

# Revenue Administration: A Toolkit For Implementing A Revenue Authority

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INTERNATIONAL MONETARY FUND

Fiscal Affairs Department

**Revenue Administration:  
A Toolkit For Implementing A Revenue Authority**

Prepared by Caribbean Regional Technical Assistance Centre  
(William Crandall and Maureen Kidd) in collaboration with the  
Revenue Administration Division of the Fiscal Affairs Department

Authorized for distribution by Carlo Cottarelli

April 2010

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|                             |   |
|-----------------------------|---|
| JEL Classification Numbers: | H20, H24, H25   |
| Keywords:                   | Revenue Authority, revenue administration, governance, tax compliance, autonomy in tax administration, accountability, tax, customs |
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# TECHNICAL NOTES AND MANUALS

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## OVERVIEW

In the context of discussions concerning the possible establishment of revenue authorities (RAs) in Eastern Caribbean Central Bank (ECCB) countries, CARTAC undertook to provide the ECCB with a “toolkit” to assist member countries in making important implementation decisions.

This toolkit is a guide with a series of operational modules designed to assist countries when they implement a “revenue authority” (a more autonomous organizational structure) to administer their tax and customs operations.

This toolkit is developed to respond to an identified need. It is different from much of the previous theoretical or anecdotal writing on revenue authorities in that it is designed as a series of tools for countries to use in mapping out the implementation of a revenue authority—once a decision to proceed in this direction has been made.

Each of the following chapters first sets the stage, explaining why the subject is important to the design and implementation of the RA. If appropriate to the subject, working modules are then presented in a manner to make review and analysis of the country’s own circumstances as clear and straightforward as possible

The toolkit is grouped into 11 chapters as follows:

**Introduction and background for Revenue Authorities**—This chapter provides a definition of Revenue Authority, a brief history of the concept, terminology, identification of key research documents, a discussion on increasing autonomy in public institutions, and a review of why countries choose the RA model for their revenue administration (Chapter I).

**Policy choices**—No two RAs are alike although all have common features. Governments must make policy choices in terms of degree of autonomy, the governance framework, accountability and scope, and such policy choices need to be based on the specific objectives for establishing the RA and be informed by what other countries have done. This chapter provides an operational guideline for determining the features of a revenue authority. It includes an operational module countries can use to support logical and comprehensive decision-making (Chapter II).

**Legislation**—Establishing a RA will necessitate enabling legislation and such legislation needs to follow the policy decisions, not lead them. Most RA implementation is approached in two stages—policy and legislation first, then operational implementation. Legislation is the critical front piece. This chapter outlines the need for separate enabling legislation, discusses typical legislative components, identifies known “trouble spots” and emphasizes the importance of a legislative package that reflects the approved policy choices (Chapter III).

**Transitional issues and initial staffing**—Moving revenue administration outside the public service—which is what implementing an RA does—presents huge challenges. Prime among these is the impact on existing staff. There are many misunderstandings and misconceptions in this area

and this chapter attempts to explain the pros and cons of different scenarios that arrive at the same end—a single new entity outside the public service proper (Chapter IV).

**Organizational issues**—This chapter highlights the most common issues related to organizational structure, and identifies common solutions to problems based on the experience of other countries using the RA model (Chapter V).

**Operational readiness**—When a revenue authority is established, the existing revenue departments are abolished and revenue administration is normally removed from central oversight of the public service. For appropriate public sector accountability and transparency to be in place and respected, the RA will need policies to govern its management actions from the first day of the coming in to force of the RA legislation. While most of the core program operations will remain unchanged with the creation of the RA, much of the management policies and practices will be new. This chapter provides guidance for operating a revenue administration in the RA context, introduces the importance of the official start date for the RA, discusses advance preparations and policy development, outlines the role of the Board prior to the official coming-in-to-force of the new legislation and suggests advice to minimize risk to revenues (Chapter VI).

**Project management**—The implementation of the RA is a significant effort for any government and cannot be managed as a marginal activity or on a part-time basis. The complexities inherent in a decision of this kind dictate the need for a formal project management approach. This chapter provides an assessment of the importance of using modern project management techniques for RA implementation. The chapter also introduces a typical, detailed project management plan on RA implementation for illustrative purposes (Chapter VII).

**Communications**—Communications could well be the most critical success factor for RA implementation. This chapter provides an overview of essential communications aspects of the project and reinforces the idea that the communications messages are a function of the approved policy choices. It also recognizes the need for tailored approaches to certain stakeholders (Chapter VIII).

**Reform and modernization**—The RA is not a goal in itself. The real objective is improved revenue administration, which requires a program of reform and modernization. In this context, RA implementation needs to be accompanied by a strategic and comprehensive approach to integrity (diagnostic process, visibility of actions, code of conduct etc.) and transparency (which includes published performance indicators and other measures). This chapter discusses the notion that the RA is not a substitute for reform and that it is really a platform to pave the way for better revenue administration (Chapter IX).

**Information technology**—Information technology underpins modern revenue administration and the move to an RA can pose certain challenges as the existing departments generally have their own large IT systems. Questions arise as to the extent to which system integration makes sense and whether more fluid ways can be found to exchange information electronically, while



respecting statutory provisions. The revenue authority will also need to consider its need for IT systems that support its new management responsibilities i.e. HR, finance and budgeting. This chapter reviews key areas and provide advice (Chapter X).

**Change management**—This chapter provides information on the specific, concrete steps needed to maximize support and acceptance of a new revenue authority. It focuses on organizations and people (Chapter XI).

# I. INTRODUCTION AND BACKGROUND TO REVENUE AUTHORITIES

1. The idea of establishing revenue authorities (RAs) for tax and customs administration has been part of a growing trend for more than 20 years towards increased autonomy in the public sector. The basic principle is that such autonomy can lead to better performance by removing impediments to effective and efficient management while maintaining appropriate accountability and transparency.

2. Much has been written about revenue authorities—from case studies on national experience to analyses that attempt to judge RA effectiveness in reaching reform and modernization goals. These varied efforts can be of great value to countries as they review whether a revenue authority is the right solution in the national context.

## A. Some Terminology

3. Throughout this toolkit, certain terms are used that, while often commonly understood, can in fact have a range of meanings. For clarity, the following definitions are offered and will be used.

**Autonomy**—The degree to which a public sector organization is able to operate independently from government, in terms of legal form and status, funding and budget flexibility, and financial and human resources policies.

**Accountability**—The extent to which roles and responsibilities are clear, authorities are appropriately delegated, and those so empowered to make decisions are in fact held responsible for them and their consequences. There can be both individual and organizational accountability.

**Governance regime (or model)**<sup>1</sup>—The institutional or structural framework that determines the responsibility, authority, and accountability for a government institution. In the context of a RA, these parameters dictate the relative autonomy of a given government organization in terms of government control and of the applicability of public service policies.

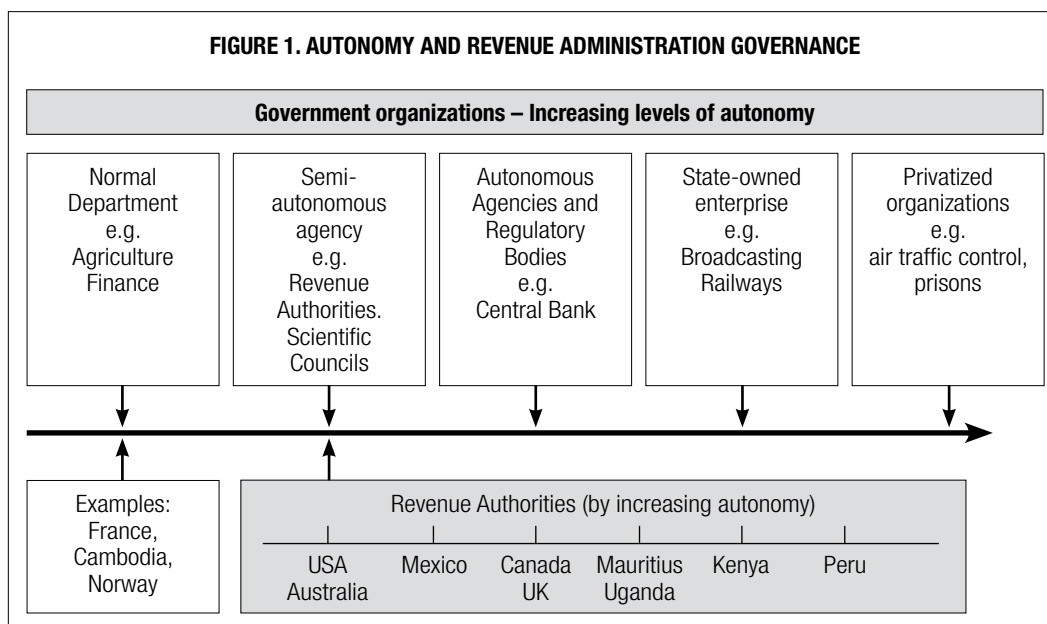
**Government control**—The degree of involvement by central government in decision-making within the agency, both from a program and administrative perspective.

## B. What Is a Revenue Authority?

4. A revenue authority (RA) is simply a term to describe a governance regime for an organization engaged in revenue administration, where the regime provides for more autonomy than that afforded a normal department in a ministry.

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<sup>1</sup>The term “governance” is often used more broadly. The World Bank uses six dimensions to measure governance: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption.



5. While some 30–40 countries have RAs, there is no single governance model that applies everywhere. Each RA embodies a series of policy choices that determines its autonomy, accountability and other characteristics. RAs exist along a continuum, with some RAs remaining close to the civil service while others enjoy greater autonomy. An RA is not an end in itself and should be a means for implementing reforms and improving performance. If used effectively, it can be a catalyst to enable broader revenue administration reform.

6. Figure 1 provides a depiction of the relation between government institutions and autonomy. Looking at government functions along a spectrum of decreasing government control and *increasing* autonomy, it can be seen that government departments provide the least autonomy, then semi-autonomous agencies like RAs, then the autonomous agencies and regulatory bodies, then state owned enterprises, and finally privatized functions. Revenue administrations are normally either departments of government or semi-autonomous agencies.

7. For many countries interested in establishing an RA, it may be appropriate to adopt a general orientation of aiming at the middle of the autonomy spectrum for RAs. The shaded box in Figure 1 suggests there is widely varying degrees of autonomy within RAs themselves. For example, based on the autonomy granted through the enabling legislation, the revenue authorities in Peru or Kenya clearly have more autonomy than the revenue authorities in Canada or Mexico.

8. RAs deal predominately with indirect and direct tax administration at the national level, and usually with customs administration as well. Tax and customs laws include some of the most intrusive powers of the state, and in no known cases are revenue administrations granted complete autonomy from government. Rather, they are given “semi-autonomous” status. Their powers are not too far removed from the control and accountability of elected government, and therefore tax and customs organizations are likely to always remain public institutions.

9. The RA has been seen by some as a possible solution to critical problems, such as poor revenue performance, low rates of compliance, ineffective staff, and corruption. It has often been argued that an RA can lead to improvements, including better accountability for results, synergies in administration across the revenue departments, and management based on professional skills and isolated from external influences. The prospect of improvements in all these areas generally drives the decision to implement a revenue authority.

### C. Making the Decision to Proceed

10. As noted earlier, there is usually a common set of considerations for most countries as they assess whether a revenue authority is a reasonable option to pursue. The decision is clearly not taken lightly as the implementation process can consume as much as two years (and often more) of the time of senior officials and political leaders.

11. An IMF research paper<sup>2</sup> presented a summary table that ranks the reasons that countries themselves cited in their decision to implement a revenue authority and these findings are presented in Table 1.

| <b>Rank</b> | <b>Reason</b>   | <b>Average Ranking<sup>3</sup></b> |
|-------------|---|------------------------------------|
| <b>1</b>    | Low effectiveness of tax administration and poor levels of compliance   | 1.8                                |
| <b>2</b>    | Need for a catalyst to launch broader revenue administration reform (modernized operations, improved automation, integrated and function-based structures, and so on) | 2.73                               |
| <b>3</b>    | Impediments caused by poor civil service human resources policies (recruitment, remuneration, promotion, training, discipline)  | 2.9                                |
| <b>4</b>    | Poor communication and data exchange among the existing revenue departments (e.g., income tax, sales tax, customs)  | 4.21                               |
| <b>5</b>    | Desire to create "islands of excellence" within the public sector   | 4.54                               |
| <b>6</b>    | Perceptions of political/ministerial interference   | 4.55                               |
| <b>7</b>    | High levels of corruption   | 4.67                               |

12. Many ECCB members will see their own national situations reflected in this chart. Care should be used though in any rush to decide that a revenue authority is in fact the right solution to the problems facing existing revenue administration. Before moving to an implementation decision (and using the balance of this toolkit), governments should consider carefully the following series of questions and issues:

<sup>2</sup>Kidd, Crandall. IMF Working Paper. Revenue Authorities: Issues and Problems in Evaluating their Success and Failure. May 2006

<sup>3</sup>These averages come from a survey of countries with revenue authorities (the survey was part of the IMF Working Paper mentioned in footnote 1) and reflect the respondent's own views of reasons for implementing a revenue authority.

***Are the problems facing revenue administration known?***

13. The problems and challenges facing revenue administration need to be well-documented. Specific studies or diagnostic reviews should be performed to identify problems and challenges in capacity, organization, integrity, etc. Such studies can identify reform requirements and frame the background for consideration of possible revenue authority implementation.

***Is there a reform and modernization strategy in place?***

14. Many countries have in place formal plans for reform and modernization of their tax and/or customs administrations. The progress and success of these plans (or lack thereof) is an important consideration in the RA decision. Also relevant is any broader civil service reform agenda that may be in place in a particular country.

***Is there a risk that creating the RA will overwhelm other reform efforts?***

15. The risk exists that the move to a revenue authority can overwhelm all other reform efforts. It is therefore necessary to make certain judgements about (1) the extent to which creating a RA is necessary as a catalyst so that reform offers the prospect of a quantum leap in performance and (2) the extent to which energy spent on creating a RA is likely to detract from reform and modernization initiatives already underway and dilute potential success.

***Are the benefits and downsides of revenue authorities well understood?***

16. In some countries, the RA model was adopted with little consideration of the potential benefits and downsides. In the final analysis, the government's decision will be based on judgment, rather than empirical facts, in view of the absence of definitive and scientific data concerning the real benefits of the RA model.

***Are the experiences of other countries relevant?***

17. According to the IMF research paper, the two highest priority reasons for initially establishing an RA are low effectiveness and the need for a catalyst for reform—issues that also tend to be high priorities for all revenue administrations, RAs or not. The third highest ranked reason was removing impediments caused by poor civil service HR regimes. The remaining reasons (including perceptions of political interference and high levels of corruption) are clustered closely together with a much lower average ranking.

18. The objectives of any revenue administration reform and modernization program are very similar to the reasons for which RAs are established. This underlines the complexity of the decision whether an RA is the best option for the government to pursue. In many countries, low effectiveness and the need for a catalyst are indeed relevant as are the difficulties created by the

current civil service regime. The countries that chose the RA model did so precisely to overcome these problems. However, many countries have introduced reform programs to address similar problems without resorting to the more radical solution of a semi-autonomous agency. Again, the decision becomes a judgment as to what will work best.

### ***Is a lengthy timeframe acceptable?***

19. Experience has shown that successful implementation of a revenue authority can take anywhere from 12 to 18 months, or longer. It requires a dedicated project team, competent officials assigned on a full-time basis to the effort, liaison with many areas of government (e.g. justice regarding the legislative agenda of government and priority given to RA enabling legislation, the civil service agency regarding staff and transition, the budget office regarding resources, etc.) as well as professional advice that may not be available in-country.

20. Perhaps most importantly, the implementation of a RA consumes senior management time and energy. This is a major undertaking which should not be underestimated, as these senior managers are the same ones who will be responsible for maintaining operations and meeting revenue targets during the RA implementation period, and who will have continued responsibility for all major reform and modernization initiatives at the same time.

### ***Are requisite skills and other resources available?***

21. Will the government be able to meet any increased salary commitment and operational funding that is typical of many revenue authorities? One of the features of many revenue authorities is that the salaries paid to employees are higher than those in the mainstream civil service, and that the operational funding requirements of the RA are often better satisfied. The government will also have to consider any increased costs in these areas in terms of their impact on the rest of the civil service, and in terms of the impact on its civil service reform strategy.

22. With the shift to a revenue authority, the tax and customs departments leave behind the existing government framework for human resources, budget, and procurement; in fact, for all aspects of management and administration. Normally, the RA enabling legislation establishes a board of management that will assume these responsibilities. The board includes government and private sector representatives and this is designed to inject private sector best practice into the management of the new RA. In some countries, concerns have been expressed about not only the quality of potential board members but also their ability to act impartially and in the best interests of the RA. The issue of political influence with respect to the board would also need to be assessed.

23. Finally, implementation itself requires particular skills. Many countries have benefited from the assistance of foreign consultants in developing and preparing for RA implementation. This can involve significant resources, and support from the donor community.

***Is the government prepared to deal with possible labor relations upheaval in a move to a revenue authority?***

24. Unless a government decides to move all existing staff over to the new RA, there is usually a multitude of issues arising from the treatment of existing staff that will garner great interest from the union or staff association. From what happens to staff to the status of the union as bargaining agent, there are many issues where the government's desired outcomes will likely not generate union support. This can often be mitigated by early engagement with the union. Nevertheless, there is a political, policy and tactical decision to be made by government on the extent to which they want to engage the union on this particular issue.

25. Another issue is the extent to which the government would be able to meet the increased salary commitment and operational funding that is typical of many revenue authorities. One of the features of some revenue authorities is that the salaries paid to employees are higher than that of the mainstream civil service and that the operational funding requirements of the RA are usually met.

***Are there any reasonable and practical alternatives?***

26. Many governments are looking at the overall state of the civil service and the rules that underpin all aspects of government administration to determine whether more flexibility is needed, is possible and could be granted. In fact, recent studies of revenue administrations for countries that do not employ the RA model suggest that increased autonomy is more and more the norm, reflecting an overall trend in this direction across governments. Countries will need to be sure that the RA model is actually needed to obtain the level of autonomy desired.

***Are the conditions for success and sustainability present?***

27. There is little point in proceeding with the establishment of a revenue authority if conditions for its success and sustainability into the future are not present. The critical success factors for a revenue authority can be summarized as follows:

- Strong political support at the highest level.
- Senior management commitment and determination.
- The development of a sound policy framework.
- A pro-active communications strategy, involving the parliament, the public, employees, and other stakeholders.
- An understanding by all that the RA is a platform only, a pillar to support a full revenue administration reform and modernization program, which must proceed at the same time.
- The provision of adequate resources.
- A strong project management approach for implementation.
- A committed donor-partner.

## D. Conclusions Reached about RAs

28. The IMF paper referenced earlier as well as other literature on the subject of RAs generally suggest a few words of caution on the subject. Conclusions from these analyses can be summarized as follows:

- Establishing an RA should not be viewed as a panacea—creating an RA 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 on international best practice. Only then should a full assessment be made of the extent to which the RA 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 RA model alone does not lead to improved effectiveness and taxpayer compliance—its establishment must be coupled with a serious commitment and plan for reform.

## E. Revenue Authority Websites

29. Countries considering a revenue authority may want to review information from countries that have already implemented a revenue authority. For ease of reference, a list of selected revenue authority websites follows.

Botswana Unified Revenue Service: [www.burs.org.bw](http://www.burs.org.bw)

Canada Revenue Agency: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

Guyana: [www.revenue\\_gy.org](http://www.revenue_gy.org)

Kenya Revenue Authority: [www.kra.go.ke](http://www.kra.go.ke)

Malawi: [www.sdn.org.mw/mra](http://www.sdn.org.mw/mra)

Rwanda Revenue Authority: [www.rra.gov.rw](http://www.rra.gov.rw)

Peru: [www.sunat.gov.pe](http://www.sunat.gov.pe)

Inland Revenue Authority of Singapore: [www.iras.gov.sg](http://www.iras.gov.sg)

South Africa Revenue Service : [www.sars.gov.za](http://www.sars.gov.za)

HM Revenue and Customs: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Zambia Revenue Authority: [www.zra.org.zm](http://www.zra.org.zm)



## II. POLICY CHOICES

### A. A Framework for Policy Choices

30. A country needs to have a framework to consider the policy choices it must make when establishing a revenue authority (RA). In recent years, it has come to be accepted that this framework will encompass the following components: degree of autonomy; governance framework; accountability; and scope.

31. In almost all cases, the framework spans a range of possibilities from which the government must choose just one. It helps when the government has a general end-state in mind, such as a stated desire to have a RA “in the middle” in terms of autonomy, or “similar to country X” with respect to the governance framework, levels of efficiency and professionalism, etc.

### B. Degree of Autonomy

32. The range of possibilities for the following specific areas needs to be assessed:

**Legal form and status**—from an agency relatively close to a normal government organization, to a corporate body with considerable independence.

**Funding**—from normal funding via parliamentary appropriations to direct retention of a percentage of collected revenues.

**Budget flexibility**—from limited flexibility to the complete flexibility of a one-line budget.

**Financial policies** (such as accounting, asset ownership and management, procurement)—from a situation where the RA is subject to standard civil service laws and regulations, or as determined by “corporate body” status (i.e. not part of the government’s accounting entity).

**Human resources**—from being within the civil service control framework, to outside it.

**Operational autonomy**—from a situation where the minister has day-to-day authority to one where there is no involvement on the part of the minister in operational decisions.

### C. Governance Framework

**Role of the minister of finance**—from direct supervision of the authority by the minister, to a more limited role such as appointment of the board or CEO only.

**Role of the board**—from advisory to fully empowered in legislation to take management decisions.

**Role of commissioner general**—from a coordinating role only, to full responsibility for revenue operations with all vested powers from revenue laws.

## **D. Accountability**

**Reporting to the government and parliament**—from being part of normal general government reporting, to the need to follow special requirements specified in legislation.

**External audit**—from being a legislated responsibility of the auditor-general, to the RA or its board selecting the external auditor as it sees fit.

## **E. Scope**

33. This refers to the scope of taxes and taxing agencies to be included. Usually, the RA includes the administration and enforcement of all direct and indirect taxes at the national level, and customs (and trade) administration. The RA may also include the collection of local taxes or fees and social taxes or levies, as well as the collection of social contributions.

## **F. Analytical Matrix for Policy Choices—a Module**

34. Below is an analytical matrix for considering and recording the policy choices related to RA implementation. Management at the most senior level (up to Permanent Secretary) will need to participate in the policy choices at the level set out in the matrix (Table 2).

| TABLE 2. ANALYTICAL MATRIX FOR POLICY CHOICES |                                     |   |                       |  |
|---|-------------------------------------|---|-----------------------|--|
| (Degree Of Autonomy)                          |                                     |   |                       |  |
| General area                                  | Specific Issue                      | Discussion  | Final Policy Decision |  |
| Legal form and status                         | Mandate                             | The mandate of the RA needs to be clear and unequivocal. Almost all RAs have the mandate to assess and collect taxes and duties and administer and enforce the revenue laws, and many have the further mandate to provide advice about the tax laws to the minister of finance.<br><br>In addition, most RA laws set out the specific powers and functions or responsibilities of the RA.   |                       |  |
|   | Corporate character                 | Most RAs are described as having a corporate character (being a body corporate or having “legal personality” and meaning they can sue and be sued).<br><br>All have authority to own assets. About 50 percent of RAs have the authority to borrow, although in 40 percent of those cases the prior approval of the minister of finance is required.   |                       |  |
|   | Relationship to Minister of Finance | Essentially, the RA's relationship to the government is normally through the minister of finance who is accountable to parliament for RA performance .<br><br>Most governments do not allow RAs to move too far away from central oversight—most RA laws assign the minister of finance at least general supervision and oversight of the RA.   |                       |  |
|   | Relationship to public service      | Most RA legislation makes clear that RA is <i>outside</i> the normal ambit of the public service especially with respect to HR laws, policies and regulations. In addition, RAs are not usually limited by public service rules and regulations regarding budget flexibility, procurement and asset management. One area where RAs often remain part of the PS is with respect to accounting policy and being part of the government's accounting entity. |                       |  |
|   |                                     |   |                       |  |
|   |                                     |   |                       |  |

| TABLE 2. ANALYTICAL MATRIX FOR POLICY CHOICES<br>(Degree of Autonomy) |                    |  |                       |
|---|--------------------|--|-----------------------|
| General area  | Specific Issue     | Discussion   | Final Policy Decision |
| Funding   | Funding basis      | <p>There are two basic means—(1) provision of a <i>standard parliamentary appropriation</i> using the normal public expenditure management (PEM) and budget decision processes of government or (2) inclusion of a <i>percentage-of-collection funding formula</i>, or guarantee, in the RA legislation. This can also be referred to as a collection fee.</p> <p>Percentage-of-collection funding formula can insulate the RA from the vagaries of a suboptimal budgeting process (if that is the case), it can provide greater certainty and reliability, and it can be structured to provide incentives for improved performance. Arguments against the use of such a formula include the fact that many factors that impact revenue collections, not just the efforts of the revenue administration e.g. general performance of the economy and tax policy changes.</p> <p>70 percent of RAs are funded by appropriation (half of these include the possibility of performance incentive payments based on achieving revenue collection targets). About 30 percent are funded based on a percentage of tax collection although at least some of these are still controlled by the Minister of Finance.</p> |                       |
| Public service policies   | Budget flexibility | <p>Treasury or the budget office in the finance ministry sets the rules and procedures for all government organizations—primarily the ability to move funds across budget lines (such as capital versus recurrent expenditures, salary versus non-salary expenditures, and so on). The RA needs to be able to respond quickly to changing demands in areas such as enforcement, or service, and be able to make trade-offs between budget lines. Almost all RAs have the flexibility of a one line budget and most include some provision for the carryover of unused funds.</p>   |                       |

| TABLE 2. ANALYTICAL MATRIX FOR POLICY CHOICES<br>(Degree of Autonomy)   |   |   |                       |
|---|---|---|-----------------------|
| General area  | Specific Issue  | Discussion  | Final Policy Decision |
| <p>Note: in all areas where the Board becomes responsible for policies that were previously in the public service domain, it will be incumbent on the Board to ensure that all principles of public administration (e.g. transparency) are respected.</p> | Fiduciary responsibilities  | The fiduciary responsibilities of a public institution: accounting practices, payment, chart of accounts, accounts receivable, invoicing, contracts, etc.   |                       |
|   | Overall HR regime, including: recruitment remuneration performance assessment conditions of work career development discipline termination/ demotion pensions | <p>RAs usually have significant authority here as management efficiency and effectiveness can be improved by getting out from under an outmoded regimen of public service human resources rules and regulations.</p> <p>Board's sphere of responsibility for human resources would normally include the overall human resources regime for the RA; the salary scheme for employees and positions; the performance assessment scheme, including performance-related incentives; all matters relating to conditions of work, including hours of work and overtime arrangements; career development/progression; standards of discipline, and sanctions for breaches of discipline including termination or suspension; employee termination or demotion for poor performance; employment-related expenses or other terms and conditions of employment, and, pensions.</p> |                       |
|   | Purchase of goods and services<br>Asset management  | <p>Purchase of goods and services in the public sector is founded on the principles of fair and open competition, value for money, and transparency. Public sector procurement must also reflect trade agreements and other complex policies.</p> <p>Most RAs have the right to own assets and clear policies on asset management, including such areas as life-cycle management, lease versus purchase, space optimization, asset disposal, and the like are usually in place.</p>   |                       |

**TABLE 2. ANALYTICAL MATRIX FOR POLICY CHOICES**

| <b>(Governance framework)</b> |   | <b>Discussion</b>   | <b>Final Policy Decision</b> |
|-------------------------------|---|---|------------------------------|
| <b>General area</b>           | <b>Specific Issue</b>                     |   |                              |
| Role of Minister of Finance   | Degree of control and supervision         | Role of the minister of finance regarding the control and supervision of the RA, budget approvals, and other legal aspects of the RA is critical. This is an essential component of how much authority is exercised by the government.  |                              |
|                               | Role in CEO, Chair and Board appointments | Other levers where government exercises its control include the approval of the board, its chair, and the CEO. Clearly, the government is the “shareholder” of the corporate body (the RA) and therefore needs to have a say in the appointment of those who will govern that body. In virtually all RAs, the chair of the board and the CEO are named and appointed by the government, with this role often assigned to the minister of finance.   |                              |
|                               | Directive power                           | Many government institutions that have been established as corporate bodies, including RAs, include a provision for the minister to issue a directive to that corporate body. This kind of provision allows the government as the effective shareholder to direct that some particular action be done. Any such direction requires maximum transparency, usually through publication in a country’s official gazette. The argument in favour of these kinds of mechanisms is that they maintain a certain amount of executive level authority and accountability without materially affecting the autonomous nature of the RA, since the expectation is they would be rarely used.          |                              |
| Role of the Board             | General                                   | <p>Some 75 percent of RAs are constituted with an empowered management board whose functions and powers are set out in the law and form an essential part of the organization’s governance framework.</p> <p>Such boards are almost always prohibited from involvement in the operational execution of the tax and customs laws, and from access to any information about individuals or corporations obtained as a result of the administration and enforcement of those laws. To do otherwise would place any (private sector) members of the board in an obvious and untenable potential conflict of interest situation.</p>   |                              |
|                               | Powers and functions                      | <p>Powers and directives need to be specified in the enabling legislation and typically include the following:</p> <ul style="list-style-type: none"> <li>• oversee the administration, management, and organization of the RA;</li> <li>• oversee the management of resources, services, property, personnel, and contracts;</li> <li>• approve the strategic plans and the budget of the RA;</li> <li>• approve the annual report;</li> <li>• establish policies to be followed (particularly important where public service laws and policies will no longer apply);</li> <li>• establish by-laws for the functioning and operations of the board,</li> <li>• internal audit.</li> </ul> |                              |

| TABLE 2. ANALYTICAL MATRIX FOR POLICY CHOICES |                                  |  |                       |
|---|----------------------------------|--|-----------------------|
| (Governance framework)                        |                                  |  |                       |
| General area                                  | Specific Issue                   | Discussion   | Final Policy Decision |
|   | Functions of chair               | All RA legislation provides list of functions of the chair (standard). Chair will normally preside over the board's meetings and exercise the powers and functions as prescribed by by-laws established by the board under its legislated authority.   |                       |
| Role of the Board                             | Selection of members             | In the interest of ensuring sufficient capacity on the board, all members must have the experience and knowledge required for discharging their functions, normally in finance, accounting, taxation, public administration, law, or some other related field  |                       |
|   | Ex-officio members               | Board requires a mixture of skills and experiences in order to be effective. May be necessary to include certain government representatives on the board. In order to ensure autonomy at the same time, these positions are usually based on the notion of fixed ex-officio, or non-voting, appointments. This respects the principle that all (voting) members of the board are required to act strictly in the best interests of the organization, and not represent the interests of some other constituency. |                       |
|   |                                  | In the context of corporate governance, there is a debate as to whether the CEO should also be a member of the board. CEO of the RA has a critical role to play and has an important relationship with the board, as well as with the minister of finance in terms of the revenue laws.  |                       |
|   | Size of board                    | Considerable debate has also taken place concerning the optimum size for corporate boards. Boards of 7 to 12 members are now being considered optimal in terms of the efficient and effective functioning of corporate boards. Larger boards than this are considered unwieldy; smaller ones are felt to be too narrow and tending to lack comprehensive skills.   |                       |
|   | Remuneration of board members    | Many countries have guidelines for the remuneration of part-time board members.  |                       |
|   | Statutory powers and obligations | All the powers and obligations related to the revenue laws (such as the power to assess taxes, make a customs determination, issue interpretations, impose or waive penalties, and so on) are usually given to the CEO through the enabling legislation of the revenue authority, who in turn delegates them to other senior officials and staff.  |                       |

| TABLE 2. ANALYTICAL MATRIX FOR POLICY CHOICES |                                 |   |
|---|---------------------------------|---|
| (Accountability)                              |                                 |   |
| General area                                  | Specific Issue                  | Discussion  |
| Audit   | External auditor                | An RA must have external audit. There are two choices for external audit—either the board appoints the external auditor, or the auditor general of the country, which reports to parliament, is named the external auditor for the RA. Most RA legislation names the auditor general of the country as the external auditor for the RA  |
| Reporting to parliament                       | Strategic plans, annual reports | Providing formal reports to parliament is one means of ensuring accountability to both the parliament and the executive. The two most common forms of reporting are through the annual corporate plan and budget (a look ahead at what the RA plans to do in the coming year) and the annual report (a look back at what was accomplished in the year past). Such documents provide valuable information to the government and the parliament, to ensure transparency. Virtually all RAs have some form of reporting to parliament (via the minister of finance) as part of their RA legislation. |
|   |                                 | <b>Final Policy Decision</b>  |



### III. LEGISLATIVE ISSUES

#### *Introduction*

35. This chapter discusses the need for separate enabling legislation, the importance of taking and recording policy decisions as a first step, the relationship of the enabling legislation to other laws, the typical structure and components of RA enabling legislation, and the importance of the parliamentary timetable for legislative approval. This chapter also includes a checklist for developing the RA legislation. Finally, the chapter includes an appendix (located at the end of the toolkit) which discusses specific country RA laws and provides a commentary on selected laws as well as a copy of or internet reference for them.

#### **A. The Need for Enabling Legislation**

36. All countries which have established a revenue authority have enacted specific legislation to provide necessary authorities. In general, these laws have not had any particular difficulty in being passed by the respective parliaments. There are now some forty revenue authority laws in existence, and many of these can be accessed via the internet.<sup>3</sup>

37. Some of the most widely referenced revenue authority laws are those based on the Anglo-Saxon or British administrative law system. These would include many that were developed and passed in the early 1990s such as Uganda, Kenya and Tanzania, as well as a number that have come later such as Zambia, Mauritius, and Botswana. This group of laws all follows a consistent pattern. Other laws can also be useful for reference, such as those from Canada, Italy, Peru, the United Kingdom—however these are in some ways very specialized pieces of legislation with many features that may not be relevant on a global basis. For a further discussion of RA laws, see appendix 1 to this toolkit: a commentary on specific revenue authority laws.

#### **B. Reflecting the Policy Choices**

38. Chapter II deals extensively with the issue of policy choices for the revenue authority.

39. Legislation needs to *follow* the policy decisions, not *lead* them. It is therefore imperative to develop a comprehensive policy framework (reflecting all the policy decisions) that can serve to inform and guide the development of the enabling legislation.

40. The policy framework should be the basic document from which all other documents or requirements are developed. This includes briefing notes for Cabinet, internal and external communications strategies, consultation strategies, and of course the legislation itself. The policy framework will be the single most important item for the legislative drafting team.

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<sup>3</sup>The easiest way to access RA laws is to conduct a google search,, e.g. “Kenya Revenue Authority Act” to locate the best website.

### C. Working with the Ministry of Justice

41. The Ministry of Justice has a key role to play in drafting all legislation, and the enabling legislation for establishing a revenue authority is no exception. However, in the case of the RA, the Ministry of Finance is normally the policy department and charged with making all the policy decisions that need to be reflected in the law.

42. The ministry of justice needs to give advice on many aspects of the law—interrelationships with other legislation, key wording, drafting style and content, and many other issues. As noted, the key guidance for justice ministry officials will be the approved policy framework.

### D. The Relationship with Other Laws

43. The revenue authority enabling legislation will be an administrative law and will need to support and fit in with other key administrative laws. There are two main categories of such laws: revenue laws; and public service legislation.

**Revenue Laws:** The main function of the revenue authority will be to administer and enforce the revenue laws. These revenue laws will need to be listed in a separate schedule to the enabling legislation. The government will need to be able to add to or subtract from this list (normally via Regulation) in order to reflect changes in the tax policy of the country.

**Public service legislation:** One of the key features of all revenue authorities is that they effectively move out of the ambit of the public service proper. A specific decision needs to be made as to the extent to which the RA might remain subject to certain public service legislation. The main areas that need to be looked at in this regard are human resources, procurement, and finance and accounting.

44. In terms of human resources, it is likely that the RA will no longer be subject to any broad public service laws affecting recruitment, promotion, discipline, and training. These functions will be governed by policies implemented by the RA's Board. Furthermore, where separate legislation exists to guide and inform labour management relations in the public service, this is unlikely to continue to apply to the new revenue authority. The new RA is more likely to fall under broader national legislation that deals with corporate or other entities generally.

45. Procurement is another area that often has a specific legislative or regulatory framework for public service departments. In some cases, this public service legislation continues to apply to the RA. This is a policy decision, of course and the enabling legislation must clearly set up the legislative relationship if any to reflect approved policy. Finally, regarding finance and accounting, the policy decision will determine what has to be said in the enabling legislation and what other laws if any need to be referred to.

## E. Structuring the RA Law

### *Introduction*

46. The enabling legislation reflects dozens of critical policy choices and is tailored to the specific needs of the country in question. It can be modeled on existing RA laws but can also feature some significant enhancements.

47. Explanatory notes are normally developed for each article of the draft legislation. These notes serve to provide background, for example as to why the article is necessary, what international norms might apply, the experience of other countries, etc. Such notes can be particularly useful for officials and ministers during the parliamentary review process.

### *Typical structure*

48. Laws to establish revenue authorities tend to follow a common model, usually the one based on the Anglo Saxon system. The key elements of these laws (referred to as PARTS and identified with roman numerals) and what they typically include are set out below.

**49. Part I—Preliminary items:** This Part usually includes a title (or short title) for the legislation as well as a section specifying the basis upon which the law is to be interpreted. In many cases, especially in more modern RA laws, this Part often includes a number of definitions.

**50. Part II—Powers and functions of the Authority:** This Part actually creates the Authority at law (as a body corporate) and establishes its responsibilities at the broadest level. “Authority” is a generic term which includes all aspects of the organization—its governance structure—Board, Commissioner General (or CEO) and employees. This Part normally makes it clear that the Authority will operate outside the normal ambit of the public service.

**51. Part III—The board of management:** This Part establishes the Board of Management of the Authority, sets out its powers and functions, deals with appointment and termination of the Board members and Board chair and provides parameters for the operations of the Board including creation of Board committees (in some modern laws, these parameters are included in regulations rather than the legislation itself).

52. This Part also serves to create the position of Secretary to the Board of Management.

**53. Part IV—Staff of the Authority:** This part establishes the Commissioner General as the CEO of the revenue authority, and may also establish the position of Deputy Commissioner General. It provides authority for the engagement of staff by the revenue authority on terms established by the Board.

54. This Part may also be used to deal with general issues of confidentiality (except for confidentiality as applied to Board members) and other issues related to staff such as pensions.

55. This Part would also be used to establish the idea that the Commissioner General can delegate his or her powers under the various revenue laws to other members of the revenue authority.

56. **Part V—Financial provisions:** The RA will be the prime revenue collection agent for the government. This part of the legislation clarifies how the revenues are collected and accounted for, sets out how the authority will be funded and financially account for its expenditures.

57. This Part will also deal with reporting (to Parliament) in terms of strategic or business plans and annual reports. It will also deal with accountability in general, and with internal and external audit.

58. **Part VI—Transitional provisions:** This is a critical part of the legislation as it deals with the actual shift to the new organization. It covers such matters as vesting of assets and liabilities in the new organization, operational requirements related to the launch of the RA, and perhaps most importantly, initial staffing. These issues are discussed in full in Chapter IV.

59. **Part VII—Consequential amendments:** This Part deals with consequential amendments to the revenue laws—for example to deem references to the head of Customs or the head of the tax administration to be a reference to the new position of Commissioner General of the RA. In addition, other consequential amendments to various laws may be required—for example, to remove the customs or tax departments from the schedules to certain public service laws, or to add the revenue authority to other schedules.

## F. Managing the Parliamentary Timetable

60. Even if non-controversial, the revenue authority enabling legislation can take significant amounts of time to work its way through the parliamentary process. In fact, the duration of time from tabling the legislation to its passage ranges from two to six months, depending on the priority assigned by parliament.

61. Governments need to be able to explain to parliamentary committees the reasons they need to create the revenue authority, the expected results in terms of improved performance, and the exact requirement for each article in the law. Many countries develop detailed explanatory notes for each article, section and sub-section for use in discussions with parliament.

62. In planning the implementation of a revenue authority, governments need to factor in the various dimensions of parliamentary approval, and make an early start on negotiations and discussions to ensure timely passage of the enabling legislation.

## G. Checklist for Developing RA Draft Legislation—a Module

63. Table 3 provides a checklist for those countries developing enabling legislation to establish a revenue authority. In order to prepare for developing draft legislation, the specific policy decisions made can be summarized against a rough plan for the legislation so as to ensure a comprehensive law is developed that can give expression to all the decisions made.

**TABLE 3. CHECKLIST FOR RA LEGISLATION**

|   | <b>Subjects included</b>                                | <b>Summary of related policy decisions</b>       | <b>Checklist questions</b>  |
|---|---|--|---|
| PART I—Preliminary                            | Title, interpretation, definitions                      | (to be completed based on policy decisions made) | Have all necessary terms been defined?<br>Are definitions consistent with revenue laws?   |
| PART II—Powers and functions of the Authority | Powers and functions of RA                              |  | Are relationships with other laws clear?<br>Has the legal nature of the RA been clarified?<br>Have all policy decisions been reflected in the law?<br>Is the HR regime clear? |
| PART III—The board of management              | Powers/functions of board, appointment, confidentiality |  | Have all necessary provisions concerning the board been included?<br>Should procedural issues be in the law, or in regulations?   |
| PART IV—Staff of the Authority                | Appointment of CG and staff                             |  | Are appointment authorities clear?<br>Has authority to delegate powers been provided for?   |
| PART V—Financial provisions                   | Finance, accounting, audit and reporting                |  | Has the financial and budget regime been included?<br>Will the RA be within the government “accounting entity” or outside it?   |
| PART VI—Transitional provisions               | Vesting of assets, legal proceedings, initial staffing  |  | (See Chapter IV)  |
| PART VII—Consequential amendments             | Impacts on revenue laws, and other public service laws  |  | Are references in revenue laws being changed?<br>Is it clear which public service laws will apply and which will not?   |

## IV. TRANSITIONAL PROVISIONS

### *Introduction*

64. The previous chapter dealt with all the issues related to the enabling legislation for establishing a RA with the exception of transitional provisions which are dealt with in this chapter. Transitional provisions are those elements of the enabling legislation that provide the needed authorities through the period of the actual transition from departments of government to a revenue authority. This chapter discusses transitional issues in general, and provides advice for obtaining necessary legislative authority.

### *Why are transitional provisions necessary?*

65. Each of the forty or so revenue authorities established since the late 1980s take their mandate and scope from the existing tax and/or customs departments. These departments already existed within the framework of the public service as traditional departments of government before any notion of a shift to a revenue authority.

66. The creation of a revenue authority usually brings the tax and customs departments together (if even in a limited way) and moves the RA outside the framework of central government, largely as it relates to human resources and financial management.

67. The RA does not take on a completely new set of activities and responsibilities—rather, it assumes those that had previously been the purview of the existing tax and customs departments. These departments have a legal basis for their existence, a full complement of staff and any number of ongoing legal commitments (e.g. contracts ). In order to provide for seamless operations during the transition from regular departments to a semi-autonomous revenue authority, the enabling legislation normally needs transitional provisions to deal with these situations. Transitional provisions, by definition, are either one-time or short-term authorities that enable a smooth transition to occur. There are sometimes misconceptions and misunderstandings related to transitional issues where an RA is being implemented, often caused by poor communications.

### *When are transitional provisions typically needed?*

68. There are a number of aspects in establishing and implementing a RA that need to be addressed through transitional provisions in the legislation. For example, the effective date for the first day of operation of the new RA (often called Day One), where the former departments cease to exist and the new RA becomes fully operational, is a critical component of the transition. Many countries have also found it necessary to secure authority through a transitional provision for the appointment of the Board Chair, the Board and Commissioner General before Day One so that decisions on the human resource and financial management

framework can be taken, and the framework put in place in time for Day One. This also allows the individuals selected to be directly involved in key decisions about the structure and policies of the new RA. Other areas to be considered include the vesting of assets, management of taxpayer affairs, and the carryover of lawsuits and other legal proceedings, including employee grievances.

69. Perhaps the most important and indeed most complex part of the transition is initial staffing of the newly established RA, as the approach selected reflects the objectives of the government in setting up the RA and has a significant impact on the existing employees in the tax and customs departments.

70. The next section of this chapter will explain transitional provisions—with the exception of initial staffing—in more detail. Given its importance and complexity, initial staffing will be dealt with in its own section.

## **A. Transitional Provisions—Excluding Initial Staffing**

### ***Day One of the new RA***

71. The enabling legislation passed by the legislature will usually provide for two distinct dates: first, the date on which the new law is assented to by parliament, and on which certain aspects of the enabling legislation become active (such as certain transitional provisions); and, second, the date on which the full law will come in to effect (or come into force), often referred to as Day One, the day that the new RA becomes fully operational and accountable for administration and enforcement of the tax and customs statutes. The period of time between parliamentary assent and the full coming into force of the law can be as long as 6 months or more.

72. For the new RA to be fully ready for Day One operations, a great deal of preparation and prioritization is necessary. Table 4 identifies five key features of revenue administration where decisions have to be made and development work undertaken before the coming into force of the legislation to ensure a successful RA launch on Day One.

73. For each of the five features of the RA, the table outlines where responsibility lies before Day One, the extent of the work, preparation and the nature of decisions needed and finally, where responsibility will lie after Day One.

### ***Appointment of the Board Chair, Board and head (CEO) of the RA—before Day One***

74. The enabling legislation should allow for the early appointment of the key positions in the new RA, namely the Chair-to-be of the Board, members-to-be of the board and the head-to-be of the new RA (most often called Commissioner General or Director General). Often the Secretary to the Board would be included in these early appointments since much of what needs to be put in to place must be presented for the Board's approval.

| <b>TABLE 4. PREPARATION FOR TRANSITION TO THE RA</b> |   |  |              |  |
|--|---|--|--------------|--|
| <b>Features of revenue administration</b>            | <b>Responsibility in old regime (before day 1)</b>                          | <b>Preparation or decision required</b>                                      | <b>Day 1</b> | <b>Responsibility in new regime (after day 1)</b>        |
| 1. Authorities and powers                            | Tax + Customs depts. <i>(as per revenue laws)</i>                           | New instrument of delegation , new policy on delegation of authority         |              | RA <i>(as per enabling legislation and revenue laws)</i> |
| 2. Organization                                      | Tax + Customs depts. <i>(as per revenue laws and government decisions)</i>  | Organizational structure, position descriptions, statements of qualification |              | RA <i>(as per Board of Management decision)</i>          |
| 3. Funding   | Government decision <i>(as per appropriations for Tax + Customs depts.)</i> | Accounting and financial cross-walks , new joint budget                      |              | Government decision                                      |
| 4. Policies (e.g. HR)                                | Public service policies and/or standards, or Tax + Customs depts. policies  | New policies tailored for the RA to be developed and approved by Board       |              | RA <i>(as per Board of Management)</i>                   |
| 5. Initial staffing                                  | Tax + Customs depts.  | Approach to be determined, employees advised, staffing completed             |              | RA   |

75. This group assumes responsibility for all the preparations needed for the coming in to force of the RA. Work needs to begin directly following parliamentary assent on the range of new policies that will be reviewed and approved by the Board (their approval is normally “banked” or approved pending the coming in to force of the legislation during the transition period and formalized on Day One), on the organization structure and position descriptions and on the approach to initial staffing and its subsequent implementation.

### ***Vesting of assets and liabilities***

76. All assets and liabilities of the existing revenue departments except as may be specifically designated by the Minister would normally become assets and liabilities of the RA. This would include property, debts, contracts and other engagements. It will be critical for a complete detailing of the asset and liability position of the departments to be prepared and ready for early review by the Board of Management.

### ***Actions and proceedings pending against the departments***

77. It is likely that the existing departments will have a number of actions pending against their organizations and lawsuits, staffing appeals and grievances are some examples. The enabling legislation needs to provide for continuity for these proceedings to carry on, whether administratively or in the courts. The RA assumes all responsibility for responding to and dealing with these actions and a detailed inventory should be prepared for the information of the new head of the RA.



## **B. Transitional Provisions—Initial Staffing**

### *The human resources framework*

78. In most cases, the existing tax and customs departments are part of the formal public service of the country in question. As such, they are governed by the human resources legislative framework that applies to the public service as a whole. Often this framework includes central agencies like a public service commission charged with regulating recruitment, promotion, training and various staff relations issues. Furthermore, public service legislation often provides a regime for collective bargaining, union or staff association representation, terms and conditions of employment including remuneration, and such issues as pensions.

79. Revenue authorities, as a rule, are *not* part of the formal public service, and therefore they are subject to a different human resources regime, often one more akin to a private sector company. For example, in many countries, the RA is subject to an industrial relations law (or labour relations law) that determines the union/management and collective bargaining environment. The remainder of the human resources regime is the set of policies on human resources issues that is approved by the Board of the RA.

80. The human resources framework has a profound effect on the options for the initial staffing of the RA, particularly since it is the public service HR framework, along with transitional provisions in the enabling legislation, which will determine what happens to existing tax and customs department employees.

### *The implications for tax and customs employees*

81. The approach to initial staffing is the issue that will likely be of greatest concern to the employees of the existing departments. The approach that the government decides to take in this regard will determine the extent to which existing employees of the tax and customs departments become employed in the new RA, get placed in other departments in the public service, or are retired from the public service. More importantly, the approach will determine the process and sequence of the events that will transpire, and what rights and benefits each employee has in a particular circumstance. This is a wide range of possibilities and this subject is likely to generate anxiety and concern among many.

82. The range of options possible is discussed in subsequent sections of this chapter. What must be emphasized though is the importance of consultation and communication with staff. Without full and timely consultation, employee concerns become exaggerated, unfounded rumours develop and perception whether founded or not becomes reality.

83. Employees will want to know as soon as possible their options, the time available before they will be required to make any decision, and the nature of any benefit to which they might be entitled. It will also be important that employee records are up-to-date so that employees can make informed decisions based on accurate records of years of service, etc.

84. Employees will also want information on a variety of issues, such as what happens to their sick leave and vacation leave entitlements, their pensions, etc. In addition, employees will want to know if they did move to the RA, would they be eligible to compete for available positions within the public service at large as any other public servant or would they be treated as if they were candidates from outside of government.

### *The role and view of unions and staff associations*

85. In most countries, the existing tax and customs departments will have representation from a union or staff association. These organizations will play a crucial role in the period beginning from the announcement of the government's decision to create the RA through to Day One operational launch. Their active engagement should be sought to ensure that their views are made known and that any emerging problems or differences of opinion can be actively managed before misconceptions and misunderstandings abound.

86. The interests of the union or staff association are substantively different from other groups that will be consulted and whose feedback will be sought during the development of the RA. Their sole focus may well be on ensuring that all existing staff are being offered job guarantees with identical or better terms and conditions of work, or that substantive voluntary retirement packages are negotiated.

87. In terms of the development of the new HR regime, union concerns are likely to focus on the implications of the move away from central government rules to a semi-autonomous revenue authority. This may over-ride substantive discussion on the advantages and disadvantages of the new HR framework (especially if the RA moves to put in place tougher discipline provisions or the ability to release an employee for non-performance).

88. The union will also be concerned with the means for determining what group would become the bargaining agent for the new RA.

### *The fundamental decision—legislated transfers of existing employees OR a new staffing process for the RA*

89. There is range of ways in which a government can decide to deal with initial staffing of the revenue authority. This decision is sometimes influenced by the reasons that drove the decision to create the RA in the first place.

90. Chapter I reviewed some of the more common reasons and these included—in descending order of importance: (1) low effectiveness of tax administration and poor levels of compliance; (2) the need for a catalyst to launch broader revenue administration reform; (3) impediments caused by poor civil service policy, especially in the area of human resources; (4) poor communication and data exchange between the revenue departments; (5) desire to create “islands of excellence within the public service; (6) perceptions of political interference; and (7) high levels of corruption.

91. The range of possibilities for initial staffing will also be influenced by the existing public service laws of the country in question, government practice in similar situations, private sector precedent, and the strength and interests of the unions or staff associations.

92. By way of illustration, it can be useful to look at the two extremes of the spectrum of choices for the initial staffing-up of the RA: transfer of the existing customs and tax employees to the new RA, on the one hand, and totally open staffing of the RA on the other. It will also be useful to examine some of the points in between.

### ***Transfers (via the enabling legislation)***

93. At this end of the spectrum, some countries opt for a seamless transition, guided by an over-riding interest in protecting the collection of government revenue and retaining all or most of the highly qualified staff formerly employed in the tax and customs departments. This approach places great importance on continuity of operations and a smooth transition. Countries that use this approach see the establishment of the RA as a platform from which improvements in revenue administration can be made in the future. These countries either do not have a problem with staff qualifications or corruption, or do not see themselves prepared to take on those issues right away.

94. In the case of legislated transfers, the former tax and customs departments are abolished and the enabling legislation provides that all (indeterminate) employees receive offers of employment in the new RA. These offers of employment are often with terms and conditions that are “no less favourable” than those currently enjoyed.

95. It may be the case that there are some employees that the government would rather not bring to the new organization, for reasons such as poor performance, incompetence, violations of the code of conduct, corruption, etc. In many cases the existing system has not allowed management to deal effectively with such cases, and the expectation is the new RA can build an improved HR regime to enable managers to more effectively address such situations in the future.

### ***New staffing for the RA***

96. At the opposite end of the spectrum, some countries opt for more extensive and radical change *at the time of implementation of the RA*. In these cases, the RA is permitted to staff-up as it sees fit, unfettered by any government or parliamentary decision to take on or consider existing staff of the tax and customs departments. The decision to create the RA may in some cases be a response to problems of rampant corruption or frequent political interference or extremely poor performance far below any accepted international standard. In these cases, countries may be less concerned about a seamless and stable transition, and more interested in using the creation of the RA as the occasion to introduce dramatic change.

97. As far as the existing tax and customs department employees are concerned, their positions are abolished and they receive whatever benefits and entitlements are due to public servants in such circumstances. Any future employment for them in the RA would be dependent on the staffing approach followed by the RA and their own personal interest.

98. The implications for the new RA are extensive and need to be factored in to the RA implementation plan. The new RA must decide on the new organization, develop position descriptions and adopt a system for the classification of positions and determine minimum academic and experience qualifications for each position. Once this has been achieved, an extensive competitive process must be launched to ensure that qualified staff are employed in the new organization. These processes alone can add a significant amount of time to the Day One launch of the RA. This approach relies heavily on good hiring decisions to properly and completely staff the new RA. A country considering this approach also needs to assess the pool of potential candidates within and outside the country, given the highly technical nature of many of the positions to be staffed.

### *Options in the middle*

99. The two possibilities discussed above represent, as noted, the two extremes. The alternatives in the middle are usually a variant on one of these approaches. Each variant has significant consequences for existing employees or groups of existing employees, and for the new RA itself, in line with the preceding discussion.

100. The variants could include the following:

- **Transfers for existing employees but at the discretion of the Minister or a senior official (e.g. permanent secretary)**—in this case, transfers of existing tax and customs staff are used by the government to fill RA some positions, and a staffing strategy would be needed for the remainder.
- **Transfers for all but senior managers**—provides generally for a seamless transition, but allows the new RA to select the management team that will implement and operate the new RA.
- **Transfers for support staff only**—provides for the transfer of non-technical and non-management staff to ensure a seamless transition in that area, but requires development of a full initial staffing strategy for technical/program and management positions in the new RA.

101. It needs to be noted that these alternatives will result in a varying requirement for new staffing. In a number of countries, for initial staffing only, the enabling legislation requires the RA to give priority consideration to existing tax and customs department employees. In other words, the RA could proceed to “open” new staffing only in cases where there were no qualified candidates from the existing departments.

102. There are many combinations of approaches and variants, and for each one the implications for both existing employees and for the new RA must be clearly set out.

### *Experience of other countries*

**103.** This section is based on a review of the enabling RA legislation in a number of countries. A more thorough review would require discussion with representatives of the countries themselves. In many cases, the RA was established many years ago, and information on the results of the initial staffing process is not readily available.

**104.** The following could be considered representative examples:

**Lesotho (2001)**—existing employees may apply, but no requirement for RA to accept them.

**Botswana (2003)**—the legislation makes no reference to initial staffing. In the absence of any other information, it might be inferred that the RA had unfettered authority to initially staff the organization as it saw fit.

**Singapore (1992)**—the Minister was empowered to approve transfers to the RA.

**Canada (1999)**—all indeterminate employees were deemed to be offered a position in the new RA.

**Kenya (1995)**—all existing employees were deemed to be seconded to the new RA, pending “employment” with the RA, unless the Board of the RA determined otherwise. (The impact of this legal wording is unclear.)

**Mauritius (2004)**—all existing employees are transferred from the public service to the RA. However, management positions are subject to new staffing.

**Tanzania (1995)**—the legislation makes no reference to initial staffing. As with Botswana, this might mean that the RA had unfettered authority to initially staff the organization as it saw fit.

**Uganda (1991)**—the legislation makes no reference to initial staffing. From this, it might be inferred that the RA had unfettered authority to initially staff the organization as it saw fit.

**Zambia (1993)**—the government would identify employees for transfer, the Board would determine conditions.

### *Initial staffing—a module*

**105.** A worksheet (Table 5) follows that depicts several possible initial staffing options, based on the preceding discussion. For each option, space is provided for an estimation of the approximate percentage of new RA positions that would be filled through transfer of existing staff (note that this number will be greatly affected by the quantum of any separation package made available). Calculation of this number will require a comprehensive analysis by the project team and will still effectively be a judgement call. In addition, the worksheet provides headings to indicate the impact of each option on existing employees. This impact will be highly dependent on local laws and jurisprudence.

106. The worksheet should include cost estimates where these can be calculated (for example, the costs of separation packages), and timing considerations as well. A completed worksheet will inform the high-level policy choice the government needs to make regarding initial staffing.

| <b>TABLE 5. WORKSHEET FOR INITIAL STAFFING</b>  |   |   |  |   |  |
|---|---|---|--|---|--|
| <b>Option</b>   | <b>Transfers for all existing employees</b> | <b>Transfers at discretion of Minister or senior official</b> | <b>Transfers for all existing employees except senior managers</b> | <b>Transfers for support staff only</b> | <b>No transfers (all initial staffing to be new)</b> |
| Est. % of RA positions filled by transfer*  | 90–98 %                                     | Up to 90 %  | Approx. 99%  | Approx. 30 %                            | 0 %  |
| Impact on existing employees:<br>• Receiving offer<br>–Accept<br>–Not accept<br>• Not receiving offer |   |   |  |   |  |
| Cost implications   |   |   |  |   |  |
| Timing implications   |   |   |  |   |  |
| New staffing<br>• Priority for existing employees<br>• No priority for existing employees             | N/A**                                       | N/A**   |  |   |  |
| *included for illustration only   |   |   |  |   |  |
| **under these two alternatives, existing employees would already have been given consideration        |   |   |  |   |  |

## V. ORGANIZATIONAL ISSUES

### *Introduction and Background*

107. The purpose of this chapter is to highlight the most common issues related to the organizational structure of revenue authorities, and to identify solutions to common problems based on the practice of countries using revenue authorities.

108. When revenue authorities were first introduced, fifteen or more years ago, the RA was often an umbrella organization placed over top of the existing revenue departments.<sup>4</sup> In recent times, such umbrella organizations have been abandoned, and almost all revenue authorities have function-based<sup>5</sup> and fully integrated organizational structures. This chapter will deal in a later section with what is meant by “fully integrated” as far as tax and customs administration is concerned.

109. In any event, the primary functions of any RA are always tax administration and customs administration. RAs can also have other non-tax revenue functions, such as motor vehicle licences. As these functions are the result of very specific local decisions and preferences, they will not be dealt with further in this paper other than in a very general way.

### **A. Modern Customs and Tax Administration Organizations**

110. Prior to creation of a revenue authority, the tax and customs organizations are usually quite separate, although both may be in the same ministry (finance). They may have programs to exchange information, and possibly to carry out occasional joint investigations, but for the most part they are likely to be separate entities with their own unique cultures, characteristics and management structures.

111. Furthermore, the existing revenue departments are likely to be well on the road to organizational modernization themselves at the time of RA implementation. Customs organizations will be moving to function-based structures with strong headquarters units capable of providing high-quality technical advice to the field and implementing modern approaches to risk management, including in such areas as valuation, transshipment fraud, post release audit, interdiction and intelligence. Tax administration organizations will be moving to integrated structures (direct and indirect taxes managed by the same organization), and will also be function-based with strong headquarters capabilities.

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<sup>4</sup>Normally, the revenue departments were customs and excise, income tax, and VAT.

<sup>5</sup>Function-based in the revenue administration context refers to an organization based on operational functions (for tax administration, taxpayer services, returns processing, accounting and payment, audit and enforced collection, appeals; for customs, many of the same functions plus valuation, classification harmonization, and trade administration). Furthermore, function-based organizational models imply strong headquarters operational policy units with casework carried out by field units.

**112.** The selected RA organizational structure will need to build on and reflect these developments. In addition, certain general “good management” principles will need to be pursued when designing the RA organization. For example, the organizational structure should:

- Indicate clearly the responsibility areas for the core deliverables and key support activities of the organization.
- Where possible, achieve structural separation between those responsible for the design of programs and policies (and to ensure their consistent application throughout the organization and the country) and field operations (to ensure necessary attention is given to design and strategic issues, and to permit operational staff to focus fully on casework).
- Support the minimization of internal fraud through the reduction in levels of contact between taxpayers and staff, and the separation of responsibilities and authorities for disparate activities.
- Group staff in a manner so as to provide for specialization and the promotion of efficiency.
- Minimize cost and burden on taxpayers and traders.
- Eliminate any duplication of activities while ensuring a balanced allocation of staff between activities.

## **B. The Relationship between Tax and Customs Administration in the RA**

**113.** As noted, the primary functions of the revenue authority will be tax administration and customs administration. The relationship between the two will be at the heart of the organizational structure of the RA. While both are classic “revenue” functions, there are major differences between them that will have a large impact on organization.

**114.** Even in countries where a revenue authority has been established for a number of years, customs and tax administration functions are not truly integrated on an operational basis. This is because of the inherent “real-time” nature of customs operations compared to the “post-time” nature of tax administration. In addition, customs has a requirement for physical control over its transaction environment (border crossings, international airports, secure warehouses, etc.) and needs to carry out its operations in specific places. Tax administration can be carried out at any location.

**115.** These differences in the nature of tax and customs administration operational requirements generally restrict the full integration of business processes and client services. Nonetheless, in many countries where tax and customs administration are part of the same organization, a certain amount of integration has been achieved, primarily related to common services and support (finance, administration, human resources, internal audit, information technology, etc.). Whatever the type of organization adopted, there should be close coordination between the organizations administering domestic taxes and customs. This should involve the full coordination and cooperation of VAT, income tax, and customs operations at management levels, and the development of basic measures to ensure this coordination, including a unique taxpayer identification number (TIN), exchanges of information to support enforcement, and ultimately programs of joint audits.



### C. Organizational Considerations in Tax Administration

**116.** The revenue authority is concerned with organizational requirements for both tax and customs administration. However, three issues are particularly relevant for tax administration: functional structures; integration of all tax types; and administration based on taxpayer segment.

**117.** Modern tax administrations are organized along functional lines, with particular roles assigned to headquarters and to operational units in regions or districts. For example, in a modern tax administration, for each functional area (taxpayer services, registration, returns processing, payment and accounting, arrears, audit, objections and appeals), a headquarters unit is responsible for: (1) strategic and operational planning on a national level; (2) the development of national programs; (3) the provision of technical advice and guidance to operational field units; (4) the establishment of resource levels and performance targets and measurement systems; and (5) the monitoring and evaluation of field operations.

**118.** For these responsibilities to be met, there need to be senior level “owners” of the key tax administration functions, and these positions (or “position” in a small administration) should be visible and clear in the organization structure. It will be noted that the headquarters units are not to be involved in operations (i.e. casework), except in special circumstances.

**119.** International experience also shows that the existence of separate tax departments for VAT and income tax perpetuates inefficiencies and duplication of staff, facilities, resources and effort, and is not conducive to taxpayer compliance. With two separate tax departments, taxpayers may be subject to multiple audits from the different departments, in the same year, and on occasion, at the same time. Separate collection officers, exacerbated by the absence of a single taxpayer account, may independently pursue the same taxpayer for different tax arrears. A taxpayer applying for a refund for one tax may have liabilities for another. These characteristics are neither efficient for tax administration operations, nor conducive to taxpayer compliance.

**120.** To address the duplication, with few exceptions, most countries (including most developing economies) now provide one single organization for the administration of both direct and indirect taxes at the national level, with a separate customs administration responsible for the collection of VAT and excises on imports.

**121.** There are many advantages of the integrated approach to tax administration, including:

- A single facility for a taxpayer to register for all current tax obligations and receive a single identification number for all tax administration purposes that is recorded in a registration system with a common database of taxpayer identification details.
- A comprehensive approach to taxpayer services that provides all necessary information and support to meet taxpayer needs in one place, tailored according to the taxpayer segment being catered to. Specialist staff can provide expert advice to complex queries with generalist officers responding to routine issues.

- Single payment and returns processing arrangements to simplify taxpayer compliance.
- An integrated audit strategy and approach to optimize the use of audit resources, eliminating duplicated and uncoordinated audits.
- An integrated approach to debt management and collection enforcement ensuring that the taxpayer is treated as a single entity for debts, non-filing, and offsetting of credits.

**122.** The integration of domestic tax administration is a critical underpinning for a reform program, and without this feature as an objective many opportunities for tax administration improvement could be lost.

**123.** While a functional and integrated approach to tax administration leads to better specialization and utilization and deployment of resources than fragmented and outdated structures, there is also a need to recognize the different risks, requirements, and contribution to overall revenue of the various segments of the taxpayer population. It is vitally important for a tax administration to understand its client base, particularly the different segments that constitute the taxpayer population. The advantages of this approach include: (1) strengthened accountability for organizational outcomes; (2) allocation of resources based on risk to revenue; and, (3) better matching of enforcement, service, and educational programs to specific types of taxpayers.

**124.** The *large taxpayers* are typically distinct legal entities. They are few in number but often with many employees; have high turnover; are often involved in complex international transactions, perhaps through subsidiaries or related companies; may wield influence within business and government circles; and usually maintain proper books and records, but with professional accounting and legal assistance to interpret the law to their advantage. The importance of large taxpayers to revenue is clear, and if compliance for this group suddenly declines, the impact is devastating. This is why, in recognition of the importance of large taxpayers to revenue, many countries have instituted special measures for this segment, usually by establishing a large taxpayer office (LTO).

**125.** In contrast, a moderate number of *medium-size businesses* often have less formal structures, such as sole proprietorships or partnerships; have fewer employees; moderate levels of business activity that are often cash based; but with possibly less diligent bookkeeping resulting in opportunities to under-record income and evade tax. The demarcation between the large, medium, and small taxpayer segments can sometimes be obscure. However, in many countries the dividing lines are based on turnover and a cut off is determined for the largest taxpayers. A cut off point for the medium taxpayer segment is often deemed to be the VAT registration threshold in view of the record-keeping obligations for VAT.

**126.** A potentially much larger segment of *small or micro-businesses* (including self-employed professionals) poses many difficulties to identify, regulate and ensure that they contribute something to revenue that is commensurate with their size and capacity to pay. In developing countries, a large share of this group is considered to be in the informal sector or underground

economy as it is sometimes called. Often proper record-keeping is non-existent, and the whereabouts of taxpayers difficult to determine. In some countries, simplified tax provisions apply to small businesses that fall in this segment in the form of presumptive taxation, often based on the approximate turnover of the business. Ideally this should approximate and substitute for all indirect and direct tax obligations in a single obligation that is easy to comply with and simple to administer.

127. Revenue authorities need to take into account these issues in setting up their organizational structures.

#### **D. Prototype Organization for a Revenue Authority**

128. With a large number of revenue authorities already in existence, it is possible to construct a proto-typical organization structure for an RA. It must be noted, however, that it will be the policy choices of the particular country on the design and scope of its RA that determine the components of the organization and to some extent its setup.

129. The key organizational features of most RAs are as follows:

- The organization is a part of the ministry of finance, with the minister having general responsibility for it;
- There is a board of management, responsible for policy and administration but excluded from involvement in operations (cases);
- There is a commissioner-general with full operational responsibility for the RA, and full powers from the revenue laws to administer and enforce those laws;<sup>6</sup>
- There is a single domestic tax branch for all tax types (income taxes, VAT, excises) under one commissioner;
- There is a single customs branch for all customs policy, enforcement and operations under one commissioner;
- There is a management services branch, reporting to the commissioner-general and headed by a commissioner, responsible for major common services (human resources, finance and administration, and information technology);
- There are internal audit and internal affairs divisions for the entire RA (often under a single commissioner or director) reporting to the commissioner-general (note: the board has direct access to internal audit reports);
- There is a corporate secretary, with a joint reporting relationship to the commissioner-general and the board.
- There are usually a number of other direct reports to the commissioner-general, often including:

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<sup>6</sup>The commissioner-general has a dual reporting relationship—to the Minister generally for the administration and enforcement of the revenue laws, and to the board of management for the management and administration of the Revenue Authority.

- *Communications*—the development of policies and procedures to improve communications inside and outside the RA.
- *Legal services*—general legal support to the RA and the board, legislation, and objections and appeals.
- *Strategic Planning, Revenue analysis and forecasting*—development of strategic plans, performance measurement, monitoring of operational plans, revenue analysis, liaison with the ministry of finance on revenue forecasts and revenue targets.
- *International co-ordination*—coordinating all the international activities of the RA.

130. Based on the above, a typical organization structure for a RA would look as set out in Figure 2.

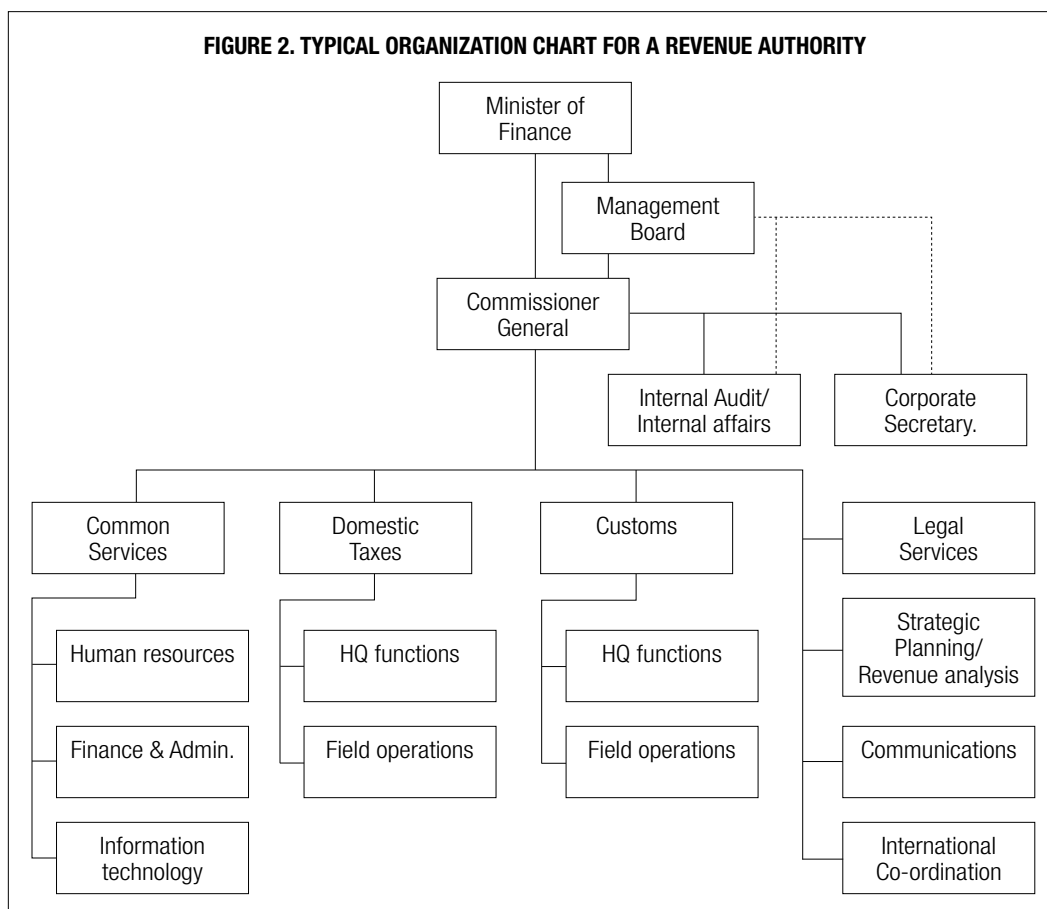
## E. Specific Organizational Considerations

131. While there is much commonality across today's revenue authorities, there are still many differences, some of which reflect different policy choices, others which reflect local preferences. This sub-section examines some of these areas where organization structure is impacted.

### *Options for program integration*

132. As was noted earlier in this chapter, full integration of customs and tax operations is not a feature of any RA that exists today. However, there are certain activities or functions that are common to both that may or may not be integrated, and international practice varies widely. In this discussion, fully integrated means the function is established at the RA level (reports directly to the commissioner general), and not integrated means the function is established separately in customs and in domestic taxes branches. Such functions include the following:

- **Investigations**—some RAs establish an investigations function at the RA level (i.e. reporting to the commissioner general). Usually this is for all investigations, but in some instances the RA level unit is only responsible for investigations that involve both tax and customs administration.
- **Appeals**—there has been some experimentation to structure objections and appeals at the RA level. However, this is often difficult owing to critical differences in the legislation establishing the appeals processes.
- **Joint audit**—there are many cases where RAs undertake joint audit (customs and tax administration) but these are rarely formalized from an organizational perspective.
- **Enforced collection**—the nature of tax administration is such that it always has a major role in enforced collection (of outstanding debts). Traditionally, customs has a very small role as outstanding debt is not a major feature of customs operations. In many cases, the establishment of the RA allows customs to get out of this business entirely and have their debt collection handled by domestic taxes.



### *Options for regional reporting*

**133.** The issue here is whether field operations units report through the customs and domestic tax branches, or directly to the commissioner general. Examples of both exist, but the former is much more prevalent. However, in any function-based organization, the headquarters functions and the field units have an essential requirement for a great deal of two-way communication and exchange of information. For example, a properly structured headquarters audit function in the domestic tax organization would be in daily communication with audit units in the field discussing strategy and plans, providing guidance on cases, monitoring results, etc. The line relationship of the regional units, whether to the commissioner general directly or through the domestic taxes organization, would have little or no impact on these communications.

### *Span of control for the commissioner general*

**134.** There is often much debate about the appropriate span of control (number of direct reports) for the position of commissioner general. There is no right or wrong answer on this issue, and actual practice in government and in the private sector varies widely. In the typical organization

structure set out above, there are about 10 or so direct reports. In many RAs, the number would be closer to 14 or 15. These numbers may seem high in comparison with common management philosophy a generation or more ago, but modern practice appears less interested in the actual number and more focused on effective delivery and accountability.

### ***Use of titles***

**135.** Most countries with revenue authorities use the commissioner general or commissioner title for the organizational head, along with subordinate titles like deputy commissioner, assistant commissioner, director, etc. The next most common model is director-general, also used with deputy director-general, director or executive director, unit head, etc. Finally, a few such organizations use the title president, with the subordinate titles of senior vice president, vice president, director, etc.

### ***Scale of the revenue authority***

**136.** Revenue authorities vary in size from a few hundred staff to tens of thousands. With such a large variation, it is not surprising that the “typical” organization structure described above might look “top-heavy” to some, and perhaps simplistic to others. However, regardless of the size of the RA, the common organizational features discussed earlier are always present and they will need to be reflected in the organization structure selected.

### ***Worksheet for determining organizational options—a module***

**137.** A worksheet has been developed to assist countries in developing their organizational structure and options when establishing a revenue authority (Table 6).

| <b>TABLE 6. WORKSHEET FOR DETERMINING ORGANIZATIONAL OPTIONS</b> |  |
|--|--|
| <b>Organizational area</b>                                       | <b>Considerations</b>  |
| Minister/ministry  | Is there a clear reference to the minister (or the ministry of finance) in the legislation? What is the general practice in the country for 'arms-length' government organizations?  |
| Board of Management  | The Board should be clearly visible in all RA organization charts. Is the Board's special relationship with the corporate secretary and with internal audit indicated? What about the Board relationship with the minister?                            |
| Commissioner-general   | Are there "span of control" issues? Are titles well understood and consistent?   |
| Customs  | At the highest organizational level, the commissioner of customs responsibility is clear and unambiguous. The major issues are the modernization of the customs organization itself.   |
| Domestic taxes   | (same issues as for customs).  |
| Common services  | Are the group of functions to follow under the common services commissioner clearly determined? Normally these are HR, finance and administration and IT. Are any of these so important that they should be direct reports to the CG? (for example IT) |
| Communications   | Also called public relations in some organizations. This function could be included under common services if span of control is an issue.  |
| Legal services   | This is almost always a separate report to the CG. Main issues are relationship with interpretations, rulings and appeals functions within domestic taxes and customs, and possibly prosecutions.  |
| Strategic Planning and revenue analysis                          | These two functions need not be together, nor must they be separate reports to the CG.   |
| Options for program integration                                  | How much program integration is desired? What functions are to be at the RA level as opposed to within the domestic tax and customs organizational units? To be addressed: investigations, appeals, joint audit and enforced collection.               |
| Regional reporting   | Decision required as to whether regional operations (tax offices, processing centres, customs stations etc.) report through the domestic tax and customs organizational units or directly to the CG via a commissioner of regional operations.         |

## VI. OPERATIONAL READINESS

### *Introduction*

**138.** When a revenue authority is established, the existing revenue departments are abolished and revenue administration is normally removed from central oversight of the public service. These are substantial changes in the governance framework for a country's revenue administration. While actual revenue administration operations will not change solely because of the establishment of a revenue authority, many other things will change and the government will need to be assured that the RA is ready to begin operations on Day One (see discussion in Chapter IV).

**139.** This chapter provides an overview of RA implementation with three distinct phases: the decision phase, which includes the selection of critical policy choices; the legislation phase; and the operational readiness phase.

**140.** The main focus of the chapter is on operational readiness where there are four main components: (1) organizational structure (discussed in Chapter V); (2) initial staffing (discussed in Chapter IV); (3) the hiring and start-up of the Board, its Chair, the Secretary to the Board and the Commissioner General; and (4) the development of a full suite of management policies. Items 3 and 4 are described in detail.

### **A. Phases of RA Implementation**

**141.** RA implementation can be considered to have three distinct phases (see Figure 3):

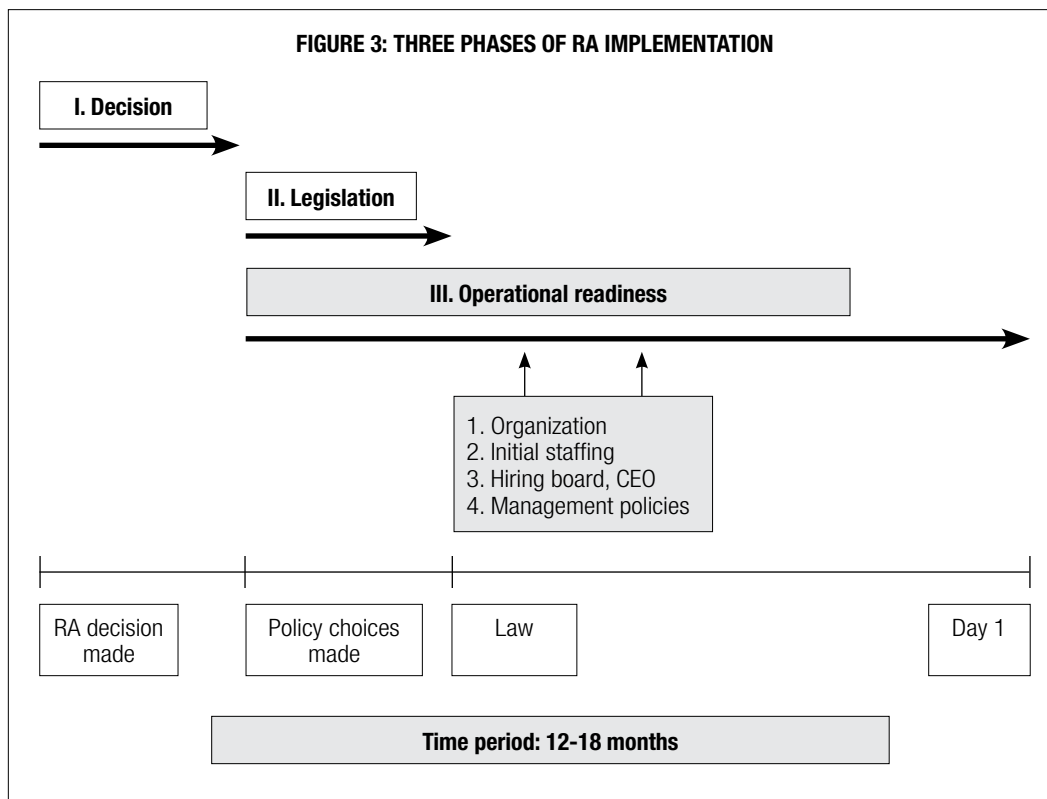
- Decision (Phase I)
- Legislation (Phase II)
- Operational readiness (Phase III)

**142.** Phase I begins with a government decision to implement a revenue authority. A great deal of work will have been necessary to get to this point, including a detailed assessment of the advantages and disadvantages of setting up a revenue authority and supporting documentation for cabinet (government) decision making. In fact, some of the key policy choices (see Chapter II) will be made at this point in some instances. The remaining policy choices normally require further assessment, and this entire phase can take up to 3 or 4 months or longer.

**143.** Phases II and III can proceed simultaneously. Phase II (legislation) involves all activities necessary to draft the enabling legislation, possibly begin the consultative process, table the legislation in parliament and ensure its timely consideration. At least 3 to 4 months would be required for Phase II.

**144.** Phase III (operational readiness), as depicted in Figure 3, can also begin as soon as policy choices have been determined by the government. However, most of the work on these activities





would be preparatory only and would have to be carried out internally until such time as the legislation has been passed by parliament. Phase III has four components, each of which must be fully completed prior to Day 1. They are: (1) organizational structure; (2) initial staffing; (3) the hiring and start-up of the Board, its Chair, the Secretary to the Board and the Commissioner General; and (4) the development of a full suite of management policies.

### **B. Hiring and Start-up of the Chair, Board, Secretary and CEO**

**145.** The appointment of individuals to these positions is a critical step in preparing for Day One. The CEO should be named and appointed at an early juncture (and this can usually be provided for as part of the transitional provisions in the legislation) in order to be involved in critical decisions related to the organization structure of the RA, the approach to initial staffing and to the management policies that will be presented for the approval of the Board.

**146.** The Board and its chair play an important role in the review and approval of the key management policies that need to be in place for Day One

**147.** The legislation normally specifies *eligibility criteria*, *obligations*, and certain *general requirements* for members of the board.

148. *Eligibility criteria* usually stipulate that no person shall be appointed to or continue as a member of the board if they fall into certain categories. These categories tend to include some or all of the following:

- Is or becomes a member of parliament (or provincial or local government)
- Is not a citizen or permanent resident
- Is employed in the public service (except the CEO and ex-officio members)
- Has been declared bankrupt
- Has been convicted of a serious crime

149. *Obligations* are generally set out in the articles of the legislation dealing with the objectives, functions, and powers of the RA and the specific mandate of the board.

150. *General requirements* are usually covered in a section of the law that says something along the lines of “board members are to be selected from amongst persons who have had experience or shown capacity in finance, taxation, accounting, public administration, law, or any other related field.” This kind of qualification is essential to ensure the board has the capacity to carry out its role.

151. In addition to the above, some countries develop administrative guidelines or profiles to be used in the selection of board members. A sample profile is provided in Box 1.

### ***Composition of the Board—issues to consider***

152. Board members, including the Chair, are usually appointed by the Minister of Finance and the enabling legislation generally sets out various issues related to the board i.e. its composition, appointment of members, etc. A number of issues related to the composition of the Board and the selection process require consideration.

#### ***Chair versus regular board members***

- Is the chair to be selected following the same process as board members?
- Will the requirements be different e.g. greater emphasis on leadership skills, board experience, bigger time commitment required?

#### ***Political involvement***

- Minister has the authority but is some form of political process or review required outside the MOF?
- Is there some central office that vets appointments of this nature?

#### ***Representation***

- Will there be a “representativeness” issue to consider? In other words, will it be important for the government to ensure that certain sectors (e.g. petroleum, tax professionals, unions, lawyers, accountants, etc.) are represented? Certain persons (gender, minorities, geography, etc.)?

### Box 1. Sample Board Member Profile

When considering your potential nominees to the board, review the list below of the core as well as specific attributes, competencies and experience that the board is seeking in new members. This list is developed to ensure the board embodies the appropriate mix of competencies and experience necessary to support the RA's functions.

**Core attributes, competencies, and experience.** Core attributes and competencies refer to the skills and behaviors that should be demonstrated by all members of the board.

**Strategic leadership.** The ability to see the big picture, to ask relevant questions at the strategic level.

**Informed judgment.** The ability to provide wise, thoughtful counsel, to analyze and consider the different stakeholders' perspectives, understand situations and problems by addressing underlying issues.

**Integrity and accountability.** The ability to demonstrate high ethical standards and integrity, to act on and remain accountable for board decisions, to meet the accountabilities outlined in the law, to see oneself as serving the interest of the country.

**Impact and influence.** The awareness of the impact of organizational issues, policies, and decisions on public interest and concern. The capacity to be sensitive to the differing needs and agendas of multiple stakeholders and to act to convince or influence others in order to have a specific and positive impact or effect.

**Mature confidence.** Ability to work as part of a team, to respect others. Ability to raise tough questions in a manner that encourages open discussion.

**Track record and personal achievement.** Demonstrated history of professional/personal achievement that reflects the highest standards.

**Specific skills, knowledge, and experience.** In addition to the core attributes, competencies and experience listed above, it would be preferred if members could possess one or more of the following specific skills and knowledge: public administration, corporate governance, customs, trade, taxation, law, human resources, management of large corporations, strategic planning, and/or corporate governance

#### ***Board continuity***

- Initial appointments to the Board would not all be for the same duration of time in order to ensure the entire Board is not changed at the same time.
- This will mean a requirement for staggered lengths of term of office on initial appointments and some decisions about which appointees would get what term of office.

#### ***Remuneration***

- To be determined based on current practice.
- A review of other comparable boards should be undertaken.

### ***Full time versus part time (and if part time—how much)***

- Most countries appoint Board members on a part-time basis i.e. approximately two days per month.
- The Chair is a different issue—would usually be part-time but averaging 5 to 10 days per month.

### **A Selection Process for the Board**

Once issues related to compensation have been resolved, a selection process for the Board will need to be developed and agreed.

#### ***the nomination process***

- Is there a “call for nominations”?
- Would it be to the public (via newspapers etc)? Would it be to professional associations such as the chamber of commerce?
- Is there some political involvement in this process?

#### ***review of nominations***

- Will there be a selection committee?
- Who would comprise it?
- How would it operate?
- Timeframes?

#### ***appointment process***

- Review by the government
- Timing
- Who contacts successful candidates?
- Who contacts unsuccessful candidates?
- Offer and acceptance—how would this work? Is there a need for a contract?
- Swearing in—is an oath of office required?

#### ***public announcements***

- Form, content
- By whom
- Timing

### **C. Development of Management Policies**

**153.** With the abolition of the tax and customs departments and the creation of the RA, the new RA moves away from central agency oversight and needs to establish its own management policy framework in such areas as human resources and financial management. Most RA enabling

legislation places the responsibility for the development and approval of these management policies in the hands of the Board of Management.

**154.** The management policy framework needs to be in place from the first minute of Day One of the new RA. This is one of the key reasons why it is recommended that the board should be nominated and in place (if even in an interim way) in the months preceding Day One. In these months, the Commissioner General and his or her management team will develop and present a range of policies for the approval of the board. As these decisions can take no legal effect before the coming-in-to force of the legislation on Day One, the decisions are usually “banked” and held until Day One.

**155.** This process of policy approval also underlines the importance of the position of corporate secretary and the need for this appointment to be made at the same time as those for the board. All decisions of the Board, especially those that establish the management policy framework and approve specific policies, have legal weight and as such, need to be documented, controlled and communicated to the organization. These are but some of the responsibilities of the corporate secretary.

### ***What policies need to be developed?***

**156.** The entire management framework provided through the policies and regulations of the civil service needs to be replaced and re-developed for the new RA. The Board and Commissioner General may want to review the inventory of policies to be developed and determine those non-critical areas (e.g. travel allowances) where it may be reasonable and expedient to accept government policy for the time being. This would avoid an inordinate workload for both officials and the Board in the initial days of operation of the new RA.

**157.** The following list represents a basic inventory of policies that will need to be developed.

#### **a. Human resources**

- Position classification
- Compensation
- Recruitment
- Promotions and transfers
- Redress
- Discipline
- Conditions of work
- Pensions
- Training and development
- Employee travel

#### **b. Finance**

- Accounting
- Budgeting
- Cash management

**c. Common services**

Security  
Asset management  
Real property and accommodation  
Telecommunications  
Procurement

**d. Internal Audit and Internal Affairs**

**e. Strategic Planning**

**f. Legal Affairs**

**g. Risk Management**

***What are key policy components?***

There are a number of components that are considered standard in any articulation of a policy.

**Policy context:** describes how the policy fits in to the overall management framework

**Objective and outcomes:** states why there is a policy and what it is intended to achieve

**Definitions:** identifies and defines key terms, especially those that could be subject to interpretation

**Application:** specifies who is bound by the policy

**Requirements:** states the specific and concrete activities, processes and systems that are required to achieve the policy's objectives.

**Responsibilities and accountabilities:** states the roles and responsibilities of the key players

**Evaluation:** establishes the frequency, timing and scope of monitoring and reporting

**References:** provides links to related information

## VII. PROJECT MANAGEMENT

### *Introduction*

158. The implementation of the RA is a significant effort for any government and cannot be managed as a marginal activity or on a part-time basis. The complexities inherent in a initiative of this kind dictate the need for a formal project management approach. This chapter will provide an assessment of the importance of using modern project management techniques for RA implementation.

159. This chapter also makes reference to a detailed illustrative project plan for revenue authority implementation prepared in Microsoft Project using indicative dates and targets.

### **A. The Importance of Project Management**

160. The implementation of a revenue authority is a major exercise that will impact every aspect of the organization and culture of the existing departments. It involves the creation of a completely new organization, the staffing of said organization by whatever means are decided, the development of new policies, rules and procedures—all while ensuring that there is no risk to revenue collection or the operational programs of the new organization. This is no small initiative and cannot be approached in a haphazard fashion. Organizations that have had a successful launch have found that a detailed project management approach is critical to their success.

161. A formal project should be established to design and implement the RA. This would entail modern project management techniques—including setting priorities, timeframes, and deliverables. There should be formal project governance, with a steering committee, project manager, staff resources, supported by technical assistance (should the need be identified).

162. This method of implementing reform has been proven to offer the greatest chance of success. The government needs to take a clear position on establishing the project and its governance, and providing authority and resources to those in charge to do the job properly. Oversight for an RA implementation project is usually provided by the Ministry of Finance (MOF).

### **B. Project Governance**

163. Project governance describes the overall way in which the project should be managed and overseen by officials within the ministry. There are a number of components to the overall governance of the project and these include:

#### *A project sponsor or owner*

164. This should be the senior responsible official within government, usually the Permanent or Financial Secretary of the ministry of finance.

### ***A senior steering committee within government***

**165.** This committee would review all major issues related to the design and implementation of the RA. It would monitor the work of the project team, and provide all appropriate direction. The steering committee should be chaired by the Permanent Secretary and comprised of key senior managers from the tax and customs departments and senior officials from other key departments. Of particular importance would be officials from departments responsible for core civil service systems that the RA will leave behind as there will likely be a need for consultation with them on new financial and human resource systems.

### ***A project manager and project team***

**166.** There should be a dedicated project manager from within government who is at a level sufficiently senior to manage the implementation and to lead discussions and negotiations with other key government departments who will be impacted by the new RA. The project manager should be named as soon as possible and be ready to begin work immediately. The project manager would report directly to the permanent secretary, and would provide secretariat services to the steering committee and attend all its meetings.

**167.** The project manager should be supported by a small implementation team, generally staffed from the tax and customs departments and the MOF. This could be in the order of 3 or 4 full-time staff and up to 10 part-time staff depending on the approach taken to the various elements of the implementation. As the implementation team will have a fixed mandate (it should wrap up shortly after the launch of the RA), it should be possible to second staff members from the existing organizations.

### ***An advisory committee***

**168.** The government should establish an advisory committee to support the implementation of the RA and its membership could include business associations and the public service association or union. This committee should be consulted and have a mandate to advise but should not be given any decision-making or approval role. The nature of this relationship is to provide a consultation forum and to explain new and emerging ideas, to listen to responding views and to take account of those views to the extent practical.

### ***Preparing for the transition***

**169.** Chapter IV on transitional provisions recommends that the Chair of the Board, the members of the Board and the head of the RA be appointed to their positions well before Day One and the beginning of the operational life of the new RA. Once these individuals have been selected, they will become actively involved in the implementation project and rightly expect to take on key roles. In fact, much of the development work will be for the review and approval



of the Board and new RA head. The presence of these officials will need to be factored in to the overall project governance once they are named to their positions.

## **C. Project Methodology and Approach**

### ***A project charter***

170. A project charter is an essential first step and should be prepared even before the project is approved. It usually describes a project's goals and objectives and the authority to undertake the project as well as key milestones in the project's development. This charter document will form the basis for all internal and external communications materials. Consistency with the basic project charter is essential for all aspects of the project.

### ***Role of the existing departments***

171. The role of the existing departments in this project cannot be underestimated. Senior officials within the tax and customs departments need to be actively engaged in the project to design and implement the RA. They are in the best position to advise on the operational context within which new structures and policies are being considered. They are the most effective spokespersons who will ensure that the RA is well understood and supported within their departments and once the project has been completed, the success of the RA will ride largely on their shoulders.

172. The participation of management and staff on the project team and any other teams established as implementation proceeds will be essential to the success of the project. Officials will be expected to use their knowledge to advance the interests of the design and implementation project under the direction of the project manager and without formal instructions from their superiors. This recognizes that, in most cases, the employee will be participating because of his or her personal ability, experience and understanding of the departments (including the ministry) and its needs, not as a formal spokesperson for the particular organization they are attached to. Any requirement to represent the views of any particular organization more formally can be done through the appropriate member of the steering committee.

### ***Working with consultants***

173. The purpose of the technical assistance is to provide advice where the expertise required is not available locally. The advice must be suitable to the local public policy context and this is only likely to be achieved if the project is regarded as a joint venture between the existing tax and customs departments and any consultants hired. Consultants may need to work extensively with the project manager and project team, developing specific products as well as providing general advice and guidance throughout the life of the projects.

### ***Related projects***

174. Other modernization projects may be under way within the existing departments whose objectives complement those of the current project in advancing its broad objectives (the entire area of reform and modernization is one example). The results of any such projects should be made available to the steering committee to ensure the most effective development of advice for the minister. By the same token, the reports of this project could be made available to any other project whose activities might benefit as a result, subject to a decision by the steering committee or the project sponsor.

### **D. Constraints**

175. There are a number of potential constraints to the success of the project. These could include (1) absence of a dedicated team of officials from within the departments to work on RA implementation; (2) lack of cooperation/commitment from other government departments involved in the exercise; (3) legislative delays; (4) resistance from professional staff associations; (5) protracted periods for making key decisions which impact on related project deliverables—amongst others.

176. These constraints should be monitored and as should other risks to project success and regular updates should be provided to the project manager and through him or her to the steering committee, along with mitigation strategies as needed.

### **E. Typical Project Management Plan**

177. Appendix 2 to this toolkit provides a detailed project management plan for implementing a revenue authority. The plan is presented in Microsoft Project and is for illustrative purposes only. Any country wishing to implement a revenue authority will want to develop its own comprehensive project management plan for RA implementation and reflect its own timetables for critical events. However, the project plan does provide indicative timeframes in an attempt to provide an idea of how long certain steps might take based on previous international experience.

178. The detailed plan hypothetically begins January 1, 2010 and ends some 18 months later in June of 2011.

179. The detailed plan reflects the three phases of RA implementation set out in Chapter VI, the largest being phase 3—operational readiness. Furthermore, the plan reflects all the activities and outputs referred to throughout this toolkit.

## VIII. COMMUNICATIONS

### *Introduction*

**180.** Communications could well be the most critical success factor for any RA implementation project. This chapter provides an overview of essential communications aspects of the project and reinforces the idea that the communications messages are a function of the approved policy choices. It also recognizes the need for tailored approaches to certain stakeholders.

### **A. The Need to Identify Core Communications Themes**

**181.** Communications will play a crucial role in whether the implementation of the revenue authority is perceived as a success; and whether that perception is shared by internal stakeholders—the government, the parliament and staff of the concerned organizations and external stakeholders—taxpayers and traders, and the general public. To this end, it is important that core communications messages are developed and that these messages are elaborated and used consistently by any official speaking about the RA and its implementation.

**182.** To satisfy these diverse audiences, different messages using various media will have to be developed and each of these audiences present challenges which will be addressed later in this chapter. However, before specific messages and the challenges of different audiences can be considered, it is essential to identify some common themes. While themes will clearly be tailored to acknowledge different national circumstances and the distinct policy choices made by government, some core themes are suggested below:

- A broad and robust tax base and a well functioning revenue administration are of critical importance to a disciplined fiscal policy
- The critical component of a successful tax and customs administration reform program is the establishment of an effective, efficient and fair tax and customs administration—that will lead to reduced costs of administration for the government and reduced cost of compliance for the taxpayer
- The revenue authority is a platform or engine for future reforms
- It represents a major change in the way revenue administration is organized and managed and will not happen overnight
- The reforms brought about by the RA will result in both improved service and compliance
- The RA will maintain its focus on improved levels of compliance and will protect revenue yield during the period of transition to the new RA.
- The revenue authority will address the complex challenges of integrity—a problem which can be particularly difficult for revenue administration
- The revenue authority will promote transparency through a constant focus on high levels of performance in all operational areas.

## B. Internal Stakeholders—Messages and Challenges

**183.** Internal stakeholders include government, parliament, public servants and staff associations. The messages for each of these groups will have some differences but can be built from the following general themes.

### *Messages*

- The RA will help to improve the overall functioning of revenue administration—leading to better compliance and ultimately, improving revenue collection.
- The RA is not an opportunity to downsize—it is about making sure the right number of employees are assigned to the right functions.
- The aim is to create a more professional workforce, fully trained and equipped to do their job to the best of their ability and with the opportunity to make the best use of automation to eradicate the duplicative and heavily-manual processes we have been used to over the past years.
- The RA will be an organization that treats its taxpayers and traders as equals and clients, providing them every opportunity to be compliant on a voluntary basis.
- The RA will place renewed importance on integrity in all its dealings. It will also be fully transparent in all its actions with a better ability to account to the public through performance management.
- Revenue administration employees must develop an attitude that taxpayers and traders are their clients not their adversaries.

### *Challenges*

**184.** There are a number of key challenges which must be addressed through these messages.

**185. Government and parliament must be on board.** This can be achieved through good communication designed to raise the visibility of the RA implementation project. However, the management of the project must be permitted a relatively free hand without inappropriate interference on technical matters. The image of the organization can be negatively affected if it is believed that the process lacks the necessary focus and leadership. It can then easily become political and run the risk of failure or delay because of outside interference.

**186. Perceived lack of commitment** by the Government or Minister of Finance can do irreparable damage to the project. It is not only psychological commitment that is necessary but clear evidence of concrete support for the RA implementation in the form of the human and physical resources required.

**187. Employees of tax and customs must be involved.** Continual communication from their leaders on progress is critical. Communication and data exchange will build respect amongst colleagues and help them understand the need for full cooperation.

**188. Significant uncertainty and suspicion amongst the staff of the existing departments is normal** but honest, timely and consistent communication will go a long way to allay such insecurity.

### **C. External Stakeholders—Messages and Challenges**

**189.** External stakeholders include taxpayers and traders and their representatives, as well as the general public. Depending on the relationship that some countries pursuing an RA will have with the donors and development partners (and the support that the government may seek in establishing an RA), they should also be considered as external stakeholders. Clearly, those more closely involved with revenue administration e.g. those in the business community will have more in-depth communication needs and these may need to be tailored by large sectors of this population. The messages delineated below will need to be adjusted accordingly.

- Taxes are collected *in response* to society's needs for health care, good roads, schools and other social benefits. Tax administration works for citizens—collecting the taxes they have agreed to pay in as fair and efficient manner as possible.
- The revenue authority recognizes the common interest in promoting private sector development and understands that an essential part of its role is to educate taxpayers as to their responsibilities, provide them with materials and information to encourage compliance, assess them no more or less than their liabilities required under the law and develop systems and procedures for making sure that non-compliant taxpayers pay their fair share. The themes of integrity and transparency, already mentioned in section 2, come in to play here.
- The mission of the RA is to encourage voluntary compliance with the law through fair, efficient, even-handed and transparent policies and procedures.
- The RA will have as a key goal the consistent application of tax and customs laws to support the requirement of any market economy for a fair, transparent and predictable tax system in order to stimulate the high levels of domestic and foreign investment required for economic growth.

### **Challenges**

**190. Taxpayers and external stakeholders will need to be persuaded of the benefits of RA.**

It is possible that a level of cynicism may exist that the move to a revenue authority is purely a bureaucratic exercise designed to improve the salaries of bureaucrats. It will be important to repeatedly underline the benefits i.e. improved taxpayer service, lower compliance costs, better targeted control through the segmentation process, simplification through the improved use of technology etc.

**191. The message for such groups must also be straightforward and honest.** The benefits will be received warmly by already compliant taxpayers. The improved efficiency and effectiveness of the new authority will also better target the non-compliant with a view to improving the level of voluntary compliance and delivering sanctions against those who wish to remain as deliberately non-compliant.

## **D. Evaluating and Monitoring Communication Results**

**192.** The best laid strategies and plans will be of no value if they are not well-targeted and if they do not achieve their intended purpose. Both the internal and external communications approaches need to be regularly tested to make sure that the desired results are being achieved.

**193.** For internal stakeholders, their concerns and ideas should be actively solicited and acted upon. This can be done using a number of methodologies such as workshops, local management communication meetings, formal feedback questionnaires—confidential or anonymous, conducting regular staff surveys.

**194.** Similarly, feedback on external communication is important to ensure the correct message is being received. This could be achieved through focus groups to test advertising material before general release, public opinion polls at major milestones, regular monitoring of the media.

## **E. An Organization Structure for Communications**

**195.** A communications unit (within the project management team) should be introduced at the earliest stage to plan, develop and deliver all aspects of the communications program. Equally, early control of the flow of information to the media is critical.

**196.** Following the announcement of the RA, responsibility for all communications within the customs and tax departments should cease as soon as practical to ensure consistency with the developed plan. Indeed, it is recommended that the communications staff from the departments be absorbed in to the new RA communications unit.

**197.** Given the high-profile of the RA implementation project, there will likely be a requirement to provide in-depth media and public outreach training to staff. This training broadly includes: message development and delivery, writing and producing effective materials, staging effective public meetings and hearings, managing the production process and developing and implementing a pro-active media strategy.

## **F. Consultation Strategy**

**198.** Consultation is a specialized activity that can be seen as a sub-set of communication. Whereas communication seeks to impart information to different groups, consultation is the practice of seeking views from key stakeholders to test whether plans and initiatives are appropriate and correct.

**199.** With a major change such as that contemplated by the move to the RA, a consultation strategy is needed to ensure that:

- the views of clients and other stakeholders are well known as concepts and ideas are further developed

- a real partnership is established with stakeholders—both inside and outside the organization
- through this partnership, stakeholders become engaged in the process and as a result are supportive of the overall change
- stakeholder expectations can be clearly managed and, where possible, met
- critical consultations with employees and unions contribute to smooth and stable union-management relations.

200. Some illustrative examples that could form the basis for consultation include:

- General briefings on what the RA is and what it is not
- Policy choices
- RA organization structure and how it can best address stakeholder concerns
- Current reform plans for customs and tax administration and how these can be expanded in the new RA
- Criteria for selection of members of the Board—are they appropriate?

## **G. Developing Key Communications Messages—a Module**

201. The project team for implementing the revenue authority will have to develop key communications themes for each target group or specific audience. These messages will be a function of the interests of that particular group.

202. Table 7 provides a worksheet for developing the required communications themes. This should be carried out as an initial exercise, and should be kept up to date throughout the life of the implementation project.

**TABLE 7. WORKSHEET FOR DEVELOPING KEY COMMUNICATIONS THEMES**

| <b>Target group</b>           | <b>Areas of interest</b>  | <b>Possible key messages</b>  |
|-------------------------------|---|---|
| Cabinet (government)          | Policy, good governance, legislation, business promotion, fairness and equity, compliance, revenues | <ul style="list-style-type: none"> <li>• RA adopted successfully by many countries to improve administration/integrity</li> <li>• Important step in modernization, new platform for reform</li> <li>• Improved service and compliance</li> <li>• Board provides private sector influences</li> </ul>          |
| Parliament                    | Legislation, public interest, fairness, accountability  | <ul style="list-style-type: none"> <li>• Legislation consistent with other countries</li> <li>• Modern, accountable legislative framework</li> <li>• Government remains fully in charge</li> <li>• Based on wide consultation</li> </ul>  |
| Senior officials and managers | Governance, organization, initial staffing, management changes, opportunities, integrity            | <ul style="list-style-type: none"> <li>• Board plays role formerly held by central agencies</li> <li>• Initial staffing to be fair, transparent</li> <li>• Preference to managers able to manage change</li> <li>• Many new opportunities, focus on integrity</li> </ul>                                      |
| Tax and customs staff         | Initial staffing, compensation, career opportunities, incentives                                    | <ul style="list-style-type: none"> <li>• Initial staffing to be fair, transparent (note: must reflect policy decisions)</li> <li>• Compensation will change over time, with increased accountability, responsibility, and skills</li> <li>• Promotion/careers to be based on performance/integrity</li> </ul> |
| Staff associations (unions)   | Job protection, employee rights, salaries   | <ul style="list-style-type: none"> <li>• There will be on-going consultation</li> <li>• Final decisions affecting employees will be made as soon as possible (depends on policy choices)</li> </ul>   |
| Business associations         | Fairness, administrative burden, integrity  | <ul style="list-style-type: none"> <li>• Modernization will continue to be pursued</li> <li>• Service level improvements expected</li> <li>• Support will be required for integrity initiatives</li> <li>• Performance reporting will be augmented</li> </ul>   |
| Tax preparers/brokers         | Fairness, administrative burden, integrity  | <ul style="list-style-type: none"> <li>• Operational improvements, including e-commerce, will continue</li> <li>• Administrative burden will be reduced</li> <li>• Expect increased focus on both service and compliance</li> </ul>   |
| General public                | Fairness, good government, integrity, transparency  | <ul style="list-style-type: none"> <li>• RA will lead to improved performance</li> <li>• Service as well as compliance will improve</li> <li>• Improved integrity and transparency</li> </ul>   |



## **IX. REFORM AND MODERNIZATION**

### ***Introduction***

203. The RA is not a goal in itself. The real objective is improved revenue administration, and that means reform and modernization. In this context, RA implementation needs to be seen as a component of a broader reform plan to modernize revenue administration. This broader plan will have many other critical components such as: improvements in tax and customs operations (not discussed in this report); organizational structure; modernization (referenced in Chapter V); information technology (referenced in Chapter X) and integrity and transparency (discussed later in this chapter).

204. This chapter will take the position that a revenue authority is not a substitute for reform but rather a platform revenue administration reform and modernization to take place, based on the development of a solid reform plan for the RA.

### **A. Creating a Revenue Authority—the Importance of Reform and Modernization**

205. In recent years, there have been major tax and customs administration reforms within countries at all stages of economic development (e.g. Australia, Canada, Chile, Hungary, Jordan, Lebanon, New Zealand, Philippines, South Africa, and Sweden).

206. These modernizing efforts have been driven by governments' desire to: (1) improve compliance with tax laws; (2) improve revenue flows; (3) provide improved services to taxpayers and reduce their compliance burden; (4) improve staff skills and productivity; (5) reduce the overall costs of tax administration. The same desired outcomes have also driven decisions to create revenue authorities. The achievement of these goals is not so much dependent on changes to governance and organization structure but in using new flexibilities attained with an RA to further advance a reform agenda.

207. The following box (Box 2) describes the common features of modern revenue administration.

### **B. Building on Existing Reform Plans**

208. In many cases, the tax and customs departments will have reform initiatives completed or underway. In fact, it would be difficult to find a country where some level of reform and modernization has not been planned or launched. The advent of the revenue authority provides the opportunity to take stock of past successes, initiatives underway and future plans and to bring the oversight of these initiatives together at the RA level. Clearly, most of the initiatives will be at the technical or operational level of the tax and customs components of the RA and the execution of these initiatives should remain in these operational areas. What is important is that a reform and modernization focus be established at the RA corporate level in order that the Minister, the Board

## **Box 2. Common Features of Revenue Administration Modernization**

Implementing appropriate, simple, and transparent customs and tax legislation, to provide the best environment for compliance.

Implementing simple, up-to-date procedures to reduce burden on importers and taxpayers, improve the effectiveness of controls, and promote transparency and integrity.

Rationalizing organizational and management structures (e.g. covering organization design, layers of management, spans of control).

Promoting voluntary compliance and employing risk management techniques to provide the most cost effective outcome.

Developing “holistic” approaches to importer and taxpayer services (e.g. understanding all of their obligations) and responding to their behaviors (e.g. non-compliance) in an integrated manner.

Effective use of automated systems to: (1) gather, collate and share information using reliable databases and a common identification number; (2) standardize payment processes and accounting requirements; (3) provide assurance that the legislation and procedures are being applied uniformly; and (4) provide adequate, timely information to support management decision making and tax/trade policy formulation.

Increasing autonomy to recruit, train, retain, and motivate high calibre staff; measure performance and remove ineffective and corrupt officials; control budgets, pay competitive salaries, and operate flexibly (e.g., moving staff to meet workload needs).

Chair and the Commissioner General are in a position to actively oversee the RA reform program. This approach can also contribute to a stronger funding position for critical reform initiatives.

### **C. Specific Reform Initiatives for the New Revenue Authority**

**209.** While building on existing reform plans, it is also important that initiatives are developed that not only capitalize on the flexibilities afforded by the new RA but that also serve to mark the new RA as different from its predecessor organizations. Ministers, key stakeholders and the public at large will all be looking for demonstrable ways in which the RA is actually an improvement—rather than just a shift in how the bureaucracy organizes its tax and customs administration.

**210.** There are many areas that could be developed or highlighted as RA level reforms where the benefits are great and where public perception and interest likely quite high, including organization, modernization, IT and the reform and improvement of customs and tax operations. However, two stand out in particular as modernization components and key messages for the new RA: integrity and performance management.

## ***Integrity***

**211.** All revenue administrations share a central goal—to maximize compliance with the law so as to collect the right amount of revenue and to protect society and to encourage trade in a fair and balanced manner at the lowest cost possible for the administration and the taxpayer. This central goal inevitably places a high importance on a working environment that is not only free from corrupt behavior but where integrity is in fact actively promoted.

**212.** While there is no universally agreed definition of corruption, the many definitions available generally include: (1) the departure from or contravention of public duty; (2) the provision or receipt of some form of improper inducement; (3) an element of secrecy. Bribery, nepotism and misappropriation are generally the main corrupt behaviors that can plague a revenue administration.

**213.** Without an active focus on integrity and anti-corruption for the new RA, public trust will be lost, the legitimacy of the revenue administration will be destroyed and its ability to achieve its central goal will be severely limited. The adverse effects of corruption—or the absence of integrity—can include:

- Reduction in public trust and government institutions in general
- Reduction in trust and cooperation between the revenue administration and other government agencies
- Low staff morale
- Increased costs which are inevitably borne by the business community
- Reduction in the level of voluntary compliance with tax laws and regulations
- Revenue leakage
- Distortion of economic incentives
- Creation of barriers to trade and to economic growth

**214.** The scope, nature and complexity of the work of revenue administrations, combined with the temptations presented by the large amounts of money collected by the officers of the revenue administration, are powerful contributors to situations and circumstances that can lead to corrupt behavior.

**215.** Recent years have seen increased attention on the problem of corruption in government and more particularly in revenue administration. This has led to the development of specific strategies, programs and action plans for revenue administrations—all designed to ensure that systems and procedures are built with appropriate safeguards against corruption and that the consequences for officers involved in unethical behavior are well communicated and clearly understood.

**216.** The establishment of the RA provides an opportunity to make definitive progress in the fight against corruption. With the creation of a new organization, opportunities exist to make sure the right functions are in the right places and that appropriate operational safeguards in fact exist. Further, the new RA management tools—especially in the area of HR—will create the right

environment and the right tools for the new organization to make serious inroads in creating a workplace defined by integrity. The early days of this new organization represent a critical juncture for the RA to develop and refine its own corporate RA strategy for integrity.

### *A specific integrity strategy*

217. There are a number of components that should be taken in to account in the development of a specific integrity strategy for the RA. These include:

**218. Leadership and commitment.** There needs to be a firm commitment at the highest political level to the achievement of the highest level of integrity. This political commitment will drive the full engagement of senior management and all officers. There should be clearly defined supervision, decision-making structures and obligations and staff at all levels should be made accountable for their own actions.

**219. Regulatory framework.** Complex regulations, procedures and administrative guidelines allow corrupt practices to develop and flourish. The extent to which the law permits the exercise of discretion by officials should be brought to the absolute minimum needed for the proper administration of the law. Where discretion needs to be exercised, it should be fettered by appropriate rules and oversight.

**220. Transparency.** Increased accountability and maintaining an open and honest relationship with all clients and stakeholders is crucial to maintaining public trust and confidence. There should be a capacity for judicial review of decisions made by the RA. Client service charters have come to be used more and more as a means to increase accountability and demonstrate a tax administration's commitment to providing quality service.

**221. Automation.** Electronic service delivery of revenue administration functions effectively limits the opportunities for corruption to occur or if they do happen, to remain undetected. At the same time, the security of the automated system will need to be guaranteed to prevent attack from the inside or the outside.

**222. Audit and investigation.** Any integrity strategy needs strong and specific tools to identify and to deal with corrupt behavior. Internal and external audits review systems and processes, focusing on those deemed to be more vulnerable to corruption. Random checks of specific operations can also be built in as a means to ensure ethical officer behavior. There should also be mechanisms (i.e. whistle blowing) in place to encourage or even require staff to report corrupt practices.

**223. Code of conduct.** A code of conduct specifically tailored to the challenges of maintaining an ethical revenue administration is an important component of an integrity strategy. Such a code sets out the standards of behavior and conduct demanded of employees to ensure that the integrity of the organization and its good reputation are maintained. The code should also provide a guide

for resolving the thornier issues related to ethics that can emerge. Finally, the code should make absolutely clear what penalties are the consequences of corrupt behavior and these penalties should be a true disincentive.

**224. Human resource management.** Managing the personal integrity of staff can be the most challenging aspect of the integrity strategy. Expectations should be clear that a high level of work performance and personal integrity is expected but this can only flourish if the work environment is fair and recognizes the contribution of its employees. Reform of systems and procedures alone without the commitment of staff will not deliver the needed improvements in integrity.

**225. Morale and organizational culture.** The integrity strategy needs to be predicated on the existing organizational culture, cognizant of any need for change to achieve real and sustained improvement. Staff and staff associations need to be actively involved if real change is to be effected. This is perhaps one of the most difficult parts of the integrity strategy as it involves influencing and sometimes changing individual attitudes and behaviors.

**226. Relationship with the private sector.** Client groups can play a central role in controlling or eliminating corruption and this should not be underestimated. Most forms of corruption in revenue administration involve external partners and these partners need to be actively engaged and supportive of any integrity strategy, Client surveys, liaison committees and a comprehensive communications strategy should all be elements of this component of the strategy.

### ***Performance management***

**227.** Performance management refers to the process of looking after the objectives, approaches, institutional arrangements and performance information systems put in place by a government or private organization to ensure that:

- the operational results for the organization meet established targets;
- results reflect a reasonable level of achievement; and
- results have been achieved through effective and efficient program management.

**228.** Much time and interest has been focused on performance management in recent years, particularly in the public sector. There appear to be three key forces behind this trend.

**229.** The ***drive to continuous improvement***, that is, improving operations and service delivery. This implies a review of structures, functions and the interaction of key institutions that allows for ongoing adjustments and improvements. New divisions of responsibility, such as may be required in a revenue authority, may require different and more flexible mechanisms for internal management and control.

**230.** An ***enhanced emphasis on transparency***, reflecting the idea that the engagement of stakeholders in the work of government and the public's right to know have all contributed to a stronger focus on performance management. New strategies are required to not only

better manage performance but to also communicate performance results to a wider group of interested parties.

231. Finally, *budget restraint* has driven work on performance measurement in many countries. Doing more with less often means needing to have a more precise idea of the programs that are achieving the desired results and those that are not.

232. As a consequence of these developments, many governments have considered more precisely their approach to performance management. Generally, this has resulted in a shift to management from pure administration and a reliance on corporate level, top-down systems as well as the individual manager to make performance management a key management area in the organization.

233. Managers are *made* to manage, that is taking responsibility and enjoying certain levels of management freedom to take needed decisions and to ensure accountability. Some of the necessary management tools required to support performance management include corporate planning, target-setting, devolved resource management, performance monitoring and reporting and regular evaluation. Managers must also be allowed to manage—to operate in a management environment that is not fettered by unnecessary rules and regulations that do nothing to contribute to the overall objectives of the organization.

234. All of these ideas are relevant and important for the revenue authority. The ability to measure performance will allow the new organization to make better informed investment decisions. It will also help to establish linkages between the RA's performance and the performance of organizational units and employees.

235. It is clear that these systems are only relevant if there are consequences for over and under-performance and/or if performance can influence the evaluation of personal performance or the allocation of resources.

236. It will be important for the revenue authority to demonstrate a commitment to improved performance in a very concrete way. The development of a performance management system that establishes a current baseline for key areas and targets for improvement will send an important signal to both government and the public that the revenue authority means a new and better way of doing business. It also sends a strong message to staff that non-performance is not an option and that performance management is ultimately linked to their individual performance.

#### **D. Overseeing Reform—Organizational Solutions**

237. For any reform initiative to be a success, it must be managed on a priority basis and in a regular and consistent manner. For many administrations, this has meant the creation of a reform committee which is supported by a small team within the organization. This committee is usually chaired by a senior official whose sole responsibility is the management, oversight and

delivery of the reform plan, in collaboration with senior colleagues. In the case of a new revenue authority, this could be assigned to the RA implementation team once the great majority of its work has been achieved.

## **E. Developing a Reform Plan for the RA**

**238.** Any major reform initiative should be developed using a plan that can be managed and overseen—much like RA implementation itself. The plan would be a detailed document which would include key components, initiatives, legislative requirements, timelines, risks to achievement etc. Some components are suggested below.

**239. *Organization reforms:*** Most of the work in this area will be realized within the RA implementation project itself. However, this component is mentioned here to acknowledge that some organizational refinements may remain and some may be considered second-generation reforms.

**240. *Legislative framework:*** The RA implementation project will have undertaken an intensive development process to arrive at enabling legislation and consequential amendments to the revenue statutes. What will not be done as part of this exercise is a detailed review of these statutes themselves. A review could be undertaken to identify areas where the legal base currently available is not sufficient for it to ensure proper revenue administration e.g. exchange of information with other jurisdictions. Aspects of the law may need to be updated to allow for e-business, as another example. For any modernization program to be successful, it is essential to confirm that the underpinning legislation is sufficient to support modern revenue administration and practice.

**241. *Business re-engineering:*** This is an in-depth process which requires a review of virtually everything that a tax or customs administration does, with those operations where the taxpayer or importer is involved of primary importance. Administrations will need to set aside the old way of thinking about the taxpayer or importer by the nature of the tax paid and to consider the best way to approach the functions of registration, returns processing, payment and collections, audit, appeals and taxpayer education.

**242. *Business strategies:*** Once re-engineering of the key business lines has been launched, business strategies for each key component of the tax administration need to be developed and articulated. Strategies for collections, taxpayer services, enforcement and audit are among the areas where the responsible manager should develop an over-arching strategy over a three year period, supported by an action plan and proposed budget. These individual business strategies will all contribute to a corporate strategy and plan.

**243. *IT strategy:*** This portion of the reform strategy should be developed in close collaboration with business re-engineering as the two go hand in hand. It is not simply enough to automate existing business processes and to consider that they are more efficient simply because the

manual processes have been removed. What is critical is that the information technology is leveraged to provide better service to the taxpayer at the same time as better information to the RA to ensure compliance.

**244. Corporate strategy:** An RA needs to develop a corporate strategy as a part of its reform plan. This strategy should include a vision and mission statement and a description to the taxpaying public of the reform and its intended objectives. The strategy will also be used in its discussions with government and for future planning exercises. The development of a corporate plan, with the reform strategy as a key component, should be part of this initiative.

**245. HR strategy:** Any reform strategy is by and about people. RA officials will develop the strategy and implement it and will be impacted by it. It is critical that the HR impact of all aspects of this strategy be considered and included in each initiative. It also means developing a longer-term strategic view of the needs of the RA, which will influence both training of current staff and recruitment. HR strategies generally include components such as retention and succession planning, staff development, promotion and performance appraisal, etc—all of which will reflect the new policies in these areas developed for the RA. All of these elements are particularly important to any successful reform.

## **F. What is Needed to Make a Reform and Modernization Program a Success?**

- Political support—a strong commitment to reform, clear decisions about its direction and the provision of the necessary resources
- Stable leadership of the organization—both from the Board and from the Commissioner
- Formal modernization program with an appropriate project management structure
- Modern project governance, with a management framework, project steering committee, dedicated work teams and close monitoring by senior management
- Effective communications with all stakeholders, including major business associations
- Comprehensive human resource and training strategies.



## **X. INFORMATION TECHNOLOGY**

### ***Introduction and Background***

246. Information technology underpins modern revenue administration and the move to a revenue authority is both a challenge to ensure effective implementation and an opportunity to improve systems.

247. Existing domestic tax and customs organizations are often in the midst of long term IT reform themselves, or have relatively recently implemented major IT systems for tax and customs operations, respectively. This “IT status quo” will have an important bearing on the merger of the tax and customs organizations where a RA is to be implemented. In view of comments offered earlier in Chapter V about the limited extent of possible customs/tax operational integration, important questions arise as to whether any system integration makes sense, or whether critical issues such as information exchange simply need to be pursued in the context of two main operational systems.

248. Revenue authorities will also require IT systems to support new management responsibilities i.e. human resources, finance and budgeting. In the very short term, there may be opportunities for the RA to continue using the support systems of the public service, which would of course be very familiar to the existing tax and customs organizations. However, before very long, the RA will need its own systems in these areas, systems that can respond to the policies set down by the Board of Management.

249. This chapter will look separately at IT issues as related to the main customs and tax programs and to the support functions, and at the need for a long-term IT strategy.

### **A. Domestic Tax and Customs IT Issues**

#### ***Ensuring an “enterprise-wide” approach to IT***

250. The new revenue authority will be a larger and more diverse organization than either of its two main predecessor organizations. It will have to develop a culture and an approach whereby the IT function supports the best interests of the entire organization, and leverages the power of the entire organization in its operational activities, such as developing networks and other infrastructure and facilities. There will need to be consistency throughout the organization.

251. An enterprise-wide IT approach will need to transcend the existing IT organizations of the tax and customs departments. The individuals who manage this function will have to have a broad understanding and appreciation of all the activities of the revenue authority and be able to broker the inevitable competing demands of the two prime business lines.

### *Understanding and recognizing the role of the business process owners.*

252. In both tax and customs administration, there are managers who are in charge of the basic business processes of their particular business line—registration, declarations and returns, payment, delinquent accounts, audits, appeals, and the like. These are not the IT managers; they are the program managers in the operational headquarters units. These line managers are required to develop the business requirements that will guide the development and application of IT solutions.

253. Implementation of a revenue authority is often an appropriate time to undertake business process re-engineering in the tax and customs operations, but this too will depend on the current modernization plans of their respective organizations. This is discussed in more detail in Chapter IX on reform and modernization.

254. Where key decisions have already been made about the future direction of the two main business lines (tax and customs) and their IT strategy, there would appear to be no need to revisit these decisions just because a revenue authority will be established. In fact, customs systems (such as ASYCUDA) and integrated tax administration systems have generally been designed to provide all the inter-connectivity needed to ensure appropriate exchange of data, *once both systems are up and running and fully and accurately populated.*

### **B. IT Support for the New RA**

255. The new revenue authority will lose its identification with the public service proper, and will require systems to enable it to operate in a semi-autonomous mode. The new requirements would include, but are not limited to, the following:

- **Human resources systems**—position classification, staff complement, recruitment, promotion, pay, leave, overtime, allowances, discipline, pensions, etc. The human resources regime and legal framework is likely to be fundamentally different from that of the public service if not immediately at least over time.
- **Financial and accounting systems**—the main issue here is whether or not the revenue authority will have completely separate systems from those of the public service. Some existing revenue authorities remain as part of the government's accounting entity, and subject to the financial and accounting policies of the government. Others are responsible for their own fiduciary activities and will simply receive a payment from the government. In these latter cases, the RA will need a full suite of its own financial and accounting policies, approved by the board, as well as the information technology to support them.
- **Management information systems**—the RA will be required to manage, measure and report on its performance. It will need to have a suite of management information systems to support strategic and business planning, modern performance reporting and program monitoring.

256. It is important to note in developing these support systems that “form follows function”. In other words, the required human resources, financial and other “policies” need to be determined before the appropriate supporting IT systems can be developed. Furthermore, these policies need to be approved by the board prior to the actual start date of the revenue authority (see discussion in Chapter VI—Operational Readiness).

### **C. Longer Term IT Strategy and Funding**

257. One of the most important IT-related issues when implementing a revenue authority in addition to merging the IT existing tax and customs administration IT units (and perhaps some resources from the ministry itself) is the development of a longer-term strategy for IT. It can be expected that there will be significant weaknesses in the IT strategies for the existing departments that will not be a barrier to progress in moving forward with the revenue authority. In addition, it can be expected that there will be significant funding shortfalls in the IT plans of the existing departments and that these too will have to be addressed in the context of the new RA.

258. Resolution of such funding shortfalls would have been an issue whether the RA was being implemented or not. However there will be some IT costs that are truly incremental, namely those discussed under item 3 above.

## XI. CHANGE MANAGEMENT

### *Introduction*

259. The transition from two traditional departments of government to a revenue authority is perhaps one of the most significant changes possible—both for the organization itself and for the people employed in the existing departments. Each department will usually have its own culture, norms and values that have been established over a number of years. Moving away from these known features towards a new organization that is largely unknown can be daunting.

260. Change of this magnitude needs to be recognized and properly managed. Change management is built upon thoughtful planning and implementation and involvement of the people most impacted by the change. Simply put, change management refers to the specific, concrete steps to maximize support and acceptance of the planned change.

261. It requires a focus on the organization as well as the people most affected by the change.

### **A. Change Management—the Organization**

262. There are a number of key steps that are fundamental to any change management process. These include:

- **Creating a sense of urgency**—for change to be accepted and real progress made, the entire initiative needs to be infused with a sense of urgency. If staff do not accept the underlying reasons for the change or come to believe that it will never happen, there is no sense of urgency to drive the project forward. Leaders must create a sense of urgency by establishing a public deadline for implementation and by highlighting the myriad of issues that the new revenue authority will help to solve e.g. need for more streamlined administration. Without a sense of urgency, change efforts can drag on for years. Leaders have to inspire people to move and make overall objectives real and relevant.
- **Forming a guiding coalition**—some administrations choose to seek the involvement of a number of key officials from the existing departments. These officials can form part of the project team or can serve as senior advisors. They can participate in the design of certain aspects of the new revenue authority e.g. the human resources framework. As such, engagement is realized from very early stages of development and these individuals form a sort of coalition and can become strong advocates for the impending change. It is imperative to get the right people in place with the right commitment and the right mix of skills.
- **Creating and communicating a vision**—It is important from the very early days of the development of the new RA for a simple and straightforward vision to be developed for the new organization. In fact, this can be an immediate task for the Board and the new CEO once they are in place. The vision should describe the future state for the new RA and be somewhat idealistic—the timeline is usually 4 to 5 years in to the future. A wide group should be involved

in the brainstorming for this new vision that should result in broad support and acceptance for the final product.

**263.** A **mission statement** should then be developed that speaks to the RA's core purpose, who it serves and how and what makes it unique. The mission statement can also speak to the organization's core values.

**264.** The vision and mission also need to be credibly communicated. The communications process (described in more detail in chapter VIII of this toolkit) should be iterative in nature and place great emphasis on dialogue rather than written directives or other means of communication. Each level of management should be able to discuss and describe all the issues related to RA implementation with their staffs. As many people as possible should be involved, focusing on the essentials and targeted to those subjects of concern to staff.

**265.** While external messaging about the new RA is important, internal understanding and clarity is far more critical to the change process. Employees quite naturally have different interests from the public at large e.g. interest in HR and other managerial issues.

- **Overcoming impediments**—the new vision for the organization can be compromised by behaviours that are not supportive of the new direction. These can include leaders who are openly unsupportive of the change, inadequate resources committed to the change, no monitoring of the change, technology which fails to support new work processes and systems. It is important that the workforce at large is able to discuss impediments to the transition and transformation in an open way so that these problems can be resolved. Constructive feedback should be actively sought and progress should be rewarded and recognized.
- **Planning for short term wins**—short term wins help to create momentum in any change process and to persuade people that extensive change is indeed coming and will be to their benefit. In the case of a revenue authority, aspects of the new HR framework that will be of particular interest to employees could be targeted for early completion.
- **Perceived equity and fairness**—there are significant human resource implications in the transition to a revenue authority. It is imperative that all aspects of HR development are seen as being handled in a manner that is fair and equitable. This is particularly important where two organizations with somewhat different cultures are merging. The development of new job profiles and competencies and unbiased processes for selection of employees can all contribute to the new shape of the organization and for new RA employees to feel an immediate sense of engagement.
- **Tracking progress and acceptance**—for a change effort to succeed, there must be continuous efforts to measure progress. Upward feedback and sampling of employee opinions are examples of measures that form part of any well-managed change initiative.

## **B. Change Management—People**

**266.** Theories abound on how to best support people through any extensive change process. Many refer to a process of exit (departing from the existing state), to transit (crossing unknown territory)

to entry (attaining a new equilibrium). A typical model describes five building blocks needed by people to accept change:

- **Awareness**—of why the change is needed
- **Desire**—to support and participate in the change
- **Knowledge**—of how to change
- **Ability**—to implement new skills and behaviour
- **Reinforcement**—to sustain the change

267. People impacted by the change need to agree with, or at least understand, the need for the change. Ideally they will be involved in the planning and implementation of the change. The chief insecurity of staff is the change itself. Senior executives generally do not fear change (in fact many thrive on it) but many staff will find the notion of change disturbing and even threatening. It is management's responsibility to be aware of this and to try to manage the change in a way that is not threatening to the general staff. The manager's job is to facilitate and to enable change and to try to understand the nature of the change from the perspective of the employee. Emphasis should be placed on interpreting, communicating and enabling the change rather than instructing and imposing change.

268. There are some key steps that can contribute to easier acceptance of change on the part of employees;

- Use workshops to develop collective understanding, approaches, policies, methods, systems and ideas;
- Surveys are often a useful way to deal with mistrust and any damage that the change may have wrought. The survey should be anonymous and the new RA should publish results and make commitments to deal with emerging issues;
- Management training is critical as managers are crucial to the change process. They must be able to enable and facilitate, not merely convey and implement policy;
- People and teams need to be empowered to find their own solutions and responses with support from managers. Employees need to be able to trust the new organization;
- The leader of the organization must be able to work with ideas that emerge from staff discussions or the organization's best people will be lost in the process.

## APPENDIX I. A COMMENTARY ON SPECIFIC RA LEGISLATION

To assist users of this toolkit, this appendix provides a commentary on selected revenue authority enabling legislation. As noted earlier in Chapter III, all countries which have established a revenue authority have enacted specific enabling legislation to empower the new organization.

There is a great deal of commonality in RA legislation. The IMF survey that formed part of the Working Paper cited in Chapter I noted the following aspects concerning the legislative base for revenue authorities:

- A legislative instrument (law or decree) was used to establish the RA in all cases.
- The earliest RA is 1988 (Peru), the most recent is 2004 (Mauritius).
- A majority of countries (14 of 21) has introduced subsequent revisions to their enabling RA legislation, often to enable organizational or other changes (e.g., Kenya and Canada).
- About 80 percent of the RAs (17 of 21) in the survey were described as having separate legal status (established as a “body corporate” or having “legal personality”). There appears to be common terminology around the world from the perspective of administrative law in that these entities are considered legal persons in their own right (can sue and be sued, own assets, and so on).
- There is a great deal of commonality in the essential mandates of the RAs, according to their legal basis. Almost all have the equivalent mandate of *assessing and collecting tax and administering and enforcing the revenue laws* (a mandate notably shared by all tax and customs administrations, regardless of governance model). In addition, almost all have a further mandate to provide advice on tax laws to the minister of finance.

Notwithstanding all this commonality, each piece of legislation is different, reflecting the various policy choices made in determining the nature and character of the RA in question. Caution must be exercised, then, in using clauses and wording from existing legislation to ensure that “borrowed” sections do indeed reflect the desired policy intent. In many instances, the change of a single word can alter the meaning of a particular article in the law in a significant manner.

This important caveat having been made, it can be very useful to examine what other countries have (or have not) included in their legislation, and how precisely they have said it. What follows is a very brief synopsis of the revenue authority laws in seven different countries. Where the law in question is reasonably short, it has been included in this Appendix. Where the law is longer, an internet reference is provided so that the reader can access the particular law through the World Wide Web.

A commentary is offered on the revenue authority legislation for the following countries: Botswana; Canada; Guyana; Mauritius; Singapore; South Africa; and, Uganda.

## **Botswana**

### ***Botswana Unified Revenue service Act (2004) (Attachment 1)***

This revenue authority law is one of the most recent, having been enacted in 2004. It follows the classic Anglophone-Africa model. The nature and functions of the Botswana Unified Revenue Service (BURS) are clearly set out, and a considerable portion of the Law is devoted to the management board, its membership, and its meetings and proceedings. This law is essentially silent on issues related to the initial staffing of the BURS and what happens to employees of the existing revenue departments.

## **Canada**

### ***Canada Revenue Agency Act (1999) (<http://laws.justice.gc.ca/en/C-10.11/>)***

This law was originally called *The Canada Customs and Revenue Agency Act* and proclaimed in 1999. However, in 2003, customs activities were removed from the Agency and transferred to the newly established Canada Border services Agency.

The law is complex and very modern, but probably not a useful model for many of the countries interested in establishing a revenue authority. This is primarily because of the very unique nature of the Canadian federal-provincial model and its influence throughout the legislation (for example, certain provincial aspects are spelled out in the Agency's mandate very early in the legislation, and even the appointment of Board members has a significant provincial input).

In terms of human resources, the law is very detailed, and contains extensive transitional provisions with respect to the transfer of employees from the former tax and customs department to the new Agency.

## **Guyana**

### ***Guyana Revenue Authority Act (1996) ([http://gina.gov.gy/gina\\_pub/laws/Laws/cap7904.pdf](http://gina.gov.gy/gina_pub/laws/Laws/cap7904.pdf))***

This law is relatively modern given it was enacted more than 10 years ago. It is unique in that it deals up front with the “disengagement” of the existing departments and employees. After that is follows the more traditional revenue authority legislative structure.

## **Mauritius**

### ***Mauritius Revenue Authority Act (2004) ([http://www.gov.mu/portal/sites/mra/download/mraact\\_amend.pdf](http://www.gov.mu/portal/sites/mra/download/mraact_amend.pdf))***

The MRA Act was passed in 2004. As a result is a very modern law, and includes many useful definitions. This law is a fairly traditional presentation of revenue authority features, and also includes a detailed section on appeals. In many countries, procedures and law on appeals are



found in the revenue statutes themselves or in a comprehensive tax procedures code rather than in administrative statutes such as revenue authority laws.

This Act is unique in that it legislates a role for the “management team”, defined in the law as “the Director-General, the Heads of Departments, the Heads of Divisions, and such other officers as the Board may approve”.

## **Singapore**

### ***Inland Revenue Authority of Singapore Act (1992) (Attachment 2)***

This law established one of the earliest revenue authorities. It is unusual in that it establishes a semi-autonomous entity outside the realm of the normal public service, but does not specifically establish a management board as is done in the traditional model (although the law does establish a chairman, who is not the CEO). As a result, there is a considerable role for the Minister, from determining the number of “members” of the Authority to approving the human resources regime of the Authority.

## **South Africa**

### ***South Africa Revenue service Act (1997) (www.sars.gov.za)***

This is a very unique piece of legislation. Article 2 states “The South African Revenue Service (SARS) is hereby established as an organ of state within the public administration, but as an institution outside the public service.” The law assigns all the traditional autonomy to SARS as might be expected with the Anglophone-Africa model, but does not establish an empowered management board. Originally, the law included an “advisory” board, but a 2002 amendment changed this to provide for “advisory committees” that may be appointed by the Minister.

## **Uganda**

### ***Uganda Revenue Authority Act (1991)(Attachment 3)***

This law also established one of the earliest revenue authorities. It is a straight forward piece of legislation, one of the briefest of all revenue authority laws. It follows the Anglophone-Africa model—in fact, it epitomizes it.

## **Botswana Unified Revenue Service**

### ***Chapter 53:03***

#### **PART I**

##### *Preliminary*

1. Short title
2. Interpretation

## **PART II**

### *Botswana Unified Revenue Service*

3. Establishment of the Revenue Service
4. Functions of the Revenue Service
5. Powers of the Revenue Service

## **PART III**

### *Board of the Revenue Service*

6. Establishment of the Board
7. Membership of the Board
8. Powers and functions of the Board
9. Tenure of office
10. Disqualification from membership to Board
11. Removal and resignation of member
12. Filling of vacancy
13. Disclosure of interest

## **PART IV**

### *Meetings and Proceedings of the Board*

14. Meetings of the Board
15. Committees of the Board
16. Co-opted members
17. Remuneration of members
18. Appointment of Secretary to Board
19. Functions of the Secretary
20. Accountability to Board
21. Conditions of service of Secretary

## **PART V**

### *Officers of the Revenue Service*

22. Appointment of Commissioner General
23. Functions of Commissioner General
24. Tenure of office of Commissioner General
25. Appointment of employees of the Revenue Service

## **PART VI**

### *Financial Provisions*

26. Funds of the Revenue Service
27. Financial year
28. Accounts and audit
29. Annual report
30. Payment into the Consolidated Fund

31. Exemptions

**PART VII**

*General*

- 32. Confidentiality
- 33. Exemption from personal liability
- 34. Regulations
- 35. Savings and transitional provisions

**Act 17, 2004**

An Act to provide for the establishment of the Botswana Unified Revenue Service, for the administration and enforcement of revenue laws, and for related matters.

[Date of Commencement: 1st August, 2004]

**PART I: Preliminary (ss 1-2)**

**1. Short title**

This Act may be cited as the Botswana Unified Revenue Service Act.

**2. Interpretation**

In this Act, unless the context otherwise requires—

“**Board**” means the Board of the Revenue Service established under section 6;

“**Chairman**” means the Chairman of the Board;

“**Commissioner General**” means the Commissioner General of the Revenue Service, appointed under section 22(1);

“**contractor**” includes a sub-contractor;

“**member**” means a member of the Board;

“**revenue departments**” means the Department of Customs and Excise and the Department of Taxes which, prior to the commencement of this Act, were departments of the Ministry of Finance and Development Planning;

“**revenue laws**” means the:

- Customs and Excise Duty Act, Cap. 50:01;
- Income Tax Act Cap. 52:01;
- Capital Transfer Act Cap. 53:02;
- Value Added Tax Act Cap.50:03, and such legislation concerning revenue as the Minister may, by Order, prescribe; “Revenue Service” means the Botswana Unified Revenue Service established under section 3;
- “tax” includes the duties, fees or other charges payable in terms of the revenue laws; and
- “Vice-Chairman” means the Vice Chairman of the Board.

**PART II: Botswana Unified Revenue (ss 3-5)**

### **3. Establishment of the Revenue Service**

There is hereby established a body, to be known as the Botswana Unified Revenue Service, which shall be a body corporate with a common seal, capable of suing and being sued, and subject to the provisions of this Act, of performing such acts as bodies corporate may, by law, perform.

### **4. Functions of the Revenue Service**

- The Revenue Service shall be responsible for the assessment and collection of tax on behalf of the Government.
- Without prejudice to the generality of subsection (1), the functions of the Revenue Service shall be to:
  - a. administer and enforce the revenue laws;
  - b. promote compliance with the revenue laws;
  - c. take such measures as may be required to improve service given to taxpayers with a view to improving efficiency and maximising revenue collection;
  - d. take such measures as may be required to counteract tax fraud and other forms of tax evasion;
  - e. advise the Minister on matters relating to the administration and collection of tax; and
  - f. perform such other functions in relation to tax as the Minister may direct.

### **5. Powers of the Revenue Service**

The Revenue Service shall, in the discharge of its functions under this Act, have power to:

- a. study the revenue laws and propose to the Minister, such amendments as it considers appropriate thereto, so as to improve the administration of, and compliance with, such laws;
- b. calculate the administrative costs, compliance costs and the operational impact of existing taxes and intended tax changes, and to advise the Minister accordingly;
- c. collect and process statistics needed to provide forecasts of tax receipts and the effect on yield of any proposals for changes in the revenue laws, and to advise the Minister accordingly; and
- d. subject to the provisions of this Act, take such other measures as it considers necessary or desirable for the achievement of the purposes or provisions of the Act.

## **PART III**

*Board of the Revenue Service (ss 6-13)*

### **6. Establishment of the Board**

There is hereby established a Board of Directors, which shall be the governing body of the Revenue Service and shall be responsible for the direction of the affairs and operations of the Revenue Service.

## **7. Membership of the Board**

(1) The Board shall consist of the following persons who shall be appointed by the Minister:

- a. the Secretary for Financial Affairs of the Ministry of Finance and Development Planning, who shall be the Chairperson;
- b. a representative of the Ministry of Trade and Industry;
- c. the Commissioner General;
- d. a representative of the Bank of Botswana; and
- e. three members appointed from the private sector on the basis of their knowledge of, and experience in, financial affairs, economics, business or legal affairs.

(2) The members shall elect a Vice Chairperson from amongst their number.

(3) The Minister shall publish the appointments made in terms of subsection (1), in the Gazette.

## **8. Powers and functions of the Board**

(1) In the discharge of its functions under this Act, the Board may:

- a. direct the Commissioner General to furnish it with any information, report or other document which the Board considers necessary for the performance of its functions;
- b. give direction to the Commissioner General in connection with the management, performance, operational policies and implementation of such policies, of the Revenue Service;
- c. on the recommendation of the Commissioner General, approve such organisational structures as the Commissioner General may consider necessary for the discharge of the functions of the Revenue Service;
- d. prescribe such administrative measures as may be required to safeguard tax revenue; and
- e. approve a code of conduct for the Revenue Service.

(2) The Board shall not intervene in the determination of any tax assessment, tax liability of, or tax appeal by, any taxpayer.

## **9. Tenure of office**

A member appointed in terms of section 7(1)(e) shall hold office for a period of four years and shall be eligible for re-appointment.

## **10. Disqualification from membership to Board**

(1) A person shall not be appointed as a member or be qualified to continue to hold office who has:

- a. in terms of a law in force in any country:
  - been adjudged or otherwise declared bankrupt and has not been discharged, or
  - made an assignment, arrangement or composition with his or her creditors, which has not been rescinded or set aside;
- b. within a period of 10 years immediately preceding the date of his or her appointment, been convicted:

- of a criminal offence in any country;
  - of any criminal offence for which he or she has not received a free pardon and notwithstanding that the sentence has been suspended, which, if committed in Botswana, would have resulted in a criminal offence having been committed, the penalty for which would be at least six months imprisonment without the option of a fine;
  - c. a proven record of tax evasion against him or her; or
  - d. become an employee or contractor of the Revenue Service; or
  - e. become a holder of an office in a political party, a councillor in a local authority or a member of the National Assembly.
- (2) The provisions of subsection (1) shall not apply to a person who holds office in terms of section 7(1)(a) or (c).

## **11. Removal and resignation of member**

- (1) The Minister may remove a member from office where:
- a. the member is absent, without reasonable cause, from three consecutive meetings of the Board, of which he or she has had notice;
  - b. the member is inefficient;
  - c. that member has been found to be physically or mentally incapable of performing his or her duties efficiently, and the member's medical doctor has issued a certificate to that effect;
  - d. the member contravenes the provisions of this Act or otherwise misconducts himself or herself to the detriment of the objectives of the Board;
  - e. the member is found guilty of unprofessional conduct by a tribunal, board or other body constituted for the purpose of adjudicating on matters of discipline or conduct;
  - f. the member has failed to comply with the provisions of section 13; or
  - g. any of the circumstances set out in section 10(1) arise.
- (2) A member appointed in terms of section 7(1)(e) may resign from office by giving 30 days notice in writing to the Minister.
- (3) The office of a member shall become vacant:
- where the member has been appointed by the Minister in terms of section 7(1)(b), (d) or (e), upon expiry of the period of his or her appointment;
  - a. in the case of an ex-officio member, if the member ceases to hold his or her ex-officio position;
  - b. if he or she is adjudged insolvent;
  - c. if he or she is convicted of an offence under section 13 of this Act;
  - d. if he or she is convicted of an offence for which the prescribed punishment is a term of imprisonment;
  - e. if the member becomes, by reason of mental or physical infirmity, incapable of performing his or her duties as a member;

- f. if any circumstances arise that, if he or she were not a member, would cause that member to be disqualified for appointment as a member;
- g. if he or she is found guilty of unprofessional conduct by a competent tribunal, board or body constituted for the purpose of adjudicating on matters of discipline or conduct;
- h. after a period of 30 days from the date a ruling is made against the member on all appeals made in respect of a conviction referred to under section 10(1)(b);
- i. where a member does not appeal against a conviction for an offence under section 10(1)(b), 30 days from the date the member was convicted of the offence;
- j. if he or she becomes an office holder in a political party, a councillor in a local authority or a member of the National Assembly; or
- k. if he or she becomes a contractor or an employee of the Revenue Service.

## **12. Filling of vacancy**

Where the office of a member becomes vacant before the expiry of the member's term of office, the Minister shall, in accordance with section 7, appoint another person to be a member in place of the member who vacates office.

## **13. Disclosure of interest**

(1) Where a member is present at a meeting of the Board or a committee of the Board at which any matter which is the subject of consideration, and in which matter the member has a direct or indirect interest in his or her private capacity, is to be discussed, he or she shall forthwith upon the commencement of the meeting, disclose such interest to the Board or committee of the Board, as the case may be, and shall not, unless the Board or committee otherwise directs, take part in any consideration or discussion of, or vote on, any question with respect to the matter.

(2) A disclosure of interest made under subsection (1) shall be recorded in the minutes of the meeting at which it is made.

(3) A member who contravenes subsection (1) commits an offence and is liable to a fine of P10,000 or to imprisonment for a term not exceeding one year, or to both.

## **PART IV: Meetings and Proceedings of the Board (ss 14-21)**

### **14. Meetings of the Board**

(1) Subject to the provisions of this Act, the Board shall regulate its own proceedings.

(2) The Board shall meet at least four times a year for the transaction of its business.

(3) The Chairperson may convene an ordinary meeting of the Board by giving 7 days written notice to the members.

(4) The Chairperson may, at his or her discretion, or at the request of 3 or more members of the Board, convene an extraordinary meeting of the Board at shorter notice than the period referred to under subsection (3), at such place and time as he or she may appoint.

(5) The quorum at any meeting of the Board shall be 4 members.

(6) There shall preside at any meeting of the Board:

- a. the Chairman;
- b. in the absence of the Chairman, the Vice Chairman; or
- c. in the absence of the Chairman and the Vice Chairman, such member as the members shall elect from amongst themselves for the purpose of that meeting.

(7) The decision of the Board at any meeting shall be that of the majority of the members present and voting at the meeting and, in the event of an equality of votes, the person presiding shall have a casting vote in addition to his or her deliberative vote.

(8) The validity of any act, decision or proceedings of the Board shall not be affected by any vacancy among the members or by any defect subsequently discovered in the appointment of a member or by reason that some person who was not entitled to take part in the proceedings of the Board, took part therein.

(9) Subject to this Act, the Board may make standing orders for the regulation of its proceedings and business or the proceedings and business of any of its committees and may vary, suspend or revoke any such standing orders.

#### **15. Committees of the Board**

(1) The Board may appoint committees of a general or special nature, consisting of such number of members, with such qualifications, as the Board may determine.

(2) The Board may delegate any of its powers, functions or duties under this Act to a committee appointed under subsection (1).

(3) The Board shall appoint the chairman of each committee from amongst the members of that committee.

(4) An officer of the Revenue Service duly appointed in writing by the Commissioner General, shall be secretary to any committee of the Board, and shall, on the instructions of the chairman of the committee, convene meetings of the committee.

(5) The provisions of section 14 shall, with the necessary changes, apply to the meetings of any committee of the Board.

#### **16. Co-opted members**

(1) The Board may, in its discretion, invite any person to attend any meeting of the Board for the purpose of assisting the Board in respect of any matter under consideration by it.

(2) A person invited pursuant to subsection (1) may take part in the deliberations of the Board on that matter, but shall not be entitled to vote at any meeting of the Board.

#### **17. Remuneration of members**

A member shall be paid, out of the funds of the Revenue Service, such allowances as the Board may, subject to the approval of the Minister, determine.

#### **18. Appointment of Secretary to Board**

The Board shall, on the recommendation of the Commissioner-General, appoint a Secretary to the Board (hereinafter referred to as “the Secretary”).



## **19. Functions of the Secretary**

The Secretary shall attend all meetings of the Board, but without the right to vote, and shall:

- a. assist the Board on all legal and procedural issues in respect of its deliberations and decisions;
- b. be responsible for maintaining a record of the Board's discussions and decisions; and
- c. be responsible for the legal affairs of the Revenue Service.

## **20. Accountability to Board**

The Secretary shall be accountable to the Board for his or her functions and responsibilities.

## **21. Conditions of service of Secretary**

- (1) The conditions of service including the remuneration package of the Secretary shall be set by the Board.
- (2) The Secretary shall be appointed for a period of 4 years and may be eligible for re-appointment.
- (3) The Board may terminate the services of the Secretary on any of the grounds set out in section 11(1).

## **PART V: Officers of the Revenue Service (ss 22-25)**

### **22. Appointment of Commissioner General**

- (1) The Revenue Service shall have a Chief Executive Officer to be called the Commissioner General, who shall be appointed by the Minister on the recommendation of the Board.
- (2) The Board shall, subject to the approval of the Minister, determine the terms and conditions of service of the Commissioner General.

### **23. Functions of Commissioner General**

- (1) The Commissioner General shall, subject to the general supervision and control of the Board, be responsible for:
  - a. the day-to-day operations of the Revenue Service;
  - b. the management of the funds, property and business of the Revenue Service;
  - c. the organisation and control of the employees of the Revenue Service; and
  - d. the effective administration and implementation of the provisions of this Act.
- (2) The Commissioner General may, subject to the provisions of this Act or the revenue laws, delegate any of his or her functions to an officer of the Revenue Service.

### **24. Tenure of office of Commissioner General**

- (1) The Commissioner General shall, subject to subsection (2), hold office for a period of 5 years and shall be eligible for re-appointment.
- (2) The Minister may, on the recommendation of the Board, terminate the appointment of the Commissioner General for:
  - a. conduct not consistent with the code of conduct of the Revenue Service; or
  - b. inability, incapacity or incompetence to perform the duties of his office.

## **25. Appointment of employees of the Revenue Service**

(1) The Board shall, on the recommendation of the Commissioner General, and on such terms and conditions as the Board may determine, appoint Revenue Commissioners, Heads of Department and other management personnel of equal or higher rank to fill senior management positions of the Revenue Service.

(2) The Commissioner General may, on such terms and conditions as the Board shall determine, appoint such other employees of the Revenue Service as it may be necessary to employ.

## **PART VI : Financial provisions (ss 26-31)**

### **26. Funds of the Revenue Service**

(1) The funds of the Revenue Service shall consist of:

- a. an amount appropriated by Parliament;
- b. grants and donations that the Revenue Service may receive;
- c. such fees as may be charged and collected in respect of programmes, publications, seminars, documents, consultancy services and other services provided by the Revenue Service;
- d. any percentage of tax revenue which the Minister may determine by notice in the Gazette; and
- e. such monies as may otherwise vest in or accrue to the Revenue Service.

(2) Any funds received by the Revenue Service in respect of a financial year which are not expended by the end of that financial year shall be available to the Revenue Service to meet its expenditure in the ensuing financial year.

(3) The Revenue Service may, subject to the approval of the Minister, raise, by way of loans from any source in or outside Botswana, such money as it may require for the discharge of its functions.

(4) The Revenue Service may, subject to the approval of the Minister, invest in such manner as it considers appropriate, such of its funds as are not immediately required for the performance of its functions.

### **27. Financial year**

The financial year of the Revenue Service shall be a period of 12 months commencing on the 1st April each year and ending on the 31st March in the following year.

### **28. Accounts and audit**

(1) The Revenue Service shall keep and maintain proper accounts and other records in respect of every financial year relating to its activities, and shall prepare, in respect of each financial year, a statement of such accounts.

(2) The Revenue Service shall, within 60 days of the end of each financial year, submit its books of accounts and statement of accounts to an auditor appointed by the Board, who shall audit the accounts no later than three months after the end of the financial year.

## **29. Annual report**

(1) The Revenue Service shall, within 6 months of the end of each financial year, submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, together with the auditor's report and the audited accounts as provided for under section 28.

(2) A report compiled in terms of subsection (1) shall be in such form as the Minister may determine, and shall include the following information:

- a. an audited balance sheet;
- b. an audited statement of tax revenue collected by, and the income and expenditure of, the Revenue Service;
- c. the total amount of tax remitted or foregone pursuant to section 31(3); and
- d. such other information as the Revenue Service may consider appropriate or as the Minister may direct, which shall be laid before the National Assembly, by the Minister, within 3 months of receiving the report.

## **30. Payment into the Consolidated Fund**

All tax collected by, or due to, the Revenue Service under this Act, shall be paid into the Consolidated Fund.

## **31. Exemptions**

(1) Subject to the revenue laws, the Board may recommend to the minister:

- a. the criteria or factors by reference to which any exemption, mitigation, deferment or remission of any tax may be granted; and
- b. the procedures to be followed in granting any exemption, mitigation, deferment or remission of any tax.

(2) The Minister shall, within 60 days of receiving the Board's recommendations, publish, by notice in the Gazette, the criteria or factors, and procedures referred to under subsection (1).

(3) The Commissioner General shall submit, to the Board, quarterly reports on the total amount of tax remitted or foregone in respect of each of the criteria specified under subsection (1).

(4) The Commissioner General shall, within 6 months of the end of the financial year of the Revenue Service, submit, to the Minister, a report setting out the total amount remitted or foregone pursuant to subsection (1).

## **PART VII: General (ss 32-35)**

### **32. Confidentiality**

(1) Every member of the Board, the Commissioner General, or any other person employed by the Revenue Service in the carrying out of the provisions of this Act shall regard, and deal with, as confidential, all documents and information relating to the income, expenditure or other financial dealings or status of any taxpayer or other person involved in any operations in furtherance of the purposes of this Act, and all confidential instructions in respect of the administration of this Act which may come into his or her possession or to his or her knowledge in the course of his or her duties.

(2) A person who contravenes subsection (1) commits an offence and is liable to a fine not exceeding P10,000 or to imprisonment for a term not exceeding 2 years, or to both.

### **33. Exemption from personal liability**

No member of the Board, any committee of the Board, or an employee of the Revenue Service shall, in his or her personal capacity, be liable in civil or criminal proceedings in respect of any act done in good faith in the performance of his or her duties under this Act.

### **34. Regulations**

The Minister may make Regulations for any matter required to be prescribed under this Act and for the better carrying into effect of the purposes and provisions of this Act.

### **35. Savings and transitional provisions**

(1) All property, except such property as the Minister may determine, which immediately before the coming into operation of this Act, vested in the Government for the use of the revenue departments shall, on the coming into operation of this Act, vest in the Revenue Service.

(2) Subject to the provisions of subsection (1), in relation to property, all:

- a. contracts;
- b. obligations and liabilities, of the Government, attributable to the revenue departments before the coming into operation of this Act, shall remain vested in the Government and may be enforced by or against the Government.

(3) All legal proceedings and claims which, before the coming into operation of this Act, were pending in respect of tax, shall be continued or enforced by or against the Revenue Service in the same manner as they would have been continued or enforced before the coming into operation of this Act.

(4) Upon the coming into operation of this Act:

- a. all references to the Director of Customs and Excise, the Director of Value Added Tax or the Commissioner of Taxes in the revenue laws or in any other law, shall be construed as references to the Commissioner General;
- b. any reference to the revenue departments in the revenue laws or in any other law shall be deemed to be a reference to the Revenue Service; and
- c. except as provided in paragraph (a), any reference in the revenue laws or in any other law, to an officer of the revenue departments, shall be deemed to be a reference to an officer of the Revenue Service.

## **Inland Revenue Authority of Singapore Act (1992)**

### **PART I: PRELIMINARY**

#### **1. Short title.**

This Act may be cited as the Inland Revenue Authority of Singapore Act.

## **2. Interpretation.**

In this Act, unless the context otherwise requires—“Authority” means the Inland Revenue Authority of Singapore established under section 3;

“Chairman” means the Chairman of the Authority and includes any temporary Chairman of the Authority;

“chief executive officer” means the chief executive officer of the Authority and includes any person acting in that capacity;

“Deputy Chairman” means the Deputy Chairman of the Authority and includes any temporary Deputy Chairman of the Authority;

“member” means a member of the Authority.

## **PART II: ESTABLISHMENT, INCORPORATION, AND CONSTITUTION OF AUTHORITY**

### **3. Establishment and incorporation of Inland Revenue Authority of Singapore.**

There is hereby established a body to be known as the Inland Revenue Authority of Singapore which shall be a body corporate with perpetual succession and a common seal and shall, by that name, be capable of:

- a. suing and being sued;
- b. acquiring, owning, holding and developing or disposing of property, both movable and immovable; and
- c. doing and suffering such other acts or things as bodies corporate may lawfully do and suffer.

### **4. Common seal**

(1) All deeds and other documents requiring the seal of the Authority shall be sealed with the common seal of the Authority and such instruments to which the common seal is affixed shall be signed by any two members generally or specially authorised by the Authority for the purpose or by one member and the chief executive officer.

(2) All courts, judges and persons acting judicially shall take judicial notice of the common seal of the Authority affixed to any document and shall presume that it was duly affixed.

### **5. Constitution of Authority**

(1) The Authority shall consist of:

- a. Chairman; and
- b. not less than 5 and not more than 10 other members as the Minister may, from time to time, determine.

(2) The First Schedule shall have effect with respect to the Authority, its members and proceedings.

## **PART III: FUNCTIONS AND POWERS OF AUTHORITY**

### **6. Functions of Authority**

(1) The functions of the Authority are:

Act 5/96

- a. to act as agent of the Government and provide service in administering, assessing, collecting and enforcing payment of income tax, property tax, estate duty, stamp duties, betting and sweepstake duties, private lotteries duty and such other taxes as may be agreed between the Government and the Authority;
- b. to advise the Government on matters relating to taxation and to liaise with the appropriate Ministries and statutory bodies on such matters;
- c. to represent Singapore internationally in respect of matters relating to taxation;
- d. Deleted by Act 10/2007, wef 01/03/2007.
- e. to provide service in respect of the granting of licences or permits by the Comptroller of Property Tax or the Commissioner of Estate Duties under any written law;
- f. to provide service and advice to the Government and statutory bodies in respect of matters relating to the valuation of immovable properties; and
- g. to perform such other functions as are conferred on the Authority by any other written law.

(2) In addition to the functions imposed by this section, the Authority may undertake such other functions as the Minister may assign to the Authority and in so doing the Authority shall be deemed to be fulfilling the purposes of this Act and the provisions of this Act shall apply to the Authority in respect of such functions.

Act 5/96 wef 9.2.96.

#### **7. Powers of Authority**

(1) The Authority shall have power to do all things necessary or convenient to be done for or in connection with the performance of its functions.

(2) Without prejudice to the generality of subsection (1), the powers of the Authority shall include power:

- a. to enter into contracts;
- b. to form or participate in the formation of a company;
- c. to utilise all property of the Authority, movable and immovable, in such manner as the Authority may think expedient including the raising of loans by mortgaging such property;
- d. to engage in any activity, either alone or in conjunction with other organisations or international agencies, to promote better understanding of taxation;
- e. to provide technical advice or assistance, including training facilities, to tax authorities of other countries;
- f. to make charges for services rendered by the Authority;
- g. to grant loans to employees of the Authority for any purpose specifically approved by the Authority;
- h. to provide recreational facilities and promote recreational activities for, and activities conducive to, the welfare of employees of the Authority;

- i. to provide training for employees of the Authority and to award scholarships or otherwise pay for such training; and
- j. to do anything incidental to any of its powers.

#### **8. Appointment of committees and delegation of powers**

(1) The Authority may appoint from among its own members or other persons who are not members of the Authority such number of committees as it thinks fit consisting of members or other persons or members and other persons for purposes which, in the opinion of the Authority, would be better regulated and managed by means of such committees.

(2) The Authority may, subject to such conditions or restrictions as it thinks fit, delegate to any such committee or to any member, officer or employee of the Authority, any of the functions or powers of the Authority under this Act, except the power of delegation conferred by this section.

(3) No delegation under this section shall prevent the performance or exercise of any function or power by the Authority.

### **PART IV: PROVISIONS RELATING TO STAFF**

#### **9. Appointment of chief executive officer and other employees**

(1) The Authority shall, after consultation with the Public Service Commission, appoint a chief executive officer on such terms and conditions as the Authority may determine.

(2) The chief executive officer shall:

- a. be known as the Commissioner of Inland Revenue;
- b. be responsible to the Authority for the proper administration and management of the functions and affairs of the Authority in accordance with the policy laid down by the Authority; and
- c. not be removed from office without the consent of the Minister.

(3) If the chief executive officer is temporarily absent from Singapore, or is temporarily unable to perform his duties by reason of illness or otherwise, another person may be appointed by the Authority to act in the place of the chief executive officer during any such period of absence from duty.

(4) The Authority may from time to time appoint such other employees, consultants and agents as it thinks fit for the effective performance of its functions on such terms and conditions as the Authority may determine.

#### **10. Protection from personal liability**

No suit or other legal proceedings shall lie personally against any member, officer or employee of the Authority or other person acting under the direction of the Authority for anything which is in good faith done or intended to be done in the execution or purported execution of this Act.

## **11. Public servants and public officers**

All members, officers and employees of the Authority shall be deemed to be:

- a. public servants for the purposes of the Penal Code; and Cap. 224.
- b. public officers for the purposes of the Financial Procedure Act and section 20 of that Act shall apply to such persons notwithstanding that they are not or were not in the employment of the Government. Cap 109.

## **PART V: FINANCIAL PROVISIONS**

### **12. Funds of Authority**

The funds of the Authority shall consist of:

- a. all moneys received by the Authority for services rendered by the Authority to the Government as its agent or for services rendered by the Authority to any person;
- b. all moneys received by the Authority by way of grants;
- c. all moneys derived from the disposal, lease or hire of, or any other dealing with, any property vested in or acquired by the Authority;
- d. all moneys derived as income from investment by the Authority;
- e. all moneys borrowed by the Authority under this Act; and
- f. all other moneys lawfully received by the Authority for the purposes of the Authority.

### **13. Power to borrow**

(1) For the discharge of its functions or duties under this Act or any other written law, the Authority may, from time to time, raise loans from the Government or, with the approval of the Minister, raise loans within or outside Singapore from such source as the Minister may direct by:

- a. mortgage, overdraft or other means, with or without security;
- b. charge, whether legal or equitable, on any property vested in the Authority or on any other revenue receivable by the Authority under this Act or any other written law; or
- c. the creation and issue of debentures, bonds or any other instrument as the Minister may approve.

(2) For the purposes of this section, the power to raise loans shall include the power to make any financial agreement whereby credit facilities are granted to the Authority for the purchase of goods or services.

#### **13 A. Issue of shares, etc.**

As a consequence of the vesting of any property, rights or liabilities of the Government in the Authority under this Act, or of any capital injection or other investment by the Government in the Authority in accordance with any written law, the Authority shall issue such shares or other securities to the Minister for Finance as that Minister may from time to time direct.

### **14. Grants**

For the purpose of enabling the Authority to carry out its functions under this Act, the Minister may from time to time make grants-in-aid to the Authority of such sums of moneys as the Minister may determine out of moneys to be provided by Parliament.



### **15. Bank accounts and application of revenue**

(1) The Authority shall open and maintain an account or accounts with such bank or banks as the Authority thinks fit; and every such account shall be operated upon as far as practicable by cheque signed by such person or persons as may from time to time be authorised in that behalf by the Authority.

(2) The moneys of the Authority shall be applied only in payment or discharge of the expenses, obligations and liabilities of the Authority and in making any payments that the Authority is authorised or required to make.

### **16. Power of investment**

The Authority may invest its funds in accordance with the standard investment power of statutory bodies as defined in section 33A of the Interpretation Act (Cap. 1).

### **17. Other financial provisions.**

The financial provisions set out in the Second Schedule shall have effect with respect to the Authority.

## **PART VI: TRANSFER OF ASSETS, LIABILITIES, AND EMPLOYEES**

### **18. Transfer to Authority of property, assets and liabilities of Inland Revenue Department**

(1) As from 1st September 1992, all movable property vested in the Government immediately before that date and used or managed by the Inland Revenue Department, and all assets, interests, rights, privileges, liabilities and obligations of the Government relating to that Department (other than those in connection with taxes or licence fees for which the Department is responsible) shall be transferred to and shall vest in the Authority without further assurance.

(2) In any question arises as to whether any particular property, or whether any particular asset, interest, right, privilege, liability or obligation has been transferred to or vested in the Authority under subsection (1), a certificate under the hand of the Minister for Finance shall be conclusive evidence that the property, asset, interest, right, privilege, liability or obligation was or was not so transferred or vested.

### **19. Transfer of employees**

(1) As from 1st September 1992, such categories of persons employed immediately before that date in the Inland Revenue Department as the Minister may determine shall be transferred to the service of the Authority on terms not less favourable than those enjoyed by them immediately prior to their transfer.

(2) Until such time as terms and conditions of service are drawn up by the Authority, the scheme and terms and conditions of service in the Government shall continue to apply to every person transferred to the service of the Authority under subsection (1) as if he were still in the service of the Government.

## **20. Pension rights, etc., of Government employees to be preserved**

(1) The terms and conditions to be drawn up by the Authority shall take into account the salaries and terms and conditions of service, including any accrued rights to leave, enjoyed by the persons transferred to the service of the Authority under section 19 while in the employment of the Government; and any such term or condition relating to the length of service with the Authority shall provide for the recognition of service under the Government by the persons so transferred to be service by them under the Authority.

(2) Nothing in the terms and conditions to be drawn up by the Authority shall adversely affect the conditions that would have been applicable to persons transferred to the service of the Authority as regards any pension, gratuity or allowance payable under the Pensions Act. Cap. 225.

(3) In every case where a person has been transferred to the service of the Authority under section 19, the Government shall be liable to pay to the Authority such portion of any gratuity, pension or allowance payable to such person on his retirement as the same shall bear to the proportion which the aggregate amount of his pensionable emoluments during his service with the Government bears to the aggregate amount of his pensionable emoluments during his service under both the Government and the Authority.

(4) Where any person in the service of the Authority whose case does not fall within the scope of any pension or other schemes established under this section retires or dies in the service of the Authority or is discharged from such service, the Authority may grant to him or to such other person or persons wholly or partly dependent on him, as the Authority thinks fit, such allowance or gratuity as the Authority may determine.

(5) Where any person who is transferred to the service of the Authority under section 19 is a contributor under the Widows' and Orphans' Pension Act, he shall for the purposes of that Act continue to make contributions under that Act as if he had not been transferred to the service of the Authority and for the purposes of that Act his service with the Authority shall be deemed to be service with the Government.

Cap. 350.

## **21. No benefits in respect of abolition or reorganisation of office**

Notwithstanding the provisions of the Pensions Act, no person who is transferred to the service of the Authority under section 19 shall be entitled to claim any benefit under the Pensions Act on the ground that he has been retired from the service of the Government on account of abolition or reorganisation of office in consequence of the establishment and incorporation of the Authority.

## **22. Existing contracts**

All deeds, bonds, agreements, instruments and arrangements, subsisting immediately before 1st September 1992, to which the Government is a party and relating to the Inland Revenue Department or to any person transferred to the service of the Authority under section 19 shall continue in force on and after that date and shall be enforceable by or against the Authority

as if the Authority had been named therein or had been a party thereto instead of the Government.

**23. Continuation and completion of disciplinary proceedings**

(1) Where on 1st September 1992 any disciplinary proceedings were pending against any employee of the Government transferred to the service of the Authority, the proceedings shall be carried on and completed by the Authority; but where on that date any matter was in the course of being heard or investigated or had been heard or investigated by a committee acting under due authority but no order or decision had been rendered thereon, the committee shall complete the hearing or investigation and make such order, ruling or direction as it could have made under the authority vested in it before that date.

(2) An order, ruling or direction made or given by a committee pursuant to this section shall be treated as an order, ruling or direction of the Authority and have the same force or effect as if it had been made or given by the Authority pursuant to the authority vested in the Authority under this Act.

**24. Misconduct or neglect of duty by employee before transfer**

The Authority may reprimand, reduce in rank, retire, dismiss or punish in some other manner a person who had, whilst he was in the employment of the Government, been guilty of any misconduct or neglect of duty which would have rendered him liable to be reprimanded, reduced in rank, retired, dismissed or punished in some other manner if he had continued to be in the employment of the Government and if this Act had not been enacted.

**PART VII: General**

**25. No proceedings against Authority as agent of Government**

No action or legal proceedings shall be brought against the Authority in respect of any matter relating to any tax for which the Authority is acting as agent of the Government.

**26. Proceedings conducted by officers of Authority**

(1) Proceedings in respect of any offence under this Act or any regulations made thereunder or any of the Acts specified in the Third Schedule or any subsidiary legislation made under any of those Acts may be conducted by an officer of the Authority who is authorised to conduct such proceedings by the Commissioner of Inland Revenue with the consent of the Attorney-General.

(2) Notwithstanding the provisions of any written law, a legal officer of the Authority who has been admitted as an advocate and solicitor under the Legal Profession Act may appear in any civil proceedings involving the Authority or any person holding any of the offices specified in the Fourth Schedule in the performance of his functions under any written law so specified, and may make and do all acts and applications in respect of such proceedings on behalf of the Authority or such person, as the case may be.

Cap. 161.

## **27. Preservation of secrecy**

(1) Except for the purpose of the performance of his duties or the exercise of his functions or when lawfully required to do so by any court or under the provisions of any written law, no person who is or has been a member, officer, employee or agent of the Authority or a member of a committee of the Authority shall disclose any information relating to the affairs of the Authority or of any other person which has been obtained by him in the performance of his duties or the exercise of his functions.

(2) Any person who contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$2,000 or to imprisonment for a term not exceeding one year or to both.

## **28. Authority's symbol**

(1) The Authority shall have the exclusive right to the use of such symbol or representation as it may select or devise and thereafter display or exhibit in connection with its activities or affairs.

(2) Any person who uses a symbol or representation identical with that of the Authority, or which so resembles the Authority's symbol or representation as to deceive or cause confusion, or to be likely to deceive or to cause confusion, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$2,000 or to imprisonment for a term not exceeding 6 months or to both.

## **29. Annual report**

The Authority shall, as soon as practicable after the end of each financial year, submit to the Minister an annual report on the activities of the Authority during that financial year and the Minister shall cause a copy of every such report to be presented to Parliament.

## **30. Power of Minister to amend Third and Fourth Schedules**

The Minister may, by order published in the Gazette, amend the Third or Fourth Schedule.

## **31. Regulations**

(1) The Authority may, with the approval of the Minister, make regulations for carrying out the purposes and provisions of this Act.

(2) Without prejudice to the generality of subsection (1), the Authority may, with the approval of the Minister, make regulations for or with respect to all or any of the following matters:

- a. the manner of appointment, conduct and discipline and the terms and conditions of service of the officers and employees of the Authority;
- b. the payment of gratuities and other benefits to officers and employees of the Authority;
- and
- c. the fees to be charged in respect of anything done under or by virtue of this Act.

## **Uganda Revenue Authority Act 1991 (Ch 196)**

Arrangement of Sections.

### **PART I—INTERPRETATION.**

Interpretation.

### **PART II—ESTABLISHMENT, POWERS AND FUNCTIONS OF THE AUTHORITY.**

Establishment of the authority.

Functions of the authority.

### **PART III—THE BOARD OF DIRECTORS AND ITS FUNCTIONS.**

Board of directors.

Qualifications for appointment.

Tenure of office.

Minister's power to suspend or terminate appointment.

Meetings of the board.

### **PART IV—COMMISSIONER GENERAL, OFFICERS AND STAFF.**

Commissioner General.

Secretary to the board.

Other officers and staff.

Exemption from personal liability.

Applicability of the Leadership Code.

### **PART V—FINANCIAL PROVISIONS.**

Revenue to accrue to the Consolidated Fund.

Funds of the authority.

Estimates of income and expenditure of the authority.

Accounts, audit and annual reports.

Internal audit and periodic audit reports.

### **PART VI—MISCELLANEOUS PROVISIONS.**

Vesting of assets and liabilities, subsisting contracts and pending proceedings.

Construction and modification of other laws.

Regulations.

Schedules

First Schedule Laws to be administered by the authority.

Second Schedule Meetings of the board.

## **CHAPTER 196**

### **THE UGANDA REVENUE AUTHORITY ACT.**

*Commencement: 5 September, 1991.*

An Act to establish the Uganda Revenue Authority as a central body for the assessment and collection of specified revenue, to administer and enforce the laws relating to such revenue and to provide for related matters.

#### **PART I—INTERPRETATION.**

##### **1. Interpretation.**

In this Act, unless the context otherwise requires—

- “authority” means the Uganda Revenue Authority established by section 2;
- “board” means the board of directors established by section 4;
- “chairperson” means the chairperson of the board of directors;
- “member” means a member of the board of directors;
- “Minister” means the Minister responsible for finance;
- “revenue” means taxes, duties, fees, fines or other monies imposed by or collected under the laws or the specified provisions of the laws set out in the First Schedule.

#### **PART II—ESTABLISHMENT, POWERS AND FUNCTIONS OF THE AUTHORITY.**

##### **2. Establishment of the authority.**

- There is established an authority to be known as the Uganda Revenue Authority.
- The authority shall be a body corporate with perpetual succession and a common seal and shall be capable of suing and being sued in its corporate name and, subject to this Act, may borrow money, acquire and dispose of property and do all such other things as a body corporate may lawfully do.
- The authority shall be an agency of the Government and shall be under the general supervision of the Minister.
- The seal of the authority shall be authenticated by the signatures of the Commissioner General and the secretary to the board.
- In the absence of the Commissioner General, a commissioner designated by him or her for the purpose may sign a document in the Commissioner General’s place; and in the absence of the secretary to the board, a person performing the functions of the secretary may sign a document in his or her place.
- Every document purporting to be an instrument issued by the authority and to be sealed with the seal of the authority authenticated in the manner provided by subsection (4) or (5) shall be deemed to be such an instrument and shall be received in evidence without further proof.

##### **3. Functions of the authority.**

- (1) The functions of the authority are:

- to administer and give effect to the laws or the specified provisions of the laws set out in the First Schedule to this Act, and for this purpose to assess, collect and account for all revenue to which those laws apply;
- to advise the Minister on revenue implications, tax administration and aspects of policy changes relating to all taxes referred to in the First Schedule;
- to perform such other functions in relation to revenue as the Minister may direct.

(2) The Minister may, by statutory instrument, amend the First Schedule to this Act.

### **PART III—THE BOARD OF DIRECTORS AND ITS FUNCTIONS.**

#### **4. Board of directors.**

(1) There is established a board of directors as the governing body of the authority, which shall consist of the following members:

- a. a chairperson, who shall be appointed by the Minister;
- b. one representative of the Ministry responsible for finance;
- c. one representative of the Ministry responsible for trade and industry;
- d. one representative of Uganda Manufacturers Association; and
- e. the Commissioner General of the authority.

The Minister may appoint two other persons who are not public officers as additional members of the board because of their special knowledge and experience in taxation matters, provided that the persons being appointed have no part-time or full-time activity or interest which conflicts with or impairs fulfillment of their duties as board members.

The board shall be responsible for monitoring the revenue performance of the authority and shall determine policies relating to staffing and procurement of the authority.

The Minister may give directions to the board regarding the performance of its functions, and the board shall comply with those directions.

#### **5. Qualifications for appointment.**

The members of the board, other than the ex officio members, shall be appointed from among persons who qualify for appointment by virtue of their professional knowledge and experience in taxation, commerce, economics, law or in such other matters of revenue as the Minister may determine.

#### **6. Tenure of office.**

A member of the board other than an ex officio member shall hold office:

- a. on such terms and conditions as are specified in the instrument of appointment;
- b. in the first instance, for a period not exceeding three years; and
- c. shall be eligible for reappointment only for a subsequent period not exceeding three years.

## **7. Minister's power to suspend or terminate appointment**

- a. The Minister may terminate or suspend the appointment of a member:
- b. for the member's inability to perform the functions of his or her office;
- c. for misbehaviour;
- d. if the member is declared or becomes bankrupt or insolvent;
- e. if the member is convicted of a criminal offence in respect of which a maximum penalty exceeding six month's imprisonment may be imposed;
- f. if the member, without prior permission of the chairperson or without reasonable cause to the satisfaction of the Minister, is absent from six meetings of the board in any financial year;
- g. if the member, in any particular case, fails to comply with the provisions of paragraph 4 of the Second Schedule to this Act relating to the disclosure of interest; or for any other sufficient cause.

## **8. Meetings of the board**

The Second Schedule to this Act shall apply to the meetings of the board and other matters provided for in that Schedule, and the Minister may, by statutory instrument, amend the Schedule.

The board may co-opt any person to participate in its deliberations, but a person so co-opted shall have no right to vote.

## **PART IV—COMMISSIONER GENERAL, OFFICERS AND STAFF**

### **9. Commissioner General**

The Minister shall appoint a Commissioner General of the authority on the recommendation of the board and on the terms and conditions to be specified in the instrument of appointment.

The Commissioner General shall be the chief executive of the authority and shall be responsible for the day-to-day operations of the authority, the management of funds, property and business of the authority and for the administration, organisation and control of the other officers and staff of the authority.

The Commissioner General shall devote his or her full time to the duties of his or her office and shall not engage in any business, profession, occupation or paid employment elsewhere.

The Minister may, after consultation with the board, terminate the appointment of the Commissioner General for:

- a. misbehaviour;
- b. the Commissioner General's inability to perform the functions of
- c. his or her office; or
- d. any other sufficient cause.

### **10. Secretary to the board**

The board shall appoint a secretary to the board.



The secretary shall be responsible for arranging the business of the board's meetings, keeping a record of the proceedings of the board and for such other duties as the board may direct.

#### **11. Other officers and staff**

Subject to section 9, the board shall appoint officers at the level of principal revenue officers or higher, on such terms and conditions as the board may determine.

The board shall approve the terms and conditions of all officers and staff as may be required for the performance of the functions of the authority.

The board shall be responsible for the discipline and control of the officers and staff.

#### **12. Exemption from personal liability**

An employee of the authority shall not, in his or her personal capacity, be liable in civil or criminal proceedings in respect of any act or omission done in good faith in the performance of his or her functions under this Act.

#### **13. Applicability of the Leadership Code**

The members of the board and all officers shall be subject to the Leadership Code.

### **PART V—FINANCIAL PROVISIONS.**

#### **14. Revenue to accrue to the Consolidated Fund.**

All revenue collected by, or due and payable to, the authority under this Act shall be credited or be due and payable to the Consolidated Fund; except that the Minister may, from time to time, authorise the authority in writing to retain a percentage of revenue collected by the authority as may be determined by the Minister in order to enable the authority to meet its expenditure without interruption, but the total sum so authorised shall not, in any financial year, exceed the amount appropriated by Parliament for the authority for that year and shall be set off against the amount so appropriated.

#### **15. Funds of the authority**

- (1) The funds of the authority shall consist of:
  - a. money appropriated by Parliament for the purposes of the authority;
  - b. loans or grants received by the authority with the approval of the Minister; and
  - c. any other monies as may, with approval of the Minister, be received by or made available to the authority for the purpose of performing its functions.
- (2) The expenditure of the authority shall be a charge on the Consolidated Fund.

## **16. Estimates of income and expenditure of the authority**

The Commissioner General shall, not later than three months before the end of each financial year, prepare and submit to the board for its approval, estimates of its income and expenditure for the next ensuing year and may at any time before the end of a financial year prepare and submit to the board for approval any estimates supplementary to the estimates of a current financial year.

No expenditure shall be made out of the funds of the authority unless that expenditure is part of the expenditure approved by the board under the estimates for the financial year in which the expenditure is to be incurred or in the supplementary estimates for that year.

## **17. Accounts, audit and annual reports**

The authority shall keep accounts and records of its transactions and affairs and shall ensure that all monies received are properly brought to account, all payments out of its monies are correctly made and properly authorised and that adequate control is maintained over its property and over the incurring of liabilities by the authority.

The annual accounts of the authority shall be audited by the Auditor General.

The Commissioner General shall, within three months after the end of each financial year, submit:

- a. to the Minister and the board an annual report in respect of that year, containing:
  - (i) financial statements;
  - (ii) performance indicators and any other related information;
  - (iii) a report on the operations of the authority; and
  - (iv) such other information as the board may, before or after the completion of the annual report, direct;
- b. to the Auditor General:
  - (i) the accounts of the authority for the financial year; and
  - (ii) the annual report referred to in paragraph (a).

The Auditor General shall audit the accounts within two months after he or she has received them and submit his or her opinion to the Minister and to the board.

The Minister shall cause copies of each annual report together with a copy of the opinion of the Auditor General to be laid before Parliament within two months or at the next meeting of Parliament after he or she has received them.

## **18. Internal audit and periodic audit reports**

In addition to any other functions assigned to him or her by the board or the Commissioner General, the head of internal audit shall be responsible for the internal audit of the authority's accounts and shall submit to the Commissioner General a report in respect of every three months of a financial year.

The Commissioner General shall submit every report referred to in subsection (1) to the board for its consideration at the next meeting of the board after he or she has received it and shall also provide a copy of the report to:

- a. the Minister; and
- b. the Auditor General.

## **PART VI—MISCELLANEOUS PROVISIONS.**

### **19. Vesting of assets and liabilities, subsisting contracts and pending proceedings**

All property, except any such property as the Minister may determine, which immediately before the commencement of this Act was vested in the Government for the use of the departments of customs, income tax and inland revenue for the purpose of giving effect to the laws set out in the First Schedule to this Act shall, on the date of commencement of this Act, and without further assurance, vest in the authority subject to all interests, liabilities, charges, obligations and trusts affecting that property.

Except as otherwise provided in subsection (1) in relation to property, all contracts, debts, engagements and liabilities of the Government attributable to the departments of customs, income tax and inland revenue shall remain vested in the Government and may be enforced by or against the Government.

All legal proceedings and claims pending in respect of revenue to which the laws set out in the First Schedule apply shall be continued or enforced by or against the authority in the same manner as they would have been continued or enforced if this Act had not been enacted.

### **20. Construction and modification of other laws**

On and after the coming into force of this Act all references to the Director General of Customs, the commissioner of income tax or the commissioner of inland revenue in any law or any specified provisions of that law set out in the First Schedule to this Act shall be construed as references to the Commissioner General of the Authority.

The Minister may, with the approval signified by resolution of Parliament and by statutory instrument, amend any written law other than the Constitution, for the purpose of bringing that law into conformity with this Act.

### **21. Regulations.**

The Minister may after consultation with the authority, make regulations for carrying into effect this Act.

## SCHEDULES

### *First Schedule.*

ss. 1, 3.

#### **Laws to be administered by the authority.**

Customs Tariff Act

East African Customs and Transfer Tax Management Act

East African Excise Management Act

Excise Tariff Act

Finance Act, 1989, section 1 (which imposes a commission on import licences).

Income Tax Act

Stamps Act

Traffic and Road Safety Act (all provisions for the collection of licence fees and other fees, fines, other than fines imposed by courts and other levies collectable under the Act)

Value Added Tax Act

All other taxes and nontax revenue as the Treasury may prescribe

### *Second Schedule.*

s. 8.

#### **Meetings of the board.**

##### **1. Meetings of the board**

The board shall meet at least once every month at such places and at such times as may be decided upon by the board.

The chairperson shall preside at every meeting of the board and in his or her absence the members present may appoint a member from among themselves to preside at that meeting.

The chairperson or, in his or her absence, a member appointed by the board to act in his or her place may at any time call a special meeting upon a written request by a majority of the members.

(4) Notice of a board meeting shall be given in writing to each member at least five days before the day of the meeting, but an urgent meeting may be called at less than five days' notice at the request of two or more members.

##### **2. Quorum**

Subject to paragraph 4(4)(b) of this Schedule, a majority of the members shall form a quorum for a meeting of the board.

### **3. Decisions of the board**

All questions proposed at a meeting of the board shall be decided by a majority of the votes of the members present; and in the event of an equality of votes, the person presiding shall have a casting vote in addition to his or her deliberative vote.

A decision may be made by the board without a meeting by circulation of the relevant papers among the members of the board and by the expression of the views of the majority of the members in writing, but any member shall be entitled to require that the decision be deferred and the matter on which a decision is sought be considered at a meeting of the board.

### **4. Disclosure of interest**

A member of the board who has a direct or indirect personal interest in a matter being considered or about to be considered by the board shall, as soon as possible after the relevant facts have come to his or her knowledge, disclose the nature of his or her interest to the board.

A disclosure of interest under subparagraph (1) shall be recorded in the minutes of the meeting of the board, and the member making the disclosure shall not, unless the board otherwise determines in respect of that matter:

- a. be present during any deliberation on the matter by the board;
- b. take part in the decision of the board.

(3) For the purpose of the making of a decision by the board under subparagraph (2) in relation to a member who has made the disclosure under subparagraph (1), the member who has made the disclosure shall not:

- a. be present during the deliberations of the board for the making of that determination; or
- b. influence any other member or participate in the making by the board of the determination.

(4) When there is no quorum for the continuation of a meeting only because of the exclusion of a member from the deliberations on a matter in which he or she has disclosed a personal interest, the other members present may—

- a. postpone the consideration of that matter until a quorum, without that member, is realised;  
or
- b. proceed to consider and decide the matter as if there were a quorum.

### **5. Minutes of proceedings**

The board shall cause the minutes of all proceedings of its meetings to be recorded and kept, and the minutes of each meeting shall be confirmed by the board at the next meeting and signed by the chairperson of the meeting.

The chairperson of the board shall submit to the Minister a copy of the minutes of each meeting of the board as soon as the minutes have been confirmed.

## APPENDIX II. SALIENT STEPS WITHIN A REVENUE AUTHORITY IMPLEMENTATION PLAN

| Task # | Activity   | Estimated Days |
|--------|--|----------------|
|        | <b>I. DECISION</b>   |                |
|        | <b>Project management</b>  |                |
| 1      | Draft project charter  | 9              |
| 2      | Select project manager and team  | 25             |
| 3      | Determine resource requirements  | 10             |
| 4      | Assign project team responsibilities                                   | 10             |
| 5      | Determine steering committee membership                                | 10             |
| 6      | Name steering committee  | 3              |
| 7      | Prepare internal/external communiqué                                   | 7              |
| 8      | Develop reporting mechanism for steering committee and Minister        | 8              |
| 9      | Hold first steering committee  | 1              |
| 10     | Issue communiqués  | 1              |
|        | <b>Policy Framework</b>  |                |
| 11     | Review all external advice   | 10             |
| 12     | Develop concept paper on policy choices                                | 15             |
| 13     | Present concept paper to steering committee                            | 1              |
| 14     | Develop framework based on steering committee input                    | 10             |
| 15     | Obtain ministerial/cabinet approval for policy framework               | 1              |
| 16     | Revise framework following Cabinet discussion                          | 10             |
|        | <b>II. LEGISLATION</b>   |                |
| 17     | Develop preliminary draft based on policy framework                    | 45             |
| 18     | Develop draft communiqué to accompany tabling of legislation           | 20             |
| 19     | Obtain steering committee approval of legislative draft and communiqué | 10             |
| 20     | Seek Ministry of Justice input   | 8              |
| 21     | Develop final legislation  | 10             |
| 22     | Submit final legislation to Cabinet and obtain approval                | 6              |
| 23     | Discuss timing for tabling in Parliament                               | 15             |
| 24     | Table in Parliament and issue communiqué                               | 2              |
|        | <b>III. OPERATIONAL READINESS</b>                                      |                |
|        | <b>Organization</b>  |                |
| 25     | Conduct organizational scan  | 20             |
| 26     | Assess work processes and structures                                   | 22             |
| 27     | Develop high level organization structure                              | 5              |
| 28     | Obtain Steering Committee approval for high level structure            | 3              |
| 29     | Develop organization structure for tax administration component        | 21             |
| 30     | Develop organization structure for customs component                   | 24             |
| 31     | Develop organization structure for common services component           | 27             |
| 32     | Develop organization structure for direct reports to CG                | 25             |
| 33     | Obtain Steering Committee approval for complete organization           | 2              |
|        | <b>Accountability statements and job descriptions</b>                  |                |

| Task # | Activity   | Estimated Days |
|--------|--|----------------|
| 35     | Develop accountability statements and job descriptions for senior management positions | 20             |
| 36     | Develop accountability statements and job descriptions for middle management positions | 55             |
| 37     | Develop accountability statements and job descriptions for remaining positions         | 55             |
|        | <b>Statements of qualification and selection profiles</b>                              |                |
| 38     | Develop for senior management positions  | 1              |
| 39     | Develop for middle management positions  | 58             |
| 40     | Develop for remaining positions  | 58             |
|        | <b>Develop initial budget</b>  |                |
| 41     | Identify budgets of existing departments   | 10             |
| 42     | Identify portion of MOF budget for transfer (e.g. for existing HR support)             | 5              |
| 43     | Determine RA budget requirement  | 15             |
| 44     | Identify gap between requirement and budget identified                                 | 20             |
| 45     | Develop strategy to address gaps   | 10             |
| 46     | Present budget for ministerial approval  | 5              |
|        | <b>Appointment of Board and Commissioner General</b>                                   |                |
| 47     | “Develop profiles for positions of Board Chair, Board member and Commissioner General” | 33             |
| 48     | Determine selection criteria   | 13             |
| 49     | “Determine selection process e.g. nomination, government selection”                    | 15             |
| 50     | Make compensation decision (in consultation with government for consistency)           | 65             |
| 51     | Conduct nomination process   | 23             |
| 52     | Review nominations/conduct interviews with potential candidates                        | 25             |
| 53     | Make selection decisions and appoint candidates to positions                           | 22             |
| 54     | Announce appointments  | 2              |
| 55     | Develop orientation session for new appointments                                       | 20             |
| 56     | Integrate Board Chair and Commissioner General in to project team                      | 20             |
|        | <b>Execute initial staffing based on policy decisions</b>                              |                |
| 57     | Develop rules and procedures for transfers and new staffing                            | 24             |
| 58     | Develop and conduct briefing sessions for all employees                                | 35             |
|        | • In the case of transfers:  | 35             |
| 59     | ∞ Determine employee preference where applicable                                       | 20             |
| 60     | ∞ Match all transfer options to position in RA organization                            | 20             |
| 61     | ∞ Inform employee of transfer  | 15             |
|        | • In the case of new staffing:   | 205            |
| 62     | ∞ Determine positions in RA that require new staffing                                  | 20             |
| 63     | ∞ Identify staffing strategy e.g. begin with executive positions                       | 15             |
| 64     | ∞ Conduct staffing and make offers of employment                                       | 1              |
|        | <b>Develop and determine policies for Board approval</b>                               |                |
| 65     | Human resources  |                |
| 66     | • Classification   | 22             |

| Task # | Activity   | Estimated Days |
|--------|--|----------------|
| 67     | • Compensation   | 88             |
| 68     | • Recruitment  | 65             |
| 69     | • Promotions and transfers   | 65             |
| 70     | • Redress  | 65             |
| 71     | • Discipline   | 65             |
| 72     | • Conditions of work   | 65             |
| 73     | • Pensions   | 88             |
| 74     | • Training and development   | 65             |
| 75     | • Employee travel  | 65             |
| 76     | <b>Finance and common services</b>   |                |
| 77     | • Accounting   | 85             |
| 78     | • Budgeting  | 85             |
| 79     | • Cash management  | 85             |
| 80     | • Security   | 85             |
| 81     | • Asset management   | 85             |
| 82     | • Real property and accommodation  | 85             |
| 85     | • Telecommunications   | 85             |
| 86     | • Procurement  | 85             |
| 87     | Internal Affairs and Internal Audit  | 85             |
| 88     | Strategic Planning   | 85             |
| 89     | Legal Affairs  | 85             |
| 90     | Risk management  | 85             |
|        | <b>Develop and implement RA IT strategy</b>  |                |
| 91     | Determine IT strategy and plan   | 51             |
| 92     | Develop specific solutions for common services   | 65             |
| 93     | Explore potential for improvements in data exchange—customs and tax IT system                    | 65             |
|        | <b>Wind-up of tax and customs departments</b>  |                |
| 94     | Identify existing contracts for transfer to RA   | 22             |
| 95     | “Prepare inventory of all legal actions (objections, appeals, lawsuits etc.) for transfer to RA” | 83             |
| 96     | Update all employee files for accuracy as basis for transfer or separation calculations          | 75             |
| 97     | Develop inventory of assets  | 85             |
|        | <b>Develop change management strategy</b>  |                |
| 97     | For the organization:  |                |
| 98     | • Strike a coalition of leading figures to lead change—before and after RA                       | 5              |
| 99     | • Develop a vision for the RA  | 15             |
| 100    | • Develop a mission statement for the RA   | 20             |
| 101    | • Identify a number of short-term wins   | 20             |
| 102    | • Develop tools to track progress against change strategy  | 20             |
|        | For people:  |                |



| Task # | Activity  | Estimated Days |
|--------|---|----------------|
| 103    | • Conduct workshops to ensure all understand the move to RA and benefits gained               | 25             |
| 104    | • Conduct surveys to assess overall state of the workforce and move to address problems       | 15             |
| 105    | • Seek to empower employees through engagement in RA design etc.                              | 17             |
|        | <b>Management and staff training for Day One readiness</b>                                    |                |
| 106    | Develop leadership training for employees from supervisor level and above                     | 21             |
| 107    | Develop orientation programs for managers and staff   | 30             |
| 108    | Ensure all employees made aware of Board's policies   | 35             |
| 109    | "Once policies developed, develop specialist training modules for HR and other experts"       | 43             |
|        | <b>Communications</b>   |                |
| 110    | Identify key external and internal stakeholders   | 20             |
| 111    | Develop strategies for each group   | 5              |
| 112    | Develop overall communications plan   | 30             |
| 113    | Schedule of opportunities and events that target each group                                   | 10             |
| 114    | Identify key spokespersons for the new RA   | 15             |
| 115    | Develop communications modules for internal and external communications                       | 2              |
| 116    | Conduct communications training for all senior managers                                       | 55             |
| 117    | Develop communications to all staff at various points through implementation                  | 194            |
| 118    | Develop bi-monthly communications to staff  | 194            |
|        | <b>Consultation</b>   |                |
| 119    | Identify key groups for consultation  | 20             |
| 120    | Develop consultation strategy—with specific plan for union consultation                       | 20             |
| 121    | Consider options re timing of consultation i.e. should begin during policy choice process     | 20             |
| 122    | Conduct consultations with specific groups  | 194            |
|        | <b>Reform and modernization</b>   |                |
| 123    | Develop overall RA reform and modernization strategy  | 80             |
| 124    | "Identify key elements e.g. integrity, performance management"                                | 301            |
| 125    | Develop draft concept paper on integrity  | 61             |
| 126    | Develop integrity action plan   | 30             |
| 127    | Develop draft concept paper on performance management   | 7              |
| 128    | Develop draft performance management plan and strategy  | 50             |
| 129    | Assess potential to integrate customs modernization with RA overall reform program            | 40             |
| 130    | Assess potential to integrate tax administration modernization with RA overall reform program | 40             |

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**TNM/10/08**

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