

INTERNATIONAL MONETARY FUND

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SPECIAL SERIES ON COVID-19

Special Series on COVID-19

Last updated: June 15, 2020

The Special Series notes are produced by IMF experts to help members address the economic effects of COVID-19. The views expressed in these notes are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

TOOLBOXES

MONETARY AND FINANCIAL POLICIES

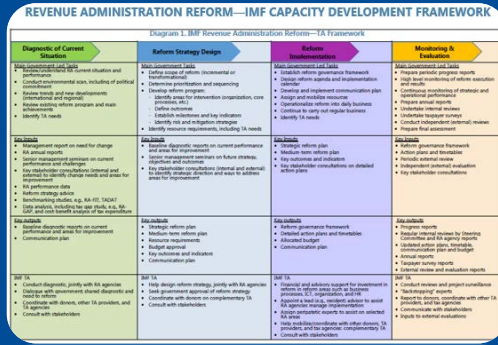
LEGAL TOOLS

CONSTRUCTION

PROGNOSTICATING ECONOMIC GROWTH

TAX REFORMS

FISCAL ISSUES



ISORA / RA-FIT

International Survey on Revenue Administration (ISORA)

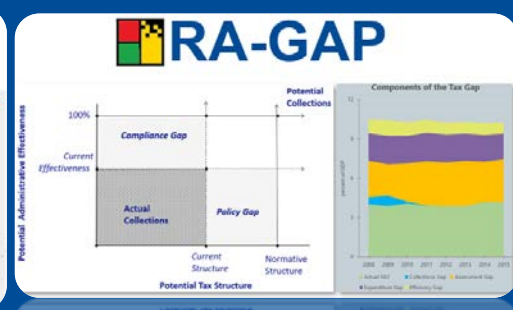
Powered by RA-FIT

The Revenue Administration Facial Information Tool (RA-FIT) Data Portal is a platform developed by the International Monetary Fund (IMF) to disseminate data gathered using the RA-FIT Data Collection Platform.

The RA-FIT Data Collection Platform located on another website is a data gathering initiative focusing the International Survey on Revenue Administration (ISORA). The IMF has collaboratively developed this survey along with the Inter-American Center of Tax Administrations (ICATA), the Inter-Caribbean Organization of Tax Administrations (ICOTA), and the Organization for Economic Cooperation and Development (OECD). Revenue administrations use this data collection platform to report survey data.

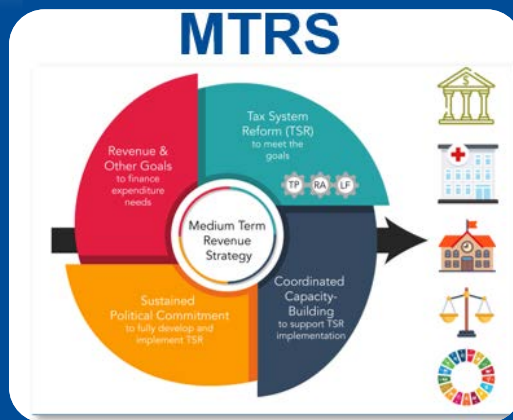
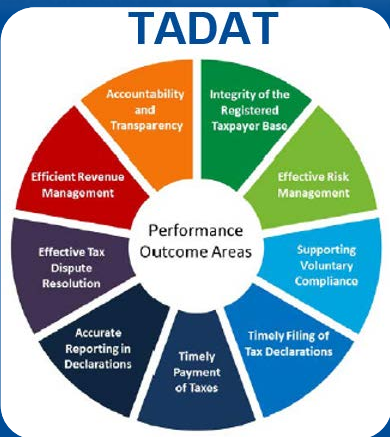
Accordingly, through the development of both mentioned platforms, it is the IMF's vision to:

- Assist revenue administrations globally to improve their focus on performance measurements and reporting.
- Provide a larger set of revenue administration data to improve policy and analysis, and
- Develop data and analytics that can improve cross-country comparisons.



Collecting taxes in times of crisis – Revenue Administration

JULY 21, 2020 – JOINT VIENNA INSTITUTE WEBINAR

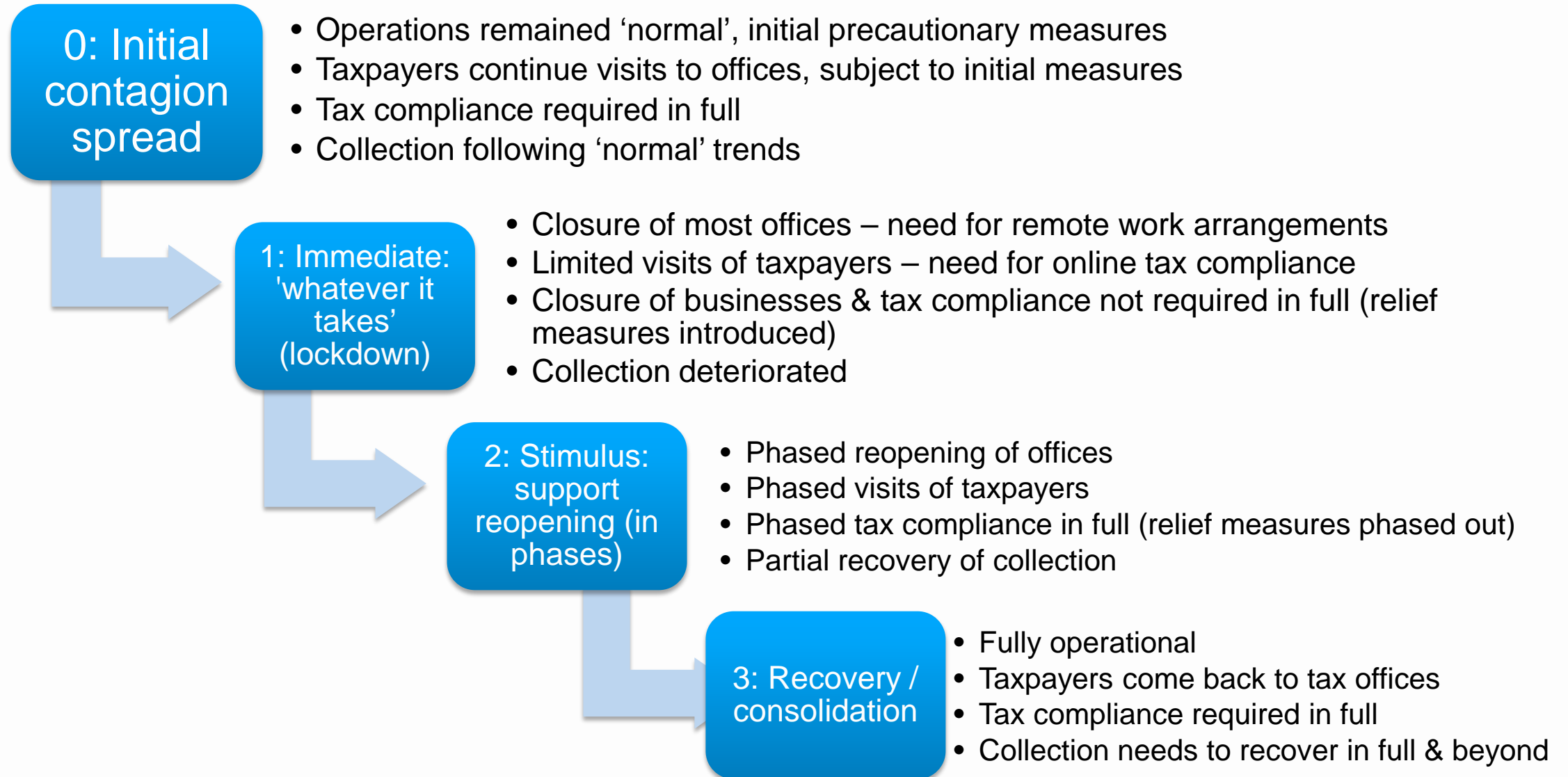


Juan Toro – Assistant Director
Fiscal Affairs Department

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





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 support in Revenue Administration – Analytical Front

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.

INTERNATIONAL MONETARY FUND

ABOUT RESEARCH COUNTRIES CAPACITY DEVELOPMENT NEWS VIDEOS DATA PUBLICATIONS SOCIAL

SPECIAL SERIES ON COVID-19

Special Series on COVID-19
Last Updated: June 11, 2020

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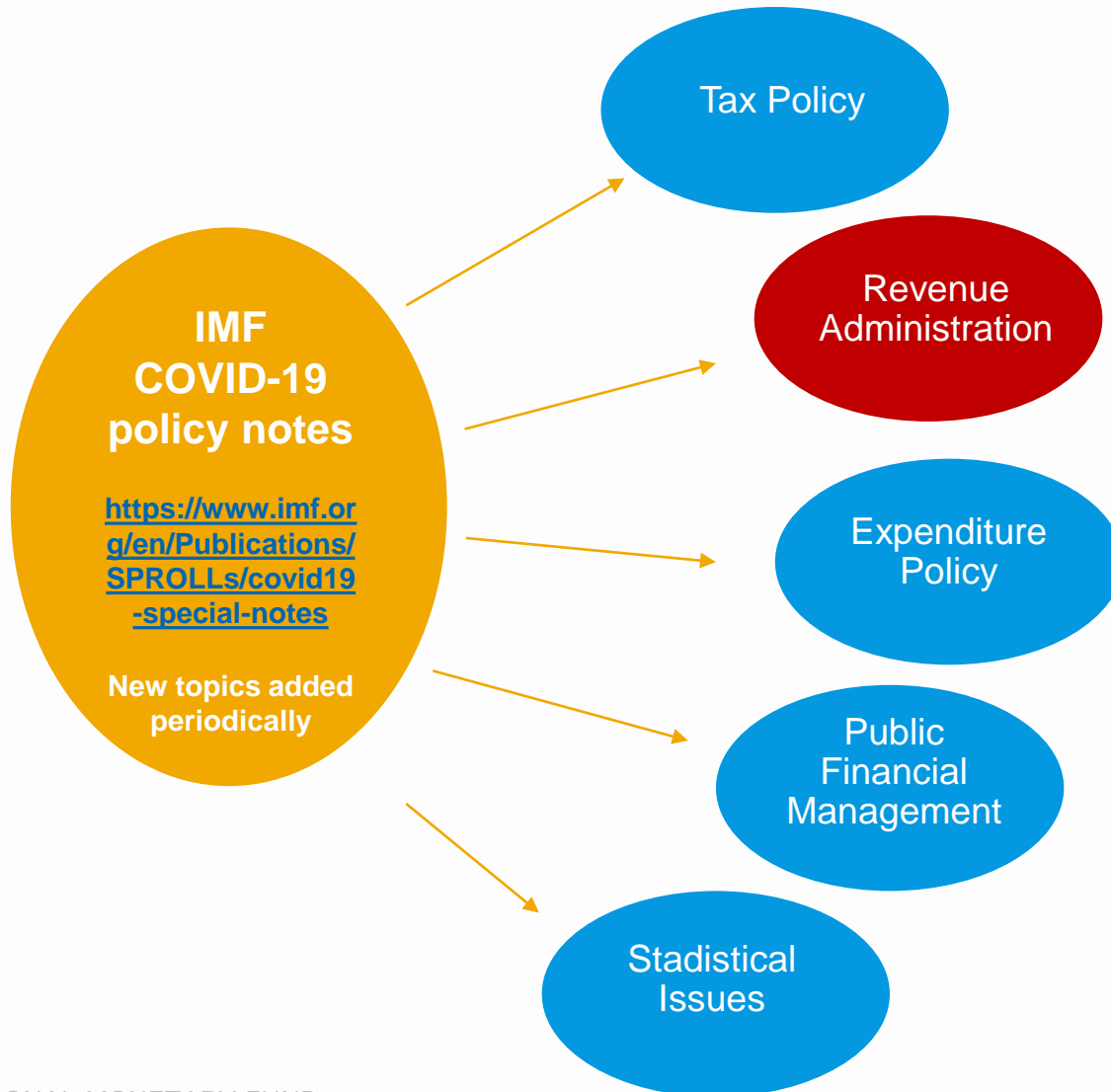
FISCAL ISSUES ▼
LEGAL TOPICS ▼
MACROCRITICAL STRUCTURAL ISSUES ▼

MONETARY AND FINANCIAL POLICIES ▼
STATISTICAL ISSUES ▼
TAX LAW DESIGN ISSUES ▼

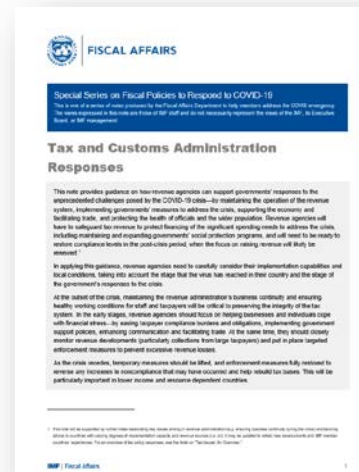
Fiscal Issues

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Special Series on COVID-19 – Revenue Administration notes



- ### Revenue Administration Notes
- Tax and Customs Administration Responses
 - Business Continuity for Revenue Administrations
 - Revenue Administration: Reinforcing 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

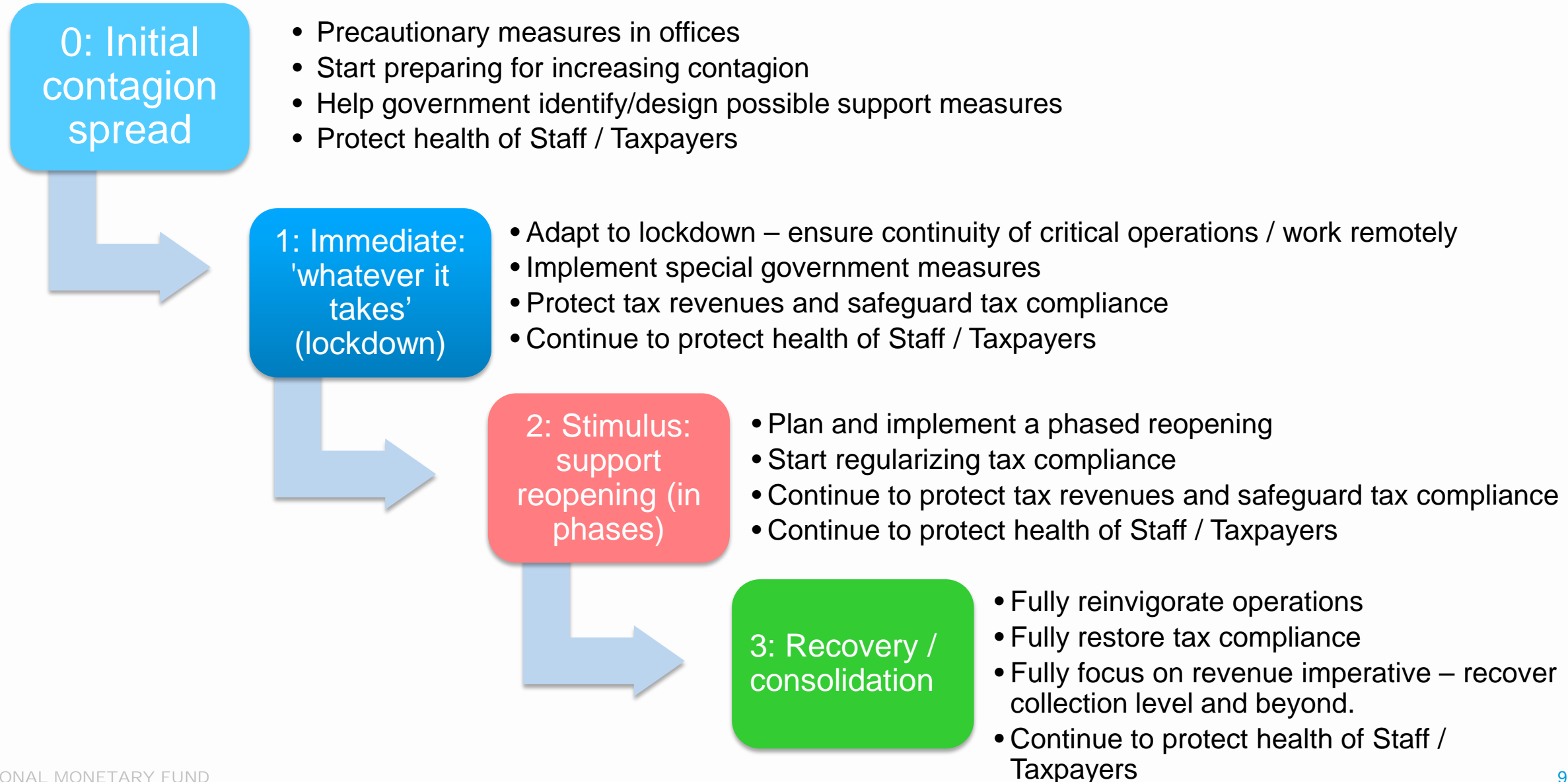
- ✓ Priority given to countries in urgent needs—notably fragile states.
- ✓ Countries' absorptive capacity and commitment to revenue reform.
- ✓ Program requirements, including on governance issues.
- ✓ Existence of ongoing m-term projects—with refocusing where necessary.

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.

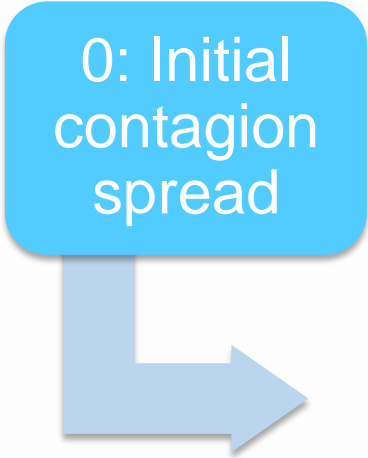
Revenue Administration Response to COVID-19 Crisis Challenges and Priorities Ahead

Revenue Administration – Revenue Agencies' response – a snapshot



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

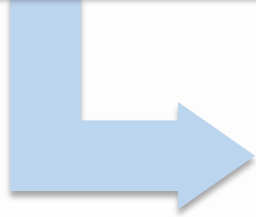
1: Immediate:
'whatever it
takes'
(lockdown)



- 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

3: Recovery / consolidation

- **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

Core Business Process	Measures
Tax Return Filing, Customs Declaration, and Payment	<ul style="list-style-type: none"> Communicate filing obligations in a timely fashion, after these obligations were suspended or not enforced. Reinforce standard customs declaration requirements. Develop and expand online processes for filing and payment, as needed, to reduce face-to-face contact and improve efficiency. Deploy strategies in line with the RCAP priorities, oriented to the different types of behavior of non-filing or non-payment. For example: <ul style="list-style-type: none"> Use mass emails, continue to engage with taxpayers, reminding them of their filing and payment obligations; make phone calls to important cases; and use visits in more complex cases. When considering continuing deferral of payments, target relief measures to specific industries and businesses most affected by the crisis, while continuing a more case-based approach to other businesses, to balance workload and administrative burden on the taxpayer with the potential impact that such measures have on the revenue collection. Set out a policy for installment plan requests, adopting a generic approach for smaller debts, focusing attention on the larger debts. Ensure early detection of new arrears and prompt follow-up. Leverage the call center to place outgoing debt collection calls. Assign high priority to recover arrears involving large and new debt cases, with a specific focus on withholding taxes (where taxpayers have collected revenue and are holding it "in trust"). Temporarily assign staff from other organizational units where necessary and appropriate. Only follow-up on debt cases with a prospect of recovery, prioritizing the largest debts and write-off arrears deemed irrecoverable.
Compliance Enforcement	<ul style="list-style-type: none"> Re-run the taxpayer segmentation models (or for administrations that have not used them, develop and apply them), as risk profiles may have significantly changed. Identify new risks (particularly any that relate to the relief measures) and adjust risk models and treatment strategies, also addressing risks of potential fraudulent use of relief measures. Include entitlement of importers and exporters to additional trade facilitation measures, using the HS code, in the risk assessment process, to help target verification and audit activities. Identify new sources of information that may be needed for cross-checking processes (e.g. bankruptcy cases, relief subsidies). For Customs, this could include information of land and sea carriers, or port authorities.
• Risk analysis and assessment	<ul style="list-style-type: none"> Shift the focus of the large taxpayer audit program toward industries most affected by the crisis ("losers" and "winners").
• Management of large taxpayers (including large traders)	<ul style="list-style-type: none"> Where a Large Taxpayer Office (LTO) is not in place, consider setting up a central team to deal with largest taxpayers. Strengthen cooperative engagement with large taxpayers to monitor progress in restoring business operations and revenue flows. Continue or expand assignment of additional staff to LTO so that priority initiatives can be actioned.
• Audit program	<ul style="list-style-type: none"> Consider streamlining desk-based queries and audits and field audit visits to focus on single compliance issues, to maintain visibility in enforcement activities Ensure withholding tax mechanisms are restored as soon as possible. Preserve pre-refund audits only for high-risk claims. Set up a post-clearance compliance audit plan for Customs to focus on the risks of abuse of benefits provided during emergency.
Taxpayer Communication and Services	<ul style="list-style-type: none"> Actively communicate the administration's commitment to helping taxpayers meet their tax obligations as they restore their businesses (e.g. via letters, newspapers, social media). Consider messages on discouraging fraudulent relief claims where appropriate. Inform taxpayers on the phasing out of any relief measures. Give specific attention to registration and deregistration of businesses, as the crisis may lead to a high number of businesses closures and new startups. Ensure capacity is in place to respond to questions from taxpayers (call center, social media), extend service hours as needed. Encourage use of online services, as face-to-face services may remain restricted for a longer period. Consider adopting an appointment-only approach.
Engaging taxpayers, traders and their agents	<ul style="list-style-type: none"> Have frequent meetings with representative bodies of taxpayers, traders and (tax) agents to inform them of response strategies and seek feedback.

- **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

Support Process	Measures
Human Resource Management	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.

Revenue Administration response – Reinvigorate medium-term reforms

3: Recovery / consolidation

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