

# The TADAT Framework—A Summary

April 2019 Edition



**What is TADAT?** TADAT is a tool designed to provide an objective assessment of the strengths and weaknesses of key components of a country's system of tax administration with reference to nine Performance Outcome Areas (POAs)—see below. The assessment results show the extent of reform required, and the relative priorities for attention.

## **POA1. Integrity of the Registered Taxpayer Base:**

Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.

## **POA2. Effective Risk Management:**

Performance improves when risks to revenue and tax administration operations are identified and systematically managed.

## **POA3. Supporting Voluntary Compliance:**

Support given to taxpayers to help them comply: Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.

## **POA4. On-time Filing of Declarations:**

Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.

## **POA5. On-time Payment of Taxes:**

Nonpayment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.

## **POA6. Accurate Reporting in Declarations:**

Accuracy of information

reported in tax declarations: Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities and proactive initiatives of taxpayer assistance promote accurate reporting and mitigate tax fraud.

## **POA7. Effective Tax Dispute Resolution:**

Independent accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.

## **POA8. Efficient Revenue Management:**

Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals

and businesses must be paid promptly.

## **POA9. Accountability and Transparency:**

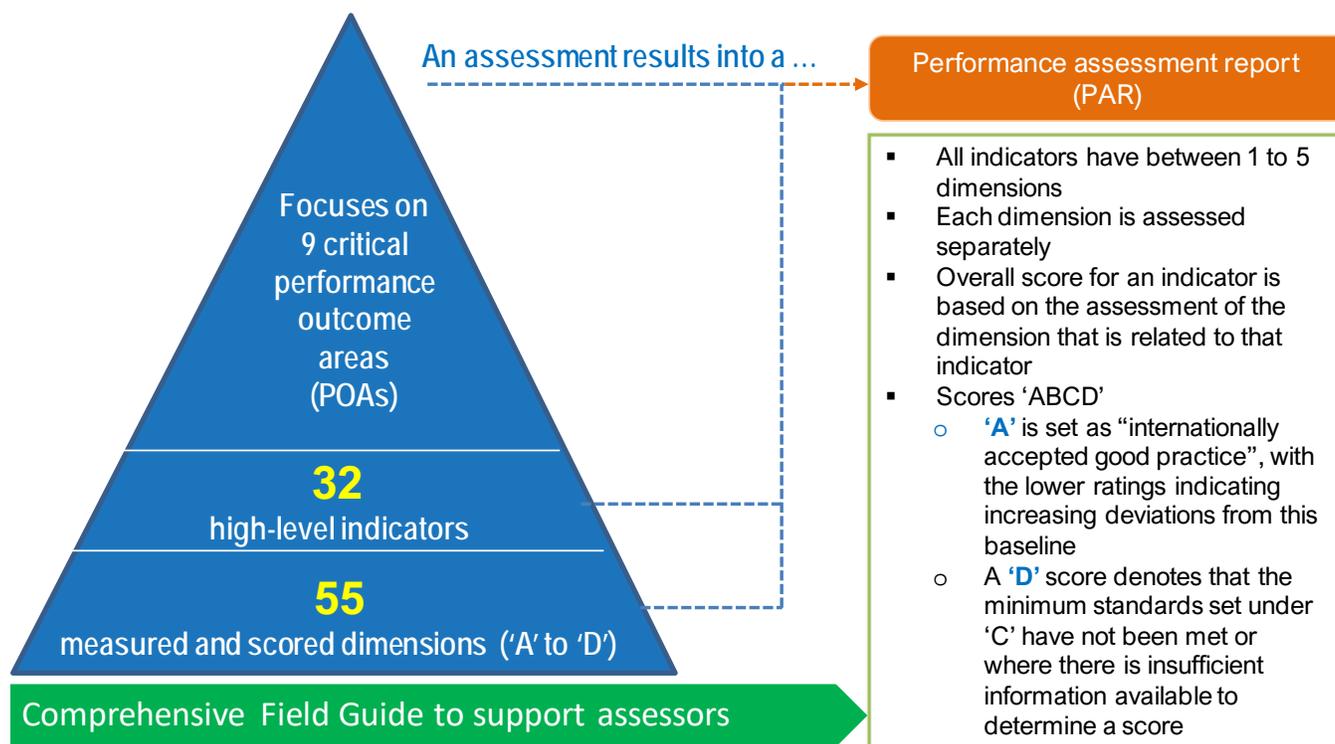
As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.





TADAT also facilitates a shared view on the health of a country's system of tax administration among all stakeholders—country authorities, international organizations, civil society and capacity development providers.

## How does TADAT Work?



## The Scoring Methodology

Each of TADAT's 55 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator—where 'A' meets or exceeds good practice, and at the opposite end, 'D' indicates that even the fundamental practices are not present.

### Method M1

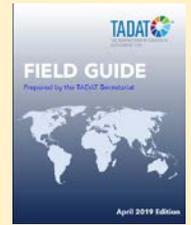
Is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

### Method M2

Is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

## What's new in the April 2019 Edition of the TADAT Field Guide?

- Domestic excise tax is a 'core' tax
- Operations risks aligned with international standards
- Assessing human capital management now part of POA2 (Risk Management)
- Actions taken to manage non-filers/declarants to be evaluated
- Assessment of the uniform practices in and monitoring quality of the audit function



# Outcomes, Indicators, Dimensions and Scoring Amplified

### POA1: Integrity of the Registered Taxpayer Base

**Desired outcome:** All businesses, individuals, and other entities that are required to register are included in a taxpayer registration database. Information held in the database is complete, accurate, and up-to-date.

| Indicators |   | Dimensions   | Scoring |
|------------|---|--|---------|
| P1-1       | Accurate and reliable taxpayer information. | <ul style="list-style-type: none"> <li>The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.</li> <li>The accuracy of information held in the registration database.</li> </ul> | M1      |
| P1-2       | Knowledge of the potential taxpayer base.   | <ul style="list-style-type: none"> <li>The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.</li> </ul>   | M1      |

### POA2: Effective Risk Management

**Desired outcome:** Risks to revenue and tax administration operations are identified and managed effectively.

| Indicators |  | Dimensions   | Scoring |
|------------|--|--|---------|
| P2-3       | Identification, assessment, ranking, and quantification of compliance risks. | <ul style="list-style-type: none"> <li>The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.</li> <li>The process used to assess, rank, and quantify taxpayer compliance risks.</li> </ul>  | M1      |
| P2-4       | Mitigation of risks through a compliance improvement plan.                   | <ul style="list-style-type: none"> <li>The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.</li> </ul>   | M1      |
| P2-5       | Monitoring and evaluation of compliance risk mitigation activities.          | <ul style="list-style-type: none"> <li>The process used to monitor and evaluate the impact of compliance risk mitigation activities.</li> </ul>  | M1      |
| P2-6       | Management of operational risks.   | <ul style="list-style-type: none"> <li>The process used to identify, assess and mitigate operational risks.</li> <li>The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated.</li> </ul>   | M1      |
| P2-7       | Management of human capital risks.   | <ul style="list-style-type: none"> <li>The extent to which the tax administration has in place the capacity and structures to manage human capital risks.</li> <li>The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.</li> </ul> | M1      |

### POA3: Supporting Voluntary Compliance

**Desired outcome:** Taxpayers have the necessary information and support to voluntarily comply at a reasonable cost to them.

| Indicators |   | Dimensions  | Scoring |
|------------|---|---|---------|
| P3-8       | Scope, currency, and accessibility of information.        | <ul style="list-style-type: none"> <li>The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.</li> <li>The degree to which information is current in terms of the law and administrative policy.</li> <li>The availability to taxpayers of information and guidance from the tax administration.</li> </ul> | M1      |
| P3-9       | Time taken to respond to information requests.            | <ul style="list-style-type: none"> <li>The time taken to respond to taxpayers and tax intermediaries' requests for information.</li> </ul>  | M1      |
| P3-10      | Scope of initiatives to reduce taxpayer compliance costs. | <ul style="list-style-type: none"> <li>The extent of initiatives to reduce taxpayer compliance costs.</li> </ul>  | M1      |
| P3-11      | Obtaining taxpayer feedback on products and services.     | <ul style="list-style-type: none"> <li>The use and frequency of methods to obtain feedback from taxpayers on the standard of services provided.</li> <li>The extent to which taxpayer input is taken into account in the design of administrative processes and products.</li> </ul>  | M1      |

### POA4: Timely Filing of Tax Declarations

**Desired outcome:** Taxpayers file tax declarations on time.

| Indicators |                                      | Dimensions  | Scoring |
|------------|--------------------------------------|---|---------|
| P4-12      | On-time filing rate.                 | <ul style="list-style-type: none"> <li>The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from active CIT taxpayers.</li> <li>The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from active PIT taxpayers.</li> <li>The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from active VAT taxpayers.</li> <li>The number of domestic excise tax declarations filed by the statutory due date as a percentage of the number of declarations expected from active domestic excise taxpayers.</li> <li>The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from active employers.</li> </ul> | M2      |
| P4-13      | Management of non-filers.            | <ul style="list-style-type: none"> <li>Action taken to follow up non-filers.</li> </ul>   | M1      |
| P4-14      | Use of electronic filing facilities. | <ul style="list-style-type: none"> <li>The extent to which tax declarations are filed electronically.</li> </ul>  | M1      |

### POA5: Timely Payment of Taxes

**Desired outcome:** Taxpayers pay their taxes in full on time.

| Indicators |                                      | Dimensions  | Scoring |
|------------|--------------------------------------|---|---------|
| P5-15      | Use of electronic payment methods.   | <ul style="list-style-type: none"> <li>The extent to which core taxes are paid electronically.</li> </ul>   | M1      |
| P5-16      | Use of efficient collection systems. | <ul style="list-style-type: none"> <li>The extent to which withholding at source and advance payment systems are used.</li> </ul>   | M1      |
| P5-17      | Timeliness of payments.              | <ul style="list-style-type: none"> <li>The number of VAT payments made by the statutory due date in percent of the total number of payments due.</li> <li>The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.</li> </ul>  | M1      |
| P5-18      | Stock and flow of tax arrears.       | <ul style="list-style-type: none"> <li>The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.</li> <li>The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.</li> <li>The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.</li> </ul> | M2      |

### POA6: Accurate Reporting in Declarations

**Desired outcome:** Taxpayers report complete and accurate information in their tax declarations.

| Indicators |   | Dimensions   | Scoring |
|------------|---|--|---------|
| P6-19      | Scope of verification actions taken to detect and deter inaccurate reporting. | <ul style="list-style-type: none"> <li>The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.</li> <li>The extent to which the audit program is systematized around uniform practices.</li> <li>The degree to which the quality of taxpayer audits is monitored.</li> <li>The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.</li> </ul> | M1      |
| P6-20      | Use of large-scale data-matching systems to detect inaccurate reporting.      | <ul style="list-style-type: none"> <li>The extent of large-scale automated crosschecking to verify information reported in tax declarations.</li> </ul>  | M1      |
| P6-21      | Initiatives undertaken to encourage accurate reporting.                       | <ul style="list-style-type: none"> <li>The nature and scope of proactive initiatives undertaken to encourage accurate reporting.</li> </ul>  | M1      |
| P6-22      | Monitoring the tax gap to assess inaccuracy of reporting levels.              | <ul style="list-style-type: none"> <li>The soundness of tax gap analysis method/s used by the tax administration to assess and monitor inaccurate reporting.</li> </ul>  | M1      |

### POA7: Effective Tax Dispute Resolution

**Desired outcome:** The tax dispute resolution process is fair and independent, accessible to taxpayers, and effective in resolving disputed matters in a timely manner.

| Indicators |  | Dimensions   | Scoring |
|------------|--|--|---------|
| P7-23      | Existence of an independent, workable, and graduated dispute resolution process. | <ul style="list-style-type: none"> <li>The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.</li> <li>Whether the administrative review mechanism is independent of the audit process.</li> <li>Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.</li> </ul> | M2      |
| P7-24      | Time taken to resolve disputes.  | <ul style="list-style-type: none"> <li>The time taken to complete administrative reviews.</li> </ul>   | M1      |
| P7-25      | Degree to which dispute outcomes are acted upon.                                 | <ul style="list-style-type: none"> <li>The extent to which the tax administration responds to dispute outcomes.</li> </ul>   | M1      |

### POA8: Efficient Revenue Management

**Desired outcome:** Tax revenue collections are fully accounted for, monitored against expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds are paid promptly.

| Indicators |   | Dimensions   | Scoring |
|------------|---|--|---------|
| P8-26      | Contribution to government tax revenue forecasting process. | <ul style="list-style-type: none"> <li>The extent of tax administration input to government tax revenue forecasting and estimating.</li> </ul> | M1      |
| P8-27      | Adequacy of the tax revenue accounting system.              | <ul style="list-style-type: none"> <li>Adequacy of the tax administration's tax revenue accounting system.</li> </ul>                          | M1      |
| P8-28      | Adequacy of tax refund processing.                          | <ul style="list-style-type: none"> <li>Adequacy of the VAT refund system.</li> <li>The time taken to pay (or offset) VAT refunds.</li> </ul>   | M2      |

### POA9: Accountability and Transparency

**Desired outcome:** The tax administration is transparent in the conduct of its activities and accountable to the government and community.

| Indicators |   | Dimensions   | Scoring |
|------------|---|--|---------|
| P9-29      | Internal assurance mechanisms.                | <ul style="list-style-type: none"> <li>Assurance provided by internal audit.</li> <li>Staff integrity assurance mechanisms.</li> </ul>   | M2      |
| P9-30      | External oversight of the tax administration. | <ul style="list-style-type: none"> <li>The extent of independent external oversight of the tax administration's operations and financial performance.</li> <li>The investigation process for suspected wrongdoing and maladministration.</li> </ul>  | M2      |
| P9-31      | Public perception of integrity.               | <ul style="list-style-type: none"> <li>The mechanism for monitoring public confidence in the tax administration.</li> </ul>  | M1      |
| P9-32      | Publication of activities, results and plans. | <ul style="list-style-type: none"> <li>The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.</li> <li>The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.</li> </ul> | M2      |

TADAT IS A COLLABORATIVE EFFORT OF THE FOLLOWING PARTNERS:

