
Revenue Administration Reforms in Africa since the early 1990s....

....and Tax Administration Benchmarking

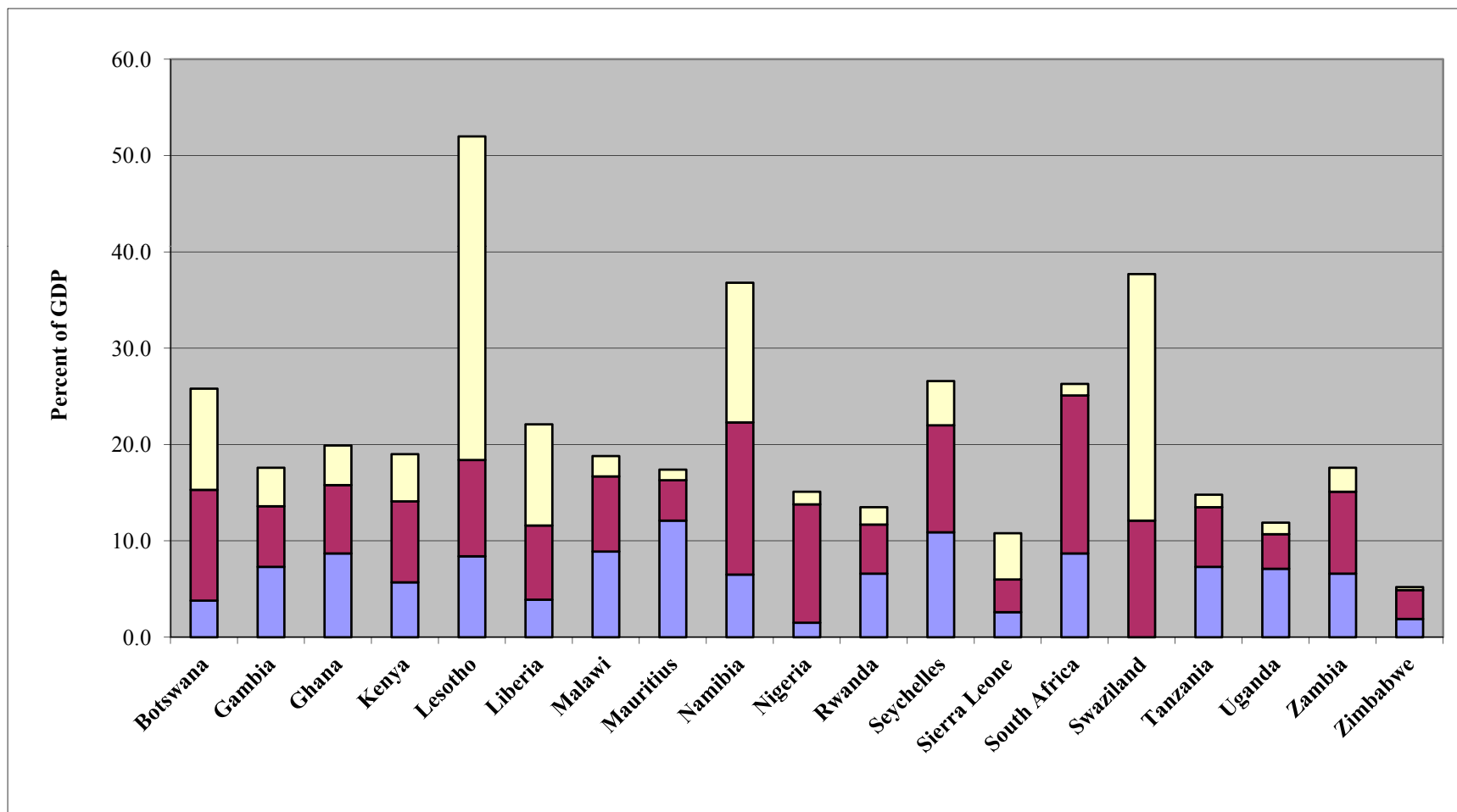
David Kloeden – IMF Fiscal Affairs Department

Francophone & Anglophone

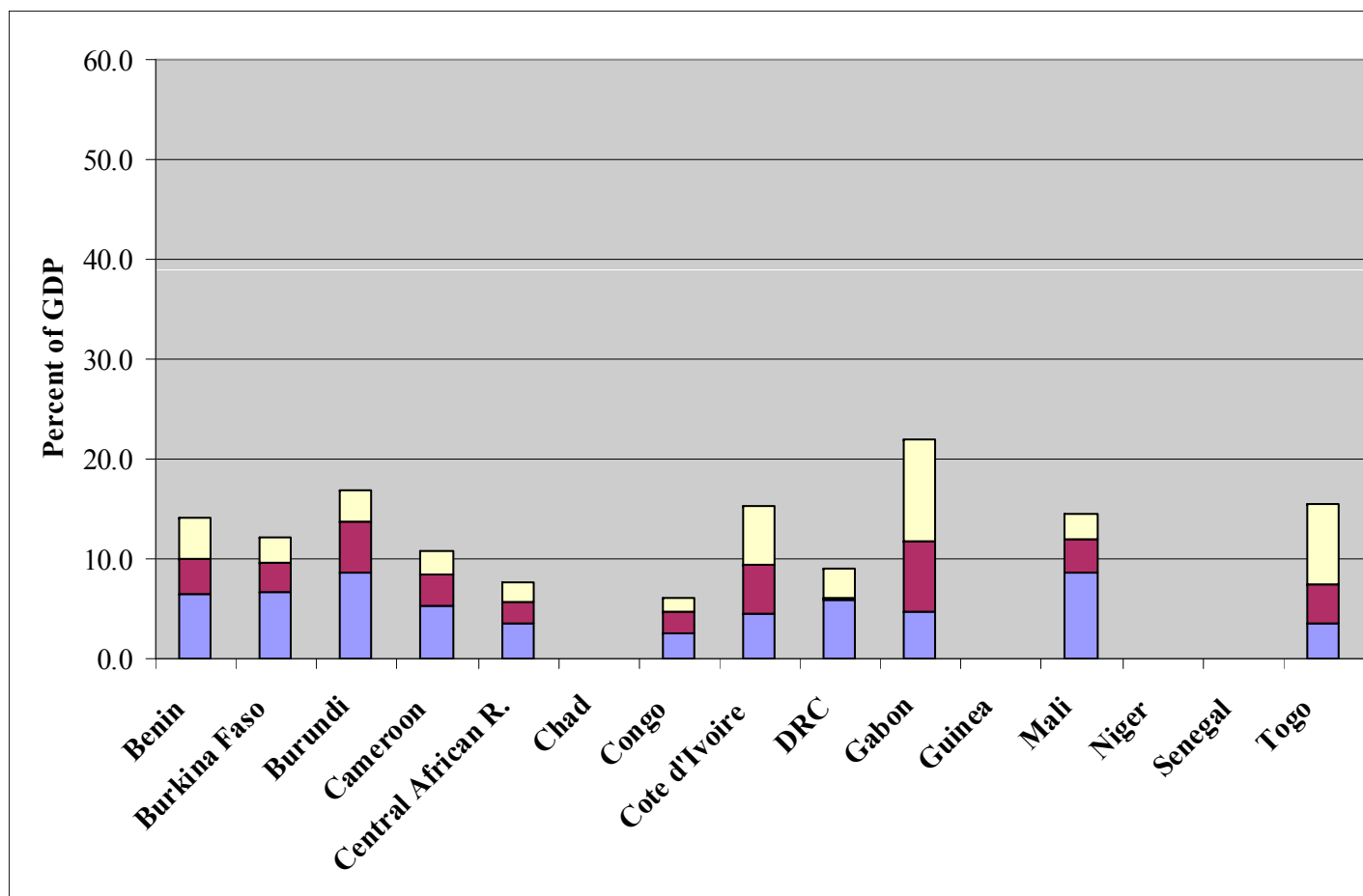
Sub-Saharan Africa...with apologies to the rest

Grouping	15 Francophone/19 Anglophone
West Africa	Benin, Burkina Faso, Côte l'voire, Gambia, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone & Togo
Southern Africa	Botswana, Lesotho, Mauritius, Namibia, Seychelles, South Africa, Swaziland, & Zimbabwe
Central Africa	Cameroon, Central African Rep., Chad, Congo Rep. & Gabon
East Africa	Burundi, DRC, Kenya, Malawi, Rwanda, Tanzania, Uganda & Zambia

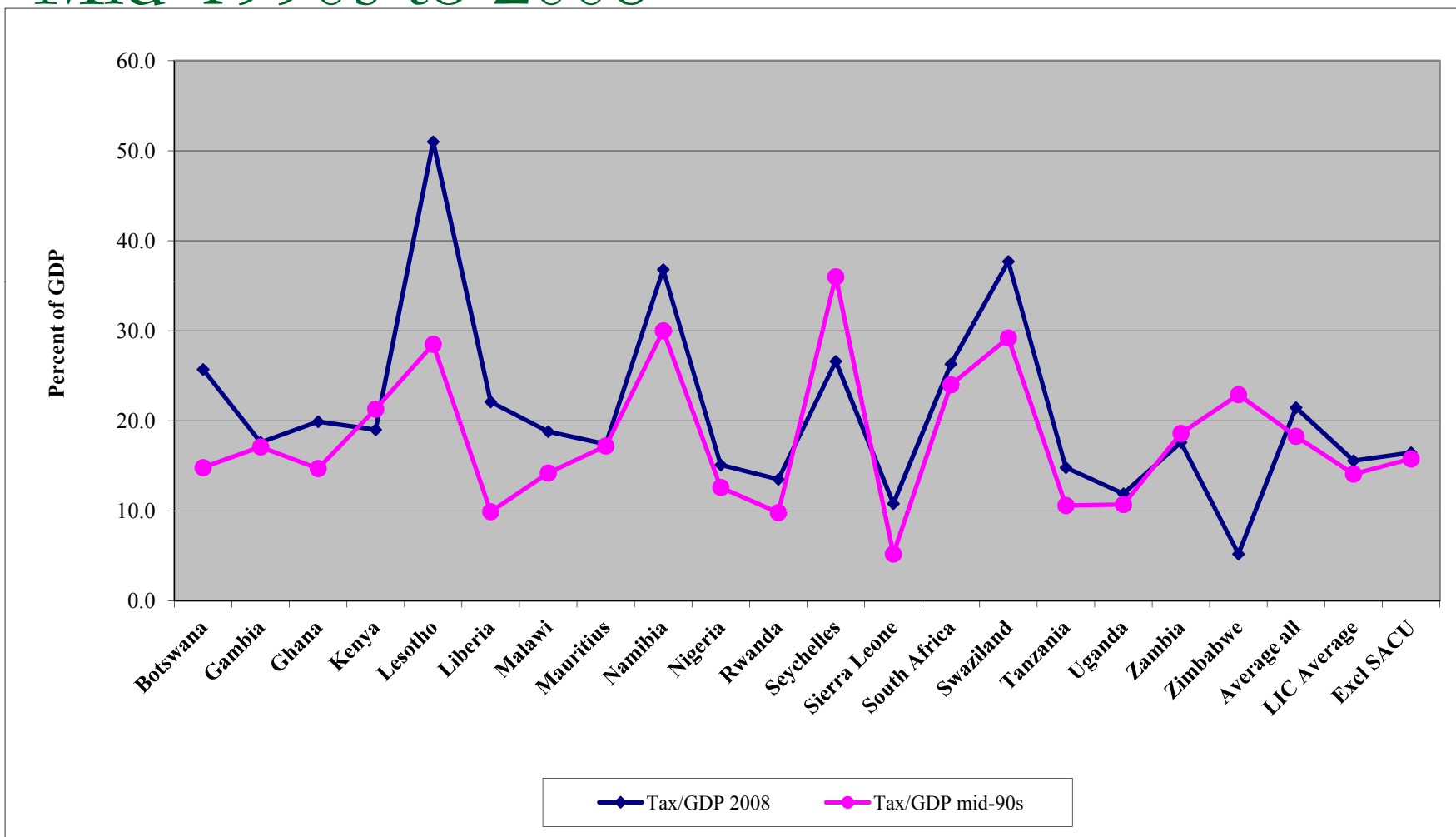
Anglophone *Indirect, Direct & Trade* Tax collections – 2008



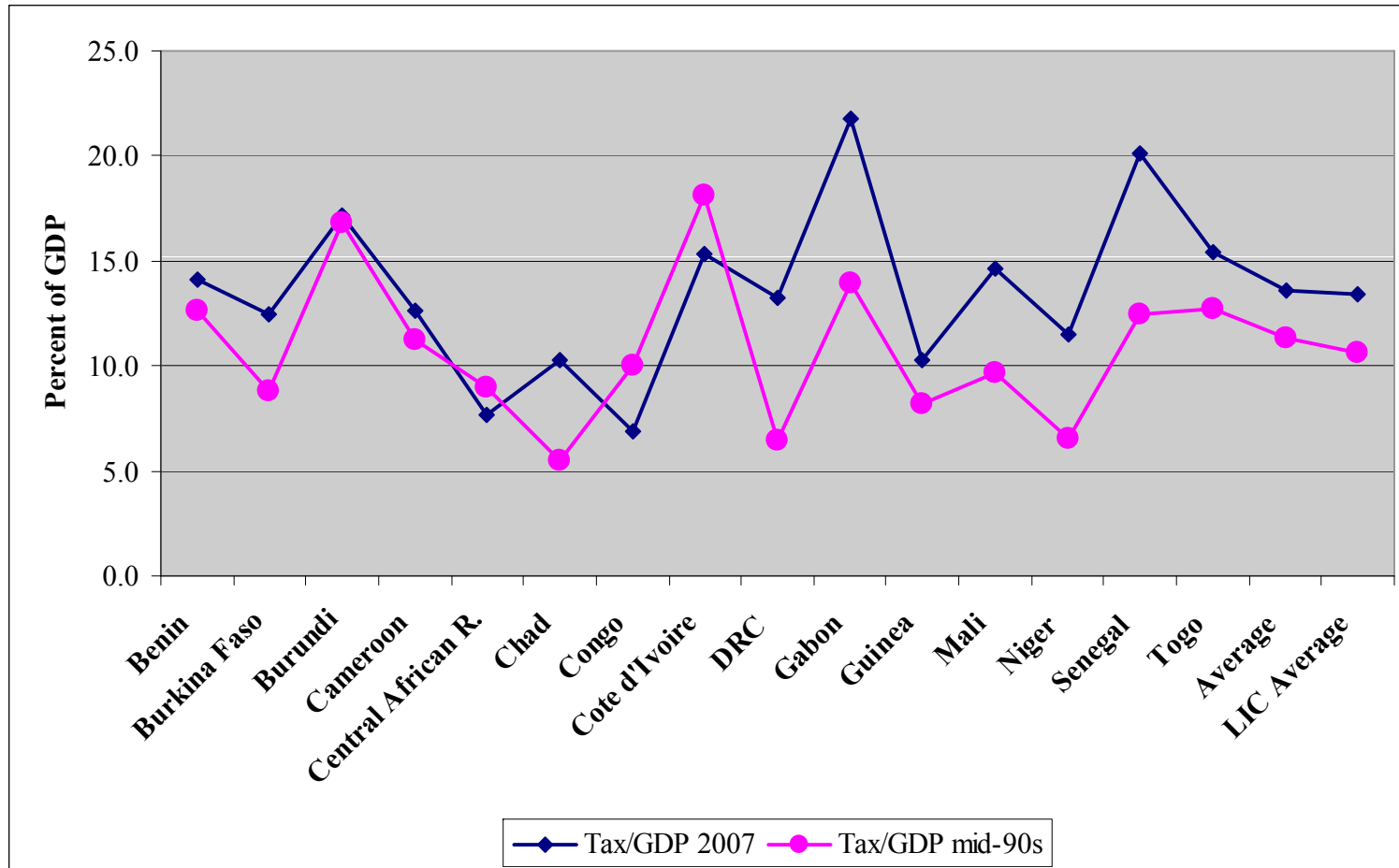
Francophone: *Indirect, Direct & Trade* *Tax* collections – 2007



Anglophone Tax Collection Trend: Mid-1990s to 2008



Francophone - Tax Collection Trend: Mid-1990s to 2007



Who has mobilized revenue....

Anglophone

- Botswana +10.9%
- Ghana + 5.2%
- Lesotho +22.5%
- Liberia + 12.2%
- Malawi + 4.6%
- Namibia + 6.8%
- Nigeria +2.5%
- Rwanda +3.7%
- Sierra Leone +5.6%
- South Africa +2.3%
- Swaziland +8.5%
- Tanzania +4.2%
- Uganda + 1.2%

Francophone

- Benin +1.5%
 - Burkina Faso +3.5%
 - Cameroon +1%
 - Chad +5%
 - DRC +7%
 - Gabon +8%
 - Guinea +2%
 - Mali +5%
 - Niger +5%
 - Senegal +8%
 - Togo +3%
-

...and who had flat or lower collections

Anglophone

- Gambia +0.5%
- Kenya -2.3%
- Mauritius +0.2%
- Seychelles -9.4%
- Zambia -1.0%
- Zimbabwe -17.7%

Francophone

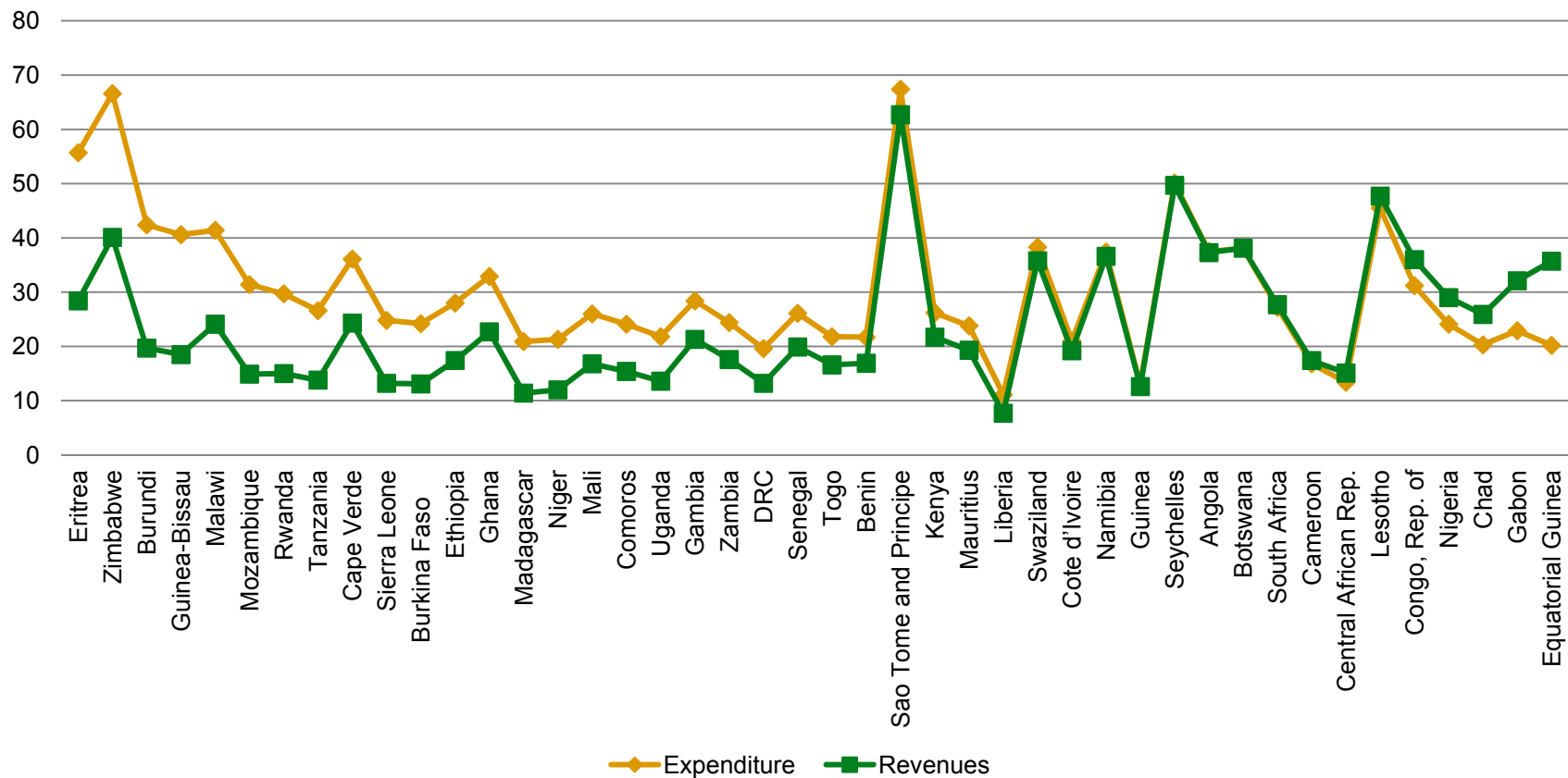
- Burundi +0.5%
 - Central African R. -1.5%
 - Congo -3%
 - Cote d'Ivoire -3%
-

Reform Drivers

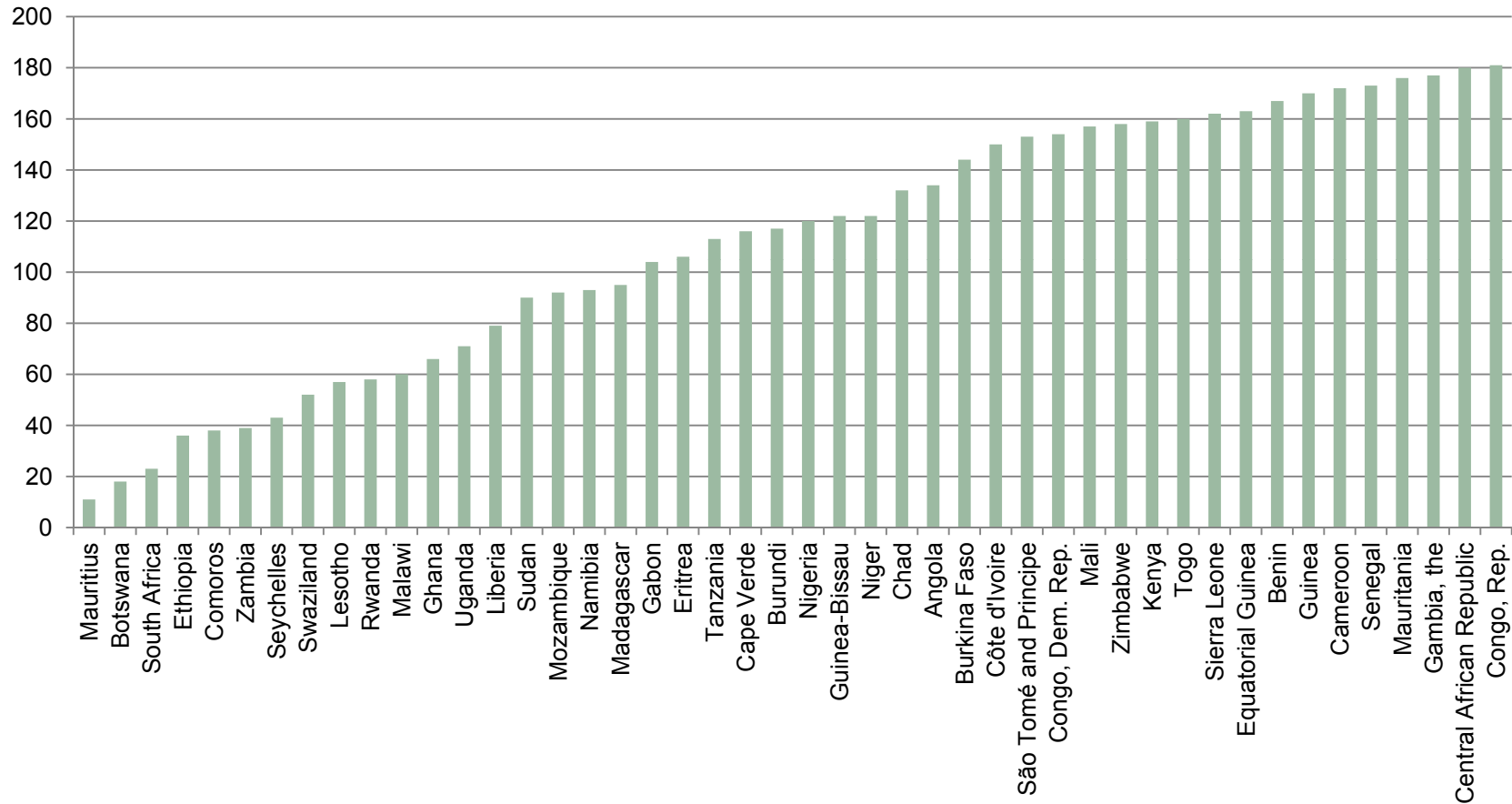
- Mobilize revenue & reduce poverty
 - Modernize administration/improve service
 - Reduce compliance burden
 - Reduce administration costs
 - Facilitate trade and investment
 - Improve integrity
-

Reform Drivers – Mobilizing Revenue – Fiscal Deficits (2007)

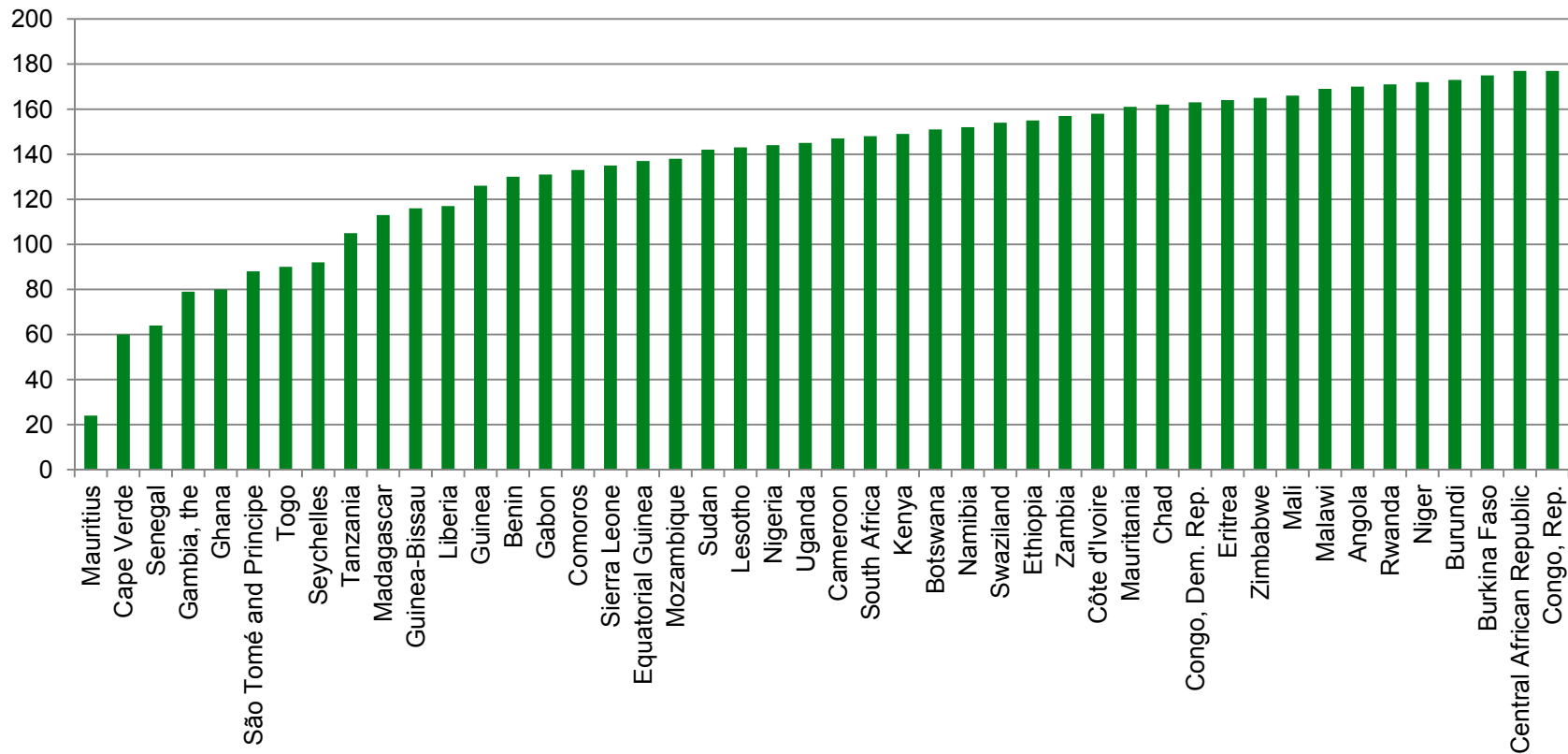
Sub-Sahara Africa - Fiscal Position 2007



Reform Drivers – Improving Efficiency – Paying Tax (2009) from best (1st) to 183rd



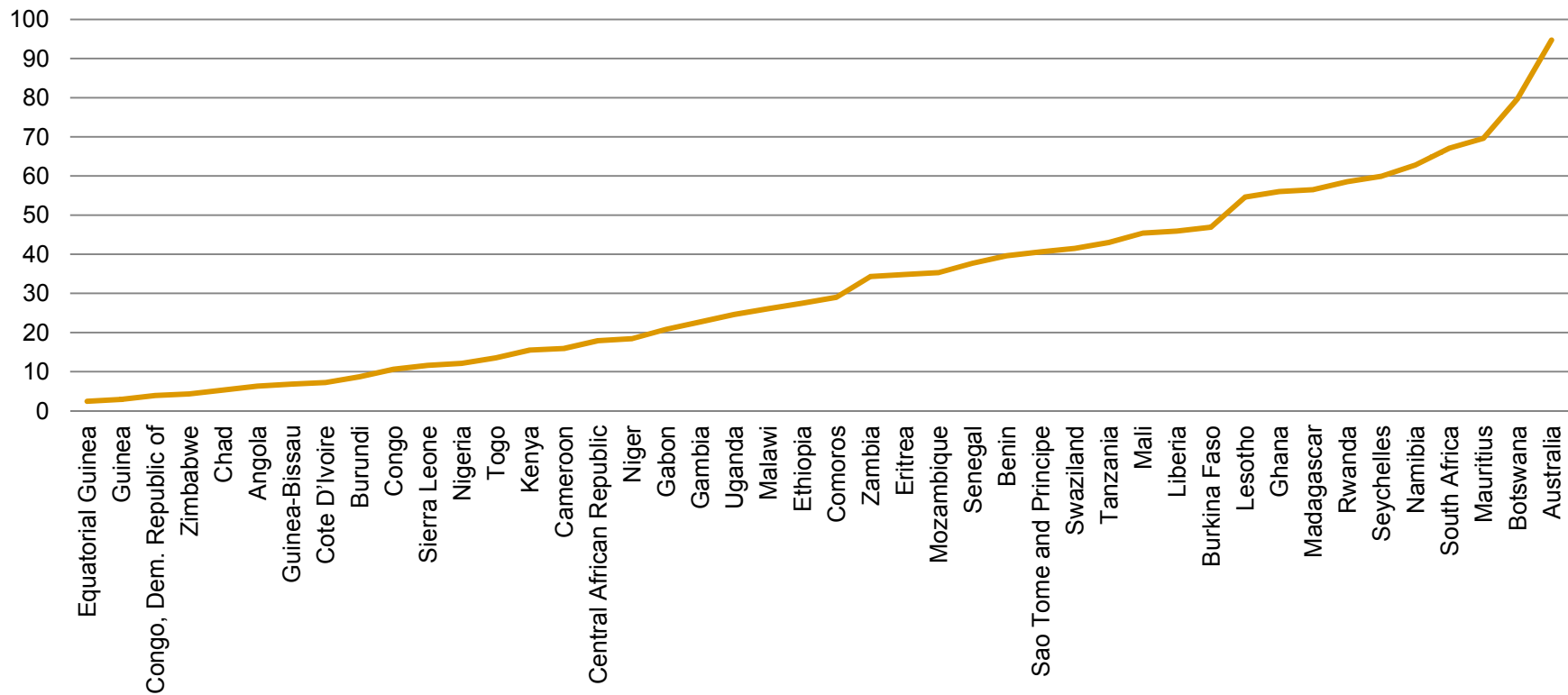
Reform Drivers – Improving Efficiency – Trading Across Borders (2009):1st to 183rd



Reform Drivers - Improving Integrity

Corruption Index (2007)

Index of Most to Least Corruption



Topics

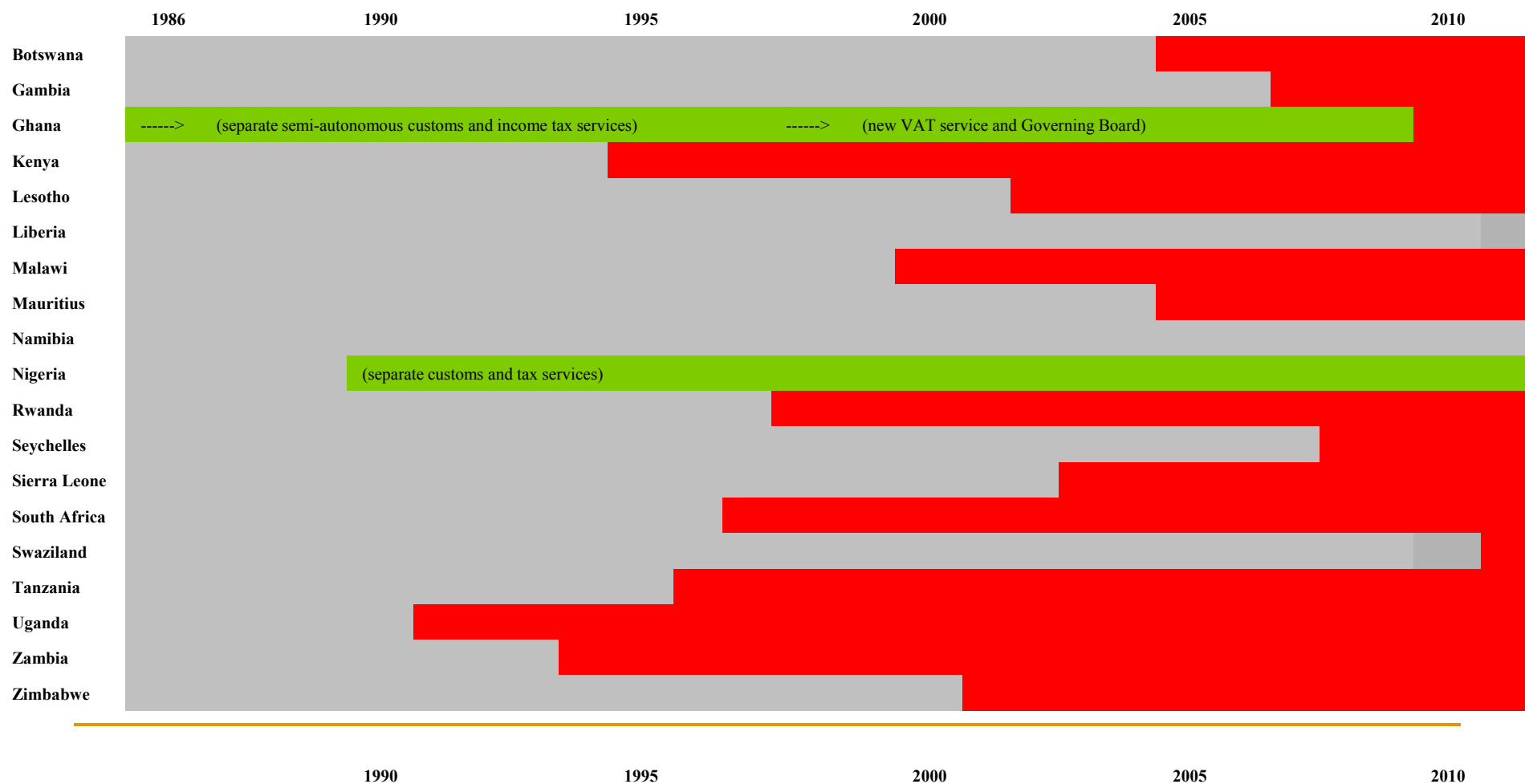
- Revenue Authorities (RA)
 - Value Added Tax – VAT
 - Tax Administration Integration
 - Self-Assessment
 - Segmentation
 - Customs Administration
-

Revenue Authorities:

History in Anglophone Africa and beyond

- Ghana - 1986, Uganda – 1991, Swaziland – 2011
 - 17 of 19 Anglo countries now have a form of RA
 - Also Mozambique, Ethiopia and recently Burundi
 - All but two include customs
 - 8 of 17 include non-traditional functions
 - Varied role and relevance of the board
 - RAs now dominate the landscape.....
-

The spread of Revenue Authorities across Anglophone Africa.....



Revenue Authorities: Their Impact

Claims

- Best vehicle for reform
- Address civil service problems
- Better services
- Reduce corruption
- More autonomy
- Independent funding

Findings

- Reforms without RA
- HR better
- Higher public confidence
- Mostly perception of stakeholders
- Not followed or flawed

But this is only part of the story

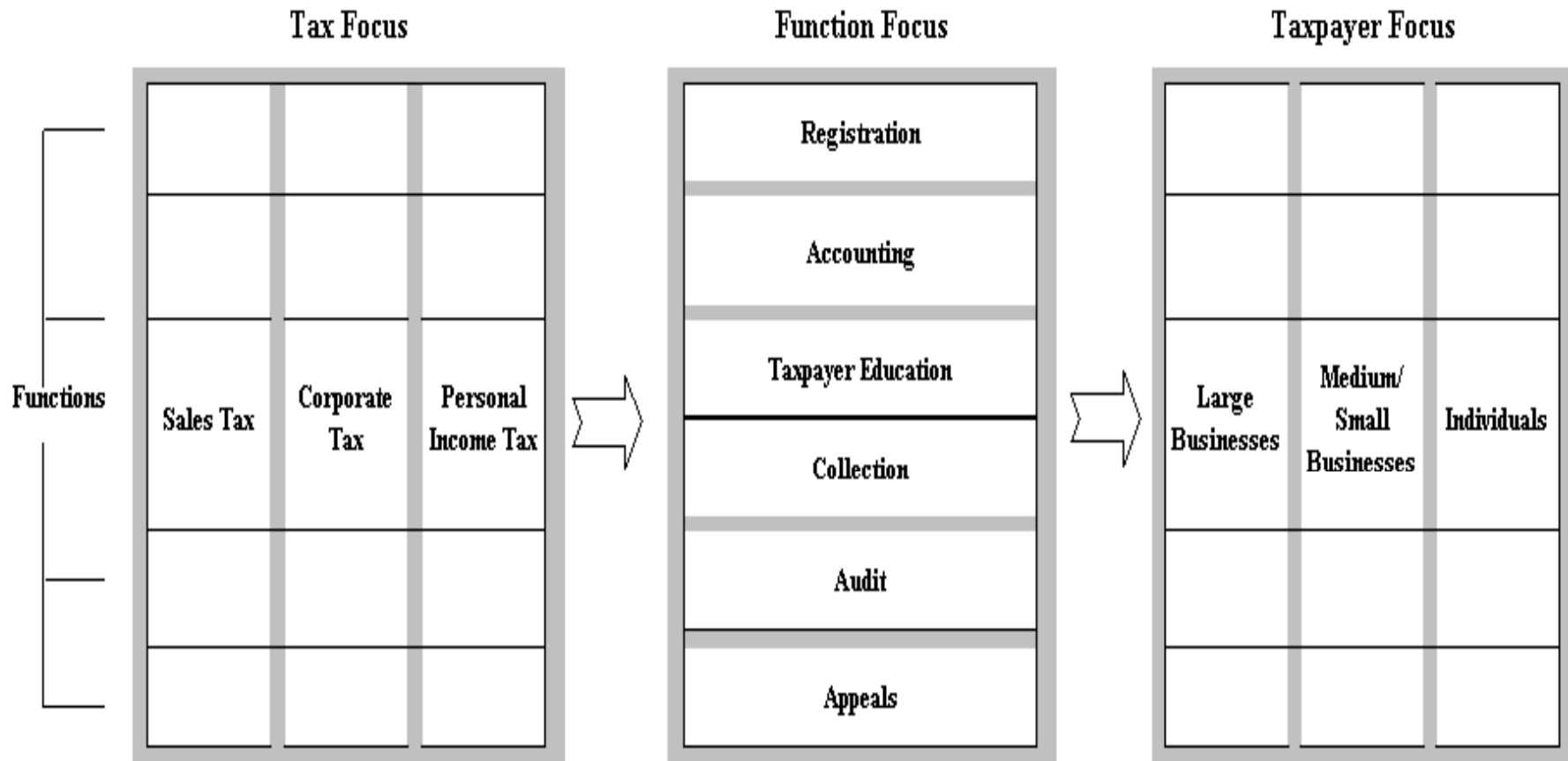
Value Added Tax – VAT

- Major revenue source – particularly on imports
 - Global phenomenon
 - Associated tariff reform
 - 15 of 19 Anglophone Africa countries from 1990
 - Seychelles, Swaziland, Gambia coming, Liberia later
 - 14 of 15 Francophone African countries from 1990
 - Burundi recently introduced, only DRC with no VAT but planned
 - Single rate common – average 15 percent (Anglophone), 18 percent (Francophone)
 - Issues:
 - Low registration thresholds with too many taxpayers
 - Exemptions with weak administration and compliance giving low productivity, especially in Francophone countries
-

VAT Administration

- Separate department initially, sometimes Customs (Anglophone)
 - Always with tax admin (Francophone)
 - Why not initially integrated with income tax (Anglophone)?
 - Trend now to integrate tax administration, as opposed to separate departments within tax administration
-

How the Tax Admin structure evolved



Integration

Tax Type Weaknesses

- Resource duplication
- Multiple taxpayer contact
- Uncoordinated audit & enforcement
- Lack of harmonization
- Higher costs
- No single taxpayer view

Benefits of Integration

- Economies of scale
 - One-stop shop
 - Comprehensive audits & coordinated enforcement
 - Harmonized procedures
 - Lower costs, better service
 - 'Whole-of-taxpayer' view
-

Self-Assessment

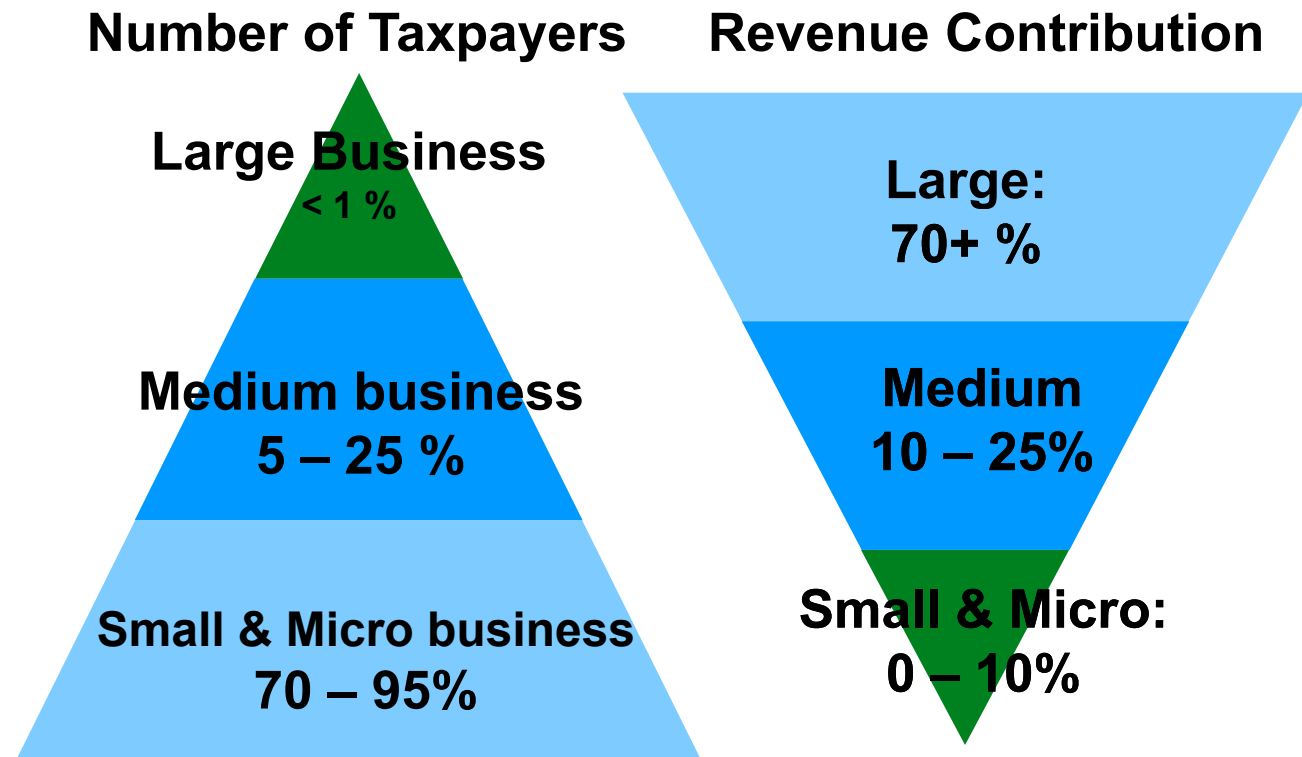
- VAT was the impetus
 - Income tax still inconsistently self-assessed
 - More effective with:
 - Clear legislation
 - Good taxpayer services
 - Simple filing and payment procedures
 - Strong collection enforcement
 - Selective risk-based audit
 - Fairly applied penalties
 - Fair and timely dispute resolution
-but few of these prerequisites all present in African countries
-

Taxpayer Segmentation

- Size related segments:
 - Large businesses, and possibly wealthy individuals
 - Medium-size businesses
 - Small businesses
 - Micro businesses
 - Other segment groupings not primarily size related:
 - Individuals (non-business)
 - Government agencies
 - Non-profit organizations
-

Taxpayer Segmentation:

Taxpayer/Revenue Distribution



Taxpayer Segmentation: begins with....

- Large Taxpayer Office (LTO):
 - Now in 13 of 19 Anglophone African countries
 - Now in 15 of 15 Francophone African countries
 - Secure 50+ percent of revenue
 - Modernize with:
 - Functional and integrated organization
 - Simplified procedures
 - New approaches – risk analysis, self-assessment
 - Computerization
-

Taxpayer Segmentation: and may lead to..

- A few countries are now developing dedicated offices and/or programs for the administration of medium-size taxpayers
 - Others have or are developing simplified presumptive regimes for small business below the VAT threshold
-

Customs Administration

- Still a critical revenue agency in SSA countries:
 - Stagnant/declining duties, but still important revenue
 - Usually collect more than half of gross VAT
 - But the role of customs is evolving, to:
 - Facilitate rather than impede trade
 - Yet, ensure security and trade chain integrity
 - Commonality with tax administration:
 - Often in same organization – Revenue Authority
 - Shared concepts – self-assessment, segmentation...
-

Customs – challenges and priorities

Challenges

- Corruption
- Complex Procedures
- Deficient computerization
- High costs and poor outcomes
- Excessive Exemptions
- Regional/International obligations – value/origin

Priorities

- Stronger commitment to Arusha declaration needed
 - IT effectiveness better when procedures are simplified
 - Reduced exemptions are key to revenue mobilization
 - Updated strategies/skills:
 - WTO valuation methods
 - Risk-based – more post-release controls
-

African Tax Administration Benchmarking

**INTERNATIONAL
TAX
DIALOGUE**

Revenue Administration in Sub-Saharan Africa



Freetown, Sierra Leone



**ITD Comparative
Information Series
No 1.
2010**

Survey of African Tax Administration

- Focus on Francophone & Anglophone Countries
 - To test the methodology and process as a pilot exercise to be fine-tuned and later extended
 - Regional balance sought – 20 countries surveyed, with 15 respondents:
 - Benin, Ghana, Kenya, Malawi, Mauritius, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Uganda, and Zambia
-

Survey of African Tax Administration

- Survey covered 9 broad topics, with an average of 4 sub-themes each
 - Responses included:
 - A mix of descriptive and yes/no responses
 - Quantitative data
 - Supporting documentation such as annual reports, strategic plans, and website information.
 - Self-assessed, but cross-checked by IMF knowledge from extensive TA over many years
 - Quality review by respondents to verify information and conclusions
-

Survey Structure

1. Institutional Framework:

- ❑ Finance Ministry unit or Revenue Authority
- ❑ Responsibilities – tax, customs, non-tax, etc
- ❑ Tax regimes administered
- ❑ Responsibility to administer social contributions

2. Tax Administration Organization Features:

- ❑ Structured by tax type, functional, segment, hybrid
 - ❑ Units for core and support functions
 - ❑ Governance arrangements, e.g. internal audit
 - ❑ Recent organization reforms
 - ❑ Arrangements for large and medium taxpayers
-

...Survey Structure....

3. Management, responsibilities and practices:
 - ❑ Budget, staffing, decision making powers
 - ❑ Performance targets and measures
 - ❑ Corporate planning and reporting
 - ❑ Taxpayer rights
 - ❑ Taxpayer service standards
 4. Revenue Collections:
 - ❑ By tax type for past three years
 - ❑ By taxpayer segment
 - ❑ Arrears by tax type and type of taxpayer
-

...Survey Structure....

5. Resources

- ❑ Expenditures for salaries, administration, IT, etc
- ❑ Office network – HQ, regions, local, service centers
- ❑ Staff allocation by function

6. Collection/filing mechanisms:

- ❑ Withholding obligations
 - ❑ Advanced payment requirements
 - ❑ VAT obligations – threshold, rates, periodicity, refund arrangements
 - ❑ Small Business taxation – characteristics of special regime and arrangements, number of taxpayers and collections
-

....Survey Structure

7. Tax Administration Powers

- ❑ Information gathering
- ❑ Authority to search
- ❑ Enforcement of debt collection
- ❑ Penalty and interest for noncompliance

8. Operational Performance and Metrics:

- ❑ Numbers of registered taxpayers by tax type
- ❑ Methods to pay tax

9. Taxpayer Identification and Computerization:

- ❑ Taxpayer Number – how many used and features
 - ❑ Use of Information Technology to support admin
-

Survey Report – 7 Chapters

1. Revenue Admin Institutional Arrangements
 2. Organizational Features
 3. Strategic planning and management practices
 4. Resourcing revenue administration functions
 5. Revenue performance
 6. Filing, assessment, and payment systems
 7. Legal and administrative powers
-

African Tax Administration Benchmarking

■ Next Steps:

- Presentation of the Survey Findings
- Planning for the next steps to broaden country coverage and deepen surveyed topics



- Benchmarking ownership and leadership by the African Tax Administration Forum (ATAF)
 - Joint ATAF – Korea Conference on Domestic Resource Mobilization in Cape Town, April 4 – 7, 2011

