Collecting taxes in times of crisis – Revenue Administration

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Outline

• COVID-19 impact in Revenue Administration
  ✓ In several phases and dimensions
  ✓ And it remains critical to government’s response

• IMF support to cope and respond to COVID-19
  ✓ Analytical Front
  ✓ Capacity Development

• Revenue Administrations’ Responses
  ✓ Tailoring the responses to the phases of the crisis
  ✓ Challenges and Priorities Ahead

• Final remarks
COVID-19 impact on Revenue Administration – Revenue Agencies’ operations, taxpayer compliance, and collection

0: Initial contagion spread
- Operations remained ‘normal’, initial precautionary measures
- Taxpayers continue visits to offices, subject to initial measures
- Tax compliance required in full
- Collection following ‘normal’ trends

1: Immediate: ‘whatever it takes’ (lockdown)
- Closure of most offices – need for remote work arrangements
- Limited visits of taxpayers – need for online tax compliance
- Closure of businesses & tax compliance not required in full (relief measures introduced)
- Collection deteriorated

2: Stimulus: support reopening (in phases)
- Phased reopening of offices
- Phased visits of taxpayers
- Phased tax compliance in full (relief measures phased out)
- Partial recovery of collection

3: Recovery / consolidation
- Fully operational
- Taxpayers come back to tax offices
- Tax compliance required in full
- Collection needs to recover in full & beyond
Revenue Administration – a critical agency to enable government’s response to COVID-19 crisis

Safeguard revenue mobilization is always important, more so in a crisis

- Tax finances daily government activities, countries’ development agendas, and governments’ responses to crisis.

Tax administrations play a critical role

- Strive to be effective, efficient, and continuously improve systems and services so they can collect more revenue in a way which encourages taxpayers to voluntarily comply with their tax obligations.

- Inefficient tax administrations struggle.

Covid-19 turned revenue administration upside down – administrations needed to ensure business continuity while offices were closed, keep revenue flowing, and support the design and implementation of governments’ responses to COVID-19 crisis.
IMF Analytical Work adapted quickly: notably in the Fiscal Area –
https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes

✓ Practical guidance to member countries on crisis-related issues in several IMF CD support areas.
Special Series on COVID-19 – Revenue Administration notes

IMF COVID-19 policy notes
https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes

New topics added periodically

Tax Policy

Revenue Administration

Expenditure Policy

Public Financial Management

Statistical Issues

Revenue Administration Notes

- Tax and Customs Administration Responses
- Business Continuity for Revenue Administrations
- Revenue Administration: Reinvigorating Operations to Safeguard Collection and Compliance
- Revenue Administration: Safeguarding Revenues for Oil-Producing Countries
- Priority Measures for Customs Administrations
IMF support in Revenue Administration – Capacity Development

IMF CD also adapted quickly in the Fiscal Area, notably revenue administration

CD plan for FY21 (May20-Apr21) adjusted in modalities and scope—help countries on business continuity, safeguard revenues, and start recovery

- Quick gathering of country experiences and preparation of technical notes.
- Shift to remote CD delivery with a diversified set of modalities.
- Targeted webinars to facilitate networking/dissemination of experiences.
- Focused on crisis impacts, emergency topics, and Programs conditionality.

Country focus will be primarily determined by

- Priority given to countries in urgent needs—notably fragile states.
- Countries’ absorptive capacity and commitment to revenue reform.
- Program requirements, including on governance issues.
- Existence of ongoing m-term projects—with refocusing where necessary.

Regional offices and long-term experts will be leveraged

- Regional offices and resident advisors can quickly build on existing relationships and medium-term projects.
- Workplans can adjust rapidly to changing country demand.
Revenue Administration Response to COVID-19 Crisis
Challenges and Priorities Ahead
Revenue Administration – Revenue Agencies’ response – a snapshot

0: Initial contagion spread
  - Precautionary measures in offices
  - Start preparing for increasing contagion
  - Help government identify/design possible support measures
  - Protect health of Staff / Taxpayers

1: Immediate: 'whatever it takes' (lockdown)
  - Adapt to lockdown – ensure continuity of critical operations / work remotely
  - Implement special government measures
  - Protect tax revenues and safeguard tax compliance
  - Continue to protect health of Staff / Taxpayers

2: Stimulus: support reopening (in phases)
  - Plan and implement a phased reopening
  - Start regularizing tax compliance
  - Continue to protect tax revenues and safeguard tax compliance
  - Continue to protect health of Staff / Taxpayers

3: Recovery / consolidation
  - Fully reinvigorate operations
  - Fully restore tax compliance
  - Fully focus on revenue imperative – recover collection level and beyond.
  - Continue to protect health of Staff / Taxpayers
Revenue Administration response – Initial phase

0: Initial contagion spread

• Protect health of Staff / Taxpayers
  ✓ Establish first social distance measures
  ✓ Introduce hygiene measures, especially hands

• Plan for scenario of increasing contagion to ensure continuity of operations

• Help government identify/design measures
  ✓ Easing taxpayer obligations
  ✓ Disaster relief to citizen and businesses
Revenue Administration response – Lockdown phase

• Adapt to lockdown – ensuring business continuity
  ✓ Establish a senior crisis management team (CMT).
  ✓ Implement business continuity operations (activate BC Plan, when available).
  ✓ Implement remote work policies, procedures, technologies – e.g. redeploy staff to call centers, substitute field audits by “desk” audits, extend hours of IT support.
  ✓ Where face-to-face contact is necessary, implement personal safety measures – limit non-essential services, introduce appointments, arrange shifts, adapt offices.
  ✓ Enhance communication and taxpayer assistance – expand/promote online tax services, special covid-19 website and hotline, mass emails and SMSs.

• Implement special government measures
  ✓ Publicize the new tax measures to taxpayers and timely implement them.
  ✓ Quickly disseminate the new tax measures within the agency and promptly train tax officers in how to apply them.

• Safeguard tax compliance and collection
  ✓ Redirect enforcement to emerging risks and industries with boom in business.
  ✓ Intensify monitoring of the largest taxpayers.
  ✓ Gather and analyze data to assess the impacts on tax types, taxpayers, revenue.
Revenue Administration response – Reopening phase

2: Stimulus: support reopening (in phases)

• Adopt a phased reopening – start reinvigorating operations
  ✓ Set up a Recovery Coordination Team – RCT could be an extension of CMT.
  ✓ Complete development/start implementation of a Recovery Plan – specific plans for each organizational units.
  ✓ Maintain enhanced communication and taxpayer assistance – notably during phased reopening.

• Continue to implement special government measures
  ✓ New measures and monitoring of previous measures.

• Protect tax revenues and safeguard tax compliance
  ✓ Continue to support taxpayers meet their obligations.
  ✓ Maintain tight monitoring/control of compliance in key sectors.
  ✓ Develop a post-crisis revenue collection action plan (RCAP).
Revenue Administration response – Recovering phase – Challenges and Priorities ahead

- **Several Challenges**: (to be addressed)
  - Restrictions on availability of staff – at least initially.
  - Taxpayers still recovering from the economic downturn.
  - New compliance risks to be identified and considered.
  - Phasing out temporary government relief measures’ impact.
  - Addressing backlogs.

- **And the big challenge**: Revenue Imperative looking ahead.
Revenue Administration response – Recovering phase – Resuming Operations

3: Recovery / consolidation

- Focus on restoring fully core operations:
  - Tax return filing and payment
  - Compliance enforcement (risk analysis, management of large taxpayers, and audit)
  - Taxpayer communication and services
  - Engaging taxpayers

- Focus on:
  - Industries that were not significantly impacted
  - Identify key revenue streams and work with taxpayers to ensure they remain up to date
  - Prioritize risk approach – Industry-based or taxpayer size (i.e. large taxpayers)
  - Focus on taxes where frequent remittances are required (VAT/GST, PAYE)
  - Make it easier for taxpayers to comply
  - Use a tailored approach to managing arrears (and returns)

Detailed discussion on IMF Special Series on CoVID-19 Note: Revenue Administration – Reinvigorating Operation to Safeguard Collection and Compliance.
Revenue Administration response – Recovering phase – Pay attention to key areas

3: Recovery / consolidation

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<th>Support Process</th>
<th>Measures</th>
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| Human Resource Management | • Continue to assess health, safety, and welfare risks of employees and taxpayers, seek expert medical advice and implement response measures, as needed.  
• Monitor staff availability, identify gaps in workforce and facilitate temporary re-assignment (or hiring) of employees to priority tasks in the post-crisis period.  
• Continue to support increased working from home (WFH) arrangements, e.g. for acquiring necessary equipment and flexible working hours arrangements.  
• Arrange for overtime or shift arrangements (or extend WFH) as needed, but also create some relief for staff that has had extra workloads during the crisis.  
• Ensure funding for additional costs related to specific arrangements.  
• Reassess staffing needs based on new taxpayer risks and begin recruitment or reassignment of staff. |
| Information and Communication Technology | • Ensure that relevant ICT systems changes are made when relief and stimulus measures are introduced or expire.  
• Improve internal service delivery for employees to support increased level of remote working arrangements.  
• Estimate if ICT system capacity needs to be increased to accommodate increased demand after the crisis period.  
• Stress test ICT security arrangements (including firewalls) to ensure protection of data from vulnerability, particularly if temporary IT changes were made to facilitate remote access for staff and/or taxpayers. |

• Manage well:  
  ✓ HR – to ensure staff preparedness to respond to crisis and provide for flexibility of workforce.  
  ✓ ICT – to support increased demands for policy changes, remote working and improved e-services for taxpayers.

Detailed discussion on IMF Special Series on COVID-19 Note: Revenue Administration – Reinvigorating Operation to Safeguard Collection and Compliance.
Revenue Administration response – Reinvigorate medium-term reforms

The Revenue Imperative will require building more effective tax systems

• Government Revenue will be much needed to support the recovery and development agendas, notably in Low/Middle income countries.
  ✓ A revenue level change → several points in tax-to-GDP ratios
• Sound tax system reforms – with a holistic approach – will be a key anchor of Governments’ Revenue Strategies.
  ✓ Well designed tax policy framework that promotes economic development.
  ✓ Effective revenue administrations with sufficient autonomy to apply modern management practices.
  ✓ A transparent and robust legal framework with appropriate and balanced powers to the revenue administrations vis-à-vis taxpayers’ rights
• Inclusive and broad national consensus in countries around these strategies will be a key success factor.
• The MTRS approach tax system reforms can be a key enabler to guide this Revenue Imperative effort.
Final remarks

In uncertain times… revenue administration change is certain

- Use the lessons to help
  - maintain business continuity
  - design new processes and services
  - prepare for a second wave
  - address new revenue and organizational risks
  - position the tax administration and government for future revenue reforms

- While tax administrations are restoring compliance and recovering revenues, important to identify new risks (corporate and compliance)

- And support a government’s coherent revenue strategy and consider the MTRS approach to help reinvigorate revenues
Thanks for your Attention