TAX ADMINISTRATION DIAGNOSTIC ASSESSMENT TOOL

# Performance Assessment Report

## Baidoa Municipality, Somalia

Justine Nanziri, Stephen Masha, Mohammed Ahmed Abdi, Mohammed Ahmed Kabah and Abdihakim Sharif

October 2022

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TADAT is a collaborative undertaking of the following partners:

CONTENTS PAGE



**FIGURES**



**TABLES**

**ATTACHMENTS**

## PREFACE

An assessment of the system of tax administration of Baidoa Municipality, Somalia was undertaken during the period August 15 – 29, 2022 using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team, under the auspices of the United Nations Capital Development Fund (UNCDF), comprised the following: Ms. Justine Nanziri (Team Leader, TADAT expert); Mr. Stephen Masha (TADAT expert); and Messrs. Muhammed Ahmed, Muhammed Kabah and Mr. Abdihakim Sharif (all UNCDF TADAT experts)

The assessment team met with His Excellency the Mayor of Baidoa Municipality, Mr. Abdullahi Ali Watin and the Deputy Mayor Administration and Finance, Mr. Mucawiye Ibrahim Dahir. Discussions were held at the Municipality Government headquarters located in Baidoa City. Furthermore, IT systems walk-throughs was conducted and Horseed village was visited to view identification of houses.

The assessment team expresses its appreciation to the local government of Baidoa officials and staff for their hospitality, and for the open, candid, and active participation during the assessment.

A draft performance assessment report was presented to the Baidoa Municipality officials at the close of the in-subnational jurisdiction assessment during the exit meeting held on August 29, 2022. Following their review, the authorities agreed with the report without any comments. The PAR has been cleared by the TADAT Secretariat.

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## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| BIA | Business Impact Analysis |
| GDP | Gross Domestic Product |
| HCR | Human Capital Risks |
| HR | Human Resources |
| IT | Information Technology |
| KGS | Koonfur Galbeed Somalia |
| PEFA | Public Expenditure and Financial Accountability |
| PFMIS | Property Finance Management Information System |
| POA | Performance Outcome Area |
| REAP | Revenue Enhancement Action Plan |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| UNCDF | United Nations Capital Development Fund |
| UNDP | United Nations Development Programme |
| UN-HABITAT | United Nations HABITAT |

## EXECUTIVE SUMMARY

The results of the TADAT assessment for Baidoa Municipality – Somalia follow, including the identification of the main strengths and weaknesses.

**Strengths**

- The use of mobile payments for property tax.
- Cloud data system for the land rates system.

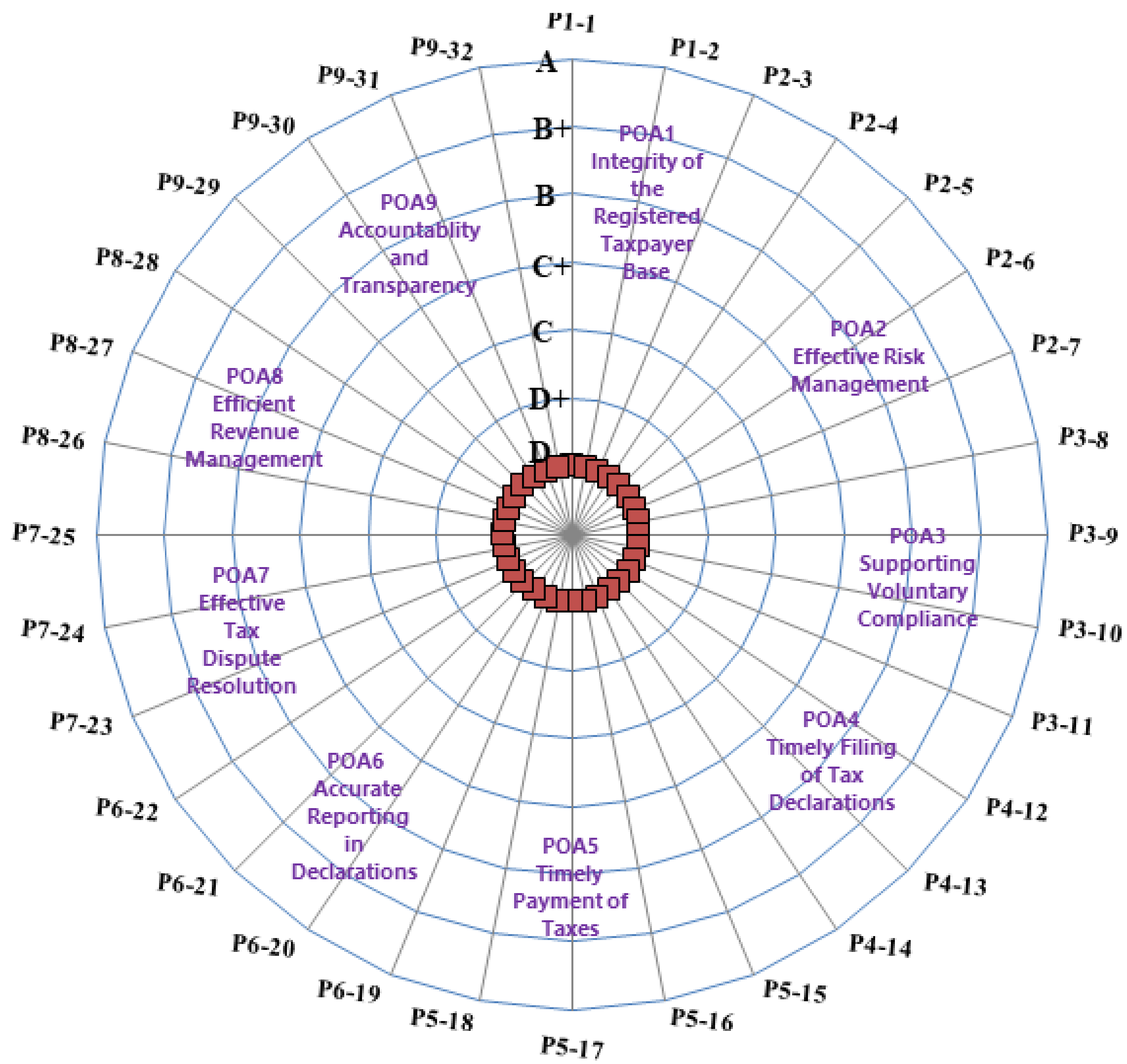
**Weaknesses**

- The integrity of the taxpayer register is extremely low due to the manual and separate registers for each of the core taxes.
- Lack of a structured risk management program.
- The level of taxpayer services is low.
- Filing and payment information is not monitored.
- Absence of systematized and uniform processes for conducting investigation and enforcement activities.
- Absence of tiered review mechanism.
- Weak revenue accounting system environment.
- Limited assurance provided by internal and external audit.

**All the tax administration functions, documentation and reporting in Baidoa Municipality need to be developed.** Although the assessment team observed two strengths, all the 32 indicators exhibit poor and inadequate performance in relation to international good practice. Key weaknesses that impact all outcome areas include: (i) lack of defined structures and regulations to administer the revenue regime from end-to-end; and (ii) the integrity of the taxpayers' register is low due to the two separate and inadequate taxpayer registers with no interface facility; (iii) absence of documented processes and procedures that undermine consistency in working practices; and (iv) lack of a mechanism to monitor and evaluate most of the tax administration key functional areas.

Table 1 provides a summary of performance scores, and Figure 1 a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 32 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

**Figure 1. Baidoa Municipality: Distribution of Performance Scores**




| Indicator | Score |
|---|---|
| P1-1 | D |
| P1-2 | D |
| P2-3 | D |
| P2-4 | D |
| P2-5 | D |
| P2-6 | D |
| P2-7 | D |
| P3-8 | D |
| P3-9 | D |
| P3-10 | D |
| P3-11 | D |
| P4-12 | D |
| P4-13 | D |
| P4-14 | D |
| P5-15 | D |
| P5-16 | D |
| P5-17 | D |
| P5-18 | D |
| P6-19 | D |
| P6-20 | D |
| P6-21 | D |
| P6-22 | D |
| P7-23 | D |
| P7-24 | D |
| P7-25 | D |
| P8-26 | D |
| P8-27 | D |
| P8-28 | D |
| P9-29 | D |
| P9-30 | D |
| P9-31 | D |
| P9-32 | D |

**Table 1. BAIDOA MUNICIPALITY: Summary of TADAT Performance Assessment**

| Indicator | Scores 2022 | Summary Explanation of Assessment |
|---|---|---|
| **POA 1: Integrity of the Registered Taxpayer Base** | | |
| P1-1. Accurate and reliable taxpayer information. | D | The information held in the multiple registration systems is inadequate to support effective compliance management. The accuracy of the information held in the systems is unreliable. |
| P1-2. Knowledge of the potential taxpayer base. | D | There are no documented initiatives undertaken to detect unregistered businesses and individuals. |
| **POA 2: Effective Risk Management** | | |
| P2-3. Identification, assessment, ranking, and quantification of compliance risks. | D | Baidoa Municipality does not use intelligence gathering and research to identify compliance risks in respect of main tax obligations. Additionally, there is no structured process to assess, rank, and quantify taxpayer compliance risks. |
| P2-4. Mitigation of risks through a compliance improvement plan. | D | There is no compliance improvement plan to guide the administration in addressing the identified risks. |
| P2-5. Monitoring and evaluation of compliance risk mitigation activities. | D | There is no monitoring and evaluation of the impact of the risk mitigation activities on compliance. |
| P2-6. Management of operational risks. | D | Baidoa Municipality does not have a structured process to identify, assess, prioritize and mitigate operational risks. There is no business continuity program. |
| P2-7. Management of human capital risks. | D | There is no process in place to identify, assess, prioritize, mitigate and evaluate human capital risks. |
| **POA 3: Supporting Voluntary Compliance** | | |
| P3-8. Scope, currency, and accessibility of information. | D | Baidoa Municipality does not provide taxpayers with information that explains, in clear terms, what their obligations and entitlements are in respect of the core taxes. Further, the Municipality does not have the appropriate tax law and administrative policy. Moreover, information and guidance to taxpayers are limited. |
| P3-9. Time taken to respond to information requests. | D | Time taken to respond to information requests is not monitored. |
| P3-10. Scope of initiatives to reduce taxpayer compliance costs. | D | Initiatives to reduce taxpayer compliance costs are limited. |

| Indicator | Scores 2022 | Summary Explanation of Assessment |
|---|---|---|
| P3-11. Obtaining taxpayer feedback on products and services**.** | D | Feedback from taxpayers is through limited ways. There was no evidence of taxpayer input in the design of taxpayer programs and products. |
| **POA 4: Timely Filing of Tax Declarations** | | |
| P4-12. On-time filing rate. | D | Baidoa Municipality does not monitor filing of tax declarations. |
| P4-13. Management of non-filers. | D | With no tax declaration filing framework in place, actions taken to follow up non-filers are non-existent. |
| P4-14. Use of electronic filing facilities. | D | The administration does not have an electronic platform for filing of tax declarations. |
| **POA 5: Timely Payment of Taxes** | | |
| P5-15. Use of electronic payment methods. | D | Information on the extent of use of electronic payments is not available. |
| P5-16. Use of efficient collection systems. | D | Withholding at a source and advance payment arrangements are not available for the core taxes. |
| P5-17. Timeliness of payments. | D | Information to measure the timeliness of payments is unavailable. |
| P5-18. Stock and flow of tax arrears. | D | The management of tax arrears was not assessed due to the unavailability of data. |
| **POA 6: Accurate Reporting in Declarations** | | |
| P6-19. Scope of verification actions taken to detect and deter inaccurate reporting. | D | An inspection program is not in place to detect and deter inaccurate reporting. It is also not systematized around uniform practices.<br>The quality of taxpayer inspections is not monitored; and there is no system to measure the effectiveness of the inspections |
| P6-20. Use of large-scale data-matching systems to detect inaccurate reporting. | D | There is no large-scale automated crosschecking of information. |
| P6-21. Initiatives undertaken to encourage accurate reporting. | D | There are no proactive initiatives to encourage accurate reporting. |
| P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels. | D | Baidoa Municipality does not have a structured process for monitoring the extent of inaccurate reporting. |
| **POA 7: Effective Tax Dispute Resolution** | | |
| P7-23. Existence of an independent, workable, and graduated dispute resolution process. | D | The administrative review is multi-layered.<br>Information on whether the administrative review mechanism is completely independent is not available. |

| Indicator | Scores 2022 | Summary Explanation of Assessment |
|---|---|---|
| | | Information on the dispute resolution process is not published and taxpayers are not explicitly made aware of it. |
| P7-24. Time taken to resolve disputes. | D | Baidoa Municipality does not monitor time taken to complete administrative reviews. |
| P7-25. Degree to which dispute outcomes are acted upon. | D | Baidoa Municipality does not monitor or analyze dispute outcomes to inform policy, legal and administrative procedures. |
| **POA 8: Efficient Revenue Management** | | |
| P8-26. Contribution to government tax revenue forecasting process. | D | The Municipality's input into government tax revenue forecasting and estimation is inadequate. |
| P8-27. Adequacy of the tax revenue accounting system. | D | Baidoa Municipality has an inadequate revenue accounting system. |
| P8-28. Adequacy of tax refund processing. | D | Baidoa Municipality does not have a tax refund system; and the time taken to pay tax refunds is not monitored since there is no tax refund system. |
| **POA 9: Accountability and Transparency** | | |
| P9-29. Internal assurance mechanisms. | D | Baidoa Municipality does not have Internal Audit and Internal Affairs functions. |
| P9-30. External oversight of the tax administration. | D | The Office of the Auditor General provides limited external oversight.<br>The investigative process of handling suspected wrongdoing and maladministration is weak and underdeveloped. |
| P9-31. Public perception of integrity. | D | Mechanisms to monitor public confidence in the tax administration do not exist. |
| P9-32. Publication of activities, results and plans. | D | The revenue administration does not have a strategy document.<br>The timeliness of the publications could not be ascertained. |

# I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in Baidoa Municipality - Somalia during the period August 15 – 29, 2022 and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high level indicators critical to tax administration performance that is linked to the POAs. Fifty-three measurement dimensions are considered in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.

- 'B' represents sound performance (i.e. a healthy level of performance but a rung below international good practice).

- 'C' means weak performance relative to international good practice.

- 'D' denotes inadequate performance and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

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

Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to subnational government revenues. By assessing outcomes in relation to administration of identified core taxes, a picture can be developed of the relative strengths and weaknesses of the tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of Baidoa Municipality).

- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.

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

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

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

## BAIDOA MUNICIPALITY BACKGROUND INFORMATION

### Subnational Entity Profile

General background information on Baidoa Municipality and the environment in which its tax system operates are provided in the subnational jurisdiction snapshot in Attachment II.

### Data Tables

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

### Economic Situation

Baidoa. or “Baydhaba” as it is locally known. is located in Bay region. It is a strategic economic hub and is considered the seat of agro-pastoralism in Somalia given its reputation for the high potential sorghum production, the relative farming in the area as well as optimum livestock production. The Municipality increased cash crop production, small business and diaspora remittance, and humanitarian disaster cash response have all contributed to the city's economic prosperity in recent years. Honey, milk, meat, hides, eggs, butter, charcoal, and local construction materials are some of the other things that Baidoa's economy relies on and sells to the rest of Somalia. Baidoa Municipality’s population is estimated at 370,000 (UNDP, 2005), and there is no accurate data regarding the GDP of the Municipality.

## Main Taxes

**Baidoa's main structured revenue streams are Property Tax[1], Land Rates and Business License**. Land rates and Business License contributed 6.6 and 13.5 percent respectively to total own source revenue in 2021. Other own source revenue collected by the Municipality include market dues, livestock sales, offloading revenues and road user taxes among others.

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

## Institutional Framework

Each structured revenue stream is managed by a specific department. The property tax and the business license are implemented by the Office of Property Tax and the Office of Business License under the Executive Secretary. Similarly, the Department of Lands under the Deputy Mayor of Administration and Finance oversees lands rates. Both the Executive Secretary and the Deputy Mayor of Administration and Finance report to the Mayor of Baidoa Municipality.

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

## Current Status of Tax Administration Reform

Recently the UN-HABITAT supported revenue administration reform and developed local taxation guidelines in the new Federal Member States. UNCDF supported revenue mobilization baseline assessment and local action plan which aimed to identify the current revenue gaps and bottlenecks. Further, future directions and plans have been captured in the Baidoa Revenue Enhancement Action Plan for 2023-2025.

## Exchange of Information

There is no formal framework for the exchange of information between Baidoa and other levels of government.[2]

[1] Property tax was implemented less than a year ago.
[2] However, the Federal, State and Local Governments worked together to harmonise the charts of accounts in the past.

## II. ASSESSMENT OF PERFORMANCE OUTCOME AREAS

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

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

Two performance indicators are used to assess POA 1:

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

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

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

**Table 2. P1-1 Assessment**

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2022</th></tr>
<tr><td>P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.</td><td rowspan="2">M1</td><td>D</td><td rowspan="2">D</td></tr>
<tr><td>P1-1-2. The accuracy of information held in the registration database.</td><td>D</td></tr>
</table>

**Taxpayer registration is conducted using multiple semi-manual systems, while for a business license, a manual register is maintained.** The Baidoa Municipality uses two registration systems for the two core taxes – land rates and property tax. For land rates, the Koonfur Galbeed Somalia (KGS) system has a module for registration while registration for property tax is done using the Property Finance Management Information System (PFMIS). Manual spreadsheets are used for registering Business Licenses.

**The information held in the registration systems is inadequate to support effective compliance management.** Registration information on land rates is manually captured in the KGS system with the key fields captured including owner of the land, certificate ownership number, serial number of the document, directions to the land and size of the land. A document with the land and owner's details is automatically generated once the land has been registered. On Property tax registration is captured using a mobile application[3] by the field officers and this information is seamlessly transferred to the PFMIS database. Some of the fields captured are the sub-district, street, the property house number and the owner's name. A plot number is automatically generated once the property registration is approved by the Director of Property Tax. The manual register for Business License captures the name of the taxpayer, telephone number, business name, geographical location, serial number and amount paid. Since taxpayer registration information is housed in separate IT systems with no interface facility, it is not possible to: (i) provide a centralized view of taxpayers' main tax obligations; and (ii) link and show information on associated entities and related parties of taxpayers.

**The accuracy of the information held in the systems[4] is unreliable.** There are no documented procedures on the management of taxpayer information including the identification and removal of inactive taxpayers. Additionally, no internal or external audit reports exist to demonstrate the accuracy and reliability of information held in the three registration databases.

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

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

**Table 3. P1-2 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so. | M1 | D |

**There are no documented initiatives undertaken to detect unregistered businesses and individuals.** Informal initiatives are used to detect unregistered businesses and property. For example, for land rates, chiefs sometimes notify the revenue administration about a house under construction that has not obtained a building permit. However, these initiatives are not well structured. Also, there is no documented evidence on the use of third-party information to identify new businesses that have failed to register.

[4] Th mobile application that captures data about property tax is supported by UN-HABITAT. Data from the mobile application is fed into the PFMIS. However, not all properties are captured in PFMIS.

## POA 2: Effective Risk Management

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

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and

- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration). For TADAT purposes, institutional risk is divided into two components. These are:

    - *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration's assets and resources, such as buildings, IT, and other equipment, data and records; and

    - *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

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

Five performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Management of operational (i.e. systems and processes) risks.
- P2-7—Management of human capital risks.

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

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

**Table 4. P2-3 Assessment**

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2022</th></tr>
<tr><td>P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.</td><td rowspan="2">M1</td><td>D</td><td rowspan="2">D</td></tr>
<tr><td>P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.</td><td>D</td></tr>
</table>

**Baidoa Municipality does not use intelligence gathering and research to identify compliance risks in respect of the main tax obligations.** There are no environmental scans conducted. Also, there is no gathering and interpretation of data from internal and external sources.

**Baidoa Municipality has no structured process to assess, rank, and quantify taxpayer compliance risks.**

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

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

**Table 5. P2-4 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan. | M1 | D |

**Baidoa Municipality has no compliance improvement plan** to guide the administration in addressing the identified risks**.**

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

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

**Table 6. P2-5 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities. | M1 | D |

**Baidoa Municipality does not have a process to monitor and evaluate the impact of the risk mitigation activities on compliance.** Formal governance arrangements at senior management level are not in place and there are no evaluations of the effectiveness of all approved compliance risk mitigation strategies by senior management.

**P2-6: Management of operational risks**

This indicator examines how the tax administration manages operational risks other than those related to human resources. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

**Table 7. P2-6 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P2-6-1. The process used to identify, assess and mitigate operational risks. | M1 | D | D |
| P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated. | | D | |

**There is no structured process used to identify, assess and mitigate operational risks.** The Baidoa Municipality has no operational risks register. Business impact analysis is not carried out and there was no evidence of a business continuity plan or program. There was no evidence of formal training on operational risk management. Coupled with this, business continuity exercises common to all staff have not been conducted.

**There is no business continuity program.** This limits the extent to which the effectiveness of any mitigation activities can be tested, monitored and evaluated.

**P2-7: Management of human capital risks**

This indicator examines how the tax administration manages human capital risks. The assessed score is shown in Table 8 followed by an explanation of reasons underlying the assessment.

**Table 8. P2-7 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks. | M1 | D | D |
| P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions. | | D | |

**There is no process in place to identify, assess, prioritize and mitigate human capital risks.** A department responsible for HR does not exist and currently, the Executive Secretary handles some of the HR functions. The Municipality offers general trainings in Local Leadership, Office Administration and Public Expenditure but training specific to Human Capital Risks (HCR) is not offered. There was no evidence on the use of any risk methodologies to manage HCR, and there are no governance structures to review human capital risks. HR operations and systems are not reviewed by any independent third party and no evidence was provided on the existence of a performance management framework (including a staff appraisal mechanism).

**There is no process in place to evaluate the status of HCR and related mitigation interventions.** Formal HCR evaluations are not conducted by independent and competent third-party resources.

## POA 3: Supporting Voluntary Compliance

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

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

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

### P3-8: Scope, currency, and accessibility of information

For this indicator three measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

**Table 9. P3-8 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P3-8-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax. | M1 | D | D |
| P3-8-2. The degree to which information is current in terms of the law and administrative policy. | | D | |
| P3-8-3. The ease by which taxpayers obtain information from the tax administration. | | D | |

**There is no information available that explains to taxpayers, in clear terms, what their obligations and entitlements are in respect of the core taxes**. Also, the revenue administration does not tailor information to the needs of key taxpayer segments, disadvantaged groups, key industry groups and intermediaries.

**The revenue administration does not have tax laws and administrative policy in place.** Therefore, there are neither procedures in place nor dedicated technical staff assigned to ensure information is current.

**Information and guidance to taxpayers is limited**. The revenue officials provide guidance to taxpayers verbally. Baidoa Municipality does not have a website. There are no guides, brochures, telephone, email, letters, fact sheets and public education programs. However, in the absence of self-service facilities, face-to-face interactions at the Municipality tax offices are common.

**P3-9: The time taken to respond to requests for information.**

This indicator examines how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performamnce in information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

**Table 10. P3-9 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information. | M1 | D |

**Baidoa Municipality does not monitor the time taken to respond to taxpayers and tax intermediaries' requests for information.** There is no documented service charter in place, and there are no service delivery performance reports .

**P3-10: Scope of initiatives to reduce taxpayer compliance costs**

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

**Table 11. P3-10 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P3-10. The extent of initiatives to reduce taxpayer compliance costs. | M1 | D |

**Initiatives to reduce taxpayer compliance costs are limited.** The existence of mobile tax payment channels helps minimize taxpayers' compliance costs. However, taxpayers do not have complementary facilities such as secure online services with 24-hour access to registration and tax account details. Frequently asked questions are not compiled nor monitored to refine taxpayer information products and services. Moreover, there are no tax declarations filed in Baidoa Municipality.

**P3-11: Obtaining taxpayer feedback on products and services**

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

**Table 12. P3-11 Assessment**

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2022</th></tr>
<tr><td>P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.</td><td rowspan="2">M1</td><td>D</td><td rowspan="2">D</td></tr>
<tr><td>P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.</td><td>D</td></tr>
</table>

**Channels through which the tax administration receives feedback from taxpayers are limited**. The tax administration obtains feedback from taxpayers mainly through public forum and meetings. No independent survey on taxpayer perception has ever been conducted by either the Municipality or through any third party.

**There was no evidence of taxpayer input into the design of taxpayer programs and products.** Anecdotal evidence suggests that input from taxpayers is gathered on an ad-hoc basis; but no documented evidence was provided.

## POA 4: Timely Filing of Tax Declarations

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

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.
- P4-13—Management of non-filers
- P4-14—Use of electronic filing facilities.

### P4-12: On-time filing rate

A single performance indicator, with three measurement dimensions, is used to assess the on-time filing rate for declarations for the three most important direct and/or indirect taxes administered by the subnational entity. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

**Table 13. P4-12 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P4-12-1. The number of declarations for property tax filed by the statutory due date as a percentage of the number of declarations expected from registered property taxpayers. | M2 | D | D |
| P4-12-2. The number of declarations for land rates filed by the statutory due date as a percentage of the number of declarations expected from registered land rates taxpayers. | | D | |
| P4-12-3. The number of declarations for business license filed by the statutory due date as a percentage of the number of declarations expected from registered business license taxpayers. | | D | |

**Baidoa Municipality does not monitor filing of tax declarations, and this is compounded by the absence of a tax filing mandate**. Therefore, data on time filing ratios is not available (see numerical data in Attachment III, Tables 4 - 8).

### P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

**Table 14. P4-13 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P4-13. Action taken to follow up non-filers. | M1 | D |

**With no tax declaration filing framework in place, actions taken to follow up non-filers are non-existent.**

### P4-14: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

**Table 15. P4-14 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P4-14. The extent to which tax declarations are filed electronically. | M1 | D |

**The administration does not have an electronic platform for filing of tax declarations.** Assessments are issued manually. Taxpayers may walk to the tax administration offices to identify their tax liabilities or revenue officers may visit the taxpayers to issue the invoice.

## POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.
Four performance indicators are used to assess POA 5:

- P5-15—Use of electronic payment methods.

- P5-16—Use of efficient collection systems.
- P5-17—Timeliness of payments
- P5-18—Stock and flow of tax arrears.

**P5-15: Use of electronic payment methods**

This indicator examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

**Table 16. P5-15 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P5-15. The extent to which core taxes are paid electronically. | M1 | D |

**Information on the extent of use of electronic payments is not available.** The Municipality revenue administration uses both manual and electronic payment methods. Manually, taxpayers may pay cash to revenue officers who then issue receipts as acknowledgment of money received. Mobile payments are the only electronic payment method utilized. However, the extent of the mobile electronic payment system usage is not quantified.

**P5-16: Use of efficient collection systems**

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

**Table 17. P5-16 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P5-16. The extent to which withholding at source and advance payment systems are used. | M1 | D |

**Withholding at a source and advance payment arrangements are not in place for the core taxes.** Baidoa revenue administration does not collect income, interest, and dividend taxes or similar taxes. Advance payment arrangements are not available too.

**P5-17: Timeliness of payments**

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, the most important tax (T1) payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

**Table 18. P5-17 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P5-17-1. The number of payments for property tax made by the statutory due date in percent of the total number of payments due. | M1 | D | D |
| P5-17-2. The value of payments for property tax made by the statutory due date in percent of the total value of property tax payments due. | | D | |

**Information to measure the timeliness of payments is unavailable.** Payment records in the property tax database are not up to date because payments are not automatically captured into the system – payment receipts must be manually captured into the system. Therefore, obtaining accurate payment data is a challenge.

### P5-18: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.[5] A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 19 followed by an explanation of reasons underlying the assessment.

**Table 19. P5-18 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P5-18-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year. | M2 | D | D |
| P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year. | | D | |
| P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears. | | D | |

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

**The management of tax arrears cannot be assessed as no data is available.** Tax arrears management data and information is also impacted by the lack of integration between the systems that support taxpayer registration of the core taxes, absence of filing framework and the manual interventions in processing payments into the property and land rates' systems. Further, revenue officers conduct field visits on an ad hoc manner to enforce payment but reports resulting from such initiatives are not documented.

**POA 6: Accurate Reporting in Declarations**

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

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

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

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

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

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

- P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.

- P6-21—Initiatives undertaken to encourage accurate reporting.
- P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

**P6-19: Scope of verification actions taken to detect and deter inaccurate reporting**

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting. | M1 | D | D |
| P6-19-2. The extent to which the audit program is systematized around uniform practices. | | D | |
| P6-19-3. The degree to which the quality of taxpayer audits is monitored. | | D | |
| P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function. | | D | |

**There is no inspection program in place to detect and deter inaccurate reporting.** However, field verifications are performed by the general staff to observe taxpayers. Observations are limited to Business License, but no official reports are made. Further, there are no field visit manuals, checklists or guidelines to guide the inspection process. In addition, no inspection reports are prepared.

**An inspection program is not systematized around uniform practices.** The absence of an inspection plan inhibits systematizing work around uniform practices.

**The quality of taxpayer inspections is not monitored.** The tax administration does not have a unit or designated committee comprising expert staff that monitors the quality of verifications/inspections.

**There is no system to measure the effectiveness of the inspections.** Absence of an inspection plan does not enable the Municipality to the monitor effectiveness of the inspections.

**P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.**

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

**Table 21. P6-20 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations. | M1 | D |

**There is no large-scale automated crosschecking of information.** As an example, there is no interface of the revenue administration's two systems with the relevant ministry's systems to share data that is designed to enhance compliance.

**P6-21: Initiatives undertaken to encourage accurate reporting**

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 22 followed by an explanation of reasons underlying the assessment.

**Table 22. P6-21 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting. | M1 | D |

**There are no proactive initiatives to encourage accurate reporting**. There is neither a system of public and private rulings, nor are there cooperative compliance arrangements in place.

**P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels**

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

**Table 23. P6-22 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 |
|---|---|---|
| P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting. | M1 | D |

**Baidoa Municipality does not have a structured process for monitoring the extent of inaccurate reporting**. Although field verification visits are performed by the general staff for Business License, there are neither documented reports to show analysis undertaken on inaccurate reporting nor evidence that the results (if any) are used in designing tax administration interventions.

## POA 7: Effective Tax Dispute Resolution

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

Three performance indicators are used to assess POA 7:

- P7-23—Existence of an independent, workable, and graduated dispute resolution process.
- P7-24—Time taken to resolve disputes.
- P7-25—Degree to which dispute outcomes are acted upon.

### P7-23: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

**Table 24. P7-23 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers. | | D | |
| P7-23-2. Whether the administrative review mechanism is independent of the audit process. | M2 | D | D |
| P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it. | | D | |

**The administrative review is multi-layered.** The assessment team was informed that the administration has three processes for resolving dispute cases. For example, in the case of property tax, a taxpayer dissatisfied with an assessment may appeal first to the chief of the area or Local Council Chairman, then to the Head of the Office of Property Tax and finally to the Mayor of the Municipality. There are no second and third stages of the review mechanism.

**Information on whether the administrative review mechanism is completely independent is not available.** Also, there are no documented administrative review procedures.

**Information on the dispute resolution process is not published and taxpayers are not explicitly made aware of it.** General information on taxpayer dispute rights and dispute resolution process are not publicly available. The revenue administration does not have associated dispute procedures, and information on dispute rights are not specifically included in notices of assessment.

**P7-24: Time taken to resolve disputes**

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

**Table 25. P7-24 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 |
|---|---|---|
| P7-24. The time taken to complete administrative reviews. | M1 | D |

**Baidoa Municipality does not monitor time taken to complete administrative reviews**. In addition, there is no service delivery strategy that stipulates the available period within which to complete administrative reviews.

**P7-25: Degree to which dispute outcomes are acted upon**

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 25 followed by an explanation of reasons underlying the assessment.

**Table 26. P7-25 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P7-25. The extent to which the tax administration responds to dispute outcomes. | M1 | D |

**Baidoa Municipality does not monitor or analyze dispute outcomes to inform policy, legal and administrative procedures**. There is no documented follow-up process to analyze dispute outcomes.

**POA 8: Efficient Revenue Management**

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

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)[6]

- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue forecasting process.
- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

**P8-26: Contribution to government tax revenue forecasting process**

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

**Table 27. P8-26 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 |
|---|---|---|
| P8-26. The extent of tax administration input to government tax revenue forecasting and estimating. | M1 | D |

**The Municipality's input to government tax revenue forecasting and estimation is inadequate.** The revenue administration does not: (i) gather data on revenue collections and economic conditions to provide input to government revenue budgeting processes; (ii) monitor tax revenue collections against budgeted revenue forecasts; (ii) forecast tax refund levels to ensure that sufficient funds are available to meet all legitimate refund claims when they occur; and (iv) monitor tax revenue foregone because of tax expenditures.

**P8-27: Adequacy of the tax revenue accounting system**

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

**Table 28. P8-27 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P8-27. Adequacy of the tax administration's revenue accounting system. | M1 | D |

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

**Baidoa Municipality has an inadequate revenue accounting system.** All cash payments are deposited daily on the Municipality's bank account and then transferred to the Ministry of Finance's Single Treasury Account at the end of the month after deducting the Municipality's expenditure. Whereas the property tax system has taxpayer ledgers, and the mobile payments are reconciled in real-time, payments made for land rates are only reconciled once the taxpayer returns with the bank deposit slip. Since these two systems are stand-alone, key challenges or inadequacies include the following: (i) there is no consolidated taxpayer information since the two registration systems are not interfaced; (ii) payment information in the KGS system is not up to date and as such, there is no evidence that payments are posted to taxpayer ledgers promptly; and (iii) there has been no comprehensive internal or external audit of the tax revenue accounting system.

### P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing tax refund claims. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

**Table 29. P8-28 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P8-28-1. Adequacy of the tax refund system. | M2 | D | D |
| P8-28-2. The time taken to pay (or offset) tax refunds. | | D | |

**Baidoa Municipality does not have a tax refund system.** Consequently: (i) no risk-based verification exists; (ii) there is no refund budget; (iii) the offsetting of excess tax credits against tax arrears is not in place; (iv) there is no preferential treatment given to low-risk taxpayers; and (v) mechanisms to pay interest on delayed refunds to not exist. In a nutshell, the mandate and process followed by taxpayers when an over-payment of tax is made was not clear.

**Time taken to pay tax refunds is not monitored** since there is no tax refund system**.**

## POA 9: Accountability and Transparency

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

Four performance indicators are used to assess POA 9:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.

- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

**P9-29: Internal assurance mechanisms**

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 30 followed by an explanation of reasons underlying the assessment.

**Table 30. P9-29 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P9-29-1. Assurance provided by internal audit. | M2 | D | D |
| P9-29-2. Staff integrity assurance mechanisms. | | D | |

**Baidoa Municipality does not have an Internal Audit unit.** Therefore, there is no internal audit charter, terms of reference, audit plans or committees. Internal controls are not documented, but a walk-through test of the Land Rates and Property Tax systems indicates some level of segregation of duties and internal control.

**Baidoa Municipality does not have a unit to handle staff integrity issues.** Complaints are handled internally by the senior management. No integrity-related statistics are maintained and therefore publicly reported by the Municipality.

**P9-30: External oversight of the tax administration**

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 31 followed by an explanation of reasons underlying the assessment.

**Table 31. P9-30 Assessment**

| Measurement dimensions | Scoring Method | Score 2022 | |
|---|---|---|---|
| P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance. | M2 | D | D |
| P9-30-2. The investigation process for suspected wrongdoing and maladministration. | | D | |

**The Office of the Auditor General provides very limited external oversight.** Revenue data is manually entered in the Registration Book (ledger) and review is undertaken by an internal auditor who signs off with a green pen, although no reports are issued. The revenue recorded on the Registration book excludes property rates and land rates, which are captured electronically. However, there was no evidence of any financial and operational performance audits by an external review body.

**The investigative process of handling suspected wrongdoing and maladministration is underdeveloped.** There is no independent investigative body nor an ombudsman to address matters of maladministration. No data is available on suspected wrongdoing or maladministration.

#### P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

**Table 32. P9-31 Assessment**

| Measurement dimension | Scoring Method | Score 2022 |
|---|---|---|
| P9-31. The mechanism for monitoring public confidence in the tax administration. | M1 | D |

**Mechanisms of monitoring public confidence in the tax administration do not exist.** No surveys (neither internal nor by independent external bodies) have been conducted to monitor trends in public confidence. However, some verbal feedback of the public's trust was said to be obtained during public gatherings to disseminate government plans on taxation—no documentation of such instances was available.

#### P9-32: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 33 followed by an explanation of reasons underlying the assessment.

**Table 33. P9-32 Assessment**

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2022</th></tr>
<tr><td>P9-32-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.</td><td rowspan="2">M2</td><td>D</td><td rowspan="2">D</td></tr>
<tr><td>P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.</td><td>D</td></tr>
</table>

**The timeliness of the publications could not be ascertained.** Annual reports are prepared at the Municipal level and submitted to the Ministry of Interior and Accountant General and copied to the Auditor General. The reports, which contain information on income and expenditure are, however, not submitted to Parliament. No evidence was provided to ascertain the timelines of publication for any of the annual reports.

**Future directions and plans are contained in the Baidoa Revenue Enhancement Action Plan (REAP) of the period 2023-2025.** The Action Plan focuses on Business License Tax, Market Dues Tax and Livestock Tax and does not cover all core taxes, particularly, Property Tax. In addition, the document does not contain targeted operational plans and the REAP has not been released to the public.

**The revenue administration does not have a strategy document**. However, there exists a revenue mobilization plan[7] for the period 2023-2025 which covers only Business License of the core taxes. It has not been released to the public.

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[7] Baidoa Revenue Enhancement Action Plan (REAP) of the period 2023-2025 covers Business License, Market Dues and Livestock Tax. It analyses revenue performance of the three revenue streams for the past three years, calculates revenue forecasts and drafts revenue mobilization measures for the period 2023 -2025.

**Attachment I. TADAT Framework**

**Performance outcome areas**

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


1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.

2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.

3. **Supporting voluntary compliance:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.

4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.

5. **On-time payment of taxes**: Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.

6. **Accurate reporting in declarations**: Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance~~,~~ promote accurate reporting and mitigate tax fraud.

7. **Effective Tax Dispute Resolution:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.

8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored

against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.

9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.

**Indicators and associated measurement dimensions**

A set of 32 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 53 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five measurement dimensions.

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

**Scoring methodology**

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

Each of TADAT's 53 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

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

**Method M2** is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

**Attachment II. Baidoa Municipality: subnational entity Snapshot**

| | |
|---|---|
| ***Geography*** | Baidoa is a town in south-western Somalia that serves as the regional capital of the Bay area and the interim headquarters of Somalia's Southwest State. Baidoa is around 240 kilometers west of Mogadishu and southeast of the Ethiopian border, on one of Somalia's primary commercial lanes, which connects Mogadishu's seaport and the rich Lower Shabelle region to Ethiopia. |
| ***Population*** | 370,000 (UNDP, 2005). |
| ***Adult literacy rate*** | Not available. |
| ***Gross Domestic Product*** | Not available. |
| ***Per capita GDP*** | Not available. |
| ***Main industries*** | Agriculture and livestock. |
| ***Communications*** | Not available. |
| ***Main taxes*** | Land rates, property tax and business license. |
| ***Tax-to-GDP*** | Not available. |
| ***Number of taxpayers*** | Not available. |
| ***Main collection agency*** | Baidoa Municipality. |
| ***Number of staff in the main collection agency*** | 6 officers in the Office of Business License;<br>15 officers in the Department of Land; and<br>16 officers in the Office of Property Tax. |
| ***Financial Year*** | Calendar year. |

## Attachment III. Data Tables

### A. Tax Revenue Collections

| Table 1. Tax Revenue Collections | | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| **In US Dollars** | | | |
| **Budgeted tax revenue forecast of subnational entity**[2] | | | |
| **Total tax revenue collections** | 202,360 | 212,390 | 236,650 |
| Property Tax | - | - | |
| Land Rates | 15,500 | 20,000 | 19,500 |
| Business License | | | 40,000 |
| Other sub-national taxes | 186,860 | 192,390 | 236,650 |
| **In percent of total tax revenue collections** | | | |
| **Total tax revenue collections** | | | |
| Property Tax | | | |
| Land Rates | 7.66 | 9.42 | 6.58 |
| Business License | | | 13.51 |
| Other sub-national taxes | 92.34 | 90.58 | 79.91 |
| | | | |
| **In percent of GDP** | | | |
| **Total tax revenue collections** | | - | - |
| Property Tax | | | |
| Land Rates | | | |
| Business License | | | |
| Other sub-national taxes | | | |
| | | | |
| Tax refunds | | | |
| | | | |
| Nominal GDP in local currency | | | |

**Explanatory notes:**

[1] This table gathers data for three fiscal years (e.g. 2019-2021) in respect of all subnational tax revenues collected by the tax administration.

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

[3] 'Other subnational taxes collected by the tax administration may include variety of local taxes, levies, duties, or charges but individually do not represent a main source of revenue.

## B. Movements in the Taxpayer Register

| Table 2. Movements in the Taxpayer Register (Ref: POA1) | | | | | |
|---|---|---|---|---|---|
| | Registered taxpayers[1] [A] | Taxpayers otherwise not required to file[2] [B] | Taxpayers Expected to File [C] = [(A) – (B)][3] | Memorandum items[4] [D] | |
| | | | | New Registrations [D1] | Taxpayers deregistered during year [D2] |
| **2019** | | | | | |
| Property Tax | | | | | |
| Land Rates | | | | | |
| Business License | | | | | |
| Other taxpayers | | | | | |
| **2020** | | | | | |
| Property Tax | | | | | |
| Land Rates | | | | | |
| Business License | 960 | | 960 | | |
| Other taxpayers | | | | | |
| **2021** | | | | | |
| Property Tax | 21,478 | 5,451 | 16,027 | | |
| Land Rates | | | | | |
| Business License | 840 | | 840 | | |
| Other taxpayers | | | | | |

**Explanatory Notes:**

[1] A registered taxpayer who is in the tax administration's taxpayer database. For any core tax that does not require formal registration this figure will represent the number of taxpayers who were subject to the tax. Such taxes may also not have an associated filing obligation so figures for columns B, C and D may not be relevant.

[2] Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.

[3] Expected filing calculations to be used in Indicator P4-12.

[4] Taxpayer register activity information.

### C. Telephone Enquiries

(Ref: POA 3)

| **Table 3. Telephone Enquiry Call Waiting Time**<br>(for the most recent 12-month period)<br>**NO INFORMATION PROVIDED** | | | |
|---|---|---|---|
| Month | Total number of telephone enquiry calls received | Telephone enquiry calls answered within 6 minutes' waiting time | |
| | | Number | In percent of total calls |
| Month 1 | - | - | - |
| Month 2 | - | - | - |
| Month 3 | - | - | - |
| Month 4 | - | - | - |
| Month 5 | - | - | - |
| Month 6 | - | - | - |
| Month 7 | - | - | - |
| Month 8 | - | - | - |
| Month 9 | - | - | - |
| Month 10 | - | - | - |
| Month 11 | - | - | - |
| Month 12 | - | - | - |
| | - | - | - |
| **12-month total** | - | - | - |

### D. Filing of Tax Declarations

(Ref: POA 4)

| **Table 4. On-time Filing of Property Tax Declarations for 2021**<br>**NO INFORMATION PROVIDED** | | | |
|---|---|---|---|
| | Number of declarations filed on-time[1] | Number of declarations expected to be filed[2] | On-time filing rate[3] (In percent) |
| All taxpayers | - | - | - |
| Large taxpayers only | - | - | - |

***Explanatory notes:***

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

[2] 'Expected declarations' means the number of T1 declarations that the tax administration expected to receive from registered T1 taxpayers that were required by law to file declarations.

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

$$\frac{Number\ of\ T1\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ declarations\ expected\ from\ active\ T1\ taxpayers}\ x\ 100$$

| Table 5. On-time Filing of Land Rates Declarations<br>NO INFORMATION PROVIDED | | |
|---|---|---|
| Number of declarations filed on-time[1] | Number of declarations expected to be filed[2] | On-time filing rate[3] (In percent) |
| - | - | - |

***Explanatory notes:***

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

[2] 'Expected declarations' means the number of T2 declarations that the tax administration expected to receive from registered T2 taxpayers that were required by law to file declarations.

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

$$\frac{\textit{Number of T2 declarations filed by the due date}}{\textit{Number of T2 declarations expected from active T2 taxpayers}}\ x\ 100$$

| Table 6. On-time Filing of Business License Declarations—All taxpayers<br>(for the most recent 12-month period)<br>NO INFORMATION PROVIDED | | | |
|---|---|---|---|
| Month | Number of declarations filed on-time[1] | Number of declarations expected to be filed[2] | On-time filing rate[3] (In percent) |
| Month 1 | - | - | - |
| Month 2 | - | - | - |
| Month 3 | - | - | - |
| Month 4 | - | - | - |
| Month 5 | - | - | - |
| Month 6 | - | - | - |
| Month 7 | - | - | - |
| Month 8 | - | - | - |
| Month 9 | - | - | - |
| Month 10 | - | - | - |
| Month 11 | - | - | - |
| Month 12 | - | - | - |
| | | | |
| **12-month total** | - | - | - |

***Explanatory notes:***

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

[2] 'Expected declarations' means the number of T3 declarations that the tax administration expected to receive from registered T3 taxpayers that were required by law to file declarations.

[3] The 'on-time filing rate' is the number of T3 declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered T3 taxpayers, i.e. expressed as a ratio:

$$\frac{Number\ of\ T3\ tax\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ T3\ declarations\ expected\ from\ active\ T3\ taxpayers}\ x\ 100$$

**Table 7. On-time Filing of Core Tax with Monthly or Quarterly Filing Requirement —Large taxpayers only**

(for the most recent 12-month period)

**NO INFORMATION PROVIDED**

| Month | Number of declarations filed on-time[1] | Number of declarations expected to be filed[2] | On-time filing rate[3] (In percent) |
|---|---|---|---|
| Month 1 | - | - | - |
| Month 2 | - | - | - |
| Month 3 | - | - | - |
| Month 4 | - | - | - |
| Month 5 | - | - | - |
| Month 6 | - | - | - |
| Month 7 | - | - | - |
| Month 8 | - | - | - |
| Month 9 | - | - | - |
| Month 10 | - | - | - |
| Month 11 | - | - | - |
| Month 12 | - | - | - |
| | | | |
| **12-month total** | | | |

**Explanatory notes:**

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

[2] 'Expected declarations' means the number of core tax declarations that the tax administration expected to receive from large taxpayers that were required by law to file core tax declarations.

[3] The 'on-time filing rate' is the number of core tax declarations filed by large taxpayers by the statutory due date as a percentage of the total number of core tax declarations expected from large taxpayers, i.e. expressed as a ratio:

$$\frac{Number\ of\ tax\ declarations\ filed\ by\ the\ due\ date\ by\ large\ taxpayers}{Number\ of\ tax\ declarations\ expected\ from\ active\ large\ taxpayers}\ x\ 100$$

**E. Electronic Services**

(Ref: POAs 4 and 5)

| Table 8. Use of Electronic Services NO INFORMATION PROVIDED | | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | **Electronic filing**[2] (In percent of all declarations filed for each tax type) | | |
| Property Tax | - | - | - |
| Land Rates | - | - | - |
| Business License | - | - | - |
| | **Electronic payments**[3] (In percent of total **number** of payments received for each tax type) | | |
| Property Tax | - | - | - |
| Land Rates | - | - | - |
| Business License | - | - | - |
| | **Electronic payments** (In percent of total **value** of payments received for each tax type) | | |
| Property Tax | - | - | - |
| Land Rates | - | - | - |
| Business License | - | - | - |

***Explanatory notes:***

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

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

[3] An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.

**F. Payments**

(Ref: POA 5)

| Table 9. Total Property Tax Payments Made During 2021 NO INFORMATION PROVIDED | | | | | | |
|---|---|---|---|---|---|---|
| | Main core tax payments made on-time[1] | | Main core tax payments due[2] | | On-time payment rate[3] (In percent) | |
| | All taxpayers | Large taxpayers | All taxpayers | Large taxpayers | All taxpayers | Large taxpayers |
| Number of payments | - | - | - | - | - | - |
| Value of payments | - | - | - | - | - | - |

***Explanatory notes:***

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

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

[3] The 'on-time payment rate' is the number (or value) of T1 payments made by the statutory due date in percent of the total number (or value) of T1 payments due, i.e. expressed as ratios:

- The on-time payment rate by number is: $\frac{Number\ of\ T1\ payments\ made\ by\ the\ due\ date}{Total\ number\ of\ T1\ payments\ due}\ x\ 100$
- The on-time payment rate by value is: $\frac{Value\ of\ T1\ payments\ made\ by\ the\ due\ date}{Total\ value\ of\ T1\ payments\ due}\ x\ 100$

## G. Domestic Tax Arrears

(Ref: POA 5)

| Table 10. Value of Tax Arrears, 2021<br>NO INFORMATION PROVIDED | | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | In local currency | | |
| Total core tax revenue collections (from Table 1) **(A)** | - | - | - |
| Total core tax arrears at end of fiscal year[2] **(B)** | - | - | - |
| N/A | - | - | |
| N/A | - | - | |
| | In percent | | |
| Ratio of (B) to (A)[4] | - | - | - |
| Ratio of (C) to (A)[5] | - | - | - |
| Ratio of (D) to (B)[6] | - | - | - |

***Explanatory notes:***

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

2 'For purposes of this Table, total core tax revenue collections includes only T1, T2, and T3.

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

[4] i.e. $\frac{Value\ of\ total\ core\ tax\ arrears\ at\ end\ of\ fiscal\ year\ (B)}{Total\ core\ tax\ collected\ for\ fiscal\ year\ (A)}\ x\ 100$

[5] i.e. $\frac{Value\ of\ collectible\ core\ tax\ arrears\ at\ end\ of\ fiscal\ year\ (C)}{Total\ core\ tax\ collected\ for\ fiscal\ year\ (A)}\ x\ 100$

[6] i.e. $\frac{Value\ of\ core\ tax\ arrears > 12\ months'\ old\ at\ end\ of\ year\ (D)}{Value\ of\ total\ core\ tax\ arrears\ at\ end\ of\ fiscal\ year\ (B)}\ x\ 100$

## H. Tax Dispute Resolution

(Ref: POA 7)

**Table 11. Finalization of Administrative Reviews**

(for the most recent 12-month period)

**NO INFORMATION PROVIDED**

| **Month** | **Number of administrative review cases** | | | | **Finalized within 30 days** | | **Finalized within 60 days** | | **Finalized within 90 days** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stock at beginning of month [A] | Received during the month [B] | Finalized during the month [C] | Stock at end of month [D] = [A + B - C] | Number [E] | In percent of total [F] = [E/D] | Number [G] | In percent of total [H] = [G/F] | Number [I] | In percent of total [J] = [I/D] |
| Month 1 | - | - | - | - | - | - | - | - | - | - |
| Month 2 | - | - | - | - | - | - | - | - | - | - |
| Month 3 | - | - | - | - | - | - | - | - | - | - |
| Month 4 | - | - | - | - | - | - | - | - | - | - |
| Month 5 | - | - | - | - | - | - | - | - | - | - |
| Month 6 | - | - | - | - | - | - | - | - | - | - |
| Month 7 | - | - | - | - | - | - | - | - | - | - |
| Month 8 | - | - | - | - | - | - | - | - | - | - |
| Month 9 | - | - | - | - | - | - | - | - | - | - |
| Month 10 | - | - | - | - | - | - | - | - | - | - |
| Month 11 | - | - | - | - | - | - | - | - | - | - |
| Month 12 | - | - | - | - | - | - | - | - | - | - |
| **12-month total** | | | | | | | | | | |

## I. Payment of Tax Refunds

(Ref: POA 8)

| Table 12. Tax Refunds<br>2021<br>**NO INFORMATION PROVIDED** | | |
|---|---|---|
| | Number of cases | Value in local currency |
| Total core tax refund claims received **(A)** | - | - |
| Total core tax refunds paid[1] | - | - |
| N/A | - | - |
| N/A | - | - |
| Total core tax refund claims declined[3] | - | - |
| N/A | - | - |
| N/A | - | - |
| Total core tax refund claims not processed[4] | - | - |
| N/A | - | - |
| N/A | - | - |
| In percent | | |
| Ratio of (B+C) to (A)[5] | | |

***Explanatory note:***

[1] Include all refunds paid, as well as refunds offset against other tax liabilities.

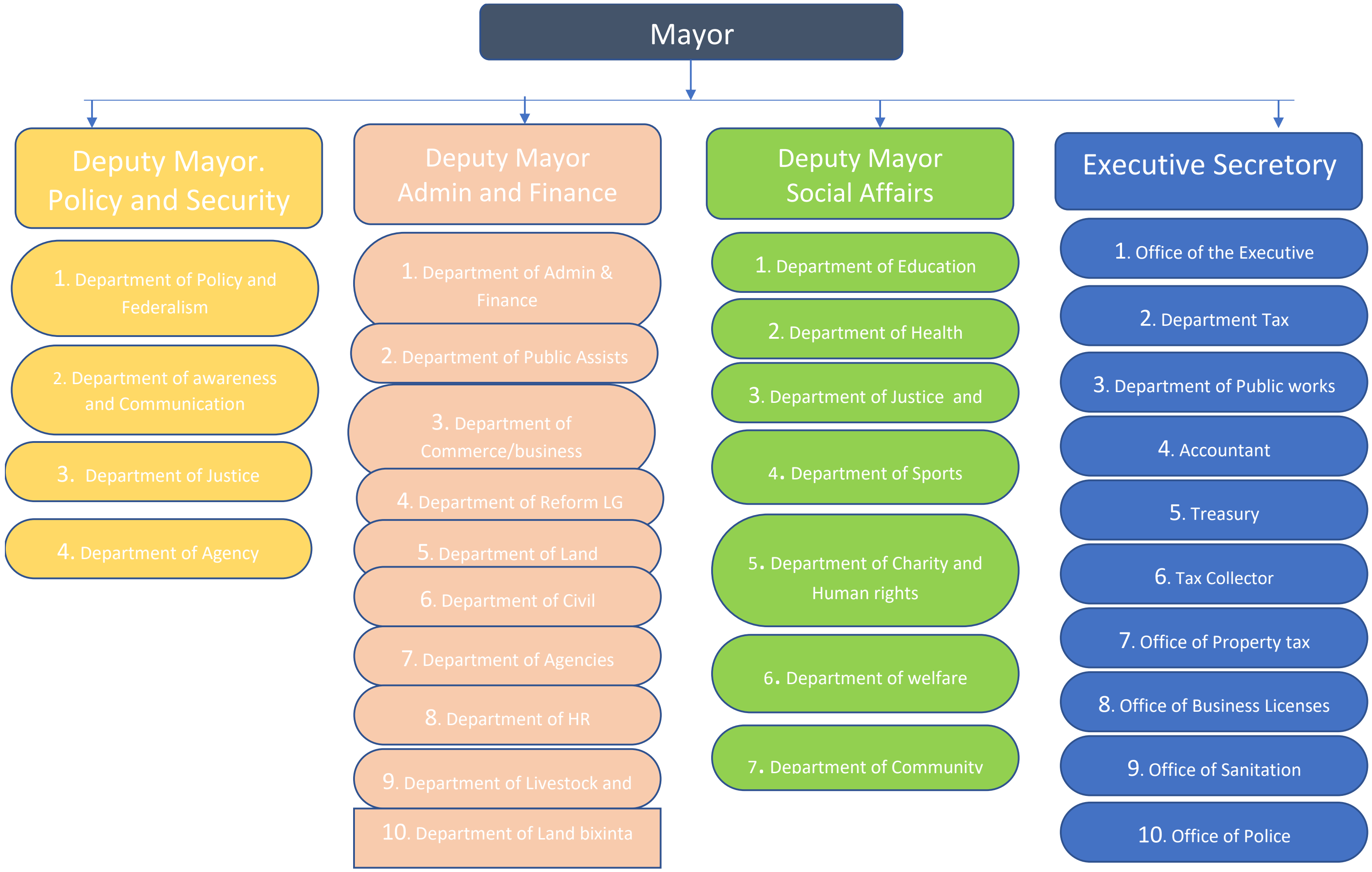
[2] TADAT measures performance against a 30-day standard.

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

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

[5] i.e. $\frac{Tax\ refunds\ paid\ within\ 30\ days\ (B) + tax\ refunds\ declined\ within\ 30\ days\ (C)}{Total\ tax\ refund\ claims\ received\ (A)}\ x\ 100$

# Attachment IV. Organizational Chart



## Attachment V. Sources of Evidence

| Indicators | Sources of Evidence |
|---|---|
| P1-1. Accurate and reliable taxpayer information. | • Screenshot of the land ownership certificate database.<br>• Land ownership certificate from the system<br>• Business Certificate<br>• Business License manual register.<br>• Walk-through of the IT systems --KGS and PFMIS<br>• House number registration in Horseed village. |
| P1-2. Knowledge of the potential taxpayer base. | • Discussions with the government officials. |
| P2-3. Identification, assessment, ranking, and quantification of compliance risks. | • No evidence |
| P2-4. Mitigation of risks through a compliance improvement plan. | • No evidence |
| P2-5. Monitoring and evaluation of compliance risk mitigation activities. | • No evidence |
| P2-6. Management of operational (i.e. systems and processes) risks. | • No evidence |
| P2-7. Management of human capital risks. | • No evidence |
| P3-8. Scope, currency, and accessibility of information. | • Pictures of Meetings with stakeholders.<br>• Invitation letter to the meetings. |
| P3-9. Time taken to respond to information requests. | • No evidence |
| P3-10. Scope of initiatives to reduce taxpayer compliance costs. | • Mobile payments initiatives evidenced through the IT system walk-through. |
| P3-11. Obtaining taxpayer feedback on products and services. | • No evidence |
| P4-12. On-time filing rate. | • No evidence |
| P4-13 Management of non-filers. | • No evidence |
| P4-14. Use of electronic filing facilities. | • No evidence |
| P5-15. Use of electronic payment methods. | • Walk-through of the IT systems --KGS and PFMIS<br>• Daily payment vouchers |
| P5-16. Use of efficient collection systems. | • No evidence |

| Indicators | Sources of Evidence |
|---|---|
| P5-17. Timeliness of payments. | • No evidence |
| P5-18. Stock and flow of tax arrears. | • No evidence |
| P6-19. Scope of verification actions taken to detect and deter inaccurate reporting. | • No evidence |
| P6-20. Use of large-scale data-matching systems to detect inaccurate reporting. | • No evidence |
| P6-21. Initiatives undertaken to encourage accurate reporting. | • No evidence |
| P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels. | • No evidence |
| P7-23. Existence of an independent, workable, and graduated dispute resolution process. | • No evidence |
| P7-24. Time taken to resolve disputes. | • No evidence |
| P7-25. Degree to which dispute outcomes are acted upon. | • No evidence |
| P8-26. Contribution to government tax revenue forecasting process. | • No evidence |
| P8-27. Adequacy of the tax revenue accounting system. | • Walk-through of the IT systems --KGS and PFMIS<br>• Daily collection vouchers |
| P8-28. Adequacy of tax refund processing. | • No evidence |
| P9-29. Internal assurance mechanisms. | • IT Systems walk-throughs |
| P9-30. External oversight of the tax administration. | • Daily Registration Book<br>• Financial report |
| P9-31. Public perception of integrity. | • No evidence |
| P9-32. Publication of activities, results and plans. | • Annual Report<br>• Baidoa Revenue Enhancement Action Plan (2023 – 2025) |

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TADAT IS A COLLABORATIVE UNDERTAKING OF THE FOLLOWING PARTNERS:

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