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# ISORA 2016

## Understanding Revenue Administration

*William Crandall, Elizabeth Gavin,  
and Andrew Masters*

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**ISORA 2016**  
**Understanding Revenue Administration**

**William Crandall, Elizabeth Gavin, and Andrew Masters**

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# Contents

<b>Acronyms and Abbreviations</b> .....	<b><a href="#">xi</a></b>
<b>Acknowledgments</b> .....	<b><a href="#">xiii</a></b>
<b>Executive Summary</b> .....	<b><a href="#">xv</a></b>
<b>1. Part 1: ISORA 2016—General Overview</b> .....	<b><a href="#">1</a></b>
Introduction .....	<a href="#">1</a>
Purpose of ISORA .....	<a href="#">2</a>
History and Development of ISORA .....	<a href="#">3</a>
ISORA 2016—Survey Metrics .....	<a href="#">4</a>
Access to and Use of ISORA Data .....	<a href="#">6</a>
The Overall Approach for this Publication .....	<a href="#">6</a>
Making Improvements to ISORA .....	<a href="#">10</a>
<b>2. Part 2: Analysis of ISORA 2016 Data</b> .....	<b><a href="#">15</a></b>
Performance-related Data .....	<a href="#">15</a>
Introduction .....	<a href="#">15</a>
Return Filing .....	<a href="#">16</a>
Payment .....	<a href="#">22</a>
Electronic Filing and Payment .....	<a href="#">23</a>
Tax Arrears .....	<a href="#">26</a>
Verification .....	<a href="#">29</a>
Disputes .....	<a href="#">32</a>
Cost of Collection .....	<a href="#">34</a>
Tax Administration Resources in Relation to Taxpayers and Citizens Served .....	<a href="#">37</a>
Conclusion .....	<a href="#">39</a>
Profile Data .....	<a href="#">40</a>
Introduction .....	<a href="#">40</a>
Institutional Arrangements .....	<a href="#">41</a>
Scope .....	<a href="#">43</a>
Allocation of Tax Administration Staff .....	<a href="#">48</a>
Staff Demographics .....	<a href="#">52</a>

Segmentation .....	<a href="#">57</a>
Registration.....	<a href="#">62</a>
Information Gathering Powers.....	<a href="#">65</a>
Debt Collection Powers .....	<a href="#">67</a>
Management Issues .....	<a href="#">69</a>
Human Resource Management.....	<a href="#">70</a>
Compliance Risk Management .....	<a href="#">75</a>
Conclusion.....	<a href="#">82</a>
Administrative and Operational Practices.....	<a href="#">83</a>
Introduction.....	<a href="#">83</a>
Meeting Performance Standards Index .....	<a href="#">84</a>
Management and Human Resources Autonomy Index .....	<a href="#">87</a>
Public Accountability Index .....	<a href="#">91</a>
Service Orientation Index .....	<a href="#">93</a>
Relationships among the Four Indices and Performance Measures.....	<a href="#">97</a>
Conclusion.....	<a href="#">100</a>
<b>References.....</b>	<b><a href="#">101</a></b>
<b>Appendix Tables.....</b>	<b><a href="#">103</a></b>
<b>Boxes</b>	
Box 1. Jurisdictions Listed by ISORA Partner Providing Support.....	<a href="#">7</a>
Box 2. The RA-FIT Data Portal.....	<a href="#">8</a>
Box 3. Jurisdiction Groupings Used in this Paper .....	<a href="#">13</a>
Box 4. Five-year Analysis of Corporate Income Tax On-time Filing Rates.....	<a href="#">18</a>
Box 5. Cautions in Using Cost of Collection as an Indicator .....	<a href="#">36</a>
Box 6. Age Distribution of Staff: Tax Administrations versus the General Labor Force.....	<a href="#">54</a>
Box 7. Administrative and Operational Practices of Fragile States.....	<a href="#">98</a>
<b>Figures</b>	
Figure 1. Geographic Distribution of ISORA 2016 Participants.....	<a href="#">5</a>
Figure 2. Median On-Time Filing Rates .....	<a href="#">17</a>

Figure 3. Median On-Time Filing Rates for Core Taxes, 2011–15 (Data Set 1) .....	<a href="#">20</a>
Figure 4. Median On-time Filing Rates for Core Taxes, 2011–15 (Data Set 2) .....	<a href="#">21</a>
Figure 5. Median On-Time Payment Rate by Value .....	<a href="#">23</a>
Figure 6. Number of Responses by Online Filing Rate .....	<a href="#">24</a>
Figure 7. Number of Responses by Online Payment Rates, 2015 .....	<a href="#">26</a>
Figure 8. Distribution of Arrears-to-Collection Ratios, 2015 .....	<a href="#">28</a>
Figure 9. Distribution of the Cost of Collection Values, 2015 .....	<a href="#">35</a>
Figure 10. Institutional Arrangements Matrix, 2015 .....	<a href="#">42</a>
Figure 11. Institutional Arrangements Including Nature of Management Board, 2015 .....	<a href="#">44</a>
Figure 12. Full-Time Equivalent by Function, 2015 .....	<a href="#">49</a>
Figure 13. Staff Allocation by Type of Office, 2015 .....	<a href="#">50</a>
Figure 14. Staff by Age Group, 2015 .....	<a href="#">52</a>
Figure 15. Staff Age Distribution, 2015 .....	<a href="#">53</a>
Figure 16. Staff Age Distribution by IMF Region, 2015 .....	<a href="#">54</a>
Figure 17. Staff Age Distribution by Region: General Labor Force, 2015 .....	<a href="#">55</a>
Figure 18. Service Profile of Tax Administration Staff, 2015 .....	<a href="#">56</a>
Figure 19. Service Profile of Tax Administration Staff by Standard Grouping, 2015 .....	<a href="#">56</a>
Figure 20. Female Staff and Executives, 2015 .....	<a href="#">57</a>
Figure 21. Administrations with LTO/P, HNWI, and Small Taxpayer Regimes, 2015 .....	<a href="#">59</a>
Figure 22. Taxpayer Selection Criteria for LTO/P, 2015 .....	<a href="#">61</a>
Figure 23. Incidence of Small Taxpayer Regimes, 2015 .....	<a href="#">62</a>
Figure 24. Participants Not Providing Data for Both Total and Active Taxpayers .....	<a href="#">64</a>
Figure 25. Median Percentage of Inactive Taxpayers to Total Registered Taxpayers .....	<a href="#">65</a>
Figure 26. Specific Information Gathering Powers, 2015 .....	<a href="#">66</a>
Figure 27. Administrations that Use Debt Powers Frequently by Type of Powers, 2015 .....	<a href="#">69</a>
Figure 28. Debt Powers Used Frequently by Type of Power and by Standard Group, 2015 .....	<a href="#">70</a>

Figure 29. Selected Good Management Practices, 2015.....	<a href="#">71</a>
Figure 30. Elements of Good Practice in Human Resources, 2015.....	<a href="#">72</a>
Figure 31. Elements of Good Practice in Performance Management, 2015 .....	<a href="#">73</a>
Figure 32. Elements of Good Practice in Staff Engagement, 2015.....	<a href="#">74</a>
Figure 33. Various Human Resource Management Related Questions by Region, 2015 .....	<a href="#">75</a>
Figure 34. Formal Approaches to Compliance Risk, 2015 .....	<a href="#">76</a>
Figure 35. High Priority Compliance Approaches, 2015 .....	<a href="#">77</a>
Figure 36. High Priority Focus Areas, 2015.....	<a href="#">78</a>
Figure 37. Tax Gap Estimates by Tax Type and Conduct of Random Audits and Uses, 2015 .....	<a href="#">79</a>
Figure 38. Electronic Methods in Audit and Specific Uses, 2015.....	<a href="#">81</a>
Figure 39. Administrations Indicating Standard is Partially Met or Mostly Met, 2015 .....	<a href="#">85</a>
Figure 40. Participants Responding Yes to Management Autonomy Questions, 2015 ...	<a href="#">89</a>
Figure 41. Participants Responding Yes to Human Resources Autonomy Questions, 2015.....	<a href="#">89</a>
Figure 42. Overall Autonomy Index by Type and Standard Grouping, 2015.....	<a href="#">90</a>
Figure 43. Distribution of Autonomy Index Values by Institutional Arrangement, 2015 .....	<a href="#">91</a>
Figure 44. Percentage of Yes Responses for the 12 Public Accountability Questions, 2015.....	<a href="#">92</a>
Figure 45. Percentage of Yes Responses for Each Question for Standard Groups, 2015.....	<a href="#">94</a>
Figure 46. Percentage of Yes Responses for the 13 Service Orientation Questions, 2015.....	<a href="#">95</a>
Figure 47. Percentage of Yes Responses for Each Question by Standard Grouping, 2015 .....	<a href="#">97</a>

**Tables**

Table 1. Key Aggregated Information from ISORA 2016.....	<a href="#">2</a>
Table 2. Variation among ISORA 2016 Participants.....	<a href="#">2</a>

Table 3. Survey Participants by Income Group and IMF Region.....	<a href="#">5</a>
Table 4. Survey Participants by Population Size .....	<a href="#">5</a>
Table 5. Grouping of ISORA Subject Matter Areas .....	<a href="#">9</a>
Table 6. Survey Participants by Partner-Group .....	<a href="#">10</a>
Table 7. Survey Participants by IMF Region and the Standard Grouping.....	<a href="#">10</a>
Table 8. Fragile State Participants by Income and Standard Grouping.....	<a href="#">11</a>
Table 9. Expected Corporate Income Tax Returns Compared to Active Corporate Income Tax Taxpayers .....	<a href="#">18</a>
Table 10. Average Percentage of Returns Filed Electronically by Tax Type.....	<a href="#">25</a>
Table 11. Average Percentage of Electronic Payments by Tax Type.....	<a href="#">26</a>
Table 12. Average Tax Arrears at Year-end as a Percentage of Total Net Tax Collected...	<a href="#">27</a>
Table 13. Assessments Raised through Verification Activity .....	<a href="#">30</a>
Table 14. Verification Activity per 100 Active Taxpayers (Coverage Rate).....	<a href="#">31</a>
Table 15. Verification Activities Leading to Adjustment (Adjustment Rate).....	<a href="#">32</a>
Table 16. Value of Year-end Stock of Objections to Total Tax Revenue .....	<a href="#">33</a>
Table 17. Median and Average Cost of Collection Ratios, 2015 .....	<a href="#">35</a>
Table 18. Median Active Core Taxpayers per FTE.....	<a href="#">38</a>
Table 19. Citizens per FTE.....	<a href="#">39</a>
Table 20. Illustrative Example of Indicators .....	<a href="#">39</a>
Table 21. Institutional Arrangements Matrix, 2015 .....	<a href="#">42</a>
Table 22. Autonomy and Scope, 2015.....	<a href="#">43</a>
Table 23. Management Board Size by Type, 2015 .....	<a href="#">44</a>
Table 24. Share of Revenue by Revenue Type, 2015.....	<a href="#">45</a>
Table 25. Median Share of Revenue by Revenue Type for Administrations that Collect Each Revenue Type, 2015.....	<a href="#">46</a>
Table 26. Participants Collecting “Other Taxes,” 2015.....	<a href="#">47</a>
Table 27. Participants with Specific Nontax Roles, 2015 .....	<a href="#">47</a>
Table 28. Average Number of Nontax Roles and “Other Taxes” Collected, 2015 .....	<a href="#">47</a>
Table 29. Tax Administrations Collecting or Planning to Collect Social Security Contributions, 2015 .....	<a href="#">48</a>



Table 30. Full-time Equivalents by Function, 2015 .....	<a href="#">49</a>
Table 31. Full-time Equivalents by Type of Office, 2015 .....	<a href="#">51</a>
Table 32. Administrations that Outsource Selected Activities, 2015 .....	<a href="#">51</a>
Table 33. Administrations with LTO/P, HNWI, and Small Taxpayer Regimes, 2015 ....	<a href="#">59</a>
Table 34. Total Tax Revenues Collected and Corporate Income Tax Payers Included in the LTO/P .....	<a href="#">60</a>
Table 35. Range of Functions within LTO/Ps, 2015.....	<a href="#">61</a>
Table 36. Incidence of Small Taxpayer Regimes, 2015.....	<a href="#">62</a>
Table 37. Participants not Providing Data for Both Total and Active Taxpayers .....	<a href="#">64</a>
Table 38. Taxpayers as a Percentage of Citizens, 2015 .....	<a href="#">65</a>
Table 39. Specific Information Gathering Powers, 2015 .....	<a href="#">66</a>
Table 40. Administrations Using Specified Case Selection Criteria, 2015 .....	<a href="#">80</a>
Table 41. Mean Values for the Meeting Performance Standards Index, 2015.....	<a href="#">86</a>
Table 42. Combined Management and Human Resources Autonomy Index, 2015.....	<a href="#">89</a>
Table 43. Public Accountability Index Average for Standard Groups, 2015 .....	<a href="#">93</a>
Table 44. Public Accountability Index Average for Semiautonomous/In-Ministry, 2015.....	<a href="#">93</a>
Table 45. Service Orientation Index Average for Standard Groups, 2015 .....	<a href="#">96</a>
Table 46. Service Orientation Index Average for Semi-autonomous/In-Ministry, 2015.....	<a href="#">96</a>
Table 47. Correlation Between the Practices Indices, 2015 .....	<a href="#">97</a>
Table 48. Comparing Fragile States—Sample Indicators, 2015.....	<a href="#">98</a>
Table 49. Comparing Fragile States—Indices, 2015.....	<a href="#">99</a>

**Appendix Tables**

Appendix Table 1. Median On-time Filing Rates.....	<a href="#">103</a>
Appendix Table 2. Average On-time Filing Rates.....	<a href="#">103</a>
Appendix Table 3. Median On-time Payment Rate for Core Taxes by Value .....	<a href="#">103</a>
Appendix Table 4. Average On-time Payment Rates for Core Taxes by Value .....	<a href="#">103</a>
Appendix Table 5. Median Proportion of Returns Filed Electronically .....	<a href="#">104</a>
Appendix Table 6. Median Proportion of Payments Made Electronically.....	<a href="#">104</a>

Appendix Table 7. Debt at Year-end as Percentage of Total Tax Collected .....	<a href="#">104</a>
Appendix Table 8. Audits per 100 Active Taxpayers.....	<a href="#">105</a>
Appendix Table 9. Proportion of Audits Leading to Adjustment .....	<a href="#">105</a>
Appendix Table 10. Median Assessments Raised through Audits as Percentage of Revenue .....	<a href="#">105</a>
Appendix Table 11. Value of Objections as Percentage of Total Tax Collected.....	<a href="#">106</a>
Appendix Table 12. Cost of Collection .....	<a href="#">106</a>
Appendix Table 13. Active Core Taxpayers per Full-time Equivalent .....	<a href="#">106</a>
Appendix Table 14. Citizens per Full-time Equivalent .....	<a href="#">107</a>
Appendix Table 15. Institutional Arrangements—Autonomy and Tax Only/Tax and Customs, 2015.....	<a href="#">107</a>
Appendix Table 16. Institutional Arrangements—Type of Institution, 2015 .....	<a href="#">107</a>
Appendix Table 17. Proportion of Administrations Collecting Each Revenue Type.....	<a href="#">108</a>
Appendix Table 18. Proportion of Administrations by Region Collecting Each Revenue Type.....	<a href="#">108</a>
Appendix Table 19. Nontax Roles, 2015.....	<a href="#">109</a>
Appendix Table 20. Average Percentage of Staff by Function, 2015.....	<a href="#">109</a>
Appendix Table 21. Average Percentage of Staff by Office Type, 2015.....	<a href="#">109</a>
Appendix Table 22. Age Distribution of Staff, 2015 .....	<a href="#">109</a>
Appendix Table 23. Average Percentage of Staff by Length of Service, 2015.....	<a href="#">110</a>
Appendix Table 24. Average Percentage of Female Staff, 2015.....	<a href="#">110</a>
Appendix Table 25. Differentiated Treatment of Taxpayer Segments.....	<a href="#">110</a>
Appendix Table 26. Characteristics of the Large Taxpayer Office or Program .....	<a href="#">111</a>
Appendix Table 27. Criteria Used to Identify Large Taxpayers, 2015.....	<a href="#">111</a>
Appendix Table 28. Functions Carried Out in Large Taxpayer Office   or Program, 2015.....	<a href="#">111</a>
Appendix Table 29. Incidence of Simplified Regimes in Tax Administrations, 2015.....	<a href="#">112</a>
Appendix Table 30. Proportion of Administrations with Active Taxpayers Only on Register .....	<a href="#">112</a>
Appendix Table 31. Management Approach of Tax Administrations, 2015 .....	<a href="#">112</a>

Appendix Table 32. Human Resources Strategy and Approach: Percentage Responding Yes, 2015 .....	<a href="#">113</a>
Appendix Table 33. Performance Management: Percentage Responding Yes, 2015 .....	<a href="#">113</a>
Appendix Table 34. Staff Engagement: Percentage Answering Yes, 2015 .....	<a href="#">114</a>
Appendix Table 35. Formal Approaches to Compliance Risk, 2015 .....	<a href="#">114</a>
Appendix Table 36. High-Priority Compliance Approaches, 2015 .....	<a href="#">114</a>
Appendix Table 37. High-Priority Focus Areas, 2015 .....	<a href="#">115</a>
Appendix Table 38. Tax Gap Estimates and Conduct of Random Audits and Uses, 2015 .....	<a href="#">115</a>
Appendix Table 39. Administrations Using Specified Case Selection Criteria, 2015 ....	<a href="#">116</a>
Appendix Table 40. Electronic Methods in Audit and Specific Uses, 2015 .....	<a href="#">117</a>
Appendix Table 41. Meeting Performance Standards Index .....	<a href="#">117</a>
Appendix Table 42. Autonomy Index, 2015 Averages .....	<a href="#">117</a>
Appendix Table 43. Public Accountability Index .....	<a href="#">118</a>
Appendix Table 44. Service Orientation Index .....	<a href="#">118</a>
Appendix Table 45. Consolidation of All Indices, 2015 .....	<a href="#">118</a>

## Acronyms and Abbreviations

CIAT	Inter-American Center of Tax Administrations
CIT	corporate income tax
FAD	Fiscal Affairs Department (of the IMF)
FTE	full-time equivalent
HIC	high-income country
HNWI	high-net-wealth individual
HR	human resources
IMF	International Monetary Fund
IOTA	Intra-European Organisation of Tax Administrations
ISORA	Interational Survey on Revenue Administration
LIC	low-income country
LMIC	low-middle-income country
LTO/P	large taxpayer office/program
OECD	Organisation for Economic Co-operation and Development
PAYE	pay-as-you-earn
PIT	personal tax income
SSC	social security contributions
RA-FIT	Revenue Administration Fiscal Information Tool

TADAT	Tax Administration Diagnostic Assessment Tool
UMIC	upper-middle-income country
VAT	value-added tax

## Acknowledgments

This departmental paper presents the results of the International Survey on Revenue Administration (ISORA) deployed during 2016 and covering fiscal years 2014 and 2015. It is made possible by the participation of 135 tax administrations from around the world that provided data. This survey round (the data collection aspect) was a joint venture with the Inter-American Center of Tax Administrations, the Intra-European Organisation of Tax Administrations, and the Organisation for Economic Co-operation and Development. This departmental paper was authored by a team of staff and consultants from the IMF's Fiscal Affairs Department (FAD) led by Andrew Masters, and including William Crandall (consultant), Elizabeth Gavin, and Xavier Gomez-Maqueo (who provided research assistance). The paper benefitted from extensive assistance from Michael Keen. Staff in the revenue administration divisions of FAD and in the IMF's Regional Technical Assistance Centers were most helpful in assisting with the conduct of the survey.

The authors' views as expressed in this paper do not necessarily reflect the views of the IMF, its Executive Board, or IMF management. Errors and omissions are the authors' sole responsibility. It should be noted that summary or aggregated information presented in this paper is derived from data that is self-reported by participants, and as such may be subject to review and change without prior notice.

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Union; Germany; Republic of Korea; Kuwait; Luxembourg; the Netherlands; Norway; and Switzerland.

Further documentation, data, and information are available online through the Revenue Administration Fiscal Information Tool Data Portal at <http://data.rafit.org>.

Most of the data used in this departmental paper has been sourced from the ISORA 2016 database. Accordingly, where this is the case, no attribution is made in either figures or tables. Where data has been obtained elsewhere, the source is appropriately attributed.

# Executive Summary

## Background

The International Survey on Revenue Administration (ISORA) collects tax administration data from national or federal tax administrations. It surveys tax administration operations and other characteristics based on common questions and definitions agreed by four partner organizations: the Inter-American Center of Tax Administrations, the IMF, the Intra-European Organisation of Tax Administrations, and the Organisation for Economic Co-operation and Development. ISORA uses an online data collection platform (called Revenue Administration Fiscal Information Tool) developed and administered by the IMF.

A total of 135 tax administrations voluntarily participated in ISORA 2016, which collected data for fiscal years ending in 2014 and 2015. Partner organizations do not formally validate the data received, and as such, all information gathered by the survey should be considered as self-reported data. Participating administrations represent a significant portion of the worldwide economy (92 percent of global GDP), engage with a tenth of the world's population as active personal income taxpayers, and collect revenues annually of almost \$10 trillion.

In this publication (*Understanding Revenue Administration—ISORA 2016*), results of the ISORA 2016 round are analyzed against three subject areas: (1) performance-related data, (2) profile data, and (3) administrative and operational practices.

These subject areas are generally compared against three groupings of the 135 participants: (1) small states (31 jurisdictions with a population of less than 1.5 million people and a mixture of higher and lower incomes), (2) lower-income jurisdictions (44), and (3) higher-income jurisdictions (60).



## Highlights of the ISORA 2016 Analysis

1. *Performance-related data (filing and payment, including electronic filing and payment; tax arrears and audit; disputes; cost of collection; tax administration resources)*

- Small-state and lower-income jurisdictions generally lag behind higher-income participants in many areas.

For example, *on-time filing rates* for value-added tax (VAT) and corporate income tax (CIT), and electronic filing rates:

	Value-Added Tax (percent)	Corporate Income Tax (percent)	Electronic Filing (percent)
Small States	81	40	58
Lower Income	84	72	49
Higher Income	90	81	89

- Higher-income jurisdictions have the lowest cost of collection (0.89 currency units to collect 100 currency units, versus 1.10 for lower-income and 1.92 for small-state) as they are better able to take advantage of automation and economies of scale.
- In some areas, the higher-income participants are not further ahead—lower-income jurisdictions report a debt-to-revenue ratio of 24 percent, whereas higher-income jurisdictions report 38 percent, although this may point to the inherent weaknesses in this measure as an indicator.
- In terms of the size of tax administrations, and with respect to efficiency, higher-income participants report some 700 active taxpayers per full-time equivalent, whereas the corresponding number for small-state and lower-income jurisdictions are, respectively, 120 and 35.

2. *Profile data (institutional arrangements, scope, segmentation, legislative powers, management, human resources, compliance risk)*

- Half of participating administrations (68 of 135) self-identified as semiautonomous organizations (8 small-state, 23 lower-income, 37 higher-income).
- About 36 percent of participants (49 of 135) are responsible for both tax administration and customs administration.
- In addition to core taxes (personal income tax, CIT, VAT, social security contributions), 66 percent of participants collect domestic excise taxes; 40 percent collect motor vehicle taxes; 46 percent are involved in real property taxes; 22 percent collect wealth taxes; 37 percent collect estate, inheritance, and gift taxes; and another 59 percent report collecting at least one other tax not included in this list.

- Noncore taxes, social security contributions, and nontax revenues account for close to 40 percent of all revenues for small-state jurisdictions, and about 30 percent for the others.
- By tax administration function, participants overall reported the following allocations of staff: front office functions (registration, service, returns, and payment processing)—about 30 percent of staff; back office functions (audit, verification, and enforced debt collection)—about 40 percent of staff; disputes (objections and appeals)—about 3 percent of staff; and other operational and support functions—about 27 percent of staff.
- More than 85 percent of respondents report having dedicated large taxpayer offices/programs.
- The higher-income group has 22 percent of employees aged 55 years or older. The comparable figures for small-state and lower-income participants are 12 percent and 10 percent, respectively.
- Overall, female staff make up 53 percent of tax administration employees, but only 40 percent of executives.
- Lower-income and higher-income jurisdictions are more likely to have a formal approach to identifying, assessing, and prioritizing key compliance risks across a range of tax administration functions than are administrations in small states.
- Across all groups, audit and verification activities are most likely to have formal compliance risk approaches (73 percent overall), whereas taxpayer service and payment processing are least likely (52 percent and 53 percent, respectively) to have formal compliance risk approaches.
- VAT fraud is a high priority for 70 percent of ISORA's participants. For lower-income jurisdictions, "preferential tax regimes and incentives" is a high priority focus area; for higher-income jurisdictions, "aggressive domestic tax avoidance schemes" and "the underground or cash economy" were identified as high priority focus areas.

*3. Administrative and operational practices (four separate indices based on ISORA questions: [1] performance standards—a self-assessment of the extent to which participants have met standards; [2] management and human resources autonomy—measurement of the autonomy granted to tax administrations related to budget management and human resources; [3] public accountability—a measure of commitment to making information public; and [4] taxpayer service orientation—a measure of a participants' demonstration of taxpayer-centric planning and services).*

- 51 percent of small-state and 52 percent of lower-income participants report "mostly meeting" their tax administration performance standards. The comparable number for higher-income jurisdictions is almost 70 percent.

- Not surprisingly, the self-identified “semiautonomous” tax administrations scored much higher on the management and human resources autonomy index than did the others—almost 90 percent versus 63 percent.
- On the public accountability index, which measures whether participants make public documents such as plans and annual reports, taxpayer rights, satisfaction surveys, and the like, as well as whether they have appropriate complaint mechanisms, small states scored 40 percent, lower-income participants 54 percent, and higher-income participants 60 percent.
- Gaps on the service orientation index were similar—a score of 50 percent for small states, 59 percent for lower-income jurisdictions, and 79 percent for higher-income jurisdictions.
- All four indices demonstrate a similar pattern, revealing that in general, administrations in higher-income jurisdictions are further ahead of small-state and lower-income jurisdictions in implementing a range of practices considered to be “good practice.”
- Tax administrations that self-identify as semiautonomous also score higher on average on all four indices than do tax administrations that operate within a ministry.
- There are strong linkages between the service orientation index and the indices for public accountability and for management and human resources autonomy. A particularly strong correlation between service orientation and public accountability suggests both may be related to the degree of commitment by the administration’s management to demonstrate accountability and responsiveness to taxpayers and citizens in general.

While ISORA 2016 is the first iteration of the new survey, it represents a significant improvement in coverage of administrations and completeness of responses from the forerunner surveys conducted by the ISORA partners in previous years. Participants can use ISORA data to compare themselves with peer organizations—this should always be done with caution and considering country context. Aggregated data, too, can provide useful baselines not only for participants but also for the calibration of other tools such as the Tax Administration Diagnostic Assessment Tool. Furthermore, ISORA data can be used to assist in identifying focus areas for technical assistance in tax administration.

ISORA 2018, covering fiscal years 2016 and 2017, is currently under way, and results should be available in the second half of calendar year 2019.