5</b>	<b>13.4</b>	<b>5.6</b>	<b>18.0</b>
<b>OECD (average)</b>	<b>27.2</b>	<b>36.2</b>	<b>10.8</b>	<b>9.2</b>	<b>2.9</b>	<b>13.6</b>

... = data not available.

<sup>a</sup> Japan: Staff involved in verification and tax debt collection functions also perform account management functions.

<sup>b</sup> Republic of Korea: No dedicated function. Taxpayer account management and verification staff engage in debt collection.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

# CHAPTER SEVEN

## TAX ADMINISTRATION OPERATIONS

This chapter provides a summary of recommended practices and observed features and operational performance-related information for selected aspects of revenue body operations. These aspects include (i) taxpayer registration, (ii) taxpayer services, (iii) tax verification, (iv) tax dispute resolution, and (v) tax debt collection. Performance-related information on the use of electronic services for filing of returns and tax payment operations is set out in Chapter VIII.

The provision of recommended guidance aims to give readers a sense of the importance and relevance of the subject area in question, and help them judge the significance of any findings and observations reported for individual bodies or groups. The recommended guidance provided in this chapter has been adapted from the IMF's Field Guide that supports tax administration officials in the use of the Tax Administration Diagnostic Assessment Tool (TADAT), and is presented in abbreviated form. An outline of the assessment tool is given in Box 10, while more comprehensive information on TADAT can be found at [www.tadat.org/](http://www.tadat.org/)

### Box 10: The IMF's Tax Administration Diagnostic Assessment Tool

#### Purpose

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., national 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, and
- ✓ 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 economy to assess the relative strengths and weaknesses of its tax administration system. TADAT assessments focus on administration of the major direct and indirect taxes critical to central or federal government revenues. Social security contributions 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 economies. By assessing outcomes in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of an economy's tax administration system. TADAT provides an assessment within the economy's existing revenue policy framework, with assessments referencing nine outcome areas and highlighting performance issues that may be best dealt with by a mix of administrative and policy responses. The nine outcome areas referenced are as follows

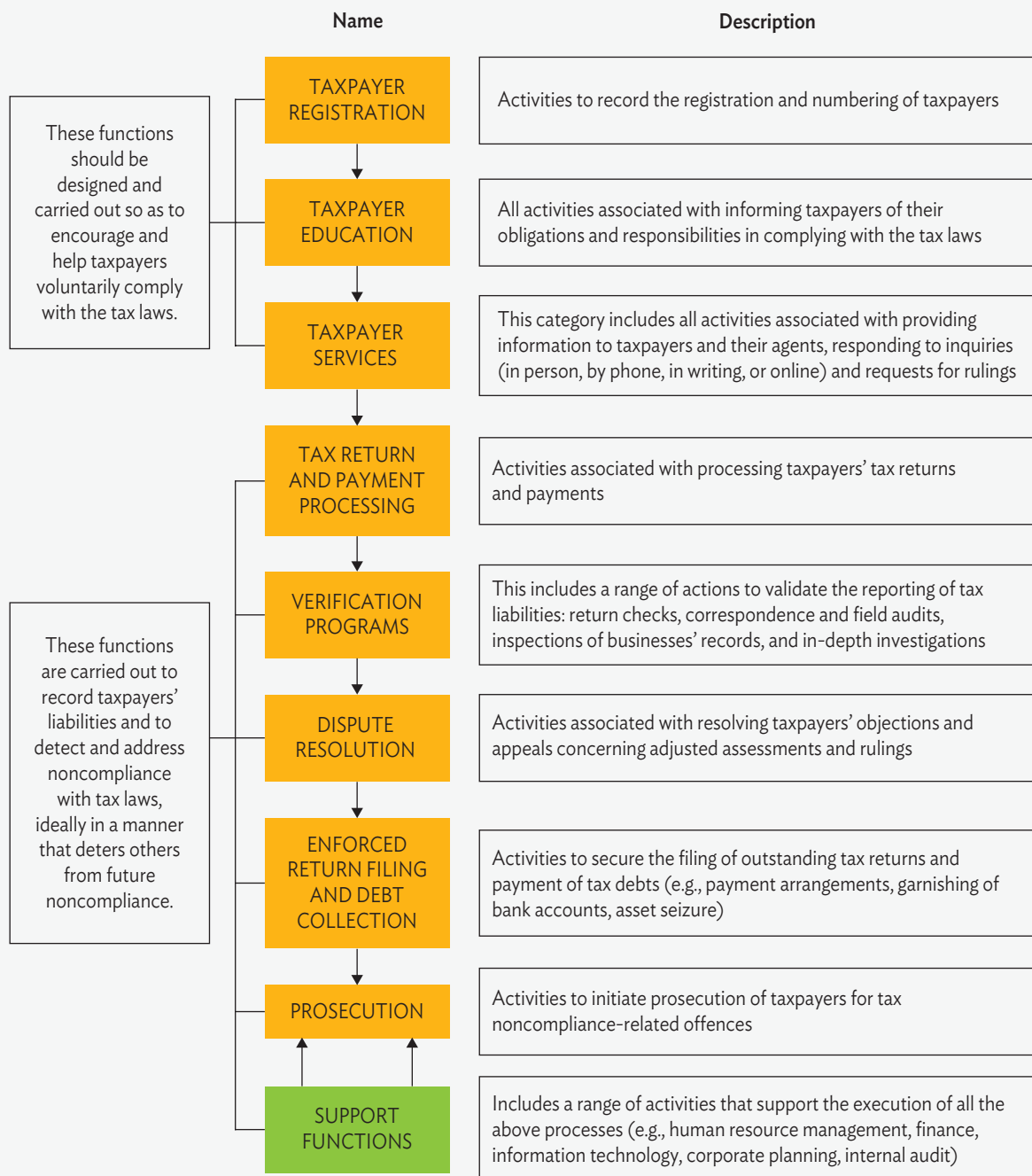
1. integrity of the registered taxpayer database,
2. effective risk management,
3. supporting voluntary compliance,
4. timely filing of tax declarations,
5. timely payment of taxes,
6. accurate reporting in tax declarations,
7. effective dispute resolution,
8. efficient revenue management, and
9. accountability and transparency.

Source: IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

## A. The Processes of Tax Administration

Regardless of the taxes or the economy in which they are levied, there is a common set of processes that must be undertaken by revenue bodies to effectively carry out their mandate. These processes are depicted in Figure 11.

**Figure 11: The Functions of Tax Administration**



Source: Author.

Given the comparative nature of this series, efforts were made when gathering survey data to ensure that common definitions were used by revenue bodies in interpreting the various terms used. Furthermore, steps have been taken to validate the data, computations, and related observations made in this chapter with all participating revenue bodies.

## B. Registration and Taxpayer Identification

The identification and registration of taxpayers, both individuals and entities, is fundamental to a revenue body's system of managing all aspects of taxpayers' tax affairs. The systematic registration of taxpayers' identification data (and its updating) and the allocation of a unique high-integrity taxpayer identifier enable the efficient conduct of all downstream administration processes. Practical guidance for achieving an effective system of taxpayer identification and registration is set out in Box 11.

### Box 11: Good Practices in Taxpayer Registration and Identification

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 pay-as-you-earn 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 other government agencies (e.g., Ministry of Finance, government auditor, and legislature and its committees).

Good practices adopted by tax administrations to achieve an effective and efficient system of taxpayer registration and identification include the following:

- ✓ 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 information technology system to support all aspects of registration and identification, and related administrative processes (see TADAT guide for more detailed features).
- ✓ 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 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 or unregistered workers.

Source: IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

**Table 26: Numbers of Registrations for Major Taxes (end of 2013)**

Economy	Number of Taxpayers Registered at End of 2013 (millions)			Total PIT Registrants as a % of Labor Force
	Personal Income Tax (PIT)	Corporate Income Tax (CIT)	Value-Added Tax (VAT)	
Australia	27.2	3.1	2.7	223
Brunei Darussalam	No PIT	0.015	No VAT	Not applicable
Cambodia	...	<0.01	<0.01	...
China, People's Rep. of	...	7.71	24.24	...
Hong Kong, China	3.30	0.96	No VAT	85
Indonesia	25.06	2.32	0.51	21
Japan	22.0 (2012)	3.0 (2012)	3.0 (2012)	33
Korea, Rep. of	21.4 (2012)	0.57	5.9 (2012)	83
Kyrgyz Republic	0.4	0.09	0.009	15
Malaysia	6.79	0.77	No VAT	51
Maldives	No PIT	0.005	0.006	Not applicable
Mongolia	1.05	0.11	0.026	81
New Zealand	3.70	0.45	0.63	153
Papua New Guinea	0.026	0.041	0.020	<1
Philippines	14.3	0.72	0.44	33
Singapore	2.0 (2014)	0.18 (2014)	0.09	93
Tajikistan	...	0.0003	0.004	...
Thailand	16.76	0.72	0.49	42

... = data not available.

Sources: ADB survey responses, OECD *Tax Administration 2015*, and Sri Lanka Inland Revenue Annual Report 2013.

For this series, revenue bodies were requested to describe the features of their system of taxpayer identifiers for each of their major taxes and the volumes of registrations recorded as of the end of 2013 (Table 26). The key findings and observations regarding these data are as follows:

## 1. Personal Income Tax

- The vast majority of revenue bodies reported having a unique taxpayer identifier for their personal income tax. Survey responses generally reflected a preference by revenue bodies for an identifier that is fully numeric, incorporates a check digit, and does *not* contain taxpayer-specific characters (e.g., date of birth and office of registration).
- Using labor force population data as a benchmark, the relative size of the registered taxpayer populations varies enormously, reflecting widely varying degrees of reliance on the personal income tax and features of tax system design.

- Only three economies appear to have a comprehensive database of their personal taxpayers (i.e., Australia, New Zealand, and Singapore), while both Hong Kong, China and the Republic of Korea are approaching this position. Japan is also likely to achieve this outcome once its new taxpayer registration system comes on line from late 2015 (Box 12). As a general observation, the vast majority of revenue bodies in developing and emerging economies have a relatively small database of personal taxpayers.

### Box 12: Japan's New Taxpayer Identification and Numbering System

In 2013, the Government of Japan announced its intention to establish a new taxpayer identification and numbering system for tax and social security contribution administration. The proposal is one of many efforts being made to enhance taxpayer convenience and to boost efficiency of tax administration. A brief description of this proposal from the National Tax Agency's (NTA) 2015 annual report is set out below.

#### 1. Outline of the Social Security and Tax Number System

The social security and tax number system is the base of a more fair social security and tax system, and will contribute to peoples' convenience and a higher degree of efficiency of administration, as it forms part of the infrastructure of an information society. Upon the introduction of the new system, the NTA will act as an entity assigning corporate numbers, and also as an entity utilizing individual and corporate numbers.

- ✓ **Individuals' social security and tax numbers:** From October 2015, a 12-digit individual number will be designated to anyone holding residential registration. Individuals will be notified of their number by municipal offices that will send a notification card to the residential registration address. The use of individual numbers is limited to the procedures prescribed by law or municipal regulations, such as procedures in the fields of social security, taxes, and disaster measures.
- ✓ **Corporate numbers:** From October 2015, a 13-digit corporate number will be designated to each corporation, such as stock companies. The NTA will send a written notice to the corporation's registered location notifying the corporation concerned of the new number. The following three types of information on the corporation will be publicly announced and available to anyone: (i) trade name or name, (ii) location of headquarters or main office, and (iii) corporate number.

#### 2. Actions as an entity utilizing individual and corporate numbers

- ✓ **Utilization in the national tax field:** Upon the introduction of the Social Security and Tax Number System, an individual or corporation will have to fill in the numbers (individual or corporate numbers) of payment-submitting parties, and parties receiving payments. These numbers will be filled in on the statutory statements and declaration forms they submit to the tax authority. When individual numbers are provided, it is necessary to confirm the identity of the individual to prevent identity fraud. Therefore, the NTA enacts a notice that establishes specific procedures to confirm the identity of individuals in the national tax field.

**Improving convenience for taxpayers:** Taking the opportunity of the introduction of the Social Security and Tax Number System, the NTA is considering further improving convenience for taxpayers. Specifically, (i) attaching a certificate of residence can be omitted in a declaration procedure to receive, for instance, a housing loan tax credit; and (ii) electronic filing can be centralized for the withholding record and the payment record of salaries and pensions, which are currently submitted to both the national and local governments. Thus, under the FY2015 tax reform, attaching certificates of residence to various declarations is no longer required.

- ✓ **Recognizing income properly and more efficiently:** In the field of national taxes, as numbers will be required on documents such as declaration forms and statutory statements, the NTA expects that name-based aggregation of statutory statements and matching with declaration forms will become more accurate and efficient, and, in turn, income will be recognized more accurately. As a matter of course, it is difficult to recognize and verify some transactions, including information on business income and foreign assets and transactions, with statutory statements only. Therefore, recognizing all income is difficult even with these numbers.
- ✓ **Conducting public relations activities:** To facilitate the introduction of the Social Security and Tax Number System, the NTA is actively conducting public relations campaigns by publishing frequently asked questions and other information regarding the Social Security and Tax Number System on its website, and communicating this information to relevant private sector entities and industrial associations.

## 2. Corporate Income Tax and Value-Added Tax

- The vast majority of revenue bodies reported having a unique taxpayer identifier for their corporate income tax and, where applicable, value-added tax systems. Generally speaking, survey responses reflected a preference for a unique identifier that is fully numeric, incorporates a check digit, and does *not* contain taxpayer-specific characters (e.g., date of birth, office of registration).
- For many revenue bodies, the numbers of registered VAT taxpayers appears to be relatively low, possibly as a result of high levels of VAT registration thresholds, and inevitably in part due to registration noncompliance.

## C. Taxpayer Services

With their primary goal to achieve high levels of voluntary compliance, revenue bodies are expected to provide a comprehensive, well-targeted, and responsive range of services for taxpayers and their representatives. Tax laws are inevitably complex, and citizens and business owners are often unfamiliar with the technical jargon of tax-related topics as well as changes in tax policy and administrative requirements that impose new obligations. Practical guidance from the TADAT Field Guide on the importance of service delivery and critical features of a comprehensive service program are set out in Box 13.

## D. Verification Programs

Revenue bodies typically undertake a large variety of activities to check taxpayers' compliance with the laws. For this series, the OECD's term "verification" is used as a generic descriptor to encompass all such activities, and is defined as "*comprising all of the activities typically undertaken by revenue bodies to check whether taxpayers have properly reported their tax liabilities in the returns filed by them.*" The primary verification activity undertaken by revenue bodies is usually described by the term "tax audit" (including field, desk, or correspondence audits) or "tax control." Less frequently used terms are "examinations" and "enquiries." It is also known that across revenue bodies, "audit" activities vary in their scope and intensity, and indeed in the precise nature of actions taken by officials that are deemed to constitute an audit. Revenue bodies also carry out various other activities (e.g., in-depth fraud investigations, income-and-document matching checks, phone inquiries, computer-based audit and mathematical checks, and inspections of books and records) that can result in changes to taxpayers' reported liabilities. For this series, the information provided aims to reflect all forms of revenue body verification activity. However, it does not include work, and resultant taxes and penalties, generated from returns filed by taxpayers after follow-up actions related to non-filing enforcement.

## 1. International Guidance on Good Practice

The requirement of revenue bodies to have systems and measures in place to validate the accuracy of reported tax liabilities is specifically addressed in the IMF's diagnostic tool (TADAT) and advice offered on good practice, as described in Box 14.



### Box 13: Good Practices in Service Delivery

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. Furthermore, taxpayers 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. Good practices adopted by tax administrations to achieve improved voluntary compliance include the following:

- ✓ 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 inquiry 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 and response times) associated with taxpayer requests for information. These standards are often set out 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).

Source: IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

## 2 Information and Access Powers

The ability of revenue body officials to readily and efficiently obtain information required to validate taxpayers' liabilities is essential for the smooth functioning of the tax system. To this end, tax laws typically include provisions that enable tax officials to obtain information from taxpayers and other parties on request, either orally or in writing, and to have adequate access to taxpayers' books and records. For this series, a menu of powers was identified and revenue bodies were requested to indicate their applicability under their respective tax laws. Tables 27a–b summarize their responses in this regard. The key points with regard to information and access powers are as follows:

- With one exception (i.e., the People's Republic of China [PRC]), all revenue bodies have powers to obtain relevant information, and all these powers extend to requests to third parties.



### Box 14: Good Practices in Ensuring Accuracy of Reporting

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in their tax declarations. This is especially the case in relation to the income tax affairs of business taxpayers where, compared with employee and investor-type taxpayers, there is often less use of withholding at source and systematic use of third party information reporting obligations. 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).

Good practices adopted by tax administrations to ensure the accuracy of reporting 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.
- ✓ Building capacity in systematic cross-checking of third party information (e.g., from banks, stock exchanges, and government agencies) with amounts reported in tax declarations.
- ✓ Supporting audit operations with: (i) an information technology system that provides a consolidated view of the taxpayer's compliance history across all core taxes; (ii) centralized audit case selection using analytics to select the highest risk cases within a target population of taxpayers; (iii) an automated case management system that allocates audit cases, monitors progress, records decisions, stores working papers and data, and generates management reports; (iv) computer-assisted audit tools that automate the extraction, analysis, and cross-checking of large volumes of data from the taxpayer's accounting system; and (v) 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 offenses such as falsification of records.
- ✓ 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 (e.g., public rulings and private rulings) to provide taxpayers with certainty as to how the tax administration will apply the tax law to particular transactions.
- ✓ 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 following:
  - the taxpayer demonstrating (a) good governance of their tax affairs, including an appropriate level of validation and review of their 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; and
  - 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 overall level of inaccurate reporting through various methods, for example (i) tax gap analysis; (ii) use of advanced analytics using large data sets to determine the likelihood of taxpayers making full and accurate disclosures of income; and (iii) surveys monitoring taxpayer attitudes toward the accurate reporting of income.

Source: IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

- With one exception (i.e., the Kyrgyz Republic), taxpayers are required to produce all records on request from revenue bodies.
- Less than half of surveyed revenue bodies have powers of access to taxpayers' business premises and dwellings for the purpose of obtaining information required to verify or establish tax liabilities without the need for taxpayers' consent or search warrants. For a few, such access is permitted only in business hours.

- Just over half of surveyed revenue bodies require a warrant to seize taxpayers' documents. A minority of revenue bodies can request a search warrant without the help of other government agencies.
- Looking across the full range of powers specified, the information-gathering and access powers of revenue bodies in Cambodia, the PRC, Indonesia, Japan, the Republic of Korea, the Kyrgyz Republic, and the Maldives appear fairly limited in scope.

**Table 27a: Verification: Information Access and Search Powers of Tax Officials**

Economy	Type of Power Available to Tax Administration Officials (✓ where applicable)			
	Obtain All Relevant Information	Powers Extend to Third Parties	Taxpayers Must Produce Records on Request	Obtain Information from Other Government Bodies
Australia	✓	✓	✓	✓
Brunei Darussalam	✓	✓	✓	✓
Cambodia	✓	✓	✓	✓
China, People's Rep. of			✓	✓
Hong Kong, China	✓	✓	✓	✓
Indonesia	✓	✓	✓	✓
Japan	✓	✓	✓	✓
Korea, Rep. of	✓	✓	✓	✓
Kyrgyz Republic	✓	✓		✓
Malaysia	✓	✓	✓	✓ <sup>a</sup>
Maldives	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓
Philippines	✓	✓	✓ <sup>b</sup>	✓
Singapore	✓	✓	✓	✓
Thailand	✓	✓	✓	✓
Tajikistan	–	–	–	–
Thailand	✓	✓	✓	✓

Note: The absence of a tick mark (✓) means the feature is “not applicable” as per heading.

<sup>a</sup> Malaysia: Does not apply to a public officer who is under statutory obligation to observe secrecy.

<sup>b</sup> Philippines: Exception applies to certain information such as bank deposits and privileged documents.

Sources: ADB and OECD survey responses.

**Table 27b: Information Access and Search Powers of Tax Administration Officials**

Economy	Type of Power Available to Tax Administration Officials (✓ where applicable)				
	Enter Business Premises: No Taxpayer's Consent and Search Warrant	Enter Taxpayers' Dwellings: No Consent and Search Warrant	Seize Taxpayers' Documents: No Consent and Search Warrant	Request Search Warrant Without Help of Government Agencies	Serve a Search Warrant: No Help of Other Government Agencies
Australia	✓	✓			
Brunei Darussalam	✓	✓	✓		✓
Cambodia					
China, People's Rep. of	✓				
Hong Kong, China				✓	✓
Indonesia				✓	
Japan				✓	✓
Korea, Rep. of					✓
Kyrgyz Republic	✓				
Malaysia	✓	✓	✓		
Maldives				✓	✓
Mongolia			✓	✓	
New Zealand	✓			✓	✓
Papua New Guinea		✓	✓		
Philippines	✓*	**	✓*	✓	✓*
Singapore	✓	✓	✓	✓	✓
Thailand	✓	✓	✓		✓
Tajikistan	–	–	–	–	–
Thailand	✓	✓	✓		✓

Note: The absence of a tick mark (✓) means the feature is “not applicable” as per heading.

\* Philippines: only with respect to the warrant of distraint and levy as appropriately authorized under relevant laws.

\*\* Philippines: generally no, but exception may apply to goods subject to excise taxes.

Sources: ADB and OECD survey responses.

## E. Verification Activities

Taxpayer verification activities typically account for a major share of revenue body resources. As reported in Table 24 (Chapter V), allocations to verification-related functions and processes often represent a substantial share of a revenue body's overall staff resources. For this reason, how these resources are used and the contribution they make to revenue collections and improving taxpayers' compliance are key considerations for all revenue bodies.

For this series, information was sought on the numbers of completed verification actions and resultant taxes, interest, and penalties for 2012 and 2013, for both large taxpayers and other segments of taxpayers. The survey also sought an indication of whether revenue bodies use computer-based information processing systems for third party income-data matching or for the cross-checking of VAT invoice data with taxpayers' reported

**Table 28: Verification: Number Completed for ALL and LARGE Taxpayers**

Economy	Number of Completed Verification Actions for All Taxpayers (nearest 000s)				Number of Completed Verification Actions for Large Taxpayers (actual number)			
	2010	2011	2012	2013	2010	2011	2012	2013
Australia	808	898	1,268/2	749/2	11,519	12,369	12,405	8,425
Brunei Darussalam	...	...	...	...	-----No dedicated large taxpayer program-----			
Cambodia	...	...	...	...	...	...	515	451
China, People's Rep. of	...	...	191	177	...	...	191	177
Hong Kong, China	81	92	104	120	-----No dedicated large taxpayer program-----			
Indonesia	65	61	35	51	...	...	730	2,130
Japan	1,270	1,216	1,310	1,095	3,809	3,447	3,357	2,910
Korea, Rep. of	18	18	18	...	...	...	...	...
Kyrgyz Republic	8	9	9	10	...	...	...	...
Malaysia	1,732	1,911	1,935	1,758	...	...	...	...
Maldives		0.18	1	2	...	...	...	...
Mongolia	10	11	11	14	...	...	105	135
New Zealand	8	8	7	7	582	491	586	593
Papua New Guinea	0.6	0.3	0.4	3	...	...	1	0
Philippines	20	27	24	23	...	...	424	628
Singapore	8	10	12	11	...	...	...	...
Tajikistan	3	3	3	8	...	...	149	151
Thailand	...	...	64	67	...	...	...	...

... = data not available.

Sources: ADB survey responses for current and prior series and OECD.

obligations. Tables 28 and 29 summarize the results reported by revenue bodies both for overall verification outputs and for designated large taxpayers. Where available, data from the previous series are also provided to give an indication of trends over time. The key observations and findings relating to the data presented in Tables 28 and 29 are as follows:

- Many revenue bodies that reported the operation of a dedicated large taxpayer division did not report outputs in respect of large taxpayers for 2012 and 2013. This raises doubts as to the adequacy of the monitoring arrangements in place.
- There is insufficient multiyear data to draw any well-founded conclusions on the performance of many revenue bodies. However, based on the data provided, there appears to be a trend of increasing verification outputs in six economies (i.e., Hong Kong, China; the Kyrgyz Republic; the Maldives; Mongolia; the Philippines; and Tajikistan), with substantial increases also being reported for large taxpayers in Mongolia. Cambodia's results, albeit for 2 years only, have also increased significantly.
- With few exceptions, the number of completed verification actions reported each year represents a minor fraction of the respective registered taxpayer populations, meaning that revenue bodies must use a variety of tools, in addition to verification programs, to achieve improved compliance.

**Table 29: Verification: Value of Assessments/Net Revenue Collections (%)**

Economy	Ratio of Value of Assessments to Net Revenue Collected for All Taxpayers				Ratio of Value of Assessments to Net Revenue Collected for Large Taxpayers			
	2010	2011	2012	2013	2010	2011	2012	2013
Australia	3.7	3.8	3.8	3.9	1.3	0.9	0.8	0.8
Brunei Darussalam	...	...	...	...	----No dedicated large taxpayer program----			
Cambodia	...	...	...	...	...	...	4.3	18.1
China, People's Rep. of	...	...	...	...	...	...	...	...
Hong Kong, China	2.1	2.7	3.4	3.9	----No dedicated large taxpayer program----			
Indonesia	3.0	2.4	3.1	4.2	...	...	1.3	1.1
Japan	2.0	1.5	1.3	1.1	0.6	0.3	0.2	0.2
Korea, Rep. of	...	...	3.6	...	...	...	...	...
Kyrgyz Republic	3.8	3.0	8.8	8.6	...	...	...	...
Malaysia	3.6	2.6	1.5	3.1	...	...	...	...
Maldives	...	0.3	1.4	1.7	...	...	...	...
Mongolia	1.0	0.6	5.1	6.8	...	...	3.3	3.6
New Zealand	6.2	3.1	2.4	2.3	4.6	1.6	0.7	1.2
Papua New Guinea	2.2	2.5	3.7	3.1	...	...	0.9	0
Philippines	1.6	3.2	6.3	7.3	...	...	2.5	2.5
Singapore	0.9	0.8	0.7	0.7	...	...	...	...
Tajikistan	4.2	4.8	5.6	6.4	...	...	1.6	2.1
Thailand	...	...	0.9	1.0	...	...	...	...

... = data not available.

Sources: ADB survey responses for current and prior series and OECD.

## 1. Income Taxes: Use of Computer-Based Income-Matching Programs

- Computer-based information processing systems to systematically match third party income reports with taxpayers' records are used by less than half of surveyed revenue bodies (i.e., Australia; the PRC; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; New Zealand; the Philippines; and Singapore).

This relatively low use across revenue bodies in the region is likely to be attributable to a range of factors that vary from economy to economy. For example, in many developing economies, employee withholdings are made on a cumulative basis, and most employees are not required to file annual tax returns. Under such circumstances, the need for individual employee taxpayers to register for tax purposes has not been considered necessary or even feasible to achieve. For many tax systems, it is also the policy to deduct a flat amount of tax on interest or dividend incomes at the source, which is a final tax and not creditable to tax returns. Of course, some revenue bodies do not have the data capture, computing capacity, or experience to undertake large-scale information matching processes.

## 2. Use of Computer-Based Programs for Cross-Checking VAT Invoices and Reported Liabilities

- The use of computer-based processing systems to cross-check VAT invoice data with taxpayers' reported VAT liabilities was reported by relatively few revenue bodies (i.e., Indonesia, the Republic of Korea, Mongolia, the Philippines, and Singapore).
- OECD (2015) observes that growth in the use by businesses of modern computer-based accounting systems, including for VAT invoicing purposes, has seen new opportunities emerge for revenue bodies to strengthen their VAT compliance checking activities.<sup>12</sup> The need for this has intensified in a number of economies where the VAT tax gap (i.e., the estimated difference between the amount of VAT that should be paid and what was actually received) has grown to unacceptably high levels. Although not studied in detail by the OECD, it notes that economies such as Chile, the Republic of Korea, Mexico, and Portugal have developed computer systems that enable bulk processing of large volumes of VAT invoice data obtained from businesses to validate the VAT liabilities reported by taxpayers, as well as to detect non-filers and non-registrants.

## F. Taxpayer Disputes

Where revenue bodies review taxpayers' returns and make adjustments to assessments raised, or provide rulings on specific issues as a result of taxpayers' requests, taxpayers should be entitled to a review if they disagree with the decisions made. This basic right is typically recognized in the tax law itself or in a revenue body's administrative statements (e.g., a taxpayers' charter). In the event that taxpayers' only recourse was to file an action for judicial review with a court, the proceedings would inevitably be lengthy and costly, and significantly complicate the smooth functioning of the tax system. For this reason, providing access to a process for reviewing a revenue body's decisions before seeking recourse through a judicial procedure is generally expected to lead to more efficient dispute resolution that benefits taxpayers, revenue bodies, and governments at large. This section briefly discusses the features of administrative review systems, and provides some data on the operational performance of revenue bodies.

### 1. International Guidance on Good Practice

Arrangements for the handling and resolution of tax disputes is specifically addressed in the Field Guide for the IMF's diagnostic tool (TADAT) and advice offered on good practices, as described in Box 15.

### 2. Features of the Institutional Framework for Administrative Review and Dispute Resolution

Information was sought on the basic features of the frameworks and arrangements in place for administrative review. The responses of the survey revenue bodies are summarized in Tables 30a and 30b.

<sup>12</sup> OECD *Tax Administration 2015*, p. 136.

### Box 15: Good Practices in Tax Dispute Resolution

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: (i) the accuracy of the facts relied upon by the auditor, (ii) the correctness of the tax law's interpretation, and (iii) the amount of penalties imposed.

Good practices adopted to achieve the desired outcome include the following:

- ✓ 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 (i) adjustments made to tax liabilities following an audit, (ii) reasons for penalties imposed, and (iii) rights and avenues of review.
- ✓ Minimizing the incidence of disputes by (i) regularly up-skilling auditors in audit techniques and interpretation of the tax laws; (ii) having effective audit case management frameworks, including supervisory review and approval processes throughout the conduct of an audit; (iii) monitoring the underlying causes of disputes (e.g., weaknesses in the audit process) and taking remedial action (e.g., retraining staff and changing administrative procedures).
- ✓ 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, 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);
  - **Final stage**—review by a higher appellate court to resolve remaining disputes concerning legal interpretation and facts.
- ✓ Allowing taxpayers to escalate a dispute directly to the second stage where the tax administration fails to complete an administrative review within a reasonable time frame.
- ✓ 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 information technology system that (i) records receipt of all disputes, (ii) uses an automated case management system, and (iii) generates comprehensive management information.

Source: IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

The key observations regarding Table 30a are as follows:

- An administrative review is generally compulsory in all surveyed economies before a taxpayer can seek legal recourse. One exception concerns New Zealand where, if both the revenue body and the taxpayer agree, the dispute can proceed directly to an external judicial body if the dispute would be resolved more efficiently by doing so. In the vast majority of surveyed economies, the process is undertaken by the revenue body itself. For some economies (e.g., Australia and New Zealand), the review is conducted by officers independent of the original decision. For a small number of revenue bodies, further assistance can be provided by another government body (e.g., in the Republic of Korea, the Tax Tribunal and Board of Audit and Inspection; and in Thailand, the Commission of Appeal).

**Table 30a: Selected Features of Tax Disputes of Assessment or Rulings**

Economy	Feature of Administrative Review (✓ where applicable)				
	Availability	Compulsory before Court Review	Organization(s) in Charge	Legal Time Limit to Request Review	Legal Time Limit to Resolve Dispute
Australia	✓	✓	Revenue	*	60 days
Brunei Darussalam	✓	✓	Revenue	30 days	...
Cambodia	✓	✓	Revenue	30 days	60 days
China, People's Rep. of	✓	✓	Revenue	60 days	60 days
Hong Kong, China	✓	✓	Revenue	1 month	None
Indonesia	✓	✓	Revenue	3 months	12 months
Japan	✓	✓	Revenue	2 months*	...
Korea, Rep. of	✓	✓	Revenue	90 days	90 days
Kyrgyz Republic	✓	✓	Revenue	30 days	30 days
Malaysia	✓	✓	Revenue	30 days	12 months
Maldives	✓	✓	Revenue	30 days	None
Mongolia	✓	✓	Revenue	None	None
New Zealand	✓	✓	Revenue	2 months	None
Papua New Guinea	✓	✓	Revenue	...	...
Philippines	✓	✓	Revenue	15/30 days *	15/180 days **
Tajikistan	✓	✓	Revenue	30 days	30 days
Singapore	✓	✓	Revenue	30/21 days	6 months
Thailand	✓	✓	Revenue	30 days	90 days

... = data not available.

\* Australia – large corporate taxpayers eligible for an independent review of audit adjustments must request review within 10 days of receiving a Statement of Audit Position.

\* Japan – in addition, within 3 months for a reinvestigation request and 1 year for a reconsideration request.

\* Philippines: 15 days for preliminary assessment notice and 30 days for final assessment notice.

\*\* Philippines: 15 days for revenue body to decide on taxpayer's response to preliminary assessment notice; with respect to final assessment notice there is no time limit on revenue body but taxpayer can seek court resolution after 180 days.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

- The period of time taxpayers have to request an administrative review varies considerably across economies. The minimum time reported was 30 days while the maximum extended out to 2 years; periods of 30–60 days were frequently reported.
- The period specified in the law for revenue bodies to make a decision in relation to a request for administrative view ranged from 30 days to 2 years. Six revenue bodies reported that their tax laws do not specify any time limit.
- Around two-thirds of revenue bodies reported (one with qualification) that they can collect disputed tax where a case is under administrative review or under court review.
- Specialized tax courts exist in relatively few economies (e.g., Indonesia and the Philippines).



**Table 30b: Selected Features of Tax Disputes of Assessment or Rulings**

Economy	Feature of Administrative Review (✓ where applicable)			
	Revenue Body Can Make Risk-Based Settlement	There Is a Court Specialized in Tax	Collection of Disputed Tax Is Possible during:	
			Administrative Review	Court Review
Australia	✓		✓	✓
Brunei Darussalam	✓		✓	✓
Cambodia	✓		✓	✓
China, People's Rep. of			✓	✓
Hong Kong, China	✓		✓	✓
Indonesia		✓		
Japan			✓	✓
Korea, Rep. of			✓	✓
Kyrgyz Republic	...	...	...	...
Malaysia	✓	✓	✓	✓
Maldives		✓	✓	✓
Mongolia			✓	✓
New Zealand	✓ <sup>a</sup>	✓ <sup>b</sup>		
Papua New Guinea	✓		✓	✓
Philippines	✓	✓	✓	✓
Tajikistan	✓		✓	✓
Singapore	✓		✓	✓
Thailand		✓	✓	✓

... = data not available.

Note: The absence of a tick mark (✓) means the feature is “not applicable” as per heading.

<sup>a</sup> Ability to settle is exercised mostly after the taxpayer has filed challenge proceedings with external appellate body.

<sup>b</sup> There is a tribunal, but no appellate court.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

### 3. Dispute Resolution Workloads

Table 31 sets out data reported by revenue bodies on the numbers of dispute cases finalized in 2011, 2012, and 2013, along with the numbers of unfinalized cases at year end. Data were not reported by a few revenue bodies. Within individual economies, further information is required to make observations with any acceptable degree of confidence. Across the economies for which data are available, there are substantial differences in the volumes reported, suggesting the possibility that the respective workloads reported relate to different stages of the dispute resolution process.

**Table 31: Tax Disputes: Numbers of Cases Finalized and Unfinalized**

Economy	Number of Cases Finalized during Year			Number of Unfinalized Cases at Year End		
	2011	2012	2013	2011	2012	2013
Australia	24,513	33,272	32,642	4,693	5,565	4,430
Brunei Darussalam	...	...	...	...	...	...
Cambodia	...	37	6	...	45	26
China, People's Rep. of	...	...	...	...	...	...
Hong Kong, China	66,186	70,365	70,120	26,689	28,986	31,165
Indonesia	16,130	15,790	14,286	9,384	8,569	9,161
Japan	8,463	7,478	6,904	3,580	3,486	3 604
Korea, Rep. of	5,905	5,953	5,443	534	592	544
Kyrgyz Republic	196	336	373	9	41	67
Malaysia	101	215	265	19	51	125
Maldives	12	34	44	0	20	19
Mongolia	149	60	367	41	95	93
New Zealand	90	75	66	16	8	3
Papua New Guinea	217	283	271	336	102	130
Philippines	139	143	136	459	506	614
Singapore	...	...	...	...	...	...
Tajikistan	14,300	21,000	18,000	...	...	...
Thailand	...	1,019	644	...	289	433

... = data not available.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

## G. Collection of Tax Payments, Including Enforced Debt Collection

Tax laws typically prescribe the due date(s) and basis of computation for taxes to be paid, and it is generally the responsibility of revenue bodies to specify the precise payment requirements: (i) when to pay, (ii) who is to pay, and (iii) the methods available for making payments. To encourage the payment of taxes on time, tax laws also generally provide an interest sanction for late payment and, in some cases, a penalty. Given the importance of meeting government budget revenue targets, revenue bodies must also have effective processes for ensuring the timely follow-up action in relation to overdue tax payments.

### 1. International Guidance on Good Practice

The features of tax system design and administration that contribute to achieving high levels of effectiveness in collecting taxes are specifically addressed in the IMF's diagnostic tool (TADAT). Advice offered on good practices is summarized in Box 16.

### Box 16: Good Practices in Collecting Tax Obligations

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 desired outcome is more likely to be achieved when the following practices are in place:

- ✓ Collection systems that reduce the incidence of unpaid taxes, especially
  - withholding of tax at source (e.g., for 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 which are 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 collectability of 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 information technology system that supports all aspects of the debt collection process. See the TADAT Field Guide for a detailed description of these desirable features.

Source: IMF. 2015. *Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide*. Washington, DC.

## 2. Comparative Analyses of Powers of Enforcement and Debt Collection Performance

For this series, aggregate tax debts are defined as the total amount of tax (including interest and penalties) that is overdue for payment at the end of each fiscal period. By virtue of this definition, the overall level of outstanding tax debts is intended to include tax debts for which collection has been deferred (e.g., as part of an agreed payment arrangement).

For this edition of the series, data were sought for aggregate year-end tax debts that *include* amounts that are subject to dispute between taxpayers and the revenue body, and the aggregate amount of debt that *excludes* disputed tax debts. This aspect of the survey caused difficulties for some revenue bodies for which it is not the practice to separately identify and monitor the amounts of tax in dispute. Data were also sought in respect of the number of tax debt cases at year end, and the aggregate amounts of tax debt written off in both 2012 and 2013. Revenue bodies were also requested to indicate the nature of powers available for the enforced collection of taxes (using a menu of powers provided for survey purposes), to identify the range of payment methods used, and, if possible, the extent of their usage in relative terms.

Data on debt inventories are summarized in Tables 33 and 34, while Tables 32a and 32b address the powers available to assist in the enforced collection of taxes. Information reported in respect of payment methods is set out in Chapter VIII. The key findings and observations with respect to these matters are summarized immediately below.

### 3. Powers of Revenue Bodies

- The most commonly reported powers for enforced debt collection were (i) to grant taxpayer further time to pay (17 revenue bodies), (ii) to make payment arrangements (19 bodies), (iii) to collect from third parties (16 bodies), (iv) to seize taxpayers' assets (15 bodies), and (v) to offset tax debts against tax credits or refunds (15 bodies).
- The least frequently reported powers were (i) the ability to close a business or cancel a business license, (ii) existence of provisions enabling denial of access to government services, and (iii) restricting overseas travel by tax debtors.
- Revenue bodies reporting a more limited set of enforced debt collection powers were Brunei Darussalam; the People's Republic of China; Cambodia; Hong Kong, China; Japan; Indonesia; the Kyrgyz Republic; New Zealand; and Thailand. However, for some of these bodies (e.g., both Hong Kong, China and Japan) this does not appear to be a major limitation, given the good levels of payment compliance apparent from other data reported (Table 33).

### 4. Tax Debt Inventories

- Many revenue bodies do not appear to have a good level of management information on their debt inventories, in particular concerning the collection status of their tax debts.
- There are significant variations in the incidence of year-end aggregate debt (both with and without disputed debts), reflecting substantial variations in rates of payment compliance and the incidence of disputes that can delay the payment of tax debts.
- Revenue bodies reporting a high overall incidence of aggregate debt with a relatively large proportion of disputed tax debts were Hong Kong, China and Papua New Guinea. However, for Hong Kong, China, the incidence of disputed debt appears to be on a positive downward trend.
- Revenue bodies displaying a consistent downward trend in the level of debt (exclusive of disputed debt) were Hong Kong, China; Malaysia; New Zealand; and Singapore.

## 5. Tax Debts Written Off

- There is insufficient cross-country data available to make meaningful comparisons of the incidence of tax debts written off or its trend over time. It is worth noting that the OECD's *Tax Administration Series* reports that for the OECD economies for which such data are available, it is not uncommon to see revenue bodies in advanced economies writing off tax debts annually equivalent to 10%–20% of their year-end debt inventory.

**Table 32a: Enforced Tax Debt Collection Powers**

Economy	Power Available to Revenue Body for Enforced Payment of Taxes (✓ where applicable)						
	Grant Further Time to Pay	Make Payment Arrangements	Collect from Third Parties	Restrict Overseas Travel by Debtors	Ability to Seize Debtors' Assets	Close Business or Cancel License	Offset Debts on Tax Credits
Australia	✓	✓	✓	✓	✓		✓
Brunei Darussalam	✓	✓		✓			
Cambodia	✓	✓	✓				
China, People's Rep. of	✓		✓	✓	✓		✓
Hong Kong, China	✓	✓	✓	✓*	✓		✓
Indonesia	✓	✓		✓	✓		✓
Japan	✓	✓	✓		✓		✓
Korea, Rep. of	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic			✓		✓		✓
Malaysia	✓	✓	✓	✓	✓		✓
Maldives	✓	✓	✓		✓	✓	✓
Mongolia	✓	✓	✓				✓
New Zealand	✓	✓	✓		✓		✓
Papua New Guinea	✓	✓	✓	✓			✓
Philippines	✓	✓	✓		✓	✓	
Singapore	✓	✓	✓	✓	✓		✓
Tajikistan		✓	✓		✓	✓	✓
Thailand	✓	✓			✓		

Note: The absence of a tick mark (✓) means the feature is “not applicable” as per heading.

\* Hong Kong, China—A departure prevention direction can only be sought from a district judge to prevent a delinquent taxpayer leaving Hong Kong, China without paying taxes.

Sources: ADB survey responses and OECD *Tax Administration* 2015.

**Table 32b: Enforced Tax Debt Collection Powers**

Economy	Power Available to Revenue Body for Enforced Payment of Taxes (✓ where applicable)						
	Obtain Lien Over Assets	Withhold Government Payments to Debtors	Require Tax Clearance for Government Contracts	Deny Access to Certain Government Services	Impose Tax Debts on Company Directors	Publish Debtors' Names	Initiate Bankruptcy
Australia	✓	✓			✓		✓
Brunei Darussalam							
Cambodia					✓	✓	✓
China, People's Rep. of			✓			✓	
Hong Kong, China							✓
Indonesia	✓		✓		✓		
Japan	✓		✓				
Korea, Rep. of	✓	✓	✓	✓	✓	✓	
Kyrgyz Republic		✓	✓		✓	✓	✓
Malaysia	✓				✓		✓
Maldives	✓	✓	✓	✓		✓	
Mongolia	✓		✓	✓	✓	✓	✓
New Zealand	✓				✓		✓
Papua New Guinea				✓			✓
Philippines	✓	✓	✓	✓	✓		
Singapore		✓					✓
Tajikistan	✓	✓	✓	✓		✓	✓
Thailand	✓	✓					✓

Note: The absence of a tick mark (✓) means the feature is “not applicable” as per heading.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

**Table 33: Year-End Tax Debt as a Share of Net Revenue Collections (%)**

Economy	Total Year-End Tax Debt (including disputed debt) as a Percentage of Total Net Tax Revenue Collected			Total Year-End Tax Debt (excluding disputed debt) as a Percentage of Total Net Tax Revenue Collected		
	2011	2012	2013	2011	2012	2013
Australia	10.1	10.5	10.7	5.2	5.5	5.7
Brunei Darussalam	...	...	...	...	...	...
Cambodia	...	...	...	...	30.0	...
China, People's Rep. of	...	...	...	...	...	...
Hong Kong, China	40.8	32.4	29.1	4.9	4.2	4.0
Indonesia	13.0	8.5	8.4	6.0	0.8	1.2
Japan	3.7	3.5	3.1	...	...	...
Korea, Rep. of	3.0	3.1	3.4	...	...	...
Kyrgyz Republic	...	6.1	5.4	2.8	4.3	4.0
Malaysia	15.0	12.8	11.4	10.3	7.6	7.1
Maldives	...	...	...	...	3.6	6.2
Mongolia	19.9	17.0	13.4	...	4.1	4.0
New Zealand	10.3	10.3	9.2	9.4	9.1	8.2
Papua New Guinea	25.5	29.5	32.5	9.0	9.4	9.9
Philippines	...	28.3	24.6	6.5	5.7	10.9
Singapore	...	...	...	1.7	1.3	0.9
Taipei, China	...	...	...	11.5	...	...
Tajikistan	13.8	13.1	15.2	...	...	...
Thailand	6.8	...	...	...	0.9	1.0

... = data not available.

Sources: ADB survey responses for current and prior series and OECD.

**Table 34:** Debts Written Off and Number of Debt Cases

Economy	Number of Tax Debts Written Off			Number of Debt Cases at Year-End Tax (000's)			
	2011	2012	2013	2010	2011	2012	2013
Australia	3,849	2,617	4,600	1,487	1,469	1,620	1,670
Brunei Darussalam	...	...	...	...	...	...	...
Cambodia	...	...	...	...	343	406	...
China, People's Rep. of	545	...	...	...	...	...	...
Hong Kong, China	554	497	518	...	...	...	...
Indonesia	...	28,075	...	...	...	...	...
Japan	130,919	...	...	4,111	4,034	4,021	3,857
Korea, Rep. of	7,880,400	...	...	744	805	798	838
Kyrgyz Republic	...	...	...	12	12	29	66
Malaysia	791	921	530	1,083	996	1,050	973
Maldives	...	...	...	0.111	0.082	0.175	1.9
Mongolia	...	...	...	120	121	...	...
New Zealand	737	849	925	257	264	280	293
Papua New Guinea	...	5	7	13	12	9	9
Philippines	4,518	14,690	4,800	50	59	68	70
Singapore	...	...	...	...	...	...	...
Taipei, China	...	...	...	946	754	...	...
Tajikistan	...	...	...	5	4	5	6
Thailand	17,454	3,988	1,684	...	...	0.1	0.1

... = data not available.

Sources: ADB survey responses for current and prior series and OECD.



## CHAPTER EIGHT

### USE OF ELECTRONIC SERVICES IN TAX ADMINISTRATION

Developments in information and communication technology (ICT) over recent decades have presented many opportunities for revenue bodies to improve their overall performance in terms of increasing government revenue, improving efficiency, and enhancing the quality of services delivered to taxpayers, while at the same time reducing their compliance burdens. While the attention of revenue bodies was initially focused on computerization of routine tax administration processes (e.g., taxpayer registration and revenue accounting), more recent advances in the use of ICT have seen a range of new opportunities for revenue bodies to further automate much of their work. For example,

- comprehensive websites that can provide a large range of information and transaction services, and online forms and calculators for taxpayers;
- systems for the electronic filing of tax returns for the major taxes, and for the electronic payment of taxes;
- automated systems and processes for exchanging taxpayer data between businesses, government bodies, and revenue bodies; and
- systems that, subject to security safeguards, provide taxpayers with online access to their own personal taxpayer information (e.g., registration and accounting details).

However, while the range of such opportunities continues to grow, successful harnessing of these opportunities presents numerous challenges for revenue bodies, their staff, and taxpayers. As observed in a recent ADB publication:<sup>13</sup>

*“Leveraging information and communication technologies (ICTs), in particular, for the modernization of public administration and service delivery has received wider attention from governments and donor agencies. Governments have benefitted substantially by adopting ICT to minimize the time, cost, and resources used in administration and service delivery, which has led to enhanced convenience, transparency, and trust in public service delivery. At the same time, public sector ICT projects have received criticism for not being able to deliver the desired results and/or leading to unproductive investments in ICT systems and infrastructure without much enhancement in the quality of service delivery. The experiences of ICT investments have been diverse, and many factors—such as strategic planning, commitment from the government, ICT maturity levels among stakeholders, acceptance of the systems within and outside the government, and technological complexities—have influenced the outcomes of these projects.”*

The referenced work makes a number of recommendations for revenue bodies, especially those in developing economies that are in an early stage of developing modern ICT applications and gives particular emphasis to the following factors:

- (i) the importance of proper planning and prioritization for IT investments;
- (ii) standardization of work processes;

<sup>13</sup> ADB. 2014. *Tool Kit for Tax Administration Management Information Systems*. Manila. p. 1.

- (iii) instituting strong governance structures; and
- (iv) starting small, and implementing full scale only as the realization of the potential benefits of the application in question becomes more certain.

## A. Revenue Bodies' Plans for the Development of Electronic Services

As acknowledged above, the successful implementation of enhanced electronic services requires resources and a range of carefully executed actions to be undertaken. Critically, revenue bodies require a carefully developed plan of action with priorities clearly identified and properly sequenced. For this series, revenue bodies were asked whether they had a formal strategy or plan for improving the range and quality of electronic services to taxpayers and their representatives and, where this was the case, to indicate the five most important areas receiving attention from a specified menu of capabilities. Survey responses in this regard are summarized in Table 35, the key findings and observations concerning these responses being as follows:

- All revenue bodies reported having a formal plan for improving the range and quality of their services over the medium term.
- The most commonly reported areas of planned development were
  - online or electronic filing of tax returns for the major taxes (20 revenue bodies),
  - online or electronic tax payments for the major taxes (13 revenue bodies),
  - enhanced web sites that include more information and applications) (12 revenue bodies),
  - other new online or electronic transactions (10 revenue bodies),
  - integrated taxpayer accounts (8 revenue bodies), and
  - enhanced data capture methods (8 revenue bodies).

## B. Use of Electronic Filing for Major Taxes

As observed in the prior edition of this series, electronic tax return filing systems are arguably one of the most visible IT-based taxpayer services available to taxpayers. For many personal taxpayers, submission of annual income tax returns where required is the most significant contact with the revenue body, and a system enabling taxpayers to submit their tax returns electronically can benefit them as well as revenue bodies. Similarly, businesses can also benefit from systems of electronic filing for the major taxes they are responsible for, in particular the corporate income tax (CIT) value-added tax (VAT), and employees' personal income tax (PIT) withholdings.

The priority given by many revenue bodies to implementing systems of electronic filing can largely be explained by the significant potential benefits that can be realized from systems that are well designed and used widely by taxpayers and their representatives. These include the following:

- (i) Reductions in taxpayers' compliance burden. For example, returns can be completed online, and taxpayers do not have to waste time obtaining paper returns and instructions. Similarly, refunds of overpaid taxes can be delivered more quickly than when paper documentation systems are used.

- (ii) Improved data quality (i.e., many data items can be validated as they are input by taxpayers, meaning that the quality of data transmitted is of a higher standard).
- (iii) Reductions in revenue bodies' operational costs (e.g., considerably fewer staff are required to process electronically filed returns).
- (iv) Improved overall management of the tax system (e.g., taxpayer records can be updated more quickly, and management information can be more readily compiled and shared).

**Table 35: Strategic Priorities for Increasing Use of Online Services**

Economy	Type of Electronic Service (✓ where applicable)							
	Online Filing	Prefilled Returns	Online Payment	Website Service or Tools	Integrated Taxpayer Accounts	Other Online Services	Enhanced Data Capture	Digital Mailbox
Australia	✓	✓	✓	✓	✓	✓	✓	✓
Brunei Darussalam	✓		✓	✓				✓
Cambodia	✓			✓		✓		
China, People's Rep. of	-----No specific priority areas reported-----							
Hong Kong, China	✓	✓		✓		✓		
Indonesia	✓	✓	✓			✓	✓	
Japan	✓		✓	✓				
Korea, Rep. of	✓		✓		✓	✓		✓
Kyrgyz Republic	✓		✓	✓	✓		✓	✓
Lao PDR								
Malaysia	✓	✓	✓	✓		✓		
Maldives	✓		✓	✓	✓	✓		
Mongolia	✓	✓	✓	✓				✓
New Zealand	✓	✓	✓	✓	✓	✓	✓	
Papua New Guinea	✓	✓	✓		✓		✓	
Philippines	✓		✓	✓	✓	✓	✓	✓
Singapore	✓	✓				✓	✓	✓
Tajikistan	✓							
Thailand	✓		✓	✓	✓		✓	

Lao PDR = Lao People's Democratic Republic.

Note: The absence of a tick mark (✓) means the type of service is not a priority.

Sources: ADB and OECD survey responses.

## C. Achieving Success with Electronic Filing

Experience from many economies suggests that successfully implementing systems of electronic filing can present many challenges for revenue bodies, particularly those with limited ICT experience. As a result, it can take quite a few years' effort to achieve substantial progress with their use by taxpayers. Box 17 outlines the findings of studies made by the OECD in this area.

## D. Use of Electronic Tax Return Filing in 2013

For this series, revenue bodies were requested to report the take-up rates achieved with their electronic filing systems for PIT, CIT, and VAT in 2013, and to identify any planned developments. Table 36 sets out the take-up rates reported, and includes prior series' data for 2011 to indicate the changes that have occurred. The key findings and observations in this regard are as follows:

### a. *Personal Income Tax*

- Generally speaking, revenue bodies in most advanced economies have made substantial progress with the implementation of electronic filing, although for many this has resulted only after many years of promotion and refinement of the service offered.
- There is significant potential for revenue bodies in many developing economies to make substantial progress with electronic filing; Mongolia and Thailand are two economies in which rapid advances have been made in recent years.

### b. *Corporate Income Tax*

- Generally speaking, revenue bodies in most advanced economies have made substantial progress with the implementation of electronic filing, although for many this progress has resulted only after many years of experience.
- Revenue bodies in a number of developing economies (e.g., Malaysia, Mongolia, and Thailand) have made rapid advances with electronic filing in recent years. Internationally, many revenue bodies have achieved success with electronic filing by mandating, following government support, its use for larger businesses.
- There is significant potential for revenue bodies in many developing economies to make substantial progress with electronic filing for the CIT.

### c. *Value-Added Tax*

- Generally speaking, more progress has been made with the electronic filing of VAT returns, in some cases assisted by mandating its use by larger businesses. Revenue bodies in emerging economies that have made significant progress include Indonesia; Mongolia; Taipei, China; and Thailand.

## All Taxes

- The Maldives reported that e-filing commenced in December 2014, and that its strategic priorities for the period 2015–2019 include enabling online payment and filing for all taxes, ensuring that at least 75% of tax returns are filed online, and that 50% of payments are made online. Papua New Guinea also reported that use of electronic filing commenced in 2014.

### Box 17: Achieving Success with Electronic Filing: What the Experience Shows

Studies carried out by the OECD's Forum on Tax Administration in both 2006 and 2010 provide some useful insights and suggestions for revenue bodies considering the use of systems of electronic filing or that are in the early stages of implementing such systems:

- ✓ **Focus on the quality of the electronic filing services to be offered:** Important lessons learned concerning the design of e-filing services include the following: (i) the range of electronic filing services being offered should have a common “look” and “feel”; (ii) the services should be relatively easy to access and not too complex to use; (iii) the service options should be sufficiently personalized or differentiated to make them attractive to use; (iv) the service should not entail an excessive level of rework; and (v) registration and security requirements should be relatively simple to use and low cost.
- ✓ **Support the delivery of electronic filing services:** Potential users of e-filing services expect that the revenue body will have online and telephone help capabilities available at peak filing times to quickly resolve any issues that arise; users are also more confident **when they receive confirmation that their electronic transmissions have been received by the revenue body.**
- ✓ **Optimize data needs:** Critically review all return information requirements when designing electronic returns in order to simplify the burden on taxpayers and the design of the electronic transactions—**avoid simply automating burdensome paper-based processes!**
- ✓ **Sell the product!** Revenue bodies that have achieved a relatively high take-up of electronic services typically applied a **multi-faceted set of strategies to promote usage by taxpayers.**
- ✓ **Aim to maximize reach of messages:** Information campaigns using a variety of channels should be an essential component of the strategy of revenue bodies.
- ✓ **Encourage use:** Incentives (e.g., faster refunds of overpaid taxes and longer return filing periods) appear to be very effective in encouraging increased take-up, particularly for the personal income tax.
- ✓ **Engage key stakeholders:** Tax professionals, who prepare a large share of tax returns in some economies, are seen as critical stakeholders in the effective operation of electronic filing systems, suggesting the need for close collaboration in the development and operation of these systems.
- ✓ **Recognize limitations of potential users:** Revenue bodies that have implemented successful mandatory electronic filing arrangements have typically targeted larger businesses and taken a cautious “softly, softly approach” in the early years when using these arrangements.

Sources: OECD Forum on Tax Administration Paris. 2006. *Strategies for Improving the Take-up Rates of Electronic Services*. [www.oecd.org/ctp/administration/36280699.pdf](http://www.oecd.org/ctp/administration/36280699.pdf); and OECD Forum on Tax Administration. 2010. *Survey of Trends and Developments in the Use of Electronic Services for Taxpayer Service Delivery*. p. 41. [www.oecd.org/ctp/administration/surveyoftrendsanddevelopmentsintheuseofelectronicsservicesfortaxpayersservicedelivery.htm](http://www.oecd.org/ctp/administration/surveyoftrendsanddevelopmentsintheuseofelectronicsservicesfortaxpayersservicedelivery.htm)

**Table 36: Rates of Electronic Tax Filing for the Major Taxes (2011 and 2013)**

Economy	Percent of Total Number of Returns Filed Electronically					
	Personal Income Tax		Corporate Income Tax		Value-Added Tax	
	2011	2013	2011	2013	2011	2013
Australia	92	93	92	88	54	59
Brunei Darussalam	----No PIT in place----		...	51	----No VAT in place----	
Cambodia	0	0	0	0	0	0
China, People's Rep. of	...	...	...	...	...	...
Hong Kong, China	14	15	<1	<1	----No VAT in place----	
Indonesia	...	<1	...	5	...	57
Japan	44	50	58	64	53	63
Korea, Rep. of	87	91	97	98	79	83
Kyrgyz Republic	0.6	0.33	3	8	37	1.5
Malaysia	69	83	49	76	----No VAT in place----	
Maldives	----No PIT in place----		0	0	0	0
Mongolia	...	...	76	80	96	92
New Zealand	71	83	80	87	28	48
Papua New Guinea	0	0	0	0	0	0
Philippines	<1	1	9	14	12	16
Singapore	96	97	63	69	100	100
Taipei, China	82	...	98	...	94	...
Tajikistan	0	0	0	0	0	0
Thailand	45	34	10	75	14	69

... = data not available.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

## E. Use of Electronic Payment Methods for Collecting Taxes

The payment of taxes is another important and significant work stream between taxpayers (particularly businesses) and revenue bodies, and one where the use of ICT can deliver significant benefits to taxpayers, revenue bodies, government, and the financial sector. For taxpayers, there can be significant costs in visiting a revenue office (or its agent such as a bank) during business hours to make a payment of tax. Even paying by mailed checks presents a fair compliance cost to the taxpayer. For payments made in either of these ways, there is also the cost of manually processing these payments, and there can be a time delay before a taxpayer's account is updated. On the other hand, payment methods that are fully electronic have been shown to be significantly less costly to administer, and typically enable quicker updating of taxpayers' accounts.

Historically, virtually all revenue bodies provided in-person payment services or promoted the use of mailed payments by check. In this series, such payment methods are referred to as *non-electronic payment methods*.

However, over time with the advent of computerization, it became more cost effective for revenue bodies to use third parties such as banks to collect tax payments, with relevant payment data being transmitted electronically to them by banks to update taxpayers' records. This series refers to this latter set of payment methods as *partially electronic payment methods*. A more recent development is *fully electronic payment methods*, in which taxpayers make their own payments online (or arrange for this to be done automatically via their bank with a direct-debit type of arrangement). Studies undertaken thus far clearly indicate that fully electronic payment methods are by far the most cost-effective means of collecting tax payments.

**Table 37: Tax Payment Methods Available and Volume Usage in 2013**

Economy	Type of Payment Method (✓ where applicable) and Percentage Share in Total Number of Payments (where known)						
	Non-Electronic		Partially Electronic		Fully Electronic		
	Mailed Check	In-Person at Office	Agency Payment	Phone Banking	Internet	Direct Debit	Payment Kiosk
Australia	✓(8)		✓(19)	✓	✓(71)	✓(2)	
Brunei Darussalam	✓	✓	✓		✓	✓	
Cambodia		✓	✓				
China, People's Rep. of	✓	✓	✓	✓	✓	✓	
Hong Kong, China	✓(6)		✓(38)	✓(17)	----✓(31)----		✓(8)
Indonesia			✓		✓		
Japan			✓(75)		✓(2)	✓(15)	
Korea, Rep. of		✓(5)	✓(60)	✓(<1)	✓(25)	✓(4)	✓(6)
Kyrgyz Republic		✓	✓			✓	✓
Malaysia	✓	✓(51)	✓(43)	✓	✓(6)	✓	✓
Maldives		✓(100)					
Mongolia			✓	✓(in 2014)	✓(in 2014)	✓(in 2014)	
New Zealand	✓(26)		✓(4)	-----✓(70)-----			
Papua New Guinea	✓(20)	✓(70)			✓(5)	✓(5)	
Philippines		✓(<1)	✓(93)		✓(7)		
Singapore	✓(12)	✓(7)		---(10)---	✓(50)	✓(17)	✓(5)
Taipei, China			✓	✓	✓	✓	
Tajikistan	...	...	...	...	...	...	...
Thailand		✓(70)	✓(<1)		✓(29)		

... = data not available.

Note: The absence of a tick mark (✓) means method is not available.

Sources: ADB and OECD survey responses.

### a. Use of Electronic Tax Payment Methods in 2013

For this series, revenue bodies were asked to identify the payment methods used (from a menu of payment methods) and to provide an indication of their relative degree of usage (Table 37), the key observations and findings in this regard being set out below.

- While many economies report the use of a comprehensive suite of electronic and non-electronic payment methods, quite a number do not appear to have knowledge of the level of use of each method, thereby limiting their understanding and knowledge of taxpayer practices and the costs and value of their respective methods.
- Around half of revenue bodies surveyed reported the use of in-person at-office payment methods in 2013 which, as already indicated, are generally the most costly payment method used for collecting taxes. For a few economies (e.g., Malaysia, the Maldives, Papua New Guinea, and Thailand), the reported volumes of such payments were relatively high.
- Very high rates of usage of fully electronic methods were reported by a number of advanced economies (i.e., Australia, New Zealand, and Singapore).
- The Maldives and Mongolia both reported that new online payment services were implemented in 2014 or 2015, while Papua New Guinea reported that more taxpayers made direct debit payments in 2014 and 2015 than previously.

## F. Further Reading

Revenue body officials and others wishing to locate further material on developments with the use of technology by revenue bodies for improving service delivery may be interested in the following reports prepared by the OECD Forum on Tax Administration (FTA) in 2016 and 2014, both of which have been posed to the FTA website at <https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/service/>

Name of Report	Content
<ul style="list-style-type: none"> <li>• <b>Technologies for Better Tax Administration – A Practical Guide for Revenue Bodies</b></li> </ul>	This report looks at effective e-service provision by tax administrations. It summarizes eight critical areas, and explores big data management and portals, as well as natural systems, in detail.
<ul style="list-style-type: none"> <li>• <b>Advanced Analytics for Better Tax Administration – Putting Data to Work</b></li> </ul>	This report highlights the key opportunities and challenges in establishing, operating, or improving advanced analytics functions in tax administrations.
<ul style="list-style-type: none"> <li>• <b>Increasing the Use of Self-Service Channels</b></li> </ul>	This report explores the strategies revenue bodies can use to improve take-up of self-service channels in the context of a proposed future service experience for individuals, businesses, and tax intermediaries.
<ul style="list-style-type: none"> <li>• <b>Managing Service Demand – A Practical Guide to Help Revenue Bodies Better Meet Taxpayers’ Service Expectations</b></li> </ul>	This book provides guidance on a whole-of-revenue body approach for managing service demand effectively. It sets out a possible model for governance arrangements based on leading revenue body practice—in this case the Australian Taxation Office. It also sets out practical steps in the form of a step-by-step framework to support revenue bodies in their efforts to better identify, analyze, and address the causes of service demand.



The system of tax administration in all economies is underpinned by legislative provisions that define the administrative framework for collecting taxes. Included are elements such as taxpayers' rights, return filing and tax payment obligations, withholding and reporting regimes, powers of access to information and enforced debt collection, and sanctions for noncompliance. The specific elements covered briefly in this chapter are (i) taxpayers' rights and obligations, (ii) access to tax rulings, (iii) withholding and reporting regimes for the personal income tax, and (iv) tax offenses (including the use of voluntary disclosure policies).

### A. Taxpayers' Rights and Obligations

Citizens in all democratic societies have a number of basic rights and obligations in relation to their government and its agencies. This applies to the operation of the tax system and most countries have elements of legislation governing taxpayers' obligations and, ideally, their rights.

#### 1. International Guidance and Practice

Given the importance of taxpayers' rights to the smooth functioning of the tax system, international bodies involved with promoting better tax administration have actively encouraged the idea of revenue bodies having a comprehensive set of taxpayers' rights (and obligations) that are transparent and actively promoted to the taxpayer population at large. Examples including the following:

- In 2003, the OECD's Committee on Fiscal Affairs approved the publication of a practice note entitled *Taxpayers' Rights and Obligations*.<sup>14</sup> This note identified a core set of taxpayers' rights and obligations that might generally be regarded as universally applicable, and presented these in the form of an illustrative Taxpayer Charter. The note concluded by encouraging revenue bodies to develop a similar charter if they had not already done so.

The core set of rights and obligations suggested are set out below:

Taxpayers' Rights	Taxpayers' Obligations
<ul style="list-style-type: none"> <li>• Your right to be informed, assisted, and heard</li> <li>• Your right of appeal</li> <li>• Your right to pay no more than the correct amount of tax</li> <li>• Your right to certainty</li> <li>• Your right to privacy</li> <li>• Your right to confidentiality and secrecy</li> </ul>	<ul style="list-style-type: none"> <li>• Your obligation to be honest</li> <li>• Your obligation to be cooperative</li> <li>• Your obligation to provide accurate information and documents on time</li> <li>• Your obligation to keep records</li> <li>• Your obligation to pay taxes on time</li> </ul>

- The IMF's Manual on Fiscal Transparency also recognizes the importance of taxpayers' rights, and its guidance explicitly emphasizes specific rights, including confidentiality, appeal, proper notice of liabilities, explanations of legal and administrative decisions, and representation.<sup>15</sup>

<sup>14</sup> OECD. 2003. *Taxpayers Rights and Obligations*. Paris.

<sup>15</sup> IMF. 2007. *Manual on Fiscal Transparency*. Washington, DC: International Monetary Fund.

Today, revenue bodies in many economies administer a set of taxpayers' rights and make these transparent in a variety of ways, including by way of a taxpayer service or customer charter. An example drawn from Hong Kong, China's Inland Revenue Department is set out in Box 18.

### Box 18: Hong Kong Inland Revenue's Taxpayer Charter

#### Your Rights as a Taxpayer

- ✓ **Tax Liability:** You only have to pay the amount of tax due under the law.
- ✓ **Courteous Treatment:** You are entitled to courteous treatment in your dealings with us.
- ✓ **Professional Service:** You are entitled to receive our service in a timely manner in accordance with our pledged standards. You can expect assistance from us to help you understand and meet your tax obligations. You can expect us to act in an impartial, professional, and fair manner.
- ✓ **Privacy and Confidentiality:** You are entitled to expect that the information you provide us will be used only for purposes the law allows; that it will not be disclosed to anyone, except as authorized by law.
- ✓ **Access to Information:** You are entitled access to your own tax information held by us as permitted by the law.
- ✓ **Bilingual Service:** You are entitled to our service in Chinese or English, at your choice.
- ✓ **Complaints and Appeals:** If you are not satisfied with our service, you have the right to give comments and complain to us or to the Ombudsman. If you disagree with the amount of your tax assessment, you have the right of objection and appeal.

#### Your Obligations as a Taxpayer

- ✓ **Honesty:** You should be honest in your dealings with us.
- ✓ **Lodgment of Returns, Documents, and Information:** You should file correct returns and documents and provide complete and accurate information within time limits specified.
- ✓ **Tax Payment:** You should pay your tax due on time.
- ✓ **Record Keeping:** You should keep sufficient records to enable your tax liability to be ascertained accurately.
- ✓ **Keeping IRD Posted:** You should keep us informed upon change of business or correspondence address.

Source: Hong Kong Inland Revenue website (July 2015).

Hong Kong, China's revenue body complements its charter with a performance pledge that sets out the standards of service it aims to achieve for 25 specific types of services, and publishes the results it achieves in an annual report of its performance pledge. Examples of specific services, the performance targets set, and the actual results achieved in recent years are set out below:

Service Standard	Target (%)	Actual Achievement	
		2014–2015	2013–2014
Counter enquiries • attended to within 10 minutes (in peak times)	95	99.5	99.2
Telephone enquiries • answered within 3 minutes (in peak period)	80	87.2	88.4
Written enquiries – simple matters • replied within 7 working days	95	99.9	99.9
Written enquiries – technical matters • replied within 21 working days	98	99.9	99.9

Source: Annual Report on Performance Pledge 2014–15, Hong Kong Inland Revenue.

For this series, revenue bodies were asked to indicate whether they had a set of taxpayers' rights codified in the law or elaborated in administrative documents (e.g., a taxpayer or service charter). As indicated in Table 38, just about all surveyed revenue bodies reported that their tax laws codify a set of taxpayers' rights, while many also reported that these rights were elaborated in administrative documents that can be made available to taxpayers.

**Table 38: Taxpayers' Rights and Selected Features of the Revenue Rulings System**

Economy	Features (✓ where applicable)					
	Rights are Formalized in:		Public Rulings Are:		Private Rulings Are:	
	Tax or Other Laws	Administrative Documents	Issued	Binding	Issued	Binding
Australia	✓	✓	✓	✓	✓	✓
Brunei Darussalam	✓				✓	✓
Cambodia	✓	✓	✓	✓		
China, People's Rep. of	✓	✓				
Hong Kong, China	✓	✓	✓		✓	✓
Indonesia	✓		✓	✓		
Japan	✓		✓	✓	✓	
Korea, Rep. of	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓		✓	✓	✓	
Malaysia	✓	✓	✓	✓	✓	✓
Maldives	✓	✓	✓	✓		
Mongolia	✓	✓	✓	✓	✓	✓
New Zealand		✓	✓	✓	✓	✓
Papua New Guinea	✓		✓		✓	
Philippines	✓	✓	✓	✓	✓	✓
Singapore	✓	✓	✓	✓	✓	✓
Taipei, China	...	...	...	...	...	...
Tajikistan	✓	✓	✓	✓		
Thailand	✓	✓	✓	✓	✓	✓

... = data not available.

Note: The absence of a tick mark (✓) means the feature is not applicable.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

## 2. Access to Tax Rulings

Tax laws are invariably complex for many taxpayers. This presents challenges for both taxpayers and revenue bodies. On the one hand, taxpayers may be uncertain how the tax laws apply to their circumstances or in relation to particular transactions they are contemplating. Those wishing to fully comply with their obligations require a degree of certainty in order to be confident they are not exposed to the prospect of a subsequent dispute or penalties.

For their part, revenue bodies seeking to improve overall compliance with tax laws are likely to find it valuable to clarify application of the law in relation to those areas of the tax law that have been wrongly interpreted by large numbers of taxpayers or are otherwise being abused, with significant negative consequences for tax revenue collections. These mutual interests in ensuring certainty in the laws' application have led to the emergence of practices that entail the preparation and issue of public and private tax rulings in many economies. For some, these rulings are binding on the revenue body. Box 19 briefly outlines the advance ruling system administered by the Republic of Korea's National Tax Service.

### Box 19: The Republic of Korea's Advance Ruling System

#### Purpose and Background

The National Tax Service (NTS) introduced the Advance Ruling System in October 2008 to provide clear and expected rulings with regard to a specific transaction of a taxpayer's business, provided that a ruling is requested by the legal due date for tax return filing with the disclosure of the taxpayer's identity, and the specific facts and circumstances of the transaction in question. The NTS Advance Ruling System aims to help eliminate tax uncertainties faced by business enterprises, enhance predictability of tax matters, and encourage active business investments, and thereby contribute to fostering a business-friendly tax environment for enterprises conducting businesses in the Republic of Korea.

*Application Requirements:* Only business taxpayers (including those who may assume a tax responsibility from future business transactions) as defined in the Republic of Korea's VAT Act, Individual Income Tax Act, and Corporate Income Tax Act are eligible to apply for an advance ruling. As an exception, non-residents and foreign corporations without permanent establishment in the Republic of Korea are also eligible for application. Advance rulings are provided only to taxpayers who request a ruling on tax matters with regard to a specific transaction of their business, where such a transaction could be objectively verified with relevant documents that it has actually occurred or will occur in the near future. Applications in relation to any of the following matters, however, are excluded from consideration for an advance ruling: (i) requests which involve application of the Tax Law that is not relevant to the taxpayer; (ii) requests which require judgment of facts and circumstances involved; (iii) requests regarding assumed facts; (iv) requests which involve transactions that have violated laws or have concerns for violation; (v) requests which have been submitted after the application deadline; and (vi) requests which appear to have been applied for means of tax evasion or tax avoidance.

*Application Method:* An advance ruling request must be filed by the taxpayer on the required advance ruling application form with the NTS by the relevant legal filing date. Alternatively, the taxpayer may authorize a tax representative (i.e., certified tax accountant, certified public accountant, lawyer) to file an advance ruling request on his or her behalf. At the time of an advance ruling request submission, the taxpayer must submit relevant materials necessary to verify facts and circumstances involved, and examine the appropriateness of such a request. Where the NTS determines that additional materials are necessary, and subsequently requests for such materials, the taxpayer must promptly submit the requested materials.

Source: National Tax Service. *Annual Report 2015*. p. 32.

For this series, revenue bodies were requested to indicate whether they provide public and private rulings and, if the case, whether such rulings were binding on the revenue body. Table 38 sets out their responses, the key findings of which are as follows:

- With two exceptions (e.g., Brunei Darussalam and the People's Republic of China [PRC]), all revenue bodies reported the operation of a public rulings system. Where applicable, most reported that such rulings were generally binding on the revenue body.
- The ability to obtain a private ruling that was binding on the revenue body was less common, and is not a feature of the tax system in Cambodia, the PRC, Indonesia, the Maldives, or Tajikistan.

## B. Withholding and Reporting Regimes for Personal Income Tax

It has become largely a principle of modern tax system design that the most efficient and effective means of collecting taxes on personal income is through comprehensive use of tax withholding arrangements. Imposing the obligation on intermediaries such as employers and financial institutions to withhold tax from income paid to payees generally ensures that the vast bulk of tax due on such income is paid to government in a timely manner, and that taxpayers generally meet their tax obligations in respect of such income. In practice, the use of withholding is just about universal for employment income, while its use for other categories of income such as dividends and interest is also quite extensive. The benefits of withholding mechanisms are particularly important to developing and emerging economies where the level of tax morale and understanding may be low, and most taxpayers are not required to file annual tax returns.

In practice, withholding regimes vary considerably in their design to take account of a variety of tax policy choices (e.g., the tax rate structure in place, final or creditable withholdings, residency, and annual assessment requirements). These factors, coupled with the fact that some intermediaries will be tempted to avoid their tax withholding obligations, mean that revenue bodies must be prepared to provide adequate education and support services, as well as be vigilant to noncompliance behavior that requires an administrative response. This latter requirement generally sees revenue bodies undertake a program of risk-based compliance checks on withholding agents to ensure that the laws are being properly applied.

Withholding regimes are also often accompanied by a system of third party reporting to the revenue body. This is particularly important where the tax withheld at the source is creditable (i.e., not final) and applied in the tax assessment process. Such reporting provides the revenue body with relevant payee identity and income information that can be used in a variety of ways (e.g., to detect income omitted from tax returns and to identify late filers and persons who have failed to register for tax purposes). In some advanced economies (e.g., Australia and Singapore) the data are used to prepare prefilled tax returns (or their equivalent) that are sent to taxpayers for their review.

Features of the withholding regimes in place for employment income and other income categories are set out in Tables 39 to 41, as reported in survey responses or obtained from research (e.g., International Bureau of Fiscal Documentation). The key observations in this regard are as follows:

### 1. Employment Income

- Cumulative regimes are widely used in developing economies, with the objective of limiting the numbers of employees who are required to file an annual tax return.
- In a few economies such as Hong Kong, China and Singapore, tax withholding at source on employment income is *not* used, and employees must make their own advance payments and file an annual tax return.
- Employers are generally required to withhold taxes and remit payments to the revenue body on a *monthly* basis. However, in a few economies (e.g., Australia and New Zealand) payments are required from very large employers on a *weekly* or *fortnightly* basis.
- To reduce the administrative burden of small businesses, a few revenue bodies (i.e., Australia, Japan, and the Republic of Korea) permit less frequent remittance of withholdings (e.g., on a quarterly or semiannual basis).

## 2. Other Categories of Income

- Around two-thirds of the revenue bodies surveyed reported that tax withholding provisions apply to prescribed categories of interest and dividend income, with relevant income and taxpayer identity information being reported to the revenue body. In Australia, tax need only be withheld by payers in the absence of a taxpayer identifier.
- Withholding and reporting obligations were far less prevalent for other categories of income (i.e., rents and prescribed business income). However, the Philippines makes extensive provision of withholding for a large variety of miscellaneous income types.

**Table 39: Employer (Personal Income Tax) Withholding Obligations**

Economy	Type of Withholding Regime	Payment Frequency (by size of employer)			Reporting Frequency
		Large	Medium	Small	
Australia	Noncumulative	Weekly	Monthly	Quarterly	Annual
Brunei Darussalam	-----No personal income tax in place-----				
Cambodia	Noncumulative	Monthly	Monthly	Monthly	...
China, People's Rep. of	Cumulative	Monthly	Monthly	Monthly	Varies
Hong Kong, China	-----No withholding on employment income -----				
Indonesia	Cumulative	Monthly	Monthly	Monthly	Annual
Japan	Cumulative	Monthly	Monthly	Semi-annual	Annual
Korea, Rep. of	Cumulative	Monthly	Monthly	Semi-annual	Annual
Kyrgyz Republic	Noncumulative/flat rate	Monthly	Monthly	Monthly	...
Malaysia	Cumulative	Monthly	Monthly	Monthly	Annual
Maldives	-----No personal tax on employment income-----				
Mongolia	Cumulative	Monthly	Monthly	Monthly	Annual
New Zealand	Cumulative	Twice monthly	Monthly	Monthly	Monthly
Papua New Guinea	Cumulative	Monthly	Monthly	Monthly	...
Philippines	Cumulative	Monthly	Monthly	Monthly	...
Singapore	-----No withholding on employment income of residents-----				
Tajikistan	Cumulative	...	...	...	...
Thailand	Noncumulative	Monthly	Monthly	Monthly	Monthly

... = data not available.

Sources: ADB survey responses, OECD *Tax Administration 2015*, and International Bureau of Fiscal Documentation database.

**Table 40: Withholding and Reporting Regimes for Income of Resident Taxpayers (2013)**

Economy	Type of Income Subject to Withholding (W) or Reporting (R) for Resident Taxpayers				
	Employment	Dividends	Interest	Rents	Prescribed Business
Australia	W, R	R	R	–	–
Brunei Darussalam	-----No personal income tax in place-----				
Cambodia	W, R	W, R	W, R	W, R	–
China, People's Rep. of	W	W	W	–	–
Hong Kong, China	R	–	–	–	R
Indonesia	W, R	W, R	W, R	W, R	W, R
Japan	W, R	W, R	W, R	R	W, R
Korea, Rep. of	W, R	W, R	W, R	R	W, R
Kyrgyz Republic	W, R	–	–	R	R
Lao PDR	W, R	W, R	W, R	–	–
Malaysia	W, R	–	–	–	R
Maldives	-----No personal income tax in place-----				
Mongolia	W, R	W, R	W, R	–	–
Myanmar	W, R	–	–	–	–
New Zealand	W, R	W, R	W, R	–	W, R
Papua New Guinea	W, R	W, R	W, R	R	W, R
Philippines	W, R	W, R	W, R	W, R	W, R
Singapore	R	–	–	–	–
Taipei, China	W	–	W	...	...
Tajikistan	W, R	W, R	W, R	–	–
Thailand	W, R	W, R	W, R	W, R	W, R

... = data not available., – = not applicable, Lao PDR = Lao People's Democratic Republic.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

## C. Tax Offenses

Tax laws typically include provisions setting out sanctions for various offenses of noncompliance (e.g., failure to file returns and pay taxes on time, and failure to correctly report tax liabilities). Sanctions are intended to act as a deterrent to noncompliance and to punish offenders. Historically, a tax-by-tax approach to tax administration often led to a situation in which there was a separate set of sanctions for each tax, sometimes resulting in different sanctions being applied by revenue bodies across taxes for the same offense. Over time, the inconsistency inherent in this approach was recognized, and it was accordingly decided to standardize and streamline the sanctions regime in place by adopting a common administrative framework for all tax offenses.

**Table 41: Withholding and Reporting Regimes for Income of Non-Resident Taxpayers (2013)**

Economy	Type of Income Subject to Withholding (W) or Reporting (R) for Non-Resident Taxpayers				
	Employment	Dividends	Interest	Rents	Prescribed Business
Australia	W, R	W, R	W, R	–	W, R
Brunei Darussalam	-----No PIT in place-----				
Cambodia	W, R	W, R	W, R	W, R	–
China, People's Rep. of	W	W	W	–	–
Hong Kong, China	R	–	–	–	W, R
Indonesia	W	W	W	W	W
Japan	W, R	W, R	W, R	W, R	W, R
Korea, Rep. of	W, R	W, R	W, R	R	W, R
Kyrgyz Republic	W, R	W, R	W, R	–	–
Lao PDR	W	W	W	...	...
Malaysia	W, R	–	W, R	W, R	W, R
Maldives	-----No PIT in place-----				
Mongolia	W, R	W, R	W, R	–	–
Myanmar	W, R	–	–	–	–
New Zealand	W, R	W, R	W, R	–	W, R
Papua New Guinea	W, R	W, R	W, R	R	W, R
Philippines	W, R	W, R	W	W, R	W, R
Singapore	W, R	–	W, R	W, R	W, R
Taipei, China	W, R	–	W	–	–
Tajikistan	W, R	W, R	W, R	W, R	W, R
Thailand	W, R	W, R	W, R	W, R	W, R

... = data not available, – = not applicable, Lao PDR = Lao People's Democratic Republic.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

This chapter focuses on the offense of taxpayers failing to properly declare their tax liabilities. It also addresses the issue of voluntary disclosures, as policies of this nature are used by some revenue bodies, either periodically or as a permanent or ongoing feature of their administration, to encourage the correct reporting of tax liabilities, thereby reducing the requirement for costly verification programs. Tables 42 and 43 set out survey responses in this regard, while the summarized key findings and observations are as follows:

- The vast majority of surveyed revenue bodies reported having a common penalty framework for their major taxes.
- Three revenue bodies (i.e., Japan, the Maldives, and Papua New Guinea) reported that taxpayers' degree of culpability is *not* a factor addressed when imposing penalties.



- Less than one-third reported having the authority to publish the details of detected offenders as a general deterrent to the underreporting of tax liabilities.
- Less than half of surveyed revenue bodies are permitted under the terms of their existing tax laws to offer reduced penalties or some other inducement for voluntary disclosures, while an even smaller proportion have a policy in place to do so.
- Revenue bodies in a number of advanced and emerging economies (e.g., Malaysia and Singapore) have achieved good levels of success in administering voluntary disclosure programs.

**Table 42: Incorrect Reporting of Tax Liabilities—Framework for Sanctions**

Economy	Features of Sanction Frameworks and Their Administration (✓ where applicable)					
	Common Framework for PIT, CIT, and VAT	Taxpayer Culpability is Considered	Penalties Can Be Remitted in Appropriate Circumstances	Taxpayer's Details Can Be Published	Reduced Penalties for Voluntary Disclosure	Policy to Encourage Voluntary Disclosure
Australia	✓	✓	✓		✓	✓
Brunei Darussalam	CIT only	✓				
Cambodia	✓	✓				
China, People's Rep. of	✓	✓		✓		
Hong Kong, China	✓ <sup>a</sup>	✓			✓	✓
Indonesia	✓	✓	✓			
Japan	✓		✓		✓	
Korea, Rep. of	✓	✓	✓	✓		
Kyrgyz Republic	✓	✓	✓	✓		
Malaysia	✓ (No VAT)	✓	✓		✓	✓
Maldives	✓		✓	✓	✓	✓
Mongolia	✓	✓	✓	✓		
New Zealand	✓	✓	✓		✓	✓
Papua New Guinea			✓		✓	
Philippines	✓	✓	✓		✓	
Tajikistan	✓	✓	✓	✓		
Singapore	✓	✓	✓		✓	✓
Thailand	✓	✓	✓		✓	✓

CIT = corporate income tax, PIT = personal income tax, VAT = value-added tax.

Note: The absence of a tick mark (✓) means the feature is not applicable.

<sup>a</sup> Hong Kong, China: Only for PIT and CIT, as there is no VAT in Hong Kong, China.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

## D. Voluntary Disclosure Policies

The detection of unreported tax liabilities through traditional verification programs such as audits and investigations is costly, and in practice, such programs typically achieve a relatively low coverage of taxpayers. Revenue bodies worldwide are generally seeking additional approaches that offer the prospect of improved compliance and increased revenue without incurring significant administrative costs. It is with this objective in mind that a number of revenue bodies have introduced what are known as policies and programs of “voluntary disclosure.”

As successfully practiced by a number of revenue bodies (e.g., Australia, Canada, New Zealand, and Singapore), voluntary disclosures are opportunities offered by revenue bodies to encourage noncompliant taxpayers to correct their tax affairs under specified terms. In economies in which these policies are regularly applied, the tax laws typically contain provisions that give some discretion to revenue bodies to frame the terms of their voluntary disclosure policy (e.g., reduced rates of penalty). The terms offered under such programs vary from economy to economy, but generally they include incentives in the form of

- (i) reduced penalties,
- (ii) no audit provided a full disclosure is made,
- (iii) a commitment to no prosecution, and
- (iv) no publicity where it is the normal practice to publish details of detected tax evaders.

Revenue bodies that administer such programs tend to make them available to the population at large, although from time to time, special programs are mounted for specific types of noncompliance, for example, undeclared income associated with income and assets concealed in offshore bank accounts, as discussed later in this chapter. These revenue bodies also take steps to ensure that their voluntary disclosure programs are actively promoted, and it is a fairly common practice to make explanatory material available for taxpayers on revenue bodies’ websites, for example,

- **Australia:** *Correct a mistake or amend a return: Make a voluntary disclosure*, Australian Taxation Office, [www.ato.gov.au/general/correct-a-mistake-or-amend-a-return/make-a-voluntary-disclosure/](http://www.ato.gov.au/general/correct-a-mistake-or-amend-a-return/make-a-voluntary-disclosure/)
- **New Zealand:** *Voluntary Disclosure Policy*, Inland Revenue, [www.ird.govt.nz/income-tax-individual/filing-your-return/making-disclosures/running-puttingtaxaffairsright.html#incentives](http://www.ird.govt.nz/income-tax-individual/filing-your-return/making-disclosures/running-puttingtaxaffairsright.html#incentives)
- **Singapore:** *IRAS Voluntary Disclosure Program*, Inland Revenue Authority of Singapore, <https://www.iras.gov.sg/irashome/About-Us/Taxes-in-Singapore/Helping-and-Encouraging-Compliance/IRAS--Voluntary-Disclosure-Programme/>

Authorities seeking further information on this matter may also benefit from reviewing the content of an OECD report published in August 2015 *Update on Voluntary Disclosure Programmes—A Pathway to Tax Compliance*, which is located at [www.oecd.org/ctp/exchange-of-tax-information/update-on-voluntary-disclosure-programmes-a-pathwayto-tax-compliance.htm](http://www.oecd.org/ctp/exchange-of-tax-information/update-on-voluntary-disclosure-programmes-a-pathwayto-tax-compliance.htm). This publication shares details of the practical experience gained by over 40 economies in relation to voluntary disclosure programs, and provides guidance on the guidance and design of such programs.

## 1. The Difference between a Voluntary Disclosure and a Tax Amnesty

As practiced in the economies mentioned, voluntary disclosure programs can be distinguished from what are sometimes referred to as tax amnesty programs, although the terms are often used interchangeably in the media and elsewhere. Unlike a voluntary disclosure, a tax amnesty typically includes an incentive in the form of a reduction or waiver in a taxpayer's primary tax liability, along with other conditions and concessions. Research conducted by the IMF suggests that tax amnesties are unlikely to deliver benefits that exceed their true overall costs *and that repeated stand-alone amnesties as seen in some countries may well have led, over time, to reduced compliance levels and resultant reductions in tax revenue.*<sup>16</sup> Revenue bodies (and their respective governments) that have a history of offering tax amnesties, as defined, invariably continue to suffer from poor compliance levels and, for this and other reasons, international bodies such as the IMF and OECD strongly discourage the use of tax amnesty-like initiatives.

## 2. Results of Voluntary Disclosure Programs

The survey conducted by ADB did not seek to capture information from revenue bodies on the results of voluntary disclosure programs, where such programs were being used. However, such information is available for a few revenue bodies covered by this series (Table 43). These results, along with those reported by other revenue bodies (e.g., Canada, the United Kingdom, and the United States) indicate that such programs, where carefully designed and administered, can achieve considerable success.

**Table 43: Revenue Bodies' Use of Voluntary Disclosure Programs**

Economy	Numbers of Cases Processed				Taxes, Penalties, and Interest (in millions of local currency units)			
	2010	2011	2012	2013	2010	2011	2012	2013
Australia	9,776	13,742	10,945	11,216	582	764	838	836
New Zealand	1,301	1,120	2,527	3,077	188	265	407	489
Singapore	818	745	13,209	13,851	68	36	17	20

Source: OECD *Tax Administration 2015*.

## 3. Voluntary Disclosure Programs Targeting Assets and Income in Offshore Bank Accounts

In conjunction with the significant efforts being mounted by the OECD, which are supported by the G20 group of nations, to eliminate bank secrecy practices and to establish robust systems for automatically exchanging investment-related information between treaty partners, many economies have used the opportunity to introduce special voluntary disclosure initiatives targeting income and assets concealed in offshore bank accounts. Australia is one of a number of such countries, and has reported considerable success in this regard, as described in the OECD's series *Tax Administration 2015*.<sup>17</sup>

<sup>16</sup> K. Baer and E. Le Borgne. 2008. *Tax Amnesties: Theory, Trends, and Some Alternatives*. Washington, DC: International Monetary Fund.

<sup>17</sup> OECD. 2015a. *Tax Administration 2015*. Paris: OECD Publishing, p. 329.

In March 2014, Australian tax authorities announced an initiative (Project DO IT) to allow eligible taxpayers to come forward and voluntarily disclose unreported foreign income and assets. In announcing the initiative, the Australian Tax Office Commissioner urged taxpayers with offshore assets to declare their interests ahead of a global crackdown on people using international tax havens. The initiative covers amounts not reported or incorrectly reported in tax returns, including foreign income or transactions with an offshore structure, deductions relating to foreign income that have been claimed incorrectly, capital gains in respect of foreign assets or Australian assets transferred offshore, income from an offshore entity that is taxable in your hands, and offshore deductions relating to domestic income. The initiative closed on 19 December 2014, with more than 5,600 taxpayers coming forward. More background on this initiative can be found on the ATO website ([www.ato.gov.au/projectdoit](http://www.ato.gov.au/projectdoit)).

#### 4. Looking to the Future

With many countries preparing to implement the OECD's Common Reporting Standard (CRS) (Box 20) for the automatic exchange of prescribed investment-related information between economies in 2017 and 2018, there is both an incentive and an opportunity for many revenue bodies to mount voluntary disclosure-type initiatives in the lead-up period, using the prospect of CRS implementation as a means of leveraging non-compliant taxpayers to come forward and report their previously undeclared income. The results achieved from such initiatives by revenue bodies in Australia, the United Kingdom, and the United States demonstrate that such policies can be very productive in terms of increased tax revenues and improved tax compliance.

##### Box 20: The OECD's Standard for Automatic Exchange of Financial Account Information in Tax Matters

The standard, hereafter called “the common reporting standard” (CRS), calls on economies to obtain information from their financial institutions and automatically exchange that information with other economies on an annual basis.

G20 leaders endorsed the CRS as the global standard for the automatic exchange of information in November 2014 and agreed to exchange information automatically with each other and with other countries. The first exchanges under the CRS will commence in September 2017.

The CRS sets out the financial account information to be exchanged, the financial institutions that need to report, and the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions.

The OECD has developed a comprehensive package of the documentation that includes (i) a model competent authority agreement; (ii) a common reporting standard; (iii) commentaries; and (iv) annexes: other competent authority agreement models, an information technology schema, and a confidentiality questionnaire.



OECD = Organisation for Economic Co-operation and Development.

Source: OECD website. [www.oecd.org/ctp/exchange-of-tax-information/automatic-exchange-of-financial-account-information.htm](http://www.oecd.org/ctp/exchange-of-tax-information/automatic-exchange-of-financial-account-information.htm)

**Table A1: Gross Domestic Product, Total Population, and Size of Labor Force in the Survey Economies, 2010–2013**

Economy	Gross Domestic Product (billions of units domestic currency)				2013 (millions of persons)	
	2010	2011	2012	2013	Population	Labor Force
Australia	1,296	1,407	1,486	1,521	23.13	12.21
Brunei Darussalam	16,867	20,996	21,185	20,158	0.42	0.2
Cambodia	47,102	52,154	56,711	62,559	15.13	8.60
China, People's Rep.	40,151	47,310	51,894	56,885	1,357.38	793.0
Hong Kong, China	1,776	1,934	2,037	2,125	7.22	3.86
Indonesia	6,422,918	7,419,187	8,229,439	9,083,972	249.87	120.17
Japan	482,384	471,311	473,777	478,368	127.3	65.77
Korea, Republic of	1,265,308	1,332,681	1,377,457	1,428,295	50.22	25.87
Kyrgyz Republic	...	...	310	355	5.54	2.6
Lao PDR	56,523	64,727	75,251	84,572	6.77	3.41
Malaysia	797	884	941	984	29.71	13.4
Maldives	...	35,931	38,943	41,569	0.34	0.16
Mongolia	...	13,174	16,688	19,118	2.84	1.3
Myanmar	...	...	43,238	47,722	53.26	31.44
New Zealand	199	207	212	227	4.47	2.42
Papua New Guinea	26.4	30.5	32.1	34.6	7.32	3.28
Philippines	9,003	9,708	10,561	11,548	98.4	42.26
Singapore	322	345	359	373	5.40	2.14
Taipei, China	14,119	14,312	14,686	15,221	23.38	...
Tajikistan	...	30	36	41	8.2	3.58
Thailand	...	11,300	12,349	12,901	67.01	39.47

... = data not available, Lao PDR = Lao People's Democratic Republic.

Sources: OECD Statistics, IMF, World Bank Statistics, International Labour Organization Statistics, and Taipei, China Ministry of Finance.

**Table A2: Participating Revenue Bodies and Related Information**

Economy	Name	Website Address	Currency Unit	Fiscal Year Ends
Australia	Australian Taxation Office	<a href="http://www.ato.gov.au">www.ato.gov.au</a>	Australian dollar (A\$)	30 June
Brunei Darussalam	Revenue Division	<a href="http://www.mof.gov.bn">www.mof.gov.bn</a> , <a href="http://www.stars.gov.bn">www.stars.gov.bn</a>	Brunei dollar (B\$)	31 March
Cambodia	General Department of Taxation	<a href="http://www.tax.gov.kh">www.tax.gov.kh</a>	riel (KR)	31 December
China, People's Rep. of	State Administration of Taxation	<a href="http://www.chinatax.gov.cn">www.chinatax.gov.cn</a>	yuan (CNY)	31 December
Hong Kong, China	Inland Revenue Department	<a href="http://www.ird.gov.hk">www.ird.gov.hk</a>	Hong Kong dollar (HK\$)	31 December
Indonesia	Directorate General of Taxes	<a href="http://www.pajak.go.id">www.pajak.go.id</a>	rupiah (Rp)	31 December
Japan	National Tax Agency	<a href="http://www.nta.go.jp">www.nta.go.jp</a>	yen (¥)	31 March
Korea, Rep. of	National Tax Service	<a href="http://www.nts.go.kr">www.nts.go.kr</a>	won (W)	31 December
Kyrgyz Republic	State Taxation Service	<a href="http://www.sti.gov.kg">www.sti.gov.kg</a>	som (Som)	31 December
Lao PDR	Tax Department	<a href="http://www.tax.gov.la">www.tax.gov.la</a>	kip (KN)	
Malaysia	Inland Revenue Board of Malaysia	<a href="http://www.hasil.gov.my">www.hasil.gov.my</a>	ringgit (RM)	31 December
Maldives	Maldives Inland Revenue Authority	<a href="http://www.mira.gov.mv">www.mira.gov.mv</a>	rufiyaa (Rf)	31 December
Mongolia	General Department of Taxation	<a href="http://www.mta.mn">www.mta.mn</a>	togrog (MNT)	31 December
Myanmar	Internal Revenue Department	<a href="http://www.irdmyanmar.gov.mm">www.irdmyanmar.gov.mm</a>	kyat (MK)	
New Zealand	Inland Revenue	<a href="http://www.ird.govt.nz">www.ird.govt.nz</a>	New Zealand dollar (NZ\$)	31 March
Papua New Guinea	Internal Revenue Commission	<a href="http://www.irc.gov.pg">www.irc.gov.pg</a>	kina (K)	31 December
Philippines	Bureau of Internal Revenue	<a href="http://www.bir.gov.ph">www.bir.gov.ph</a>	peso (P)	31 December
Singapore	Inland Revenue Authority of Singapore	<a href="http://www.iras.gov.sg">www.iras.gov.sg</a>	Singapore dollar (S\$)	31 March
Taipei, China	Taxation Administration	<a href="http://www.dot.gov.tw">www.dot.gov.tw</a>	NT dollar (NT\$)	
Tajikistan	Tax Committee of the Government of Tajikistan	<a href="http://www.andoz.tj">www.andoz.tj</a>	somoni (TJS)	31 December
Thailand	Revenue Department	<a href="http://www.rd.go.th">www.rd.go.th</a>	baht (B)	30 September

Lao PDR = Lao People's Democratic Republic.

Sources: ADB survey responses and OECD *Tax Administration 2015*.

- Asian Development Bank. 2014. *Tool Kit for Tax Administration Management Information Systems*. Manila.
- . 2015. *Kyrgyz Republic: Tax Administration Reform and Modernisation Project, ADB Completion Report*. Manila.
- Australian Taxation Office. 2014. *Correct a mistake or amend a return: Make a voluntary disclosure*. [www.ato.gov.au/general/correct-a-mistake-or-amend-a-return/make-a-voluntary-disclosure/](http://www.ato.gov.au/general/correct-a-mistake-or-amend-a-return/make-a-voluntary-disclosure/) (accessed July 2015).
- . 2015. *ATO Corporate Plan 2015–2019*. July 2015. Canberra.
- . *The Role of the National Tax Liaison Group* (website description as of September 2015). Canberra.
- Baer, K. and E. Le Borgne. 2008. *Tax Amnesties: Theory, Trends, and Some Alternatives*. Washington, DC: International Monetary Fund (IMF).
- Barreto, R. and R. Sinha. 2014. Implementing a Tax Administration System in the Kyrgyz Republic. *ADB Briefs*, No. 29. December 2014. ISBN 978-92-9254-845-2 (Print). Manila.
- Bureau of Internal Revenue, the Philippines. 2015. *Organisation Chart* (published on revenue body’s website, May 2015).
- Crandall, W. 2010. *Revenue Administration: Autonomy in Tax Administration and the Revenue Authority Model*. Washington, DC: IMF.
- European Commission. 2007. *Fiscal Blueprints: A Path to a Robust, Modern, and Efficient Tax Administration*. Luxembourg: Office for Official Publications of the European Commission.
- General Department of Taxation, Cambodia. 2015. *Organisation Chart* (published on revenue body’s website, July 2015).
- Inland Revenue Authority of Malaysia. 2014. *Annual Report 2013*. Kuala Lumpur.
- Inland Revenue Authority of Singapore. 2014. *IRAS Voluntary Disclosure Program*. [www.iras.gov.sg/irashome/About-Us/Taxes-in-Singapore/Helping-and-Encouraging-Compliance/IRAS--Voluntary-Disclosure-Programme/](http://www.iras.gov.sg/irashome/About-Us/Taxes-in-Singapore/Helping-and-Encouraging-Compliance/IRAS--Voluntary-Disclosure-Programme/) (accessed July 2014).
- . 2015. *IRAS Annual Report 2014–15*. Singapore.
- Inland Revenue Department of Hong Kong. *Annual Report on Performance Pledge 2014–15*. Hong Kong.
- Internal Revenue Commission of Papua New Guinea. 2013. *Strategic Plan 2013–2017* (website version).
- International Bureau of Fiscal Documentation. 2015. *Tax database (various countries)*.

- International Monetary Fund. 2007. *Manual on Fiscal Transparency*. Washington, DC: IMF.
- . 2014. *Mongolia: 2015 Article IV Consultation Staff Report*. Country Report No. 15/109. Washington, DC: IMF.
- . 2015. *Cambodia: Article IV Consultation*. Country Report No. 15/307. Washington, DC: IMF.
- . 2015. *Fiscal Affairs Department at a Glance 2015*. Washington, DC: IMF.
- . 2015. *Hong Kong Special Administrative Region: 2015 Article IV Consultation Staff Report*. Country Report No. 16/77. Washington, DC: IMF.
- . 2015. *Indonesia: 2016 Article IV Consultation Staff Report*. Country Report No. 16/81. Washington, DC: IMF.
- . 2015. *Kyrgyz Republic: 2015 Article IV Consultation Staff Report*. Country Report No. 16/55. Washington, DC: IMF.
- . 2015. *Kyrgyz Republic: Request for a Three-year arrangement under the Extended Credit Facility—Staff Report*. Washington, DC: IMF.
- . 2015. *Lao People's Democratic Republic: 2014 Article IV Consultation Staff Report*. Country Report No. 15/45. Washington, DC: IMF.
- . 2015. *Papua New Guinea: 2015 Article IV Consultation Staff Report*. Country Report No. 15/308. Washington, DC: IMF.
- . 2015. *Singapore: 2015 Article IV Consultation Staff Report*. Country Report No. 15/199. Washington, DC: IMF.
- . 2014. *Kyrgyz Republic: Sixth Review under the Three-year Arrangement under the Extended Credit Facility; Staff Report*. Country Report No. 14/200. Washington, DC: IMF.
- . 2015. *Sri Lanka: Third Post-Program Monitoring Discussion—Staff Report*. Country Report No. 15/335. Washington, DC: IMF.
- . 2015. *TADAT: Tax Administration Diagnostic Assessment Tool Field Guide*. Washington, DC: IMF.
- . 2015. *Thailand: 2015 Article IV Consultation Staff Report*. Country Report No. 15/114. Washington, DC: IMF.
- . 2016. *Maldives: 2016 Article IV Consultation Staff Report*. Country Report No. 16/135. Washington, DC: IMF.
- Kidd, M. 2010. *Revenue Administration: Functionally Organised Administration*. Washington, DC: IMF.
- Maldives Inland Revenue Authority. 2014. *Strategic Plan: 2015–2019*. Malé.
- National Tax Agency of Japan. 2015. *Annual Report 2015*. Tokyo.
- National Tax Service of Korea.\* 2015. *Annual Report 2015*. Seoul.

---

\* ADB recognizes “Korea” as the Republic of Korea.



- New Zealand Inland Revenue. 2014. *Voluntary Disclosure Policy*, Inland Revenue. [www.ird.govt.nz/income-tax-individual/filing-your-return/making-disclosures/running-puttingtaxaffairsright.html#incentives](http://www.ird.govt.nz/income-tax-individual/filing-your-return/making-disclosures/running-puttingtaxaffairsright.html#incentives) (accessed July 2015).
- Organisation for Economic Co-operation and Development. 2003. *Taxpayers Rights and Obligations*. Centre for Tax Policy and Administration. Paris: OECD. [www.oecd.org/tax/administration/Taxpayers'\\_Rights\\_and\\_Obligations-Practice\\_Note.pdf](http://www.oecd.org/tax/administration/Taxpayers'_Rights_and_Obligations-Practice_Note.pdf)
- . 2006. *Strategies for Improving the Take-up Rates of Electronic Services*. Paris: OECD Forum on Tax Administration.
- . 2010. *Survey of Trends and Developments in the Use of Electronic Services for Taxpayer Service Delivery*. Paris: OECD Forum on Tax Administration.
- . 2014. *Revenue Statistics 1965–2013*. Paris: OECD Publishing.
- . 2015a. *Tax Administration 2015*. Paris: OECD Publishing.
- . 2015b. *Revenue Statistics in Asian Countries, Trends in Indonesia, Malaysia and the Philippines 1990–2013*. Paris: OECD Publishing.
- . 2015c. *Lead-Engage-Perform, Public Sector Leadership for Improved Employee Engagement and Organisational Success*. Discussion Paper, 21–22 January 2015. Paris: OECD.
- . 2015d. *Update on Voluntary Disclosure Programmes: A Pathway to Tax Compliance*. Paris: OECD Publishing.
- . 2015e. *Standard for Automatic Exchange of Financial Account Information in Tax Matters*. Paris: OECD Publishing.
- PriceWaterhouseCoopers. 2009. *Key principles of organization design: Diagnosing issues in a company's structure*. United States.
- Taipei, China Ministry of Finance. 2015. *Yearbook of Financial Statistics 2014* (website publication).
- . 2015. *Organisation Chart of Tax Administration* (as published on website in May 2015).
- Taliercio, R. 2004. *Designing Performance: The Semi-Autonomous Revenue Authority Model in Africa and Latin America*. *World Bank Policy Research Working Paper* 3423. Washington, DC.
- World Bank. 2015. *Implementation Status and Results Report, Tajikistan: Tax Administration* (P127807). Washington, DC. Comments located at [www-wds.worldbank.org/external/default/WDSP/ECA/2015/05/08/090224b082e57860/1\\_0/Rendered/PDF/Tajikistan000T0Report000Sequence005.pdf](http://www-wds.worldbank.org/external/default/WDSP/ECA/2015/05/08/090224b082e57860/1_0/Rendered/PDF/Tajikistan000T0Report000Sequence005.pdf)

# **A Comparative Analysis of Tax Administration in Asia and the Pacific**

*2016 Edition*

This comparative analysis report, the second in a series, is part of ADB's regional research and development project on tax administration that analyzes the administrative frameworks, functions, and performance of 21 economies in Asia and the Pacific. The initial version of this report was published in 2014. The primary objective of the series is to motivate governments and revenue officials by sharing knowledge of important developments and trends in tax administration practice and performance, and to identify opportunities to enhance the operation of their tax systems.

## **About the Asian Development Bank**

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to half of the world's extreme poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



**ASIAN DEVELOPMENT BANK**

6 ADB Avenue, Mandaluyong City

1550 Metro Manila, Philippines

[www.adb.org](http://www.adb.org)