The 6th BRITACOF

Shared Progress in Taxpayer Service for a Better Business Environment

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Topic 4: Tax Administration Transparency

Santiago Díaz de Sarralde | Tax Studies and Research Director | CIAT

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Tax Administration Transparency

Institutional Strength Index of Tax Administrations:

A Multidimensional Proposal
Based on ISORA

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- **Institutions matter, and *Tax Administrations are the institutions par excellence***

- **ISORA *means* transparency**

- ***Institutional Strength Index* summarizes 5 dimensions and more than 150 datapoints**

- **The results, with their shortcoming, show the way to *more transparency and more efficiency***

CONTENT

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Methodology of the Institutional Strength Index of Tax Administrations

- **A brand-new research available in our web page**…

Working Papers

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Institutional Strength Index of Tax Administrations: A Multidimensional Proposal Based on ISORA

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• A multidimensional phenomenon…

-MANAGEMENT AUTONOMY

-GOVERNANCE: CONTROL AND PLANNING

-PERSONNEL MANAGEMENT

-RELATIONSHIP WITH TAXPAYERS

RESOURCES

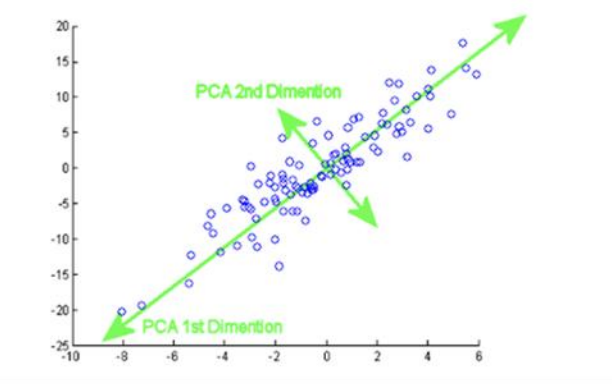

Table 1. Variables and dimensions used in IFIAT

Dimension	Number of original variables	Number of regrouped variables
Management autonomy	33	7
Governance: control and planning	23	13
Personnel management	37	25
Taxpayer relations	34	15
Available resources	29	12
Total	156	72

Normalized 0-1 Weighted Principal Component Analysis (PCA)

Table 2. IFIAT. Main components and weights for each dimension

	PC1	PC2	PC3	PC4	PC5	Weights
Autovectors						
Management autonomy	0.3871	0.7878	0.3738	–0.1728	0.2447	28.2%
Governance: control and planning	0.4781	–0.2631	–0.4244	–0.0244	0.7221	17.8%
Personnel management	0.4613	0.2687	–0.5076	0.4659	–0.4902	19.3%
Taxpayer relations	0.4749	–0.2751	0.0304	–0.7214	–0.4212	12.0%
Available resources	0.4281	–0.4027	0.6492	0.4816	–0.0324	22.7%
Eigenvalues	30,046	0.7086	0.5668	0.4098	0.3101	

Source: own elaboration

INSTITUTIONAL STRENGTH INDEX

MANAGEMENT AUTONOMY	GOVERNANCE: CONTROL AND PLANNING
Unified semi-autonomous organization - Organizational structure - Operating budget - Capital budget - Performance standards - Employment requirements +8 - Collection management +20	External Audit - Internal Audit - Code of Conduct - Strategic Plan - Annual Business/Operating Plans - Annual Report - Standards for Service Delivery - Organizational Chart - Tax Gap +5 - Taxpayer Rights - Periodic Satisfaction Surveys +3 - Compliance Burden +5
PERSONNEL MANAGEMENT	**RELATIONSHIP WITH TAXPAYERS**
Performance - Individual development +3 - Performance and compensation +3 - Surveys and evaluations +3 - Diversity and inclusion - HR strategy - Competency dictionary - Job catalog - Job descriptions - Training +4 - New employee orientation - Staffing plan - Flexibility +4 - Leadership management - Knowledge transfer +2 - Needs assessment +4	Service channels +4 – Disabilities - Social networks - Digital deficiencies - Online services +9 - Complaints +3 - Review + 3 - Service and support strategy - Educational services +2 - Targeted free services +2 - Application resolutions +4

RESOURCES

Operating expenses +2 - ICT expenditure +2 - Population per employee +2 - Audit employees +2 - Debt management employees +2 - Electronic filing +6 - Electronic payment +4 - Online registration - Electronic invoice +2 - Cooperative compliance +3 - Pre-filled declarations - Personal experience +2

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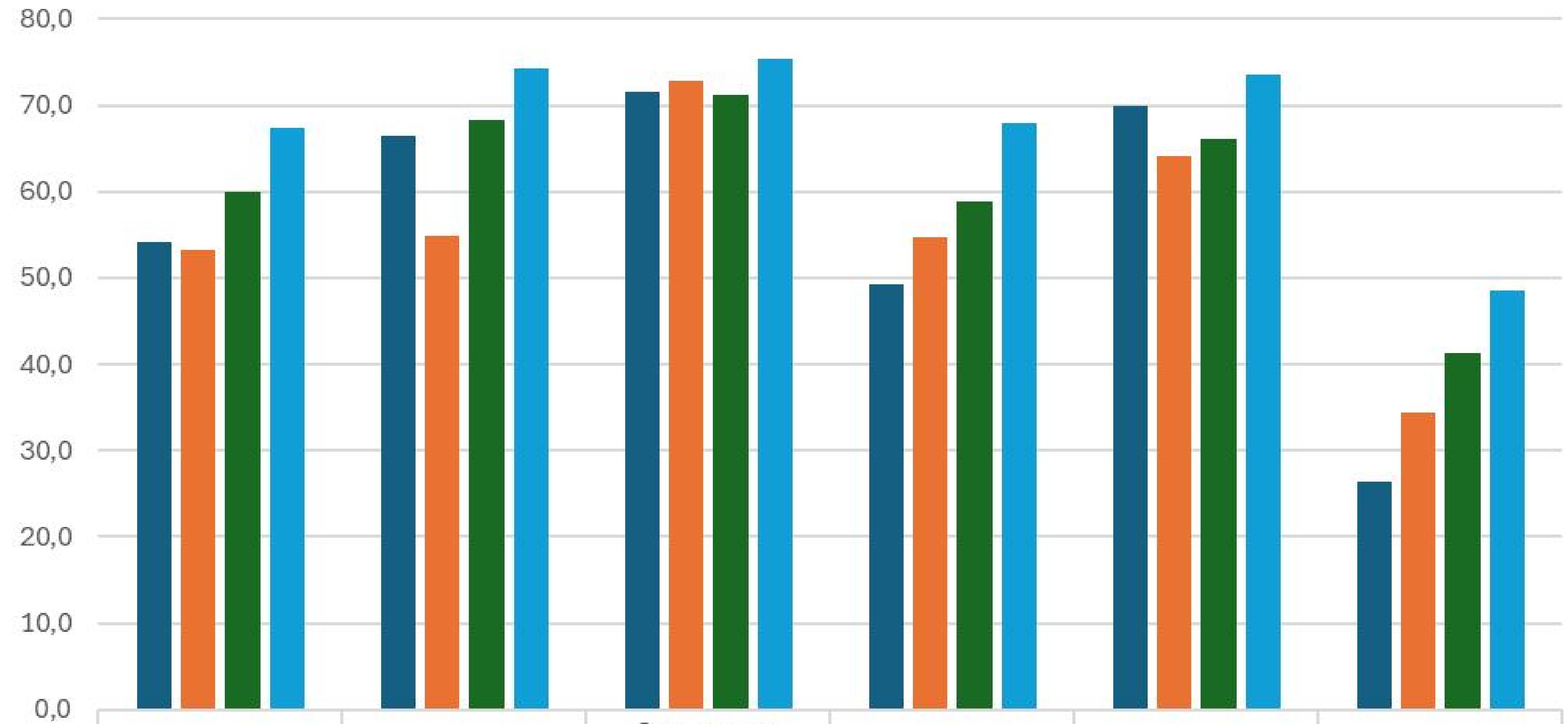
Results of the Institutional Strength Index of Tax Administrations (IFIAT)

- **Results are consistent by level of income, with some caveats**…

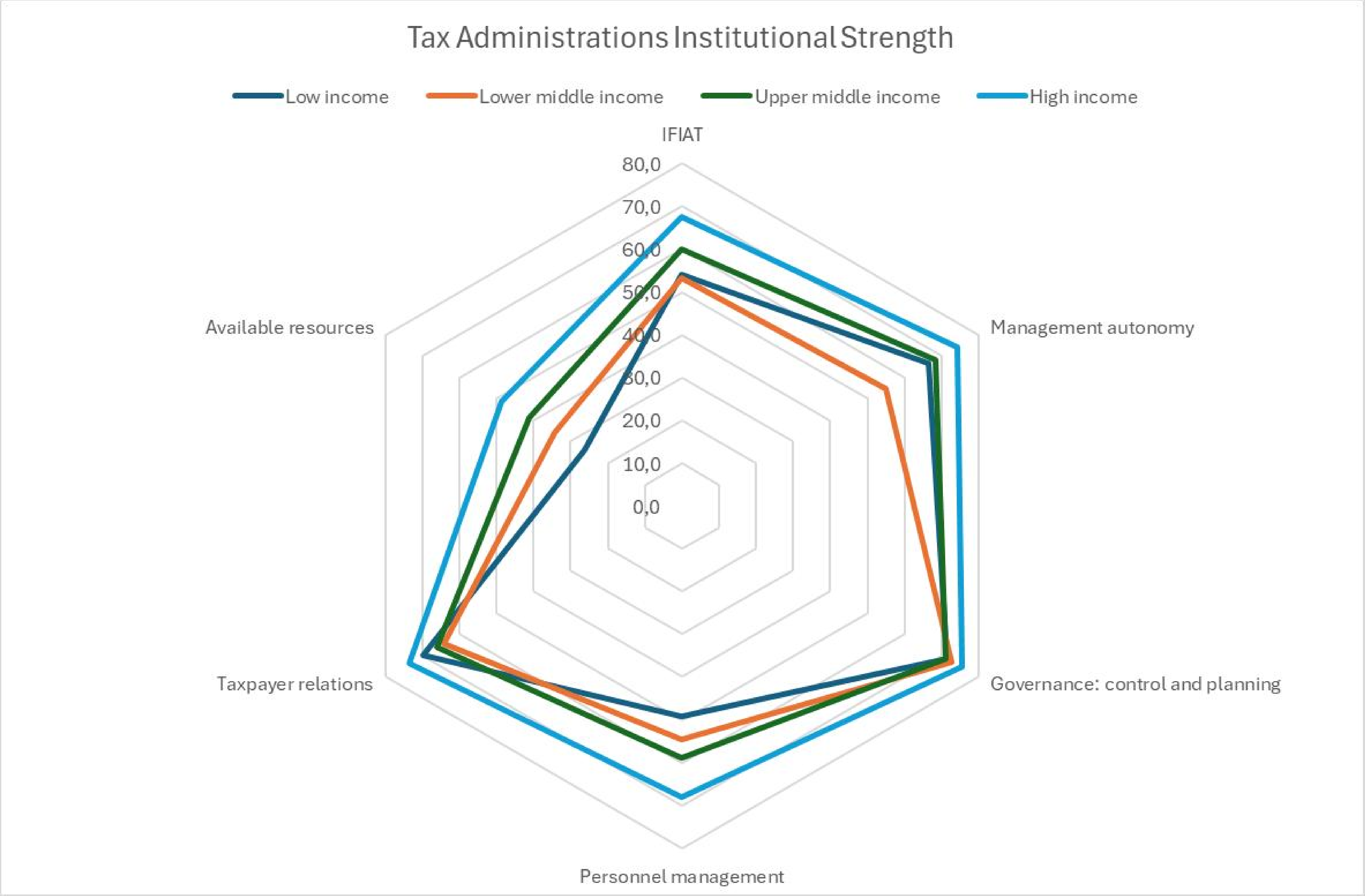
Tax Administrations Institutional Strength



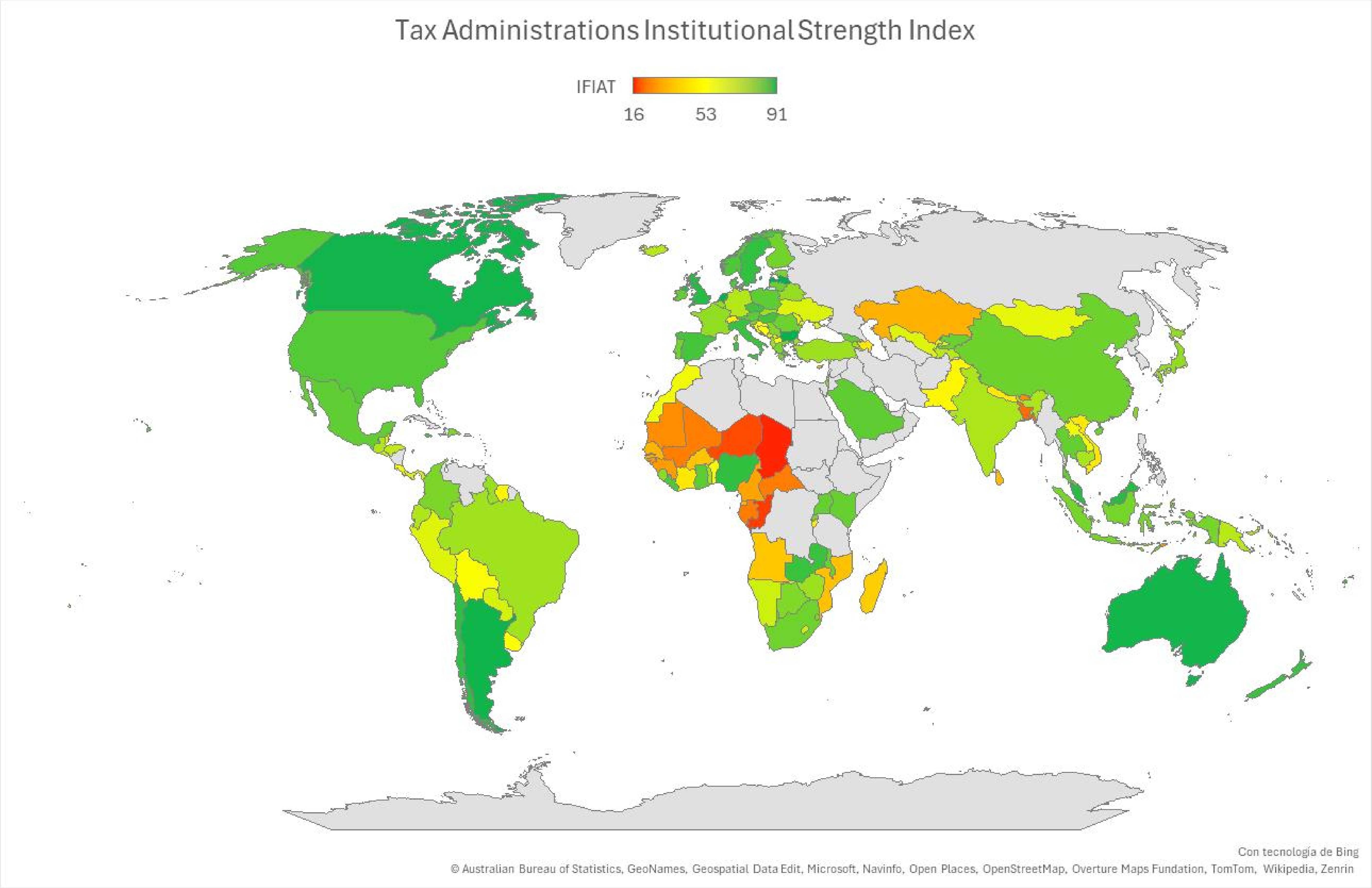
	IFIAT	Management autonomy	Governance: control and planning	Personnel management	Taxpayer relations	Available resources
Low income	54,2	66,5	71,6	49,3	69,9	26,4
Lower middle income	53,2	54,9	72,8	54,7	64,1	34,4
Upper middle income	60,0	68,4	71,3	58,8	66,1	41,3
High income	67,5	74,3	75,4	67,9	73,5	48,6

Low income · Lower middle income · Upper middle income · High income

- **Results are consistent by level of income, with some caveats…**



- **Results are available for nearly all the world**…



- # More in-depth analysis of CIAT countries…

Table 8. Institutional Strength Index of Tax Administrations IFIAT. CIAT country results

IFIAT							
CIAT Country	Value	Ranking (out of 166 countries)	Quartile	CIAT Country	Value	Ranking (out of 166 countries)	Quartile
Angola	45.0	125	C1	**Guyana**	68.6	62	C3
Argentina	88.4	4	C4	**Honduras**	62.2	81	C3
Aruba	61.2	82	C3	**India**	65.4	72	C3
Barbados	72.4	51	C3	**Italy**	82.1	14	C4
Belize	49.9	117	C2	**Jamaica**	80.5	20	C4
Bermudas	29.2	155	C1	**Kenya**	75.6	34	C4
Bolivia	53.7	104	C2	**Morocco**	55.2	101	C2
Brazil	67.1	68	C3	**Mexico**	76.5	29	C4
Canada	88.1	5	C4	**Nigeria**	83.4	10	C4
Chile	83.9	9	C4	**Netherlands**	89.6	3	C4
Colombia	72.6	49	C3	**Panama**	59.1	88	C2
Costa Rica	55.1	102	C2	**Paraguay**	59.3	87	C2
Ecuador	65.0	74	C3	**Peru**	58.1	92	C2
United States	78.3	24	C4	**Portugal**	74.0	41	C4
El Salvador	60.8	83	C3	**Dominican Republic**	72.7	47	C3
Spain	80.7	18	C4	**Suriname**	52.1	110	C2
France	69.3	58	C3	**Trinidad & Tobago**	39.3	138	C1
Guatemala	64.6	75	C3	**Uruguay**	53.3	107	C2

Source: own elaboration

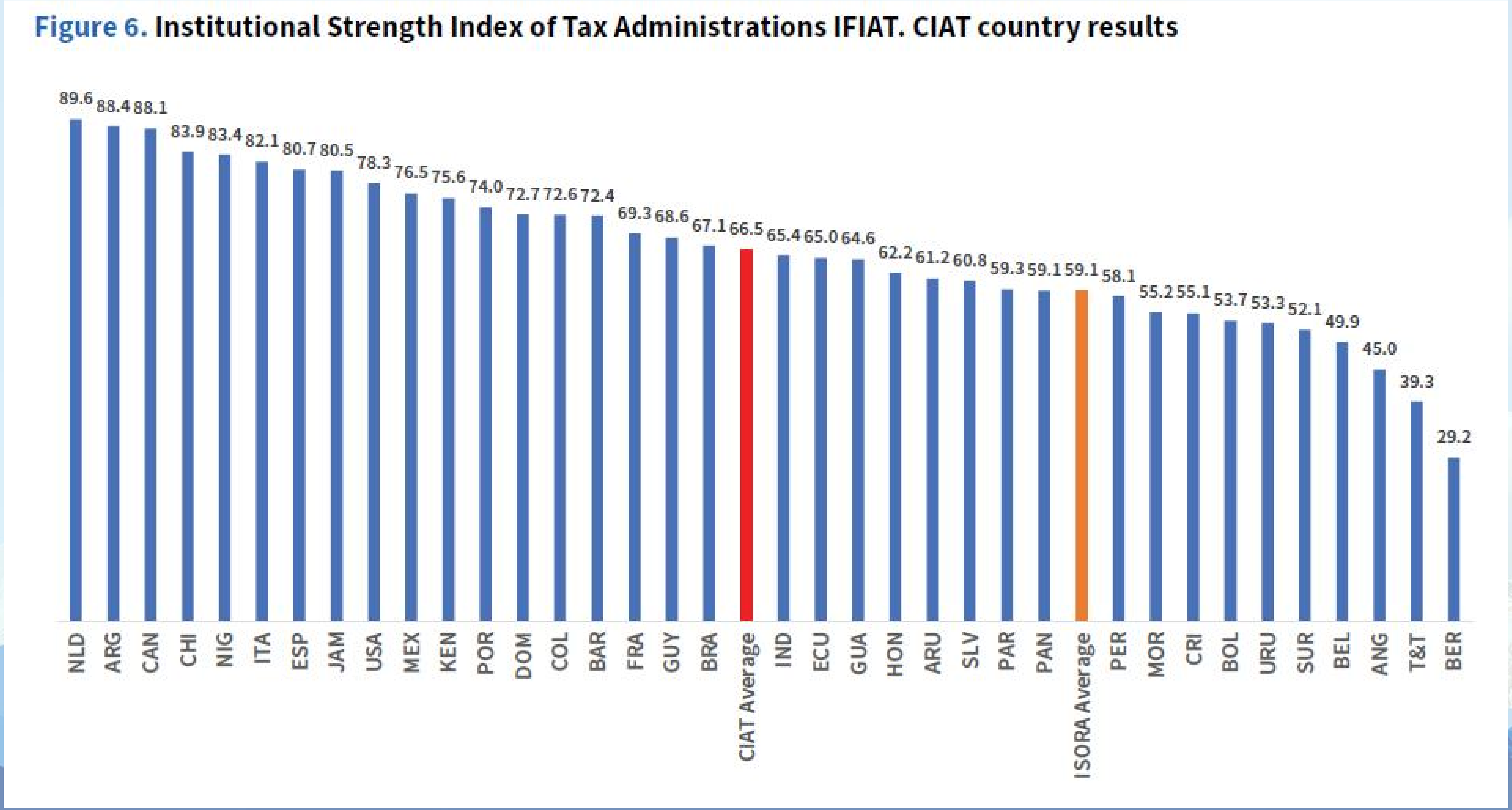
- ## More in-depth analysis of CIAT countries…

Table 9. Position by quartiles of CIAT countries in the Institutional Strength Index of Tax Administrations

Q1	Q2	Q3	Q4
Angola	Belize	Aruba	Argentina
Bermudas	Bolivia	Barbados	Canada
Trinidad and Tobago	Costa Rica	Brazil	Chile
	Morocco	Colombia	United States
	Panama	Ecuador	Spain
	Paraguay	El Salvador	Italy
	Peru	France	Jamaica
	Suriname	Guatemala	Kenya
	Uruguay	Guyana	Mexico
		Honduras	Nigeria
		India	Netherlands
		Dominican Republic	Portugal

Source: own elaboration

- # More in-depth analysis of CIAT countries…



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Final remarks

- **Data allow identification of best practices, self assessment and many other analysis**…

Table 10. Correlation between outcome indicators and the IFIAT

Correlation between IFIAT and	Correlation coefficient
On-time filing rate	33.9%
Ontime payment rate	33.6%
Overdue debt rate	–28.0%

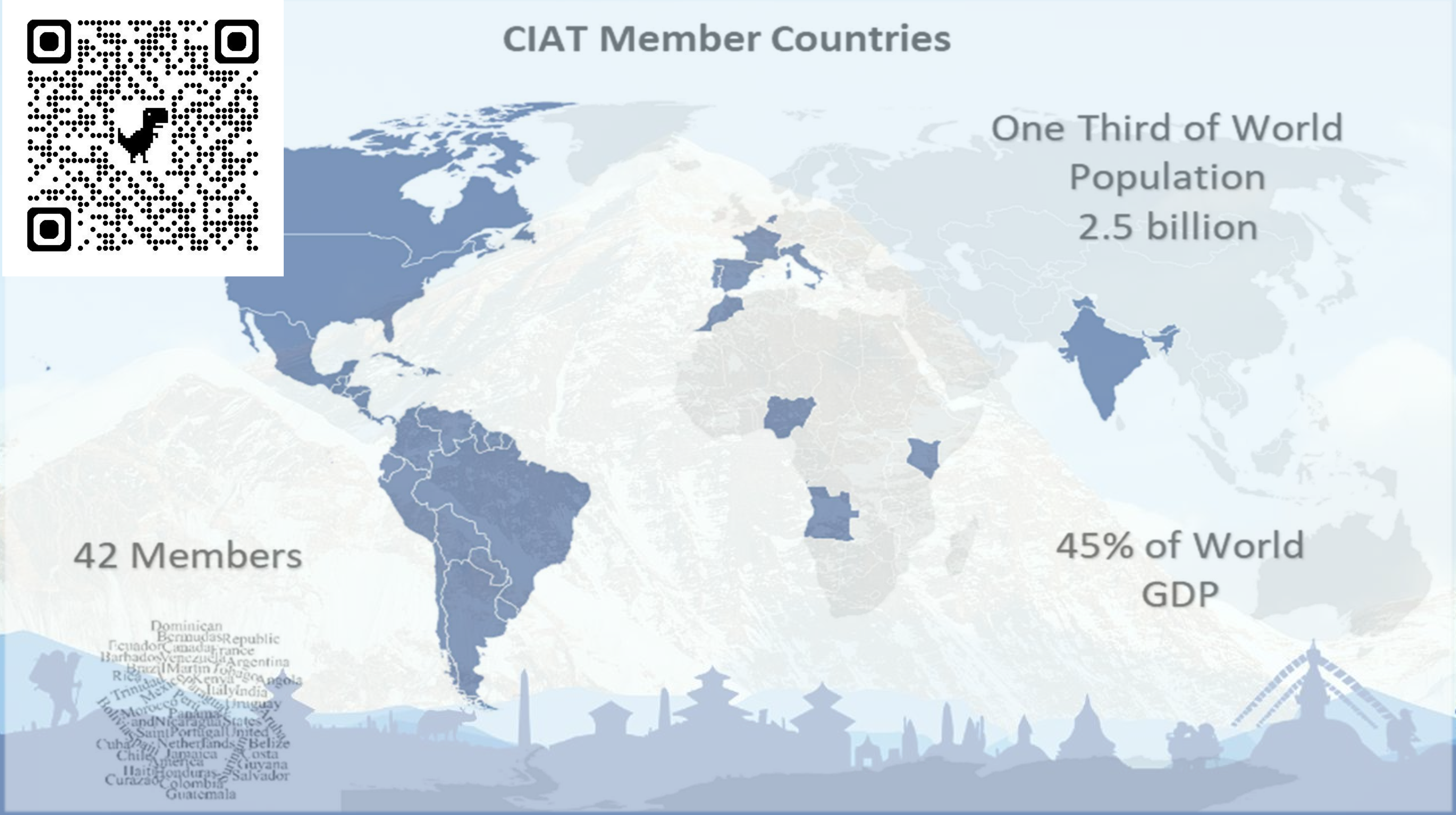
Source: own elaboration

Table 11. Regressions of outcome indicators on the IFIAT

Variable	On-time filing rate		Ontime payment rate		Overdue debt rate	
	Coefficient	tstatistic	Coefficient	tstatistic	Coefficient	tstatistic
GDP per capita	0.0002	4.33	–0.00001	–0.25	–0.000002	–2.74
Index	0.49	3.42	0.56	3.84	–0.0044	–2.00
Constant	29.35	3.17	41.28	3.94	0.67	4.74
R^2	0.28		0.21		0.12	

Source: own elaboration

Thank you



CIAT Member Countries
One Third of World
Population
2.5 billion
42 Members
45% of World
GDP