Performance assessment report (PAR)

Taxpayers report complete and accurate information in their tax declarations.

<table>
<thead>
<tr>
<th>Indicators</th>
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<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>POA7: Effective Tax Dispute Resolution</td>
<td>Legitimate tax refunds are paid promptly.</td>
<td>M1</td>
</tr>
<tr>
<td>POA8: Efficient Revenue Management</td>
<td>Tax revenue collections are fully accounted for, monitored against expectations, and analyzed to inform government revenue forecasting.</td>
<td>M1</td>
</tr>
<tr>
<td>POA9: Accountability and Transparency</td>
<td>The extent to which the tax administration’s future directions and plans are made public, and the timelines of publication.</td>
<td>M2</td>
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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.

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<tbody>
<tr>
<td>PB.22 Contribution to government tax revenue</td>
<td>The extent to which the tax administration administers and manages the tax revenue accounting system.</td>
<td>M1</td>
</tr>
<tr>
<td>PB.24 Adequacy of tax refund processing</td>
<td>The adequacy of the VAT refund system.</td>
<td>M2</td>
</tr>
</tbody>
</table>

POA9: Accountability and Transparency

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

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<tr>
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<tbody>
<tr>
<td>P5.25 Internal assurance mechanisms</td>
<td>Assurance provided by internal audit.</td>
<td>M2</td>
</tr>
<tr>
<td>P5.26 External oversight of the tax administration</td>
<td>The extent to which the tax administration’s future directions and plans are made public, and the timelines of publication.</td>
<td>M2</td>
</tr>
<tr>
<td>P5.28 Publication of activities, results and plans</td>
<td>The extent to which the tax administration’s future directions and plans are made public, and the timelines of publication.</td>
<td>M2</td>
</tr>
</tbody>
</table>

POA7: Effective Tax Dispute Resolution

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

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<tbody>
<tr>
<td>P7.19 Existence of an independent, workable and graduated dispute resolution process</td>
<td>The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.</td>
<td>M2</td>
</tr>
<tr>
<td>P7.20 Time taken to resolve disputes</td>
<td>The extent to which the tax administration responds to disputes.</td>
<td>M1</td>
</tr>
<tr>
<td>P7.21 Time taken to complete administrative reviews</td>
<td>The time taken to complete administrative reviews.</td>
<td>M1</td>
</tr>
</tbody>
</table>

POA6: Accurate Reporting in Declarations

Taxpayers report complete and accurate information in their tax declarations.

<table>
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<tbody>
<tr>
<td>P6.18 Scope of verification actions taken to detect and deter inaccurate reporting</td>
<td>The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.</td>
<td>M2</td>
</tr>
<tr>
<td>P6.19 Existence of an adequate internal assurance program</td>
<td>The extent of large-scale automated crosschecking to verify information reported in tax declarations.</td>
<td>M1</td>
</tr>
</tbody>
</table>

TADAT™ – Tax Administration Diagnostic Assessment Tool

Performance Outcome Areas – Indicators – Dimensions

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.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>PI.1 Accurate and reliable taxpayer information</td>
<td>The accuracy 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>M1</td>
</tr>
</tbody>
</table>

POA2: Effective Risk Management

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

<table>
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</thead>
<tbody>
<tr>
<td>P2.3 Identification, assessment, ranking and quantification of compliance risks</td>
<td>The degree to which the tax administration identifies, ranks and quantifies risks to the tax administration.</td>
<td>M1</td>
</tr>
<tr>
<td>P2.4 Mitigation of risks through a compliance risk management plan</td>
<td>The extent to which the tax administration mitigates assessed risks to the tax administration through a compliance risk management plan.</td>
<td>M1</td>
</tr>
</tbody>
</table>

POA3: Supporting Voluntary Compliance

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

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</thead>
<tbody>
<tr>
<td>P3.7 Scope, currency and accessibility of information</td>
<td>The extent to which taxpayers are explicitly made aware of it.</td>
<td>M2</td>
</tr>
<tr>
<td>P3.9 Scope of initiatives to reduce taxpayer compliance costs</td>
<td>The extent of initiatives to reduce taxpayer compliance costs.</td>
<td>M1</td>
</tr>
</tbody>
</table>

POA4: Timely Filing of Tax Declarations

Taxpayers file their tax declarations on time.

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<tbody>
<tr>
<td>P4.10 On-time filing rate</td>
<td>The extent to which taxpayers file their tax declarations on time.</td>
<td>M1</td>
</tr>
<tr>
<td>P4.11 Use of electronic filing facilities</td>
<td>The extent to which taxpayers file their tax declarations electronically.</td>
<td>M1</td>
</tr>
</tbody>
</table>

POA5: Timely Payment of Taxes

Taxpayers pay their taxes in full on time.

<table>
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<tbody>
<tr>
<td>P5.12 Use of electronic payment methods</td>
<td>The extent to which core taxes are paid electronically.</td>
<td>M1</td>
</tr>
<tr>
<td>P5.13 Use of efficient collection systems</td>
<td>The extent to which taxpayers are made aware of and use effective collection systems.</td>
<td>M1</td>
</tr>
</tbody>
</table>

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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.

POA1: Integrity of the Registered Taxpayer Base
A fundamental initial step in administrative effort to improve tax registration and accounting. Tax administrations must compile and maintain a complete database of taxpayers as individuals that are required by law to register and recording of such taxpayer under the 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 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 de-list 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 establishing, 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 segment, cause, 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 offline 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 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-filled 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 filed. 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.
• Ensuring proactive 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 activity related to the circumstances and filing history of the non-filers concerned.

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 collection 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 advances 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.

POA6: 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 assures timely recording of payments and other transactions to the current 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 disputes fairly.
Examples of good practice include:
• Minimising 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 resolution of tax disputes 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.

POA8: 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 evasion issues 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 effects, and support intelligently gathered 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.

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

November 2015