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ISORA 2016 Understanding Revenue Administration

William Crandall, Elizabeth Gavin, and Andrew Masters

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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.