

TADAT™ – Tax Administration Diagnostic Assessment Tool

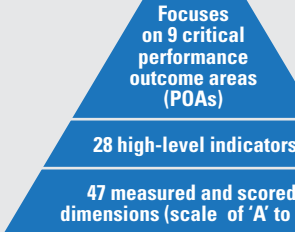
Performance Outcome Areas – Indicators – Dimensions

HOW DOES TADAT WORK?

Assessment results in a ...

Performance assessment report (PAR)

- All indicators have between 1 to 4 dimensions
- Each dimension is separately assessed
- Overall score for an indicator is based on the assessment of the dimensions related to that indicator
- Scores A B C D
 - 'A' is set as "internationally accepted good practice", with the lower grades indicating increasing deviations from this baseline
 - A 'D' score denotes that the minimum standards set under 'C' have not been met or where there is insufficient information available to determine a score



POA9: Accountability and Transparency

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

Indicators	Dimensions	Scoring
• P9.25 Internal assurance mechanisms	• Assurance provided by internal audit. • Staff integrity assurance mechanisms.	M2
• P9.26 External oversight of the tax administration	• The extent of independent external oversight of the tax administration's operations and financial performance. • The investigation process for suspected wrongdoing and maladministration.	M2
• P9.27 Public perception of integrity	• The mechanism for monitoring public confidence in the tax administration.	M1
• P9.28 Publication of activities, results and plans	• The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication. • The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.	M2

POA8: Efficient Revenue Management

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

Indicators	Dimensions	Scoring
• P8.22 Contribution to government tax revenue forecasting process	• The extent of tax administration input to government tax revenue forecasting and estimating.	M1
• P8.23 Adequacy of the tax revenue accounting system	• The adequacy of the tax administration's tax revenue accounting system.	M1
• P8.24 Adequacy of tax refund processing	• The adequacy of the VAT refund system. • The time taken to pay (or offset) VAT refunds.	M2

POA7: Effective Tax Dispute Resolution

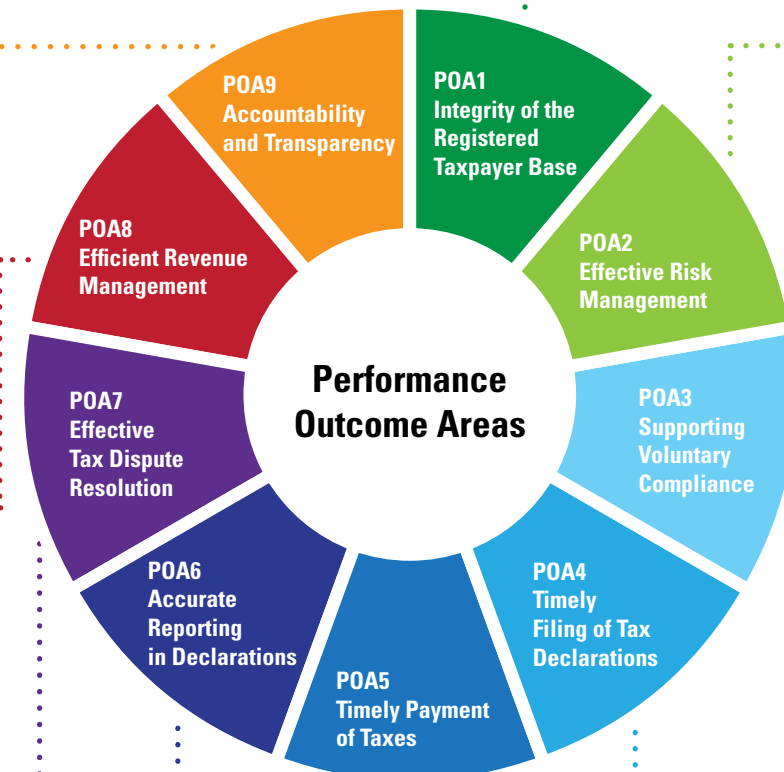
The tax dispute resolution process is fair and independent, accessible to taxpayers, and effective in resolving disputed matters in a timely manner.

Indicators	Dimensions	Scoring
• P7.19 Existence of an independent, workable and graduated dispute resolution process	• The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers. • Whether the administrative review mechanism is independent of the audit process. • Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.	M2
• P7.20 Time taken to resolve disputes	• The time taken to complete administrative reviews.	M1
• P7.21 Degree to which dispute outcomes are acted upon	• The extent to which the tax administration responds to dispute outcomes.	M1

POA6: Accurate Reporting in Declarations

Taxpayers report complete and accurate information in their tax declarations.

Indicators	Dimensions	Scoring
• P6.16 Scope of verification actions taken to detect and deter inaccurate reporting	• The nature and scope of the tax audit program in place to detect and deter inaccurate reporting. • The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M2
• P6.17 Extent of proactive initiatives to encourage accurate reporting	• The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1
• P6.18 Monitoring the extent of inaccurate reporting	• The soundness of the methods/s used by the tax administration to monitor the extent of inaccurate reporting.	M1



POA1: Integrity of the Registered Taxpayer Base

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

Indicators	Dimensions	Scoring
• P1.1 Accurate and reliable taxpayer information	• The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries. • The accuracy of information held in the registration database.	M1
• P1.2 Knowledge of the potential taxpayer base	• The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1

POA2: Effective Risk Management

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

Indicators	Dimensions	Scoring
• P2.3 Identification, assessment, ranking and quantification of compliance risks	• The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations. • The process used to assess, rank, and quantify taxpayer compliance risks.	M1
• P2.4 Mitigation of risks through a compliance improvement plan	• The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1
• P2.5 Monitoring and evaluation of compliance risk mitigation activities	• The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1
• P2.6 Identification, assessment and mitigation of institutional risks	• The process used to identify, assess, and mitigate institutional risks.	M1

POA3: Supporting Voluntary Compliance

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

Indicators	Dimensions	Scoring
• P3.7 Scope, currency and accessibility of information	• The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax. • The degree to which information is current in terms of the law and administrative policy. • The ease by which taxpayers obtain information from the tax administration. • The time taken to respond to taxpayer and intermediary requests for information.	M1
• P3.8 Scope of initiatives to reduce taxpayer compliance costs	• The extent of initiatives to reduce taxpayer compliance costs.	M1
• P3.9 Obtaining taxpayer feedback on products and services	• The use and frequency of methods to obtain feedback from taxpayers on the standard of services provided. • The extent to which taxpayer input is taken into account in the design of administrative processes and products.	M1

POA4: Timely Filing of Tax Declarations

Taxpayers file tax declarations on time.

Indicators	Dimensions	Scoring
• P4.10 On-time filing rate	• The number of CIT, PIT, VAT, PAYE declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT, PIT, VAT, PAYE taxpayers/employers.	M2
• P4.11 Use of electronic filing facilities	• The extent to which tax declarations are filed electronically.	M1

POA5: Timely Payment of Taxes

Taxpayers pay their taxes in full on time.

Indicators	Dimensions	Scoring
• P5.12 Use of electronic payment methods	• The extent to which core taxes are paid electronically.	M1
• P5.13 Use of efficient collection systems	• The extent to which withholding at source and advance payment systems are used.	M1
• P5.14 Timeliness of payments	• The number of VAT payments made by the statutory due date in percent of the total number of payments due. • The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.	M1
• P5.15 Stock and flow of tax arrears	• The value of total core tax arrears at fiscal year-end in percent of total core tax revenue collections for the fiscal year. • The value of collectable core tax arrears at fiscal year-end in percent of total core tax revenue collections for the fiscal year. • The value of core tax arrears more than 12 months old in percent of the value of all core tax arrears.	M2



The TADAT brand is trademarked under U.S. Trademark SN 86155099; TADAT: Reference No. S20515 and is administered by the TADAT Secretariat which must certify all output based on the TADAT brand

TADAT™ – Background and Good Practice

WHAT IS TADAT? TADAT is a tool designed 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. The TADAT framework revolves around nine POAs and 28 high level indicators critical to tax administration performance. The 28 indicators are disaggregated further into 47 measurement dimensions which are used to arrive at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator.

POA9: Accountability and Transparency

Accountability and transparency are two of the central pillars of good governance. Their institutionalization reflects the principle that tax administrations are answerable for the way they use public resources and exercise authority.

Examples of good practice include:

- External oversight of the tax administration by the government auditor and other mechanisms.
- Independent and impartial investigation of taxpayer complaints concerning wrongdoing and maladministration of the tax administration.
- Having internal assurance mechanisms, including internal audit and other internal controls to protect the systems of administration from fraud, loss, and error.
- Engagement of citizens through stakeholder consultation and client surveys.
- Embracing of ethical standards and procedures aimed at preventing tax officials from misusing their positions and powers.
- Public reporting of the tax administration's financial and operational performance.

POA8: Efficient Revenue Management.

Revenue management involves tax revenue accounting, timely payment of refunds, and provision of data and analytical input by the tax administration to government revenue forecasting and estimating processes.

Examples of good practice include:

- Maintaining a taxpayer ledger that minimizes the scope for error and fraud, and ensures timely recording of payments and other transactions to the correct taxpayer accounts.
- Routine reconciling of the taxpayer ledger to the broader set of government revenue accounts maintained by the Ministry of Finance.
- Regular monitoring and reporting to government of core tax collections to ensure early detection of deviations from revenue forecasts.
- Conducting regular internal audits of the revenue accounting system.
- Paying legitimate tax refunds promptly.
- Having a tax revenue analysis capability that provides input to government revenue forecasting and estimating processes.

POA7: Effective Tax Dispute Resolution

The dispute resolution process must safeguard a taxpayer's right to challenge an assessment resulting from a tax audit. 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.

Examples of good practice include:

- Minimizing the incidence of disputes.
- Publishing clear explanations of taxpayers' rights and legal avenues for review of decisions made by the tax administration.
- Having a simple, transparent, and graduated dispute resolution mechanism of administrative and judicial review.
- Prompt refunding of overpaid tax where a dispute is resolved in the taxpayer's favor.
- Monitoring key aspects of the dispute resolution process, including underlying causes, time taken to resolve disputes, and dispute outcomes.

POA6: 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 and take a range of actions to improve compliance, including audit and other verification activities and proactive initiatives of taxpayer assistance.

Examples of good practice include:

- Implementing a program of verification activities that has far wider impact than simply raising additional revenue (programs of this kind focus on the highest compliance risks, have both corrective and deterrent effect, and support intelligence gathering of emerging risks).
- Building capacity in large-scale automated crosschecking of third party information with amounts reported in tax declarations.
- Adopting cooperative compliance approaches to manage risks of inaccurate reporting.
- Issuing tax rulings to provide taxpayers with certainty as to how the tax administration will apply the law to particular transactions.
- Monitoring the level of inaccurate reporting through various analytical methods.

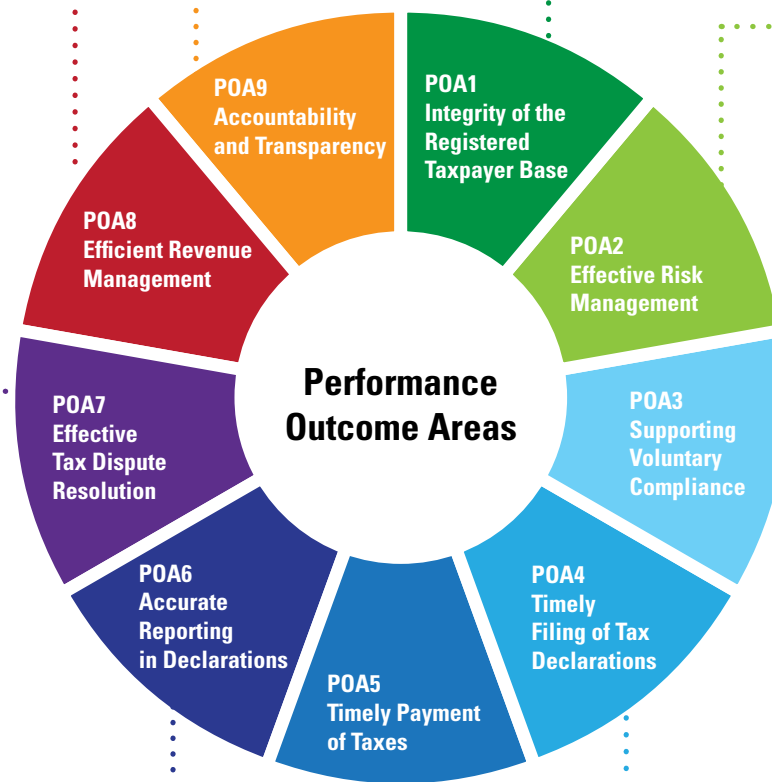
POA5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Failure 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 is to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Examples of good practice include:

- Having collection systems that reduce the incidence of unpaid taxes, especially withholding of tax at source and advance payment systems.
- Having suitable debt recovery powers, late payment penalties and interest, and authority to grant time-payment arrangements where appropriate.
- Use of electronic payment methods.
- Dedicated collection enforcement operations.
- Active management of the arrears inventory by reference to value, age, and collectability of arrears cases.

TADAT IS A COLLABORATIVE EFFORT OF THE FOLLOWING PARTNERS:



POA1: 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. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Examples of good practice include:

- Use of a unique taxpayer identification number that facilitates routine identification of taxpayers for administrative actions, third party information reporting and data matching, and exchange of information with other government agencies.
- Maintaining a database of sufficient accurate and reliable identifying information to assist interactions with the taxpayer and tax intermediaries, especially in relation to filing, payment, and assessment matters.
- Identifying and flagging dormant registrations and keeping the database clean of inactive, invalid, and duplicate records. Undertaking initiatives to detect unregistered businesses and individuals, especially those representing high revenue risks.

POA2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. Managing risks is essential and requires a structured approach to identifying, assessing, prioritizing, and mitigating risks. This is done as an integral part of multi-year strategic and annual operational planning.

Examples of good practice in managing compliance risk include:

- Gathering risk-related information from a range of internal and external sources to build knowledge of taxpayer compliance levels.
- Identifying, assessing, and ranking risks within a framework of taxpayer segments, core taxes, and key obligations (registration, filing, payment, and reporting).
- Managing risks through a compliance improvement plan comprising risk mitigation strategies and actions (including taxpayer education and assistance, audits, improvements to laws etc).
- Monitoring and evaluating the impact of mitigation activities.

Examples of good practice in managing institutional risk include:

- Maintaining a register of institutional risks that potentially pose a threat to tax administration operations.
- Having a plan for continuity of operations in the event of a disaster that destroys part or all of the administration's assets and resources.
- Training staff in disaster recovery procedures.
- Taking preventive measures, such as offsite backup of data.

POA3: Supporting Voluntary Compliance

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.

Examples of good practice include:

- Provision of generic and targeted information through a variety of user-friendly products and public education programs.
- Delivery of services through means convenient to taxpayers and cost effective for tax administrations.
- Customizing information to meet the specific needs of particular taxpayer segments, such as small traders.
- Regular updating of information products to reflect changes in the law and administrative procedures, and initiatives to raise taxpayer awareness of the changes.
- Introducing measures to reduce compliance costs for taxpayers, such as simplified record keeping and reporting requirements for small businesses and pre-filing of declarations for individuals.
- Monitoring taxpayer perceptions of service, and seeking taxpayer feedback on information products and services.

POA4: Timely Filing of Tax Declarations

Filing of tax declarations is a principal means by which a taxpayer's tax liability is established and becomes due and payable. 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 to confirm the amount owed, and then secure payment through enforcement and other means).

Examples of good practice include:

- Simplifying filing arrangements, including pre-filing of tax declarations.
- Being proactive in reminding taxpayers of approaching filing deadlines (through media campaigns, automated reminder messages etc).
- Outreach programs to assist specific taxpayer groups (such as elderly taxpayers and citizens with language difficulties) in understanding and meeting their filing obligations.
- Use of electronic filing facilities.
- Automated processes to quickly identify taxpayers who have failed to file declarations on time.
- Timely follow-up and enforcement action tailored to the circumstances and filing history of the non-filers concerned.

TADAT facilitates a shared view among all stakeholders—country authorities, international organizations, development partners, and technical assistance providers