



Organizational Issues for Tax Administration

10th IMF - Japan High - Level Tax Conference for Asian Countries

April 25-26, 2019 - Tokyo

**Susan Betts
Revenue Administration
Fiscal Affairs Department**

Why is organization structure important?

- Having dedicated resources to set forward strategy improves revenue outcomes
- National compliance risk management
- Consistency, trust in the tax system
 - Same treatment for taxpayers across the country

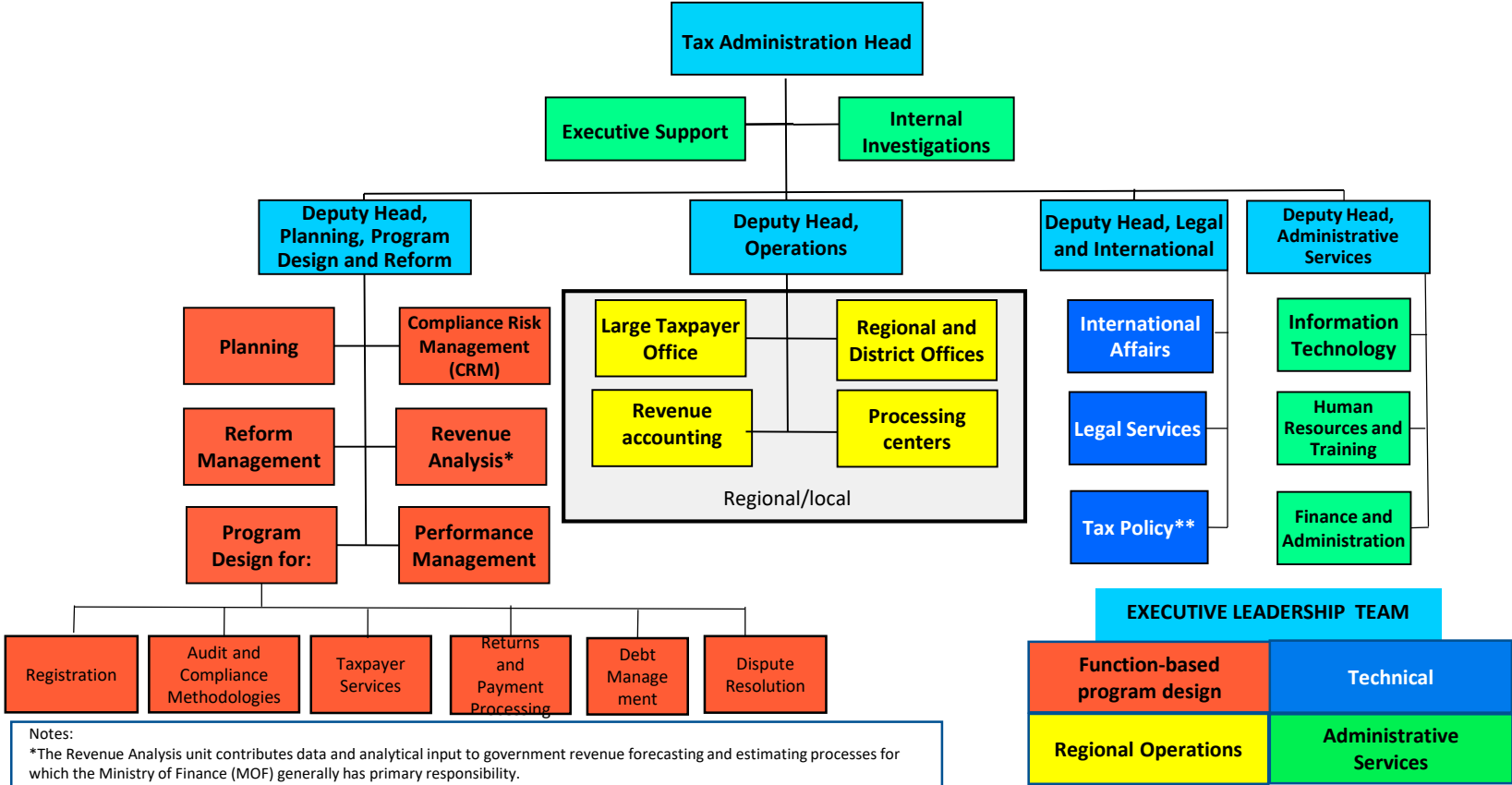
Typical models

- **Tax Type** (income tax, VAT, excise)
 - **Taxpayer Type** (large, medium, small)
 - **Function-based** (registration, filing, correct reporting, appeals, service)
 - **Hybrid** (generally function-based with specialization on certain taxpayer types)
-
- Within each of these models, there may be semi-autonomous regional operations

Good practice

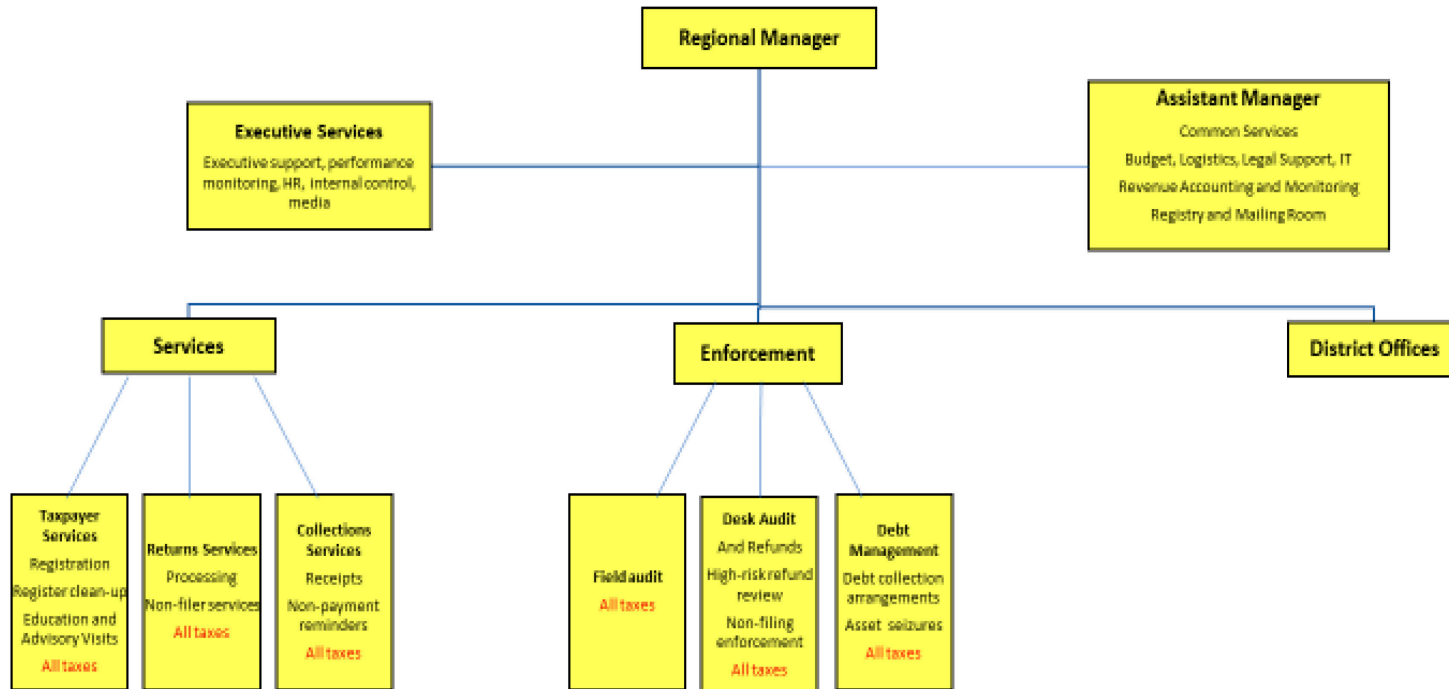
- Function-based with specialization for large taxpayers is a starting point
- Separation of Headquarters (HQ) and regional operations
 - HQ sets the strategic direction and allocates resources and productivity expectations
 - Regions/districts implement the plan and carry out the activities
- Reporting structure independence for sensitive activities
- Span of control must be reasonable

Typical Function-Based Organization with LTO



Notes:
 *The Revenue Analysis unit contributes data and analytical input to government revenue forecasting and estimating processes for which the Ministry of Finance (MOF) generally has primary responsibility.
 **Typically, the MOF has primary responsibility for development of tax policy; HQ provides input to the policy development process.

Typical Regional Structure



Who does what?

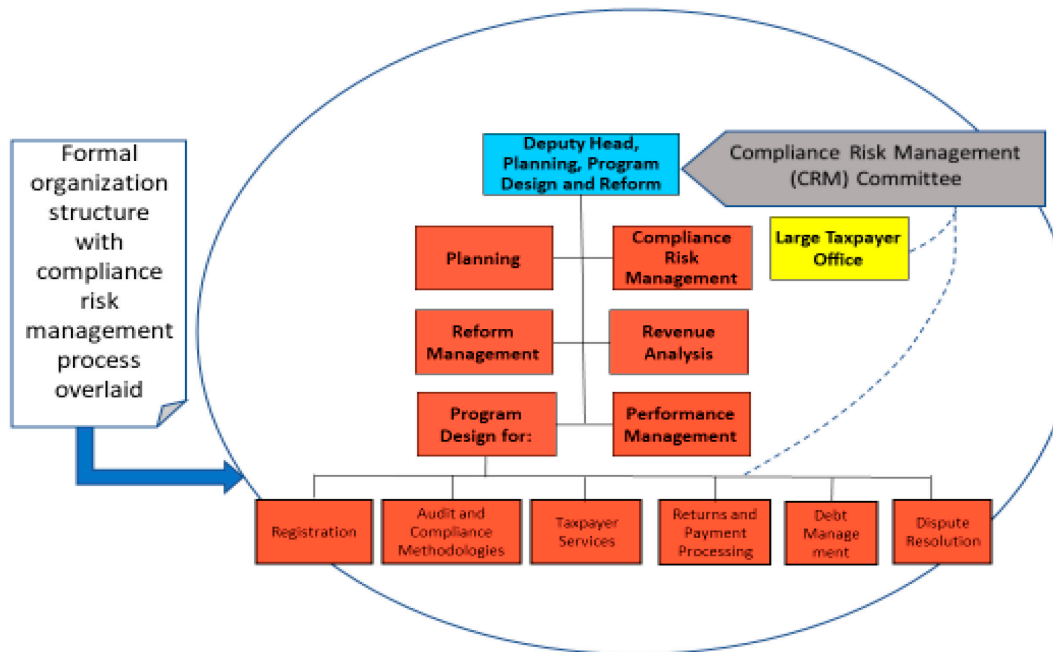
HQ

- Planning
- Manage compliance and risks
- Manage performance
- Develop national programs, policies and procedures
- Ensure good governance
- Manage reforms
- Maintain central control over field operations
- Provide support services – legal, IT, internal audit
- Analyze tax revenues
- Manage relationships with stakeholders – government/external

Regions/Districts

- Program delivery of:
 - taxpayer services
 - Processing returns and payments
 - enforcement actions (audits, filing compliance, payment enforcement)In line with national plans developed in consultation with HQ

Managing Risks across the Organization



Structure + Process = Effective mitigation of risks to revenue

CRM Unit & Committee:

- ❖ Coordinates cross-agency discussions on strategy to address material risk
- ❖ Led by head of Planning, Program Design and Reform, functional heads and other key executives are members

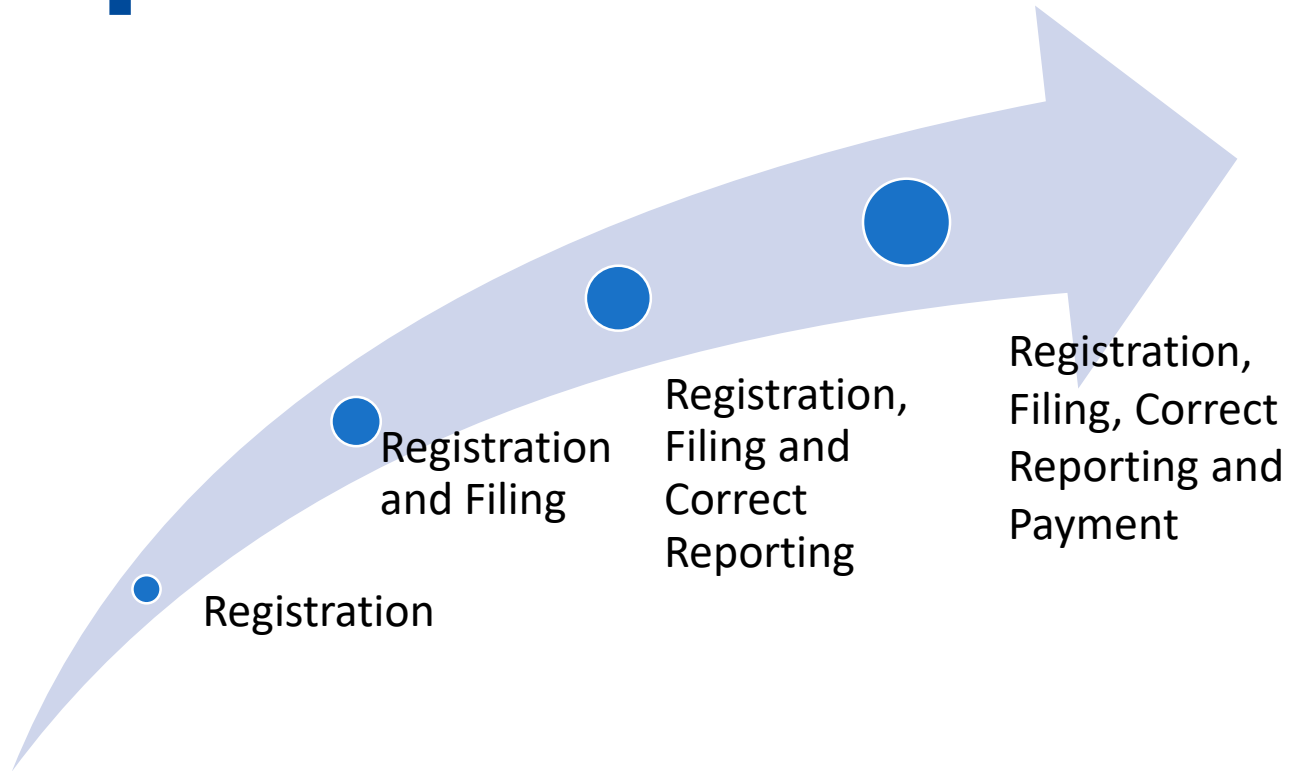
Planning, Program Design and Reform:

- ❖ Lead in developing overall strategy, implementing and monitoring strategy (accountability)

Risk Owners:

- ❖ Upper level managers who may be:
 - a section leader (e.g. head of the LTO) or
 - from a relevant functional area.
 - Part-time or full-time, depending upon the size and complexity of the risk.
- ❖ Performance agreements should include accountability for the risk-owner role.

Multiplier effect on compliance...



Managing risks across the continuum of registration, filing, correct reporting and payment provides better results.

For more information....

Draft technical notes

- The Role and Functions of Tax Administration Headquarters
- Managing Risks to Revenue
 - Part I: (Re)Designing an Organization Structure
 - Part II: Managing Cross-Cutting Compliance Revenue Risks