

# INTERNATIONAL TAX DIALOGUE

## Revenue Administration in Sub-Saharan Africa



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## Acronyms and abbreviations

AEO	Authorized Economic Operator
BCP	Business Continuity Plan
CEPS	Customs, Excise and Preventive Service
CIT	Corporate Income Tax
COTS	Commercial Off-The-Shelf Solution
CRA	Canada Revenue Agency
CSI	Corporate social investment
EC	European Commission
ERCA	Ethiopia Revenue and Customs Authority
GDP	Gross Domestic Product
GRA	Ghana Revenue Authority
GST	Goods and Services Tax
HQ	Headquarters
I&E	Imports and Exports
ICT	Information Communication Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IRS	Internal Revenue Service
IT	Information Technology
ITAS	Integrated Tax Administration System
ITD	International Tax Dialogue
KRA	Kenya Revenue Authority
KRATI	Kenya Revenue Authority Training Institute
LTD	Large Taxpayer Department
LTO	Large Taxpayer Office
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MRA	Malawi Revenue Authority
MauRA	Mauritius Revenue Authority
MSTD	Medium and Small Taxpayers Department
MTO	Medium Taxpayer Office
NRA-SL	National Revenue Authority of Sierra Leone
OECD	Organization for Economic Co-operation and Development

PCCA	Post Clearance Control Audit
PAYE	Pay-As-You-Earn
PIT	Personal Income Tax
PSV	Public Service Vehicle
RAGB	Revenue Agencies Governing Board
RRA	Rwanda Revenue Authority
RTSA	Road Transport and Safety Agency
SACU	Southern Africa Customs Union
SARS	South African Revenue Service
SSA	Sub Saharan Africa
STO	Small Taxpayers Office
TO	Taxpayers Ombudsman
TPC	Tax Procedures Code
TRA	Tanzania Revenue Authority
UK-DFID	United Kingdom Department for International Development
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
VAT	Value Added Tax
VATS	VAT Service
WCO	World Customs Organization
ZRA	Zambia Revenue Authority

## Foreword

This report has been prepared by the International Tax Dialogue (ITD) which is a joint initiative of the European Commission (EC), Inter-American Development Bank (IDB), International Monetary Fund (IMF), Organisation for Economic Development and Co-operation (OECD), United Kingdom Department for International Development (UK-DFID) and World Bank Group.

The report is based on a survey of countries in Sub-Sahara Africa (SSA). It was prepared on a pilot basis to test the process and to scope the information included in the survey. The survey was issued to over 20 countries selected to achieve a balance of regional representation, level of development, government structure and size of country as well consideration of availability of data. Fifteen countries completed the survey: Benin, Ethiopia, Botswana, Ghana, Kenya, Malawi, Mauritius, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Uganda and Zambia.

The survey was modelled in part on the OECD “Tax Administration in OECD and Selected non-OECD Countries: Comparative Information Series (2008)” which 43 countries contributed to. In addition, the survey seeks to compare, for illustration purposes only, approaches and practices across SSA and OECD countries. By using this model we aim to contribute to building a picture of tax administrations across regions and levels of development. Our objective is to facilitate dialogue amongst tax officials and other key stakeholders worldwide and provide an opportunity to identify good practice and pursue common objectives in improving the functioning of national tax systems.

We welcome feedback on this report. Is it useful? How could it be expanded? What other information should be included? This can be sent to the ITD Secretariat at [itd@itdweb.org](mailto:itd@itdweb.org).

The ITD would like to thank the participating countries, the African Tax Administration Forum (ATAF), and the report author Dr Samuel Bwalya. We would also like to thank the Revenue Administration Division of the IMF for their work in reviewing, editing and updating the report, the OECD for making their Comparative Information Series survey available and DFID for their generous support of this project.

## Executive summary

Revenue administration has, in the last two decades, become a focal area of fiscal reform in a number of Sub-Saharan African (SSA) countries and various reforms are currently being undertaken to improve operational efficiency and modernize revenue administration. This comparative information series reviews key aspects of revenue administration in a sample of 15 SSA revenue bodies.<sup>1</sup> The following is a summary of each of the chapters and its key findings.

**Chapter I** reviews institutional arrangements put in place to conduct revenue administration operations. The chapter observes that the majority of surveyed countries' institutional arrangements are based on the unified semi-autonomous revenue body model. Under this model, revenue bodies indicated that they had significant powers to interpret tax laws, allocate resources, design internal structures and implement appropriate human resource management strategies, and were responsible for tax, customs, and non-tax revenue operations. It was also noted that only 3 countries have, to some extent, or are in the early stages of integrating the collection of social security contributions with tax operations.

**Chapter II** analyzes the organizational arrangements of revenue bodies. It is observed that the majority of revenue bodies' organizational structures are hybrid in nature, that is, they exhibit features attributable to two organizational models. In line with current practice in tax administration, a number of revenue bodies have set up a headquarters function to provide operational policy guidance to field delivery. The review also notes that all revenue bodies (except Botswana) have set up a large taxpayers' office (LTO) to administer all tax affairs of a small number of large enterprises and individuals (in some countries).

**Chapter III** provides information on practices commonly used by revenue bodies to prepare and publish business/strategic plans and performance reports. The chapter notes that all revenue bodies develop and disseminate 3 to 5-year business/corporate plans using established planning frameworks. A review of selected corporate/business plans also indicates that the mission statements, visions and objectives of revenue bodies are well articulated and a number of actions identified for each goal or objective. It is also observed that strategic planning and performance management systems vary across revenue bodies—in terms of scope, content and application.

**Chapter IV** examines information on resource allocation. It observes that the majority of revenue bodies are funded through parliamentary appropriations, meaning that they develop budget proposals and bid for funding just like any other government department/agency. Unique practices are noted: revenue bodies that are mandated to deduct and retain a portion of revenue collection; and countries that provide their revenue body with a performance bonus (a percentage of the collections). It is observed that cost of collection figures vary widely in the region (1-4%) while salary and related expenditures account for the largest portion (60-80%) of the budget. Also, in most of the surveyed countries, investment in information technology (IT) accounts for less than 2% of total administrative expenditure.

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<sup>1</sup> Benin, Ethiopia, Burundi, Botswana, Ghana, Kenya, Malawi, Mauritius, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Uganda, and Zambia. The term revenue body is used in this document to comprise both independent revenue administration entities and those set up within the ministry of finance.

**Chapter V** reviews revenue performance data and notes that the majority of countries have tax-to-gross domestic product (GDP) ratios higher than 16.8%, the average in low-income and fragile SSA countries in 2008. It is observed that indirect taxes contribute the highest proportion of revenue in 7 countries while direct taxes and international trade taxes account for the highest proportion of revenue collection in 6 and 2 countries respectively. A review of data from some countries indicates that non-tax revenues account for a very small proportion (about 1-2%) of total revenue collection.

**Chapter VI** discusses approaches and practices of tax administrations regarding taxpayer registration, return filing, and tax payment systems. The survey establishes that all revenue bodies, except South Africa, assign taxpayers an identification number ostensibly across all tax types, including customs. However, it is apparent that this number is not unique in 7 revenue bodies as they also assign additional identifiers for corporate income tax (CIT) and Value Added Tax (VAT). All revenue bodies' personal income tax (PIT) and CIT systems are, in principle, administered on the basis of self-assessment principles. Implementation of the VAT is a common feature across all surveyed countries. The survey notes the use of 2 VAT thresholds in a few countries (one for sale of goods and another for services). The survey also establishes that all revenue bodies, except Botswana and Mauritius, have put in place a special presumptive taxation regime for small and micro-enterprises, while 6 have also set up dedicated units responsible for administering the regime. All revenue bodies (except Burundi) indicated that they have a separate and substantive in-house IT function and some are developing or plan to implement integrated tax administration systems (ITAS) that provide for self-help services such as electronic registration, filing, and payment. Majority of the surveyed revenue bodies indicated that they are still dissatisfied with their existing IT systems.

**Chapter VII** reviews powers available to revenue bodies. All the surveyed countries were found to, and believe that they have sufficient powers to enforce payment of tax. It was also observed that in a number of countries, interest and penalty regimes differ for the same offence across tax-types and specifically for CIT and PIT on one hand, and VAT on the other.



## Institutional arrangements for revenue administration

### Key findings

#### *Institutional arrangements*

In 13 countries, revenue administration is the responsibility of a unified semi-autonomous revenue body.

- Eleven of the 13 unified semi-autonomous revenue bodies have a governance structure that includes an oversight board of directors.
- Two unified semi-autonomous revenue bodies are more autonomous as their governance structures provide for advisory committees which do not have oversight responsibilities.
- In 2 countries, revenue administration is the responsibility of a single revenue administration directorate within the Ministry of Finance (MOF).

#### *Scope of responsibility*

- All the 13 unified semi-autonomous revenue bodies administer both tax and customs.
- Revenue bodies also administer a number of non-tax revenues, the most common being motor vehicle fees.
- Three revenue bodies have (to some extent), or are in the early stages of integrating the collection of social security contributions with tax operations.

#### *Autonomy of revenue bodies*

- All revenue bodies indicated that they have sufficient powers to interpret tax laws and issue binding or non-binding public and private ruling of how tax laws will be interpreted.

#### *Delegation of authority*

- The majority of revenue bodies are of the opinion that they are fully involved in, and contribute towards the making of tax laws in their respective countries.
- All revenue bodies indicated that they have powers to remit administrative penalties and charges.
- Majority of revenue bodies have powers to allocate budgets internally, independently design internal structures, fix levels and mix of staff, hire and dismiss staff, set performance levels and negotiate salary with staff.

#### *Internal governance structure*

- All revenue bodies have an internal audit department and are also subject to review by external public and/or private auditors.

#### *Tax payers' rights and complaints handling*

- In the majority of revenue bodies, taxpayers' rights are enshrined in administrative documents.
- All revenue bodies, except Burundi, have internal structures for receiving and addressing complaints from taxpayers.

## A. Institutional framework of revenue bodies

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### *Introduction*

In the last two decades, revenue administrations have undergone several institutional reforms, driven by the need to improve operational efficiency and effectiveness in a bid to increase revenue collection.<sup>2</sup> Policy debate in most SSA countries in the 1990s revolved around the need to improve revenue administration organizational arrangements, including the merits and demerits of setting up semi-autonomous revenue bodies. In this comparative information series, institutional arrangements of revenue bodies are analyzed on the basis of the following broad categories:

- *Single directorate in the MOF*—revenue administration functions are the responsibility of a single organizational unit (e.g. a directorate) located within the structure of the MOF (or its equivalent).
- *Multiple directorates in MOF*—revenue administration functions are the responsibility of multiple organizational units (e.g. directorates) located within the MOF.
- *Unified semi-autonomous body*—revenue administration functions are carried out by a unified semi-autonomous body, the head of which reports to a government minister.
- *Unified semi-autonomous body with a board*—revenue administration functions are carried out by a unified semi-autonomous body, the head of which reports to a government minister as well as an oversight body/board of management comprised of external officials.

### *Survey results (Table 1 and Annex 1)*

- In 13 countries, revenue administration is carried out by a unified semi-autonomous revenue body.<sup>3</sup>
- Eleven out of the 13 unified semi-autonomous bodies have a reporting structure comprising an oversight board of directors (that also includes private sector representatives).<sup>4</sup>
- Two revenue bodies (South African Revenue Service (SARS) and Ethiopia Revenue and Customs Authority (ERCA)) are more autonomous. Both revenue bodies' governance structure provides for the establishment of advisory committees which do not have any oversight responsibilities.<sup>5</sup>
- In 2 countries, both from Francophone Africa, (Benin and Senegal) revenue administration functions are the responsibility of two directorates (tax and customs) within their respective Ministries of Finance.

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<sup>2</sup> These reforms have typically been implemented as part of wider economic reform programs designed to enhance growth and reduce poverty levels.

<sup>3</sup> Survey data on Burundi and Ghana has been updated to reflect more recent developments.

<sup>4</sup> The Minister of Finance is responsible for tax policy and general policy oversight while oversight and guidance with respect to day-to-day operations of the revenue body is the responsibility of the board of directors.

<sup>5</sup> In South Africa, issue-oriented advisory committees are provided for, and so far two (human resource and information technology) have been established. Similarly the ERCA governance structure provides for an advisory committee but the Director General is a cabinet minister and reports directly to the Prime Minister.

- All unified semi-autonomous revenue bodies are responsible for administration of tax, customs, and other non-tax revenues.
- Semi-autonomous revenue bodies are found only in Anglophone countries.<sup>6</sup>

### ***Key observations***

Survey results indicate that, as is the case in OECD member countries,<sup>7</sup> the unified semi-autonomous body is the commonly observed institutional arrangement in the surveyed countries.<sup>8</sup> In addition, the majority of semi-autonomous revenue bodies were observed to have a governance structure comprising of a board of directors. In line with international practice, these boards are vested with oversight/advisory responsibilities and are generally excluded by law from engaging in tax administration operational issues.<sup>9</sup> The pros and cons of setting up a semi-autonomous revenue bodies are not discussed in this series. However, it can be observed that recent studies that have assessed the performance of semi-autonomous revenue bodies report mixed and inconclusive findings (see Box 1 on the next page).

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<sup>6</sup> Note that Rwanda was admitted to the Commonwealth Club of Nations in November 2009 while both Rwanda and Burundi are members of the East African Community Common Market.

<sup>7</sup> 17 out of 30 OECD member countries have established a unified semi-autonomous revenue body—Source: OECD Forum on Tax Administration (2009) “Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2008)”, Center for Tax Administration.

<sup>8</sup> Unified semi-autonomous revenue body is defined to mean that the revenue administration functions are carried out by a unified body that has more operational autonomy than that afforded a normal department in a ministry. Key areas of autonomy typically include human resources (recruitment, training, remuneration, hiring and firing), organization and planning, budget management, and performance standards. This model of revenue administration is generally seen by most countries as the answer to perennial problems such as corruption, inefficient and ineffective revenue administration. (See Crandall (2010) for further definition/details).

<sup>9</sup> The Zambia Revenue Authority (ZRA) noted that its Board’s mandate includes licensing of customs clearing agents. The Zambia Board is therefore de facto an executive board.

***Box 1: Conclusions reached about unified semi-autonomous revenue bodies<sup>10</sup>***

- Establishing a unified semi-autonomous revenue body should not be viewed as a panacea—creating a unified semi-autonomous revenue body may be expensive, may take a long time, and may not actually improve revenue administration effectiveness;
- Before considering any particular governance model, revenue administrations should clearly identify and articulate problems and deficiencies, and consider strategies for reform and modernization based in international best practice. Only then should a full assessment be made of the extent to which the unified semi-autonomous governance model might satisfy the problems and reform strategies identified.
- Whatever the governance model, it must be recognized that political commitment is of the utmost importance in establishing and sustaining a professional and effective revenue administration;
- The unified semi-autonomous model alone does not lead to improved effectiveness and taxpayer compliance—its establishment must be coupled with a serious commitment and plan for reform.

This notwithstanding, there seems to be growing consensus that the setting up of semi-autonomous revenue bodies has to some extent provided a platform for initiating deeper tax administration reforms that have led to marked improvements in tax operations and service delivery in most of these countries (Kidd and Crandall (2006) and Fjeldstad and Moore (2009)). Countries that plan to set up semi-autonomous revenue bodies in future will benefit from the rich experiences and lessons of those that have gone through the process. A wide range of literature is also now available on the subject, including the IMF technical manual – “*Revenue Administration: A Toolkit for Implementing A Revenue Authority*” (April 2010).<sup>11</sup>

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<sup>10</sup> Source: Crandall and Kidd/IMF (2010). An August 2004 USAID publication also concludes that unified semi-autonomous revenue bodies have neither lived up to expectations nor can they be categorized as having failed. Tax administration efficiencies have risen and receded, and unified semi-autonomous revenue bodies have not proven to be quick-fix panaceas. They do provide a platform from which tax administration efficiencies can be generated, but their mere establishment offers no guarantee of success.

<sup>11</sup> The toolkit notes, among others, that: (1) setting up a semi-autonomous revenue body is only a platform to support a comprehensive revenue administration reform program; and (2) irrespective of the organizational structure adopted, the following conditions are necessary for successful and sustainable revenue administration reforms: strong political support; senior management commitment; a sound policy and legislative framework; pro-active communication and comprehensive change management strategies; and a strong project management framework.

## B. Scope of revenue bodies' responsibilities

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### *Introduction*

The functions and responsibilities of revenue bodies are specified in their respective laws and regulations. Revenue bodies are typically responsible for the administration of tax and customs duties. In SSA countries, their mandate is increasingly being expanded to include a number of non-tax revenues. The survey sought to review the scope of responsibility of revenue bodies.

### *Survey results (Tables 2 and 16 and Annex 1)*

All the 13 unified semi-autonomous revenue bodies administer both tax and customs. The customs department is a major contributor of revenue in a number of countries. Revenue bodies also administer a number of non-tax revenues, the most common being motor vehicle fees.

- Property taxes are administered by 6 revenue bodies (Burundi, Mauritius, Senegal, South Africa, Tanzania,<sup>12</sup> and Zambia). Of these, 2 revenue bodies (Burundi and Senegal) indicated they are responsible for property valuation as well while the other 4 (Mauritius, South Africa, Tanzania, and Zambia) have established information sharing arrangements with government agencies responsible for this function.
- Collection of motor vehicle registration fees/levies is a function of revenue bodies in seven countries (Benin, Burundi, Kenya, Rwanda, Tanzania, Uganda and Zambia).<sup>13</sup>
- South Africa and Botswana have, to some extent, integrated the collection of social contributions with tax administration, while Rwanda is in the early stages of doing so.
- Wealth tax is collected by revenue bodies in only 2 countries (Botswana and Sierra Leone), while inheritance tax is administered by revenue bodies in 7 countries (Benin, Botswana, Burundi, Senegal, Sierra-Leone, South Africa and Zambia).
- Thirteen revenue bodies are also responsible for collecting of a number of other non-tax revenues.<sup>14</sup> Only Benin and Burundi indicate they have no such responsibilities.

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<sup>12</sup> Tanzania Revenue Authority (TRA) collects property tax in Dar es Salaam region only.

<sup>13</sup> Zambia Revenue Authority (ZRA) has entered into an agency arrangement with the country's Road Transport and Safety Agency (RTSA) mandating the ZRA to collect road fees/levies on imported motor vehicles (on behalf of RTSA) while the latter collects carbon tax on in-land motor vehicles and remits the proceeds to ZRA.

<sup>14</sup> Uganda Revenue Authority (URA), for example, is responsible for the administration of motor vehicle fees and licenses, drivers' permits, stamp duty and embossing fees, and government fees (including passport fees, land transfer fees, migration fees, company regulation fees, transport regulation fees, court fees, mining royalties, etc.).

## ***Key observations***

The review indicates that the scope of responsibility of revenue bodies is being expanded to include various non-tax revenue items. Revenue bodies indicated that this approach is being driven mainly by the need to improve revenue performance of these tax-heads, and indeed collection of non-tax revenue has improved significantly in recent years.<sup>15</sup>

The review notes that, unlike in the OECD where 11 out of 28 countries have integrated the collection of social security contributions with tax operations, this function is predominantly performed by a separate social security agency—only South Africa<sup>16</sup> and Botswana have integrated collection of public sector social security contributions with tax administration, while Rwanda is also currently pursuing this reform.<sup>17</sup> The advantages and disadvantages of the different approaches to collecting/administering social security contributions are not the subject of this review. However, it is worth noting that in the last decade or so, many countries have chosen to integrate the collection of social security contribution with tax operations.<sup>18</sup>

Also, international trade remains a significant contributor to government revenue in most countries.<sup>19</sup> Therefore, customs administration remains a key element of the revenue body structure—all surveyed unified semi-autonomous revenue bodies administer both tax and customs. Tax and customs are however maintained as distinct departments under this model supported by a pool of common services departments, and in some cases shared revenue administration functions such as intelligence/investigations and taxpayer services.<sup>20</sup> Ethiopia is the only country that is working towards fully integrating tax and customs administration.<sup>21</sup>

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<sup>15</sup> What has not been assessed is the impact these non-core activities have had on staff productivity and therefore overall revenue performance particularly that experienced revenue officials are engaged in additional and less technical responsibilities.

<sup>16</sup> SARS also collects unemployment insurance fund contributions and road accident fund levies.

<sup>17</sup> Kenya Revenue Authority (KRA) collects widows and children pension fund from public servants, which in a limited sense is a social contribution (social contributions are collected by a separate agency in Kenya).

<sup>18</sup> The key arguments made for this reform include: commonality of core processes; efficient use of resources; development of core competencies of tax and social organizations; lowering government administration costs; and lowering taxpayer and contributor compliance cost. For more details, see IMF Working Paper on Integrating Tax and Social Contribution Collections within a Unified Revenue Administration: The Experience of Central and Eastern European Countries (December 2004).

<sup>19</sup> For purposes of this section, international trade taxes include customs duties, VAT on imports, and excise taxes on imports (including fuel and petroleum products).

<sup>20</sup> IMF experience indicates that this is the preferred model due to the distinct nature of tax and customs operations and the need to maintain appropriate focus across the entire tax and customs administration.

<sup>21</sup> South Africa was until recently but has disbanded this model and set up a specialized unit to oversee customs operations.

## C. Relative autonomy of revenue bodies

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### *Introduction*

Several factors explain the degree of autonomy of powers delegated to revenue bodies. These factors include: (1) the institutional arrangements of revenue bodies—whether they are semi-autonomous or within the MOF; whether or not they have an executive or advisory board; the system of political governance existing in the country of operation; and the nature and capacity of public sector management (OECD (2009)). Also, the degree of autonomy as prescribed in the law may, in some countries, differ from the actual use/practice of such powers. Available literature indicates that intrusive political influence (formal or informal) can over-ride prescribed legal and administrative arrangements. Delegated powers can also be used excessively and too coercively to meet set revenue collection targets. Coercive taxation applies to assessments and collection conducted in ways that are likely to be perceived by taxpayers as arbitrary, extractive, unfair or brutal. Where such abuses are prevalent, they contribute in significant ways to the weakening of the public governance system in many African countries (Moore, 2007, p. 25). Assessing how political influence has distorted decision-making in revenue bodies is however beyond the scope of this study, which only looks at institutional arrangements. Revenue bodies' powers are examined according to responsibility criteria defined in Box 2 on the following page.

### ***Box 2: Scope of autonomy of revenue bodies***

- **Budget expenditure management:** Discretion to allocate/reallocate budgeted administrative funds across administrative functions to meet emerging/changed priorities. In practice, this power should enable the revenue body to use its resources more wisely, obtaining better value for money spent.
- **Organization and planning:** Responsibility for the internal organizational structure for conducting tax administration operations, including the size and geographical location of tax offices, and the authority to formulate and implement the revenue body's strategic and operational plans. The effective exercise of these powers in practice could be expected to enable a revenue body to respond more rapidly to changed circumstances, thereby contributing to its overall efficiency and effectiveness.
- **Performance standards:** Discretion to set its own administrative performance standards (e.g. for taxpayer service delivery); effective use of this power enables revenue body management to set challenging but realistic targets for improved performance.
- **Personnel recruitment, development, and remuneration:** The ability to set academic/technical qualification standards for categories of recruits, and to recruit and dismiss staff, in accordance with public sector policies and procedures; the ability to establish and operate staff training/development programs; and the ability to negotiate staff remuneration levels in accordance with broader public sector-wide policies and arrangements. In practice, effective use of these powers should enable the revenue body to make more effective use of its human resources.
- **Information technology:** Authority to administer its own in-house IT systems, or to outsource the provision of such services to private contractors. Given the ubiquity of technology in tax administration, effective use of this responsibility could contribute enormously to overall organizational performance (including responsiveness).
- **Tax law interpretation:** The authority to provide interpretations, both in the form of public and private rulings, of how tax laws will be interpreted, subject only to review by judicial bodies. The proper exercise of this power could in practice be expected to help taxpayers by clarifying the application of the law and how it will be administered.
- **Enforcement:** The authority to exercise, without referral to another body, certain enforcement powers associated with administration of the laws (e.g. to obtain information from taxpayers and third parties, to impose liens over property in respect of unpaid debts, and to collect monies owing by taxpayers from third parties). The proper exercise of this power enables revenue bodies to respond

### ***Survey results (Table 3)***

- All revenue bodies, except Botswana, indicated they have powers to interpret tax laws and issue binding or non-binding public and private ruling of how tax laws will be interpreted.
- All revenue bodies surveyed are vested with powers to remit administrative penalties and charges. However, in some countries, maximum limits have been set (that is, how much a revenue body can remit without referring the case to the MOF).<sup>22</sup>
- All revenue bodies have powers to design and set internal structures for tax administration.
- In terms of the budget, all revenue bodies, except Benin, Burundi, and Senegal have powers to allocate and reallocate budgets across revenue administration functions.
- With respect to human resource management, all revenue bodies, except Burundi, have leverage to either determine/set staff numbers or recruit/dismiss staff.
- Four revenue bodies (Benin, Burundi, Senegal and Rwanda) do not have powers to negotiate and set conditions of service for staff.
- Most countries have powers to set internal performance and service delivery standards.

### ***Key observations***

The survey indicates that while the level/degree of autonomy and usage of powers in practice may vary from one country to another, the majority of surveyed countries have sufficient, and often exercise the delegated powers to perform the revenue administration functions. Significantly all revenue bodies (except Botswana) indicated that they have powers to make tax law rulings while most revenue bodies have powers to remit administrative penalties, establish internal structures, allocate the budget, hire and fire staff, and set performance standards. In addition, the use of these various powers is rated as “often” in many countries (see Table 3 for details). Extensive utilization of these available powers, including the issuance of timely tax rulings and implementation of key institutional reforms, will greatly enhance the effectiveness and transparency of the tax system. This will improve taxpayers’ perceptions of the tax system and promote voluntary compliance.

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<sup>22</sup> Interest and penalty regimes are discussed in detail in chapter VII.

## D. Governance systems for revenue administration

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### *Introduction*

Good governance systems for tax administration are important in promoting public confidence in the revenue collection system.<sup>23</sup> For purposes of this section, revenue bodies were asked to provide information on structures and instruments they use to prevent, investigate, and prosecute corruption. Revenue bodies were also asked to indicate the governance structures and processes they have put in place to promote effective decision-making and accountability.

### *Survey results (Table 4)*

- All revenue bodies have set up executive committees or senior management teams responsible for high level policy guidance and decision-making. These committees are chaired by the head of the revenue administration.
- However, only 4 of the 15 revenue bodies have developed a consolidated corporate governance policy/code that guides decision-making and outlines processes and acceptable practices for executing functions.
- The human resource and disciplinary committee is a prominent governance feature of semi-autonomous revenue bodies surveyed.
- All revenue bodies surveyed have established an internal audit department responsible for internal control and ensuring that procedures are being followed by all staff of the organization.
- In some unified semi-autonomous revenue bodies, the head of the Internal Audit department reports directly to the board, and only operationally to the head of revenue administration.<sup>24</sup>
- In addition, all revenue bodies are subject to external review by either public (office of the auditor general) or private auditors or both, and publish audited accounts for accountability and transparency.<sup>25</sup>
- Thirteen revenue bodies have set up corruption prevention units.
- Internal affairs units have been established in all revenue bodies surveyed except Burundi. These units are responsible, among others, for investigating corruption and fraud among employees of the organization.
- The head of the Internal Affairs department or its equivalent in most of the cases reports directly to the head of revenue administration, except in Mauritius—where the integrity/internal affairs unit reports to the Board.
- All revenue bodies surveyed, except Botswana, have developed codes of ethics/conduct to promote integrity and prevent corruption involving its employees. Implementation of these codes is often coordinated by corruption prevention and/or internal affairs units. Where these units are absent, the human resource department coordinates integrity programs including the implementation of the ethics codes across the organization.

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<sup>23</sup> Governance generally entails the exercise of authority where authority means a system of control and accountability (Williamson, 1996).

<sup>24</sup> In Kenya, the board has set up an audit sub-committee to which the head of internal audit reports to.

<sup>25</sup> Experience shows that timely publication of audited accounts is still a problem in a number of countries.

### ***Key observations***

Revenue administration is highly susceptible to fraud (tax evasion) and corruption. To address this, revenue bodies constantly develop and implement good governance programs aimed at preventing, investigating, and prosecuting corruption and other tax-related fraudulent activities committed by both its employees and taxpayers. The survey results indicate that the surveyed revenue bodies are putting in place good governance systems. For example, formal structures for decision-making are in place in all revenue bodies.<sup>26</sup> All revenue bodies are subject to internal and external scrutiny by public and/or private auditors. A number of committees/units have also been set up to handle specific issues such as implementation of anti-corruption/integrity-enhancing strategies.<sup>27</sup> A code of ethics for employees has been developed while an internal affairs unit to address issues of fraud and corruption amongst staff has been set up in the majority of surveyed revenue bodies. These reforms are sound and are required to promote good governance in revenue administration.

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<sup>26</sup> However, only 4 revenue bodies reported that they have developed a consolidated corporate governance policy/code which is typically required to guide decision-making and outline processes and acceptable practices for executing functions.

<sup>27</sup> Developing and disseminating clear terms of reference for special committees/units is generally regarded as good practice as this will enhance organizational clarity. The terms of reference could include the committees' composition, mode of operation, functions, and deliverables. An appropriate framework for performance evaluation will also ensure that appropriate focus is maintained on set objectives.

## E. Protection of taxpayer rights

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### *Introduction*

Protection of taxpayers' rights is an important tenet of good tax administration. As explained earlier, powers delegated to revenue bodies can be abused and/or used excessively and coercively to induce taxpayers to pay taxes more than they are legally obliged to and/or induce them to offer bribes to tax officers. Such abuses are often counter-productive in the long run because they erode public confidence in the country's revenue system and adversely impact on voluntary compliance. This section sought to review legislative and administrative frameworks put in place by revenue bodies to protect and uphold taxpayers' rights.

### *Survey results (Table 5)*

- In all revenue bodies, taxpayers' rights have been enshrined in revenue laws<sup>28</sup> and/or in administrative and non-binding documents commonly called taxpayers charters. The latter approach is predominant (see Box 3 on the following page for an example of the SARS proposed taxpayers charter).
- In terms of receiving and dealing with complaints from taxpayers, all revenue bodies surveyed have deployed internal structures for receiving and addressing complaints from taxpayers.
- None of the surveyed revenue bodies has established a dedicated agency (ombudsman) to deal with complaints from citizens and business concerning the specific operations of the revenue body.

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<sup>28</sup> Except Mauritius where only the right to appeal is enshrined in the tax law.

### ***Box 3: SARS Service Charter (Proposed)***

#### You are entitled to expect SARS:

- To help you by respecting and giving effect to:
- Your right to certainty and to be informed, assisted and heard;
- Your right to complain, object and appeal where you are dissatisfied or dispute your tax liability;
- Your right to pay no more than the correct amount of tax and to be refunded for any excess amount paid; and
- Your right to privacy and the treatment of your information as secret and confidential that may only be used for the purpose for which it was obtained.
- To treat you in accordance with our constitutional mandate by:
- Respecting, protecting, promoting and fulfilling your constitutional rights;
- Acting professionally and in accordance with a high standard of professional ethics;
- Treating you impartially, fairly, equitably and without bias;
- Being responsive to your needs, enquiries and requests;
- Providing you with timely, accessible and accurate information and feedback;
- Treating you with respect, courtesy, consideration and sensitivity having regard to your individual, cultural and specific needs;
- Treating you as being honest in your tax affairs unless you act otherwise;
- Minimizing the costs and burden of tax compliance; and
- Adhering to our prescribed service standards in our interactions with you.

#### If you are unsatisfied you can:

- Question our decisions and require that we explain decisions which affect you.
- Lodge a complaint regarding our administrative conduct and request a review thereof.
- Exercise your right to object and appeal.

#### In return, your obligations are to:

- Be honest and truthful in your dealings with us.
- Be co-operative and treat our officials with courtesy, consideration and respect.
- Provide accurate information and documents on time.
- Keep sufficient records and books for the required retention period.
- Pay your taxes or taxes withheld by you on time.
- Understand and appreciate the risk of non-compliance or evasion.

*Source: SARS website*

## ***Key observations***

A number of observations can be made from the survey results:

- First, taxpayers' rights are predominantly enshrined in administrative documents.<sup>29</sup> The 2009 OECD tax administration comparative information series<sup>30</sup> spells out the benefits that can be derived from codifying taxpayers rights, including: may strengthen the perceptions of the document and the revenue body's commitment to the initiative, resulting in greater reassurance for taxpayers; may speed up adoption of the document by staff; longevity—less likely to be subject to change for example as a result of political interests; and the document will be subject to established mechanisms of redress and challenge. Box 4 (see next page) provides an illustration of a codified set of taxpayers' rights and obligations.
- Second, revenue bodies have established internal mechanism for handling general taxpayers' complaints. In addition, most of the countries surveyed have established an ombudsman office at the national level to handle general complaints from citizens, including those relating to the actions of revenue officials. However, none has established a dedicated agency to deal with complaints from citizens and business concerning the specific operations of the revenue body as is the case in some OECD countries. For example, Canada established a Taxpayers' Ombudsman (TO) in 2007. The TO is generally responsible for ensuring that the Canada Revenue Agency (CRA) respects the service rights contained in the Taxpayers' Bill of Rights and specifically to: (1) conduct impartial and independent reviews of service-related complaints about the CRA; (2) facilitate taxpayer access to assistance within the CRA; (3) identify and review systemic and emerging service-related issues within the CRA that have a negative impact on taxpayers; and (4) provide advice to the Minister of National Revenue about service related matters in the CRA. The TO may review any service provided by the CRA at its own initiative. In so doing, the TO can identify systemic and emerging service-related issues within the CRA that have a negative impact on taxpayers, and make recommendations to the CRA to improve service delivery. The TO operates independently and at arm's length from the management of the CRA and reports directly to the Minister of National Revenue (OECD 2009).

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<sup>29</sup> Administrative documents are not legally binding to revenue bodies. Rwanda has implemented a tax procedures code that also includes taxpayers' rights and obligations. This is generally regarded as good practice.

<sup>30</sup> The study revealed that 41 out of 43 countries had a set of taxpayers' rights in some form. Of these, 36 countries had codified them (partly or in full) in tax law or other statutes. 35 countries had elaborated them in administrative documents—taxpayer or service charters while 30 countries had both legislative and administrative sets of rights.

***Box 4: An example of a codified set of taxpayers' rights and obligations – Slovenia***

- Right to be informed and assisted: Taxpayers have a right to be concurrently informed and assisted at voluntary compliance and enforcement of rights, based on tax regulations, so that the tax can be assessed, settled and paid correctly and in time.
- Right to certainty: Taxpayers have a right to know their tax obligations in advance. Tax obligations cannot be prescribed with retroactive effect when regulations or explanations of regulations are changed.
- Right to impartiality: Taxpayers are entitled to impartial and fair use of tax regulations. They have a right to pay only the amount of tax, as it is defined by the law. The possibility of reduction in relation to their personal situation and incomes is permitted only in accordance with regulations.
- Right to privacy: Taxpayers may reasonably expect that the tax authorities will not bother them when taxes are assessed, settled and paid correctly and in time.
- Right to confidentiality and secrecy: Taxpayers have a right to confidentiality and secrecy of data, which they submit to the tax authorities during the tax procedure, and other data, which are acquired by the tax authorities in connection with their tax obligations, except in the cases, defined by the law.
- Right to appeal: Taxpayers have a right to appeal or objection provided by the law if they don't agree with a decision of the tax authorities.
- Right to representation: During the tax procedure taxpayers have the right to appoint their representatives or agents.
- Right to courtesy: In procedures against taxpayers the tax authorities shall act in accordance with Code of Ethics' principles of Tax Administration's employees.
- Obligation of data provision: Provision of data in connection with assessment and enforcement of tax obligations is one of basic taxpayers' obligations. The obligation of data provision refers to taxpayers themselves as well as third persons, who have taxpayers' data at their disposal.
- Obligation of completing prescribed forms: Taxpayers shall complete prescribed forms, on the basis of which they are able to settle the tax by themselves or on the basis of which the tax authorities establish their tax obligations.
- Obligation of the use of the identification number for tax purposes: Due to correct establishing of tax obligations taxpayers shall use the tax number, assigned to them by the tax authorities, in all relations, which are connected with establishing of tax obligations.
- Obligation of paying the tax in time: Taxpayers shall pay the assessed amount of the tax within the prescribed time limit. Otherwise the tax authorities forcibly collect the tax debt with measures, defined in the law. In relation to circumstances taxpayers have a right to deferment, payment in instalments, partial write-off or write-off of tax obligations.

*Source: OECD (2009)*

**Table 1: Institutional arrangements for tax administration**

Country	Institutional type of revenue body <sup>31</sup>			
	Single directorate in the MOF	Multiple directorates in MOF	Unified semi-autonomous body (head reports to a government minister) (set up date in bracket)	Unified semi-autonomous body with board (set up date in bracket)
Benin		✓		
Botswana				✓ (2004)
Burundi				✓ (2010)
Ethiopia <sup>32</sup>			✓ (2009)	
Ghana				✓ (2010)
Kenya				✓ (1995)
Malawi				✓ (2000)
Mauritius				✓ (2006)
Rwanda				✓ (1998)
Senegal		✓		
Sierra Leone				✓ (2002)
South Africa			✓ (1997)	
Tanzania				✓ (1996)
Uganda				✓ (1991)
Zambia				✓ (1993)

<sup>31</sup> As already mentioned, survey data on Burundi and Ghana was updated to reflect current practices.

<sup>32</sup> Unified revenue body, set up in 2009, is independent and reports to the Prime Minister.

**Table 2: Tax and non-tax revenues administered by revenue bodies**

Country	PIT	CIT	VAT or equivalent	Customs	Excise	Property taxes	Wealth taxes	Inheritance tax	Motor vehicle fees	Social security	Other taxes
Benin	✓	✓	✓	✓	✓	×	×	✓	✓	×	×
Botswana	✓	✓	✓	✓	✓	×	✓	✓	×	✓	✓
Burundi	✓	✓	✓	✓	×	✓	×	✓	×	×	×
Ethiopia	✓	✓	✓	✓	✓	✓ <sup>33</sup>	×	×	×	×	✓
Ghana	✓	✓	✓	✓	✓	×	×	×	×	×	✓
Kenya	✓	✓	✓	✓	✓	×	×	×	✓	×	✓
Malawi	✓	✓	✓	✓	✓	×	×	×	×	×	✓
Mauritius	✓	✓	✓	✓	✓	✓	×	×	×	×	✓
Rwanda	✓	✓	✓	✓	✓	×	×	×	✓	×	✓
Senegal	✓	✓	✓	✓	✓	✓	×	✓	×	×	✓
Sierra Leone	✓	✓	✓	✓	✓	×	✓	✓	✓	×	✓
South Africa	✓	✓	✓	✓	✓	✓	×	✓	×	✓	✓
Tanzania	✓	✓	✓	✓	✓	✓	×	×	✓	×	✓
Uganda	✓	✓	✓	✓	✓	×	×	×	✓	×	✓
Zambia	✓	✓	✓	✓	✓	✓	×	✓	✓	×	✓

<sup>33</sup> Municipality charges only.

**Table 3: Delegated authority that can be exercised by the national revenue body**

Country	Make tax law rulings	Remit administrative penalties and/or interest	Establish internal design/ structure	Allocate budget	Fix levels & mix of staff	Set service performance levels	Influence staff recruitment criteria	Hire and dismiss staff	Negotiate staff pay levels
Benin	✓1	✓1	✓2	✓3	✓1	✓1	✓2	✓2	✓4
Botswana	x	✓	✓	✓	✓	✓	✓	✓	✓
Burundi	✓2	✓1	✓2	✓4	✓3	✓3	✓2	✓3	✓4
Ethiopia	✓1	✓1	✓1	✓1	✓2	✓1	✓1	✓1	✓1
Ghana	✓2	✓2	✓1	✓1	✓1	✓1	✓1	✓1	✓1
Kenya	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓2
Malawi	✓2	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓2
Mauritius	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓1
Rwanda	✓1	✓1	✓2	✓2	✓2	✓1	✓1	✓1	✓4
Senegal	✓1	✓1	✓1	✓4	✓2	✓2	✓2	✓2	✓4
Sierra Leone	✓1	✓2	✓1	✓1	✓2	✓1	✓1	✓1	✓2
South Africa	✓1	✓3	✓1	✓1	✓1	✓1	✓1	✓1	✓1
Tanzania	✓1	✓2	✓1	✓1	✓2	✓1	✓1	✓1	✓2
Uganda	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓1
Zambia	✓3	✓1	✓1	✓1	✓1	✓1	✓1	✓1	✓1

Notes: 1= often  
 2=sometimes  
 3=rarely  
 4=never

**Table 4: Decision making structures: Internal and external scrutiny**

Country	EMC for overall decision making	CGP	Human resource committee	Internal audit	CPU	IAU	Code of ethics	IAC	External auditors	IGAD
Benin	✓	×	✓	✓	×	✓	✓	✓	✓	✓
Botswana	✓	×	✓	✓	✓	✓	×	×	×	✓
Burundi	✓	×	×	×	×	×	✓	×	✓	×
Ethiopia	✓	×	×	✓	✓	✓	✓	✓	×	✓
Ghana	✓	✓	✓	✓	✓	✓	✓	✓	✓	×
Kenya	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Malawi	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
Mauritius	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rwanda	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
Senegal	✓	×	✓	✓	✓	✓	✓	✓	✓	×
Sierra Leone	✓	✓	✓	✓	✓	✓	✓	×	✓	✓
South Africa	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
Tanzania	✓	×	✓	✓	✓	✓	✓	✓	✓ <sup>34</sup>	✓
Uganda	✓	×	✓	✓	✓	✓	✓	✓	×	✓
Zambia	✓	×	✓	✓	✓	✓	✓	×	✓	✓

Notes:

EMC – Executive management committee

CGP – Corporate governance policy

CPU – Corruption prevention unit

IAU – Internal affairs unit

IAC – Internal audit committee

EA – External auditors

IGAD – Independent government audit department

<sup>34</sup> Only donor funded projects are audited by external auditors.

**Table 5: Taxpayers' rights**

Country	A set of taxpayers' rights in law or other statute	A set of taxpayers' rights in administrative documents	External body to deal with taxpayers' complaints <sup>35</sup>	Internal body to deal with taxpayers' complaints
Benin	✓	✓	×	✓
Botswana	✓	✓	×	✓
Burundi	✓	✓	×	✓
Ethiopia	✓	✓	×	✓
Ghana	✓	✓	×	✓
Kenya	✓	✓	×	✓
Malawi	✓	✓	×	✓
Mauritius	✓	✓	×	✓
Rwanda	✓	✓	×	✓
Senegal	✓	✓	×	✓
Sierra Leone	✓	✓	×	✓
South Africa	✓	✓	×	✓
Tanzania	✓	✓	×	✓
Uganda	✓	✓	×	✓
Zambia	✓	✓	×	✓

<sup>35</sup> As already mentioned, some of the surveyed countries have established a national ombudsman's office to handle general citizens' complaints but none has set up a dedicated office that handles revenue administration related complaints only. Also in most countries, objections and appeals are dealt with by internal and external committees/tribunals. For example, Ethiopia has an Appeals Commission that arbitrates on tax appeal issues. This Commission is accountable to the Ministry of Justice.

## The organization of revenue bodies

### *Key findings*

#### Organizational structures/features

- Most of the surveyed revenue bodies are currently implementing major revenue administration reforms, including organizational and institutional redesign.
- Majority of the revenue bodies' organizational structures are hybrid in nature, exhibiting features attributable to two organizational models (functional and taxpayer segmentation).
- Revenue bodies have set up a dedicated headquarters function to provide operational policy guidance to field delivery.
- As noted in Chapter I, tax and customs administration remain distinct departments in the majority of revenue bodies (except Ethiopia), only sharing common corporate and a few revenue administration functions.
- In a number of countries, direct reports to the head of the revenue body have been reduced by consolidating oversight of all or some corporate/support services under a single executive—Corporate/Support Services. Day-to-day supervision of tax and customs field operations has been consolidated in some countries under a single point for greater oversight.

#### Large taxpayers' office

- All revenue bodies (except Botswana) have set up a large taxpayers' office (LTO) to administer the tax affairs of a small number of large enterprises and individuals in some countries) that contribute 60 – 70% of tax revenue.
- In line with international practice, annual gross turnover is the main criteria used in all countries for assigning taxpayers to the LTO.
- Other factors commonly used to assign taxpayers to the LTO include: (1) enterprises associated with or related to a large enterprise; (2) enterprises engaged in complex or specialized operations (such as banking, insurance, energy, telecommunication, and mining); (3) revenue contribution; and (4) number of employees.
- Special taxation regimes for small and micro enterprises have been implemented in a number of countries.

#### Staff distribution

In most countries, over 30% of staff resources are based at the headquarters and/or engaged in support activities.

## A. Organizational structures of revenue bodies

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### *Introduction*

Revenue bodies are typically organized on the basis of 3 models, that is: (1) tax-type; (2) functional; and (3) taxpayer segmentation. A detailed discussion of these models is presented in Box 5.

### ***Box 5: How organizational structures of revenue bodies have evolved***

Over the last 20-30 years, there has been a clear trend in the way the internal organizational structures of national revenue bodies have evolved. In broad terms, this has entailed an evolution from an organizational model based on type of tax criterion to one organized around tax administration functions'. More recently, there has been a trend towards a taxpayer segment model.

The 'type of tax' model: The earliest organizational model employed by tax administrators was based principally on type of tax criterion. Under this model, separate multifunctional departments were responsible for each tax and were largely self-sufficient and independent of each other. While this model served its purpose, it was eventually seen to have a number of shortcomings, including:

- 1) With its inherent duplication of functions, it was inefficient and overly costly;
- 2) Taxpayers with multiple tax dealings (e.g. businesses) were inconvenienced as they had to deal with different departments on similar issues (e.g. debt issues);
- 3) There were complications, both to revenue bodies and taxpayers, in managing and co-coordinating compliance actions across different taxes;
- 4) Separation increased the likelihood of uneven/inconsistent treatment of taxpayers;
- 5) The arrangements impeded the flexible use of staff whose skills were largely confined to a particular tax; and
- 6) This approach to structuring tax operations unnecessarily fragmented the management of the tax system, thus complicating organizational planning and co-ordination. Faced with these shortcomings, many revenue bodies decided to restructure their organizational arrangements, concluding that a model based largely on functional criteria would help to substantially improve overall operational performance.

The 'functional' model: Under the functional model, staffs are organized principally by functional groupings (e.g. registration, accounting, information processing, audit, collection, appeals, etc.) and generally work across taxes. This approach to organizing tax work permits greater standardization of work processes across taxes, thereby simplifying computerization and arrangements for taxpayers, and generally improves operational efficiency. Compared to the tax type model, the functional model has come to be seen as offering many advantages and its adoption has led to many developments aimed at improving tax administration performance (e.g. single points of access for tax inquiries, the development of a unified system of taxpayer registration, common approaches to tax payment and accounting, and more effective management of tax audit and debt collection functions.) However, a number of revenue bodies have taken the view that this model is not entirely appropriate for the delivery of compliance-related activities across different segments of taxpayers given their differing features, behaviors and attitudes to tax compliance.

The 'taxpayer segment' model: A more recent development among a small number of developed countries (e.g. United States) has been to organize service and enforcement functions principally around segments of taxpayers (e.g. large businesses, small/medium businesses, individuals, etc.). The rationale for organizing these functions around taxpayer segments is that each group of taxpayers has different characteristics and tax compliance behaviors and, as a result, presents different risks to the revenue. In order to manage these risks effectively, the revenue body needs to develop and implement strategies (e.g. law clarification, taxpayer education, improved service, more targeted audits) that are appropriate to the unique characteristics and compliance issues presented by each group of taxpayers. Revenue bodies also need a structured approach to researching and understanding what these compliance issues are. Proponents of the taxpayer segment type of structure contend that grouping key functional activities within a unified and dedicated management structure increases the prospects of improving overall compliance levels. While application of the taxpayer segment model is still in its early stages of use, many countries have created dedicated large taxpayer divisions/units.

*Source: OECD (2009)*

### ***Survey results (Tables 6, 7 and Annex 2)***

- Revenue bodies are implementing a wide range of organizational and institutional reforms with the aim of strengthening revenue mobilization, enhancing operational efficiency, and improving compliance and effectiveness.<sup>36</sup> In line with international practice, none of the surveyed revenue bodies is organized predominantly by tax-type (except Ghana until recently). The most common model in the surveyed countries is hybrid, that is a model that contains a combination of features associated with two or more models—mostly a combination of functional-based and taxpayer segmentation features.<sup>37</sup>
- Domestic tax administration has been integrated into a single department that is organized on the basis of function/taxpayer segment—a recent key development in a number of countries such as Malawi, Kenya, Uganda, Rwanda and Zambia and is planned in Ghana.<sup>38</sup> Customs administration is also commonly organized on the basis of key functions—trade facilitation, technical (origin, valuation, classification and advance rulings), compliance and enforcement, and international and regional coordination.
- In most revenue bodies (except Ethiopia), tax and customs administration remain distinct departments, only sharing common support functions.
- However, in a number of countries (Kenya, Rwanda, Tanzania, and Uganda), tax and customs departments also share common revenue administration functions in investigations and taxpayer services.

<sup>36</sup> Uganda was the first country in the region to set up a unified semi-autonomous revenue body in 1991. Ghana and Burundi are currently in the early phases of establishing a semi-autonomous revenue body.

<sup>37</sup> Detailed organizational charts for selected revenue bodies are presented in Annex 1.

<sup>38</sup> Key domestic tax administration functions include: taxpayer service; return processing, tax accounting and payment; collection enforcement; audit; and policy and legislation.

- The establishment of a headquarters function is a relatively new development in a number of revenue bodies.<sup>39</sup>
- All revenue bodies, except Burundi, have a dedicated taxpayer services function, a crucial element in promoting voluntary compliance.
- All revenue bodies have a dedicated investigations function.
- Ghana is the only country that indicated it does not have a dedicated tax appeals function.
- Direct reporting to the head of revenue administration has been reduced considerably in some countries by consolidating all/or some support/corporate services under one executive - often referred to as “Support/Corporate Services” department headed by a commissioner (Ethiopia, Kenya, Uganda and Zambia).<sup>40</sup>
- In some revenue bodies, direct reporting to the head of tax or customs department has been reduced by consolidating the day-to-day supervision of field delivery under a single point commonly referred to as “Operations”—Ethiopia, Kenya, and Uganda.

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<sup>39</sup> Until recently many revenue bodies did not have a formal headquarters function. The operational policy design function was carried out either by ad hoc committees or external consultants. Zambia, for example, has recently set up a distinct design and monitoring unit to support domestic tax operations while Kenya has also set up a program design, monitoring and evaluation unit to support customs operations. Both countries were assisted by the IMF to set up these structures.

<sup>40</sup> This is generally recognized as good practice. However, some countries have consolidated all support departments under one office (e.g., Uganda) while others have narrowly defined the role of this office to include only a few support departments (e.g., Kenya—responsible for legal, research and planning, and taxpayer services divisions).

## ***Key observations***

Survey results indicate that revenue bodies are in transition and their organizational structures are based on a hybrid model comprising both functional<sup>41</sup> and taxpayer segmentation features. This is in line with current practice in tax administration. To implement truly functional and segmented organizational models, a number of revenue bodies are currently implementing reforms, including streamlining business processes, implementing appropriate IT systems, and designing risk-driven taxpayer segmentation compliance programs. The establishment of a dedicated headquarters functions to provide guidance to field delivery has recently been a key development in a number of countries. The headquarters function is typically responsible for:

- (1) Strategic and operational planning on a national level;
- (2) Development of national programs;
- (3) Provision of technical advice and guidance to operational field units;
- (4) Establishment of performance targets and measurement systems; and
- (5) Monitoring and evaluation of field operations.

A review of organizational structures of a number of revenue bodies indicates they are moving towards flatter organizational structures by reducing the direct reporting lines to the chief executive.<sup>42</sup>

It is also noted that resources have been dedicated to setting up taxpayer service and investigations programs. It is generally recognized that the effectiveness of these programs will largely depend on:

- (1) In the case of the former, the ability to implement innovative service, assistance and education programs that are tailored to the needs of the different taxpayer segments; and
- (2) In the case of the latter, specialization and creation of effective linkages with the audit program.<sup>43</sup>

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<sup>41</sup> This analysis applies mostly to Anglophone countries as Francophone countries have traditionally been organized on a functional basis with the collection enforcement function falling under the Treasury.

<sup>42</sup> Articulating clear organizational structures, functions, and reporting lines is generally regarded as good practice as it promotes organizational clarity and reduces conflict.

<sup>43</sup> IMF experience shows that cases referral guidelines (audit and investigations functions) have either not been developed or are not effectively being utilized. As a result the investigations units depends largely on local knowledge and third party information to generate cases, and in some cases the distinction between audit and investigations has been lost.

## B. Segmentation and large taxpayers administration

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### *Introduction*

Revenue patterns in most countries show that a small number of large enterprises account for the majority of tax revenue (60-70% of total tax revenue).<sup>44</sup> These enterprises engage in large-scale, complex/specialized, and often global operations. In view of their unique characteristics and needs, modern revenue administrations set up an LTO to manage the tax affairs of the large taxpayers. Box 6 illustrates the common characteristics of large taxpayers. The survey reviewed the arrangements in place to manage large taxpayers' affairs

### *Survey results (Table 8)*

All revenue bodies (except Botswana) have set up a LTO.

- Annual turnover is the main criterion used for assigning LTO taxpayers in all countries.
- Other factors commonly used include: (1) enterprises associated with or related to a large taxpayer enterprise; (2) enterprises engaged in complex or specialized operations (such as banking, insurance, energy, telecommunication, and mining); (3) revenue contribution; and (4) number of employees.
- In most countries, large taxpayers are typically small in number (1-5% of taxpayers).<sup>45</sup>
- In a few revenue bodies (Mauritius, Tanzania, and Kenya) the LTO is a fully fledged department, that is, the LTO and the small and medium taxpayers' administration are distinct departments.
- In all countries with an LTO, small and medium taxpayers are, by default, administered by several tax offices spread across the respective countries.
- In addition, a number of countries are implementing special programs for taxing the small and micro enterprises.

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<sup>44</sup> Revenue contribution estimates are based on IMF reports.

<sup>45</sup> Higher figures reported in Burundi and Sierra Leone could be attributed to a smaller denominator that excludes small and micro taxpayers from the population.

### ***Box 6: The common characteristics of large taxpayers***

- Large taxpayers are very different from other categories of taxpayers and present certain significant risks to effective tax administration. Many revenue bodies have recognized that managing these risks requires strategies and approaches appropriate to the unique characteristics and compliance behaviour of these taxpayers. Key characteristics of the large business taxpayer segment include:
- Concentration of revenue – a small number of large taxpayers have a critical role in revenue collection, paying and withholding taxes. The concentration of tax revenue results from the pure size of these taxpayers and the range of taxes they are responsible for, including their role as withholding agents for large numbers of employees.
- Complexity of their business and tax dealings – several countries describe large taxpayers as complex for a variety of reasons, including: (1) multiple operating entities and/or diverse business interests; (2) high volume of transactions in day-to-day business activities; (3) large number of employees; (4) many have international dealings, often involving cross-border transactions with related parties; (5) operate in an industry that presents unique tax issues (e.g. banking and insurance); (6) many are widely spread in geographical terms; (7) deal with complicated issues involving complex tax law and accounting principles; and (8) use complex financing and tax planning arrangements.
- From the revenue bodies' perspective, major tax compliance risks – for revenue bodies, many of these large taxpayers present major tax compliance risks due to various factors including: (1) significant offshore activities; (2) policies and strategies to minimize tax liabilities; (3) large portion of tax assessments result from audit activity of large taxpayers; and (4) growing/significant differences between financial accounting profits and the profits computed for tax purposes.
- Withholding agent or intermediary role – As well as paying taxes, large taxpayers also play a significant intermediary' role in many tax systems collecting taxes including: (1) personal or employee income tax withholdings and social contributions, and VAT; and (2) withholding tax on certain cross border payments such as dividends, royalties and interest.
- Use of professional/dedicated tax advice – many large businesses and high-income individuals retain professional advisors to handle their tax planning and compliance affairs while others maintain their own in-house tax organization.
- Status - generally, most large businesses are publicly-listed corporate companies, and also include multinational companies and some private groups.

*Source: OECD (2009)*

### ***Key observations***

Consistent with international practice, a common feature in the surveyed countries is the establishment of a dedicated (field delivery) unit<sup>46</sup> to administer the tax affairs of the large taxpayers. Appropriate criteria have also been used to assign taxpayers to the LTO, which is typically organized on a functional basis. In a few revenue bodies, the LTO has been elevated to a full departmental level thus creating two accountability centers for domestic tax administration. The respective countries justify this approach on account of the need to strengthen large taxpayers' administration during the early phases of tax administration reform.<sup>47</sup> The survey indicates that although progress has been made in streamlining the management of large taxpayers, revenue bodies are still in the early stages of cascading the application of segmentation concepts to other segments of the taxpayer population.<sup>48</sup> These reforms include the establishment of dedicated MTOs and small taxpayers' offices (STOs), and implementing appropriately tailored compliance programs.<sup>49</sup>

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<sup>46</sup> A special field delivery unit under the domestic taxes department.

<sup>47</sup> IMF experience shows that this distinction creates two accountability centers for domestic tax administration and may complicate and weaken the headquarters design and monitoring function.

<sup>48</sup> Disaggregated data on the number, and revenue contribution of medium, small and micro taxpayers was either not available (in most countries) or was found to be unreliable.

<sup>49</sup> The IMF is assisting a number of revenue bodies to set up pilot MTO and compliance program.

## C. Office network and staffing

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### *Introduction*

Implementing an appropriate mix of staff ratios can be a serious challenge—common observations in revenue bodies include overstaffing of the headquarters/corporate services function, and understaffing of the essential field delivery function. Several factors have, over the years, influenced the allocation of revenue administration staff, including the following:

- Setting up of a unified semi-autonomous revenue body with powers to hire and fire staff;
- Establishment of a headquarters operational policy design and monitoring unit;
- Integration of domestic tax administration on the basis of function and taxpayer segment;
- Process improvement (including increased use of risk-based processes and systems) and computerization of revenue operations; and
- Increased range of self-help taxpayer service options.

This survey did not assess how these factors have influenced staff and resource allocation in revenue bodies as limited data was available on resource allocation.

### *Survey results (Table 9)*

All revenue bodies surveyed have headquarters and local tax offices but the number of offices and their sizes in terms of staffing vary quite considerably across countries.<sup>50</sup> Some revenue bodies have unusually large numbers of field offices. Some revenue bodies have set up regional offices to support field operations.

### *Key observations*

The survey indicates that a number of revenue bodies have over 30% of their staff based at the headquarters (including support functions). In addition, in some of countries, a relatively high number of field offices have been established, some of which provide cashiering function for the collection of non-tax revenues.<sup>51</sup>

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<sup>50</sup> In Mauritius, headquarters and field offices are distinct but are physically co-located.

<sup>51</sup> It can be argued that the revenue body should not be distracted from its core business (tax and customs administration). This notwithstanding, there may be little justification for establishing an office purely for cashiering services that can be more efficiently outsourced to the banking sector.

**Table 6: Major revenue administration reforms (on-going)**

<b>Country</b>	<b>Major tax administration reforms</b>
Benin	Improving large and medium taxpayers' compliance
Botswana	Tax and customs modernization
Burundi	Setting up a unified semi-autonomous revenue body and implementing the VAT
Ethiopia	Process improvement, integrating and modernizing revenue administration with new technology
Ghana	Setting up a unified semi-autonomous revenue body and integrating domestic tax administration
Kenya	Computerizing integrated domestic tax operations and strengthening of customs administration
Malawi	Process improvement, computerizing domestic tax administration, and compliance management
Mauritius	Modernizing tax and customs systems (IT)
Rwanda	Compliance management based on risk assessment and integrating administration of social contributions with tax administration.
Senegal	Establishing medium taxpayers offices and reforming small business taxation
Sierra Leone	Modernizing customs and introducing the VAT (GST)
South Africa	Improving compliance management and small taxpayers' administration
Tanzania	Modernizing customs and strengthening domestic tax administration (medium and small taxpayers' administration)
Uganda	Modernizing customs systems and process review/computerizing domestic tax operations
Zambia	Integrating tax administration, strengthening the large taxpayers office, and performance management

**Table 7: Selected features of the organizational structure of revenue bodies**

Country	Main criterion for structure	LTO	Returns processing	Payments processing	Audit	Taxpayer services	Enforced debt collection function	Tax fraud function	Dedicated appeals disputes function
Benin	F	✓	✓	✓	✓	✓	✓	✓	✓
Botswana	F	×	✓	✓	✓	✓	✓	✓	✓
Burundi	F	✓	✓	✓	✓	×	✓	✓	✓
Ethiopia	H	✓	✓	✓	✓	✓	✓	✓	✓
Ghana	F	✓	✓	✓	✓	✓	✓	✓	×
Kenya	H <sup>52</sup>	✓	✓	✓	✓	✓	✓	✓	✓
Malawi	H	✓	✓	✓	✓	✓	✓	✓	✓
Mauritius	H	✓	✓	✓	✓	✓	✓	✓	✓
Rwanda	H	✓	✓	✓	✓	✓	✓	✓	✓
Senegal	H	✓	✓	✓	✓	✓	✓	✓	✓
Sierra Leone	H	✓	✓	✓	✓	✓	✓	✓	✓
South Africa	H	✓	✓	✓	✓	✓	✓	✓	✓
Tanzania	H	✓	✓	✓	✓	✓	✓	✓	✓
Uganda	H	✓	✓	✓	✓	✓	✓	✓	✓
Zambia	H	✓	✓	✓	✓	✓	✓	✓	✓

Notes:

TT – Based on Tax-Type  
 F – Function based  
 H - Hybrid

<sup>52</sup> ERCU's organizational structure is currently fully functional (tax and customs) and also includes a large taxpayers office.

**Table 8: Large taxpayer management 2008**

Country	Total no. of tax payers	Large tax payer unit	Criteria to select large taxpayers	No. of large taxpayers	No. of large taxpayers as a % of total taxpayers
Benin	10,339	✓	Turnover	562	5.4
Botswana	84,878	×	-	-	n.a.
Burundi	2,400	✓	Turnover	285	11.9
Ethiopia <sup>53</sup>	16,000	✓	Turnover	612	3.8
Ghana	51,730	✓	Turnover, complex sectors and multinationals, revenue contribution, and number of employees	366	0.7
Kenya	75,000 <sup>54</sup>	✓	Turnover, government ministries, financial institutions, insurance companies	858	1.1
Malawi	13,428	✓	Turnover, complex sectors and excisable entities	372	2.8
Mauritius	237,816 <sup>55</sup>	✓	Turnover	903	0.4
Rwanda	39,472	✓	Turnover, complex sectors, and excisable entities	315	0.8
Senegal	25,400	✓	Turnover	600	2.4
Sierra Leone	4,045	✓	Turnover	312	7.7
South Africa	2,414,144 <sup>56</sup>	✓	Turnover, financial institutions and high net worth individuals	21,561	0.9
Tanzania	487,983 <sup>57</sup>	✓	Turnover and complex sectors	370	0.08
Uganda	24,281	✓	Turnover, complex sectors, and revenue contribution	616	2.5
Zambia	9,090 <sup>58</sup>	✓	Turnover and complex sectors	419	4.1

<sup>53</sup> IMF data - September 2009

<sup>54</sup> Includes VAT registered taxpayers only. A total of 878,567 taxpayers filed income tax returns during the same period.

<sup>55</sup> Number of taxpayers on the register for the fiscal year July 2009 to December 2009.

<sup>56</sup> Businesses only (including small and micro enterprises) – Source: SARS Annual Report 2008/09.

<sup>57</sup> Total number of taxpayers (includes taxpayers subject to the presumptive tax) at the end of financial year (FY) 2008/09; the total number of VAT registered taxpayers was 10,846.

<sup>58</sup> Does not include taxpayers subject to the turnover tax regime.

**Table 9: Number of staff and distribution in 2009**

Country	Total staff	Headquarters <sup>59</sup>		Regional office network	Local/Field Office Network		
		No. of staffing	% of total staff	No. of regions	No of local offices	No. of Staff	% of total staff
Benin	826	n.a.	n.a.	6	62	n.a.	n.a.
Botswana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Burundi	244	31	13	4	6	213	87
Ethiopia	2,615	517	20	11	17	2,098	80
Ghana	n.a.	n.a.	n.a.	n.a.	20	n.a.	n.a.
Kenya	4,12760	1,342	33	5	68	2,785	67
Malawi	1,205	315	26	3	13	890	74
Mauritius	1,178	186	16	n.a.	n.a.	992	84
Rwanda	888	301	34	4	10	587	66
Senegal	903	147	16	n.a.	23	756	84
Sierra Leone	566	190	33	n.a.	3	376	67
South Africa	14,751	1052	7	10	17	13,699	92
Tanzania	3,350	1,227	37	24	n.a.	2,123	63
Uganda	2,012	603	30	3	25	1,409	70
Zambia	1,246	91	7.3	2	10	1,155	92.7

<sup>59</sup> Defined to include staff engaged in: (1) Commissioner/Director General's office; (2) Commissioner and HQ operational policy development and monitoring units; and (3) support/corporate services units.

<sup>60</sup> Staff complement as at end of 30th June 2010.

## Strategic planning and management practices of revenue bodies

### *Key findings*

#### *Strategic planning and management*

- All revenue bodies develop 3 to 5-year business/corporate plans using established planning frameworks.
- All revenue bodies (except Burundi and Sierra Leone) disseminate their business/corporate plans widely, including posting them on their respective official websites.
- A review of selected corporate/business plans indicates that the mission statements, visions and objectives of revenue bodies are well articulated and actions identified for each goal or objective.
- Most revenue bodies prepare and publish annual performance reports.
- Strategic planning and performance management systems are different across revenue bodies—in terms of scope, content and application.
- Revenue bodies indicated that they recognize the need to strengthen strategic planning and management and have established structures to drive this process, including setting up corporate planning units.

#### *Service standards and reporting*

- All revenue bodies, except Burundi, have developed and disseminated service delivery standards using a wide range of qualitative and quantitative indicators.
- Only 8 revenue bodies indicate that they monitor and report performance.
- Eleven revenue bodies widely use taxpayer surveys to assess taxpayers' perceptions on various issues.

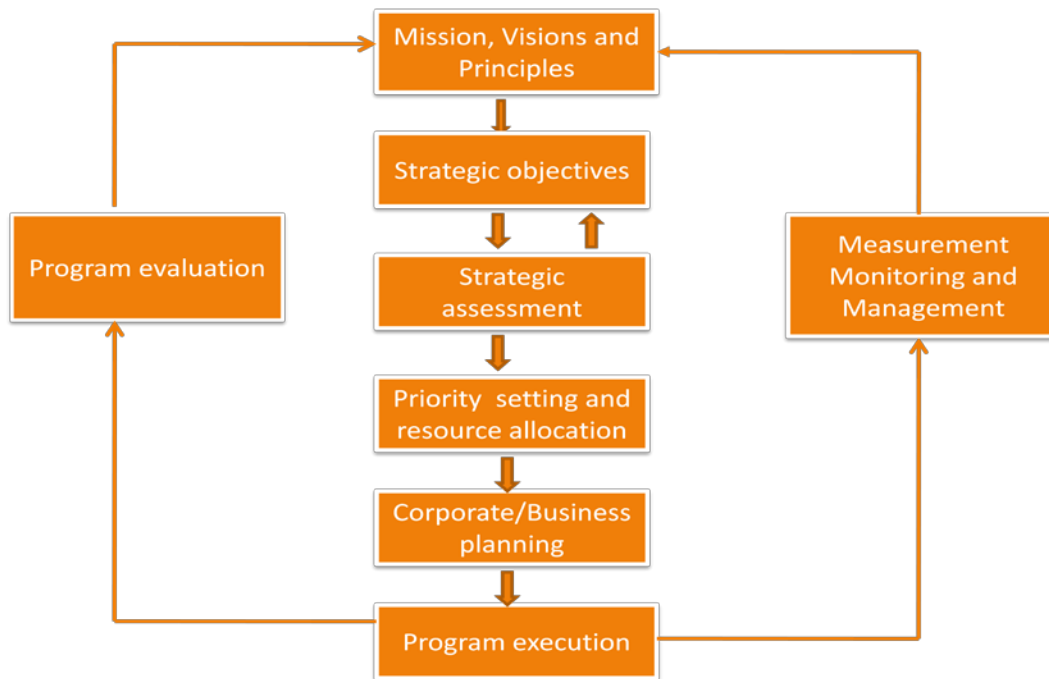
## A. Strategic planning and management approaches of revenue bodies

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### *Introduction*

Strategic planning and management entails the use of systematic approaches for developing an organization's vision, mission, values, objectives, actions for achieving these objective, performance measures, and allocating resources to implement the plans, monitoring, evaluating and reporting on performance. A detailed illustration of the strategic management cycle is presented in Figure 1.

**Figure 1: The Strategic Management Cycle**



To assess strategic planning and management practices, revenue bodies were asked whether they:

- (1) prepare business/corporate plans;
- (2) have an established framework for developing these plans;
- (3) publish and disseminate business/corporate plans; and
- (4) prepare and disseminate to stakeholders annual performance reports. Extracts from corporate plans and performance reports published by selected revenue bodies were also analyzed.

### *Survey results (Table 10 and Annex 2)*

- Revenue bodies recognize the need to strengthen strategic planning and management and have established appropriate structures to drive this process, including setting up corporate planning units.
- All revenue bodies develop 3 to 5-year business/corporate plans using an established planning framework.
- These plans are published and disseminated widely in all revenue bodies (except Sierra Leone) and are available on their respective official websites.
- Fourteen revenue bodies prepare annual performance reports but only 11 publish these reports.<sup>61</sup>
- Strategic planning and performance management systems differ across revenue bodies—in terms of scope, content and application.
- The mission statements of the surveyed revenue bodies adequately communicate their respective mandates as established in the legal framework.<sup>62</sup>
- The visions of revenue bodies are clustered around the need to build and sustain an internally efficient and effective revenue organization or agency that can be regarded as a world class organization.
- The values<sup>63</sup> set by revenue bodies emphasize integrity, professionalism, fairness and equity, trust and respect, and service excellence, among others.
- Goals and objectives as stated by the reviewed revenue bodies capture three important aspects of revenue administration; namely revenue collections, service delivery, and organizational efficiency and effectiveness. They are also aligned with the organizational vision and mission statement and strategies and actions for achieving them are specified for each objective.<sup>64</sup>
- All plans feature a set of performance measures and indicators (both qualitative and quantitative).
- Revenue bodies surveyed have established departments/units responsible for periodic monitoring, evaluation and reporting on performance at the corporate, operational and tactical level.
- They have also established research and planning units to help gather information necessary to evaluate and report performance to management, the board of directors and other stakeholders.

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<sup>61</sup> In Zambia, preparation and publication of an annual performance report is a legal requirement.

<sup>62</sup> For example, Rwanda Revenue Authority (RRA)'s mission statement recognizes its mandate for collecting revenue, providing input to tax policy development and service delivery. SARS' mission statement similarly clearly communicates its mandate—to optimize revenue yield, to facilitate trade and to enlist new tax contributors by promoting awareness of the obligation to comply with tax and customs laws, and to provide a quality, responsive service to the public.

<sup>63</sup> Which are a set of commonly held beliefs that all members of the organization ascribe to. Upholding common corporate values is important in shaping organizational culture and is a hallmark of high performing organizations.

<sup>64</sup> There are similarities in the corporate objectives and goals formulated by revenue bodies and the strategies for achieving them, indicating similarity of issues and challenges, information sharing and benchmarking among SSA tax administrations, and the influence of development partner institutions.

### ***Key observations***

The corporate planning process is an important aspect of any organization. Further, the use of credible performance management frameworks is an important aspect of this process.<sup>65</sup> Survey results indicate that the practice of preparing multi-year business/corporate plans has taken root in all the countries.<sup>66</sup> However, a review of the quality and diversity of performance measures used by revenue bodies indicates wide variations, with many using a mix of output, process and few outcome indicators to measure organizational performance.<sup>67</sup> Also, the survey noted that revenue bodies have established departments responsible for periodic monitoring, evaluation and reporting on performance of corporate, operational, tactical, and individual performance imperatives.<sup>68</sup> A few revenue bodies also indicated they had adopted modern practices and technology in monitoring, evaluation and reporting.

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<sup>65</sup> A general recommendation is that revenue bodies should develop performance indicators that are measurable and realistic, and combine output, process and more importantly outcome indicators. The latter could include measures of organizational efficiency (reducing cost of collection and reducing registration and refund processing time) and effectiveness (increasing voluntary compliance and reducing compliance costs). Overall, it is recognized that revenue bodies can realize tremendous performance improvements by enhancing capacity in formulating a wide range of performance measures.

<sup>66</sup> A common IMF observation in this area is the need to develop plans that are fully costing and prioritized which will ensure that scarce resources are efficiently allocated.

<sup>67</sup> South Africa, for example, uses a wide range of, and plans to develop output-oriented performance measures (see SARS strategic plan for FY 2010/11 – 2012/13).

<sup>68</sup> An effective monitoring, evaluation and reporting framework provides feedback on performance against agreed targets and importantly early-warning signals for action.

## B. Service standards, performance analysis and reporting

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### *Introduction*

Revenue bodies provide a wide range of services to taxpayers and other stakeholders who have differing expectations. Revenue bodies respond to these demands by formulating service charters setting out standards they guarantee to achieve. Revenue bodies in the sample were requested to indicate whether they:

- (1) develop service delivery standards;
- (2) publish service delivery standards;
- (3) publish service delivery results; and
- (4) conduct taxpayer surveys to gauge views and perception of taxpayers.

### *Survey results*

- All revenue bodies, except Burundi, have developed and disseminated service delivery standards using a wide range of qualitative and quantitative indicators.
- Service delivery standards are set out, mostly, in administrative documents—taxpayer charters.
- Only 7 revenue bodies indicate that they monitor and report/publish performance results.
- Twelve revenue bodies widely use taxpayer surveys to assess taxpayers' perceptions on various issues.

### *Key observations*

Developing service charters should ideally be done through a consultative process to ensure legitimacy and acceptability. Further, there are benefits to codifying taxpayer rights and obligation as has already been discussed. Importantly, service delivery standards should be not only monitored continuously but also published and disseminated widely. A few of the surveyed countries indicated they produce service delivery reports, however it is not clear how credible their reports are and whether there is a system in place to verify and authenticate the results reported.<sup>69</sup> Credible service delivery monitoring and reporting systems generally enhance taxpayers' perceptions of the tax system in terms of fairness, transparency and accountability.

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<sup>69</sup> ZRA has partnered, through a memorandum of understanding, with a private sector research firm to quality assure its report. While this is a welcome development, contracting an external auditor to perform the audit/assessment would lend more credibility to the exercise.

**Table 10: Selected management practices (business plans and performance reports, taxpayer services)**

Country	Develops annual or multi-year business plan	Established framework for developing business plans	Publishes annual or multi-year business plan	Prepares annual performance report	Publishes annual performance report	Planning horizon for corporate plan (years)	Develops service delivery standards	Publishes service delivery standards	Publishes service delivery results	Surveys taxpayers' views of service delivery
Benin	✓	✓	✓	✓	✓	5	✓	✓	x	✓
Botswana	✓	✓	✓	✓	✓	5	✓	✓	x	✓
Burundi	✓	x	x	x	x	3	x	x	x	x
Ethiopia	✓	✓	✓	✓	✓	5	✓	✓	✓	✓
Ghana	✓	✓	✓	✓	✓	3	✓	✓	x	✓
Kenya	✓	✓	✓	✓	✓	3	✓	✓	x	✓
Malawi	✓	✓	✓	✓	x	5	✓	✓	x	✓
Mauritius	✓	✓	✓	✓	✓	3	✓	✓	✓	✓
Rwanda	✓	✓	✓	✓	✓	3	✓	✓	✓	x
Senegal	✓	✓	✓	✓	x	5	✓	✓	x	x
Sierra Leone	✓	✓	x	✓	x	5	✓	✓	✓	✓
South Africa	✓	✓	✓	✓	✓	3	✓	✓	✓	✓
Tanzania	✓	✓	✓	✓	✓	5	✓	✓	✓	✓
Uganda	✓	✓	✓	✓	✓	5	✓	✓	x	✓
Zambia	✓	✓	✓	✓	✓	3	✓	✓	✓	✓

## Resourcing revenue administration functions

### *Key findings*

#### Funding arrangement

- Majority of revenue bodies are funded through parliamentary appropriations, meaning that they develop budget proposals and bid for resources just like any other government ministry, department or agency.
- Three countries have set funding limits for their revenue bodies.
- Three countries mandate their revenue bodies to deduct and retain a portion of revenue collection as the cost of collection.
- A few countries provide performance-related bonuses to their revenue bodies.

#### Cost of collection

- Cost of collection figures vary widely in the region, ranging from about 1 to 4%.

#### Expenditure patterns

- Salary and related expenditures account for the largest portion of the budget, ranging between 60 to 80% of the expenditure.
- Investment in IT in most countries accounts for less than 2% of total administrative expenditure.

## A. An overview of funding mechanisms for selected revenue bodies

### *Introduction*

Ideally, revenue bodies should have a balanced mix and level of funding to effectively discharge their roles and responsibilities. Table 11 below shows funding mechanisms used in the surveyed countries.

**Table 11: Funding mechanism for revenue bodies in the surveyed countries**

Country/Agency	Funding mechanism
Benin	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Burundi	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Ethiopia	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Kenya	<ul style="list-style-type: none"> <li>▪ Appropriation by Parliament.</li> <li>▪ Funding limited, in law, to 2% of estimated revenue collections.</li> <li>▪ Bonus payable to revenue body—2% of surplus collection</li> <li>▪ In case of bilateral agency arrangements between KRA and other public body—1.5% of collections is retained as cost of collection<sup>70</sup></li> </ul>
South Africa	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Uganda	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Tanzania	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Botswana	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament. Retention of a percentage of tax revenue as a cost of collection is provided for, with approval by the Minister of Finance through Gazette Notice</li> </ul>
Rwanda	<ul style="list-style-type: none"> <li>▪ Direct retention of a maximum of 3.5% of revenue collected</li> <li>▪ A bonus of 5% of surplus collection</li> </ul>
Malawi	<ul style="list-style-type: none"> <li>▪ Direct retention of 3% of revenue collected.</li> <li>▪ Retention of a bonus of 5% of collection surplus, subject to a 3.5% limit on total cost of collection</li> </ul>
Zambia	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Senegal	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Mauritius	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>
Ghana	<ul style="list-style-type: none"> <li>▪ Appropriation through Parliament</li> </ul>

<sup>70</sup> Cost of collection is defined as revenue administration expenditure as a ratio of revenue estimates.

### ***Survey results (Table 11)***

- Majority of revenue bodies are funded through parliamentary appropriations, meaning that they develop budget proposals and bid/compete for funding from the consolidated fund just like any other government ministry, department, or agency.
- In some countries, upper limits have been set for funding revenue bodies (Kenya – 2%; Malawi – 3.5%; Rwanda – 3.5% of estimated revenue collection).
- Rwanda and Malawi are the only countries in the survey that mandate their revenue body to deduct and retain a portion of revenue collection as the cost of collection. Botswana too has similar provisions but they are subject to approval by the Minister of Finance via a gazette notice.
- Kenya, Malawi and Rwanda are the only countries in the survey that provide revenue bodies a performance bonus.
- The KRA is mandated to enter into agency collection arrangements with other public agencies and charge 1.5% of revenue collected as the cost of collection.

### ***Key observations***

The debate on how much resources revenue bodies need to perform their delegated responsibilities has continued, with revenue administrators agitating for increased funding. This debate has precipitated discussion on what ought to be the optimal criteria for resourcing (funding) revenue bodies and how funding can be made more predictable to enable revenue bodies plan their operations effectively and efficiently. More importantly, the debate has centered on the need to identify funding mechanisms that will provide incentives for improved performance of revenue bodies without at the same time making them too aggressive in the manner they deal with taxpayers. Overall, the survey indicates that most revenue bodies are funded through parliamentary appropriations. Preparation of credible corporate plans, budgets, and investment plans that are fully costed and prioritized will generally enhance the integrity of the planning and budget processes. In addition, effective coordination and management of resources available from development partners is also recognized as good practice.

## B. Revenue administration expenditures

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### *Introduction*

Cost of collection ratios provide a crude but crucial measure of how efficiently and effectively resources are used to administer revenue collection. Revenue bodies were asked to provide information on aggregate cost of collection and details of expenditures on salary and IT related costs. Detailed information was not available and most revenue bodies faced difficulties providing disaggregated expenditure data. The data and analysis presented in this section is therefore for indicative purposes only.

### *Survey results (Tables 12, 13 and 14)*

- Cost of collection ratios varies widely; from a low of about 1% (which is in line with OECD countries' limit of 1%) to a high of close to 4%).<sup>71</sup>
- The majority of revenue bodies have cost of collection ratios averaging 2-3%.
- During the period 2006 to 2008, cost of collection ratios either remained stagnant or declined for the majority of the revenue bodies.
- Salary and related expenditures account for the largest portion of the budget, ranging between 60 to 80% of the expenditure.
- Revenue bodies' expenditures on IT in 2008 ranged from about 0.8% to 8% of aggregate administrative expenditures.

### *Key observations*

Cost of collection is influenced by a number of factors, ranging from optimality of tax policy and system, distribution and structure of the taxpayers, effectiveness of revenue administration systems and procedures, tax administration arrangements between the central and local government, to economic and environmental factors existing in a country. The scope and breadth of responsibilities placed on revenue bodies (such as collection of a wide range of non-tax revenues) also varies widely and this too influences the cost of collection. These factors may explain the wide variation in cost structure of revenue bodies.<sup>72</sup> It was not possible, with the available data, to fully assess the cost structures of revenue bodies and draw meaningful lessons/conclusions. In addition some revenue bodies are funded separately by their respective ministries of finance for infrastructure development projects (such as huge IT investments or purchase of buildings). Funding by development partners also accounts for a significant portion of resourcing for a number of revenue bodies. This notwithstanding cost of collection ratios seem to be, relatively, on the high side. Salary and related expenditures account for the largest portion of the budget (up to 80%), which seems to be consistent with estimates for most revenue bodies in the OECD. However, as already mentioned, maintaining an appropriate balance in staff allocation, for example between headquarters and field operations, can be challenging and 30% of staff in most of the surveyed revenue bodies are based at the headquarters and support functions departments. Another area worth noting is the disparity in resourcing the IT

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<sup>71</sup> Survey data was found to be inconsistent and unreliable. In addition, it is not clear that the figure captured total expenditure, including donor funded projects.

<sup>72</sup> Low ratios in Botswana and South Africa may also be attributed to the inclusion of resource taxes in the total revenue collection figure, while the credibility of the low ratio in Benin could not be explained and may be doubtful.

function. Only 3 revenue bodies (SARS, RRA and ERCU) reported IT expenditures above 5% of total administrative expenditure (in 2008) while in the majority of the countries, IT expenditures on average accounts for less than 2% of total administrative expenditure.<sup>73</sup> Effective IT systems are a critical feature of modern revenue administration and, revenue bodies are actively improving IT systems as part of their broader revenue reform strategies.<sup>74</sup> The wide disparity across countries largely reflects levels of reform and modernization. For instance, Rwanda and Ethiopia reported high expenditures on IT because they were deploying a new integrated tax administration system (ITAS) while South Africa was investing in IT to modernize certain aspects of its tax operations.<sup>75</sup>

**Table 12: Total cost of collection ratio for the revenue body**

Country	Total administrative expenditure as a share of total revenue		
	2006	2007	2008
Benin	n.a.	0.5	0.5
Botswana	0.7	0.7	0.7
Burundi	n.a.	n.a.	3
Ethiopia	n.a.	n.a.	n.a.
Ghana	2.8	2.7	2.8
Kenya	1.9	1.7	1.6
Malawi	3.23	3.08	3.6
Mauritius	n.a.	1.8	1.7
Rwanda	3.3	3.0	2.7
Sierra Leone	3.8	3.9	3.4
Senegal	n.a.	n.a.	n.a.
South Africa	1.0	1.0	1.0
Tanzania	3.4	3.4	2.8
Uganda	2.6	2.3	2.0
Zambia	2.7	2.3	2.3

<sup>73</sup> This may have changed in a number of countries currently undertaking huge IT investments (Kenya and Uganda are implementing integrated tax administration systems).

<sup>74</sup> Modern revenue administrations spend significant resources improving and computerizing their business processes. A 2009 OECD survey shows that total IT costs reported for 11 countries exceeded 15% of aggregate expenditure in each of the 2005 to 2007 years.

<sup>75</sup> Kenya, Botswana, Malawi, Uganda and Zambia indicated they were contemplating additional investments in IT to modernize tax operations to provide for e-filing and e-payment solutions.

**Table 13: Share of total wage bill in total expenditure**

Country	Year		
	2006	2007	2008
Benin	n.a.	95.9	95.9
Botswana	n.a.	n.a.	n.a.
Burundi	n.a.	n.a.	n.a.
Ethiopia	n.a.	n.a.	n.a.
Ghana	70.9	71.9	75.1
Kenya	60.7	67.8	69.8
Malawi	55	57	58
Mauritius	44.4	77.2	77.6
Rwanda	67.3	78.2	65.9
Sierra Leone	52.3	59.4	58.2
Senegal	n.a.	n.a.	n.a.
South Africa	60.6	62.3	61.4
Tanzania	69.3	57.0	62.7
Uganda	74.6	74.6	69.5
Zambia	74.2	74.2	70.6

**Table 14: IT expenditures**

Country	Total IT expenditure as a percentage of total expenditure		
	2006	2007	2008
Benin	n.a.	n.a.	n.a.
Botswana	0.9	1.1	1.6
Burundi	n.a.	n.a.	n.a.
Ethiopia	29	46	5.4
Ghana	n.a.	n.a.	n.a.
Kenya	1.3	0.8	0.9
Malawi	2.32	1.47	0.83
Mauritius	n.a.	2.0	1.9
Rwanda	10.9	10.0	6.5
Sierra Leone	2.0	1.6	1.9
Senegal	n.a.	n.a.	n.a.
South Africa	8.8	7.6	7.9
Tanzania	2.1	1.9	2.4
Uganda	n.a.	n.a.	n.a.
Zambia	4.3	4.3	4

## Revenue performance<sup>76</sup>

### *Key findings*

#### Revenue collection

- Ten of the countries surveyed have tax-to-GDP ratios above 16.8%, the average for SSA low-income and fragile countries in 2008.<sup>77</sup>
- Overall, the tax-to-GDP ratio in majority of the surveyed countries is relatively low (the average for non-resource intensive SSA countries in 2008 was 22.9%).

#### Composition

- In 5 countries (Botswana, Kenya, Senegal, South Africa, and Zambia) the highest proportion of revenue is derived from direct taxes.
- In 7 countries (Burundi, Ghana, Malawi, Mauritius, Rwanda, Tanzania and Uganda) indirect taxes contribute the highest proportion of revenue.
- Direct taxes contribute the highest proportion of revenue in 6 countries (Botswana, Ethiopia, Kenya, Senegal, South Africa and Zambia).
- Trade taxes make the greatest contribution to revenue collection in Benin and Sierra Leone.
- Non-tax revenue accounts for a very small proportion (1-2%) of total revenue collection.

#### Role of the customs department in revenue collection

- The customs department plays a significant role in collection revenue.

<sup>76</sup> This survey was intended to review a broad range of operational performance issues. However, this was not possible due to the poor nature of survey data. It is anticipated that future editions will expand the scope of this section to review a wider range of operational performance issues such as audit and collection enforcement. Additionally, results presented in this section are based entirely on analysis of secondary data due to the inconsistent nature of data collected from the survey which impeded cross country analysis.

<sup>77</sup> Source: IMF Regional Economic Outlook (April 2010) - Average general government revenue, excluding grants in low-income and fragile countries is 16.8% of GDP. This figure is used for comparison purposes recognizing it includes non-tax revenue. Three of the surveyed countries (Botswana, Mauritius and South Africa) are classified as middle income countries, 2 (Burundi and Sierra Leone) as fragile countries, while the remaining 10 are classified as low-income countries.

## ***Introduction***

Revenue collection is the principle responsibility of revenue bodies<sup>78</sup> and governments in SSA go to great lengths to monitor revenue performance, usually at the expense of other key performance indicators. Table 15 presents data on total revenue collections as a percentage of GDP and the contribution of major tax heads. Detailed revenue table for selected countries are also presented in Annex 3. Table 16 also summarized revenue collection data by collection department.

### ***Survey results (Tables 15, 16 and Annex 3)***

- Ten of the surveyed countries have tax-to-GDP ratios higher than 16.8%, which is the average for low-income and fragile SSA countries in 2008 (only Ethiopia, Rwanda, Sierra Leone, Tanzania and Uganda had lower tax-to-GDP ratios).
- In 5 countries (Botswana, Kenya, Senegal, South Africa, and Zambia), the highest proportion of revenue is collection from direct taxes.
- In majority of the countries (Burundi, Ghana, Malawi, Mauritius, Rwanda, Tanzania and Uganda), indirect taxes contribute the highest proportion of revenue collection. Direct taxes account for the bulk of revenue collection in 6 countries (Botswana, Ethiopia, Kenya, Senegal, South Africa and Zambia), while trade taxes make the greatest contribution to revenue collection in Benin and Sierra Leone.
- Non-tax revenue accounts for a very small proportion of total revenue collection (less than 2% in Uganda and Sierra Leone).<sup>79</sup>
- Data from 3 revenue bodies shows that customs departments collect between 6-8% of GDP in revenue accounting for between 40-50% of total revenue.

### ***Key observations***

A number of revenue bodies are implementing varying tax administration reforms.<sup>80</sup> The survey shows that despite progress that is being made in implementing reforms, there are wide disparities in revenue collection across the surveyed countries, some of which appears to reflect differences in tax structures as well as efficiency and effectiveness in tax administration across revenue bodies.<sup>81</sup> Also, as already mentioned, customs departments play a significant part in revenue collection. Overall, it can be deduced that revenue bodies still face challenges.<sup>82</sup>

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<sup>78</sup> Other equally important responsibilities include implementing tax policy objectives such as welfare programs, securing the border, trade facilitation, taxpayer service and production of statistics.

<sup>79</sup> Experience shows that cost of collection of these nuisance taxes/levies can be as high as 30 to 50%.

<sup>80</sup> Key reforms—based on best practice—that have taken place in a number of these countries include: (1) integration of domestic tax administration, organized around key tax administration functions; (2) establishment of a LTO, as a first step in adopting a taxpayer segmentation approach; (3) implementing systems and procedures based on self-assessment, including a taxpayer services function; (4) modernizing tax and customs laws and regulations, including enacting a law on tax procedures (Rwanda); and (5) automation of tax and customs operations. Significant resources have also been dedicated to training and capacity building and infrastructure development.

<sup>81</sup> Revenue collection remains relatively low in majority of the surveyed countries (average government revenue (excluding grants) in non-resource-intensive SSA countries was 22.9% in 2008).

<sup>82</sup> A key challenge is the need to increase the tax-to-GDP ratio while at the same time reducing costs of collection.

**Table 15: Revenue collection data for 15 SSA countries**

Country	Year	Indirect Taxes	Direct Taxes	Trade Taxes	Total <sup>83</sup>
		(% of GDP)			
Benin	2008	5.5	2.3	9.3	17.1
Botswana	2007/08	3.8	11.5	10.5	25.8
Burundi	2008	8.8	5.1	2.9	16.8
Ethiopia	2008/09	1.5	3.2	1.9	6.6
Ghana	2008	8.7	7.1	4.1	19.9
Kenya	2007/08	5.7	8.4	4.9	19.0
Malawi	2008/09	8.9	7.8	2.1	18.8
Mauritius	2007/08	12.1	4.2	1.1	17.4
Rwanda	2008	6.6	5.1	1.8	13.5
Senegal	2008	4.6	10.3	3.4	18.3
Sierra Leone	2008	2.6	3.4	4.8	10.8
South Africa	2008/09	8.7	16.4	1.2	26.3
Tanzania	2008/09	7.3	6.2	1.3	14.8
Uganda	2008/09	7.1	3.6	1.2	11.9
Zambia	2008	6.6	8.5	2.5	17.6
		<b>(in % of total revenue)</b>			
Benin	2008	32	14	54	100
Botswana	2007/08	15	45	41	100
Burundi	2008	52	30	18	100
Ethiopia	2008/09	23	48	29	100
Ghana	2008	44	36	21	100
Kenya	2007/08	30	44	26	100
Malawi	2008/09	47	41	11	100
Mauritius	2007/08	70	24	6	100
Rwanda	2008	49	38	13	100
Senegal	2008	25	56	19	100
Sierra Leone	2008	24	31	44	100
South Africa	2008/09	33	62	5	100
Tanzania	2008/09	49	42	9	100
Uganda	2008/09	60	30	10	100
Zambia	2008	38	48	14	100

Source: IMF

<sup>83</sup> This figure does not include non-tax revenues.

**Table 16: Role of customs department in selected countries:**

Malawi

Department	Revenue Collection (in % of GDP)			
	2005/06	2006/07	2007/08	2008/09
Total Revenue	16.15	16.58	18.00	18.8
-Total customs revenue	6.46	6.69	7.59	7.50
-Total domestic tax revenue	9.70	9.88	10.41	11.30
-Other revenue	-	-	-	-

Source: IMF

Uganda

Department	Revenue Collection (in % of GDP)			
	2004/05	2005/06	2006/07	2007/08
Total Revenue	12.2	12.6	12.5	13.1
-Total customs revenue	5.50	5.90	5.90	6.40
-Total domestic tax revenue	6.00	6.10	6.00	6.20
-Other revenue	0.70	0.60	0.60	0.50

Source: IMF

Kenya

Department	Revenue Collection (in % of GDP)					
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08 <sup>84</sup>
Total Revenue	18.60	19.10	20.40	19.60	21.00	21.20
-Total customs revenue	9.30	9.20	9.30	7.30	8.30	8.00
-Total domestic tax revenue	9.20	9.70	10.90	12.10	12.60	13.10
-Other revenue	0.10	0.20	0.20	0.20	0.10	0.10

Source: IMF

<sup>84</sup> This figure includes agency revenue, that is, revenue collected by the revenue body on behalf of other public agencies.

## Domestic tax return filing, assessment, and payment systems

### *Key findings*

#### *Taxpayer registration*

- All revenue bodies, except SARS, assign taxpayers a tax identification number (8 to 13 characters) ostensibly across all tax types, including customs.
- Nine revenue bodies have numeric taxpayer identifiers while the other 5 have identifiers with both numeric and alphabetic characters.
- Seven revenue bodies reported they also assign taxpayers separate taxpayer identifiers for CIT and VAT.

#### *Return filing, tax assessment and payment systems for PIT*

- In most countries, tax laws obligate individuals earning income to assess their tax liability, prepare and submit a tax return, and pay PIT—a self assessment system.
- Majority of revenue bodies rely on the use of withholding systems (PAYE) to administer tax on individuals in formal employment.
- PIT filing and payment periods vary across revenue bodies.

#### *Return filing, tax assessment and payment systems for CIT*

- All revenue bodies reported they implement self-assessment systems for CIT and conduct risk-based audits.
- All revenue bodies' CIT systems are based on payment of provisional/installment tax mostly on a quarterly basis.
- Most of the surveyed revenue bodies require businesses to file their final CIT returns accompanied by audited accounts a few months after the end of their accounting period.

#### *Return filing, tax assessment and payment systems for VAT*

- All surveyed countries have implemented a VAT.
- They all have set a registration threshold that defines who is liable for VAT registration. However, they also have provisions for voluntary registration.
- A few, mostly Francophone, countries have 2 VAT thresholds, one for sale of goods and another for services.
- Three revenue bodies have designed simplified filing requirements for small VAT taxpayers.
- Five revenue bodies have implemented a VAT withholding system.
- Seven revenue bodies require selected taxpayers to submit a detailed schedule of purchases and/or invoices with their VAT returns.

- All surveyed revenue bodies have specified, in their administrative procedures, a time within which VAT refund claims should be settled.
- The VAT assessment period is 30 days in most countries except Mauritius and South Africa.

#### *Taxation of small and micro enterprises*

- All revenue bodies, except Botswana and Mauritius, have put in place a specialized taxation regime for small and micro enterprises.
- Six revenue bodies have also set up dedicated units responsible for administering these regimes.
- In most countries, incorporated businesses are excluded from the small business regime.
- In some (not all) countries, lower (harmonized with the threshold for PIT) and upper thresholds (VAT registration threshold) have been established for eligibility under the presumptive taxation regime.
- Five countries have established a one-stop-shop business registration office that also handles registration for tax purposes.
- All revenue bodies (except Botswana) require taxpayers in this segment to periodically file returns and pay taxes, but the filing requirements vary across countries and sub-categories of small and micro businesses (including the self-employed).
- Small and micro enterprises account for about 3% of total tax revenue.

#### *Use of modern electronic applications in tax administration*

- All revenue bodies (except Burundi) have a separate and substantive in-house IT function.
- Eight revenue bodies have and/or are developing an ITAS.
- The most common approach used for implementing an ITAS is purchasing either a commercial-off-the-shelf (COTS) solution or a tax solution developed for a third country and customizing it (using a combination of local and external resources) for local conditions.
- Only Tanzania developed an ITAS largely from scratch using both in-house and external resources.
- Majority of the revenue bodies are still dissatisfied with the performance of their IT systems.
- Most of the revenue bodies maintain their systems using in-house resources with occasional support from private vendors.
- Self-help services such as electronic registration, filing and payment are being implemented in a few countries.

## A. Taxpayer registration and design of taxpayer identifiers

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### *Introduction*

Taxpayer registration is the first point of contact and the initial level of the tax compliance process. Modern revenue administrations therefore strive to develop and maintain quality and up-to-date taxpayers' registers. Revenue bodies were asked to provide detailed information on their taxpayer registration systems.

### *Survey results (Table 17)*

- Most of the revenue bodies indicated that they assign taxpayers an identification number ostensibly across all tax types, including customs.
- The taxpayer identification number is comprised of between 8 (Malawi and Sierra Leone) to 13 characters (Zambia).
- The characters are either numeric (10 revenue bodies) or a combination of both numeric and alphabetic (5 revenue bodies).
- Seven revenue bodies reported they have additional identifiers for CIT and VAT.

### *Key observations*

To effectively manage taxpayer compliance across all tax types, modern revenue administrations typically implement taxpayer identification systems that combine both simplicity and uniqueness in design. Progress, therefore, has been made in this area, including in a few countries, implementation of one-stop-shop business registration offices<sup>85</sup> and automated registration and fingerprint identification systems.<sup>86</sup> Seven revenue bodies reported they have additional identifiers for CIT, PIT and VAT. Implementation of a common unique taxpayer identifier across all tax-types is generally regarded as good practice. Effective cross-matching of data using available systems and, where possible, investing in additional data warehouse and data-mining solutions, skills and capacities would also greatly contribute to strengthening the compliance management process.

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<sup>85</sup> Mauritius, Sierra Leone and South Africa indicated they have set up one-stop-shop registration offices.

<sup>86</sup> However, IMF experience shows that the quality and integrity of the taxpayer registration roll is questionable in most countries. The use of the common identify to manage taxpayer compliance has also remained grossly undeveloped and under-utilized. For example, it has been demonstrated in some countries that a number of large importers are not registered for either income tax or VAT.

## B. Filing, assessment and payment obligations

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### *Introduction*

Effective domestic tax administration is important not only to collect revenue but also promote government social objectives, such as, in the case of PIT, equity and welfare goals. In this section, PIT, CIT, and VAT systems in the surveyed countries are reviewed to identify common features. Tables 18, 19 and 20 summarize information compiled on the registration, filing, and payment systems.

### *Survey results*

#### PIT

- In most countries, individuals earning an income are obligated to assess tax liability, file a return, and pay tax—self-assessment system.
- However, this requirement is not strictly applied in many countries and majority of countries rely heavily on the use of withholding systems (PAYE) to administer individuals in formal employment (who are normally expected to file a tax return).
- Payment periods for PIT vary considerably, with some revenue bodies requiring payments to be made on a provisional basis. Seven countries (Kenya, Ghana, Malawi, Rwanda, Sierra Leone, Tanzania, and Uganda) reported requiring individuals to file their PIT returns and make payment of tax on a quarterly basis.<sup>87</sup> Six other revenue bodies require returns to be filed and payment made on a monthly basis while the remaining 2 have systems based on intervals of 3 months.

#### CIT

- All countries have a clear definition of who is liable for CIT—corporate bodies and a registration threshold are set in a few countries.
- The majority of surveyed revenue bodies reported they administer CIT on the basis of self-assessment principles.
- However, a sizeable number of the revenue bodies indicated they rely on outmoded administrative assessment procedures to administer CIT.<sup>88</sup>
- A number of revenue bodies indicated they conduct risk-based tax audits.
- All revenue bodies' CIT systems are based on payment of provisional tax, mostly on a quarterly basis (except South Africa – bi-annual). Provisional tax is determined largely on the basis of past year profit/turnover/tax and/or business projections. Punitive penalties are applied on taxpayers that grossly understate their provisional taxes.
- Majority of the revenue bodies require businesses to file their final CIT returns with audited accounts a few months after the end of their accounting year.<sup>89</sup>

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<sup>87</sup> In Kenya, owners of vehicles in transport business are expected to pay predetermined fixed amounts (i.e. advance tax) and file a return at the end of the year. This is meant to encourage compliance in this difficult sector. Filing compliance results indicate the system has had little success.

<sup>88</sup> Six revenue bodies surveyed conduct administrative assessments.

## VAT

- All the surveyed countries have implemented a VAT.<sup>90</sup>
- A VAT registration threshold is set to define who is liable to tax. The VAT registration threshold varies across countries—ranging from a low of US\$ 9,453 in Ghana to a high of US\$ 80,000 in Burundi.
- The VAT system also has provisions for voluntary registration—those who do not meet the mandatory registration threshold but who meet the administrative requirements for voluntary registration.<sup>91</sup>
- Three countries (Benin, Sierra Leone and Senegal) have 2 thresholds for VAT registration (covering sale of goods and services).
- The VAT system in 2 countries (Ghana and Kenya) comprises of multiple tax rates.
- Three revenue bodies (Ghana, Senegal and South Africa) have designed simplified VAT filing requirements for small enterprises.
- Six countries (Benin, Mauritius, Senegal, South Africa, Uganda and Zambia) have put in place specific VAT filing requirements for selected taxpayers to enhance filing and payment compliance and/or to expedite payment of VAT refunds.
- Five countries (Benin, Ethiopia, Kenya, Senegal and Zambia) have implemented a VAT withholding system (a taxpayer is assigned to withhold VAT payable to a supplier and remit it to the revenue body).<sup>92</sup>
- In addition, 7 revenue bodies require selected taxpayers to submit a detailed schedule of purchases and/or invoices with their VAT return. These administrative arrangements are intended to assist in the verification of VAT returns.
- All revenue bodies have set an administrative or legal timeframe within which VAT refund claims should be settled<sup>93</sup>
- The VAT assessment period is 30 days in most countries.<sup>94</sup> Taxpayers are required to submit returns and payments within an average of 21 days in the survey countries.

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<sup>89</sup> In Rwanda, this requirement is subject to taxpayers falling above a set turnover threshold. In South Africa, taxpayers are required by law to avail accounts to SARS on request.

<sup>90</sup> VAT is a relatively new tax, having been introduced in most SSA countries in the 1990s to replace more narrowly based and often cascading sales taxes in a bid to improve revenue collection (VAT is generally considered to be a broad based tax).

<sup>91</sup> Criteria for qualifying for voluntary VAT registration are not the same across revenue bodies although the general guiding principles are the same.

<sup>92</sup> In Zambia, this arrangement involves mining companies.

<sup>93</sup> Some revenue bodies have segmented their taxpayers on the basis of compliance risk for purpose of quickening the processing of VAT refunds, with refunds for low risk taxpayers fast-tracked and focus put on verifying unknown and high risk taxpayers. For example, Zambia and Tanzania categorize their taxpayer into 3 broad groups based on compliance levels—gold (low risk), silver and bronze (high risk). Fast-tracked VAT refunds are paid within 10, 20 and 30 days in Mauritius, Uganda and Zambia respectively. Despite these reforms, most revenue bodies are believed to consistently fail to meet set targets, thus affecting businesses' cash-flow

### *Key observations*

In most countries, PIT and CIT systems are administered on the basis of self-assessment principles.<sup>95</sup> VAT has also been implemented in all countries as a self-assessed tax. Self-assessment obligates taxpayers to assess tax liability, file returns, and pay taxes.

The revenue body, on the other hand, is required to:

- (1) assist the taxpayer to voluntarily comply by providing timely and quality service and education; and
- (2) quickly identify and punish non-compliance.

Modern tax administrations have embraced self-assessment systems over the last twenty years as a way to:

- (1) efficiently utilize scarce resources;
- (2) provide for early collection of revenues;
- (3) differentiate in treatment of compliant and non-compliant taxpayers;
- (4) target enforcement activity only on those taxpayers who are not compliant; and
- (5) reduce disputation.

Conditions necessary for an effective self-assessment system are recognized as development of:

- (1) simple legislative framework, including the enactment of a tax procedures code (TPC);
- (2) visible taxpayer service, assistance and education programs;
- (3) effective filing and payment<sup>96</sup> enforcement programs;
- (4) comprehensive audit programs based on risk-management principles;<sup>97</sup> and
- (5) effective debt management strategies.

Revenue bodies, with technical support from various development partners, are constantly refining their systems to address these key issues.

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<sup>94</sup> Thirty and 60 days for large, and medium and small taxpayers respectively in South Africa and Mauritius.

<sup>95</sup> A number of revenue bodies also indicated they rely on administrative assessment systems which are generally believed to be ineffective.

<sup>96</sup> Preferably through the banks.

<sup>97</sup> Majority of the revenue bodies indicated they implement risk-based audit programs. However, experience indicates that audit selection in most revenue bodies is done based on local knowledge and third party information—credible and automated risk assessment systems have not been developed in most countries (except South Africa).

## C. Taxation of small and micro-business

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### *Introduction*

This section reviews taxation regimes and administrative arrangements in place in the surveyed countries to enforce compliance with tax laws across small and micro taxpayers.

### *Survey results (Tables 21 and 22)*

- All revenue bodies, except Botswana and Mauritius, have implemented a specialized presumptive taxation regime for small and micro enterprises.
- Six revenue bodies (Benin, Burundi, Kenya, Sierra Leone, Senegal and Zambia) have also set up dedicated units responsible for administering the presumptive regime.
- In most countries, incorporated businesses are excluded from the presumptive regime<sup>98</sup> as these are assumed to have the capacity to prepare and maintain financial records, a requirement of the national business registration office.
- Defined services (such as professional services) are also excluded from the presumptive regime in some countries.
- In some countries lower<sup>99</sup> and upper thresholds<sup>100</sup> have been established for eligibility under the presumptive regime.
- Five countries (Benin, Mauritius, Sierra Leone, Senegal and South Africa) have established a one-stop-business registration process/office that also handles registration for tax purposes.
- All revenue bodies (except Botswana) require taxpayers in this segment to periodically file returns and pay taxes, but the filing requirements vary across countries and sub-categories of small and micro businesses (including the self-employed).<sup>101</sup>
- Information on number of taxpayers and revenue collection by taxpayer segment was scanty and not readily available in most revenue bodies surveyed. However, available information indicates that taxation regimes for small and micro business and self-employed individuals account for about 3% of total revenue collections (Benin - 3.5%, Tanzania - 2.5%, and Zambia - 3%).

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<sup>98</sup> Only South Africa, Rwanda and Zambia have presumptive regimes that are also available to incorporated businesses that meet the criteria for registration under the presumptive regime.

<sup>99</sup> Harmonized with the grossed up threshold for PIT.

<sup>100</sup> Commonly the VAT registration threshold.

<sup>101</sup> For instance, taxpayers in this segment in Ethiopia, Rwanda and Sierra Leone file returns and pay presumptive taxes annually, while taxpayers in the rest of the countries (except Zambia) file their returns quarterly. In Zambia, those on turnover tax file and pay their taxes monthly, while those on presumptive tax for public transporters and taxis purchase daily tickets from appointed agents at bus stations and taxi ranks. Most revenue administrations apply a single fixed rate of between 1 and 4% on gross turnover to determine the tax liability. South Africa and Tanzania have multiple rates.

### ***Key observations***

Small and micro enterprises are generally many in number, usually do not maintain accounting records, often are illiterate, and contribute little to revenue. Modern revenue administrations realize they will not achieve overall compliance improvements unless they reign in this hard-to-tax segment. Improving effectiveness of the taxation regime for small and micro enterprises will broaden the tax base, improve the fairness in the tax system and enhance overall voluntary compliance. Survey results indicate that preliminary work is being done to implement special taxation regimes for small and micro enterprises. Most of the special regimes are presumptive, turnover-based systems and they exclude incorporated businesses and defined services.<sup>102</sup>

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<sup>102</sup> A review of a number of taxation regimes for small and micro taxpayers in SSA countries reveals that they generally do not meet two critical objectives in the design of a presumptive regime, that is: (1) equivalence with normal regime; and (2) transition across regimes (Masters, forthcoming). Because these objectives are critical in the design of a presumptive regime, achievement of intent is questionable. The paper makes a number of recommendations for addressing these critical design issues.

## D. Use of modern electronic applications in tax administration

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### *Introduction*

The use of modern electronic applications in tax administration in the surveyed revenue bodies is reviewed in this section. Revenue bodies were asked to:

- (1) indicate whether they have a separate substantial in-house IT function;
- (2) the approaches they used to develop and acquire IT systems for tax administration;
- (3) the performance of their current IT systems; and
- (4) indicate whether they use modern electronic applications such as electronic registration, electronic filing and electronic payment.

### *Survey findings (Tables 23 and 24)*

- All revenue bodies (except Burundi) have a separate and substantive in-house IT function.
- Eight revenue bodies have or are developing an ITAS.
- The most common approach used for implementing ITAS is acquiring either a COTS solution or a tax solution developed for a third country and customizing the same for local conditions using a combination of local and external resources. Only Tanzania developed an ITAS largely from scratch using in-house and external resources.
- Majority of the revenue bodies are still dissatisfied with performance of their respective IT systems.
- Most of the revenue bodies maintain their systems using in-house resources supported, occasionally by the vendor/external consultants.
- Six revenue bodies offer options for electronic registration of taxpayers: 5 (Ethiopia, Kenya, Mauritius, Senegal and South Africa) have partially implemented automated tax return filing systems; only 3 revenue bodies offer electronic payment systems for payment of tax and settling VAT refund claims; and only South Africa allows provides internet banking services.

### *Key observations*

A start has been made in implementing modern IT systems (such as ITAS) and electronic self-help services (such as electronic registration, filing and payment are slowly being implemented in a few countries). Revenue bodies are also striving to enhance:

- (1) utilization of the full potential of available IT systems; and
- (2) increasing the array and reliability of electronic self-help service/options.

As already mention, further developments in this areas will, in most countries, require significant scaling up of the proportion of funding dedicated to the IT function.

**Table 17: Basic features of the taxpayer identification number**

Country	Unique single taxpayer identifier	Number of digits	All numeric	All alphabetic	Combination of both	A separate identifier	If yes			Separate unique identifiers		
							all numeric	all alphabetic	combination of both	CIT	PIT	VAT
Benin	✓	13	✓			×				×	×	×
Botswana	✓	n.a.			✓	×				×	×	×
Burundi	✓	10			✓	×				×	×	×
Ethiopia	✓	10	✓			✓	✓			×	×	✓
Ghana	✓	10			✓	✓			✓	✓	✓	✓
Kenya	✓	11			✓	✓			✓	✓	✓	✓
Malawi	✓	8	✓			×				×	×	×
Mauritius	✓	8	✓			✓	✓			✓	✓	✓
Rwanda	✓	9	✓			×				×	×	×
Sierra Leone	✓	8	✓			×				×	×	×
Senegal	✓	10			✓	×				×	×	×
South Africa	×	n.a.								n.a.	n.a.	n.a.
Tanzania	✓	9	✓			✓	✓			×	×	✓
Uganda	✓	10	✓			✓	✓			✓	×	✓
Zambia	✓	13	✓			✓				×	×	×

**Table 18: PIT filing, assessment and payment obligations (amounts in local currencies)**

Country	Require advance or provisional PIT	Who is liable	When payable	Frequency of payments	Standard computation of payments	Final annual PIT due date
Benin	×	Any person earning an income	Monthly	Monthly	Income tax table	n.a.
Botswana	✓	All employees earning employment income more than P30,000 per tax year	15th day following end of deduction month	Monthly	Income tax table	15th of the month following the end of the tax year.
Burundi	×	Any person earning an income	Monthly	Monthly	Income tax table	n.a.
Ethiopia	✓	Any person earning an income more than Birr 1,800 per year	Monthly, if Withheld, 15th day following payment effect, if it is business transaction and annually	Monthly	Income tax graduated table	4 months after the FY
Ghana	✓	Any person earning business income	Quarterly	Quarterly	Based on a percentage of previous year's income	30th April
Kenya	✓	Any person earning an income over and above that covered by PAYE	On or before the 20th day of the 4th, 6th, 9th, and 12th months	Quarterly	Based on past performance or projected income	On or before June 30th of the following year
Malawi	✓	Any person earning income	30th day of the following month following the end of a taxpayers' accounting quarter	Quarterly	Based on 90% of projected income	Within 180 days after the end of the accounting year
Mauritius	✓	Any self employed person	Three times during a 12 month period	Within 3 months from the end of the quarter	Based on past performance uplifted by 10% or current projections	With the income tax return for the full year

Country	Require advance or provisional PIT	Who is liable	When payable	Frequency of payments	Standard computation of payments	Final annual PIT due date
Rwanda	✓	Any person earning income	Quarterly	End September, end December, end March, and the following year end June	Based on last year's performance	End June of the following year But effective 2010 - end of March the following year
Sierra Leone	✓	A sole proprietor or partnership	Quarterly	Quarterly but not later than 15th of the end quarter month	Based on estimates for current year	Not later than 15th January for the previous year
Senegal	×	Any person earning an income	Monthly	Monthly	Income tax table	n.a.
South Africa	✓	Individuals with income other than remuneration and individuals operating businesses in their own names	August 1st, February 2nd, September	6 months after start of tax year, end of the tax year and 7 months after the end of tax year for final payment	Based on estimate by taxpayer but limited to last issued assessment	6 weeks to settle final liability after assessment
Tanzania	✓	Any person with income not taxed at source	End of each quarter	31st March, June 30th, September 30th, Dec 31st	Estimates based on previous quarter performance	3 months after the end of each tax year
Uganda	✓	Individuals outside withholding tax regimes and all individuals who earn rental income	Quarterly	30th September, 31st December, 31st March, 30th June	Based on past performance or projected income	45 days from the date of service of the notice of tax assessment
Zambia	×	All persons earning business income	Monthly, 15 days after end of the month	Monthly	Self-assessment	30th March

Country	How is the final annual PIT computed	Employees filing obligation in general	Self assessed/assessed
Benin	Based on reconciliation of advance payments	Employers	Assessed
Botswana	Computed by revenue officers through assessment	Employers	Assessed
Burundi	Based on reconciliation of advance payments	Employers	Assessed
Ethiopia	Based on reconciliation of advance payments	Employers	Self-assessed
Ghana	Application of a graduated rate to all income	Employers. employees only file a return when they want to claim reliefs relating to insurance, aged dependants and professional training	Assessed
Kenya	Using graduated scale with any amount over Kshs 38,893 taxed at 30%.personal income of Kshs 10,164 is not liable to PIT	Employers and Employees	Self-assessed
Malawi	Based on financial statements	Employers; employees file voluntarily	Assessed
Mauritius	By computing the tax liability for the full year and deducting advance payments made during the year	Employees	Self-assessed
Rwanda	By corresponding rates i.e. 0%, 20% and 30%	Normally done by employers except when local staff work with international agencies that are not subject to pay tax	Self-assessed
Sierra Leone	Difference between final tax and provisional payment	Employers	Self assessed and later audited
Senegal	n.a.	Employers	Assessed
South Africa	Taxable income is calculated as gross income less exempt income less deductions less assessed losses brought forward plus taxable capital gains.	Employees	Assessed
Tanzania	Based on marginal tax rates having determined chargeable income	Withholding tax on employment income is final	Self-assessed
Uganda	Based on marginal tax rates having determined chargeable income	Employers	Self-assessed
Zambia	Based on reconciliation of advance payments	Employers	Self-assessed

**Table 19: CIT filing, assessment and payment obligations**

Country	Who is liable	Require advance /provisional CIT	Due dates for filing CIT returns and payment
Benin	All businesses	✓	By April 30
Botswana	Companies or corporations	✓	4 months from the company's financial end year; tax paid each quarter
Burundi	n.a.	n.a.	n.a.
Ethiopia	All companies with legal status	×	Within 4 months after the end of the fiscal year
Ghana	All businesses with the exception of partnerships and individuals	✓	Return filed at the end of taxpayer's accounting date; tax paid each quarter
Kenya	Corporate bodies i.e. limited companies, trusts and co-operatives	✓	Tax is paid in installments on quarterly basis by 20th of 4th, 6th, 9th and 12th month in a trading period. Balance of tax is paid 4 months after end of trading period. Returns filing is done 6 months after end of trading (accounting) period.
Malawi	Businesses with turnover of 6 million kwacha per year	✓	Return filed within 4 months after the end of taxpayer's accounting date; tax paid each quarter
Mauritius	All businesses	✓	Within 3 months after the end of every quarter of the company
Rwanda	All corporate companies except those exempted by the law	✓	Quarterly – End-September, End-December, End-March and End-June - Balance paid within 4 months
Sierra Leone	A registered incorporated business during the year of assessment with chargeable business income	✓	Not later than the end of the quarter one of the year of assessment
Senegal	n.a.	n.a.	n.a.
South Africa	Businesses registered as a close corporation or company it is liable for CIT	✓	6 months after start of tax year, again at the end of the tax year and 6 months after the end of the tax year a top up payment to avoid interest and final payment after assessment.
Tanzania	Any company or body corporate	✓	Quarterly - March 31st, June 30th, September 30th, & December 31st - Balance paid within 4 months
Uganda	All body corporate except those specifically exempted	✓	On or before 6 months following the beginning of the accounting period
Zambia	All businesses with a turnover above K200 million	✓	Quarterly - 30th June, 30th September, 31st December and 30th March. Balance paid within 4 months

**Table 20: VAT filing, assessment and payment obligations**

Country	VAT registration threshold over a 12 month period (USD) <sup>103</sup>	Legal provision for time limit of VAT payment returns	Legal provision for time limit of settlement of VAT refunds	Standard assessment period for taxpayers on VAT	Return and payment due after VAT assessment	Administrative arrangement for securing funds for refund	Voluntary VAT registration scheme
Benin	Trading activities – 79,890 Other activities – 29,959	✓	30 days	30 days	immediately	✓	✓
Botswana	34,014	✓	60 days and 30 days	n.a.	n.a.	n.a.	✓
Burundi	80,000	✓	30 days	30 days	immediately	✓	✓
Ethiopia	47,985	✓	60 days	30 days	immediately	✓	✓
Ghana	9,453 <sup>104</sup>	✓	30 days	30 days	30 days	✓	✓
Kenya	62,775 <sup>105</sup>	✓	None	30 days	21 days	Treasury sets a monthly limit to be set aside for refunds	✓
Malawi	42,673	✓	30 days	30 days	25 days	n.a.	✓
Mauritius	68,291 <sup>106</sup>	✓	45 days	Large taxpayers – 30 days Small and Medium taxpayers - 90days	20 days for non-electronic returns, 30 days for others	×	✓
Rwanda	26,120	✓	30 days	30 days	0 days	✓	✓

<sup>103</sup> Source: IMF (March 2010).

<sup>104</sup> The registration threshold only applies to the supply of goods. In the case of businesses supplying services, there is no registration threshold.

<sup>105</sup> Dealers in jewellery, pre-recorded music cassettes, timber, motor vehicle parts and accessories, and suppliers of more than 4 motor vehicles in a year are also required to register irrespective of turnover.

<sup>106</sup> Certain businesses and professions are not subject to registration threshold such as domestic banks, insurance agents, management companies, lawyers, accountants, consultants.

Country	VAT registration threshold over a 12 month period (USD) <sup>107</sup>	Legal provision for time limit of VAT payment returns	Legal provision for time limit of settlement of VAT refunds	Standard assessment period for taxpayers on VAT	Return and payment due after VAT assessment	Administrative arrangement for securing funds for refund	Voluntary VAT registration scheme
Sierra Leone	Restaurants – 12,500 Other businesses – 50,000	✓	60 days	30 days	30 days	✓5% of all revenue collected is placed on a refund account	✓
Senegal	Services - 50,000 Sales - 100,000	✓	✓	30 days	30 days	immediately	✓
South Africa	31,306	✓	21 days	60 days	25th day of the following month if manual submission is filed the last day of the following month	✓	✓ minimum turnover of US\$ 2,783 (certain exceptions apply)
Tanzania	30,180	✓	30 days	30 days	30 days	×	✓
Uganda	26,251 <sup>108</sup>	✓	✓	30 days	15 days	×	✓
Zambia	38,596	✓	✓	30 days	21 days	✓	✓

<sup>107</sup> Source: IMF (March 2010).

<sup>108</sup> Professionals (including lawyers, architects, accountants, auditors, etc) are not subject to registration threshold limits.

**Table 21: Taxation of small and micro-business**

Country	Presumptive regime	Organizational unit for administering presumptive taxes	Tax regime available to incorporated businesses	Business registration before tax registration	Subcontract third parties	One stop shop registration office	If yes, which agency manages the shop
Benin	✓	✓	×	✓	×	×	
Botswana	×	×	×	✓	×	×	
Burundi	✓	✓	×	✓	×	×	
Ethiopia	✓	×		×	✓	×	
Ghana	✓	×	×	√	×	×	
Kenya	✓	✓	×	×	×	×	
Malawi	✓	×	×	√	×	×	
Mauritius	×	×	×	√	×	✓	
Rwanda	✓	×	✓	×	×	×	
Sierra Leone	✓	✓	×	×	×	✓	Office of the Administrator and Registrar General
Senegal	✓	✓	×	✓	×	×	
South Africa	✓	×	✓	✓	×	✓	
Tanzania	✓	×	×	✓	×	×	
Uganda	✓	×	×		×	×	
Zambia	✓	✓	✓	✓	✓	×	

**Table 22: Details of presumptive taxation regimes**

Country	Basis used to determine tax	Tax rate (%)	Eligibility <sup>109</sup>	Exclusion from presumptive regime	Frequency of filing and paying taxes	Taxes replaced by presumptive tax regime	Can opt into real regime
Benin	Rental value	12	Businesses with turnover below the VAT threshold.	Incorporate businesses and defined services	Bi-annual	All previous national and local taxes (including the forfait, <sup>110</sup> payroll taxes, patent, and license)	✓
Botswana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Burundi	Turnover	Schedule of fixed rates	Businesses with turnover below US\$ 30,000	Incorporated businesses	Annual	Turnover tax and income tax	✓
Ethiopia <sup>111</sup>	Turnover & industry	Presumptive TOT – 2% for sales & 10% for services. Presumptive income tax – Schedule of fixed rates depending on turnover and (VAT 15% flat rate) for both goods and services (single rate)	Taxpayers with turnover falling below the US\$ 10,500	Incorporated businesses	Every 30 days after calendar month for VAT, and Every quarter for medium taxpayer for TOT, and Once in a year for Presumptive taxpayers TOT& profit tax	no	n.a.
Ghana <sup>112</sup>	Turnover	Fixed rate (VAT flat rate scheme)	Retailers with turnover below GHS 10,000	All non-retails businesses	Monthly	VAT	✓
Kenya	Turnover	3	Businesses with turnover falling below the VAT threshold. Lower limit set at PAYE threshold grossed up for profit margin.	Incorporated businesses and defined services	Quarterly	Income tax and VAT	✓

<sup>109</sup> In Ethiopia and Tanzania, the turnover threshold is lower than the VAT threshold.

<sup>110</sup> A system based on simplified tax returns containing a small number of basic accounting data.

<sup>111</sup> The presumptive taxes are collected by local governments.

<sup>112</sup> A stamp duty also applies to micro-sized unincorporated enterprises that are required to purchase and display a tax stamp every quarter.

Country	Basis used to determine tax	Tax rate (%)	Eligibility <sup>113</sup>	Exclusion from presumptive regime	Frequency of filing and paying taxes	Taxes replaced by presumptive tax regime	Can opt into real regime
Malawi	Turnover	3	Businesses with turnover below the VAT threshold.	Incorporate businesses	Monthly	Income tax and VAT	✓
Mauritius	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rwanda	Turnover	4	Businesses with turnover below the VAT threshold.	None	Quarterly	Income tax and VAT	✓
Sierra Leone	54 categories defined	Schedule of fixed rates depending on category	n.a.	n.a.	n.a.	n.a.	n.a.
Senegal	Turnover	Schedule of fixed rates	Businesses with turnover below the VAT threshold.	Defined services and incorporated businesses	Annual	Income tax and VAT	✓
South Africa	Turnover	Special table applies, graduated rates	Businesses with turnover below the VAT threshold.	Defined services	Bi-annual	Income tax and VAT	✓
Tanzania	Turnover	4 band table - Businesses that: Keep records - 1.1, 1.3, 2.5 and 3.3; Do not keep records - fixed graduated rates	Businesses with turnover below US\$ 14,000	None	Quarterly	Income tax and stamp duty	✓ (VAT)
Uganda	Turnover	5 bands, graduated rates, mix of ad valorem and fixed rates	Businesses with turnover below the VAT threshold	Defined services	Quarterly	Income tax and VAT	✓
Zambia	Turnover	3 and special regime for transport sector	Businesses with turnover below the VAT threshold	None	Monthly (transport sector - daily)	yes	✓

*Source: IMF & Bodin and Koukpaizan (2008)*

<sup>113</sup> In Ethiopia and Tanzania, the turnover threshold is lower than the VAT threshold.

**Table 23: Use of electronic application in tax administration**

Country	IT resources		How was the tax system acquired?			How is tax system maintained?			Other
	Revenue body has a separate substantial in-house IT function	Revenue body has/is implementing an integrated tax administration system (ITAS)	In-house development	Specifically developed by a private company	off-shelf and customized to your own unique requirements	In-house IT dept	Out-sourced to a private company	Out-sourced to the system developer	
Benin		✓		✓			✓	✓	
Botswana	✓	×	✓			✓			
Burundi	×	×		✓					✓
Ethiopia	✓	✓	✓	✓	✓	✓		✓	
Ghana	✓	✓		✓					
Kenya	✓	✓	✓		✓	✓		✓	
Malawi	✓	×							
Mauritius	✓	✓				✓			
Rwanda	✓	✓			✓	✓		✓	
Sierra Leone	✓								
Senegal	×	✓		✓			✓		
South Africa	✓	✓	✓	✓	✓	✓	✓	✓	
Tanzania	✓	✓	✓	✓		✓	✓		
Uganda	✓	✓	✓		✓	✓	✓		
Zambia	✓	✓	×	✓		✓	✓		

Use of electronic application in tax administration *(continued)*

Country	Satisfied with current tax administration system (scale of 1-3; 3 means fully satisfied)	Fully automated services				
		Electronic taxpayer registrations	Electronic filing	Electronic payment of taxes	Electronic payment of tax refunds	Use of internet banking for payment of taxes
Benin	2	×	×	×	×	×
Botswana	2	×	×	×	√	×
Burundi	1	✓	×	×	×	×
Ethiopia	2	✓	×	×	×	×
Ghana	1	✓	×	✓	×	×
Kenya	3	✓	√(selected taxes)	✓	×	×
Malawi	1	×	×	×	×	×
Mauritius	1	✓	✓	✓	×	✓
Rwanda	2	×	×	×	×	×
Sierra Leone	1	×	×	×	×	×
Senegal	2	✓	✓	×	×	×
South Africa	2	✓(selected taxes)	✓(selected taxes)	✓	✓	✓
Tanzania	2	✓	✓(being piloted for selected taxes)	×	×	×
Uganda	1	✓	✓(selected taxes)	×	×	×
Zambia	1	×	×	✓	✓	×

**Table 24: Tax payment systems and methods**

Country	By cheque	In person		Phone banking	Internet banking	Direct debit payment	Payment kiosk facility	Use of credit cards
		At agency (e.g. bank)	At tax office					
Benin	✓	×	✓	×	×	×	×	×
Botswana	×	✓	×	×	✓	×	×	×
Burundi	×	✓	✓	×	×	✓	×	×
Ethiopia	✓	✓	✓	×	×	✓	×	×
Ghana	✓	✓	✓	×	×	✓	×	×
Kenya	✓	✓	✓	×	✓	✓	×	×
Malawi	✓	×	✓	×	×	×	×	×
Mauritius	✓	×	✓	×	✓	×	×	✓
Rwanda	✓	✓	×	×	×	×	×	×
Sierra Leone	×	✓	✓	×	×	✓	×	×
Senegal	✓	×	✓	×	×	×	×	×
South Africa	✓	✓	✓	✓	✓	✓	×	✓
Tanzania	×	✓	✓	×	×	✓	×	×
Uganda	×	✓	✓	×	×	×	×	×
Zambia	×	✓	✓	✓	✓	×	×	×

## Legal and administrative powers of revenue bodies

### *Key findings*

#### General powers of revenue bodies for debt collection

- All the surveyed countries have sufficient (albeit rarely utilized) powers to enforce payment of tax, including the powers to:
  - (1) engage taxpayers and agree on a reasonable payment schedule;
  - (2) use tax clearance certificates as a means to bar debtors from undertaking business activities with government agencies;
  - (3) place a lien over debtors' assets;
  - (4) collect the debt from third parties that do business with the debtor; and
  - (5) seize debtors' assets.
- About half of the revenue bodies surveyed have powers to publish the names of debtors, initiate bankruptcy and/or asset liquidation procedures to recover tax arrears, and restrict defaulting taxpayers from traveling overseas (especially non-resident debtors).
- Four revenue bodies have the powers to deny debtors access to certain government services.

#### Information Gathering Powers of Revenue Bodies

- The extent of powers available to revenue officials to enter and search business premises and taxpayers' dwellings without a court warrant vary across countries—only half of surveyed revenue bodies reported having such powers. The other half have to apply for a search warrant from the courts or other relevant government departments.
- In a few countries, revenue officials must be accompanied by a designated independent official (such as a police official) when conducting a search.
- All revenue bodies surveyed have sufficient powers to obtain information from the taxpayer and third parties for the purpose of executing tax administration functions.
- A number of revenue bodies have designed procedures to receive, process, and disseminate this information.
- In addition, 9 countries reported they have powers to provide incentives/rewards to informers to encourage provision of credible tax information.

#### Interest and penalty regimes

- Almost all revenue bodies impose either, or a combination of interest charges and administrative penalties on non-filers, late filing, late payment of taxes, and incorrect declaration of tax liabilities across PIT, CIT and VAT, designed to include a combination of both fixed amounts and ad valorem rates.
- Interest and penalty regimes differ for the same offence across tax-type and specifically for CIT and PIT on one hand and those for VAT on the other.

## A. Enforcement powers of revenue bodies

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### *Introduction*

There is anecdotal evidence that tax arrears are a growing problem in most SSA countries. Yet, more often than not, revenue bodies seem helpless in dealing with this problem. The survey sought to review powers available to revenue authority to enforce payment of tax, gather information and impose penalties and interest.

### *Survey results*

#### *Debt management (Table 25)*

- All the surveyed revenue bodies indicated they have sufficient powers to enforce payment of tax, including the powers to:
  - (1) engage the taxpayers and agree on a reasonable payment schedule;
  - (2) use tax clearance certificates to bar debtors from undertaking business activities with government agencies;
  - (3) place a lien over debtors' assets;
  - (4) collect the debt from third parties that are doing business with the debtor; and
  - (5) seize debtors' assets.
- About half of the revenue bodies surveyed have powers to publish names of tax defaulters, initiate bankruptcy and/or asset liquidation proceedings to recover tax arrears, and restrict defaulting taxpayers from traveling overseas (especially non-resident debtors).
- Four revenue bodies have the powers to deny debtors access to certain government services.

#### *Information gathering (Tables 26 and 27)*

- The extent of powers given to revenue officials to enter and search business premise and taxpayer's dwellings without a court warrant varies across countries—only half of surveyed revenue bodies reported having such powers. The other half have to apply for a search warrant from the courts or other relevant government departments.
- In a few countries, revenue officials must be accompanied by a designated independent official (such as a police official) when conducting a search. These restrictions are meant to ensure taxpayers' rights and privacy is safeguarded in the course of conducting tax investigations at taxpayers' premises and dwellings.
- All revenue bodies surveyed have sufficient powers to obtain information from the taxpayer and third parties for the purpose of executing tax administration

functions. These powers are also common in a majority of revenue bodies in developed countries and countries in transitions (OECD, 2009).<sup>114</sup>

- Third party information from informers can be useful in tax administration and some revenue bodies have designed procedures to receive, process and disseminate this information. In addition, 9 countries reported they have powers to provide incentives/rewards to informers to encourage provision of credible tax information.

#### ***Penalties and interest (Tables 28, 29 and 30)***

- Almost all revenue bodies impose both interest charges and administrative penalties on non-filers, late filing, late payment of taxes, and incorrect declaration of tax liabilities across PIT, CIT and VAT.
- The design of administrative penalties is based on a combination of both fixed and ad valorem rates in some countries.
- Interest and penalty regimes differ for the same offence across tax-type and specifically for CIT and PIT on one hand and VAT on the other.<sup>115</sup>

#### ***Key observations***

Effective utilization of enforcement powers available to revenue bodies can go a long way in addressing the revenue arrears and evasion challenges they face. The survey indicates that all countries have sufficient powers to enter a business premises and/or taxpayers dwelling, seize documents, gather information from third parties such as financial institutions, and generally enforce payment of tax. The survey also indicates that all countries have penalty regimes that prescribe sanctions that apply to non-compliant taxpayers.<sup>116</sup> However, interest and penalties are not uniformly applied across taxes.<sup>117</sup>

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<sup>114</sup> However, in Zambia, the recent Banking and Financial Services Act restricts Zambia Revenue Authority's access to third party information from commercial banks and other financial institutions. Tax officials have to obtain high level court warrants to access such third party information and this is usually granted in serious investigations of tax fraud and other criminal transactions. It is important that third party information from commercial banks is easily accessible for tax officials to enable them to enforce tax laws effectively.

<sup>115</sup> In Zambia for instance, penalties are more punitive under the VAT than PIT and CIT. Consequently, the penalty regime is currently being reviewed and harmonized as part of the on-going modernization.

<sup>116</sup> Overall, the fundamental features of an effective penalty regime are that they should be sufficiently punitive to deter non-compliance and uniform for similar offences across all taxes. The penalty regime should also be perceived to be fair and commensurate with the tax offence. In addition, the penalty regime should be progressive, providing for higher penalties for gross omissions and repeat offenders. These issues were not fully accessed due to the poor nature of available data.

<sup>117</sup> This is typically addressed by undertaking a comprehensive review of interest and penalty regimes, preferably as part of a larger harmonization of administrative procedures exercise—enactment of a TPC.

**Table 25: General powers of revenue bodies**

Country	Grant further time to pay	Make payment arrang.	Collect from third parties	Restrict overseas travel by debtor	Arrange seizure of debtors' assets	Close business or cancel license	Offset debits on tax credits	Obtain lien over assets	Withhold gov. payments to debtor	Tax clearance for gov. contracts	Deny access to certain gov. services	Impose tax debts on company directors	Publish names of debtors	Initiate bankruptcy and/or asset liquidation
Benin	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Botswana	✓	✓	✓	✓	✓	✓	✓		×	✓	×	✓	×	×
Burundi	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	×	×	×	×
Ethiopia	✓	✓	✓	×	✓	×	✓		✓	✓	✓	✓	✓	✓
Ghana	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	×	×
Kenya	×	✓	✓	×	✓	×	✓	✓	×	✓	×	✓	×	✓
Malawi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Mauritius	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓
Rwanda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sierra Leone	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Senegal	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	×	✓	✓	×
South Africa	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	×	✓	✓	✓
Tanzania	✓	✓	✓	×	✓	✓	✓	✓	✓	×	×	×	✓	×
Uganda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓
Zambia	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	×	×	×	×

**Table 26: Information gathering powers of revenue bodies**

Country	Do powers to obtain all relevant information exist	Does the power extend to third parties	Taxpayers are required to produce all records on request	Tax officials have powers to obtain information from their government departments
Benin	✓	✓	✓	✓
Botswana	✓	✓	✓	✓
Burundi	✓	✓	✓	✓
Ethiopia	✓	✓	✓	✓
Ghana	✓	✓	✓	✓
Kenya	✓	✓	✓	✓
Malawi	✓	✓	✓	✓
Mauritius	✓	✓	✓	✓
Rwanda	✓	✓	✓	✓
Sierra Leone	✓	✓	✓	✓
Senegal	✓	✓	✓	✓
South Africa	✓	✓	✓	✓
Tanzania	✓	✓	✓	✓
Uganda	✓	✓	✓	✓
Zambia	✓	✓	✓	✓

**Table 27: Tax officials' search powers**

Country	Tax officials have powers to enter business premises without taxpayers' consent and search warrant	Tax officials have powers to enter dwellings without taxpayers' consent and search warrant	Tax officials have powers to seize documents without taxpayers' consent and search warrant	Tax officials can request a search warrant without help of other government agencies	Tax officials can serve a search warrant without the help of other government agencies
Benin	✓	✓	✓	✓	✓
Botswana	✓	✓	✓	✓	✓
Burundi	×	×	×	✓	×
Ethiopia	✓	✓	×	✓	✓
Ghana	✓	✓	✓	✓	✓
Kenya	✓	✓	✓	✓	×
Malawi	✓	✓	✓	✓	✓
Mauritius	×	×	×	×	×
Rwanda	✓	✓	✓	✓	✓
Sierra Leone	✓	×	✓	×	×
Senegal	✓	×	×	✓	✓
South Africa	×	×	×	✓	✓
Tanzania	✓	×	✓	✓	✓
Uganda	✓	✓	✓	×	×
Zambia	×	×	×	✓	✓

**Table 28: Interest and administrative penalties on late filing (amounts in local currency)**

Country	Failure to file returns on time					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
Benin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Botswana	n.a.	Late submission - P100 per day; Failure to submit - P2,000	n.a.	Late submission - P100 per day; Failure to submit - P2,000	2% compounded monthly	The greater of P50 per day or 10% on outstanding amount
Burundi	1% per month	5% of the amount of tax	1% per month	5% of the amount of tax	n.a.	FBU 500,000
Ethiopia	Adding 25% over and above the highest commercial lending interest rate of banks.	Birr1,000 for the first30 days or part thereof the declaration remain unfilled and Birr 2,000 for the next 30 days and Birr 1,500 for each 30 days there after the declaration remain unfilled.	Adding 25% of lending rate of National Bank of Ethiopia.	Birr1,000 for the first30 days or part thereof the declaration remain unfilled, and Birr 2,000 for the next 30 days and Birr 1,500 for each 30 days there after the declaration remain unfilled	Adding 25% over and above the highest commercial lending interest rate of banks	5% of the amount of tax underpayment for each month which the failure continues up to 25% such amount but never exceeds Birr 50,000. In any event the penalty may not be less than the smaller of : (a) Birr 10,000; or (b) 100% of the amount of tax required to be shown on the return
Ghana	n.a.	GH¢1 per day	n.a.	GH ¢ 2 per day	n.a.	GH¢100 and a further GH¢ 0.05 for each day that the return is not submitted
Kenya	5% of the principal tax amount or Kshs 1,000 whichever is higher	n.a	5% of tax liability or Kshs 10,000 whichever is higher	n.a	Kshs 10,000	n.a
Malawi	n.a.	K50,000	n.a.	K200,000	n.a.	K20,000 the first day delayed and additional K10,000 each subsequent day
Mauritius	1% per month	Rs 2,000 per month subject to a maximum of Rs 20,000	1% per month	Rs 2,000 per month subject to a maximum of Rs 20,000	1% per month	Rs 2,000 per month subject to a maximum of Rs 20,000
Rwanda	0.83% of the amount of tax.	Rwf 100,000 for small taxpayers; Rwf 300,000 for medium taxpayers; Rwf 500,000 for large taxpayers for the period the return is outstanding	0.83% of the amount of tax	Rwf 100,000 for small taxpayers; Rwf 300,000 for medium taxpayers; Rwf 500,000 for large taxpayers for the period the return is outstanding	0.83% of the amount of tax	100% for the unpaid tax

Country	Failure to file returns on time					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
Sierra Leone	n.a.	2 million Leones plus 10% of the outstanding	n.a.	2 million Leones plus 10% of the outstanding	n.a.	Penalty greater of 1 million Leones or 5% per month of outstanding amount
Senegal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	n.a.	R250 to R16,000 per month	n.a.	R250 to R16,000 per month	n.a.	n.a.
Tanzania	The statutory rate or TShs. 10,000 whichever is higher	2.5% of tax liability or TShs 10,000	The statutory rate or TShs 100,000 whichever is higher	2.5% of tax liability or TShs 100,000	n.a.	Not exceeding TShs.500,000 or imprisonment for a term not less than two months, but not more than 10 months
Uganda	n.a.	2% of tax payable or Ushs 200,000 per month for the period the return is outstanding	n.a.	2% of tax payable or Ushs 200,000 per month for the period the return is outstanding	Ushs 200,000 or 2% per month	n.a.
Zambia	5% of unpaid outstanding taxes plus central bank interest rate plus 2%	n.a.	5% of unpaid outstanding taxes plus central bank interest rate plus 2%	n.a.	K180,000 or 5% tax due	n.a.

**Table 29: Interest and administrative penalties on late payment of tax**

Country	Failure to pay tax on time					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
Benin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Botswana	1.5%	n.a.	1.5%	n.a.	2% of outstanding amount per month	n.a.
Burundi	2% per month on any amounts not fully paid until settled	n.a.	2% per month on any amounts not fully paid until settled	n.a.	1% per month	10% after first reminder notice plus 25% after second reminder notice
Ethiopia	Adding 25% over and above the highest commercial lending interest rate of banks.	Birr1,000 for the first 30 days or part thereof the declaration remain unfilled and Birr 2,000 for the next 30 days and Birr 1,500 for each 30 days there after the declaration remain unfilled.	Adding 25% over and above the highest commercial lending interest rate of banks	Birr1,000 for the first 30 days or part thereof the declaration remain unfilled and Birr 2,000 for the next 30 days and Birr 1,500 for each 30 days there after the declaration remain unfilled.	Adding 25% over and above the highest commercial lending interest rate of banks	5% of the amount of tax underpayment for each month which the failure continues up to 25% such amount but never exceeds Birr 50,000. In any event the penalty may not be less than the smaller of : (a) Birr 10,000; and (b)100% of the amount of tax required to be shown on the return
Ghana	n.a.	10% of the tax payable if the failure is for a period of not more than 3 months or 20% if the failure is for a period exceeding 3 months. If after a notice has been issued, payment is not made, an additional 5% penalty is levied for every month during which the default continues.	n.a.	10% of the tax payable if the failure is for a period of not more than 3 months or 20% if the failure is for a period exceeding 3 months. If after a notice has been issued, payment is not made, an additional 5% penalty is levied for every month during which the default continues.	Bank of Ghana discount rate plus one-quarter of that rate	n.a.

Country	Failure to pay tax on time					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
Kenya	2% per month on amounts not fully paid.	n.a	2% per month on amounts not fully paid.	n.a	2% per month on amounts not fully paid.	n.a
Malawi	Where the tax unpaid exceeds K22, the rate of interest shall be three-quarters per centum per month in respect of the first month or part thereof, with the additional of one-quarter per centum per month for each additional month or part thereof and the final rate of interest shall apply for the whole period during which any tax has remained unpaid, so however that in no case shall the total interest payable be less than K5.50.	n.a.	Where the tax unpaid exceeds K22, the rate of interest shall be three-quarters per centum per month in respect of the first month or part thereof, with the additional of one-quarter per centum per month for each additional month or part thereof and the final rate of interest shall apply for the whole period during which any tax has remained unpaid, so however that in no case shall the total interest payable be less than K5.50.	n.a.	20% of tax amount plus 5% each subsequent day	n.a.
Mauritius	1% per month	5% of amount of tax	1% per month	5% of amount of tax	1% per month	5% of amount of tax
Rwanda	0.83% of the amount of tax	10% of the tax payable	0.83% of the amount of tax	10% of the tax payable	0.83% of the amount of tax	100% of the unpaid tax
Sierra Leone	Treasure bill/bond interest rate plus 3% of the amount to be paid	n.a.	Treasure bill/bond interest rate plus 3% of the amount to be paid	n.a.	One and half of the central banking lending rate until payment is made	One and half of the central banking lending rate until payment is made
Senegal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Country	Failure to pay tax on time					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
South Africa	Prescribed rate in terms of Public Finance Management Act.	20% of unpaid provisional tax	Prescribed rate in terms of Public Finance Management Act.	20% of unpaid provisional tax	Prescribed rate in terms of Public Finance Management Act.	10% of unpaid tax
Tanzania	The statutory rate compounded monthly	Failure to pay tax in excess of TShs 500,000, fine of btn TShs 250,000 and TShs 1,000,000 and imprisonment btn 3 months and one year or both; in any other case, a fine btn TShs50,000 and not TShs 250,000 imprisonment for btn one month and three months or both	The statutory rate compounded monthly	Failure to pay tax in excess of TShs 500,000, fine of btn TShs 250,000 and TShs 1,000,000 and imprisonment btn 3 months and one year or both; in any other case, a fine btn TShs50,000 and not TShs250,000, imprisonment for btn one month and three months or both	Commercial bank lending rate of the Central Bank plus a further 5% per annum	Fine not exceeding TShs 500,000 or to imprisonment for a term of not less than two months, but not more than twelve months, or both.
Uganda	200,000 or 2% per month	n.a.	2% per month (simple)	n.a.	2% per month (compounded)	n.a.
Zambia	5% of unpaid outstanding taxes plus central bank interest rate plus 2%	n.a.	5% of unpaid outstanding taxes plus central bank interest rate plus 2%	n.a.	0.5% of tax due time number of days overdue	n.a.

**Table 30: Interest and administrative penalties on failure to correctly report tax liability  
(amounts in local currency)**

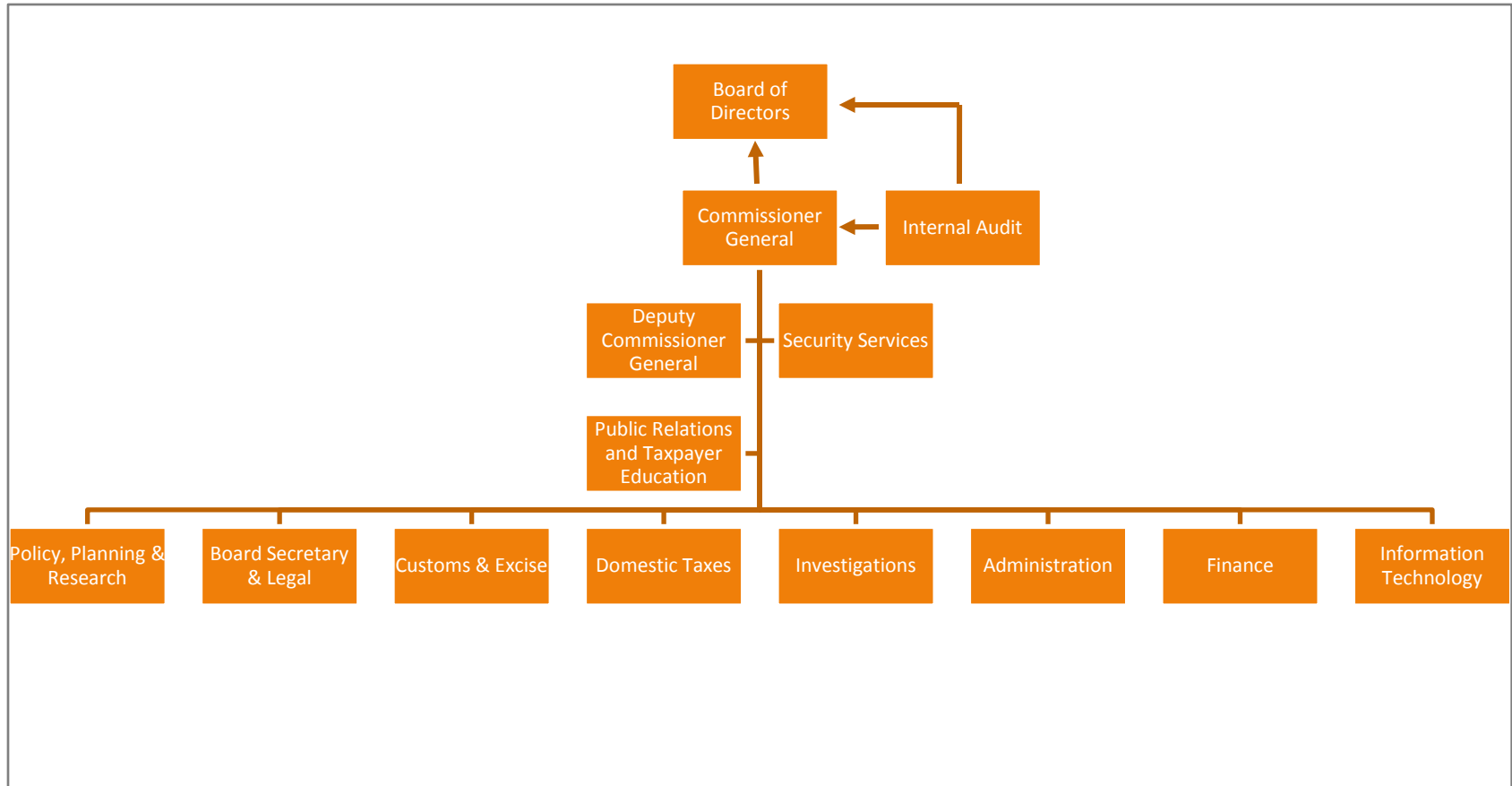
Country	Failure to correctly report tax liability					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
Benin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Botswana	n.a.	n.a.	n.a.	n.a.	n.a.	P200% of the outstanding amount
Burundi	n.a.	10, 25, 50 or 100% according to the nature of the omission	n.a.	10, 25, 50 or 100% according to the nature of the omission	n.a.	10, 25, 50 or 100% according to the nature of the omission
Ethiopia	Liability for the penalty in the amount of 10 % of the understatement or 50% if the understatement is considered substantial, the understatement is considered substantial if it exceeds: (a) 25% of the tax required; and (b) Birr 2,000	a) A penalty of 5% of the amount unpaid b) 2% the amount unpaid for the next month thereafter		Liability for the penalty in the amount of 10 % of the understatement or 50% if the understatement is considered substantial, the understatement is considered substantial if it exceeds: (a) 25% of the tax required; and (b) Birr 2,000	Adding 25% over and above the highest commercial lending interest rate of banks	5% of the amount of tax underpayment for each month which the failure continues up to 25% such amount but never exceeds Birr 50,000. In any event the penalty may not be less than the smaller of: (a) Birr 10,000; and (b) 100% of the amount of tax required to be shown on the return
Ghana	n.a.	Where the omission is made without reasonable excuse – double the understatement; and where the omission is made knowingly or recklessly - triple the underpayment of tax	n.a.	Where the omission is made without reasonable excuse – double the understatement; and where the omission is made knowingly or recklessly - triple the underpayment of tax	n.a.	Where the omission was made knowingly or recklessly - a fine not exceeding GH¢1,000 or to imprisonment for a term not exceeding 5 year, or to both. Other cases a fine not exceeding GH¢500 or to imprisonment for a term not exceeding 1 year.
Kenya	25% or Kshs 10,000, whichever is higher	n.a.	25% or Kshs 10,000, whichever is higher	n.a.	25% or Kshs 10,000, whichever is higher	n.a.

Country	Failure to correctly report tax liability					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
Malawi	n.a.	100% of undeclared tax	n.a.	100% of undeclared tax	n.a.	10 times the correct tax liability
Mauritius	1% per month	up to 50% of tax assessed	1% per month	up to 50% of tax assessed	n.a.	up to 50% of tax assessed
Rwanda	0.83% of the amount of tax	10% of the amount of the understatement if the understatement is equal to or more than 5% but less than 20% of the tax liability taxpayer ought to have paid	0.83% of the amount of tax	10% of the amount of the understatement if the understatement is equal to or more than 5% but less than 20% of the tax liability taxpayer ought to have paid	0.83% of the amount of tax	10% of the amount of the understatement if the understatement is equal to or more than 5% but less than 20% of the tax liability taxpayer ought to have paid
Sierra Leone	Treasury bearer bond interest rate plus 3% of the amount to be paid	n.a.	Treasury bearer bond interest rate plus 3% of the amount to be paid	n.a.	Treasury bearer bond interest rate plus 3% of the amount to be paid	n.a.
Senegal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	Prescribed rate in terms of Public Finance Management Act.	0% to 200% of tax on understatement	Prescribed rate in terms of Public Finance Management Act.	0% to 200% of tax on understatement	Prescribed rate in terms of Public Finance Management Act.	10% of unpaid tax
Tanzania	The statutory rate compounded monthly	Tax in amount exceeding TShs 500,000, a fine of not less than TShs100,000 and not more than TShs 500,000, and in any other case, a fine of not less than TShs25,000 and not more than TShs 100,000	Statutory rate compounded monthly	Tax in amount exceeding TShs 500,000, a fine of not less than TShs100,000 and not more than TShs 500,000, and in any other case, a fine of not less than TShs25,000 and not more than TShs 100,000	Commercial bank lending rate of the central bank plus 5% per annum	Fraud – 200%of the amount of tax involved or TShs 2 million, whichever amount is greater, or imprisonment for a term of two years or to both
Uganda	n.a.	200% of the amount	n.a.	200% of the amount	n.a.	200% of the amount

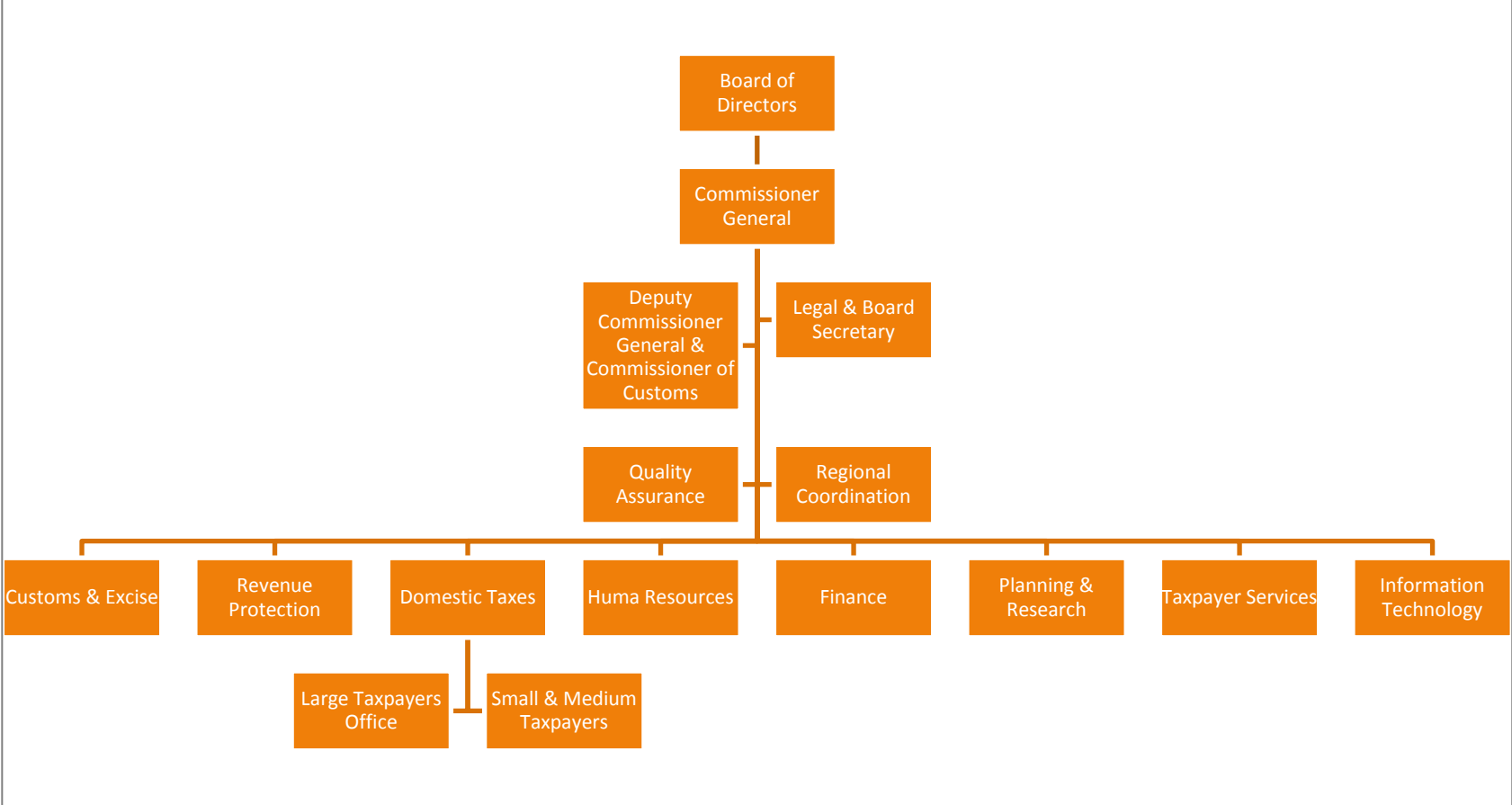
Country	Failure to correctly report tax liability					
	PIT		CIT		VAT	
	Interest charges	Administrative penalties	Interest charges	Administrative penalties	Interest charges	Administrative penalties
Zambia	Negligible omissions - 17% of the amount; Willful defaults - 35%; Fraud - 52.5 % of the amount omitted	n.a.	Negligible omissions - 17% of the amount; Willful defaults - 35%; Fraud - 52.5 % of the amount omitted	n.a.		Failure to use cash register: First offence – 5,400,000; Second offence – 10,800,000; Third offence – 14,400,000 Units

*Annex 1: Organization structures for selected revenue bodies*

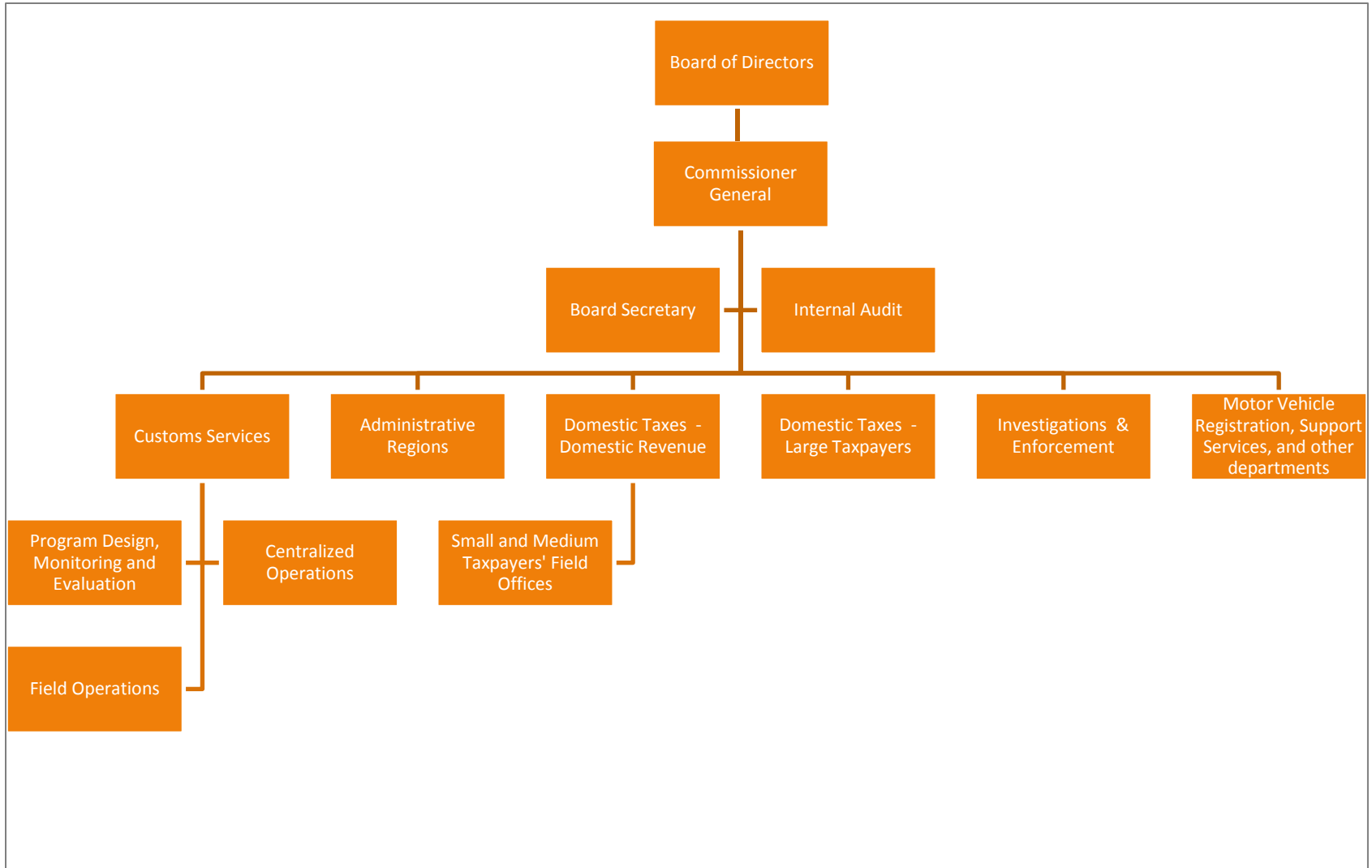
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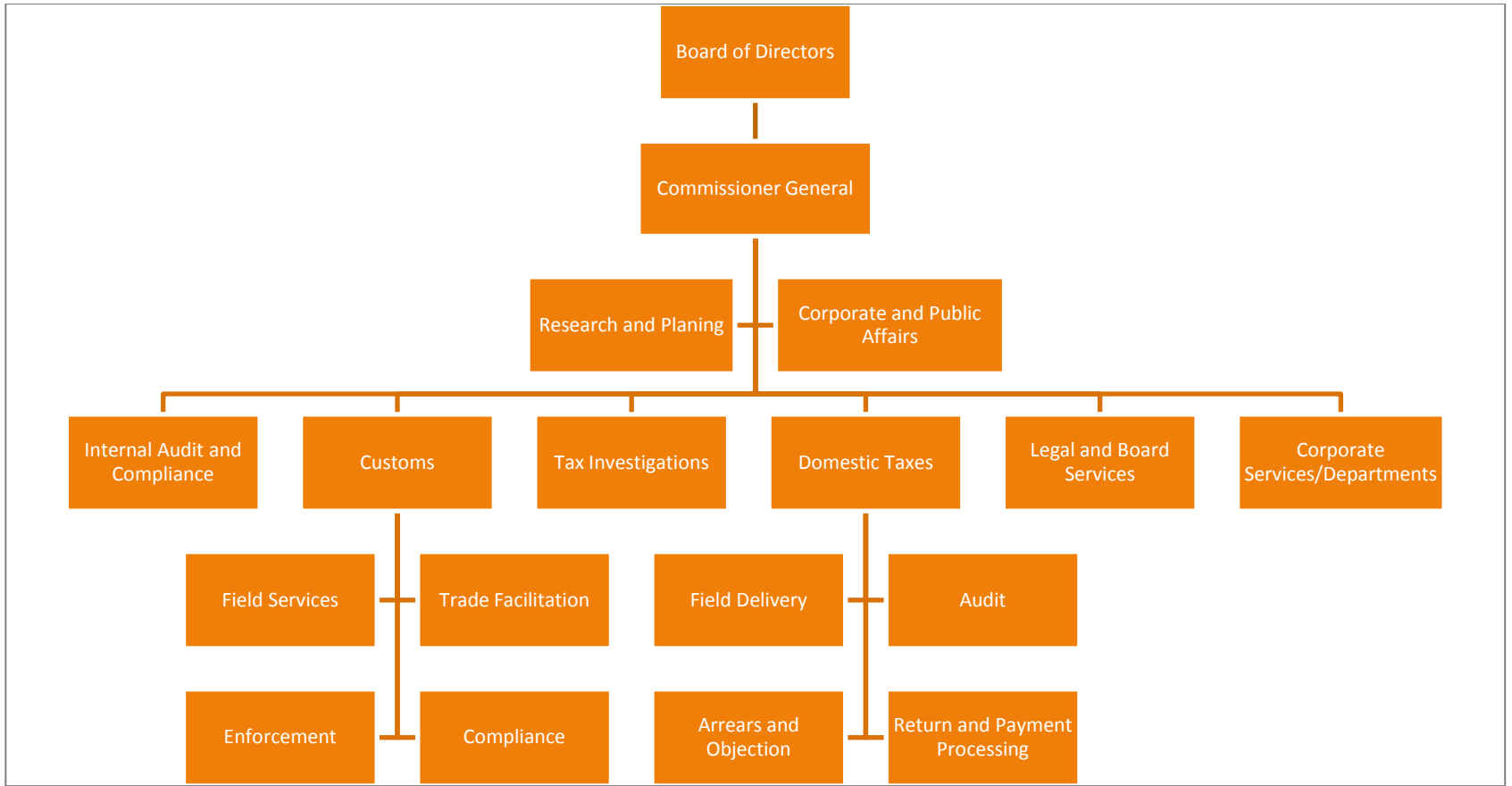
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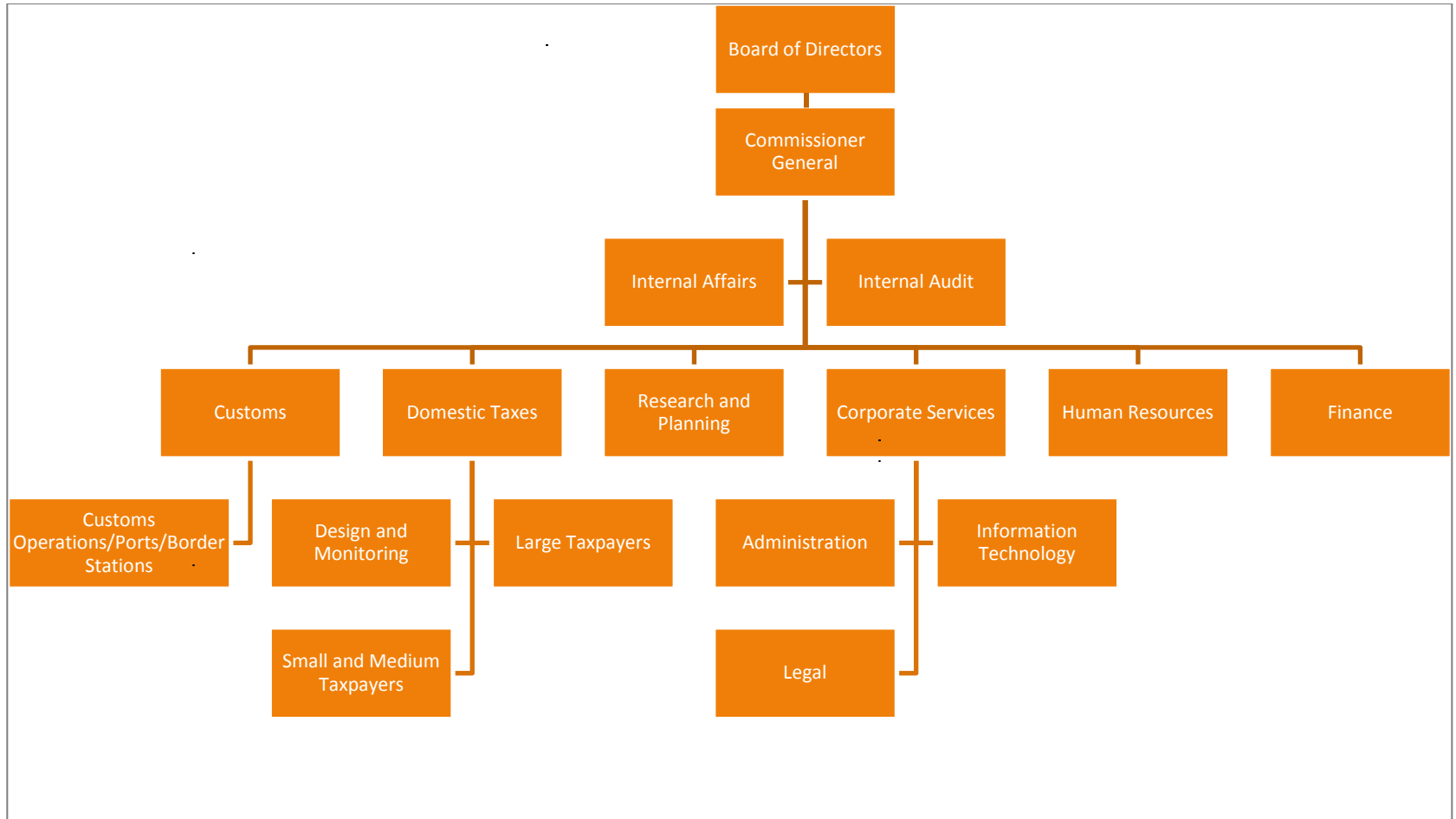
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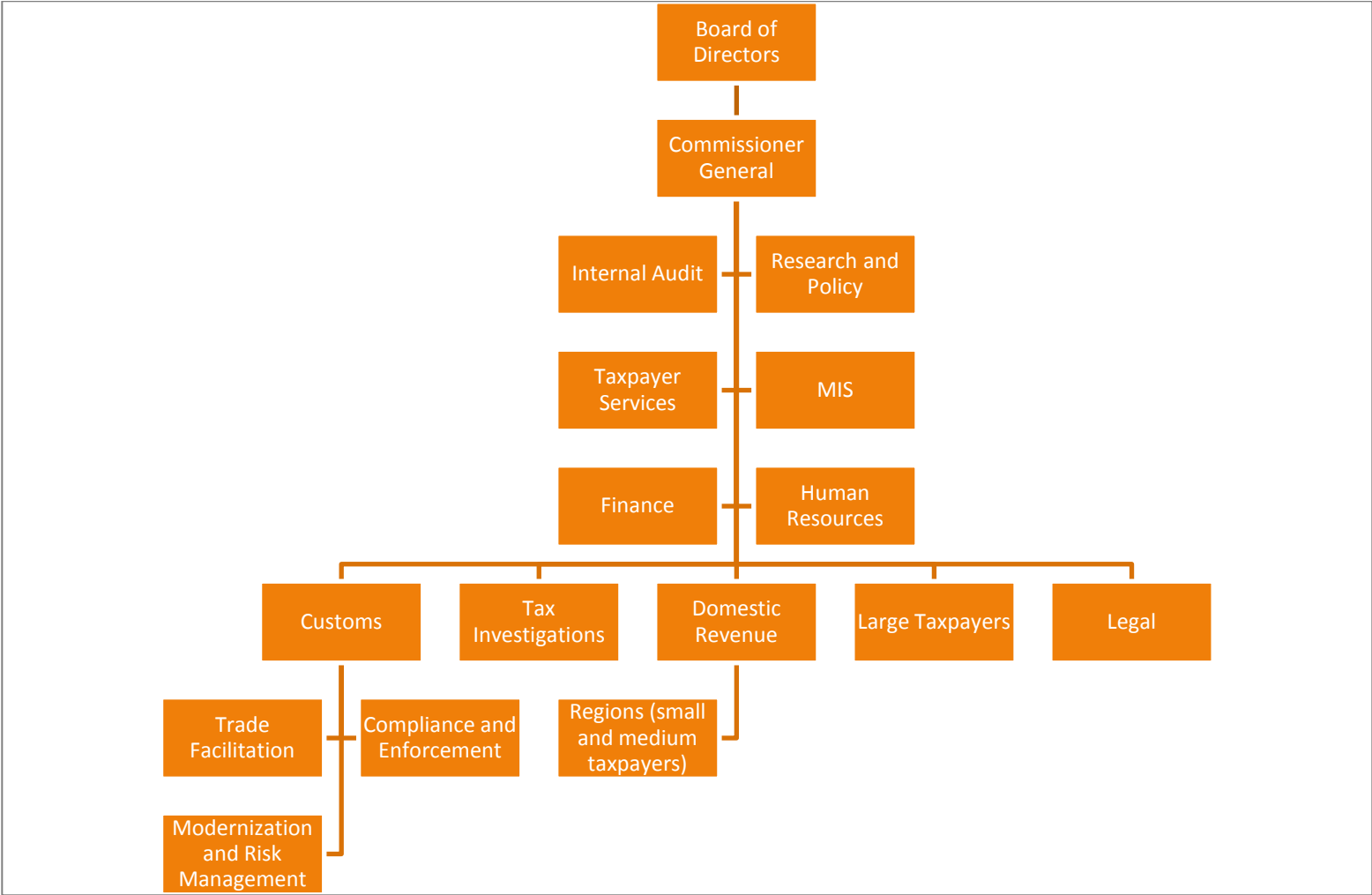
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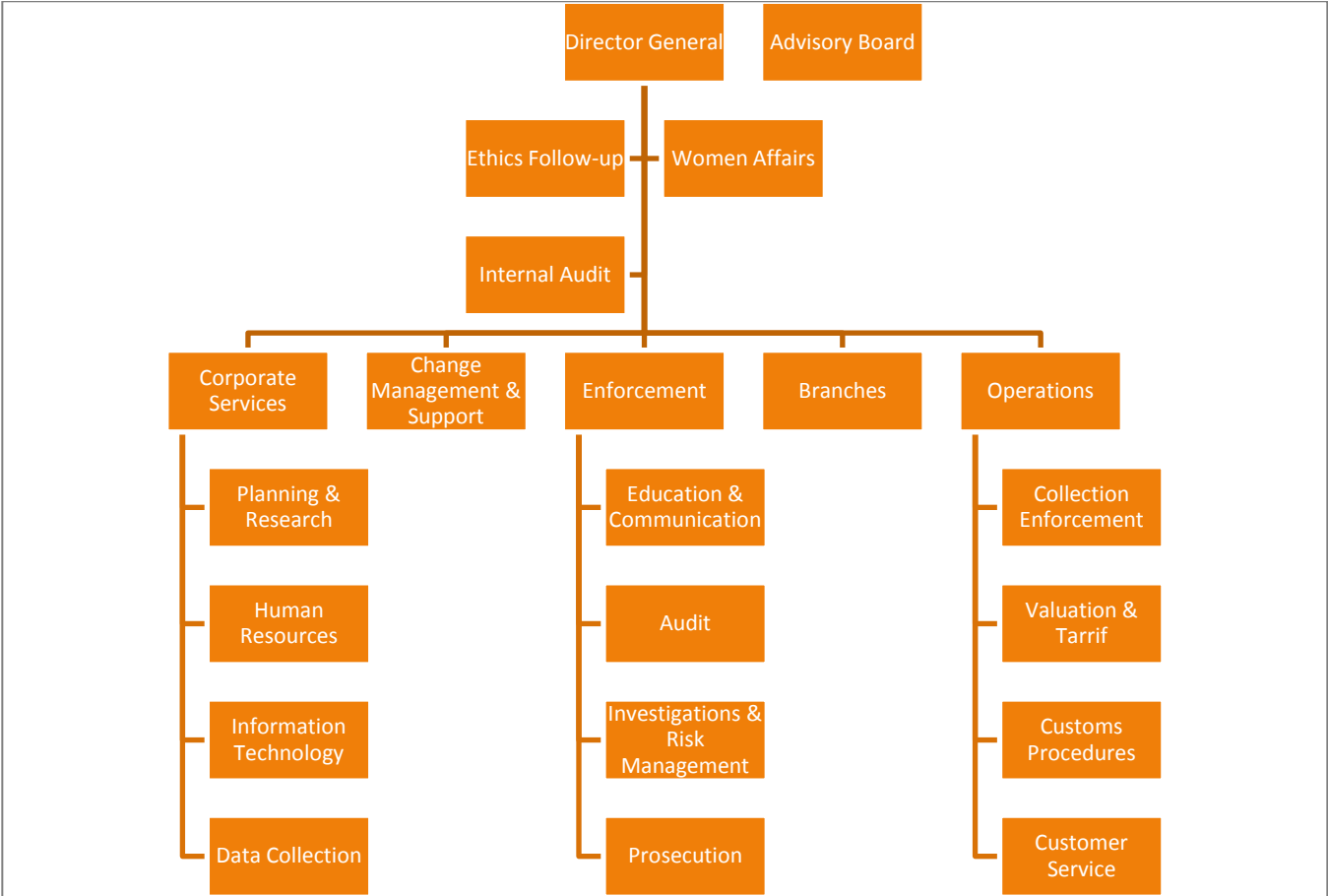
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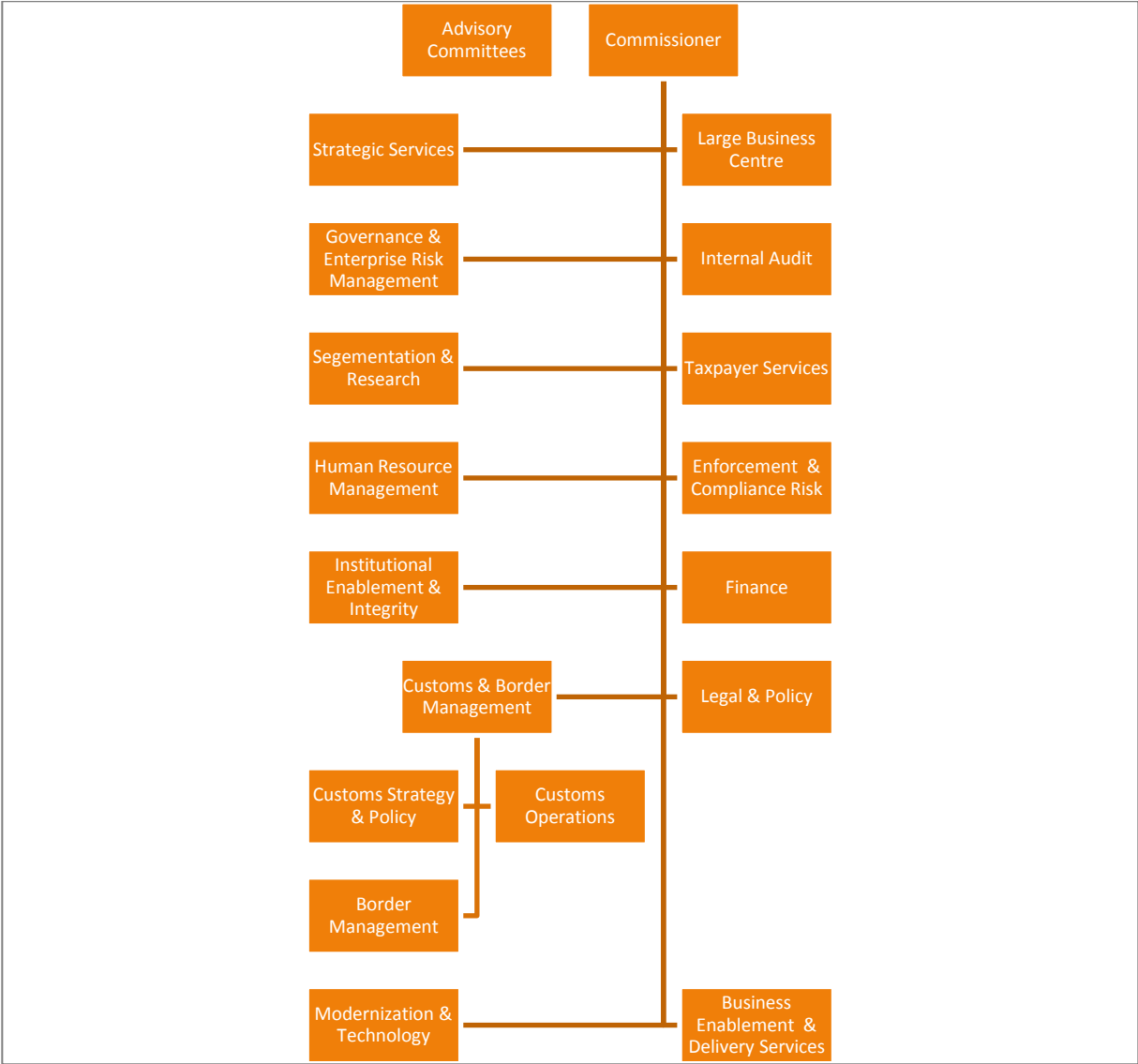
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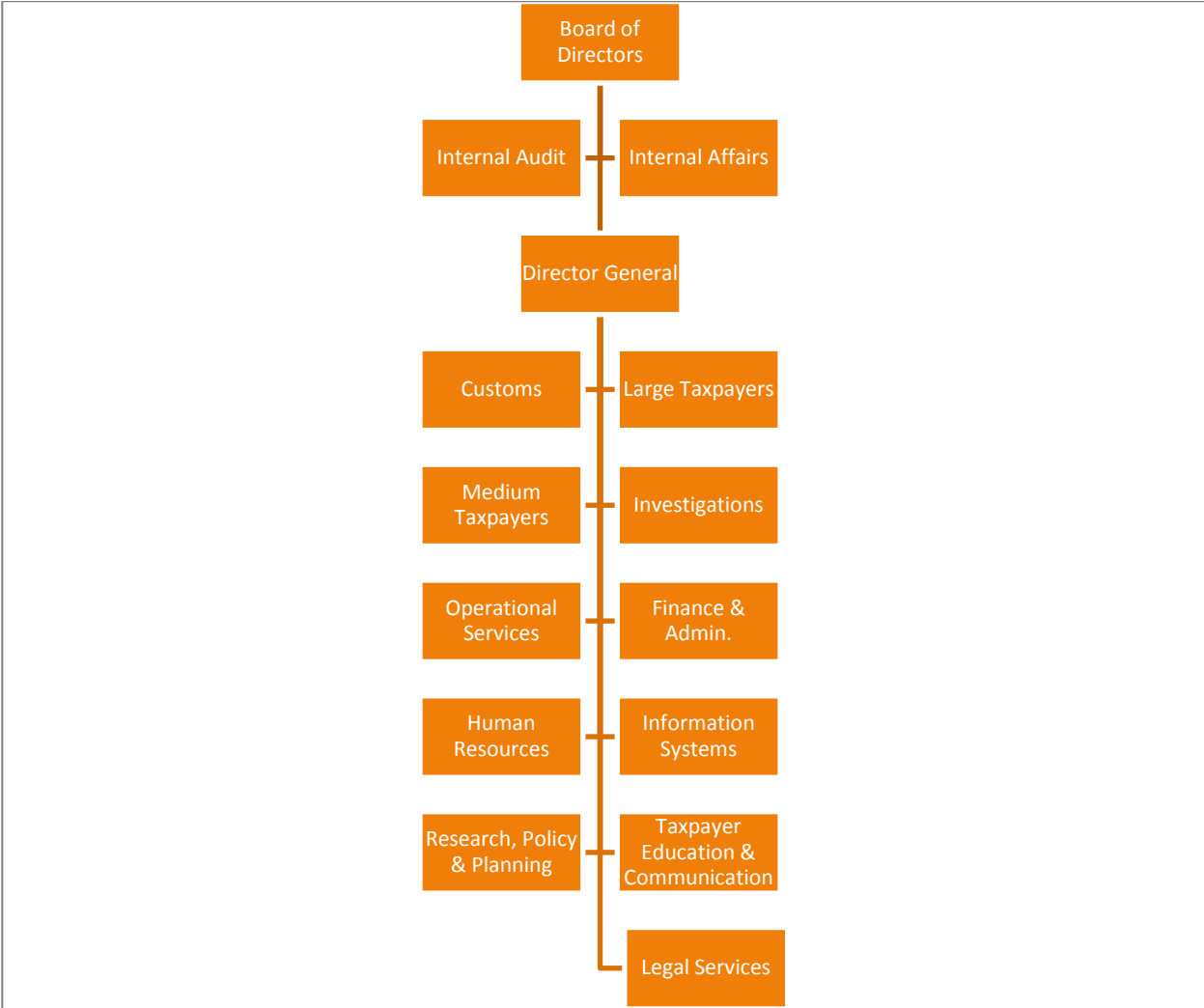
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**SARS**



**MauRA**



**Annex 2: Corporate/business plans for selected revenue bodies  
(amounts in local currency)**

SARS

Mission	Optimize revenue yield, to facilitate trade and to enlist new tax contributors by promoting awareness of the obligation to comply with tax and customs laws, and to provide a quality, responsive service to the public		
Vision	To be an innovative revenue and customs agency that enhances economic growth and social development, and that supports the country's integration into the global economy in a way that benefits all South Africans		
Values	Mutual respect and trust, equity and fairness, integrity and honesty and transparency and openness		
<b>Strategic Priority</b>	<b>Performance Indicator/Deliverable</b>	<b>Baseline target FY 2009/10</b>	<b>Target for 2010/11</b>
Drive revenue realization to deliver now and ensure sustainability	Revenue collected	R 590.4 billion	R 647,850 billion
	% Voluntary compliance (File and pay on time)	n.a.	Develop and implement compliance measures for all tax types
	% On time filing (PIT)	78.6%	80%
	% Enforced compliance	n.a.	Develop and implement expanded compliance measures
	% Reduction in outstanding returns	5%	6%
	Cash collected from debt book	R 11.4 billion	R 12.4 billion
Drive productivity, service quality and cost efficiency	% Increase in productivity	n.a.	Develop and implement Enterprise Capability Management System to enable productivity measurement
	Revenue collected against staff cost	134:1	133:1
	% Adherence to Service Charter Standards	n.a.	Implement improved Service Charter Standards
	% First contact resolution (Contact Centers)	44%	50%
	Escalation turnaround time		15 days
	Achievement on Taxpayer/Trader Satisfaction Index	n.a.	Develop and implement Taxpayer/Trader Satisfaction Index
Deliver on customs mandate in a way that is aligned with government's stated intentions	Increase in ease and speed of declaration processing	n.a.	Develop and implement a metric focused on measuring the increase in ease and speed of overall declaration processing
	% Uptake in electronic declarations (Southern Africa Customs Union ((SACU))	36%	50%
	% Adherence to turnaround time for electronic declaration processing	72% within 2 hrs	95% within 2 hrs

	Increase in ease and speed of inspections	n.a.	Develop and implement a metric focused on measuring the increase in ease and speed of overall inspections
Clarify SARS' operating model, streamline governance, and strengthen leadership	Effectiveness of the new SARS operating model	n.a.	Develop and implement a measure to determine the effectiveness of the newly implemented operating model
	% Roles filled with "fit-for-purpose" employees against design of the new structure	92% leadership roles, and 0% of identified impacted staff roles filled	95% leadership roles, and 45% of identified impacted staff roles filled
	% Employees with Development Plans linked to Career Model placements	99.6% employees placed with no (0%) Development Plans	100% employees placed with 60% Development Plans
	Increase in the Leadership Effectiveness Index	n.a.	Develop and implement a Leadership Effectiveness Index
	Report issued by Auditor General	Unqualified	Unqualified
Implement segmentation to strengthen SRAS' business model	Progress against the design of the 10 segments	n.a.	Design of 5 segments completed (Large, Standard, Medium, Traders, Tax practitioners)
	Progress against implementation of the 5 priority segments	n.a.	Implementation of 3 priority segments (Large, Standard, Medium Business)
	% Compliance of the 5 priority segments	n.a.	Develop and implement capability to measure and monitor compliance by priority segments
Enable SARS employees to perform at their peak	% Employee Engagement Index achieved	54%	55%
	% Barrett score achieved	25%	23%
	% Staff adherence to Performance Management practice	95%	95%
Deepen key external relationships to enhance reputation and results	Achievement of External Stakeholder reputational Index	n.a.	Develop and implement an External Stakeholder Reputational Index
	Achievement of Corporate Social Investment (CSI) Index	n.a.	Develop and implement a CSI Index

Source: SARS Strategic Plan 2010/11 – 2012/13

URA

Mission	Maximizing central government tax revenue while optimizing resource utilization by ensuring a fair and equitable tax administration with a highly motivated and professional staff		
Vision	Collecting revenue that will fully finance the Uganda government recurrent and development expenditure by attaining a tax to GDP ratio of at least 24%		
Values	Excellence in service, superior customer care, respect for all individuals		
<b>Goals</b>	<b>Strategic Measures</b>	<b>Indicators</b>	<b>Target</b>
Maximize taxpayer compliance	Rate of Payment Compliance	% of annual target yield from taxes and duties achieved or exceeded and the trend overtime	Varies
		% of registered taxpayers paying their taxes and duties on time.	n.a.
	Rate of filing compliance	% of taxpayers that filed their returns on time for a given tax reporting period ( LTO)	100%
		% of taxpayers that filed their returns on time for a given tax reporting period (Small and medium taxpayers)	70%
	Rate of Filing Compliance	% of taxpayers that filed their returns on time for a given tax reporting period (LTO)	100%
		% of taxpayers that filed their returns on time for a given tax reporting period-Small and medium taxpayers	70%
Rate of Registration Compliance	% of new taxpayers registered in the fiscal year	20%	
% of Outstanding Debt	debt on record greater than 3 months	Not more than 30%	
Maximize the quality of service delivery	Level of service	Number of taxpayer complaints and requests settled through the Call centre	75%
	Client satisfaction survey	Clients' overall level of satisfaction with key services provided by URA.	80%
	Rate of Accuracy	% of customers receiving accurate responses to their tax enquiries	
% of internal re-works to total workload in URA business units			
Modernize URA through its people, process and systems	Employee perception of the performance management system	Measure the level of acceptability and use of the performance management system in assessing staff and organizational performance	80%
	Level of ethics and integrity in URA workforce	Measures the number of identified corruption cases involving staff as an index for the level of integrity.	Zero tolerance
	Level of automation of URA business processes	Measures the extent to which URA's manual business processes have been transformed into an automated operational environment.	80%
The extent of integration of tax systems and other composite systems that link all activities and processes.		70%	

Enhance the URA corporate image	Level of corruption	Measure the number of corruption cases involving staff	Zero tolerance
	Level of voluntary compliance	Measure the improvement in compliance as a measure for client confidence in the tax administration.	
	Level of voluntary resignations and desertion	Measure the perception of internal clients towards the security of their jobs.	5%
	Level of adoption of a corporate culture	Measure the extent of staff adherence to core values as a measure for the adoption of a client-centric culture within URA	

Source: URA Corporate Plan 2006-2010

## RRA

Mission	To contribute to national development by maximizing revenue collection at minimum cost and providing quality input to tax policy development, while ensuring a high quality and equitable service	
Vision	To become a highly efficient and modern revenue collection agency enhancing national growth and development, and instilling equity, transparency, and professional values in RRA staff.”	
Values	Commitment to RRA’s vision and mission; Integrity, honesty, professionalism and team working; Respect and courtesy; Transparency in service delivery, and a customer focused approach.	
<b>Goal</b>	<b>Activity</b>	<b>Performance Indicators</b>
Maximize flow of revenues	Maximize revenue collection at minimum possible cost	Revenue targets achieved or exceeded and reports produced
		Cost collection ratio reduced by at least 0.2% at the end of 2008
		Revenue to GDP ratio increased by 0.2% at the end of 2008
		At least four research studies on key areas of tax administration conducted by the end of 2008 and a positive impact on the revenue to GDP ratio highlighted.
Maintaining effective financial management systems	Ensure proper accountability of financial resources	RRA expenditure is within the budget limits
		Cost of collecting revenues as well as the general management and running of the RRA operations reduced
		Co-operative objectives achieved with available resources
		High quality services delivered
Maintaining sound internal business process	Continue to develop and update operational policies and procedures manuals	At least ten new policies and procedures developed, approved and implemented
Develop a capable and effective organization	Strengthen the Reform and Modernization Unit to champion modernization initiatives in RRA	At least four modernization initiatives being pursued
		A case for RRA to collect rental income developed and submitted to relevant authorities.
Satisfy customers and stakeholders requirement	Deliver quality customer services to encourage voluntary compliance	A Customs Advisory Committee comprising of both public and private sectors representatives established.
		A mechanism to meet and consult on different issues regarding customs operations set.
		An independent administrative appeals process within RRA established and taxpayers’ appeals efficiently managed.
		Fiscal and customs laws, regulations and instructions compiled and available on RRA website.
		Taxpayers direct contact with RRA’s staff reduced by using online services (e-filing, e-payment, etc.).
		Offloading on the way and other forms of transit violations reduced throughout the country.
		New initiatives to further enhance corporate social responsibility developed and implemented.

Source: RRA 2008 Business Plan

KRA

Mission	To promote compliance with Kenya's tax, trade, and border legislation and regulation by promoting the standards set out in the Taxpayers Charter and responsible enforcement by highly motivated and professional staff thereby maximizing revenue collection at the least possible cost for the socio-economic well being of Kenyans.	
Vision	To be the leading Revenue Authority in the world respected for Professionalism Integrity and Fairness	
Values	Integrity, Professionalism, Equity, Corporate and Social Responsibility	
<b>Strategic objective</b>	<b>Performance Indicators</b>	<b>Achievement</b>
Developing a dedicated and professional team	Implementation of best Human Resource (HR) practices	The Annual Training Programs were developed and implemented Refresher courses were conducted for various revenue programs to enhance technical competences
	Comprehensive recruitment and retention strategy to reduce staff turnover by 5%	120 Graduate Trainees were recruited
	Reviewing salaries and benefits to match the market rates	New salary structure was approved to be implemented in three phases and two phases were implemented
	Improving staff integrity and the training infrastructure at the Kenya Revenue Authority Training Institute (KRATI) to make it a regional centre of excellence	Renovation of offices, lecture halls and hostels at KRATI was undertaken
		Infrastructure for e-learning was installed under the auspices of World Customs Organization (WCO)
Re-engineering business processes and modernizing technology	Modernizing IT systems for improved service and enforcement	A 24-hour Document Processing Centre was operationalized
		The department continued to roll out Simba 2005 System to remote stations
		Began the process of acquiring a valuation database through a Government to Government arrangement with India.
		An Electronic Cargo Tracking system was introduced to track transit cargo from ports to borders to minimize diversion of transit cargo into the domestic market.
		Revenue portal, KRA Online was developed
	Improving IT and information security in the Authority	Undertook a network audit and analysis of its systems and identified areas of weakness which were sealed off through application of security patches
		Institutionalized system security controls in the development and maintenance of all revenue systems
		Formulated a disaster recovery strategy.
	Modernizing and improving business processes and infrastructure	A self assessment system was introduced during the plan period.
		In conformity with international best practice, a Passenger Declaration Form (F88) was introduced to allow pre-clearance of customers.
		Advance tax for PSV drivers and conductors was successfully implemented
		One-stop border post became operational

Improving and expanding taxpayer service	Improving service options to taxpayers	KRA website maintained and updated to enhance communication with taxpayers.
	Facilitating participation by all sectors and	Authorized Economic Operator (AEO) was launched in 2007/08
	Simplification of the tax process	Commenced a re-branding program to enhance its corporate image.
Enhance revenue collection and strengthen enforcement	Broadening the tax base	A total of 84,269 and 123,849 new taxpayers were recruited in 2006/07 and 2007/08, respectively, with a collection of Kshs. 3,196 million for the two years
	Improving compliance	The audit manual for Post Clearance Audit (PCA) was developed and implemented, introduced excise stamps on wines and spirits, implemented Authorized Economic Operator (AEO) principle
	Improve enforcement and deter tax and financial abuse	Investigations and Enforcement (I&E) Department was upgraded to be headed by a Commissioner
	Improve debt and refund management and tax exempt facilities	Annual debt collections were Kshs 9.8 billion, Kshs 8.4 billion and Kshs 3.8 billion for 2006/07, 2007/08 and 2008/09 respectively
	Encourage professional ethics and standards	Signed an MOU with KIFWA (association of customs agents), which emphasized on the need to instill professionalism
	Improve expenditures and program funding	The cost of collection over the plan period averaged at 1.7 per cent

Source: KRA Fourth Corporate Plan 2009/10-2011/12

ZRA

Mission	To maximize and sustain revenue collection through integrated, efficient, cost effective and transparent systems, professionally managed to meet the expectations of all stakeholders	
Vision	To be a world class organization recognized as a beacon for excellence, effectiveness, professionalism and efficiency in revenue administration	
Values	Integrity, Professionalism, Fairness, Equity, Courtesy, Team work, Value of money	
<b>Strategic Objective</b>	<b>Action</b>	<b>Key performance Indicators/Measures</b>
Assess, charge, levy and collect all revenue due to the government through effective enforcement and compliance strategies	Develop a compliance enforcement strategy	Approved compliance enforcement strategy in place by January 2010
	Implement the compliance enforcement strategy	Risk based audit and inspection plans developed and executed
		Increased filing compliance to 80%
		Increased payment compliance by 25%
Reduced cost of collection by 16%		
Implement risk and change management strategies	Enforcement activities triggered by risk management strategies increased by 70%	
To design and implement business strategies that will ensure that all revenue collected is as soon as reasonably practicable credited to the treasury	Implement ICT tax administration system	E-registration for all taxpayers provided
		E-filing and E-payments for MTO and LTO provided
		E-payment solutions rolled out to all commercial banks
	Strengthen controls of movements of funds into treasury	Service level contracts with commercial banks developed and signed
Reconciled and updated treasury accounts		
To increase and sustain the growth and productivity of revenue by developing systems and procedures that encourage investment and growth of the economy	Create a forum for taxpayer engagement	Quarterly reports on treasury accounts reconciliation
		Forum for taxpayer engagement created
		Report on feedback from taxpayers produced and submitted
	Increase taxpayer education and services	Feedback from taxpayer implemented
		Favorable taxpayer feedback on ZRA corporate image
		Increased number of registered taxpayers by 10%
	Implement modernization program	Increased filing compliance to 80%
		Increased payment compliance by 25%
		Cost of collection of inland taxes reduced by 16%
To improve performance by attracting, retaining and motivating human resource	Improve the work culture in ZRA	Revenue targets exceeded by 5%
		New milestones on the modernization project developed
		Change management program developed and approved
		All supervisors trained in supervisory and management skills
		Productivity standards established at business unit level
Productivity standards incorporated in staff performance contracts		
Performance report on to productivity standards produced		
Staff work monitoring system and access controls installed at HQ		

	Provide for competitive conditions of service	Salary and conditions of service surveys conducted by second quarter
		Organizational climate survey conducted by second quarter
		Board approval of possible improvements by third quarter
		Staff turnover reduced by 10%
To promote good governance by designing and implementing policies & systems	Formulate a governance policy	Governance policy developed and approved by the board
		Corporate governance policy disseminated to all staff
	Conduct corporate governance training	Corporate governance training by senior management conducted
		Corporate governance workshops conducted for staff
	Conduct governance policy workshops	Report on implementation and adherence to governance policy produced
To improve our service delivery by implementing the risk management process	Risk management workshops and training	Training program on operational risk management conducted for station managers and reports submitted
	Regular identification and treatment of new risks	New risks identified, documented and reported for treatment
		Identified treatments options implemented
To improve operational efficiency by creating, strengthening and streamlining inter-institutional linkages and partnerships	Develop business continuity plan (BCP) that shall incorporate a disaster recovery plan	BCP policy formulated and approved by senior management
	Implement business corporate continuity plan	Finding for BCP implementation provided
		BCP training conducted for staff in targeted critical functions
		BCP monitoring reports produced quarterly
		80% of BCP implemented
	Develop and implement joint enforcement and compliance with other relevant institutions	Strategies for joint enforcement developed
		Workshops held with relevant institutions
		Enforcement strategies implemented jointly with relevant institutions
		Payment compliance increased by 25%

Source: ZRA Corporate Plan 2010

MauRA

Mission	To continually reform and modernize revenue administration in order to manage and operate an effective and efficient revenue organization comprising of highly motivated and skilled staff			
Vision	To be a world class revenue authority respected for its professionalism, efficiency, fairness, integrity and its contribution to our economic and social development			
Values	Integrity, Responsiveness, Fairness, Transparency and Accountability			
<b>Objective</b>	<b>Strategy</b>	<b>Performance Indicator</b>	<b>Targets</b>	<b>Results</b>
Maximizing revenue collections	Promoting voluntary compliance	Actual revenue collections	Rs. 34.35bn	Rs. 34.20bn
		Actual collections as a % of projected collections	100%-satisfactory 110%-good > than 110%-excellent	99.6%
Widening and deepening the tax base	Collection, collation and dissemination of information	No of visits on widening of tax base	20	54
		Time for collecting, collating and disseminating of information from third parties	Within 3 months	3 months
	Reinforcing Audit/Enforcement	% of audited cases where assessments issued only (LTD)	70%	82%
		% of assessment issued where assessment is not objected by the taxpayer (only LTD)	65%	73%
		% of number of cases where objection unit disposes/determines the objection within 2 months (LTD & MSTD)	LTD: 40% MSTD: 40%	LTD: Nil MSTD: 29%
No. of post clearance control audits (PCCAs) in customs	32	41		
Empowering taxpayers through education/services	Timely services to customers	Maximum time within which a telephone query is fully answered	95% queries within 1 day	Immediately
		Maximum waiting time of tax payers who call in person	20minutes	10minutes
		Maximum no. of days for issuing Income Tax refunds	3 months	45 days for 96% of Tax returns processed
Improving trade facilitation through modern and internationally accepted customs procedures	Ensuring quick clearances of goods	Average dwell time of cargo	Sea-4days; air-2days	Channels green (75%): 4 hrs by sea;3-4 hr by air
		Maximum time taken to issue a staff ruling	4 days	4 days

	Promoting e-payment	No. of e-payment users	45	43
Modernizing IT systems to improve services and enforcements	Establishing an integrated Tax Administration Solution	Progress in the implementation of ITAS	100% by 31.3.08	Started in September 2007 and go live in 2 years
	Increasing level of automation	Ratio of computers to staff	75%	90%
		% of returns filed electronically to total number of returns	100%-LTD; 100% increase-MSTD	
Ensuring integrity and fairness	Code of ethics and integrity checks	No. of training sessions held with staff to promote integrity culture	5	5
		No. of cases where declaration of assets made by an employee verified	100	140
Maintaining quality and assurance	Auditing of systems	Preparation of Annual Audit Plan using a risk based methodology	September 2006	Achieved
		Frequency of transaction audits in main areas of revenue systems	Twice per year	Once yearly in areas subject to system review
Promote a Lifelong Learning Culture to continuously enhance knowledge and upgrade skills/competencies	Employee Development Strategy	% of wage bill allocated to staff training	0.09%	2%
		% utilization of amount allocated for training	46%	90%
		% of staff completing induction training		
Recruit right number of staff with required knowledge and skills and retain them in MRA	Employee Resourcing and Retention Strategy	% of posts vacant against total post	14.8%	5%
		Time taken ( months)to fill in vacancies after advertisement	3	2
		Rate of staff turn over	0.1%	2%

Source: MauRA corporate plan 2008/10

GRA

Mission	To supervise and coordinate the activities of the Revenue Agencies to ensure an effective and efficient use of resources in a fair and equitable tax administration with a highly motivated and competent staff for the maximization of Government revenue for national development.	
Vision	To ensure an Effective and Efficient Revenue Administration Recognized for Professionalism, Integrity and Fairness	
Values	Optimal efficiency, effectiveness, Fairness, Professionalism, Integrity, Dedication, Confidence , Open Communication and Timeliness	
<b>Goals</b>	<b>Strategy</b>	<b>Activity</b>
Streamline the tax laws to strengthen revenue administration	Review Relevant Tax Laws for the Integration of the RAs	Enact the Ghana Revenue Authority (GRA) Law to Integrate the Operations of IRS, VATS and CEPS
		Amend the 1992 Constitution to transfer the functions of IRS, VATS and CEPS to GRA
		Review and Simplify the Tax Laws
		Recruit Top Management Staff of GRA
Modernize revenue administration through its people, processes and technology	Re-engineer Business Processes	Develop function-based organizational structure for domestic tax as well as customs administration
	Increase organizational capacity to enable full engagement and maximum productivity of employees	Undertake staff rationalization exercise
		Implement an Accelerated Training Program for Staff
		Improve conditions of service and scheme of service
		Develop and implement clear and concise organizational policies for the Tax Administration
	Enhance organizational capability through ICT	Develop ICT plan for GRA
		Provide basic ICT training for staff
	Enhance compliance through customer-focused services	Enhance compliance through customer-focused services
Establish Integrity and Anti-Corruption Unit		
Publish Tax Defaulters, Tax Fraud Cases and Compliant Taxpayers		
Enhance taxpayer education and outreach		Develop Comprehensive Taxpayer Education Program
		Advocate and Prepare Tax Themes for Inclusion in School Curricula
		Provide Training on Issues in Taxation and Accounting for Targeted Stakeholders – Judges, Lawyers and Prosecutors
		Develop Manual on Customer Care
Increase staff understanding of the diverse customer needs		Organize Skills Training for Staff on Customer Care
		Re-Orient the Mentality of Staff to be Customer Focused

Source: GRA Strategic Plan 2010-2012

ECRA

Mission	The ERCA shall promote the voluntary compliance of taxpayers, ensure integrity and develop the skills of the employees, support modernization, trade and investment facilitation and harmonization of taxes and customs administrating system, contribute to the economic development and social welfare through effective revenue collection	
Vision	“To be a leading fair and modern tax and customs administration in Africa by 2028 that can be financing the government expenditure through domestic tax revenue collection”	
Values	Customer focus service delivery(Trust, respect, protect and support) the wellbeing of the society, integrity and transparency, Professionalism collaborative working	
<b>Goals</b>	<b>Strategy</b>	<b>Activity</b>
<ul style="list-style-type: none"> <li>▪ Streamline the tax laws to strengthen revenue administration;</li> <li>▪ To establish a modern revenue assessment &amp; collection system and provide customers with equitable, efficient and quality service;</li> <li>▪ To encourage taxpayers to voluntarily discharge their tax obligations;</li> <li>▪ To enforce customs and tax laws by preventing and controlling contraband, tax fraud;</li> <li>▪ To collect timely and effectively the customs and tax revenues;</li> <li>▪ To Provide the necessary Capacity Building support to regions with a view to harmonizing federal and Regional tax administration systems;</li> <li>▪ To take gender and HIV/AIDS issues into consideration.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Trade and Investment Facilitation;</li> <li>▪ Collection of the customs and tax revenues generated by the economy;</li> </ul>	<ul style="list-style-type: none"> <li>▪ To facilitate trade and investment through the quality of the service delivery so that competition requirements of traders and investors can be met;</li> <li>▪ To support the facilitation of trade and investment through the implementation of modern service delivery and collection systems;</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Compliance attitude;</li> <li>▪ Law Enforcement ;</li> </ul>	<ul style="list-style-type: none"> <li>▪ To minimize the risks of frauds and tax evasion through a better compliance of legitimate tax payers and traders and for a better targeted allocation of the enforcement resources;</li> <li>▪ To improve the awareness and commitment of taxpayers and traders to contribute to the government efforts for economic and social development;</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Harmonize regional and federal tax systems;</li> </ul>	<ul style="list-style-type: none"> <li>▪ To protect efficiently the economy by addressing any weaknesses and promoting the strengths through appropriate tax and customs legal frameworks;</li> <li>▪ To protect the safety, security, health and morality of the Ethiopian citizens through an efficient fight against contraband and tax fraud and evasion;</li> <li>▪ To protect the civil society against the international criminal organized and terrorist threats;</li> <li>▪ To increase the Tax/GDP ratio;</li> <li>▪ To meet effectively and efficiently the financial and budget requirements of the Ethiopian Government;</li> <li>▪ To support the economic and social development of Ethiopia;</li> <li>▪ To shift from a direct customs taxation based economy towards an indirect fiscal taxation one;</li> </ul>

		<ul style="list-style-type: none"> <li>▪ To apply equitably and fairly the tax pressure on tax payers within the regions and with the federal authority;</li> <li>▪ Provide appropriate capacity building support to regional revenue collecting agencies with a view to harmonizing federal and regional tax administration systems;</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Cross cutting issues;</li> </ul>	<ul style="list-style-type: none"> <li>▪ To reflect in the ERCA human resource utilization, the current demographic national gender structure (percentage females -males);</li> <li>▪ To reduce the traditional disadvantages that the women are subject to, in their rights to contribute in the public management of the Ethiopian development;</li> <li>▪ To take into consideration the impact of the HIV/AIDS affect on the economic, organizational and service delivery management of the ERCA in the strategic and management decisions;</li> </ul>

Source: ECRA

**Annex 3: Detailed revenue tables for selected countries**

Sierra Leone

Tax type	Revenue collection (in percentage of GDP)				
	2005	2006	2007	2008	2009
Total revenue	11.87	11.76	10.81	11.36	11.74
Tax on income	3.26	3.27	2.94	3.36	3.31
Personal income tax	1.52	1.80	1.94	2.30	2.32
<i>PAYE</i>	1.40	1.46	1.46	1.88	1.78
<i>Self-employment</i>	0.12	0.34	0.48	0.42	0.54
<i>Corporate profit tax</i>	1.74	1.47	1.00	1.06	0.99
Domestic sales tax	0.31	0.29	0.25	0.25	0.21
Excises	1.44	1.66	1.42	1.19	1.65
<i>Domestic</i>	0.17	0.15	0.13	0.25	0.12
<i>Import – petroleum</i>	1.27	1.51	1.28	0.95	1.53
Customs (taxes on international trade)	4.98	4.67	4.54	4.79	4.64
Mining revenues	0.29	0.35	0.37	0.32	0.31
Other non-tax revenues	0.90	0.58	0.59	0.66	0.74
Road user charges	0.68	0.94	0.69	0.79	0.87

Source: IMF

Ethiopia

Tax type	2006/07			2007/08			2008/09		
	Birr	% contr.	% of GDP	Birr	% contr.	% of GDP	Birr	% contr.	% of GDP
Total federal collections	14.2	100.0	8.3	19.3	100.0	7.8	23.6	100.0	6.7
Income and profits taxes	2.6	18.7	1.5	3.8	19.6	1.5	5.4	22.9	1.5
<i>Personal income taxes</i>	0.6	3.9	0.3	0.8	4.1	0.3	1.0	4.3	0.3
<i>Corporate business profits tax</i>	1.7	12.3	1.0	2.6	13.5	1.1	3.8	16.1	1.1
<i>Other</i>	0.3	2.4	0.2	0.4	2.1	0.2	0.6	2.5	0.2
Excise taxes	1.5	10.3	0.9	1.9	9.7	0.8	2.5	10.5	0.7
<i>Domestic</i>	0.6	4.3	0.4	0.8	4.3	0.3	1.1	4.5	0.3
<i>Imports</i>	0.9	6.0	0.5	1.0	5.3	0.4	1.4	6.0	0.4
VAT	5.9	41.8	3.5	7.3	38.0	3.0	9.0	38.2	2.5
<i>Domestic</i>	2.4	16.9	1.4	3.2	16.8	1.3	4.8	20.3	1.4
<i>Imports</i>	3.5	25.0	2.1	4.1	21.1	1.7	4.2	17.8	1.2
Import duties	3.3	23.4	1.9	3.9	20.2	1.6	3.9	16.7	1.1
Other (surtax & w/tax on imports)	0.8	5.8	0.5	2.4	12.5	1.0	2.8	11.7	0.8

Source: IMF

Malawi

Type of tax	Revenue collected (in % of GDP)			
	2005/06	2006/07	2007/08	2008/09
MRA collections - total	16.15	16.58	18.00	18.8
DTD collections - total	9.70	9.88	10.41	11.3
<i>PAYE</i>	3.58	3.46	3.90	3.71
<i>Corporate</i>	0.61	0.57	0.55	0.39
<i>Provisional tax</i>	1.38	1.45	1.56	2.00
<i>Withholding tax</i>	1.00	1.08	0.96	1.00
<i>Fringe benefits tax</i>	0.25	0.22	0.21	0.24
<i>Non resident</i>	0.05	0.11	0.09	0.10
<i>Domestic VAT</i>	2.41	2.58	2.64	2.87
<i>Domestic excise</i>	0.41	0.41	0.45	0.84
<i>Other</i>	0.00	0.01	0.05	0.15
Customs collections - total	6.46	6.69	7.59	7.5
<i>Import duty</i>	1.86	1.89	2.11	2.08
<i>Import VAT</i>	2.79	3.02	3.40	3.20
<i>Import excise</i>	1.79	1.77	2.07	2.20
<i>Other</i>	0.02	0.02	0.02	0.02

Source: IMF

Uganda

Tax type	Revenue collection (in % of GDP)			
	2004/05	2005/06	2006/07	2007/08
Revenue	12.1	12.5	12.5	13.0
Tax revenue	11.4	11.9	11.9	12.5
Income taxes	3.5	3.6	3.7	3.7
<i>PAYE</i>	1.5	1.7	1.7	1.8
<i>Corporate tax</i>	1.0	1.0	0.9	0.9
<i>Withholding tax</i>	0.8	0.8	0.8	0.8
<i>Other</i>	0.1	0.1	0.2	0.3
VAT	3.9	4.0	3.9	4.2
<i>Domestic - gross</i>	1.9	1.9	2.0	2.0
<i>Imports - gross</i>	2.3	2.4	2.4	2.7
<i>Less refunds</i>	-0.3	-0.3	-0.5	-0.4
International trade taxes	1.0	1.3	1.3	1.3
Excises	3.1	3.1	3.0	3.2
<i>Domestic</i>	0.9	0.9	0.9	0.9
<i>Imports</i>	0.3	0.1	0.3	0.3
<i>Fuel (net of refunds)</i>	1.9	2.1	1.9	2.1
Non Tax Revenue	0.7	0.6	0.6	0.5

Source: IMF

## Rwanda

Type of tax	Revenue collections (in % of GDP)		
	2006	2007	2008
Direct taxes	4.1	4.6	5.2
Profits tax	1.8	1.8	2.3
- <i>Corporate</i>	1.7	1.7	2.2
- <i>Non-corporate</i>	--	0.1	0.1
Pay As You Earn (PAYE)	2.2	2.6	2.6
Other	0.1	0.2	0.3
Taxes on goods and services	6.2	6.5	6.6
VAT (net of refunds)	4.3	4.6	4.7
- <i>On imports</i>	2.0	1.9	2.1
- <i>Domestic</i>	2.3	2.6	2.6
Excises	1.5	1.6	1.5
- <i>On imports</i>	0.5	0.5	0.5
- <i>Domestic</i>	1.0	1.1	1.0
Fuel levy	0.4	0.3	0.4
Taxes on international trade	2.2	1.7	1.7
Customs duties	1.5	1.4	1.6
Other	0.6	0.2	0.1
<b>Total</b>	<b>12.4</b>	<b>12.8</b>	<b>13.5</b>

Source: IMF

## Ghana

Tax category	Revenue collection (in % of GDP)					
	2004	2005	2006	2007	2008	2009
Tax revenue	21.02	21.04	21.13	21.34	21.50	20.80
Tax on income	6.24	6.31	6.15	6.61	7.11	7.87
Personal income tax	2.62	2.67	3.01	3.23	3.38	3.89
<i>PAYE</i>	2.28	2.35	2.70	2.86	2.99	3.55
<i>Self-employed</i>	0.34	0.32	0.31	0.37	0.39	0.34
Corporate profit tax	3.14	3.27	2.70	2.85	3.06	3.35
Other income taxes	0.47	0.37	0.44	0.54	0.68	0.63
VAT	6.09	6.34	6.11	7.18	7.32	7.22
<i>Domestic</i>	1.79	1.82	1.97	2.57	2.37	2.31
<i>Import</i>	3.90	3.56	3.08	3.54	3.89	3.82
National Health Insurance Levy	0.46	1.07	1.19	1.23	1.21	1.23
Refunds	-0.07	-0.12	-0.12	-0.17	-0.15	-0.14
Excises	4.54	4.55	4.10	3.37	2.53	1.55
<i>Domestic</i>	0.78	0.68	0.61	0.50	0.33	0.26
<i>Imports</i>	3.76	3.87	3.49	2.87	2.19	1.29
Customs duties	3.60	3.50	3.57	3.87	3.86	3.59
Export duties	0.06	0.02	1.07	0.24	0.23	0.00
National Reconstruction Levy	0.43	0.25	0.06	0.03	0.00	0.15
Airport tax	0.06	0.07	0.05	0.05	0.06	0.12
Communications Service Tax	0.00	0.00	0.00	0.00	0.39	0.40

Source: IMF

## International Tax Dialogue

The International Tax Dialogue (ITD) is a collaborative arrangement involving the EC, IDB, IMF, OECD, UK-DFID and World Bank Group to encourage and facilitate discussion of tax matters among national tax officials, international organisations, and a range of other key stakeholders. The ITD Secretariat is currently hosted by the OECD.



### Its specific aims include:

- increasing international collaboration
- sharing good practice, knowledge and experience
- improving tax policies and administration
- being a central point of reference and a reliable source of information on all tax matters at global level

### Main activities focus on:

- management and maintenance of an online knowledge platform
- global and regional conferences
- shared technical assistance information
- comparative regional studies

Next  
ITD Global Conference on  
**“Taxation and Inequality”**  
is held on  
**5-7 december 2011.**

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