TAX ADMINISTRATION DIAGNOSTIC ASSESSMENT TOOL

Performance Assessment Report

West Bank and Gaza

Maureen Kidd, Riham Hussein,
Mohammed Ali Jaber, Roland Lomme,
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June 2025

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ABBREVIATIONS AND ACRONYMS

BCP	Business Continuity Program
CIT	Corporate Income Tax
EC	European Commission
FCDO	Foreign and Commonwealth Development Office
GDP	Gross Domestic Product
ICT	Information and Communications Technology
MoF	Ministry of Finance
PA	Palestinian Authority
PAYE	Pay As You Earn
PCBS	Palestinian Central Bureau of Statistics
PIT	Personal Income Tax
POA	Performance Outcome Area
RMS	Revenue Management System
SAACB	State Audit and Administrative Control Bureau
TIN	Taxpayer Identification Number
TADAT	Tax Administration Diagnostic Assessment Tool
VAT	Value Added Tax
WBG	West Bank and Gaza

PREFACE

An assessment of the system of tax administration of West Bank and Gaza was undertaken during the period 16/02/2025 to 28/03/2025 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 comprised the following: Maureen Kidd – team leader, Riham Hussein, Mohammed Ali Jaber, Roland Lomme, Raed Rajab, Fadi Ali, (all World Bank) and Rosen Bachvarov (International Monetary Fund- METAC). The team would like to thank Nataliya Biletska (World Bank) for her contribution to this assessment.

A draft performance assessment report was presented to officials on 2 April 2025.

EXECUTIVE SUMMARY

The results of the TADAT assessment for West Bank and Gaza follow, including the identification of the main strengths and weaknesses.

Strengths	Weaknesses
Registration system uses a unique number and is supported by an IT system.	No single integrated revenue department, including between West Bank and Gaza (as Palestinian Authority does not govern in Gaza).
Extensive range of information available to taxpayers.	Large number of unregistered taxpayers.
Basic IT systems in place.	Complicated organization structure.
Good legal framework.	No e-linkage between revenue departments and with the MOF, and the e-signature law has not yet been adopted.
Effective regime of withholding taxes.	No effective risk management.
Accessible dispute resolution mechanisms.	Poor oversight of filing and payment.
External oversight with good management engagement.	Audit quality and effectiveness not monitored in a rigorous manner.

Set against an ongoing political conflict that has substantial economic consequences for West Bank and Gaza, the two tax departments face challenges that constrain reform progress and a full embrace of modern tax administration practices. However, strong government support for tax administration reform is in evidence and key international donors continue to support various reform initiatives.

Although the Revenue Management System is in place, many processes rely on manual interventions, and this compromises accurate management reporting. The absence of a single, integrated revenue department drives inefficiencies both within government and for businesses and individuals who do not have a single window to deal with their tax matters. Further, some provisions that govern the relationship with Israel create opportunities for tax evasion, further challenging compliance.

Staff levels are under pressure and the budget and security situation mean that people cannot rely on a consistent salary or even the ability to travel to and from work in an unimpeded manner. This of course extends to the ability of officials to undertake basic compliance activities e.g. to identify the unregistered, to undertake audit and inspections.

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.

A little more than 10 percent of indicators scored at the C or B level (one indicator scored a B) while the balance of indicators scored a D, demonstrating weak or ineffective performance and underlining the need for concentrated effort on further reforms.

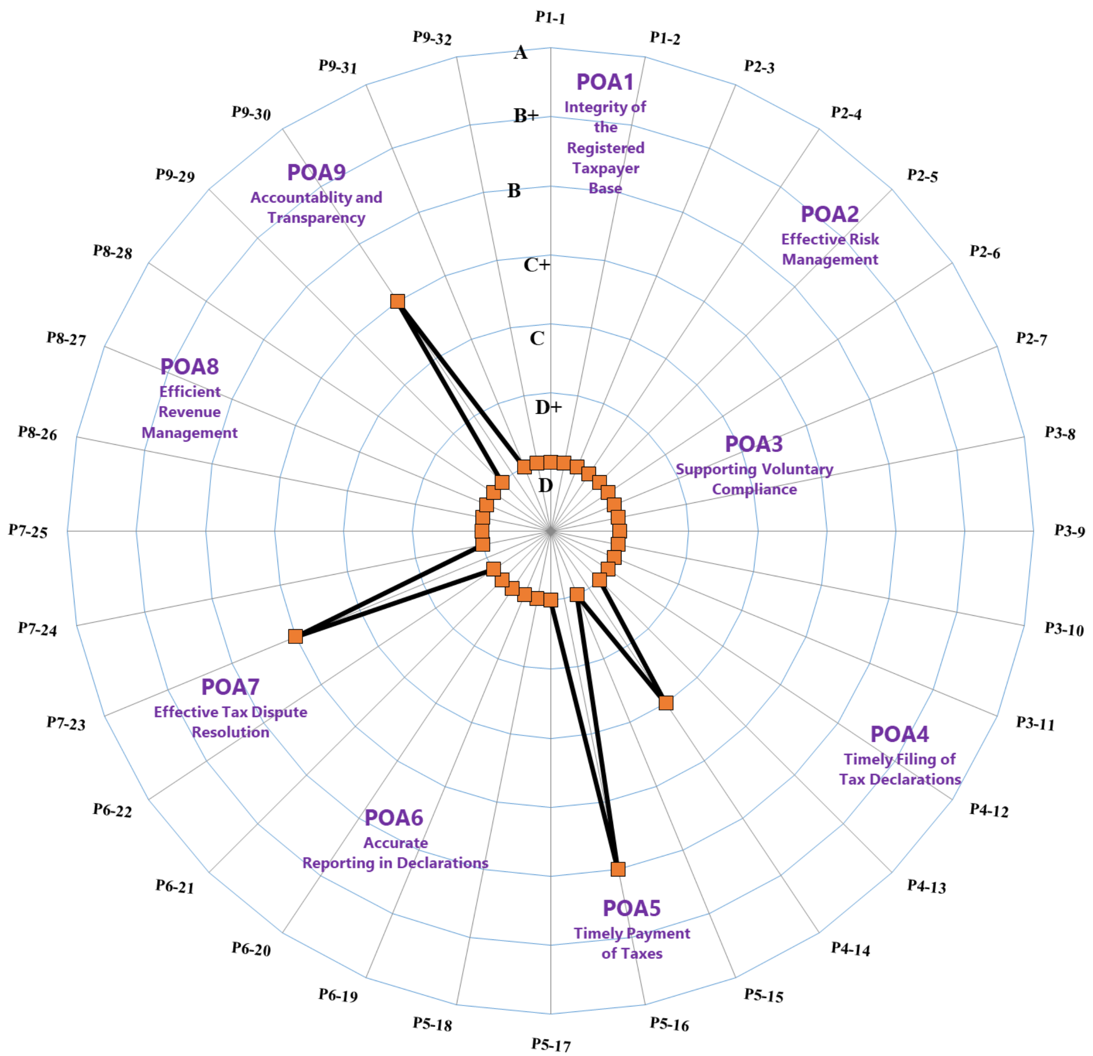
Table 1. West Bank and Gaza: Summary of TADAT Performance Assessment

Indicator	Scores 2025	Summary Explanation of Assessment
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information.	D	A robust registration system is in place, but businesses and individuals cannot register or make changes to their registration online once registered. There are no management reports available that confirm the accuracy and confidence in the registration database.
P1-2. Knowledge of the potential taxpayer base.	D	No evidence was provided in respect of actions and results during the past year in detecting unregistered businesses and individuals.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	The tax departments are aware of the importance of understanding compliance risks but do not use environmental scanning or internal and external information sources. At present, there is no risk assessment process – structured or otherwise—in use to assess and prioritize compliance risk.
P2-4. Mitigation of risks through a compliance improvement plan.	D	There is no compliance improvement plan that identifies risk and mitigation strategies.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	There are no formal governance arrangements in place to approve risk strategies and monitor progress of any activities.
P2-6. Management of operational risks.	D	Operational risks are not managed in a comprehensive manner. There is no formal business continuity planning.
P2-7. Management of human capital risks.	D	Human capital risk is not identified or managed. The human resources environment is complex, allowing no focus on human capital risks.
POA 3: Supporting Voluntary Compliance		
P3-8. Scope, currency, and accessibility of information.	D	A range of information is available but does not cover all core taxes and there is no tailored approach to disadvantaged groups. Ad hoc efforts are made to ensure information shared with taxpayers is up to date. Information and guidance are generally accessible, but self-service facilities are limited.
P3-9. Time taken to respond to information requests.	D	No call center is in place in either tax department.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	D	Efforts to reduce taxpayer compliance costs are limited. There are no pre-filled declarations, no analysis of frequently asked questions and

Indicator	Scores 2025	Summary Explanation of Assessment
		taxpayers only have limited access to their own accounts.
P3-11. Obtaining taxpayer feedback on products and services**.**	D	The tax departments consult with taxpayers on an ad hoc basis. Key taxpayer groups are consulted on a similar basis.
POA 4: Timely Filing of Tax Declarations		
P4-12. On-time filing rate.	D	Based on the information provided, on time filing rates are low across all core taxes.
P4-13. Management of non-filers.	D	The departments differ in their approach to non-filers, but neither department takes robust action within the timeline established by TADAT.
P4-14. Use of electronic filing facilities.	C	The use of the taxpayer portal is available to all taxpayers.
POA 5: Timely Payment of Taxes		
P5-15. Use of electronic payment methods.	D	E-payment is not yet implemented.
P5-16. Use of efficient collection systems.	B	Withholding at source and advance payments are in place but interest income is not reported to the tax administration.
P5-17. Timeliness of payments.	D	No evidence was provided to assess timeliness.
P5-18. Stock and flow of tax arrears.	D	Only income tax arrears were provided as evidence for performance on debt management.
POA 6: Accurate Reporting in Declarations		
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D	There is no single audit program. An audit manual exists but dates to 2023 with no current or regular updates. The importance of audit quality is recognized but is monitored on an ad hoc basis only. Audit effectiveness is monitored but there are no supporting procedures or performance reports.
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	D	There is no large-scale cross checking of data to verify information.
P6-21. Initiatives undertaken to encourage accurate reporting.	D	No public rulings are available.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	D	No tax gap studies have been undertaken.
POA 7: Effective Tax Dispute Resolution		

Indicator	Scores 2025	Summary Explanation of Assessment
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	C+	Dispute processes vary for the two tax departments, but both have a tiered review mechanism. Disputes are reviewed by auditors separate from the initial decision. Dispute rights are available on the MOF website.
P7-24. Time taken to resolve disputes.	D	The time taken to resolve disputes is not tracked.
P7-25. Degree to which dispute outcomes are acted upon.	D	No analysis is undertaken of dispute outcomes.
POA 8: Efficient Revenue Management		
P8-26. Contribution to government tax revenue forecasting process.	D	Mechanisms are in place so that the tax departments contribute to revenue forecasts (however little evidence was presented) – but exemptions are monitored in a limited manner.
P8-27. Adequacy of the tax revenue accounting system.	D	The current revenue accounting system is not interoperable with the government's financial management information system. There are also delays in posting payments and liabilities to taxpayer accounts.
P8-28. Adequacy of tax refund processing.	D	All VAT refund claims are subject to review.
POA 9: Accountability and Transparency		
P9-29. Internal assurance mechanisms.	D	The Ministry of Finance oversees the internal audit function for the tax departments. There is no dedicated internal audit unit in the tax departments. There is a code of conduct, but integrity statistics are not maintained.
P9-30. External oversight of the tax administration.	C+	There is independent external oversight, but findings and the department's response are not made public, There is no ombudsman to address taxpayer complaints about their treatment. An Anti-Corruption Commission monitors the activities of the tax departments.
P9-31. Public perception of integrity.	D	There are no regular mechanisms to measure public confidence.
P9-32. Publication of activities, results and plans.	D	There is no annual report covering financial and operational performance. A strategic plan for 2022-26 was implemented but has not been published.

Figure 1. West Bank and Gaza: 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	C
P5-15	D
P5-16	B
P5-17	D
P5-18	D
P6-19	D
P6-20	D
P6-21	D
P6-22	D
P7-23	C+
P7-24	D
P7-25	D
P8-26	D
P8-27	D
P8-28	D
P9-29	D
P9-30	C+
P9-31	D
P9-32	D

I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in West Bank and Gaza during the period 16/02/2025 to 26/02/2025 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-five measurement dimensions are taken into account 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 good international 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 central government revenues, specifically corporate income tax (CIT), personal income tax (PIT), value added tax (VAT) , domestic excise tax (with a focus is on those registered domestic excise taxpayers who trade in the category of goods/services that contribute 70 percent of the total domestic excise revenue by value), and Pay As You Earn (PAYE) amounts withheld by employers (which, strictly speaking, are remittances of PIT).. By assessing outcomes in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of a country's tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of [Insert country name]).
- 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 in a country, 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 (country 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.

COUNTRY BACKGROUND INFORMATION

Country Profile

West Bank and Gaza is a divided territory with limited connectedness and restrictions on movement and access that pose constraints to its ability to reach full economic potential. The Oslo Accords (1993) led to the establishment of the interim Palestinian government – the Palestinian Authority (PA)—and divided the West Bank into three zones (A, B and C). The PA was granted limited powers of governance in areas A and B. Since 2006, the PA has not governed in Gaza. Reconciliation efforts between the PA and the de facto authority in Gaza have failed and the internal divide has persisted.

Area A constitutes 18 percent of the West Bank and the PA controls most affairs in this zone, including internal security. In Area B (about 21 percent of the territory), the PA oversees education, health and the economy. About 3 million Palestinians live in areas A and B and Israel has full external security control in both areas. Area C is the largest section of the West Bank, comprising about 60 percent of

Palestinian territory. Control of this area was to be transferred to the PA from Israel in 1999 as per the Oslo Accords, but this did not materialize.

West Bank and Gaza relies heavily on the flow of clearance revenue from Israel (for customs duties and VAT collected at the border by Israel on goods destined for West Bank and Gaza and income tax paid by Palestinians working in Israel and Israeli settlements in the West Bank). Clearance revenue falls under the complete control of the Israeli government and is to be transferred to the PA monthly (this transfer is frequently disrupted), making up close to 70 percent of its tax revenue and 17 percent of GDP (IMF, 2023). Other than this clearance revenue, domestic revenue is derived mainly from indirect taxes (on goods and services), direct taxes on individuals and business and some non-tax revenues. Domestic revenue makes up about 25 percent of total revenue, due to the magnitude of clearance revenue[1]

General background information on West Bank and Gaza and the environment in which its tax system operates is provided in the country 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

The economic situation in West Bank and Gaza has deteriorated dramatically since October 2023 and the ongoing conflict has pushed the territories into a crisis of unprecedented magnitude.[2] There has been a sharp reduction in economic output and a collapse in basic services in both West Bank and Gaza. Real GDP has fallen with West Bank experiencing a 23 percent contraction in the first half of 2024. Gaza had an 86 percent decline in the same period. The conflict continues to exacerbate pre-existing fiscal challenges that risk systemic failure for the economy, amid widespread public service disruption and partial salary payments.

The economic impact of the current conflict has now exceeded all previous economic crises in the Palestinian territories in two decades. In the West Bank, restricted movement within Palestinian governorates and decreased access to the Israeli labor market have impacted income generation. The decision of the Israeli government to withhold clearance revenues has made the economic shock even more profound.

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[1] Seizing the Opportunity for Tax Reform: The Palestinian Authority Political Economy: The Architecture of Fiscal Control (chapter 11). World Bank blogs- Governance and Development. March 2025.

2 This section relies heavily on: World Bank Economic Monitoring Report. Impacts of the Conflict in the Middle East on the Palestinian Economy. World Bank. December 2024.

Consumption has dropped given the loss of income of Palestinian commuters and the partial payment of salaries to PA civil servants. In Gaza, the downturn has been nothing short of catastrophic. Virtually all economic sectors are stalled and Gaza's share in the Palestinian economy has shrunk from 17 percent pre-conflict to only 3.5 percent at present (despite Gaza accounting for roughly 40 percent of the population).

Labor force participation dropped to 43.5 percent while unemployment has reached an unprecedented 51 percent overall (35 percent for West Bank, largely due to jobs lost or inaccessible in Israel and the settlements). Rising unemployment and declining productivity have driven wages down, while prices continue to rise (the CPI has increased by over 309 percent on an annual basis with foodstuffs rising by 448 percent in October 2024 when compared to October 2023).

The fiscal challenges faced by the PA continued to escalate through 2024, with higher deductions from clearance revenues and reduced domestic fiscal outturn. Israel has applied deductions from clearance revenues to an average of NIS500 million per month up from NIS200 million prior to the conflict. This has meant that the main source of PA revenue has halved since October 2023. Clearance revenues were completely halted for roughly two months in early 2024 before resuming in June. As a result of this and other fiscal pressures, the PA reduced public salary payments to 65 to 70 percent since October 2023.

Against this backdrop, the relatively low level of tax revenues is an additional pressure. One-third of overall tax revenues lie under the administration of the Palestinian Ministry of Finance (MOF) with the balance collected and remitted by Israel as clearances. The VAT compliance gap has been calculated (as a proxy for the overall tax gap)[3] as 13 percent of GDP, with the compliance portion of this gap estimated at 9 percent (the balance of 4 percent is the policy gap). This points to the urgent need to move ahead with tax administration reforms.

Estimates from the Palestinian MOF indicate an overall financing need, after aid and increased clearance revenue deductions, at US$1.04 billion from January to October 2024. Despite some uptick in aid (largely from the European Union and Saudi Arabia), available resources are insufficient to cover the gap. The deficit after aid and Israeli deductions was estimated to reach US $1.86 billion by the end of 2024.

Improvements in the economic situation will rely on a number of factors: (1) an end to hostilities; (2) the release of the stock of clearance revenues and a return to stability in their transfer; (3) an increase in funding from the international community; (4) an increase of measures to facilitate income generation and to support private sector activity; and (5) the development of an urgent reform agenda focusing on strengthened governance, transparency and fiscal sustainability.

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3 Palestinian territories: Impact of fiscal and economic policies (P170534). Estimation of VAT Tax Gap. June 2020. World Bank.

Main Taxes

The main national taxes for West Bank and Gaza are corporate income tax (3 percent), personal income tax (0.8 percent) and a value added tax (both on import – 9.2 percent) and remitted through the clearance mechanism - 15.4 percent).

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

Institutional Framework

Tax administration in West Bank and Gaza is not delivered by a single, integrated institution. Direct taxes are the domain of the Income Tax Department while VAT and excise tax are collected by the Customs and Excise Department. Both departments report to the Minister of Finance and are traditional departments of government, meaning that they have no degree of administrative management autonomy over their human or financial resources.

The revenue departments suffer from significant resource constraints. Given the economic situation described earlier in this chapter, operating resources are under equal pressure with little to no funding available for investments in innovation and modernization.

A more integrated approach to tax administration is under consideration, with a 2021 proposal that envisions the creation of a Commissioner General for Revenue with subordinate departments for direct and indirect taxation, each led by a General Director. This proposal is being reviewed by the new Cabinet. While taking a step in the right direction, it simply puts two distinct departments under one head, perpetuating a duplication of accountabilities and processes.

The political/economic situation of West Bank and Gaza makes tax administration more than challenging. For example, the free movement of tax administration staff to confirm taxpayer registration (or lack thereof), run education workshops or conduct audits is limited given the remit of what the PA can do in zones A and B. There is no Palestinian tax administration presence in zone C and any tax revenue gains from economic activity in this zone are remitted to Israel. Even before the war, the PA collected insignificant revenue from Gaza due to the internal divide.

Current Status of Tax Administration Reform

The jurisdiction of the tax administration of the Palestinian authority is legally framed and limited under the Oslo agreement, namely by the 1994 Paris protocol on economic relations between the Government of Israel and The Palestinian Liberation Organization, and its effect further constrained by Israeli military orders on the occupied territories. It only extends to a small part of the West Bank (around 40 percent of it), made of dozens of separate areas. As a result, the Palestinian Authority is currently responsible for tax administration in the West Bank for about 30 percent of tax revenues.

The current climate means any reform program will face daunting implementation challenges. The authorities have a Strategic Plan (2022 to 2026) that sets out the tax revenue strategy around several strategic objectives e.g. increase tax revenue, improve the accounting mechanism with Israel, develop institutional capacity, improve taxpayer service, contribute to public security. The plan sets out financial and operational objectives and is comprehensive in its reach. However, little of this plan has been addressed given the operational limitations imposed on tax administration by the conflict. An evaluation of the previous strategy noted revenue gains reaching 82 percent of overall state revenue collected. An updated strategy is under consideration. In addition, a 2024-25 action plan has been developed that has a strong compliance focus by working to build tax culture.

Tax administration reform in West Bank and Gaza is supported by the World Bank through technical assistance funded by the European Commission (EC) and the World Bank financed Public Financial Management Improvement Project – Phase 2 (PFMI2). The British Foreign Commonwealth and Development Office (FCDO) is supporting the work on the Strategic Plan as well as related work on audit and investigations, and debt management. The World Bank also supported an assessment of the current Revenue Management System (RMS).

EU funding is supporting the delivery of this TADAT assessment and the development of initial thinking about a reform roadmap. The World Bank PFMI2 Project includes a project component to enhance revenue mobilization through strengthened revenue management functions, foreseen to assist with the design of a joint revenue organization and the further establishment of risk management, data analytics, and strengthened core functions e.g. registration, filing, payment and audit. The legal and regulatory framework will also be reinforced. Since 2022, the IMF has supported work in large taxpayer compliance, improved compliance in the digital economy and in a review of reform strategies

International Information Exchange

West Bank and Gaza is not a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

West Bank and Gaza has several double tax treaties: Ethiopia, Jordan, Serbia, Sri Lanka, Sudan, Turkey, United Arab Emirates, Venezuela and Vietnam.

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

Measurement dimensions	Scoring Method	Score 2025	
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.	M1	B	D
P1-1-2. The accuracy of information held in the registration database.		D	

A robust registration system is in place, but businesses and individuals cannot register online or make changes to their registration once registered. The Revenue Management System (RMS) includes a central, national registration database. Each taxpayer has a unique taxpayer identification number or TIN (generated by the Ministry of Economy for business and by the Ministry of the Interior for individuals). The registration sub-system has many of the IT features noted in the scoring criteria but along with the deficiency noted above, it does not generate tax declarations with taxpayer registration details.

There are no management reports available that confirm the accuracy of and confidence in the registration database. This is the case for both income tax and VAT. Further, procedures to ensure the accuracy of the registration database exist but are outdated i.e. identify and remove inactive taxpayers, deactivate and flag dormant accounts and there is no evidence that these procedures are routinely applied. Work is underway in the VAT department to update registration procedures, but this work has not been finalized.

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 2025
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	D

No evidence was provided in respect of actions and results during the past year in detecting unregistered businesses and individuals. While expanding the taxpayer base is cited in the annual plans of both tax departments, no evidence was presented to show how these intentions were operationalized. This should include the use of third-party information sources or any program of inspection of business premises and traders. There are no reports of any ad hoc actions or results to detect unregistered businesses and individuals.

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 2025</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>

The tax departments are aware of the importance of understanding compliance risks but do not use environmental scanning or internal or external information sources. The income tax department has an understanding of behavioral, financial, legal and operational risks. Risks are determined to be high, medium or low and to some extent these risks drive responses by the tax departments. While the notion of risk-based decision making is present, the rigor sought by this indicator is not in evidence. The VAT department has spearheaded the development of a more formal approach to risk management for the three main revenue streams i.e. income tax, VAT and Customs and Excise but this has not been implemented.

At present there is no risk assessment process- structured or otherwise – to assess and prioritize compliance risk. The tax departments understand the need for a more structured approach and as noted, initial work is underway that includes development of a risk register and a risk manual. Future thinking also includes the creation of a risk management department in an integrated tax administration department (that would include direct and indirect taxes).

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 2025
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	D

There is no compliance improvement plan that identifies risks and mitigation strategies. Core concepts of compliance risk management and its implementation are understood but this understanding has not translated into tangible compliance plans and mitigation strategies. Resources are stretched thin across both tax departments, and this makes it challenging to identify and allocate resources to compliance management. Progress against any compliance actions is not monitored regularly.

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 2025
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

There are no formal governance arrangements in place to approve strategies and monitor progress of any activities. Initial steps have been taken to establish a risk assessment process to assess and prioritize compliance risk, but no active process is in place. A risk management committee was created but it is inactive. As a result, no evaluations have been undertaken.

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

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2025</th></tr>
<tr><td>P2-6-1. The process used to identify, assess and mitigate operational risks.</td><td rowspan="2">M1</td><td>D</td><td rowspan="2">D</td></tr>
<tr><td>P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated.</td><td>D</td></tr>
</table>

Operational risks are not managed in a comprehensive manner. ICT risks are identified and managed by the MOF information technology department and a report is prepared every two years on overall risks to revenue administration systems e.g. RMS. Internal audit reports are acted on and there is some identification of physical risks related to hardware needs e.g. for controlled temperatures, reliable power supply, etc. However, there is no formal business continuity plan (BCP) in place or business continuity exercises undertaken. There is no business impact analysis.

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

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2025</th></tr>
<tr><td>P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.</td><td rowspan="2">M1</td><td>D</td><td rowspan="2">D</td></tr>
<tr><td>P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.</td><td>D</td></tr>
</table>

Human capital risk is not managed in any deliberate manner. The human resources environment is complex, allowing no focus on human capital risks. There are no formal processes in place and the HR team has no dedicated approach to risks. Equally, there is no governance structure or review process. The daily working environment in which the tax departments operate is challenging, with most functions understaffed. Salary budgets are under pressure (when expected transfers are not made to the Palestinian Authority) and this means that staff are often underpaid or paid late. The security situation dictates that staff are often late or must leave early to travel to and from work safely. HR management therefore must focus on the immediate challenges of daily operations with no effort available to identify and manage the range of human capital risks identified by the TADAT.

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 four 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 2025	
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.		C	
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		C	

A range of information is available for taxpayers, but it does not cover all core taxes and there is no tailored approach to disadvantaged groups. This includes information on registration, filing, payment, and reporting of information in tax declarations and entitlements in respect of all core taxes. Both departments have a solid approach to ensuring taxpayers have the information they need to voluntarily comply. Information is targeted at key taxpayer segments and to tax intermediaries. Information about presumptive taxation is circulated through trade associations to ensure a wide reach.

Ad hoc efforts are made to ensure information shared with taxpayers is up to date. The tax administration website is used to good effect to inform taxpayers of current laws and regulations and to highlight recent amendments to core tax laws. But there are no procedures that set out the process and timing needed to update information materials. Efforts are ad hoc and usually driven by an amendment to the legislation. While stakeholders are consulted before any legislative change, they are not always alerted to changes before they come into effect**.**

Information and guidance are generally accessible, but self-service facilities are limited, and new businesses are not specifically targeted by information campaigns. The tax departments use a variety of channels, i.e. the website, awareness campaigns, workshops, school information sessions and mass media. But the tax administration does not provide public education programs for new businesses. Information is available at no cost on the website as well as through brochures and written guidance. While taxpayers can access their account information outside normal business hours, the functionality is limited e.g. payment information is only available on specific request.

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 2025
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	D

A call center is in place but there is no management system of inquiries made through it in either tax department. There is a contact number that taxpayers can call but there is no tracking of calls and no management reporting on call volumes or complexity.

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 2025
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	D

Efforts to reduce taxpayer compliance costs are limited. There is a presumptive tax regime for small business and some simplified reporting and record keeping arrangements are in place e.g. for private schools and driving schools. However there are no pre-filled declarations.There is no routine analysis of frequently asked questions or regular review of the information required in tax declarations and other forms to ensure the compliance burden on taxpayers is minimized.. Taxpayers do have access to their account details through a taxpayer portal but the information therein is not comprehensive e.g. a taxpayer can confirm but not change their registration details, payment information is not readily available and must be requested.

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 asses

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2025	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	C	D
P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		D	

The tax departments consult with taxpayers but on an ad hoc basis (through surveys and meeting with stakeholders). Taxpayer surveys were conducted in 2015 and 2018 by a third party (Arab World for Research and Development) on taxpayer perceptions of products and services. These surveys are statistically significant, and their frequency is less than five years.

Taxpayer consultations are not considered in the design of administrative processes and products. Such consultations focus on administrative processes and products, but taxpayers are not actively involved in identifying deficiencies in processes and products.

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 four measurement dimensions, is used to assess the on-time filing rate for CIT, PIT, VAT and domestic excise tax, and PAYE withholding declarations. 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

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2025</th></tr>
<tr><td>P4-12-1. The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers.</td><td rowspan="5">M2</td><td>D</td><td rowspan="5">D</td></tr>
<tr><td>P4-12-2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers.</td><td>D</td></tr>
<tr><td>P4-12-3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.</td><td>D</td></tr>
<tr><td>P4-12-4. The number of domestic excise tax declarations filed by the statutory due date as a percentage of the number of declarations expected from registered domestic excise taxpayers.</td><td>NA</td></tr>
<tr><td>P4-12-5. The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers.</td><td>D</td></tr>
</table>

Based on the information provided, on time filing rates are low across all core taxes. For CIT, the on time filing rate is 69 percent for all taxpayers. In the case of PIT, the on time filing rate was only 33.5 percent. Large taxpayers have higher on-time filing rates, although in the case of CIT, it is only 66 percent which pulled the score down to a D. VAT filing rates are 49 percent for all taxpayers and 91 percent for large taxpayers. PAYE on time filing rates were 24 percent for 2023.

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 2025
P4-13. Action taken to follow up non-filers.	M1	D

The tax departments differ in their approach to non-filers, but neither department takes robust action within the timelines established in TADAT. The VAT department has an automated process to identify taxpayers who have failed to file declarations by the due date. Penalties can be automatically generated by the system, but this feature has not been enabled to allow taxpayers more time to settle their debts. Filing-enforcement staff conduct field visits. There are no documented procedures, and follow-up takes place on an ad hoc basis. The Income Tax department has an automated process to identify taxpayers who have failed to file declarations by the due date. Penalties are not automatically generated. On a quarterly basis, a non-filer report is generated and sent to the regional offices for follow-up, but follow-up action is not within a specific timeframe.

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 2025
P4-14. The extent to which tax declarations are filed electronically.	M1	C

The use of the taxpayer portal is available to all taxpayers, but not all taxpayers use electronic filing. For monthly VAT declarations, most filers use the portal (about 91 percent in 2023). For income tax, about 92 percent of CIT, 75 percent of PAYE taxpayers, and 65 percent of PIT file electronically (2023 figures) [Table 11].

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 2025
P5-15. The extent to which core taxes are paid electronically.	M1	D

E-payment is not yet implemented. E-services including e-payment are referenced in the Strategic Plan 2022-26 however little action has been taken towards implementation at this time. Taxpayers can make payments at banks and these payments are then transferred to the Bank of Palestine.

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 2025
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	B

Withholding at source and advance payments are in place but interest income is not reported to the tax administration. Article 31 of the Income Tax Act establishes the basis for advance payments that are permitted for the current tax year and that can be made in four installments. Any tax on interest and dividend income is not withheld or reported to the tax administration (article 31.5 of the Income Tax Act states that such interest is withheld only for non-resident legal persons).

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, VAT 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 2025	
P5-17-1. The number of VAT payments made by the statutory due date in percent of the total number of payments due.	M1	D	D
P5-17-2. The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.		D	

Limited evidence was presented to support payment timeliness. The authorities were unable to produce evidence to support both the overall number and value of VAT payments and could only provide payments made on time. This does not allow for the calculation needed to assess this indicator.

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.[4] 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.

[4] 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).

Table 19. P5-18 Assessment

Measurement dimensions	Scoring Method	Score 2025	
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	

Only income tax arrears were provided as evidence for performance on debt management. Officials are aware of the significance of debt management and reports are generated for income tax arrears twice a year. The collections unit pursues debt cases through various levels of taxpayer contact, culminating in some cases with referrals to the public prosecutor. Based on a partially completed table 13 (with no information for VAT arrears), scoring for this indicator and its dimensions would have been A-C-A. Although the Strategic Plan 2022-26 sets out improved debt management as a strategic objective with annual reduction targets of 10, 25, 50, 75 and 80 percent, progress has been limited at best due to other work pressures and limited resources.

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 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

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2025</th></tr>
<tr><td>P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.</td><td rowspan="4">M1</td><td>D</td><td rowspan="4">D</td></tr>
<tr><td>P6-19-2. The extent to which the audit program is systematized around uniform practices.</td><td>C</td></tr>
<tr><td>P6-19-3. The degree to which the quality of taxpayer audits is monitored.</td><td>D</td></tr>
<tr><td>P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.</td><td>D</td></tr>
</table>

There is no single, centralized audit program. While all core taxes are included, each revenue department manages its audit processes separately and there is no integrated approach to audit. Audit selection is decentralized, with VAT audit selection supported by RMS whereas direct tax audits are selected manually. Audit types include desk and comprehensive audits as well as VAT refund audits.

An audit manual exists but special audit manuals do not. The general manual provides instructions on how to conduct and manage audits. This includes duties of the auditor, organization of the audit work, managing audit files, etc. Some economic sectors are identified but this or any other manual does not define a specific audit approach to these sectors.

The importance of audit quality is recognized but is monitored on an ad hoc basis only. Regional managers in local offices oversee audit production and audit quality however there is no form of central oversight to assure quality and consistency. No written procedures or quality assurance reports were identified to the assessment team.

Audit effectiveness is monitored, but there are no supporting procedures or performance reports. Effectiveness is monitored both centrally and regionally, but no documented approach was identified that sets out key performance measures e.g. reassessments compared to collections, time usages, percentage audit closures without adjustment. No taxpayer surveys are conducted that target professionalism and competence of officials in the performance of audits.

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 2025
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	D

There is no large-scale cross checking of data to verify information. Plans are being developed to pursue access to data from other government agencies, but nothing is in place at present. The sole exception is the validation of TINs issued by both the Ministry of the Interior and the Ministry of the Economy.

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 2025
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	D

No public rulings are available. A taxpayer can request a private ruling but the process to do so is not available on the website and rulings are not published on an anonymized basis. Cooperative compliance arrangements are not 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 2025
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	D

No tax gap studies have been underaken. As a result, the extent of inaccurate reporting by taxpayers for the core taxes is unknown. Officials were not familiar with the standard methodologies used for this kind of study although some work has been done within the MOF to measure VAT and income tax compliance. Some external not-for-profits have also conducted limited assessments.

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

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2025</th></tr>
<tr><td>P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.</td><td rowspan="3">M2</td><td>B</td><td rowspan="3">C+</td></tr>
<tr><td>P7-23-2. Whether the administrative review mechanism is independent of the audit process.</td><td>C</td></tr>
<tr><td>P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.</td><td>C</td></tr>
</table>

Dispute processes vary for the two tax departments, but both have a tiered review mechanism. The Income Tax Department has an internal review process which starts with a separate designated employee who is independent of the dispute case, to review the file. If a taxpayer disagrees with the outcome of that process, they can appeal to a second independent reviewer appointed by the head of the Income Tax department to review the case and if no resolution is reached, the dispute goes to the court that handles income tax cases and finally to a higher court if the dispute is not resolved. The VAT Act sets out a three-stage process, with an internal review followed by consideration by an external committee, which is comprised of highly qualified and seasoned employees, whom they meet on a regular basis. The dispute can continue to court if it is not resolved, there are different types of specialized courts that handle the disputed VAT cases. Taxpayers use the formal dispute process.

Disputes are reviewed by auditors separate from the initial decision. This is the case for both tax departments. Procedures are documented in the tax law, and in more detail in the tax-payer user guide, that describe the review process and how these procedures are used.

Dispute rights and the Taxpayer user guide are available but written instructions to auditors are not in place. Information is available on the MOF website and at tax offices. Letters sent to taxpayers at the close of an audit include details about taxpayer rights and what to expect from the process, but this is not a consistent practice especially in the income tax department.

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 2025
P7-24. The time taken to complete administrative reviews.	M1	D

The time taken to resolve disputes is not tracked. The RMS system allows the departments to track disputes while the cases remain within the departments, but this monitoring does not track time and ends once a dispute moves to the court process. In case of Income Tax disputes, the RMS provides sufficient detail of disputed cases based on a coding system, in addition to a reporting option that can generate several reports. For VAT disputes, the process and tracking are done manually through separate files for each case. No statistics were available, but the VAT Act allows up to 12 months for the department to reach a decision while the Income Tax Act sets no time limit.

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 26 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2025
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	D

No analysis is undertaken of dispute outcomes. Dispute conclusions remain confidential between the department and the taxpayer. There is no internal analysis to assess the basis of the original decision, the impact of any cases lost at court, the need to reinforce auditor training or the need to improve information available to the public.

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.)[5]
- 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 27 followed by an explanation of reasons underlying the assessment.

Table 27. P8-26 Assessment

Measurement dimensions	Scoring Method	Score 2025
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	D

Mechanisms are in place so that the tax departments can contribute to revenue forecasts and estimates – but exemptions are monitored in a limited manner. Both departments submit medium term estimates to the MoF for budgeting. The VAT department submits a five-year forecast for three scenarios (low, high and business as usual based on growth estimates) while the Income Tax Department submits a single three-year forecast. Both departments monitor and report monthly on actual tax revenue in absolute values and as a percentage of budgeted revenue. VAT refund levels are

[5] 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.

forecasted and included as a separate budget line in the appropriations law while the MOF reports monthly on actual refunds and arrears. Limited evidence though was presented to support these initiatives which had a negative impact on the score. Tax expenditure is monitored in a more limited way i.e. the income tax department assesses the fiscal cost of tax holidays, but no such assessment is prepared for exemptions or rebates of indirect taxes. There is no monitoring or reporting on the stock of tax losses and credits/refunds.

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 2025
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	D

The existing revenue accounting system does not incorporate current good practice. The RMS is the single accounting system used by both tax departments and while it meets government accounting standards, it is not interoperable with the Government Financial Management Information System. Tax liabilities and related payments are posted to taxpayers' accounts anywhere from three to seven days. No external audit has been conducted to ensure that the accounting system does align with tax laws.

P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing VAT 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 2025	
P8-28-1. Adequacy of the VAT refund system.	M2	D	D
P8-28-2. The time taken to pay (or offset) VAT refunds.		D	

All VAT refund claims are subject to review without any risk-based approach. Taxpayers must write to apply for a refund and all requests are reviewed and verified, with some sectors subject to more scrutiny than others e.g. the building industry. Claims from the agricultural sector are expedited as they are deemed low risk. Given prevailing uncertainty related to the expenditure budget i.e. there is a heavy reliance on clearance revenue from the Israeli government, all claims cannot be paid out as they arise. Delays can reach up to four years (e.g. claims from 2021 are being paid in 2025). No interest is paid for delayed refunds.

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 2025	
P9-29-1. Assurance provided by internal audit.	M2	D	D
P9-29-2. Staff integrity assurance mechanisms.		D	

There is no dedicated internal audit unit. The Ministry of Finance oversees the internal audit function for the tax departments, but internal audit practice falls short of meeting good practice requirements[6]**.** The function reports to the Minister and determines audit subjects based on risk (manually determined). Audit reports are provided to the Minister with follow-up pursued in the departments. Audit trails do exist of user access or changes made to taxpayer data. However, there is no pre-determined annual internal audit plan, and no training has been provided on audit

[6] The Income Tax Department has a unit that monitors the work of the regional offices.

methodologies.

There is a focus on staff integrity, but officials do not have investigative powers. A code of ethics for civil servants is in place and some work has been completed to produce a version more tailored to tax administration. The existing code is communicated to employees and senior officials must also complete a financial declaration. Integrity statistics are not maintained.

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

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2025</th></tr>
<tr><td>P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.</td><td rowspan="2">M2</td><td>C</td><td rowspan="2">C+</td></tr>
<tr><td>P9-30-2. The investigation process for suspected wrongdoing and maladministration.</td><td>D</td></tr>
</table>

There is independent external oversight by the State Audit and Administrative Control Bureau (SAACB) but findings and the department's responses are not made public. Annual financial audits are undertaken but not operational performance audits. The departments responds to audit findings, but these findings and the response are not made public.

There is no ombudsman to address taxpayer complaints about their treatment. The Anti-Corruption Commission monitors the activities of the tax departments and, has the power to investigate tax officials. The IT and VAT departments are said to work closely with the Commission to assess risks and to deter corruption, but no evidence was available of any reports or responses to reports.

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 2025
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	D

There are no regular mechanisms to measure public confidence. A survey was undertaken by the Customs and Excise Department (responsible also for VAT) under the aegis of the World Customs Organization (WCO). The survey was conducted in 2021, and planning is underway for a repeat, but it does not specifically target taxpayer confidence in VAT matters and does not target income tax matters at all.

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 2025</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>

There is no annual report covering financial and operational performance. Monthly revenue reporting is robust but there is no annual recap of financial performance and no assessment of operational performance over the course of the year.

A Strategic Plan for 2022-26 is in place but has not been published. This plan is under review to update it. Operational plans exist but are not published in any format (complete report or an extract of key plans).

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 55 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 55 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. West Bank and Gaza: Country Snapshot

Geography	Consists of West Bank and Gaza. Total 6220 square km (5860 West Bank and 360 Gaza). West Bank includes East Jerusalen, Latron Salient and NW 1/4 of the Dead Sea. The eastern limit of West Bank is the border with Jordan. The West Bank is fragmented into zones A, B and C, with the Palestinian Authority having authority to collect taxes in zones A and B only. Gaza borders the Mediterranean Sea between Egypt and Israel. The southern limit of the Gaza Strip is the border with Egypt.
Population	5.6 million [2025] (World Population Review).
Adult literacy rate	97.84 percent of people aged 15 and over can read and write. (Source: UNESCO).
Gross Domestic Product	2023 nominal GDP: 17.42B USD (Source: World Bank).
Per capita GDP	US$491 (Source: Palestine Central Bureau of Statistics).
Main industries	Mining, manufacturing, construction, agriculture, forestry, fishing.
Communications	- Internet users per 100 people:86.64. - Mobile 'phone subscribers per 100 people: 77.6 (Source: World Bank/The Global Economy).
Main taxes	Income tax, Value Added Tax, Excise, property tax.
Tax-to-GDP	28 percent in 2024 (Source: World Bank).
Number of taxpayers	CIT (56 000); PAYE (10 000), PIT (_); VAT (267 000), and domestic excise tax (11).
Main collection agency	Income Tax Department (income tax, PAYE). Customs and Excise Department (VAT and excise).
Number of staff in the main collection agency	Income Tax – 178 VAT- TBC
Financial Year	Calendar year

Attachment III. Data Tables

A. Tax Revenue Collections

Table 1. Tax Revenue Collections (2021 – 2023)[1]			
	2021	2022	2023
In local currency			
National budgeted tax revenue forecast[2]			
Total tax revenue collections	**13,216,964,075**	**15,393,156,362**	**15,738,373,537**
Corporate Income Tax (CIT)	357,343,403	479,843,220	516,549,690
Personal Income Tax (PIT)	99,357,528	122,684,857	129,717,586
Pay As You Earn (PAYE) withholding by employers	235,502,241	251,064,519	317,579,045
Pay As You Earn (PAYE) withholding for workers in Israel	268,087,883	196,334,058	127,140,745
Value Added Tax (VAT) net[7]	5,341,059,468	6,638,729,730	6,754,358,409
- Value-Added Tax (VAT)—gross domestic collections	1,223,902,188	1,416,036,905	1,434,025,854
- Value-Added Tax (VAT)—collected on imports	2,003,831,926	2,407,217,283	2,447,073,287
- Value-Added Tax (VAT)—refunds paid	(33,115,520)	(58,098,332)	(63,657,890)
Excises on domestic transactions	347,994,807	354,506,607	446,465,101
Excises—collected on imports	2,350,010,695	2,291,441,419	2,455,535,584
Social contribution collections	-	-	
Other domestic taxes[3]	1,022,989,456	1,293,396,096	1,173,586,126
In percent of total tax revenue collections			
Total tax revenue collections	100.0	100.0	100.0
Corporate Income Tax (CIT)	2.7%	3.1%	3.3%
Personal Income Tax (PIT)	0.8%	0.8%	0.8%
Pay As You Earn (PAYE) withholding by employers	1.8%	1.6%	2.0%
Pay As You Earn (PAYE) withholding for workers in Israel	2.0%	1.3%	0.8%
Value Added Tax (VAT) net	40.4%	43.1%	42.9%
- Value-Added Tax (VAT)—gross domestic collections	9.3%	9.2%	9.1%
- Value-Added Tax (VAT)—collected on imports	15.2%	15.6%	15.5%
- Value-Added Tax (VAT)—refunds paid	-0.3%	-0.4%	-0.4%
Excises—collected on domestic transactions	2.6%	2.3%	2.8%
Excises—collected on imports	17.8%	14.9%	15.6%
Social contribution collections	0.0%	0.0%	0.0%
Other domestic taxes	7.7%	8.4%	7.5%
In percent of GDP			
Total tax revenue collections	27.2%	29.4%	28.7%
Corporate Income Tax (CIT)	0.7%	0.9%	0.9%
Personal Income Tax (PIT)	0.2%	0.2%	0.2%
Pay As You Earn (PAYE) withholding by employers	0.5%	0.5%	0.6%
Pay As You Earn (PAYE) withholding for workers in Israel	0.6%	0.4%	0.2%
Value Added Tax (VAT) net	11.0%	12.7%	12.3%
- Value-Added Tax (VAT)—gross domestic collections	2.5%	2.7%	2.6%
- Value-Added Tax (VAT)—collected on imports	4.1%	4.6%	4.5%
- Value-Added Tax (VAT)—refunds paid	-0.1%	-0.1%	-0.1%
Excises—collected on domestic transactions	0.7%	0.7%	0.8%
Excises—collected on imports	4.8%	4.4%	4.5%
Social contribution collections	0.0%	0.0%	0.0%

7 Value Added Tax = (gross domestic VAT collected + VAT collected on imports) – VAT refunds paid.

Other domestic taxes	2.1%	2.5%	2.1%
Nominal GDP in local currency[8]	48,520,091,000	52,424,155,000	54,915,536,000

Explanatory notes:

[1] This table gathers data for three fiscal years (e.g. 2021-23) in respect of all domestic tax revenues collected by the tax administration at the national level, plus VAT and excise tax collected on imports by the customs and/or other agency.

[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 domestic taxes collected at the national level by the tax administration include, for example, property taxes, financial transaction taxes, and environment taxes.

[8] Source- PCBS

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register					
	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]
2021					
Corporate income tax	**11,360**	**4,105**	**7,255**	**637**	**4**
Personal income tax	**133,079**	**78,571**	**54,508**	**3,372**	**63**
PAYE withholding (# of employers)	**39,751**	**31,254**	**8,497**	**841**	**-**
Value Added Tax	**251,798**	**170,099**	**81,699**	**6,605**	**41**
Domestic excise tax[5]					
Other taxpayers					
2022					
Corporate income tax	**12,182**	**4,507**	**7,675**	**829**	**4**
Personal income tax	**136,401**	**80,155**	**56,246**	**3,322**	**44**
PAYE withholding (# of employers)	**40,918**	**39,926**	**9,921**	**1,167**	**-**
Value Added Tax	**260,100**	**175,237**	**84,863**	**8,302**	**51**
Domestic excise tax[5]					
Other taxpayers					
2023					
Corporate income tax	**13,057**	**4,938**	**8,119**	**875**	**3**
Personal income tax	**139,436**	**82,494**	**56,942**	**3,035**	**36**
PAYE withholding (# of employers)	**41,942**	**32,342**	**9,600**	**1,024**	**-**
Value Added Tax	**267,197**	**180,281**	**86,916**	**7,097**	**56**
Domestic excise tax[5]					
Other taxpayers					

Explanatory Notes:

[1] A registered taxpayer who is in the tax administration's taxpayer database.
[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.
[5] For purposes of a TADAT assessment, the focus is on those registered domestic excise taxpayers who trade in goods/services that contribute 70 percent of the total domestic excise revenue by value.

C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time (for the most recent 12-month period)			
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	NA		
Month 2	NA		
Month 3	NA		
Month 4	NA		
Month 5	NA		
Month 6	NA		
Month 7	NA		
Month 8	NA		
Month 9	NA		
Month 10	NA		
Month 11	NA		
Month 12	NA		
12-month total			

D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of CIT Declarations for 2023			
	Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
All CIT taxpayers	5,622	8,119	69
Large taxpayers only	190	287	66

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 CIT declarations that the tax administration expected to receive from registered CIT 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:

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

Table 5. On-time Filing of PIT Declarations for 2023		
Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
19,096	56,942	33.5%

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 PIT declarations that the tax administration expected to receive from registered PIT 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:

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

Table 6. On-time Filing of VAT Declarations—All VAT taxpayers (2023)			
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	41,220	78,262	53
Month 2	42,257	84,066	50
Month 3	40,920	78,682	52
Month 4	41,995	84,433	50
Month 5	40,674	79,152	51
Month 6	41,469	84,928	49
Month 7	40,048	79,556	50
Month 8	40,645	85,278	48
Month 9	38,997	79,897	49
Month 10	39,566	85,451	46
Month 11	38,346	79,949	48
Month 12	39,047	85,496	46
12-month total	485,184	985,150	49

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 VAT declarations that the tax administration expected to receive from registered VAT taxpayers that were required by law to file declarations.

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

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

Table 7. On-time Filing of VAT Declarations—Large taxpayers only (2023)			
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	206	227	91
Month 2	208	229	91
Month 3	205	227	90
Month 4	206	229	90
Month 5	205	227	90
Month 6	207	229	91
Month 7	206	227	90
Month 8	207	229	91
Month 9	207	227	91
Month 10	208	229	91
Month 11	207	227	91
Month 12	208	229	91
12-month total	2,480	2,736	91

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 VAT declarations that the tax administration expected to receive from large taxpayers that were required by law to file VAT declarations.

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

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

Table 8. On-time Filing of Domestic Excise Tax Declarations[9] [for those excise tax goods/services categories contributing, by value, 70 percent of total domestic excise tax] (for the most recent 12-month period)			
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	NA	NA	NA
Month 2	NA	NA	NA
Month 3	NA	NA	NA
Month 4	NA	NA	NA
Month 5	NA	NA	NA
Month 6	NA	NA	NA
Month 7	NA	NA	NA
Month 8	NA	NA	NA
Month 9	NA	NA	NA
Month 10	NA	NA	NA
Month 11	NA	NA	NA
Month 12	NA	NA	NA
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) by registered domestic excise tax taxpayers who contribute up to 70 percent, by value, of the total domestic excise tax revenue.

[2] 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from registered domestic excise tax taxpayers (the focus is on those registered domestic excise taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value) that are required by law to file excise tax declarations.

[3] The 'on-time filing rate' is the number of excise tax declarations filed by taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from registered domestic excise tax taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value, i.e. expressed as a ratio:

$$\frac{Number\ of\ domestic\ excise\ tax\ declarations\ filed\ by\ the\ due\ date}{No.\ of\ domestic\ excise\ tax\ declarations\ expected\ from\ registered\ domestic\ excise\ tax\ taxpayers}\ x\ 100$$

[9] The process of collecting excise duties on tobacco and local alcoholic beverages is based on purchase orders submitted by the manufacturing companies to the General Administration of Domestic Excise Tax which are provided to them after paying the full value of the excise duties either in cash or through checks with a maturity period ranging from 10-30 days. These are advance payments that apply to all the products. Therefore, there are no tax declarations for the quantity produced or the amounts due from the factories.

Table 9. On-time Filing of Domestic Excise Tax Declarations—Large taxpayers only (for the most recent 12-month period)			
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	NA	NA	NA
Month 2	NA	NA	NA
Month 3	NA	NA	NA
Month 4	NA	NA	NA
Month 5	NA	NA	NA
Month 6	NA	NA	NA
Month 7	NA	NA	NA
Month 8	NA	NA	NA
Month 9	NA	NA	NA
Month 10	NA	NA	NA
Month 11	NA	NA	NA
Month 12	NA	NA	NA
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) by large taxpayers registered for domestic excise tax.

[2] 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from ALL large taxpayers registered for domestic excise tax and are required by law to file excise tax declarations.

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

$$\frac{\begin{array}{c}Number\ of\ domestic\ excise\ tax\ declarations\\ from\ large\ taxpayers\ filed\ by\ the\ due\ date\end{array}}{\begin{array}{c}No.of\ domestic\ excise\ tax\ declarations\ expected\ from\\ active\ large\ taxpayers\ registered\ for\ domestic\ excise\ tax\end{array}}\ x\ 100$$

Table 10. On-time Filing of PAYE Withholding Declarations (filed by employers) (2023)			
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	2,071	9,600	22%
Month 2	2,352	9,600	25%
Month 3	2,168	9,600	23%
Month 4	2,404	9,600	25%
Month 5	2,392	9,600	25%
Month 6	2,436	9,600	25%
Month 7	2,489	9,600	26%
Month 8	2,377	9,600	25%
Month 9	2,113	9,600	22%
Month 10	2,103	9,600	22%
Month 11	2,063	9,600	22%
Month 12	2,931	9,600	31%
12-month total	27,899	115,200	24.2%

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 PAYE withholding declarations that the tax administration expected to receive from registered employers with PAYE withholding obligations that were required by law to file declarations.

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

$$\frac{Number\ of\ PAYE\ withholding\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ PAYE\ witholding\ declarations\ expected\ from\ registered\ employers}\ x\ 100$$

E. Electronic Services

(Ref: POAs 4 and 5)

Table 11. Use of Electronic Services (2021-2023)[1]			
	2021	2022	2023
	Electronic filing[2] (In percent of all declarations filed for each tax type)		
CIT	77	87	92
PIT	45	55	65
PAYE (Withholding)	42	75	75
VAT	66	86	91
Domestic excise tax (for all registered taxpayers)	N/A	N/A	N/A
Large taxpayers (all core taxes)	VAT: 54 Income Tax: 62	VAT: 85 Income Tax: 77	VAT: 90 Income Tax: 83
	Electronic payments[3] (In percent of total **number** of payments received for each tax type)		
CIT			
PIT			
PAYE (Withholding)			
VAT			
Domestic excise tax (for all registered taxpayers)			
Large taxpayers (all core taxes)			
	Electronic payments (In percent of total **value** of payments received for each tax type)		
CIT			
PIT			
PAYE (Withholding)			
VAT			
Domestic excise tax (for all registered taxpayers)			
Large taxpayers (all core taxes)			

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 12. VAT Payments Made During 2023						
	VAT payments made on-time[1]		**VAT payments due[2]**		**On-time payment rate[3] (In percent)**	
	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers
Number of payments	291,480	1,952	NA	NA	NA	NA
Value of payments	731,317,920	724,104,290	NA	NA	NA	NA

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 VAT payments made by the statutory due date in percent of the total number (or value) of VAT payments due, i.e. expressed as ratios:

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

G. Domestic Tax Arrears

(Ref: POA 5)

Table 13. Value of Tax Arrears (2021-2023) [1]			
	2021	2022	2023
	In local currency		
Total core tax revenue collections (from Table 1)[2] **(A)** **Only income tax currently**	**960,291,055**	**1,049,926,654**	**1,090,987,066**
Total core tax arrears at end of fiscal year[3] **(B)**	**58,791,821**	**24,094,598**	**17,628,205**
Total core tax arrears at end of fiscal year including advances **(B2)**	**142,902,954**	**133,752,920**	**160,477,815**
Of which: Collectible[4]**(C)**	**12,132,875**	**16,309,402**	**14,029,190**
Of which: More than 12 months' old **(D)**			
	In percent		
Ratio of (B) to (A)[4]	6.1	2.3	1.6
Ratio of (B2) to (A)	14.9	12.7	14.7
Ratio of (C) to (A)[5]	1.3	1.6	1.3
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 the denominator in this Table, **total core tax revenue collections includes the following**: CIT, PIT, PAYE, net VAT, Excise on domestic taxes, SCC (where it is a major source of revenue) and other domestic taxes. **It excludes excise duty on imports.**

[3] 'Total core tax arrears' include tax, penalties, and accumulated interest.

[4] 'Collectible' core tax arrears is defined as the total amount of domestic 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).

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

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

[7] 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 14. Finalization of Administrative Reviews
(for the most recent 12-month period)

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 [A + B - C]	Number [E]	In percent of total [F] = [E / A+B]	Number [G]	In percent of total [H] = [G /A+B]	Number [I]	In percent of total [J] = [I / A+B]
Month 1	NA									
Month 2	NA									
Month 3	NA									
Month 4	NA									
Month 5	NA									
Month 6	NA									
Month 7	NA									
Month 8	NA									
Month 9	NA									
Month 10	NA									
Month 11	NA									
Month 12	NA									
12-month total										

I. Payment of VAT Refunds

(Ref: POA 8)

Table 15. VAT Refunds (for the most recent 12-month period)		
	Number of cases	Value in local currency
Total VAT refund claims received **(A)**	NA	
Total VAT refunds paid[1]	NA	
Of which: paid within 30 days **(B)**[2]	NA	
Of which: paid outside 30 days	NA	
Total VAT refund claims declined[3]	NA	
Of which: declined within 30 days **(C)**	NA	
Of which: declined outside 30 days	NA	
Total VAT refund claims not processed[4]	NA	
Of which: no decision taken to decline refund	NA	
Of which: approved but not yet paid or offset	NA	
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. $\frac{VAT\ refunds\ paid\ within\ 30\ days\ (B) + VAT\ refunds\ declined\ within\ 30\ days\ (C)}{Total\ VAT\ refund\ claims\ received\ (A)}\ x\ 100$

Attachment I. Organizational Chart

Organization charts for the two departments were not made available to the assessment team.

Attachment II. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	• Revenue Management System (RMS) screen shots of registration module showing functionality. • Field observations.
P1-2. Knowledge of the potential taxpayer base.	• NA
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	• NA
P2-4. Mitigation of risks through a compliance improvement plan.	• NA
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	• NA
P2-6. Management of operational (i.e. systems and processes) risks.	• NA
P2-7. Management of human capital risks.	• NA
P3-8. Scope, currency, and accessibility of information.	• SME registration guide. • Tax awareness and communications strategy. • VAT guide 2022 (draft). • FB links. • Social media links. • Email with private sector – report.
P3-9. Time taken to respond to information requests.	• NA
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	• NA
P3-11. Obtaining taxpayer feedback on products and services.	• Taxpayer surveys 2015/2018/2021.
P4-12. On-time filing rate.	• Questionnaire Tables 4, 5, 6, 7, 10
P4-13 Management of non-filers.	• TADAT field observation. • No other evidence presented.
P4-14. Use of electronic filing facilities.	• Questionnaire Table 11
P5-15. Use of electronic payment methods.	• Questionnaire Table 11.
P5-16. Use of efficient collection systems.	• Income Tax Act Article 31.

Indicators	Sources of Evidence
P5-17. Timeliness of payments.	• Limited evidence presented – on time only and not all payments.
P5-18. Stock and flow of tax arrears.	• Table 13- income tax only.
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	• Audit Manual. • Draft IT Audit Manual.
P6-20. U of large-scale data-matching systems to detect inaccurate reporting.	• NA
P6-21. Initiatives are undertaken to encourage accurate reporting.	• NA
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	• NA
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	• Screenshots include images from the RMS system that show listings of dispute cases, various coding mechanisms used, generated reports, and other similar evidence relevant to dispute cases for income tax. • Income Tax Operating Manual (see page 107) • Income Tax Dispute Mechanism. • Audit Center guidance.
P7-24. Time taken to resolve disputes.	• NA
P7-25. Degree to which dispute outcomes are acted upon.	• NA
P8-26. Contribution to government tax revenue forecasting process.	• Tax refund data
P8-27. Adequacy of the tax revenue accounting system.	• NA
P8-28. Adequacy of tax refund processing.	• NA
P9-29. Internal assurance mechanisms.	• Internal audit report – income tax • Internal audit report – VAT Jericho office • Code of conduct • Personal pledge
P9-30. External oversight of the tax administration.	• Audit reports and response. • National Audit Office report 2023 and 2025. • Management response to report.
P9-31. Public perception of integrity.	• NA
P9-32. Publication of activities, results and plans.	• NA

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TAX ADMINISTRATION DIAGNOSTIC ASSESSMENT TOOL

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