



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Digital Transformation of Tax Administrations

Virtual Seminar

Presentation on: New Technologies of Digitalization

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Part 01

Background



Compliance Challenges in Revenue Administrations

Tax Compliance Challenges in Developing Countries



01

Voluntary tax compliance is a challenge for most developing countries and one possible determinant of non-compliance has been the complexity of tax systems

02

Lack of adequate knowledge about tax processes and procedures by taxpayers is a major challenge to achieving high compliance level.

03

Limited automation of tax administration processes and transactions

04

Limited knowledge in computer and digitisation in processes that are digital or intended to be digital



Part 02

Role of Technological Solutions in Enhancing Tax Compliance



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Why Digitalise in Tax Administration

- To promote real time cooperation;
- For information management;
- For easy administration;
- To enhance Efficiency;
- To improve taxpayer services;
- To enhance taxpayer trust;
- To inform risk management decisions;
- To enhance compliance.



Part 03

Technological Solutions Implemented at the NRA



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Technological Solutions Implemented at the NRA

- ❑ **ITAS for domestic taxes,**
 - ❖ It is designed to ensure online registration of taxpayers, online filing of tax returns and electronic payment of taxes.
- ❑ **ECR for VAT declarations** —
 - ❖ An electronic fiscal invoicing device system designed for sales data capture and reporting
- ❑ **ASYCUDA World for Customs declaration**
 - ❖ Migrated to ASYCUDA World in January 2019 with the primary motive of facilitating trade.
- ❑ **Customs Electronic Single Window (CESW)** for e-exemptions in March 2021, e-query, interface with SLRSA vehicle slip issuing, interface with terminal operator, and roll out to airport and land borders
- ❑ **Mobile payment App for SMEs**
 - ❖ Mobile payment App is being developed to support payment of taxes in a much simpler and less costly manner which should appeal to SMEs.
- ❑ **Automating payment for NTR collection**
 - ❖ A similar electronic payment system is being developed for capturing the payment of licenses fees, fines and levies in the context of Non-Tax Revenues



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Other Avenues of Digital Tax Reforms for Tax Compliance

❑ Digitalising registration of informal taxpayers

- ❖ Use of Computer Assisted Personal Interviewing (CAPI) tools to register new taxpayers and verify existing ones (as in Block Registration Exercise)

❑ Digitalising tax education and communication through

- ❖ Digital screens to display animation of tax compliance messages (planned)
- ❖ Digital contact channels (call centre, online, emails, sms, digital assistance, social networks, webinars)
- ❖ In the context of the COVID-19 pandemic, digital platforms to taxpayer contact and education are critical for any tax administration.



Part 04

Other Technological Solutions used by Other Tax Administrations



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Case studies of technological solutions utilised by other Tax Administrations

- ❖ *Africa Tax Administration Forum (ATAF)* has in June 2021 Launched the Guide to enhancing the efficiency of ICT systems in tax Administrations aimed at enhancing the use of technology and digitalisation to improve revenue administration and service delivery.
- ❖ *South Africa Revenue Service (SARS)* - use of data factory and analytics and this enterprise data management initiative was integrated in their Strategic objectives. Their data factory feeds from internal revenue system and external sources and is the basis for advanced data analytics function.
- ❖ *Mauritius* - use of Integrated systems for domestic tax and customs administration and the integration of these systems internally and externally. Now working on Konstanz Information Miner system used for data pre-processing, analysis, modelling and visualisation.
- ❖ *Kenya* - Implemented the iTax system which integrates domestic taxes and interfaces with business intelligence system to inform compliance management and risk analysis using data generated from the system. The system is also to be integrated with the new VAT automation system for sales invoices.
- ❖ *Sierra Leone* on the verge of having a combined utilisation of the case studies in all three countries once we conclude the integration of the customs and DTD systems, complete the data warehouse system as a central repository of all data from within and outside and centralise and capacitate data analytics functions.



Part 05

Challenges and Lessons of digitalising Tax Compliance



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Challenges

Balancing reforms and short-term pressures of revenue collection

ONE

Data availability and quality challenges

TWO

Change Management (Resistance to reforms from the taxpayers, but also sometimes from staff)

THREE

Limited Capacity of tax officials in implementing these novel reforms

FOUR



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Lessons in Implementing Technological Solutions

❑ Technology is the way forward for building resilience in tax administration

ONE

❑ The CoVID-19 pandemic has clearly demonstrated the need for digital platforms for continuity in provision of tax administration services to cater for efficiency and revenue generation needs amid the pandemic

TWO

❑ Every digitalisation strategy should achieve efficiency in tax administration and balance on economic growth

THREE



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Lessons in Implementing Technological Solutions

- ❑ Tax administrations should make use of the big data derived from the technological solutions rolled out and these should be appropriately utilised to enhance compliance, risk strategies and decision making
- ❑ Providing security of ICT solutions is critical (security policies, business continuity policy and plans, back-up systems and disaster recovery sites)

FOUR

FIVE



Part 06

Conclusion



Conclusion

- ❑ Technological solutions are increasingly being deployed by tax administrations world wide for several reasons related to improving the efficiency of administration, compliance enhancement and revenue mobilisation.
- ❑ Sierra Leone, just as with many aspiring Revenue Authorities, has been implementing ICT revenue systems solutions with the aim of enhancing tax compliance and sustainably increase revenue collection.
- ❑ Because many of these solutions are only now being rolled out by most tax administrations in developing countries, there has been less cases of evaluation of these system with respect to enhancing tax compliance and
- ❑ We are hopeful, whilst awaiting the results of the evaluations, that tax compliance and ultimately revenue collection will be significantly enhanced on full implementation of these solutions across tax administrations.



Conclusion

- ❑ The future of technological solutions to tax administrations is bright and must be the way forward.
- ❑ However, Tax administrations should be cautious of the important lessons to adopt as they roll out these technological reforms if they are to realise their full benefits



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THANKS

