FBR TAX REFORMS AND PERFORMANCE MANAGEMENT

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To be a modern, progressive, effective, autonomous and credible organisation for optimising revenue by providing quality service and promoting compliance with tax laws
Increase tax compliance with lower cost for taxpayers and the administration

Increase tax compliance means narrowing gaps, including tax evasion, registered taxpayer versus economic active population, non filers and stop filers and arrears
Greater autonomy in determining policies and strategies.

Reorganization of FBR and Field Formations on Functionality Basis

Promotion of voluntary tax compliance and re-orientation of operating culture towards a transparent service-oriented organisation

Adoption of modern effective tax administration methods and policies through the re-engineering of its operating procedures.

Increased use of IT and systems across all taxes

Productivity Improvements of FBR staff and management

Rationalisation and refurbishment of physical infra-structure

Simplification of Laws, procedures and practices.

Integration of domestic taxes.
International Experience
Typical Goals

- Improve compliance with the tax laws
- Develop a customer centered focus
- Foster organizational renewal and an efficient, ethical and adaptive organization
- Increase productivity and cost effectiveness
- Ensure taxpayers meet their obligations
- Maintain community confidence
International Experience
Typical Goals

- Improve ease of compliance
- Ensure revenue is available to fund government programs through people meeting payment obligations of their own accord
- Ensure people receive payments they are entitled to, enabling them to participate in society
- Create an environment which promotes compliance
- Continually invest in people and technology to deliver future outcomes
International Experience
Typical performance measures

- Total net revenue collected by tax type compared to forecast
- Total expenditures compared to approved budget
- Ratio of costs to collections (direction)
- Filing and payment compliance rates (direction)
- Income reporting compliance (from audit)
- Taxpayer satisfaction surveys
- Evasion Studies and Compliance studies

From Crandall, William Performance Measurement in Tax Administration
# International Good Practices, Performance Based

<table>
<thead>
<tr>
<th>Tax administration functions</th>
<th>Quantity measures</th>
<th>Timeliness and quality measures</th>
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| Registration and filing compliance | Number of new registrants  
Number of non-filers by tax type | Average time to complete new registration  
Average time to resolve non-filer case  
Late penalties assessed  
Accuracy of taxpayer register |
| Taxpayer services and education | Total Number of taxpayers assisted  
- Telephone  
- Walk-in  
Written correspondence  
- E-mail  
- Internet site hits  
Number of advisory visits  
Number of educational seminars | Average taxpayer wait time for service  
Average time to respond to written taxpayer requests  
Accuracy of responses provided  
Utility of visits and seminars (determined by surveys) |
| Returns processing and payment | Number of returns processed, by tax type  
Number of refunds issued, by tax type  
Percentage of returns filed electronically  
Percentage of returns filed by paper  
Number of payments processed (manually and electronic)  
Total value of payments processed | Average processing time  
Average number of days to issue a refund  
Return processing accuracy/error rate  
Payment processing accuracy/error rate |
# Performance Indicators, International Good Practices (ICG)

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| Arrears collection           | Total value of arrears collected  
Total number of collection cases closed  
Total number of taxpayers contacted  
Total resources (person years) assigned  
Average annual collection per person year | Average age of collection cases  
Percentage of cases resolved within X months  
Collection case quality (based on specific scoring tools) |
| Audit and investigations     | Number of audits completed by tax type (and by taxpayer segment where applicable)  
- Simple  
- Comprehensive  
- Thematic  
- Etc.  
Additional tax assessed by audit, by tax type  
Total resources (person years) assigned  
Additional tax assessed per person year  
Number of investigations completed | Average time to complete audit by type of audit  
Audit quality (based on specific scoring tools)  
Average time to complete an investigation |
| Appeals                      | Total number of appeals cases closed  
Total resources (person years) assigned  
Value of adjustments on appeal  
Number of cases heard by courts | Average length of appeals case  
Appeals case quality (based on specific scoring tools)  
Degree to which legal deadlines are met |
For tax administration, consensus on compliance indicators.

- Evasion Rate (PK over 50%?)
- Registered Taxpayers (Informality) (PK > 50% of AEP?)
- Stop filers and returns compliance (PK over 10%?)
- Payments compliance (arrears) (PK?)
- Audit achievements (PK < 2.5%, cost may be over the collected)
- Audited Taxpayers over actives: (PK < 0.10)
- BOTTOM LINE: Tax collection is 10.6% of GDP, one of the lowest in Asia and only above some African Countries
Broad Contours of Tax Reforms, key issues for aligning with IGP

- **FBR Organization**
  - FBR Reorganization on broad parameters of
    - Adequate Budgetary Resources
    - Authority to make changes in staffing processes
    - Recruitment and maintenance of quality professionals
    - Capacity for sustained tax policy analysis
    - Operational decentralization
    - Comprehensive information system
    - New relationship with taxpayers focusing on facilitation/education

- Reconstituting FBR on functional as against cylindrical basis.

- Moving from command and control to collegial and consultative mode
Broad Contours of Tax Reforms

- Field Organizations
  - **Work reorganization**
    - Assigning functions/responsibilities to specialized divisions
    - Trade/industry specialization in tax audit with support systems
    - Providing pre-audit anonymity of tax auditors
    - Establishing LTUs and RTOs
    - Creating a networked data base
  - **Process Reforms**
    - Process re-engineering with full automation (All Taxes and processes)
    - Systematic basis for selection of cases for tax audit/inspection.
    - Internal audit controls
    - Reducing taxpayer/tax collector interface
    - Creating an exception based refund process (for sales tax)
    - Discontinue multiple audits for single TP
    - Electronic filing of documents (EDPS)

- Creating a centralized data warehouse capturing tax related information from all sources (including Single Taxpayer account)
Expected Outcomes from Reform Program

FBR, at the end of the reform process, expected to be:

- Functionally structured organization with staff organized in functional groupings,
- Standardized procedures and practices across all taxes,
- Comprehensive IT system supporting re-designed / re-engineered processes, forms and procedures,
- Self-assessment with minimum interaction with taxpayers, etax
- Selective audit based on risk management analysis, and
- A well skilled professional workforce.

In essence, FBR targets at having “an accountable, transparent, honest, modern and capable tax administration functioning under three principles self-assessment, risk assessment and targeted post audit.”
Beneficiaries Perception Survey

- Achievement of Overall Reform Objectives
- Increase in Tax Revenues
- Broadening of Tax Base
- Improvement in Functional Processes
- Tax Audit System and Enforcement
- Self-Assessment Scheme
- Taxpayers Facilitation and Tax Education Initiatives
- Simplification of Laws and Procedures:
- Alternate Dispute Resolution Mechanism
- Information Technology
- Reasons for Inadequate Implementation of Reforms
Beneficiaries Survey Results

- Significant majority of stakeholders felt that FBR has facilitated taxpayers to a large extent.
- Majority of the respondents shared the view that the Expeditious Refund System has achieved its targets to a large extent.
- The FBR website has been rated higher than other automation initiatives.
- ADR mechanisms have been deteriorating.
- Overall, awareness level of Reform initiative among stakeholders has been low.
- Tax filing procedure needed further simplification.
Issues and Concerns in Tax Reforms

- **Information on business transactions.**
  - Sources, *Type*, Audit trail /linkage, Comprehensive data base and MIS

- **Organization and Personnel**
  - Skill development, Performance Evaluation, Integrity Management

- **Processes**
  - Document filing, Tax Audit, Tax payments and profiling, Tax Refunds. Follow taxpayer or tax?

- **Automation and Information Technology**
  - Identifying all possible sources of information on economic transactions
  - Data capturing, quality of information
  - Building a comprehensive data base/ Data Warehousing
  - Providing accessibility to all users across the country, avoiding leaking