

## Online Annex 2.3. Key Features of a Good Governance Framework in Revenue Administration

Given the revenues at stake, governments need to invest in modernizing revenue administration and creating greater legitimacy in the collection of revenues. This will help reduce vulnerabilities to corruption and promote integrity. A broader approach (whole of government) will be crucial to creating an environment conducive to greater integrity. Annex Table 2.3.1 describes the key features of good governance in revenue administration to reduce vulnerability to corruption and promote integrity.<sup>1</sup>

**Annex Table 2.3.1. Key Features of Good Governance in Revenue Administration**

Good Governance in Revenue Administration	How These Features Reduce Vulnerabilities to Corruption
<b>Sound Policy and Legislation</b>	
Revenue policy designed based on principles of equity, efficiency and neutrality, simplicity, and transparency.	Raises revenue in non-distortive manner; creates a revenue system that is easily understood and harder to avoid or evade.
A common set of administrative and procedural laws that are simple and reliable for different tax types.	Provides common basis for administration of all taxes regardless of tax types, thus promoting fairness and ease of understanding and application by tax officers.
Legal framework provides appropriate balance between the rights of taxpayers and powers of revenue administration, supported by effective dispute settlement procedures (for example, independent tribunal/court or a tax ombudsman) and legal safeguards against the improper exercise of powers by revenue administration (for example, opportunity for taxpayers to pay overdue taxes before forced sale of property seized through distraint).	Supports the building of society's trust in revenue administration.
A system of tax self-assessment is in place, promoting voluntary compliance by taxpayers.	Minimizes intrusion of revenue officials in the affairs of compliant taxpayers.
Clarity and stability of laws, rules, and processes, including minimal discretionary power vested in the revenue administration, and where discretion is unavoidable, there are clear conditions on how discretion will be exercised.	Increases transparency; provides certainty to avoid disputes; and reduces discretion that can be misused by dishonest officials.
Legal and human resource frameworks allow for firing of officers behaving unethically and provides a suite of appropriate sanctions for cases of lower culpability, with prosecution for criminal activities.	Provides basis for effective human resource practices to curb corruption.

<sup>1</sup> Although the term revenue administration covers both tax and customs administrations, some of the information in this table is more specific to the features of tax administration.

<p>Legislation allows for the adoption of modern systems and processes and technology in tax administration and sets out key aspects of organization and management (including the relationship between the ministry and the revenue administration), including express legislative requirements for revenue administration to provide and publish reports on its operations and financials on a regular basis.</p>	<p>Provides legal basis for effective administration to minimize interference and opportunities for corruption.</p>
<p><b>Modern Systems and Processes</b></p>	
<p>Revenue administration work plans, budget, performance objectives, and outcomes are regularly reported to the public.</p> <p>Collection systems and procedures are streamlined to secure timely revenues without imposing undue compliance costs and inconvenience to the business.</p> <p>Service-oriented approach ensuring taxpayers have the information (quantity, quality, comprehensiveness) and support they need to meet their obligations voluntarily.</p> <p>Availability of a tax ruling function with clear and straightforward rules to avoid distinct tax treatments that deviate from the general rules and pose transparency concerns (Christophe and Hillier 2016).</p> <p>A general risk-based approach is adopted in the administration aimed at detecting and acting on taxpayers who present the greatest risk to the revenue system.</p> <p>Special programs using modern and transparent approaches to manage the compliance of the largest contributors, including large businesses, high-wealth individuals, and high-income earners. They have complex tax affairs with a high amount of revenue at stake and the opportunity to undertake aggressive tax planning.</p> <p>Effective and impartial dispute resolution process is available and publicized.</p>	<p>Increases transparency and public accountability of revenue administration.</p> <p>Minimizes intrusion of revenue officials in the affairs of compliant taxpayers, avoiding rent-seeking behaviors.</p> <p>Empowers taxpayers; reduces interactions with officials; and reduces vulnerability to corruption by dishonest officials making unlawful demands.</p> <p>Provides certainty for tax treatment of transactions; empowers taxpayers in discussions with revenue officials.</p> <p>Removes discretion and minimizes intrusion of revenue officials in the affairs of compliant taxpayers.</p> <p>Focuses resources on highest risks to revenue; helps preserve the integrity of the tax system by ensuring that the wealthy in society pay their fair share.</p> <p>Protects taxpayers from unsubstantiated or corrupt tax assessments.</p>
<p><b>Streamlined Organization and Management</b></p>	
<p>Revenue administration is established with independence from political direction; for example, the administration reports to the minister of finance, who has overall fiscal responsibility, rather than to the prime minister or president.</p> <p>A function-based organization design with separation of duties and appropriate numbers of staff assigned to each function based on workload.</p> <p>Strong headquarters function providing oversight and uniform operations across the field network.</p> <p>Streamlined field operations and organizational alignment to key taxpayer segments.</p> <p>Effective internal audit and investigation/anti-corruption units are established, with relationships and cooperation with public-service-wide anti-corruption activities and bodies.</p>	<p>Reduces political interference in taxpayer affairs; increases the ability of revenue administration to act independently in enforcing the laws.</p> <p>Removes one-to-one relationship between taxpayer and official; reduces under-employment and risk of corrupt behavior.</p> <p>Helps reduce vulnerability by establishing nationwide clear standardized processes and monitoring of operational performance of field offices.</p> <p>Improves quality of professional interaction with taxpayers; focuses resources on highest risks to revenue.</p> <p>Creates effective processes to identify and curb corruption.</p>

<p>Strong oversight of revenue administration by external bodies (general audit office, ministry of finance) focused on monitoring performance but not allowed to interfere in specific taxpayers' affairs.</p>	<p>Increases accountability of revenue administration.</p>
<p><b>Extensive Use of Technology</b></p>	
<p>Revenue administration processes are digitalized and automated to the extent possible.</p> <p>Robust automated system of internal control checks and monitoring of processes, with access controls and audit logs.</p> <p>Automated risk assessment and case selection is in place.</p> <p>Technology supports notification of citizens about their obligations and correct procedures for revenue administration.</p> <p>Technology supports collection of feedback from the public on interactions with revenue administration staff, including reporting of unethical behavior, for example, through a dedicated integrity hotline.</p>	<p>Reduces face-to-face interactions; minimizes intrusion of revenue officials in the affairs of compliant taxpayers.</p> <p>Ensures integrity of decisions; allows for review and audit of actions taken by revenue officials.</p> <p>Removes personal influence and staff discretion.</p> <p>Increases transparency and accountability of revenue administration.</p> <p>Supports detection and prevention of unethical and unprofessional behaviors.</p>
<p><b>Human Resources Management</b></p>	
<p>Human resource policies and processes ensure merit-based selection, appointment, appraisal, and promotion of revenue officials.</p> <p>Senior management of revenue administration is appointed for a fixed period (tenure).</p> <p>Management process built on minimal management layers with appropriate spans of control, and internal control is one of the core management functions.</p> <p>Salaries set at a sufficient and competitive level.</p> <p>A formal rotation policy supports staff development, with a cycle to allow staff to build expertise and contribute to the respective function's performance.</p> <p>Ongoing staff training programs are delivered so officials know their duties, conditions of service, and sanctions for wrongdoing.</p>	<p>Improves quality and professionalism of staff.</p> <p>Reduces vulnerability to cronyism.</p> <p>Ensures close monitoring of operations; reduces opportunities for corrupt behavior.</p> <p>Reduces incentive for corrupt behavior.</p> <p>Increases officials' performance incentives and knowledge and expertise across all levels; increases taxpayer trust and satisfaction.</p> <p>Informs staff of required behaviors and risks of noncompliance.</p>
<p><b>Institutionalized Promotion of Integrity</b></p>	
<p>Staff is regularly informed about and supported in adopting positive behavior; corporate practice, including through an enforced code of conduct, strongly signals zero tolerance of low staff integrity.</p> <p>Technology solutions to detect unethical behavior are routinely used.</p> <p>Legal sanctions are effectively applied on each detected corrupt behavior and publicly announced.</p>	<p>Management leads by example; creates a positive organizational culture and fosters "esprit de corps;" and supports the prevention of unethical behaviors.</p> <p>Detects and prevents unethical behavior.</p> <p>Addresses and prevents unethical behavior; instills greater public confidence in revenue administration.</p>