

COVID-19: REVENUE ADMINISTRATION IMPLICATIONS

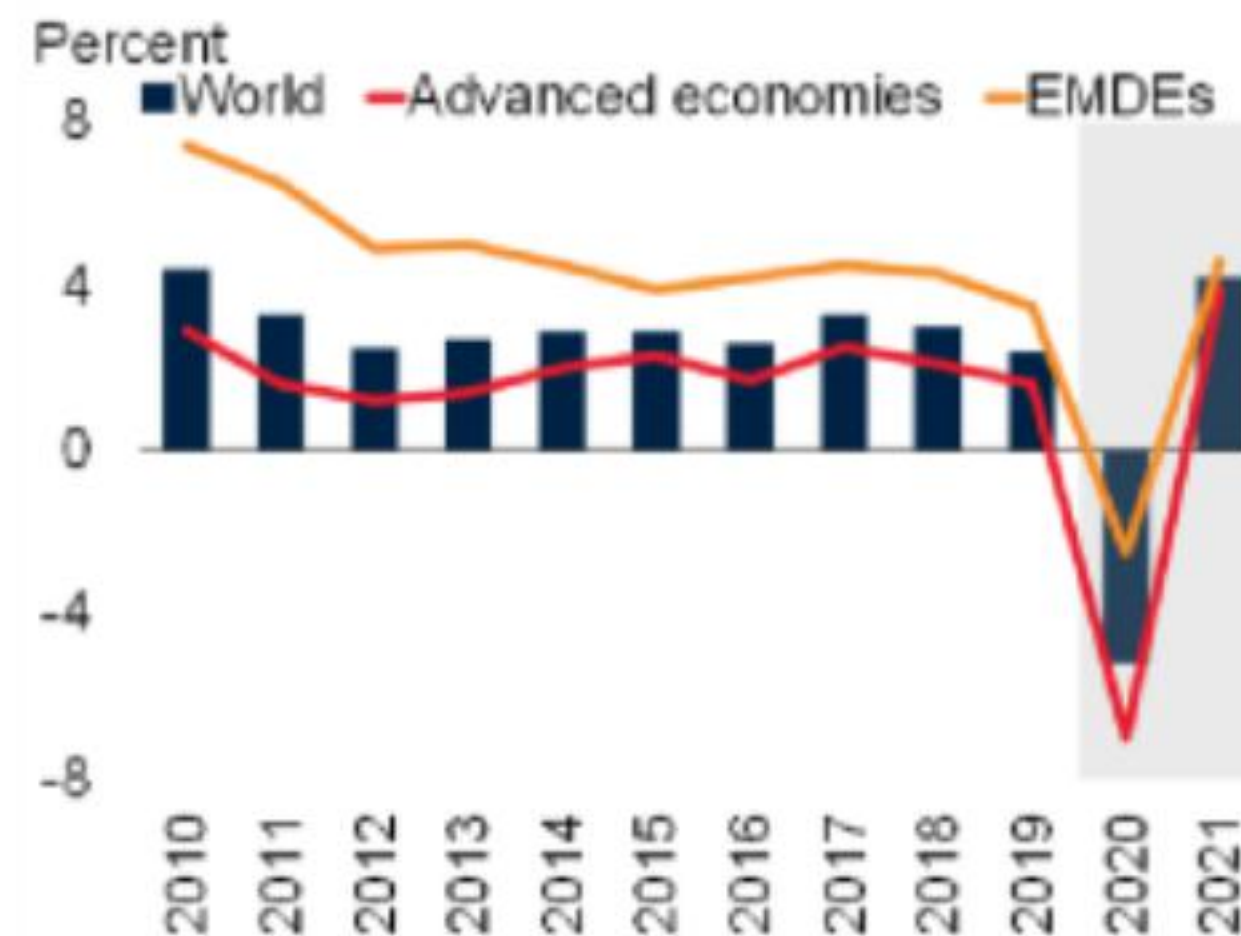
Business Continuity

30 July 2020

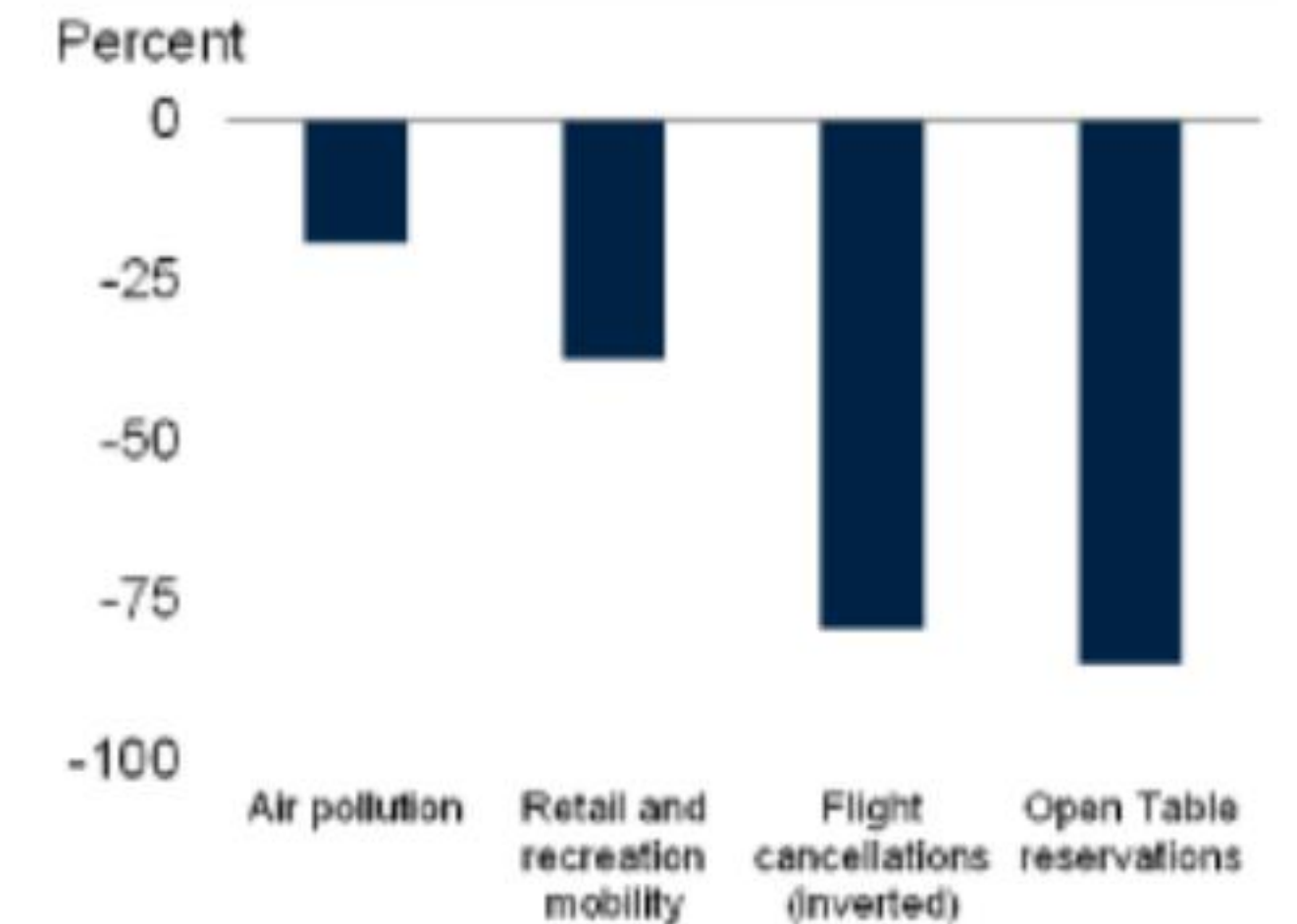
THE GLOBAL ECONOMY IS IN A RECESSION

- World Bank baseline forecast envisions a **5.2% contraction in global GDP** in 2020 and 2.5% among emerging market and developing economies (EMDEs)
- Significant **downside risks** remain, if crisis is protracted or financial stress triggers cascading defaults
- Per capita incomes in the vast majority of EMDEs are expected to shrink, tipping many **millions back into poverty**
- The pandemic highlights the **urgent need for health and economic policy action**—including global cooperation—to cushion its consequences and protect the vulnerable

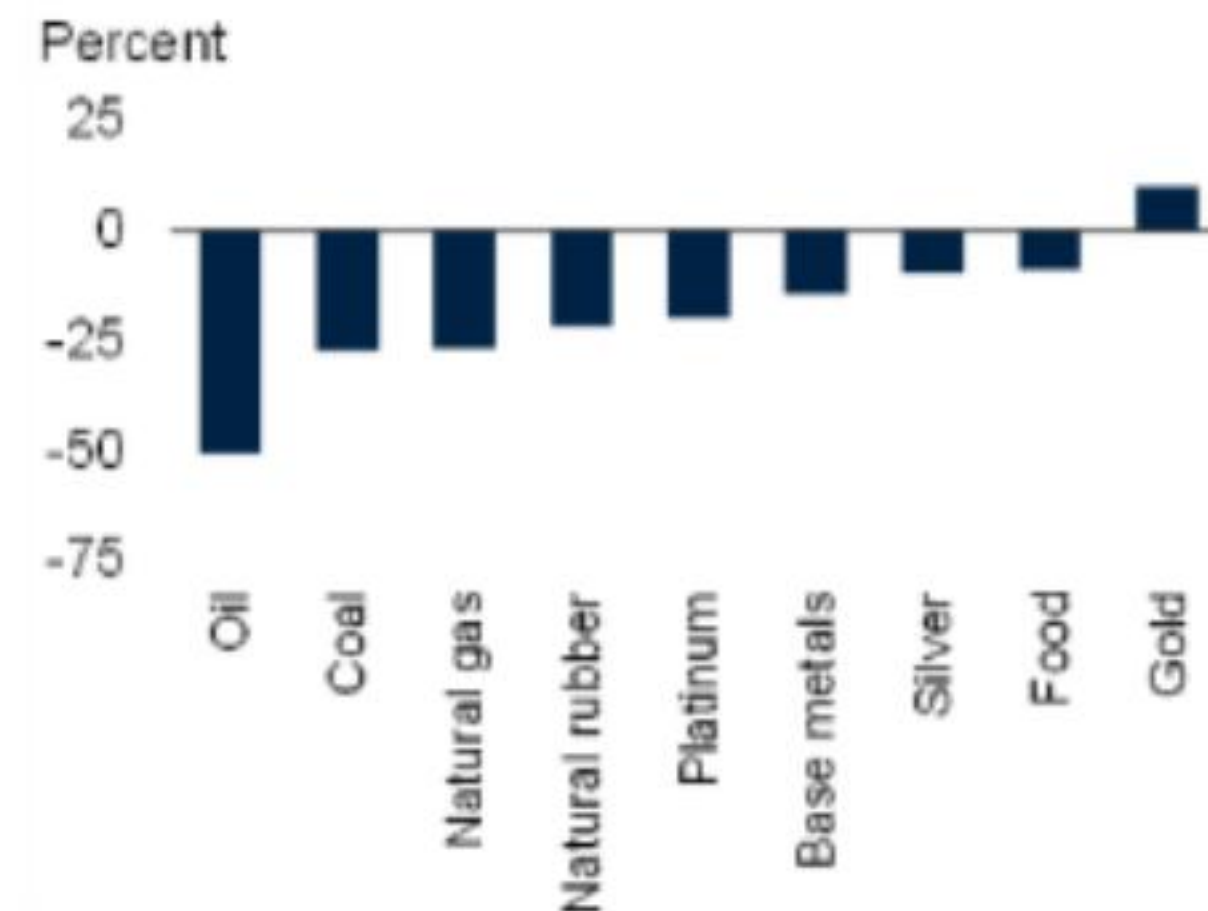
Global Growth



Change in Global Activity Indicators (2020)



Commodity Prices Since January 2020



Shares of Economies in Recession 1871-



REVENUE ADM.'S ARE IN THE FRONT LINE

The pandemic has exposed the limitations of government responses in both developed and developing countries. To ensure business continuity in a containment phase, it is essential to react as fast as possible in order to mitigate risks and to prepare the administration for the further threats, which takes place in the stabilization phase.

PHASE 1. CONTAINMENT

The immediate crisis response to soften the economic downturn and protect businesses, jobs and citizens more broadly from undue economic hardship.

01

02

PHASE 3. STABILIZATION

Measures aiming to resilience and sustainability as the economic situation stabilizes and attention can turn to applying lessons from the crisis and the need for sustainability.

03

PHASE 2. RECOVERY

Recovery measures as the health situation stabilizes but the economy is yet to regain its footing.



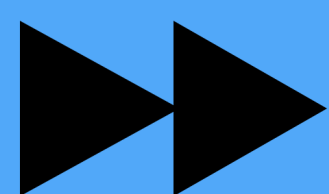
ALLEVIATION OF CASH FLOW TO ENTITIES

To businesses and individuals, in particular SMEs.



MONITORING COMPLIANCE RISKS

Monitoring compliance risks and key variables - increase in tax arrears, etc.



BUSINESS CONTINUITY PLAN

Ensure safety of the workforce, shift to digital.



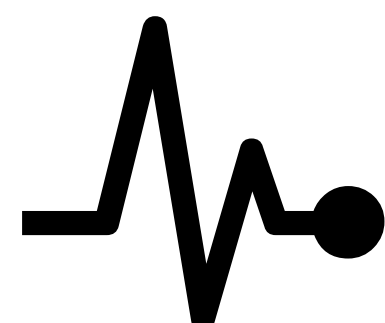
CREATION OF A TASK FORCE

Institutional capacity of revenue bodies to respond to this crisis.



COMMUNICATION STRATEGY

Regular and timely communication to inform stakeholders regarding response measures .



PLANNING & MONITORING

Action plans and effective monitoring of these plans.

I. CONTAINMENT PHASE

The immediate crisis response to soften the economic downturn and protect businesses, jobs, and citizens more broadly from undue economic hardship.



2.1. REVENUE FORECASTING AND BUDGETING

Estimate cost of restarting the economy.



2.2 TARGETED TAX INCENTIVES

Support to identify and implement targeted tax incentives to key economic sectors.



2.3 SIMPLIFICATION OF REGULATION AND PROCEDURES

Simplification of tax processes and procedures; improved trade facilitation conditions.

II. RECOVERY PHASE

Recovery measures as the health situation stabilizes but the economy is yet to regain its footing.

2.4 STRENGTHEN TAX COMPLIANCE STRATEGIES

Revised compliance strategies to contain the growing risk of non-compliance associated by the economic downturn.



2.5 PRIORITIZE AUTOMATION ENHANCEMENTS

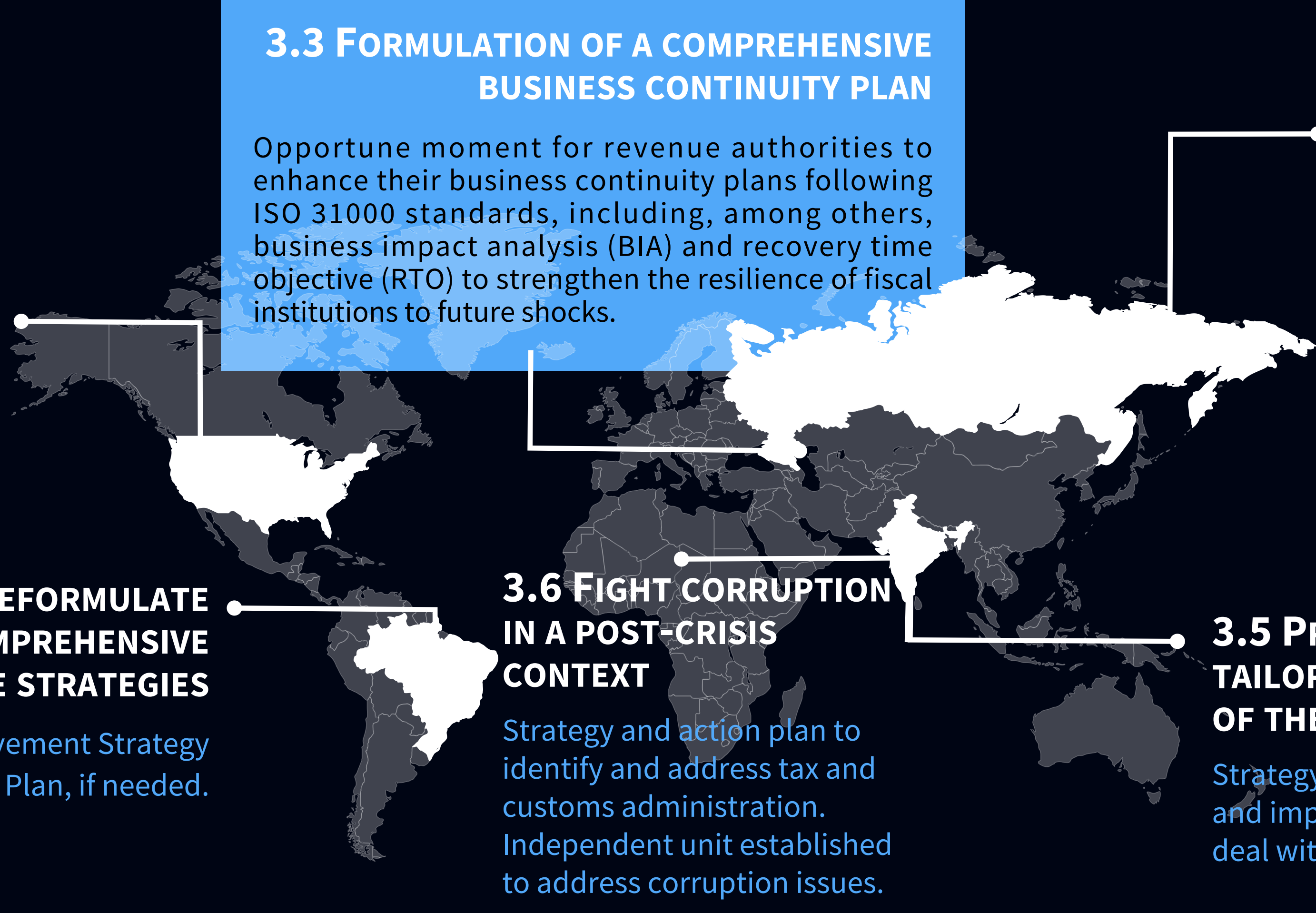
Extend the scope of e-filing/e-payment to reduce administrative costs and interaction cases with taxpayers and trade entities.



2.6 SEEK WB OPERATIONAL SUPPORT

To accelerate implementation of an effective compliance risk management framework, streamlining core business processes, etc.





3.1 MONITOR AND EVALUATION OF THE EFFECTIVENESS OF THE TAX RELIEF PACKAGES

Evaluation of the effectiveness of the COVID-19 relief measures.

3.2 REFORMULATE COMPREHENSIVE COMPLIANCE STRATEGIES

Revised Compliance Improvement Strategy and Corporate Strategic Plan, if needed.

3.3 FORMULATION OF A COMPREHENSIVE BUSINESS CONTINUITY PLAN

Opportune moment for revenue authorities to enhance their business continuity plans following ISO 31000 standards, including, among others, business impact analysis (BIA) and recovery time objective (RTO) to strengthen the resilience of fiscal institutions to future shocks.

3.4 STRENGTHEN VAT MANAGEMENT

Strategy and action plan for strengthening VAT management (e.g. design of administrative measures to ease registration, filing, and payment and refund).

3.6 FIGHT CORRUPTION IN A POST-CRISIS CONTEXT

Strategy and action plan to identify and address tax and customs administration. Independent unit established to address corruption issues.

3.5 PRIORITIZE MEASURES TAILORED FOR THE TAXATION OF THE DIGITAL ECONOMY

Strategy and action plan for design and implementation of measures to deal with the digital economy.

III. STABILIZATION PHASE

Measures aiming at resilience and sustainability as the economic situation stabilizes and attention can turn to applying lessons from the crisis and the need for sustainability.

BUSINESS CONTINUITY MANAGEMENT (COVID-19)

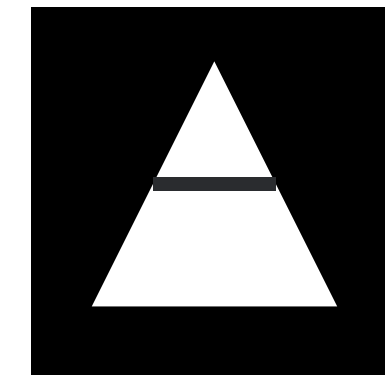
Business Continuity Management (BCM) seeks to ensure that all critical processes in an organization are available at all times to tax and customs officials, taxpayers, trade partners and other entities that must access them. Therefore, it supports the organization to create Continuity Strategies to recover critical processes and continue them in the event of an interruption or disaster.





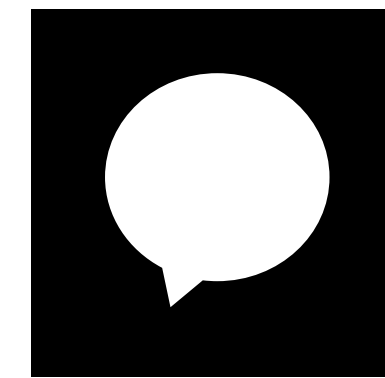
IMMEDIATE RESPONSES

The objective is to ensure the operation of critical systems after a disruptive event such as the COVID-19 pandemic.



CRISIS MANAGEMENT

Deploy the digital tools necessary for the senior management team to work together remotely and to manage the intense pressure across many issues from the political level, line managers, staff, and taxpayers.



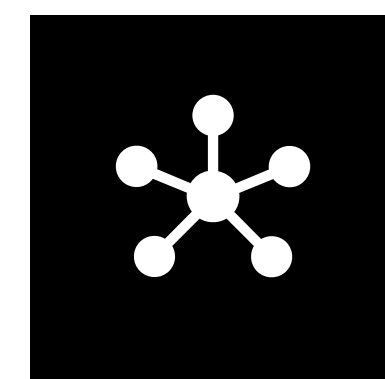
COMMUNICATIONS

Use social media to coordinate between employees, taxpayers, and trade partners. Provide FAQs and training resources for employees and taxpayers moving online. Create an internal communications plan to communicate the business continuity plan and changes to those who need to know.



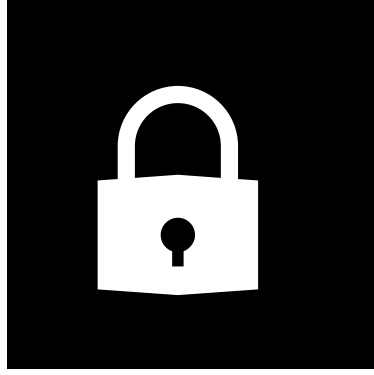
REMOTE WORK

Ensure staff can communicate through audio/video with each other from home; have email access; and can use key business applications and shared drives.



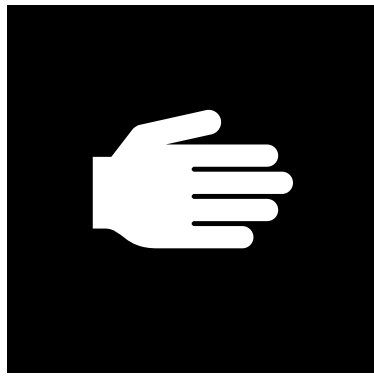
INFRASTRUCTURE

Issue laptops, printers, etc. to mission-critical personnel. Assess whether existing IT infrastructure can support the increase in remote work. Clean data centers using approved disinfectants and establish work place health protocols.



SECURITY

Utilize Virtual Private Networks to secure communications. Consider two-factor authentication for remote work.



SUPPORT

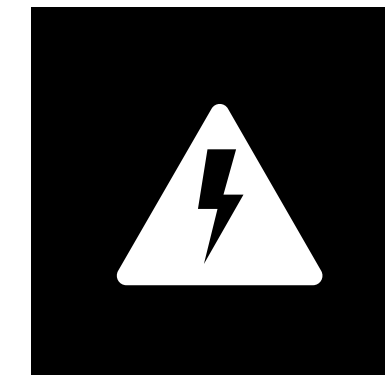
Create a Virtual Support Desk system to support taxpayers and trade partners. Establish procedures to manage and control support personnel that operate remotely. Advertise where employees, taxpayers, and trade partners can go for technical support.





FOLLOW-ON RESPONSES

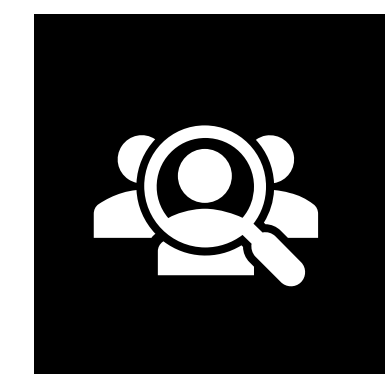
In the second wave of responses, tax administrations should reassess the compliance and information security risks and recalibrate their compliance and HR approaches.



RISK ASSESSMENT

The current crisis will change the risk environment for many tax administrations:

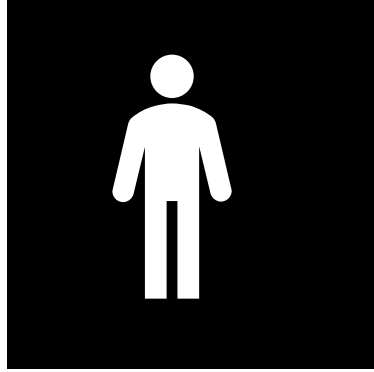
- Taxpayers under financial pressure may be tempted to not comply (e.g., claiming employees are furloughed when they in fact are working or not submitting tax returns when required to do so)
- Increase in errors as a consequence of recent changes in tax policies and administration
- Ineligible beneficiaries receiving funds from the tax administration
- Fewer employees are available to conduct compliance monitoring and auditing
- Lack of sufficient data to identify the new risks and allocate resources accordingly



COMPLIANCE

In response to the crisis, tax administration should consider:

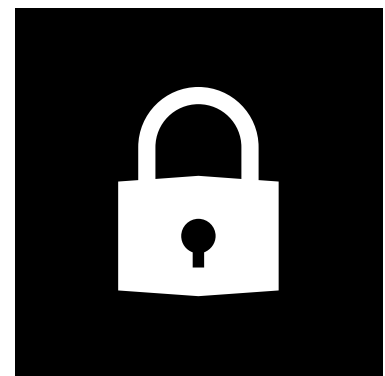
- Devoting more resources to interrogate risk data
- Reallocating resources towards new, and higher risk areas
- Shifting from on-site to off-site audits
- Etc.



HUMAN RESOURCES

The large-scale shift towards remote work poses particular HR challenges, e.g:

- Temporary re-assignment of personnel to different roles or institutions to fill urgent needs
- Keeping staff working from home motivated
- Instituting check-ins and recalibrating performance management
- Training staff to take on new functions



INFORMATION SECURITY

The move of staff from tax administrations offices to their homes increase information security risks. The tax administration should consider:

- Ensuring the physical security of tax administration offices
- Strengthening detection controls for phishing and malware
- Addressing the lack of physical security of remote computers, e.g., by enhancing the monitoring of remote PCs
- Conducting information security awareness training
- Assessing risks of inappropriate disclosure of personally identifiable information on remote PCs



5 KEY SUCCESS FACTORS

Where e-tax platforms were operational, the negative impact of COVID-19 on revenues was not a function of administrative factors but restricted to the economic conditions such as sharp declines in consumption (impacting VAT), increases in unemployment (impacting PIT and PAYE), and fall in profits (ultimately reducing CIT).

- 1. INTERNET-BASED COMPLIANCE AND PAYMENT SYSTEMS**
- 2. EFFECTIVE BUSINESS CONTINUITY PLANS**
- 3. SWIFT MANAGERIAL CRISIS-RESPONSE**
- 4. INFRASTRUCTURE ENABLING REMOTE WORK**
- 5. DATA TO INFORM RISK BASED COMPLIANCE AND MGT.**



POLAND

- TAX ADMINISTRATION ASSESSMENT
- CUSTOMS ASSESSMENT
- IT GOVERNANCE DIAGNOSTIC
- COVID19-MEASURES
- STRESS TEST (TAX & CUSTOMS)
- BUSINESS CONTINUITY PLAN

NORTH MACEDONIA

- WORKING-SESSION WITH MINISTER OF FINANCE TO DISCUSS COVID-19 MEASURES
- ON-GOING TAX ADMINISTRATION ASSESSMENT

AZERBAIJAN

- COVID-19 MEASURES
- ON-GOING TAX ADMINISTRATION ASSESSMENT
- ASSISTANCE IN THE DEFINITION OF CUSTOMS CODE. (UNDERSCORING RISK ANALYSIS DURING RECOVERY PHASE)

UZBEKISTAN

- TAX ADMINISTRATION ASSESSMENT
- CUSTOMS ASSESSMENT
- COVID19-MEASURES
- STRESS TEST (TAX & CUSTOMS)
- BUSINESS CONTINUITY PLAN
- STARTING DRM PROJECT (AUTOMATION OF TAX ADMINISTRATION)

TAJIKISTAN

- ASSISTANCE IN TAX REFORMS (TAX CODE) INCLUDING COVID19 ELEMENTS AND INCOME PROJECTION & IMPACT ANALYSIS
- COVID19-MEASURES
- STARTING DRM PROJECT
- TA: REFORMULATION OF COMPLIANCE STRATEGIES, E-TAX ADMINISTRATION

EXAMPLES OF WB SUPPORT TO TAX ADMINISTRATIONS

PROSPERITY COLLABORATIVE

The Collaborative has been founded by the World Bank, MIT, EY, New America, and Boston Global Forum to advance digital technologies in tax administrations.

Discussions have been initiated with other potential members, including governments, universities, and technology firms.

Vision

Tax Administrations must play a central role in the new economy as governments' "data warehouse" on economic information and business intelligence.

Tax information is critical for, e.g.:

- modeling tax and other economic policies
- identifying vulnerable groups for inclusion in recovery programs
- monitoring the health of small and medium-sized enterprises
- verifying eligibility under social programs
- detecting labor market violations and terrorism financing

Business Lines

- Executive Leadership Program on Tax and Digital Transformation for governments
- Hands-on support to tax administrations on analytics (e.g., advanced statistics and artificial intelligence)
- Mechanism for funding digital public goods for tax administrations

GOVERNMENTS INTERESTED IN KNOWING MORE ABOUT THE INITIATIVE SHOULD CONTACT THE WORLD BANK, FISCAL POLICY AND SUSTAINABLE GROWTH UNIT:

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TAX ADMINISTRATION AND CUSTOMS PRIORITY MEASURES

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