A COMPARATIVE ANALYSIS OF TAX ADMINISTRATION IN ASIA AND THE PACIFIC

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Abstract

A robust and sustainable tax system requires good tax administration. This report compares the administrative frameworks, functions, and performances of revenue bodies in 22 economies in Asia and the Pacific. The descriptive analysis is based on surveys of revenue bodies conducted in 2012 and 2013. The surveys are an attempt to provide internationally comparable data on aspects of economies' tax systems and their administration that can be used in empirical analysis. The comparative analysis offers some tentative conclusions to help governments identify opportunities for enhancing the functioning of their tax systems.

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Abbreviations

ADB	–	Asian Development Bank
ATO	–	Australian Taxation Office
DGT	–	Directorate General of Taxes, Indonesia
GDP	–	gross domestic product
GST	–	goods and services tax
HNWI	–	high net worth individual
ICT	–	information and communication technology
IRAS	–	Inland Revenue Authority of Singapore
IRC	–	Internal Revenue Commission, Papua New Guinea
MIRA	–	Maldives Inland Revenue Authority
MOF	–	Ministry of Finance
OECD	–	Organisation for Economic Co-operation and Development
SAT	–	State Administration of Taxation of the People's Republic of China
VAT	–	value-added tax

Executive Summary

A robust and sustainable tax system requires good tax administration. This report compares the administrative frameworks, functions, and performances of revenue bodies in 22 economies in Asia and the Pacific. The descriptive analysis is based on surveys of revenue bodies conducted in 2012 and 2013. The surveys are an attempt to provide internationally comparable data on aspects of jurisdictions' tax systems and their administration. Some tentative conclusions emerge from the comparative analysis.

Revenue bodies' survey responses suggest that the degree of autonomy given by governments to tax administrations to carry out their functions varies across the region. Australia, New Zealand, Papua New Guinea, and Singapore have the most independent tax administrations, with autonomy in human resources management, budget, and internal organization. A number of revenue bodies in the region can be classified as a directorate within the Ministry of Finance with limited autonomy. Increasing those revenue bodies' autonomy may help enhance their effectiveness and efficiency. Autonomy protects from political interference in day-to-day operations and gives tax administrations the flexibility in policy choices that they need to be able to respond to the rapidly changing challenges they face. Any extensive reforms, however, of the institutional arrangements between revenue bodies and ministries of finance cannot be carried out by the revenue body on its own, but require working with the government, civil service systems, and other public sector departments.

Effective human resources management is a key requirement for tax administrations where people are the most important enablers to carry out their main mandate, which is to collect tax revenue. Moreover, the environment in which tax administrations operate is rapidly changing with rising complexity of tax rules, increasing globalization and international transactions, and growing demands and expectations from taxpayers in terms of service delivery and law enforcement. Revenue bodies require an adequate level of staffing of motivated, well-trained professionals with high integrity. Some revenue bodies, such as in Cambodia, India, Indonesia, the Philippines, and Myanmar, seem to be underresourced and understaffed in proportion to the size of their populations. Moreover, the survey results suggest that some revenue bodies spend relatively few resources on human resources management, and performance management systems are lacking in a number of jurisdictions.

The allocation of staff resources by function varies across revenue bodies. A large proportion of staff resources are dedicated to verification and account management activities. Tax debt collection, another key compliance function of tax administrations, shows clear differences between Organisation for Economic Co-operation and Development (OECD) and developing economies with respect to the accumulation of tax arrears (i.e., unpaid taxes) and tax administrations' arrears collection performance. Tax arrears tend to be a more frequent occurrence in developing economies than developed countries, reflecting lower enforcement capacity by tax administrations and taxpayer compliance. Collecting unpaid taxes is a difficult task for any tax administration, and helping taxpayers meet their obligations to avoid the occurrence of tax debt and assisting those who have accumulated liabilities to manage their debt are strategies for tax administrations to consider.

The majority of revenue bodies surveyed (16 out of 22) has a large taxpayer unit focusing on the tax affairs of large enterprises. Myanmar and Papua New Guinea currently do not have such units, but each is considering setting up one. A substantial portion of tax revenue is raised from large corporations, and having a team dedicated to large taxpayers can help improve the efficiency and effectiveness of tax administrations. A small number of revenue bodies also have a unit specializing in high net worth individuals (HNWIs), who tend to have complex tax affairs and the tools and means for tax planning. Personal income tax collection remains low in some of the economies surveyed despite a rapidly rising number of HNWIs in the region. Tax administrations could consider setting up a HNWI unit to help with the collection of personal income taxes if they currently do not have such a unit.

Information and communication technology (ICT) is another important aspect for tax administrations. It is a significant component of the overall expenditure budget for several revenue bodies, but ICT costs as a percent of total expenditures are relatively low in some countries (e.g., Indonesia, the Kyrgyz Republic, and Malaysia). ICT offers electronic taxpayer services, which can significantly reduce administration costs and taxpayer compliance costs. Availability and penetration rates of electronic filing systems vary among jurisdictions. In developing countries, while there are challenges to expand the usage of electronic filing, for example, because of the limited availability of internet access for individuals, there probably is scope for expanding electronic filing by companies for corporate income and value-added taxes.

Regarding tax payments, either internet banking or direct debit via bank accounts is available in 16 jurisdictions. Some revenue bodies still offer traditional payment methods such as in-person payment at tax offices, which are costly to provide. A shift to electronic tax payment methods would help reduce tax administration costs and the scope for bribery and corruption, which is substantially higher with in-person payments at tax offices. Moreover, some revenue bodies (12 out of 22) have started to use social media platforms such as Facebook, Twitter, and YouTube to provide information and interact with taxpayers. While the use of social media platforms is still limited, they could become an effective communication tool for tax administrations, and future developments are expected in this area.

With respect to the protection of taxpayer rights, administrative review processes are generally available in the jurisdictions surveyed, but the details of the review structure and the division of labor between the administrative branch and the judicial branch vary across jurisdictions. Ten out of the 22 revenue bodies surveyed have a second administrative review system where an objection once examined by the tax administration section can be reviewed again at the administrative level. A key direction for better dispute resolution systems is to strengthen the independence of review institutions from the tax authorities.

Compared with OECD countries, where there has been a growing trend toward integrating various government services and functions, revenue bodies in Asia and the Pacific have limited nontax functions, such as the collection of customs and social security contributions. Given economies' limited fiscal resources and tax administrations' know-how, office network, and human resources dedicated to collection operations, a similar trend is expected to emerge in Asia and the Pacific.

Finally, many factors influence the functioning of tax administrations, and the next step is to use the data collected from the surveys of revenue bodies in the region and OECD countries to determine which factors have a statistically significant influence on revenue bodies' performance.

I. Introduction

The primary purpose of taxation is to raise revenue to finance government expenditure. With stable tax revenue, governments are able to provide a wide range of public goods and services such as maintaining security; constructing infrastructure; and providing education, health systems, and social safety nets. Robust and sustainable tax collection requires good tax administration. This report analyzes the administrative frameworks, functions, and performances of revenue bodies to help governments identify opportunities for enhancing the functioning of their tax systems.

The analysis is based on surveys of revenue bodies conducted in 2012 and 2013. Twenty-two economies in Asia and the Pacific are included in the study: Australia; Brunei Darussalam; Cambodia; the People's Republic of China (PRC); Hong Kong, China; India; Indonesia; Japan; the Republic of Korea; the Kyrgyz Republic; the Lao People's Democratic Republic; Malaysia; the Maldives; Mongolia; Myanmar; New Zealand; Papua New Guinea; the Philippines; Singapore; Taipei,China; Tajikistan; and Thailand. Survey data for Australia; the PRC; Hong Kong, China; India; Indonesia; Japan; the Republic of Korea; Malaysia; New Zealand; and Singapore are based on the Organisation for Economic Co-operation and Development (OECD) comparative information series, *Tax Administration 2013* (OECD 2013). Data for the remainder of the economies were obtained from a survey conducted by the Asian Development Bank (ADB) in 2013. The ADB survey employed an abbreviated version of the OECD questionnaire. The OECD's Centre for Tax Policy and Administration assisted in survey planning, data provision, and draft reviewing.

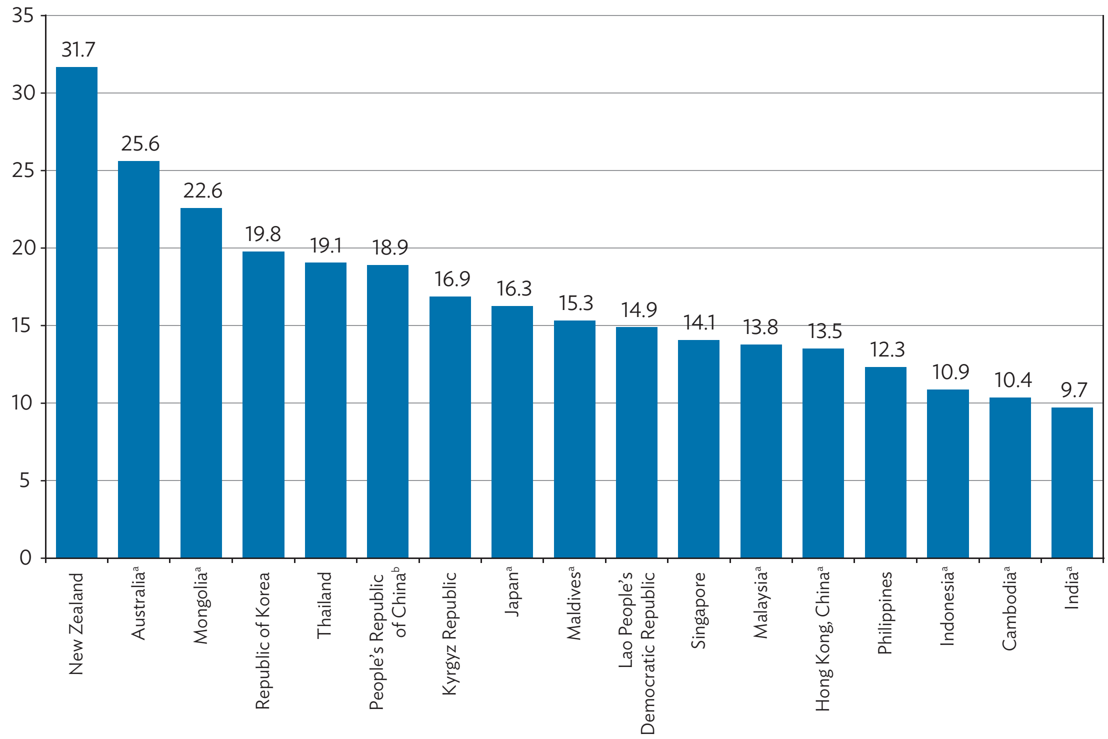
The surveys are an attempt to provide internationally comparable data on aspects of jurisdictions' tax systems and their administration. However, care needs be taken with international comparisons of tax administration systems. The functioning of revenue bodies is influenced by a range of factors, including the size and composition of the tax base, tax reforms, economic development, the structure and openness of economies, and business cycle fluctuations. All of these factors and others are likely to be important in the economies surveyed, but to varying degrees.

The report proceeds as follows. Section II provides a general overview on tax revenue collections. Section III describes the institutional arrangements put in place by governments to administer national tax laws. Section IV outlines the organizational setups that revenue bodies have adopted to perform this function. Section V provides an overview of human resources management, including recruitment, development, performance management, and remuneration. Section VI analyzes the resources allocated to revenue bodies to collect tax revenues. Section VII discusses taxpayer identification and filing and section VIII presents an overview of the uses of information and communication technology (ICT) in revenue bodies. Audit activities and the collection of unpaid taxes are discussed in sections IX and X, and section XI reviews administrative tax dispute arrangements.

II. Tax Revenue Collections

An important factor influencing the administrative frameworks, functions, and performance of revenue bodies is the size and composition of economies' tax bases. This section briefly reviews tax revenue collections in the jurisdictions surveyed where data are available.

Figure 1 Tax Revenue as Percent of Gross Domestic Product, 2011



[a] Data are for 2010.

[b] Data are for 2009.

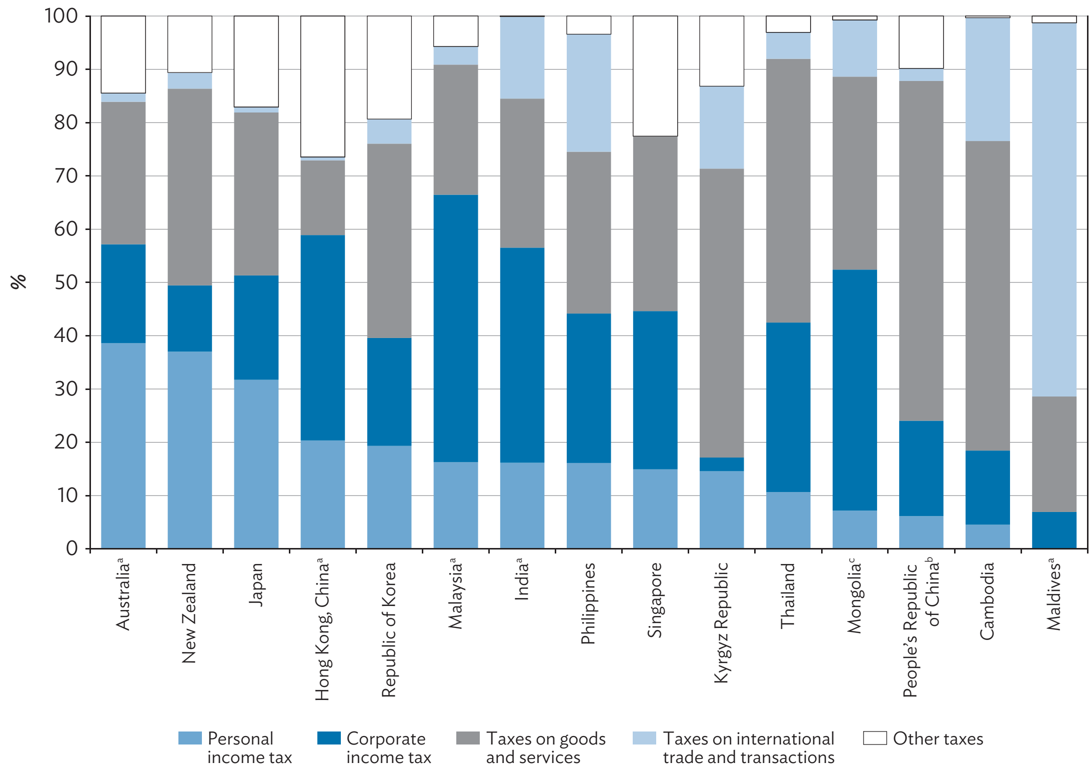
Note: Tax revenues are on a cash basis except for Organisation for Economic Co-operation and Development (OECD) members; Cambodia; Hong Kong, China; and Thailand. Data are for the consolidated general government except for Cambodia, India, and Mongolia, where they are for the consolidated central government, and for Indonesia, the Kyrgyz Republic, the Lao People's Democratic Republic, Malaysia, and the Philippines, where they are for the budgetary central government.

Sources: International Monetary Fund, OECD.

Figure 1, which plots tax revenue as a percent of gross domestic product (GDP) in 2011 (or the latest available year), shows that tax collection rates across the Asia and Pacific region vary considerably. Because of lack of data, these tax revenues exclude social security contributions, which can be a significant source of funds in some jurisdictions. New Zealand and Australia, which do not have social security taxes, have the highest tax to GDP ratios at 31.7% (New Zealand) and 25.6% (Australia). The only other economies that do not collect social security taxes are Cambodia, the Maldives, and Taipei,China. At 22.6%, Mongolia has the third-highest tax to GDP ratio followed by the Republic of Korea (19.8%), Thailand (19.1%), and the People's Republic of China (18.9%). Tax collection is lowest in Indonesia, Cambodia, and India at around 10.0% of GDP.

There is also significant variation in the composition of tax revenues (Figure 2). Australia, Japan, and New Zealand collect a large proportion of their taxes from individuals, that is, 30%–40% of total taxes, while the contribution of personal income taxes is around 20% in Hong Kong, China and the Republic of Korea. The percentage is lowest in the Maldives (0%), Cambodia (4.5%), and the People's Republic of China (6.1%). There is currently no personal income tax enforced

Figure 2 Composition of Tax Revenue, 2011



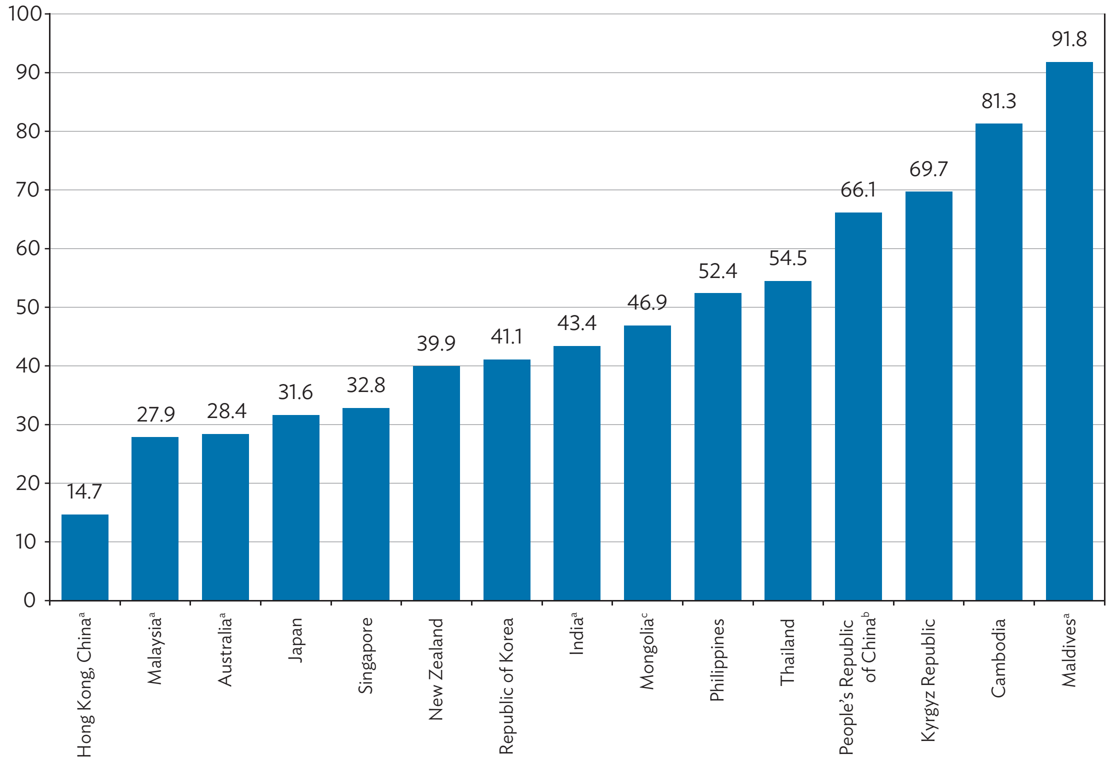
[a] Data are for 2010.
[b] Data are for 2009.
[c] Data are for 2008.
Note: For comparability, taxes on goods and services for Organisation for Economic Co-operation and Development (OECD) countries are the OECD definition of taxes on goods and services less customs and import duties, taxes on exports, and other taxes on international trade and transactions, the sum of which are taxes on international trade and transactions.
Sources: International Monetary Fund, OECD.

in the Maldives, but the Government of the Maldives has submitted a personal income tax bill to Parliament. The bill proposes a progressive personal income tax with a top marginal rate of 15%.

In Malaysia, at 50.2%, companies are the largest contributor to the tax base. A large proportion of taxes is also collected from companies in Mongolia (45.2%), India (40.4%), and Hong Kong, China (38.5%). The contribution of companies to total taxes is smallest in the Kyrgyz Republic (2.6%) and the Maldives (6.9%). In the Maldives and the Kyrgyz Republic, revenue is mainly collected with indirect taxes, that is, taxes on goods and services and taxes on international trade and transactions. Indirect taxes are also the largest contributor to the tax base in Cambodia, the People's Republic of China, Thailand, and the Philippines (Figure 3).

At 14.7%, indirect taxes as a percent of total taxes are lowest in Hong Kong, China and in Malaysia at 27.9%, partly because neither has a value-added tax (VAT). A VAT (or goods and services tax [GST]) system has been adopted by around 160 countries worldwide and is planned to be implemented in Malaysia from 1 April 2015.

Figure 3 Indirect Taxes as Percent of Total Taxes, 2011



[a] Data are for 2010.

[b] Data are for 2009.

[c] Data are for 2008.

Note: Tax revenues are on a cash basis except for Organisation for Economic Co-operation and Development (OECD) members; Cambodia; Hong Kong, China; and Thailand. Data are for the consolidated general government except for Cambodia, India, and Mongolia, where they are for the consolidated central government, and for Indonesia, the Kyrgyz Republic, the Lao People's Democratic Republic, Malaysia, and the Philippines, where they are for the budgetary central government.

Sources: International Monetary Fund, OECD.

III. Institutional Arrangements for Revenue Bodies

The mandate of tax administrations is to assess and collect taxes according to national tax laws. This section analyzes the institutional arrangements of revenue bodies to perform this function. It reviews the organizational characteristics of tax administrations and revenue bodies' relationship with the Ministry of Finance or the tax policy department. Oversight boards of tax administrations and the degree of autonomy granted to revenue bodies are also considered and the nontax functions of revenue bodies are briefly discussed.

A. Organizational Characteristics of Tax Administrations

Tax administrations have three common organizational characteristics specific to their functions (Araki 2012). First, tax administration requires a network of offices that covers an entire country. Second, a relatively large number of staff members is required to administer national tax laws. Third, staff members are required to have specific technical expertise on tax laws and administration.

A tax administration normally has regional offices in addition to headquarters. Often, the organizational setup has a three-tier structure, headquarters, regional offices, and district offices, which cover the physical space of an entire economy. This office network, together with the staff members who support the operation of this extensive office structure, often makes the tax administration one of the largest public sector organizations.

B. Relationship with the Ministry of Finance

As tax policy (which analyzes a tax system and drafts tax legislation) and tax administration (which implements tax laws) are inextricably linked, the tax policy department typically at the Ministry of Finance (MOF) or treasury is often associated with the tax administration, which may be an internal department of the Ministry of Finance or an autonomous agency affiliated with the ministry. Exceptions are the People's Republic of China, the Kyrgyz Republic, the Maldives, New Zealand, Papua New Guinea, and Tajikistan, where the tax administration is not officially affiliated with the Ministry of Finance.

Historically, tax collection functions have been within the Ministry of Finance, but many governments have chosen to give the tax administration an autonomous status within a broad umbrella of the Ministry of Finance (Crandall 2010). The principal reasons that autonomous functions are given to the tax administration are its size and technical nature. The tax administration often has a large number of staff members and an extensive office network, and its functions are specialized in the assessment and collection of taxes. Managing these tax administration functions as a single-purpose organization with a certain degree of autonomy can be more efficient than keeping the functions within the ministry's ordinary reporting lines (i.e., the same as for budget and economic policy departments).

In addition to the size and specialization of tax administrations, there are several other reasons why governments make tax administrations a semiautonomous body affiliated with the Ministry of Finance:

(i) A semiautonomous body can be free from political interference in day-to-day operations.
(ii) It can implement human resources policies differently from the Ministry of Finance to recruit and retain motivated and skilled staff members.
(iii) It can implement organizational reforms such as establishing specialized audit functions.
(iv) Its budget arrangements offer more flexibility to invest in information and communication technology (ICT).

Figure 4 gives a classification of the revenue bodies in the 22 jurisdictions surveyed. Among the 22 jurisdictions, eight revenue bodies are located within the Ministry of Finance as either an internal or subordinate department. Eight revenue bodies are semiautonomous, with various degrees of affiliation with the Ministry of Finance, and six are independent from the Ministry of Finance.

Figure 4 Classification of Revenue Bodies According to Their Relationship with the Ministry of Finance

Directorate in MOF	Affiliated with MOF	Independent from MOF
Brunei Darussalam; Cambodia; India; Indonesia; Lao People's Democratic Republic; Myanmar; Taipei,China; Thailand	Australia; Hong Kong, China; Japan; Republic of Korea; Malaysia; Mongolia; Philippines; Singapore	People's Republic of China, Kyrgyz Republic, Maldives, New Zealand, Papua New Guinea, Tajikistan

MOF = Ministry of Finance.
Source: ADB.

India's two revenue bodies, the Central Board of Direct Taxes and the Central Board of Excise and Customs, are both under the Department of Revenue, Ministry of Finance. On the other hand, Malaysia's two revenue bodies, the Inland Revenue Board of Malaysia and the Royal Malaysian Customs Department, are both autonomous agencies of the Ministry of Finance.[1] The taxation agency in Taipei,China covers both tax policy and tax administration functions, and it is subordinate to the main body of the Ministry of Finance, rather than an organization exercising the tax administration function at arm's length from the ministry's policy function.

In Australia, while the Australian Taxation Office (ATO) is a statutory agency, and the commissioner is formally appointed by the governor-general,[2] the ATO is part of the Treasury's portfolio. In Hong Kong, China, the Inland Revenue Department itself is independent from the Financial Services and Treasury Bureau, but the financial secretary is designated as the chair of the Board of Inland Revenue.[3] In New Zealand, Inland Revenue is accountable to the minister of revenue. Inland Revenue collects tax revenue, drafts tax legislation, and is a primary advisor to the government on tax policy with the Treasury.

C. Oversight Board of Tax Administration

Of the 14 jurisdictions whose revenue bodies are classified as either affiliated with the Ministry of Finance or independent from the Ministry of Finance, four jurisdictions (Hong Kong, China; Malaysia; the Maldives; and Singapore) have an oversight board, which includes external directors.

An oversight board has three main benefits. First, although the board's chair tends to be a Ministry of Finance official, a clear separation between the oversight function and the executive function creates an environment where the executive section of a tax administration can focus on daily tax collection operations with minimum political intervention. Second, as the board is normally composed of members with different backgrounds including from the private sector, it can ensure that a tax administration adopts flexible policies that consider human resources management, budget allocation, and organizational restructuring in response to a rapidly changing economic and business environment. Third, because the board is distant from the daily operation of tax administration, it can exercise the checks-and-balances function over the executive section, enhancing the protection of taxpayers' rights.

1 The Royal Malaysian Customs Department is in charge of collecting indirect taxes, including GST, which is to be implemented from April 2015, in addition to customs administration.
2 Taxation Administration Act 1953, §4 and 4A.
3 Cap 112 Inland Revenue Ordinance, §3(1).

Table 1 Member Composition of Oversight Boards

Jurisdiction	Board	Number of Members	Chair	Members
Hong Kong, China	Board of Inland Revenue	5	Financial secretary	Commissioner, and 3 from the private sector (financial controller, solicitor, and banker)
Malaysia	Inland Revenue Board	7	Secretary general of the treasury	Director general of public service; accountant general; secretary, tax analysis division, Ministry of Finance; commissioner, law revision and law reform; attorney general's chambers, and two private consultants
Maldives	Maldives Inland Revenue Authority Board	7	Former financial controller at the president's office	Commissioner general of taxation; deputy commissioner general of taxation; 1 director, Ministry of Finance and Treasury; 1 director, parliament secretariat, and two from private sector (law and finance)
Singapore	Inland Revenue Authority of Singapore Board	9	Permanent secretary (finance)	Commissioner, permanent secretary (national population and talent division, and national climate change), and six from the private sector (law, accountancy, finance, and education)

Sources: Inland Revenue Department, Hong Kong Special Administrative Region (2012); Inland Revenue Board of Malaysia (2011); Maldives Inland Revenue Authority (2013); and Inland Revenue Authority of Singapore (2012).

Table 1 outlines the composition of the oversight boards in Hong Kong, China; Malaysia; the Maldives; and Singapore. In all four boards, the chair is associated with the Ministry of Finance and members include professionals from the private sector, in particular law and accounting firms, the finance sector, and corporate executive management. In Hong Kong, China; the Maldives; and Singapore, the commissioner of the revenue body is also a board member. The role of private sector board members is to reflect various views and values, which may be different from public sector perspectives, on the direction of the revenue bodies.

D. Extent of Revenue Bodies' Autonomy

Table 2 provides an overview of the dimensions of autonomy granted to revenue bodies. They include authority to (i) design internal organization structure including the office network, (ii) allocate budgeted administrative funds across administrative functions, (iii) set staffing levels and mix of staff, (iv) hire and dismiss staff, and (v) negotiate staff remuneration levels. Care must be taken in analyzing the data, which are based on simple "yes" or "no" answers to survey questions that may have been translated or interpreted differently in different jurisdictions.

Australia, New Zealand, Papua New Guinea, and Singapore have the most autonomous revenue bodies, with autonomy granted in all five categories. Brunei Darussalam; Cambodia; Myanmar; and Taipei,China have the least autonomous revenue bodies with no authority in any of the five categories, followed by Indonesia, Japan, and Tajikistan, which only give autonomy to their revenue body either to set levels and the mix of staff or to hire and dismiss staff.

Table 2 Delegated Authority of Revenue Bodies

Jurisdiction	Design Internal Structure	Allocate Budget	Set Levels and Mix of Staff	Hire and Dismiss Staff	Negotiate Staff Pay Levels
Australia	Yes	Yes	Yes	Yes	Yes
Brunei Darussalam	No	No	No	No	No
Cambodia	No	No	No	No	No
People's Republic of China	Yes	Yes	Yes	Yes	No
Hong Kong, China	Yes	No	No	Yes	No
India	Yes	Yes	Yes	Yes	No
Indonesia	No	No	Yes	No	No
Japan	No	No	No	Yes	No
Republic of Korea	No	Yes	No	Yes	No
Kyrgyz Republic	Yes	No	Yes	No	Yes
Lao People's Democratic Republic	Yes	Yes	Yes	Yes	No
Malaysia	Yes	Yes	No	Yes	Yes
Maldives	Yes	No	Yes	Yes	Yes
Mongolia	Yes	No	Yes	Yes	No
Myanmar	No	No	No	No	No
New Zealand	Yes	Yes	Yes	Yes	Yes
Papua New Guinea	Yes	Yes [a]	Yes [b]	Yes	Yes
Philippines	Yes	Yes	Yes	Yes	No
Singapore	Yes	Yes	Yes	Yes	Yes
Taipei,China	No	No	No	No	No
Tajikistan	No	No	No	Yes	No [c]
Thailand	Yes	Yes	Yes	No	No

[a] Papua New Guinea: The Internal Revenue Commission cannot reallocate budgeted administrative funds from personal emoluments to goods and services.

[b] Papua New Guinea: The revenue body can establish its mix of staff within appropriated funding limits and subject to an externally fixed staff ceiling.

[c] Tajikistan: Salaries and wages of tax administration employees are approved by the Government of Tajikistan. However, in accordance with the laws of Tajikistan, 50% of any additional tax charged and collected as a result of audits is retained in a fund for staff bonuses.

Sources: ADB, Organisation for Economic Co-operation and Development.

With respect to the authority to design internal organization structure, the majority of revenue bodies (14 out of the 22 jurisdictions) have autonomy. As an example of the remaining jurisdictions without autonomy, in Japan, the design of internal organization of central government ministries and external agencies, including setting staff levels, is administered by the Public Administration Management Bureau of the Ministry of Internal Affairs and Communications. Regarding the authority to allocate budgets within the organization, just half of the jurisdictions have autonomy.

Again, in Japan, the budget of central government organizations is subject to the control of the Budget Bureau of the Ministry of Finance.

With respect to human resources policies, the table also shows a mixed picture. While 15 revenue bodies have independent authority to hire and dismiss staff, only seven countries (Australia, the Kyrgyz Republic, Malaysia, the Maldives, New Zealand, Papua New Guinea, and Singapore) have authority to negotiate staff remuneration. In some jurisdictions, the number of staff members and their remuneration levels are centrally controlled by a government bureau in charge of civil service affairs; therefore, in these jurisdictions, it is difficult for the tax administration to offer salaries that are higher than an ordinary civil service standard.

The four revenue bodies that are granted autonomy in all five categories (i.e., Australia, New Zealand, Papua New Guinea, and Singapore) are classified either as affiliated with the Ministry of Finance or independent from the Ministry of Finance. On the other hand, the four revenue bodies that are granted no autonomy in any of the five categories (i.e., Brunei Darussalam; Cambodia; Myanmar; and Taipei,China) are all classified as a directorate within the Ministry of Finance.

For revenue bodies to respond adequately to a rapidly changing external economic environment, flexible policy choices with respect to human resources management, budget, and internal organization are important factors. A flexible pay structure that enables revenue bodies to offer competitive salaries can help attract and retain high-caliber professionals. For example, when a tax administration deals with state-of-the-art aggressive tax planning schemes employing cross-border financial transactions, a tax audit team solely composed of internally promoted auditors could encounter difficulty detecting and analyzing those schemes efficiently, and mid-career recruitment of tax practitioners with experience in law or accounting may therefore be an effective countermeasure.

Flexibility in internal organization design is equally important. For example, the establishment of a new division specialized in aggressive tax planning schemes can enable revenue bodies to deliver more effective operations. Furthermore, autonomy in budget allocation can facilitate a tax administration's ability to invest financial resources into key areas, like ICT infrastructure.

E. Other Nontax Functions of Revenue Bodies

Revenue bodies, at least in OECD countries, are increasingly required to perform functions other than the assessment and collection of taxes, including the collection of customs and social security contributions. For example, the United Kingdom's Inland Revenue merged with Her Majesty's Customs and Excise, and formed the current HM Revenue and Customs in 2005. The background for this movement is that a single organization can operate services, including the collection of taxes, customs, and social security contributions as well as the provision of welfare benefits, more cost-effectively and more efficiently than separate entities.

Table 3 shows that none of the 22 surveyed revenue bodies in Asia and the Pacific has a customs administration function.[4] By comparison, 12 of the 34 OECD countries align tax administration and customs operations within a single organization (OECD 2013).

Similarly, revenue bodies in 12 of the 32 OECD countries with social security taxes[5] are in charge of collecting social security contributions (OECD 2013), while among the 17 jurisdictions in Asia and the Pacific with social security taxes, only the People's Republic of China assigns the collection of social security contributions to local taxation bureaus, though arrangements with social security authorities differ province by province. On the other hand, in some jurisdictions including Japan, the Republic of Korea, and Singapore, although revenue bodies are not primarily responsible for collecting social security contributions, these revenue bodies provide assistance to social security collection authorities. For example, in Japan, the Ministry of Health, Labor and Welfare can commission the National Tax Agency to collect debt in serious social security contribution arrears cases.[6] In the Republic of Korea and Singapore, revenue bodies share individual taxpayer income data with social security authorities.

Four countries (i.e., Australia, Indonesia, the Republic of Korea, and New Zealand) have functions related to the provision of welfare benefits to residents. For example, in the Republic of Korea, the revenue body administers the earned income tax credit (National Tax Service, Government of the Republic of Korea 2011), which is a system aimed to provide in-work incentives that depend on taxpayers' income and their family status. New Zealand's Inland Revenue administers a similar program, called Working for Families, as well as paid parental leave (Inland Revenue, Government of New Zealand 2013).

Other notable nontax functions performed by revenue bodies include (i) property valuation, in Australia, the People's Republic of China, Indonesia, and Singapore; (ii) collection of student loans, in Australia, the Republic of Korea, Malaysia, and New Zealand; and (iii) business registration, in Australia; Hong Kong, China; and Tajikistan. The Australian Taxation Office is also responsible for regulating self-managed superannuation funds and New Zealand's Inland Revenue administers the KiwiSaver initiative, which is designed to help people make voluntary long-term savings for retirement.

4 In August 2013, it was reported that the Department of Finance of the Philippines had a plan to transfer part of the functions of the Bureau of Customs to the Bureau of Internal Revenue.
5 The two OECD countries with no social security taxes are Australia and New Zealand.
6 Article 100-5, Employees' Pension Insurance Act 1954.

Table 3 Nontax Functions of Revenue Bodies

Jurisdiction	Customs	Social Security Contributions	Welfare Benefits	Others
Australia	No	No	Yes	Student loan, property valuation, business registration, superannuation
Brunei Darussalam	No	No	No	Regulate accountancy[a]
Cambodia	No	No	No	
People's Republic of China	No	Yes[b]	No	Property valuation
Hong Kong, China	No	No	No	Business registration
India	No	No	No	
Indonesia	No	No	Yes	Property valuation
Japan	No	No	No	Property valuation, liquor industry
Republic of Korea	No	No	Yes	Student loan[c]
Kyrgyz Republic	No	No	No	
Lao People's Democratic Republic	No	No	No	Fees and charges
Malaysia	No	No	No	Student loan
Maldives	No	No	No	Royalties and fees
Mongolia	No	No	No	
Myanmar	No	No	No	
New Zealand	No	No	Yes	Child support, student loan, voluntary savings scheme
Papua New Guinea	No	No	No	
Philippines	No	No	No	
Singapore	No	No	No	Property valuation and regulate property appraisers
Taipei,China	No	No	No	
Tajikistan	No	No	No	Business registration[d]
Thailand	No	No	No	

[a] Brunei Darussalam: The revenue body issues licenses to authorized auditors, and administers accounting standards and accountancy services.

[b] People's Republic of China: In some provinces the revenue body collects social security contributions.

[c] Republic of Korea: The National Tax Service administers borrowers' repayment of loans.

[d] Tajikistan: With the exception of nongovernment organizations and political parties, the Tax Committee performs the state business registration of legal entities and individual entrepreneurs and assigns them unified identification numbers, which are different from the tax identification numbers.

Sources: ADB, Organisation for Economic Co-operation and Development.

IV. Internal Organization Design of Revenue Bodies

A revenue body's operation and organizational effectiveness can be influenced by its internal structure such as the setup of departments and divisions. This section reviews three broad models of internal organization design that have been adopted by revenue bodies. It also discusses large taxpayer units and examines revenue bodies' office network.

A. Models of Internal Organization Design

There are broadly three models for tax administrations' internal organization design: (i) tax item-based, (ii) function-based, and (iii) taxpayer segment-based. The tax item-based model is the traditional organization design and has an internal organization that is structured along with tax laws to administer. For instance, revenue bodies have a personal income tax division, a corporate income tax division, and a VAT division. The function-based model is where departments and divisions are structured according to business functions, such as audits, taxpayers' account management, arrears collection, and taxpayer consultation. The third model, the taxpayer segment-based model, provides a setup where organization units are structured based on taxpayer segments, for example, individual taxpayers, small and medium-sized businesses, and large companies.

Under the traditional tax item-based model, each division can focus on the implementation of a single tax law such as personal or corporate income taxes. A disadvantage is that taxpayers paying different tax types, such as companies, have to deal with several divisions of a tax administration, for example, the corporate income tax division, the VAT division if the jurisdiction has a VAT, and the personal income tax division with respect to pay-as-you-earn (PAYE) tax on employees' salaries. On the other hand, the function-based model enables each division to focus on a particular business process, such as audits.

However, there may be instances where different approaches toward different taxpayer categories, such as individuals and large businesses, could lead to more effective outcomes. Under the taxpayer segment-based model, which is a relatively new approach, internal organization is structured based on taxpayer segments (i.e., each division addresses a particular taxpayer group) and each division can adopt appropriate strategies to maximize the compliance level of each taxpayer segment. A possible issue in this model, however, is that each division is required to have expertise in multiple taxes and business processes relevant to each taxpayer segment. As a result, many tax administrations choose to design their internal organization based on a combination of the three models.

Table 4 shows that all 22 revenue bodies have implemented the function-based internal organization model. Along with the function-based model, the tax item-based model is also adopted by nine jurisdictions, and the taxpayer segment-based model by eight jurisdictions, mostly through a division dedicated to large business taxpayers. Seven revenue bodies (Australia; the People's Republic of China; Hong Kong, China; Japan; the Republic of Korea; New Zealand; and Tajikistan) have adopted all three models in their internal organization design.

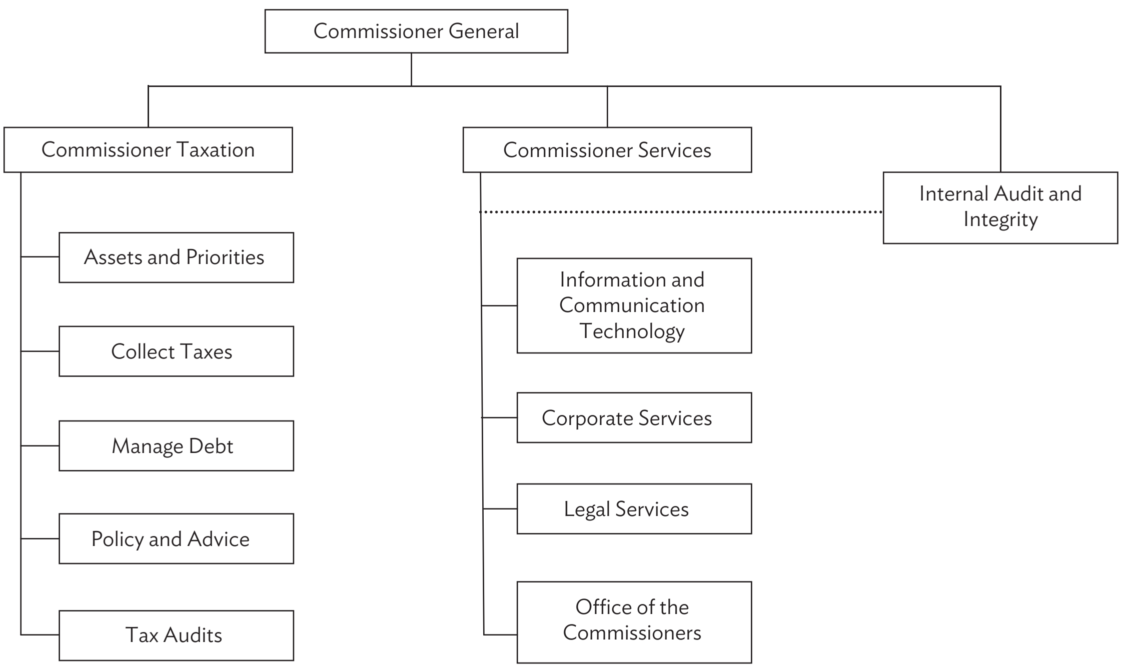
Table 4 Models of Internal Organization Design

Jurisdiction	Tax Item-Based	Function-Based	Taxpayer Segment-Based
Australia	Yes	Yes	Yes
Brunei Darussalam	No	Yes	No
Cambodia	No	Yes	No
People's Republic of China	Yes	Yes	Yes
Hong Kong, China	Yes	Yes	Yes
India	No	Yes	No
Indonesia	No	Yes	No
Japan	Yes	Yes	Yes
Republic of Korea	Yes	Yes	Yes
Kyrgyz Republic	No	Yes	No
Lao People's Democratic Republic	No	Yes	No
Malaysia	No	Yes	No
Maldives	No	Yes	No
Mongolia	Yes	Yes	No
Myanmar	No	Yes	No
New Zealand	Yes	Yes	Yes
Papua New Guinea	No	Yes	No
Philippines	No	Yes	No
Singapore	Yes	Yes	No
Taipei,China	No	Yes	No
Tajikistan	Yes	Yes	Yes
Thailand	No	Yes	Yes

Sources: ADB, Organisation for Economic Co-operation and Development.

Figure 5 shows the organization chart of the Internal Revenue Commission (IRC) of Papua New Guinea as an example of the function-based organization structure. The IRC's organization broadly consists of two major "wings," the taxation wing and the services wing. In the taxation wing, divisions are organized according to functions, rather than tax items or taxpayer segments such as audits and collection. However, in its survey response, the Internal Revenue Commission indicated a possibility to set up a large taxpayer unit, which is a taxpayer segment-based division, in the future.

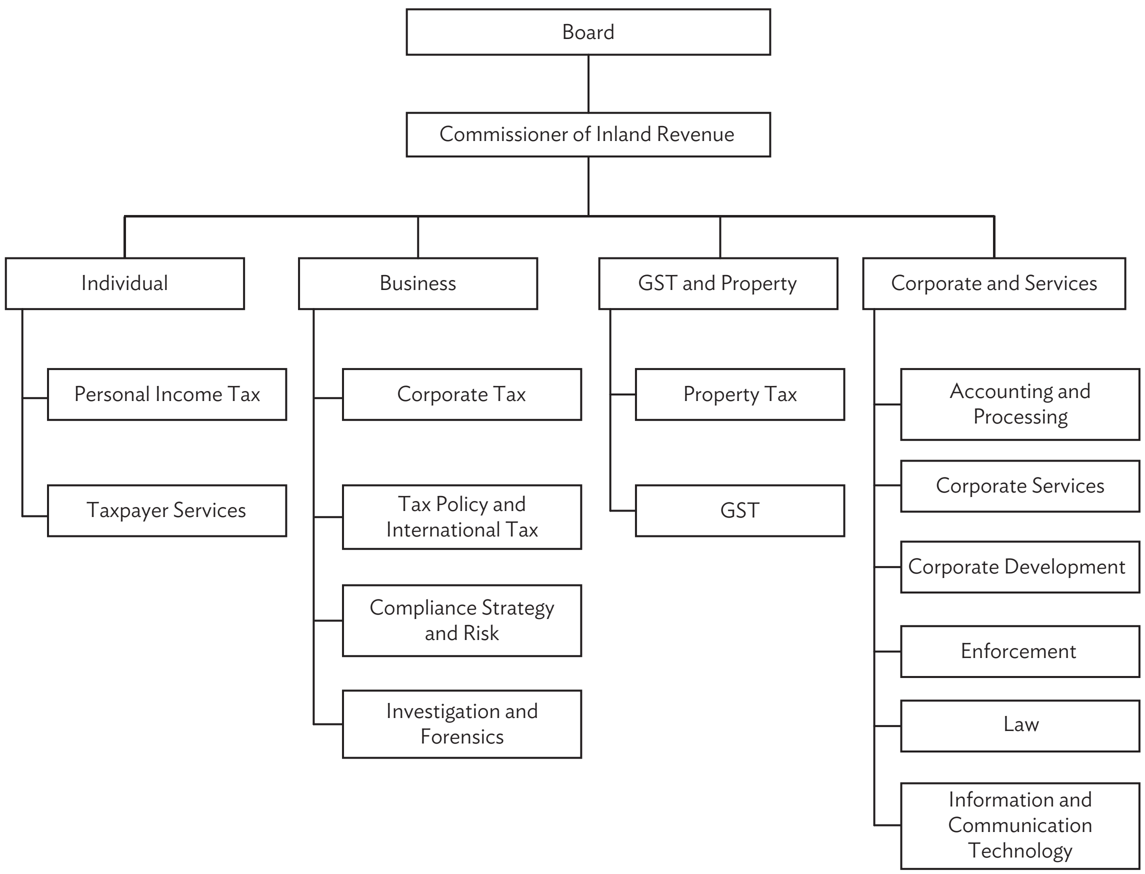
Figure 5 Organization Chart of the Internal Revenue Commission of Papua New Guinea



Source: Internal Revenue Commission of Papua New Guinea.

Figure 6 shows the organization chart of the Inland Revenue Authority of Singapore (IRAS) as an example of a hybrid organization structure adopting the tax item-based and function-based models. The internal organization structure of the IRAS is arranged according to tax laws, that is, personal income tax, corporate income tax, GST, and property tax. In addition, there are function-based divisions that support the implementation of each tax law, such as a taxpayer services division, a compliance strategy and risk division, and an investigation and forensics division. For example, taxpayer services play a significant role in raising taxpayers' voluntary compliance level, and a division dedicated to taxpayer services can enhance the effective implementation of revenue collection.

Figure 6 Organization Chart of the Inland Revenue Authority of Singapore



GST = goods and service tax.
Source: Inland Revenue Authority of Singapore.

B. Large Taxpayer Unit

Many tax administrations that have adopted a taxpayer segment-based model have a large taxpayer unit, which is a division dedicated to taxpayer services, audits, and other tax affairs of large taxpayers, typically large enterprises. While such a unit chiefly deals with corporations, some tax administrations also have a unit dedicated to high net worth individuals (HNWIs).

There are broadly four benefits to tax administrations from setting up a division that focuses on large taxpayers. First, as large enterprises often conduct their business operations countrywide beyond a single district, it is difficult for a district tax office, the jurisdiction of which is geographically limited, to cover large taxpayers' wide range of business activities. Therefore, the large taxpayer unit is typically located in the headquarters or provincial tax offices that have a wider jurisdiction and can therefore deal with large taxpayers' tax affairs more effectively. Second, a relatively small number of large taxpayers contributes a large proportion of tax revenues in many jurisdictions. For example, in Japan, large taxpayers, which make up less than 1% of total enterprises, contribute two-thirds to the total amount of declared taxable income from all enterprises. Therefore, it is important for tax administrations to dedicate a fair amount of resources to large taxpayers.

Third, large enterprises tend to have characteristics different from other small and medium-sized businesses, for example, they often have international transactions, ICT-based accounting, and complicated tax planning schemes to minimize tax burdens. Tax administrations are, therefore, required to have audit teams equipped with specific knowledge and expertise to deal with large enterprises. Fourth, as large enterprises are often subject to not only corporate income tax but also to multiple taxes including VAT, withholding personal income tax with respect to the salaries of employees, and other indirect taxes such as liquor tax and petroleum tax, it is efficient from both taxpayers' and tax authorities' perspectives that large taxpayers have a designated single unit in charge of large taxpayers rather than different units for different tax purposes.

Table 5 shows whether tax administrations have a large taxpayer unit, and if they do, its operations. The majority of revenue bodies (16 out of the 22 surveyed) have such a unit. Among the remaining 6 jurisdictions, the Internal Revenue Commission of Papua New Guinea and the Internal Revenue Department of Myanmar are considering setting up such a division.

Table 5 Large Taxpayer Unit Operations

Jurisdiction	Large Taxpayer Unit	If Yes, Criteria of Large Taxpayers	Number of Large Taxpayers Administered	Number of Staff for the Unit	Unit for High Net Worth Individuals
Australia	Yes	Turnover over A$250 million	32,000	1,310	Yes
Brunei Darussalam	No				No
Cambodia	Yes	Turnover over $250,000 and international companies	2,000	102	No
People's Republic of China[a]	Yes	Combination of industry, turnover, and ownership	(45 at headquarters)	2,600	Yes
Hong Kong, China	No				No
India	Yes	The amount of taxes paid in five major cities	172	165	No
Indonesia	Yes		1,073	618	Yes
Japan	Yes	Capital over ¥100 million	32,010	2,326	Yes
Republic of Korea	Yes	Total income over W50 billion	5,185	(regional offices)	No
Kyrgyz Republic	Yes	Revenue from trade activity over Som50 million and tax paid over Som2.5 million[b]	317c	54[d]	No

continued on next page

Table 5 Continued

Jurisdiction	Large Taxpayer Unit	If Yes, Criteria of Large Taxpayers	Number of Large Taxpayers Administered	Number of Staff for the Unit	Unit for High Net Worth Individuals
Lao People's Democratic Republic	Yes	Turnover over KN5 billion	1,034	25	No
Malaysia	Yes	Specific industries			Yes[e]
Maldives	No				No
Mongolia	Yes	Turnover, specific industries, and business scale	330	38	No
Myanmar	No				No
New Zealand	Yes	Turnover over NZ$100 million, or in specialized industries	15,600	177	Yes
Papua New Guinea[f]	No				No
Philippines[g]	Yes	Taxes paid, gross sales, and net assets	1,934	645	No
Singapore	Yes	Tax assessed, turnover, and complexity for corporate income tax, and annual supplies for goods and services tax	3,100	75	No
Taipei,China	No				No
Tajikistan	Yes	Total income, tax paid, and the number of employees	243	75	No
Thailand	Yes	Turnover over B2 billion	2,000	800	No

[a] People's Republic of China: There is a dedicated large taxpayer department in the State Administration of Taxation (SAT), but currently there is no national uniform standard for large taxpayers. The large taxpayer department in the SAT head office has 21 staff members and deals with 45 large taxpayers, who are selected based on a combination of industry, turnover, and ownership criteria. SAT offices at and below provincial levels set their own standards for large taxpayers, taking into consideration the differing levels of economic development across provinces. In total, there are around 2,600 SAT staff members dealing with large businesses.

[b] Kyrgyz Republic: The criteria for selecting large taxpayers are approved by Government Decree No. 144 of the Kyrgyz Republic dated 7 April 2011.

[c] Kyrgyz Republic: The large taxpayer unit (LTU) deals with 276 large taxpayers and the LTU in the southern region with 41.

[d] Kyrgyz Republic: The LTU has 45 staff members and the LTU in the southern region has nine.

[e] Malaysia: The unit also administers the tax affairs of very important persons.

[f] Papua New Guinea: The Inland Revenue Commission is considering implementing a large taxpayer office.

[g] Philippines: See Revenue Regulations No. 1-98 and No. 17-2010.

Sources: ADB, Organisation for Economic Co-operation and Development.

With respect to the criteria for defining large taxpayers, each country has different criteria, often a combination of quantitative and qualitative criteria. For example, Singapore uses net tax assessed, turnover, and complexity as criteria to identify large taxpayers for corporate income tax purposes. While the criteria vary across jurisdictions, the three most often employed criteria are turnover; qualitative factors such as specific industries, ownership, and complexity; and the amount of taxes paid or assessed.

C. Office Network

One of the common characteristics of tax administrations is that they require a geographical network of offices that covers an entire country. Tax revenue is derived from economic activities undertaken by individuals and businesses, and tax administrations normally have regional offices in addition to their headquarters. Often, they have a three-tier structure such as the headquarters, regional offices, and district offices. For example, the National Tax Service of the Republic of Korea has its headquarters in Seoul, with six regional tax offices across the country that report to the headquarters and administer a total of 107 district tax offices. This office network, together with the staff members who support the operation of this extensive office structure, often makes the tax administration one of the largest organizations in the public sector.

Table 6 demonstrates that, while office network structures vary, half of the jurisdictions adopt a three-tier system, where under the headquarters, there are regional or provincial tax bureaus that coordinate tax administration in a relatively large area, and then district tax offices in charge of front-line tax administration.

Some jurisdictions with vast territories have more extensive office network structures. For example, the Directorate General of Taxes (DGT) of Indonesia has 31 regional offices, coordinating subordinate tax offices' operations and a total of 331 tax offices specializing in one of three taxpayer segments: large taxpayers (four offices), medium-sized taxpayers (28 offices), and small taxpayers (299 offices). In addition, the small taxpayer offices are supported by 207 auxiliary tax service, counseling, and consultation offices, which serve local communities in remote regions. Within the State Administration of Taxation of the People's Republic of China (SAT), there are 31 province-level tax bureaus, 1,492 prefecture-level tax bureaus, 2,033 county-level bureaus, and more than 20,000 affiliated organizations such as tax inspection offices.

Table 6 also reports the ratios of (i) total population to the number of offices and (ii) land area to the number of offices as measures of the density of tax office networks. The population to offices ratio of six countries (Australia, Brunei Darussalam, the People's Republic of China, the Lao People's Democratic Republic, Malaysia, and Papua New Guinea) are all within the same range, 0.35–0.39. Overall, for half of the jurisdictions, the ratio varies between 0.24 (Japan) and 0.44 (Republic of Korea). The sample standard deviation of the population to offices ratio is 1.78, while the standard deviation of the area to offices ratio is 27.07, indicating significantly more variation than the population to offices ratio. This suggests that the population to offices ratio may be a more appropriate measure for international comparisons of tax office network density.

Apart from Hong Kong, China and Singapore, all revenue bodies have regional offices. India, serving a population of 1.2 billion people or 31 million personal income taxpayers, has the most scarce tax office network with a total of 551 income tax offices, that is, 2.2 million people per office.

Table 6 Office Network of Tax Administration Offices

Jurisdiction	Number of Regional or Provincial Offices	Number of District Offices	Number of Local Offices Including Those with Limited Functions	Total Number of Offices Including Headquarters	Population to Offices Ratio (millions per office)	Area to Offices Ratio (thousand square kilometers per office)
Australia		31	31	63	0.35	121.90
Brunei Darussalam				1	0.39	5.30
Cambodia	30	135		166	0.09	1.06
People's Republic of China	31	1,492	2,033	3,557	0.38	2.69
Hong Kong, China				1	7.07	1.10
India	18	532		551	2.17	5.40
Indonesia	31	331	207	570	0.42	3.18
Japan	12	524		537	0.24	0.68
Republic of Korea	6	107		114	0.44	0.88
Kyrgyz Republic		64	1	66	0.08	2.91
Lao People's Democratic Republic		17		18	0.35	12.80
Malaysia	12		67[a]	80	0.36	4.12
Maldives		1[b]		2	0.20	0.15
Mongolia	9[c]	21		31	0.09	50.10
Myanmar	16	262		279	0.19	2.34
New Zealand		17		18	0.25	14.60
Papua New Guinea	3	15		19	0.37	23.80
Philippines	19	124		144	0.68	2.07
Singapore				1	5.30	0.70
Taipei,China	5	82		88	0.26	0.37
Tajikistan	7[d]	68		76	0.11	1.86
Thailand	12	849		862	0.08	0.59
Average					0.90	11.75
Standard Deviation					1.78	27.07

[a] Malaysia: The local offices consist of 36 assessment branches, 17 investigation branches, and 14 revenue service centers.
[b] Maldives: The Maldives Inland Revenue Authority's first regional office commenced its operations in November 2012.
[c] Mongolia: The regional offices comprise eight district tax administrations and one Ulaanbaatar city tax administration.
[d] Tajikistan: There are four regional tax offices, one subregional tax office, one national large taxpayer inspectorate, and one national training center.
Sources: ADB, Organisation for Economic Co-operation and Development.

The Revenue Department of Thailand, which serves a population of 64 million people or 9.2 million personal income tax payers, has the densest tax office network with a total of 862 tax offices, or 80,000 people per office. While the tax office network of the State Tax Service of the Kyrgyz Republic is as dense as Thailand's on a population basis, it has a lower density on an area basis, at 2,910 square kilometers per office compared with 590 square kilometers in Thailand.

V. Human Resources Management

Human resources management is a key requirement for revenue bodies' operations and organizational effectiveness. This is because people are the most important enabler for tax administrations to carry out their main mandate, which is to raise revenue for governments. Moreover, the environment that tax administrations operate in is rapidly changing with rising complexity of tax rules, increasing globalization and international transactions, and growing demands and expectations from taxpayers in terms of service delivery and law enforcement. To meet these current and future challenges, tax administrations need motivated and well-trained professionals with high integrity. This section reviews revenue bodies' staff usage, the allocation of staff resources by functional groupings, and staff attrition rates. Moreover, aspects of human resources management are discussed.

A. Number of Staff Members

Revenue bodies often employ a large number of staff members (Table 7). The People's Republic of China is the largest employer among comparator revenue bodies with 755,000 staff members. In contrast, India, which is the second-largest economy in terms of population, only employs 40,756 workers. The staff number in India is lower partly because it only captures the number of people employed to collect direct taxes. The second-largest employer in the Asia and Pacific region, for which data are available, is Japan with 56,261 full-time equivalent workers. Australia also employs a relatively large number of people given its population size. This partly reflects that a large proportion of the revenue body's workforce (16.5%) is engaged in nontax functions. Only New Zealand, at 31.3%, has a larger share of staff working on nontax functions. In all other jurisdictions, almost all employees (more than 90%) or all employees are involved in the administration of national tax laws.

Brunei Darussalam, with 30 staff members, and the Maldives, with 96 employees, have the smallest revenue bodies. This largely reflects the relatively small tax bases in these countries. Brunei Darussalam's major tax is corporate income tax, and there is currently no personal income tax or VAT. The Maldives Inland Revenue Authority, which was only established in August 2010, is currently in the process of a rapid expansion. Its number of employees increased from 59 at the end of 2010, to 96 at the end of 2011, and to 132 at the end of 2012.

Overall, staff numbers are highly correlated with total population. This can be seen from Figure 7, which plots the logarithm of the total population against the number of staff members also in logarithms, with a correlation coefficient of 0.9.

Table 7 Revenue Body Staff Usage

	Population (millions)		Staff Usage Aggregates (FTEs)		
Jurisdiction	Total Population	Labor Force	All Revenue Body Functions	Tax and Related Support Functions	% FTEs for Tax and Support Functions
Australia	22.32	12.01	21,764	18,169	83.5
Brunei Darussalam	0.39	0.19	30	30	100.0
Cambodia	14.52	...	2,500	2,500	100.0
People's Republic of China	1,341.98	785.80	755,000	755,000	100.0
Hong Kong, China	7.07	3.70	2,818	2,574	91.3
India[a]	1,197.81	447.00	40,756	40,756	100.0
Indonesia	241.60	117.37	31,410	31,410	100.0
Japan	127.82	65.91	56,261	56,261	100.0
Republic of Korea	49.78	25.10	19,671	18,145	92.2
Kyrgyz Republic	5.48	2.49	2,229	2,191	98.3
Lao People's Democratic Republic	6.38	...	2,152	2,152	100.0
Malaysia[a]	28.96	12.68	10,209	10,209	100.0
Maldives	0.41	...	96	96	100.0
Mongolia	2.79	1.12	1,794	1,794	100.0
Myanmar	60.38	31.39	3,665	3,665	100.0
New Zealand	4.41	2.37	5,513	3,789	68.7
Papua New Guinea	7.00	...	351	351	100.0
Philippines	94.18	40.00	10,387	10,387	100.0
Singapore[b]	5.18	3.24	1,851	1,851	100.0
Taipei,China	23.22	11.20	7,529,	7,529	100.0
Tajikistan	7.80	2.30	1,780	1,780	100.0
Thailand	64.08	38.90	19,413	19,413	100.0

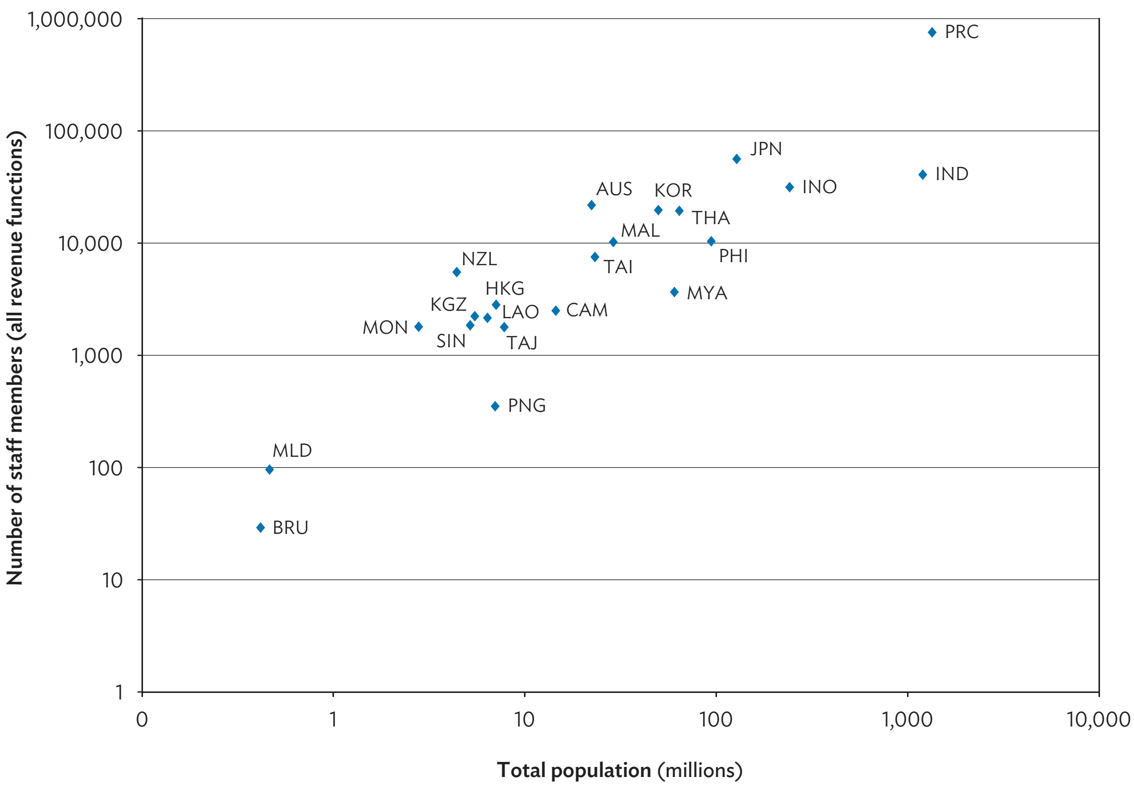
... = data not available, FTE = full-time equivalent.

[a] India and Malaysia: Data are for direct taxes only.

[b] Singapore: Staff numbers are as of 31 March 2011.

Sources: ADB, Organisation for Economic Co-operation and Development.

Figure 7 Total Population and Number of Staff Members (All Revenue Functions), 2011



AUS = Australia; BRU = Brunei Darussalam; CAM = Cambodia; PRC = People's Republic of China; HKG = Hong Kong, China; IND = India; INO = Indonesia; JPN = Japan; KGZ = Kyrgyz Republic; KOR = Republic of Korea; LAO = Lao People's Democratic Republic; MAL = Malaysia; MLD = Maldives; MON = Mongolia; MYA = Myanmar; NZL = New Zealand; PHI = Philippines; PNG = Papua New Guinea; SIN = Singapore; TAI = Taipei,China; TAJ = Tajikistan; THA = Thailand.

Sources: ADB, Organisation for Economic Co-operation and Development.

B. Relative Staffing Levels of Revenue Bodies

Table 8 replicates revenue bodies' staff usage reported in Table 7 and calculates two ratios of efficiency and effectiveness: (i) total population compared with the number of full-time equivalent tax administration employees and (ii) the number of labor force participants to full-time equivalent tax administration employees.

The calculations show that 11 out of 22 jurisdictions have ratios of total population to full-time equivalent tax administration employees of 1,000–3,000, and 5 jurisdictions have ratios greater than 9,000. While India has the largest ratio of almost 30,000, this figure is based on the number of staff members employed by the Central Board of Direct Taxes only and does not include employees of the Central Board of Excise and Customs. Other countries with a ratio of more than 10,000 include Papua New Guinea, Myanmar, and Brunei Darussalam. As populous countries, the Philippines and Indonesia also have relatively high ratios of over 9,000 and 7,500, respectively.

Indeed, Indonesia's Directorate General of Taxes has plans to double its staff numbers within the next few years in response to strong economic growth and an increasing number of taxpayers. New Zealand and Australia have the lowest ratios, around 1,200, partly because of the relatively large number of people employed in nontax functions in these organizations.

On the other hand, there is less variation in terms of the number of labor force participants to full-time equivalent tax administration employees. A little more than half of the jurisdictions (10 out of 18) have ratios of 1,041–2,004. New Zealand, Mongolia, and Australia have the lowest ratios, and India, Myanmar, and Brunei Darussalam have the highest ratios. The relatively larger variation in the population ratios compared with the labor force ratios may reflect the differing age profiles across jurisdictions and labor market participation rates.

Table 8 Revenue Body Staff Usage and Related Ratios, 2011

Jurisdiction	Staff Usage Aggregates (FTEs)			Staff Usage Ratios		
	All Revenue Body Functions	Tax and Related Support Functions	% FTEs for Tax and Support Functions	Population to FTEs on Tax and Support Functions	Labor Force to FTEs on Tax and Support Functions	Factors Affecting Comparability of Jurisdictions' Computed Staff Usage Ratios
Australia	21,764	18,169	83.5	1,229	661	
Brunei Darussalam	30	30	100.0	13,112	6,210	
Cambodia	2,500	2,500	100.0	5,809	...	
People's Republic of China	755,000	755,000	100.0	1,777	1,041	
Hong Kong, China	2,818	2,574	91.3	2,747	1,439	
India	40,756	40,756	100.0	29,390	10,968	Data for direct taxes only
Indonesia	31,410	31,410	100.0	7,692	3,737	
Japan	56,261	56,261	100.0	2,272	1,172	
Republic of Korea	19,671	18,145	92.2	2,743	1,383	
Kyrgyz Republic	2,229	2,191	98.3	2,500	1,137	
Lao People's Democratic Republic	2,152	2,152	100.0	2,966	...	
Malaysia	10,209	10,209	100.0	2,837	1,242	Data for direct taxes only
Maldives	96	96	100.0	4,233	...	
Mongolia	1,794	1,794	100.0	1,555	628	
Myanmar	3,665	3,665	100.0	16,475	8,565	
New Zealand	5,513	3,789	68.7	1,163	625	
Papua New Guinea	351	351	100.0	19,943	...	
Philippines	10,387	10,387	100.0	9,068	3,851	
Singapore[a]	1,851	1,851	100.0	2,800	1,749	
Taipei,China	7,529	7,529	100.0	3,085	1,488	
Tajikistan	1,780	1,780	100.0	4,382	1,294	
Thailand	19,413	19,413	100.0	3,301	2,004	

... = data not available, FTE = full-time equivalent.

[a] Singapore: Staff numbers are as of 31 March 2011.

Sources: ADB, Organisation for Economic Co-operation and Development.

C. Allocation of Staff Resources by Functional Groupings

The allocation of tax administration staff resources by functional grouping is reported in Table 9. The numbers show that tax administrations devote the largest proportion of staff resources to tax verification in 6 out of 13 jurisdictions. Verification activities, which include all functions associated with verifying (either through field visits, office interviews, or in writing) the information contained in tax returns administered by the revenue body, employ more than half

Table 9 Total Staff and Usage by Major Tax Functional Groupings, 2011

Jurisdiction	Total FTEs for All Tax Functions and Support	Staff Usage on Major Tax Functions (%)					
		Account Management	Verification	Tax Debt Collection	Other Tax Operations	Support: Human Resources	Support: Other Functions
Australia	18,169	20.4	34.0	10.7	15.5	6.2	13.1
Brunei Darussalam	30	...	...	...	...	...	...
Cambodia	2,500	...	...	...	...	...	...
People's Republic of China	755,000	...	...	...	...	...	...
Hong Kong, China	2,574	59.4	9.3	16.9	2.1	0.1	12.2
India	40,756	...	...	...	...	...	...
Indonesia	31,410	...	...	...	...	...	...
Japan[a]	56,261	0.0	63.1	21.2	2.3	0.7	12.7
Republic of Korea[b]	18,145	63.5	22.2	4.7	1.5	0.6	7.6
Kyrgyz Republic	2,191	31.2	31.2	22.1	8.2	3.1	4.2
Lao People's Democratic Republic	2,152	...	...	...	...	...	...
Malaysia	10,209	8.0	23.3	15.9	29.9	1.8	21.3
Maldives	96	25.0	27.1	10.4	10.4	3.1	24.0
Mongolia[c]	125	30.4	10.4	7.2	28.0	8.0	16.0
Myanmar	3,665	...	...	...	...	...	...
New Zealand	3,789	42.6	19.6	8.1	15.2	1.8	12.8
Papua New Guinea	351	32.2	17.9	22.8	11.1	4.6	11.4
Philippines	10,387	1.9	57.9	2.3	5.5	30.4	2.0
Singapore[d]	1,851	8.8	51.8	11.3	10.5	1.7	15.9
Taipei,China	7,529	92.8				1.5	5.7
Tajikistan	1,780	22.7	4.6	5.2	61.3	1.2	5.1
Thailand	19,413	...	...	...	...	...	...

... = data not available, FTE = full-time equivalent.

[a] Japan: Staff members involved in verification and tax debt collection functions also perform account management functions.

[b] Republic of Korea: Staff members in taxpayer account management and verification functions are also engaged in debt collection. There is no dedicated unit for debt collection.

[c] Mongolia: The staff number and usage are for headquarters only.

[d] Singapore: Staff numbers are as of 31 March 2011.

Sources: ADB, Organisation for Economic Co-operation and Development.

of the tax administration staff in Japan (63.1%), the Philippines (57.9%), and Singapore (51.8%). The high percentage in Japan partly reflects that staff members involved in verification (and tax debt collection) functions also perform taxpayer account management functions.

Taxpayer account management, which comprises functions associated with maintaining taxpayers' records (e.g., registration, data processing, taxpayer accounting, filing, withholding tax administration, and storage), is another important area, and most staff resources are devoted to these activities in five jurisdictions. In the Republic of Korea and Hong Kong, China, the majority of staff is employed in this area, 63.5% and 59.4%, respectively. In the Republic of Korea, the number of people working in this area is high partly because they are also engaged in tax debt collection.

Staff resources allocated to tax debt collection, another key compliance function of tax administrations, vary across jurisdictions. In 3 out of the 13 jurisdictions that reported data, around 21%–23% of full-time equivalent workers are dedicated to this area. Most jurisdictions employ 10%–20% of staff resources in tax debt collection. In two countries (the Republic of Korea and the Philippines), less than 5% of the tax administration workforce is employed in this area. In the Republic of Korea, debt collection is undertaken by staff in taxpayer account management and verification functions, and the tax administration does not have a dedicated unit for debt collection.

D. Staff Attrition Rates

Recruiting and retaining high-performing employees is a key challenge for organizations. High staff turnover is costly for an organization in terms of recruitment and initial on-the-job training. It can also adversely affect staff morale. Attrition rates, which give the number of staff who leave during the year as a percent of the average number of staff employed during the year,[7] are reported in Table 10. The table shows that attrition rates vary considerably, from 1.3% in the People's Republic of China, Japan, and Malaysia to 16.9% in the Maldives. Six other jurisdictions (the Republic of Korea; Indonesia; Hong Kong, China; Brunei Darussalam; Mongolia; and the Philippines) have rates below 5%. The remainder of the revenue bodies have rates of 5%–10%.

There are many factors that affect attrition rates, such as overall economic conditions. During expansions when unemployment is low, attrition rates are expected to be higher because of a greater probability of finding employment elsewhere than during periods of moderate growth or recession. Moreover, attrition rates can be influenced in some years by cost cutting and downsizing measures as was the case in New Zealand in 2011.

7 The average number of staff members for the year is calculated as (number of staff at the beginning of the year + number of staff at the end of the year) / 2.

Table 10 Attrition Rates of Revenue Bodies, 2011

Jurisdiction	Staffing (All Revenue Body Functions)			
	At Start of 2011	Recruited in 2011	Departures in 2011	Attrition Rate (%)
Australia	21,333	1,671	1,241	5.8
Brunei Darussalam	26	5	1	3.8
Cambodia	...	...	...	...
People's Republic of China	755,000	12,000	10,000	1.3
Hong Kong, China	2,749	133	95	3.4
India	...	...	...	...
Indonesia	31,410	835	835	2.7
Japan	56,773	1,524	753	1.3
Republic of Korea	20,150	166	422	2.1
Kyrgyz Republic	2,191	111	116	5.3
Lao People's Democratic Republic	...	...	...	...
Malaysia	10,086	350	129	1.3
Maldives	59	47	10	16.9
Mongolia	1,794	63	41	2.3
Myanmar	...	...	...	...
New Zealand[a]	5,621	622	556	9.8
Papua New Guinea	351	30 (approx.)	13 (approx.)	3.6 (approx.)
Philippines	10,311	76	406	4.0
Singapore	1,823	150	122	6.6
Taipei,China	8,804	524	476	5.4
Tajikistan	1,734	132	129	7.4
Thailand	...	...	...	...

... = data not available.

[a] New Zealand: Data are for all permanent staff members (excluding fixed-term contracts), tax and nontax. Numbers given are actual headcount rather than the sum of full-time equivalent workers.

Sources: ADB, Organisation for Economic Co-operation and Development.

E. Aspects of Human Resources Management

Key elements of revenue bodies' approach to human resources management are summarized in Table 11. The survey results suggest that most revenue bodies have a fair degree of autonomy in the recruitment and appointment of staff, with the majority of jurisdictions reporting that they have flexibility in the decisions about (i) the number and type of staff hired and (ii) the skills and qualifications of staff hired.

Moreover, staff training and development is a key aspect of human resources management. It has been found to increase workers' productivity and reduce staff turnover. Almost all revenue bodies (91%) note that they are undertaking, or planning to undertake in the case of Tajikistan,

Table 11 Aspects of Human Resources Management

Jurisdiction	Flexibility in Decisions about the Number and Type of Staff Hired	Flexibility in Decisions about the Skills and Qualifications of Staff Hired	Staff Development Initiatives to Enhance Risk Management Skills	A Performance Management System Is in Place	Pay Levels Tied to Public Sector Pay Scales	Flexibility to Reward Good Performance	Periodic Surveys of Staff on Satisfaction
Australia	Yes	Yes	Yes	Yes	Yes [f]	Yes [i]	Yes
Brunei Darussalam	No	Yes	Yes	No	Yes	No	Yes
Cambodia	No	No	No	No	Yes	No	No
People's Republic of China	Yes [a]	Yes	Yes	Yes	Yes	No	No
Hong Kong, China	No	Yes	Yes	Yes	Yes	No	No
India	Yes [b]	Yes	Yes	Yes	Yes	No	Yes
Indonesia	Yes	...	Yes	Yes [e]	No	Yes [j]	No
Japan	No	...	Yes	Yes	Yes	Yes [k]	Yes
Republic of Korea	Yes [c]	...	Yes	Yes	Yes	Yes	Yes
Kyrgyz Republic	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lao People's Democratic Republic	No	No	Yes	Yes	Yes	Yes	...
Malaysia	Yes	Yes	Yes	Yes	No [g]	Yes [l]	Yes
Maldives	Yes	Yes	Yes	Yes	No	Yes	Yes
Mongolia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Myanmar	No	No	No	No	Yes	...	No
New Zealand	Yes	Yes	Yes	Yes	Yes	Yes [m]	Yes [o]
Papua New Guinea	Yes	Yes	Yes	Yes	Yes	No	No
Philippines	Yes	Yes	Yes	Yes	Yes	No	Yes
Singapore	Yes	Yes	Yes	Yes	No [h]	Yes [n]	Yes
Taipei,China	Yes	Yes	Yes	Yes	Yes	Yes	No
Tajikistan	No	...	No [d]	No	...	...	No
Thailand	No	Yes	Yes	Yes	Yes	Yes	Yes

... = data not available.

[a] People's Republic of China: The revenue body has autonomy within levels defined by the State Commission Office for Public Service Reform.

[b] India: Staff members are hired by separate recruitment agencies.

[c] Republic of Korea: The revenue body has autonomy to decide types of staff (within set staff numbers).

[d] Tajikistan: The revenue body is at the initial stage of using risk management techniques for audit. Staff development initiatives are expected as the risk management skills and expertise of audit staff have been found inadequate.

[e] Indonesia: New performance management (aligned with strategic objectives) is under development.

[f] Australia: Pay scales are determined in accordance with a framework of remuneration policies provided under the Australian public service bargaining framework. Agencies are (subject to parameters established in the framework) able to negotiate productivity-based salary increases to meet their business needs.

[g] Malaysia: Pay scales have differed from general public sector pay scales since the revenue body became an independent statutory body.

[h] Singapore: The revenue body has its own set of salary pay grades that are benchmarked to the jobs market.

[i] Australia: Annual advancement within the pay scale is available, provided performance and other related factors are at least satisfactory. Staff members at the senior executive service level are eligible for performance-based pay, which is paid as a one-off bonus proportionally linked to the rating achieved through the performance appraisal process.

[j] Indonesia: The revenue body has some flexibility to reward good performance.

[k] Japan: The payment of one-off bonuses is possible when objectives have been achieved over 6 months.

[l] Malaysia: Outstanding performers receive annual salary adjustments of 7%–8% compared with an average adjustment of 6%. Those who receive upward adjustments also receive a bonus equivalent to the salary for half a month or a whole month.

[m] New Zealand: A limited number of bonuses are awarded for exceptional short-term performance.

[n] Singapore: The remuneration system is tied to the performance of individual staff members as well as the organization. The quantum of the pay is also tied to the organization's ability to pay.

[o] New Zealand: Annual organization-wide surveys have been conducted since 2005.

Sources: ADB, Organisation for Economic Co-operation and Development.

staff development in the area of risk management. Staff training and development help maintain and increase staff skills, which is crucial given the rapidly changing environments in which tax administrations operate.

Performance management systems are important because they provide a tool for monitoring the performance of individual staff members as well as that of the organization as a whole. Performance management helps set employment priorities and define performance goals with measurable outcomes. The majority of revenue bodies (82%) report that they have such systems in place, but they are lacking in almost one-fifth of revenue bodies.

With respect to staff remuneration, most revenue bodies (81%) are constrained by wage and salary levels that are tied to wider public pay scales. However, a significant number of organizations (65%) have some flexibility to reward good performance. The nature of the reward mechanisms vary and include individual bonuses (e.g., in Japan, Malaysia, and New Zealand), collective bonuses (e.g., Singapore), and permanent salary increases or promotions (e.g., Australia and Malaysia).

Establishing good working conditions is a further part of human resources management to attract and retain high caliber staff. To gauge how well revenue bodies are performing in this respect, 61% of organizations periodically survey their staff on their levels of job satisfaction, engagement, and motivation.

VI. Budget and Expenditure

Government funds to finance public expenditure, including public sector administration, are limited. Responsible fiscal management requires government spending to be closely aligned with what is affordable over the medium term. Moreover, government spending should be allocated to match policy priorities and produce intended results at the least cost. Revenue bodies must decide how to make optimal use of the resources allocated to them to perform their responsibilities in the most efficient and effective way. This section reviews the resource allocations made by governments to revenue bodies. It discusses how revenue bodies use their available funding and how much they spend on salaries, information and communication technology, and human resources management. Moreover, some indicators of effectiveness and efficiency are presented.

A. Overall Tax Administration Expenditure

Table 12 reports revenue bodies' salary costs as a percent of total expenditures for tax administration in 2010 and 2011. It shows that aggregate salary costs vary widely across jurisdictions within 20%–90%. Three-quarters of the revenue bodies with available data spend more than half of their budgets on salaries. Mongolia and Papua New Guinea have the lowest staff costs as a percent of total tax administration costs. Salary costs are highest in the Kyrgyz Republic and Hong Kong, China.

ICT spending is another significant component of the overall expenditure budget of many revenue bodies (Table 13). Like salary costs, ICT expenditures show large variations across jurisdictions. ICT costs as a percent of total spending are highest in Singapore at around 40% in 2010 and 2011, while they vary 21%–25% in New Zealand, Papua New Guinea, and Australia. ICT expenditures are lowest in the Kyrgyz Republic, Indonesia, and Malaysia at less than 6%. Moreover, the numbers show that ICT costs can fluctuate considerably between years 10–15 percentage points (e.g., the Maldives and Mongolia). Large fluctuations in costs can be due to abnormal expenditures in some years, like the building of new ICT infrastructure. Among those revenue bodies that have relatively stable ICT costs, most spend 7%–10% of their budgets on ICT.

Table 12 Salary Expenditure for Tax Administration as Percent of Total Expenditure for Tax Administration

Jurisdiction	2010	2011	Significant Factors Affecting Comparability between Jurisdictions
Australia	62.1	63.1	
Brunei Darussalam	...	...	
Cambodia	...	...	
People's Republic of China	...	...	
Hong Kong, China	86.6	88.9	
India	66.0	61.3	
Indonesia	65.0	50.5	
Japan	80.5	80.7	
Republic of Korea	61.9	64.4	
Kyrgyz Republic	90.7	89.8	As percent of all expenditure
Lao People's Democratic Republic	...	...	
Malaysia	79.2	82.4	
Maldives	68.1	78.1	As percent of all expenditure
Mongolia	42.4	18.6	
Myanmar	49.7	45.2	As percent of all expenditure
New Zealand	59.9	59.2	
Papua New Guinea	44.1	38.3	
Philippines	53.3	51.8	
Singapore	52.8	55.3	
Taipei,China	...	...	
Tajikistan	51.6	27.2	
Thailand	60.5	59.1	

... = data not available.
Sources: ADB; Organisation for Economic Co-operation and Development; The Revenue Department, Government of Thailand (2010 and 2011).

As discussed in the previous section, human resources management is a key requirement for the efficient and effective functioning of organizations. However, about one-third of revenue bodies for which data are available report spending less than 1% of their budgets on this activity. At 0.04%–0.05%, Japan has the lowest spending on human resources management as a percent of total expenditure, followed by Tajikistan (0.1%–0.3%) and the Republic of Korea (0.7%). In contrast, in the Maldives, human resources management costs contributed more than 10% to total expenditures in 2010 and 2011, likely due to the extensive tax reforms and requirement to expand and upskill the tax administration's workforce. Human resources management costs account for 4%–6% of total expenditures in Australia and Papua New Guinea, and around 3% in Malaysia, while the remainder of the revenue bodies spend around 1.5% of their budgets on this activity.

Table 13 Information and Communication Technology and Human Resources Management Expenditures as Percent of All Expenditures

Jurisdiction	ICT Expenditures		Human Resources Management Expenditures	
	2010	2011	2010	2011
Australia	21.7	21.5	5.30	6.00
Brunei Darussalam	...	...	...	...
Cambodia	...	...	...	...
People's Republic of China	...	...	...	...
Hong Kong, China	9.1	9.6	1.20	1.30
India	7.0	7.1	0.10	0.30
Indonesia	4.2	1.5	...	...
Japan	8.5	8.6	0.04	0.05
Republic of Korea	8.8	7.1	0.7	0.70
Kyrgyz Republic	2.7	2.9	1.5	1.40
Lao People's Democratic Republic	...	...	...	...
Malaysia	5.9	2.4	2.70	3.00
Maldives	23.4	13.0	17.00	11.80
Mongolia	27.5	12.4	...	...
Myanmar	...	...	...	...
New Zealand	24.5	22.5	1.50	1.60
Papua New Guinea	22.3	23.4	4.00	5.70
Philippines	12.6	16.5	...	...
Singapore	40.4	39.4	1.50	1.70
Taipei,China	...	...	...	...
Tajikistan	7.6	3.0	0.30	0.10
Thailand	...	...	1.60[a]	1.70[a]

... = data not available, ICT = information and communication technology.

[a] Thailand: Expenditures are training expenses.

Sources: ADB; Organisation for Economic Co-operation and Development; The Revenue Department, Government of Thailand (2010 and 2011).

B. Measures of Relative Costs of Administration

Indicators of efficiency and effectiveness that are often calculated and published by revenue bodies are (i) the cost of collection ratio and (ii) administrative expenditure as a percent of GDP.

The cost of collection ratio compares the total annual tax administration expenditures with the net revenue (i.e., gross revenue less refunds) collected by the revenue body. It is typically expressed as a percentage or as the cost of collecting 100 units of tax revenue. Revenue bodies' cost of collection ratios in 2010 and 2011 are reported in Table 14. The table shows that the majority of jurisdictions have tax administration costs 0.5%–1.0% of total net revenue collected. The cost of collecting

Table 14 Tax Administration Expenditures as Percent of Net Revenue Collected

Jurisdiction	2010	2011
Australia	1.05	0.99
Brunei Darussalam	...	...
Cambodia	...	...
People's Republic of China	...	...
Hong Kong, China	0.85	0.75
India	0.61	0.55
Indonesia	0.48	0.55
Japan	1.93	1.75
Republic of Korea	0.81	0.76
Kyrgyz Republic	1.44	1.15
Lao People's Democratic Republic	...	...
Malaysia	1.27	1.09
Maldives	...	0.37
Mongolia	0.09	0.22
Myanmar	0.50	0.40
New Zealand	0.81	0.89
Papua New Guinea	0.61	0.47
Philippines	0.79	0.71
Singapore	0.89	0.87
Taipei,China	0.71	0.65
Tajikistan	1.20	2.02
Thailand	0.83	0.76

... = data not available.

Sources: ADB; Organisation for Economic Co-operation and Development; International Bureau of Fiscal Documentation; The Revenue Department, Government of Thailand (2010 and 2011).

taxes is highest in Japan and Tajikistan, with average ratios above 1.5%. The Kyrgyz Republic and Malaysia have ratios above 1.0%, and Australia's ratio is around 1.0%. Mongolia, the Maldives, and Myanmar have the lowest tax collection costs with ratios at or below 0.5% of net revenue collected.

However, when comparing tax collection costs, it is important to bear in mind that they can be influenced, to a large extent, by jurisdictions' tax systems as well as a range of other macroeconomic factors. For instance, inheritance tax, which is adopted by some governments to complement progressive personal income taxation to achieve greater income equality, has been found to be expensive to administer. Other examples are corrective taxes, like tobacco taxes or excise taxes, which are intended to reduce smoking or alcohol consumption. Tax administration costs are therefore expected to vary depending on the composition of jurisdictions' tax bases, and are also changeable due to tax policy reforms such as tax rate changes. Equally, tax revenues are susceptible to the macroeconomic environment in each jurisdiction.

Tax administration expenditures as a percent of GDP, which measures the total output produced in an economy, are reported in Table 15. The table shows that most jurisdictions have ratios around 0.1%. The Kyrgyz Republic has the highest ratio, at 0.2%–0.3%, followed by Australia and New Zealand. The ratios in Australia and New Zealand are relatively high partly because the tax burden, that is, tax revenue as a percent of GDP, is higher in these countries. The higher the tax burden, the higher generally are the economic costs of taxation, including tax administration costs. In other words, the more revenue required for a government to fund public expenditure, the larger the reliance on more distortionary and hence more costly taxes to administer. This again highlights the importance of taking into account the different factors that may be influencing tax revenue collections.

Table 15 Tax Administration Expenditures as Percent of Gross Domestic Product

Jurisdiction	2010	2011	Significant Factors Affecting Comparability between Jurisdictions
Australia	0.190	0.182	
Brunei Darussalam	...	...	
Cambodia	...	...	
People's Republic of China	...	...	
Hong Kong, China	0.060	0.057	
India	...	...	Direct taxes only
Indonesia	0.041	0.050	
Japan	0.143	0.142	
Republic of Korea	0.114	0.111	
Kyrgyz Republic	0.304	0.234	All expenditures
Lao People's Democratic Republic	...	...	
Malaysia	0.081	0.084	Costs exclude indirect taxes
Maldives	0.017	0.054	All expenditures
Mongolia	0.016	0.042	
Myanmar	0.015	0.013	
New Zealand	0.192	0.204	
Papua New Guinea	0.134	0.109	
Philippines	0.072	0.074	
Singapore	0.086	0.092	
Taipei,China	0.085	0.085	All expenditures
Tajikistan	0.143	0.259	
Thailand	0.104	0.109	

... = data not available.

Sources: ADB; Organisation for Economic Co-operation and Development; The Revenue Department, Government of Thailand (2010 and 2011).

VII. Taxpayer Identification and Filing

The identification and registration of taxpayers is a critical process in collecting taxes that underpins return filing, collection, and assessment activities. Some tax administrations operate registration systems that issue unique taxpayer identification numbers. Others have systems that are based on basic taxpayer identifying information (e.g., for individuals, full name, address, and date of birth; and for businesses, full name, business activities, and address) using a citizen or business identification number that is used generally across government. Regardless of whether the identification and registration of taxpayers is based on a citizen number or a unique taxpayer identification number (TIN), many revenue bodies also use the number to match information received from third parties with tax records to detect potential noncompliance, to exchange information between government agencies (where permitted under the law), and for numerous other applications. This section provides information on jurisdictions' registered taxpayer populations and the use of taxpayer identifiers for information reporting and matching.

Table 16 shows the number of taxpayers registered for personal income tax, corporate income tax, and VAT. It also reports the number of personal income tax taxpayers to (i) the number of labor force participants and (ii) the total population, both as a percent. The table shows that some jurisdictions have a large number of registered taxpayers, more than 30 million in the case of India, highlighting the need for information and communication technology (ICT) systems that can manage large databases. Furthermore, using jurisdictions' labor force data as a benchmark, the percentage of personal taxpayers who are registered with the revenue body varies substantially across jurisdictions, suggesting that the workloads, and hence administration costs, associated with registering taxpayers also vary greatly. Half of the jurisdictions (8 out of 16) that supplied data and that tax the income earned by individuals have a ratio of less than 50%. Two countries, Australia and New Zealand, have ratios greater than 150%, that is, there are more than 1.5 times more individual taxpayers than labor force participants. Once again, this is likely a reflection of the substantial nontax functions performed by these organizations.

Table 16 Comparison of Registered Taxpayer Populations, 2011

	Population (millions)		Number of Registered Taxpayers (millions)			Relative Indicators	
Jurisdiction	Total Population	Labor Force	Personal Income Tax	Corporate Income Tax	Value-Added Tax	Registered Personal Income Tax Payers to Labor Force (%)	Registered Personal Income Tax Payers to Total Population (%)
Australia[a]	22.32	12.01	19.05	1.67	2.67	158.7	85.3
Brunei Darussalam	0.39	0.19	n.app.	0.01	n.app.	n.app.	n.app.
Cambodia[b]	14.52	...	...	0.09	...	...	...
People's Republic of China	1,341.98	785.80	...	...	...	...	...
Hong Kong, China	7.07	3.70	3.00	0.80	n.app.	81.0	42.4
India	1,197.81	447.00	31.03	0.49	n.app.	6.9	2.6
Indonesia	241.60	117.37	20.17	1.92	0.80	17.2	8.3
Japan[c]	127.82	65.91	22.00	3.00	3.00	33.4	17.2
Republic of Korea[d]	49.78	25.10	19.89	0.56	5.02	79.2	40.0
Kyrgyz Republic	5.48	2.49	0.20	0.05	0.01	8.0	3.7
Lao People's Democratic Republic	6.38	...	...	0.00	0.00	...	...
Malaysia	28.96	12.68	7.20	0.70	n.app.	56.8	24.9
Maldives[e]	0.41	...	n.app.	0.01	0.00	n.app.	n.app.
Mongolia	2.79	1.12	0.88	0.07	0.02	78.2	31.6
Myanmar	60.38	31.39	0.46	0.02	0.25	1.5	0.8
New Zealand[f]	4.41	2.37	3.62	0.47	0.63	152.7	82.2
Papua New Guinea[g]	7.00	...	0.02	0.03	0.02	...	0.3
Philippines	94.18	40.00	11.53	0.31	0.38	28.8	12.2
Singapore	5.18	3.24	1.73	0.15	0.08	53.4	33.4
Taipei,China	23.22	11.20	5.73	0.76	1.23	51.2	24.7
Tajikistan[h]	7.80	2.30	1.04	0.01	0.00	45.2	13.3
Thailand	64.08	38.90	9.20	0.36	0.40	23.7	14.4

... = data not available, n.app. = not applicable.

[a] Australia: The number for personal income tax is the total of active tax file numbers issued to individuals; for corporate income tax, it is the total of active tax file numbers issued to corporate entities. The number for value-added tax is as per the latest annual client account services goods and services tax report.

[b] Cambodia: Taxpayers are divided into two tax regimes, the real regime and the estimated regime. Real regime taxpayers include incorporated taxpayers that are subject to tax on profits. Real regime taxpayers make up about 32% of total registered taxpayers.

[c] Japan: For personal income tax, the number is individual income tax returns received in 2009. For corporate income tax, the number is corporations as of 30 June 2009. For value-added tax, the number is notifications of taxable business enterprises for consumption tax as of 31 March 2009.

[d] Republic of Korea: The number of personal income tax payers includes employees, most of whom are not required to file tax returns.

[e] Maldives: While there is currently no personal income tax enforced, the government has submitted a personal income tax bill to Parliament.

[f] New Zealand: Figures are for active taxpayers, that is, those who have had a transaction in the last 12 months or who pay tax through the pay-as-you-earn (PAYE) system.

[g] Papua New Guinea: Employees are not required to register with the Internal Revenue Commission unless they have other income sources. They are not included and the number of registered taxpayers for personal income tax significantly understates the number of people receiving personal income in the formal economy.

[h] Tajikistan: The number for personal income tax is approximate and based on the number of wage workers according to the State Statistics Agency under the President of Tajikistan. The Tax Committee does not keep a dedicated record of individuals paying personal income tax, because this type of tax is generally withheld and transferred by employers, and wage workers are not obliged to file a tax return. Corporate income tax includes profit taxpayers (43% of corporate income tax payers) and minimal income tax payers (57% of corporate income tax payers), that is, taxpayers who reported a loss in 2011 and thus are obliged to pay minimal income tax.

Sources: ADB, Organisation for Economic Co-operation and Development.

Table 17 Withholding Regime for Income of Resident and Nonresident Taxpayers

	Residents			Nonresidents		
Jurisdiction	Wages and Salaries	Dividends	Interest	Wages and Salaries	Dividends	Interest
Australia[a]	Yes	No	No	Yes	Yes	Yes
Brunei Darussalam	No	No	No	Yes	No	Yes
Cambodia	...	...	...	...	...	...
People's Republic of China	Yes	Yes	Yes	...	...	...
Hong Kong, China	No	...	...	No	...	...
India	Yes	Yes	Yes	Yes	Yes	Yes
Indonesia	Yes	Yes	Yes	Yes	Yes	Yes
Japan	Yes	Yes	Yes	Yes	Yes	Yes
Republic of Korea	Yes	Yes	Yes	Yes	Yes	Yes
Kyrgyz Republic[b]	Yes	Yes	Yes	Yes	Yes	Yes
Lao People's Democratic Republic	Yes	Yes	Yes	Yes	Yes	Yes
Malaysia	Yes	...	...	Yes	...	Yes
Maldives	...	...	...	...	...	...
Mongolia	Yes	Yes	Yes	Yes	Yes	Yes
Myanmar[c]	Yes	n.app.	No	Yes	n.app.	Yes
New Zealand[d]	Yes	Yes	Yes	Yes	Yes	Yes
Papua New Guinea	Yes	Yes	Yes	Yes	Yes	Yes
Philippines[e]	Yes	Yes	Yes	Yes	Yes	Yes
Singapore[f]	No	...	...	Yes	...	Yes
Taipei,China	Yes	No	Yes	Yes	Yes	Yes
Tajikistan	Yes	Yes	Yes	Yes	Yes	Yes
Thailand	Yes	Yes	Yes	Yes	Yes	Yes

... = data not available, n.app. = not applicable.

[a] Australia: Withholding is required for certain investment income (e.g. dividends, interest and unit trust distributions) where payees do not quote their tax file number or Australian business number.

[b] Kyrgyz Republic: See clause 18 for dividends and clause 34 for interest of article 167 of the Tax Code of the Kyrgyz Republic.

[c] New Zealand: If imputation credits are available, dividends are exempt from withholding.

[d] Myanmar: Dividends paid to residents and nonresidents are not taxed.

[e] Philippines: Withholding is generally required for wages and salaries both for resident citizens and resident aliens. However, if the payer of income or employer cannot be constituted as a withholding agent in accordance with the generally accepted principles of international law of sovereign immunity, such as foreign governments (consular offices and embassies) or international organizations (e.g., ADB and World Health Organization), the salaries and wages of resident citizens are not subject to withholding tax on compensation. Withholding is generally required in the case of cash dividends. However, cash dividends paid to resident foreign corporations and domestic corporations by a domestic corporation are not subject to withholding tax since these are not subject to income tax pursuant to sections 28(A)(7)(d) and 27(D)(4) of the Tax Code, respectively. Moreover, stock dividends are not subject to withholding tax. Withholding is generally for interest on currency deposit transactions received by resident citizens, domestic and resident foreign corporations are subject to final withholding tax. However, in the case of interest on loans obtained from persons other than banks, financial intermediaries, and other entities performing quasi-banking functions, only interest paid by taxpayers classified as large taxpayers, the top 20,000 corporations, and the top 5,000 individuals, are subjected to creditable (expanded) withholding tax under the pertinent provisions of Revenue Regulations No. 2-98, as amended. For nonresidents, withholding is required for salaries and wages for services rendered within the Philippines. Withholding is generally required for nonresidents' interest income except for interest derived by (a) foreign government; (b) financing institutions owned, controlled, or enjoying refinancing from governments; and international or regional financial institutions established by foreign governments pursuant to Section 32(B)(7)(a) of the Tax Code.

[f] Singapore: Withholding is only required for nonresident director's remuneration. Moreover, employers need to seek tax clearance for their noncitizen employees ceasing employment in Singapore or leaving Singapore for more than 3 months. As part of the tax clearance process, they need to immediately withhold payment of all monies due to the employee for a period of 30 days from the day they notify the tax authority or until the tax authority gives tax clearance.

Table 18 Use of Taxpayer Identifiers for Information Reporting and Matching

	Unique Taxpayer Identification Number			Use of Taxpayer Identifiers for Information Reporting and Matching		
Jurisdiction	Personal Income Tax	Corporate Income Tax	Value-Added Tax	Employers: Wages	Government Agencies: Pensions and Benefits	Financial Institutions: Interest
Australia	Yes	Yes	Yes	Yes	Yes	Yes
Brunei Darussalam	n.app.	No[a]	n.app.	n.app.	Yes	No
Cambodia	No	No	No	No	No	No
People's Republic of China	No	No	No	Yes	Yes	Yes
Hong Kong, China	Yes	Yes	n.app.	Yes	Yes	...
India	Yes	Yes	n.app.	Yes	Yes	Yes
Indonesia	Yes	Yes	Yes	Yes	No	No
Japan	No	No	No	No	No	No
Republic of Korea	No	Yes	Yes	Yes	Yes	Yes
Kyrgyz Republic	Yes	Yes	Yes	Yes	No	No
Lao People's Democratic Republic	Yes	No[b]	No[b]	Yes	Yes	Yes
Malaysia	Yes	Yes	n.app.	Yes	Yes	No
Maldives	n.app.	Yes	Yes	n.app.	No	No
Mongolia	Yes	Yes	Yes	Yes	No	No
Myanmar	Yes	Yes	Yes	Yes	Yes	Yes
New Zealand	Yes	Yes	Yes	Yes	Yes	Yes
Papua New Guinea	Yes	Yes	Yes	Yes	Yes	Yes
Philippines	Yes	Yes	Yes[c]	Yes	Yes	No[g]
Singapore	No[d]	No[d]	No[d]	Yes[h]	Yes[h]	No
Taipei,China	No[e]	No[e]	No[e]	Yes	Yes	Yes
Tajikistan	Yes[f]	Yes[f]	Yes[f]	Yes	Yes	Yes
Thailand	Yes	Yes	Yes	No	No	No

... = data not available, n.app. = not applicable.

[a] Brunei Darussalam: Company registration number for corporate income tax.

[b] Lao People's Democratic Republic: Lao tax identification system for corporate income tax and value-added tax.

[c] Philippines: Every taxpayer has one unique tax identification number. There is no separate number for each tax type.

[d] Singapore: National registration identity card or foreign identification number for personal income tax, unique entity number for corporate income tax, unique entity number or national registration identity card for value-added tax, year of birth or registration included.

[e] Taipei,China: Identification number for personal income tax, business administration number for corporate income tax, and business registration number for value-added tax.

[f] Tajikistan: A unique taxpayer identification number is used to administer all tax types. The Tax Committee also performs state registration of commercial legal entities and individual entrepreneurs and assigns a unified identification number, which is not used for tax purposes. The consolidation of the taxpayer identification number and unified identification number is currently being reviewed to simplify and unify the taxpayer registration processes.

[g] Phlippines: Interest income is subject to a final withholding tax.

[h] Singapore: Applicable for employers in the auto-inclusion scheme for employment income. Applicable for pensions and other government benefits if they are part of taxable employment income.

Sources: ADB, Organisation for Economic Co-operation and Development.

All jurisdictions with low registration rates (less than 50%), except Myanmar and Thailand, have withholding regimes that free employee taxpayers from the requirement to prepare and file an annual tax return. Requirements for withholding at source are commonly applied across jurisdictions, in particular with respect to employment income; however, there are some significant differences in the design of withholding systems, not always freeing employees from the obligation to prepare and file a tax return.

The majority of revenue bodies use unique taxpayer identification numbers (TINs) for income taxation (both personal and corporate) and VAT purposes. However, in some jurisdictions (e.g., Singapore and Taipei,China) the TIN is not unique to the revenue body. Taxpayer identifiers are widely used for information reporting and data matching for verification purposes with information on wages, government pensions and benefits, and interest reported to revenue bodies. The notable exception is Japan, where the revenue body does not issue and use unique TINs for information reporting and matching.

VIII. Electronic Taxpayer Services

Information and communication technology (ICT) can improve virtually every aspect of tax administration (i.e., account management, verification, tax and debt collection, and internal management processes). Revenue bodies are therefore driven toward the introduction of new technology and greater use of ICT to deliver taxpayer services more efficiently. This section discusses the benefits of ICT and provides an overview of the use of ICT by revenue bodies, including in-house ICT function. Particular focus is given to the interaction between the tax administration and taxpayers through electronic taxpayer services (i.e., electronic tax filing and payment and other electronic taxpayer services including social media).[8]

A. Information and Communication Technology and Tax Administration

The benefits of ICT use in tax administration arise through four main channels. ICT can

(i) improve tax administrations' performance,
(ii) reduce tax administration costs,
(iii) reduce taxpayers' compliance costs, and
(iv) enhance interactions between taxpayers and the tax administration.

With ICT, tax administrations are enabled to improve their business operations, including audits and arrears collection. A tax information management system can deal with a huge amount of data related to taxpayers, not simply for storage but also for analysis. It allows more efficient information sharing across and between internal departments, for example, between the audit section and the arrears collection section, and between the headquarters and regional offices. In addition, some tax administrations may be able to access information collected by other government departments such as the customs office, land and company registration bureaus, and

8 This section draws on Araki (2013a).

municipal governments.[9] With a tax information management system, tax auditors and collectors can cross-check and analyze a large amount of information from different sources and, as a result, strengthen enforcement performance.

Moreover, ICT lowers tax administration costs. Staff and other resource costs can be reduced by the application of ICT for (i) taxpayer services, such as tax return filing, payment receipt, and consultation; (ii) taxpayer account and information management, which would be done manually without an ICT system; and (iii) enforcement operations including audit and arrears collection, in particular data analysis and target selection.

ICT-based tax administration can also reduce taxpayers' compliance costs. Electronic tax filing systems save taxpayers time in preparing and filing tax returns and help reduce errors, while with electronic tax payment systems, taxpayers no longer have to visit tax offices or send tax returns by post.

In addition, ICT-based media ease interactions between taxpayers and the tax administration. Information can be provided to taxpayers through revenue bodies' websites and other internet-based social media, and taxpayers can more easily access information needed to fulfill their tax obligations. The details of electronic taxpayer services including electronic tax filing and payment systems are discussed further below.

B. In-House Information and Communication Technology Function

Given the importance of ICT for tax administration operations, several revenue bodies maintain a full in-house ICT function. However, some tax administrations, especially those which are an internal department within the Ministry of Finance, may not have an independent ICT function for tax administration purposes. Moreover, some tax administrations, in particular in developed economies, outsource parts of their ICT function to the private sector with the aim to improve cost-effectiveness.

Table 19 shows that 16 of the 22 revenue bodies surveyed have a full in-house ICT function. New Zealand's Inland Revenue, for example, has a core operating system, called FIRST, which is a purpose-built integrated system launched in 1991. The FIRST system identifies and registers taxpayers by number; calculates tax liabilities, amounts owed, or refunds due; handles returns and correspondence; and ensures that tax totals are recorded for government financial accounting purposes. Connected to the core system are separate satellite systems dealing with, for example, KiwiSaver and online services used by tax agents and taxpayers.[10] The National Tax Agency of Japan has a centralized ICT system called the KSK System (the national tax comprehensive

9 The sharing of taxpayer information by the tax administration with other government bodies is generally more restrictive due to the confidentiality of taxpayer information.

10 KiwiSaver is a voluntary long-term savings scheme.

Table 19 In-House Information and Communication Technology Function in Tax Administrations

Jurisdiction	Is There a Separate Substantial In-House Information and Communication Technology Function?
Australia[a]	Yes
Brunei Darussalam	No
Cambodia	No
People's Republic of China	Yes
Hong Kong, China	Yes
India	Yes
Indonesia	Yes
Japan	Yes
Republic of Korea	Yes
Kyrgyz Republic	No
Lao People's Democratic Republic	No
Malaysia	Yes
Maldives	Yes
Mongolia	No
Myanmar	No
New Zealand	Yes
Papua New Guinea	Yes
Philippines	Yes
Singapore	Yes
Taipei,China	Yes
Tajikistan	Yes
Thailand	Yes

[a] Australia: In the Australian Taxation Office, parts of hardware and support are outsourced.
Sources: ADB, Organisation for Economic Co-operation and Development.

management system), which was started as a pilot operation in 1995 and introduced nationwide in 2001, while the National Tax Service of the Republic of Korea started the operation of its Tax Integrated System, a key system for tax information management, in 1997.

Outsourcing of ICT infrastructure has been a key focus for the Australian Taxation Office since the end of the 1990s. Currently, its mainframe, network, and communications hardware and support are outsourced.

In 4 of the 6 jurisdictions that do not have a full in-house ICT function, the tax administration is an internal department in the Ministry of Finance. This institutional arrangement may be a factor hindering the development of a purpose-built ICT system, which is required to have the capacity to process large amounts of taxpayer information and to maintain strict confidentiality.

C. Electronic Tax Filing Systems

Electronic tax filing systems are arguably the most visible among ICT-based taxpayer services. For most taxpayers, the submission of annual income tax returns is the most significant contact with the tax office, and a system enabling taxpayers to submit tax returns electronically benefits taxpayers as well as the tax administration (World Bank and PricewaterhouseCoopers 2011). An electronic tax filing system greatly reduces taxpayers' time and labor to visit a tax office or to send a tax return by post. At the same time, it also reduces the tax administration's time and labor to receive and process paper-based tax returns. Moreover, the electronic inputs of data improve the quality of tax returns. Automatic calculation functions prevent miscalculations, and the "help" function availability on the screen provides taxpayers with information to understand tax regulations correctly. Furthermore, electronic tax filing systems directly input data into a tax information management system. This allows faster sharing of information across the tax administration. It also improves data accuracy. Without an electronic tax filing system, data are entered into a tax information management system manually by staff or through an optical character recognition system, both of which are less efficient and have more risk of input errors.

Table 20 shows the penetration rates of electronic tax filing for personal and corporate income taxes and VAT. Electronic tax filing is available in most of the jurisdictions, and its availability is increasing. In Brunei Darussalam, an internet-based tax filing and payment system for corporate income tax, called STARS (System of Tax Administration and Revenue Services), was introduced in April 2012.

However, penetration rates of electronic filing vary among jurisdictions. Australia; India; the Republic of Korea; Mongolia; Singapore; and Taipei,China have rates above 90% for some tax items. In Singapore, electronic filing for GST is mandatory, according to the Goods and Services Tax (General) Regulations.[11] Also in India, since 2009–2010, electronic filing is mandatory for corporations and individuals whose income is above a certain amount.[12] In some jurisdictions such as Indonesia, the Kyrgyz Republic, and the Philippines, while electronic tax filing is at least partially available, its usage is still limited. Possible reasons include the limited availability of internet access particularly for individuals and the high cost of digital signature, which ensures the authenticity of taxpayer's identity.

11 Regulation 53(1) of the Goods and Services Tax (General) Regulations provides that "every taxable person who is first registered under the [Goods and Services Tax] Act shall make and submit through the electronic service every specified return which he is required to furnish."

12 Rule 12(3) of Income-tax Rules, 1962. Since April 2013, individuals whose income exceeds Rp500,000 are required to furnish income tax returns electronically.

Table 20 Use of Electronic Tax Filing as Percent of All Returns Filed by Tax Items, 2011

Jurisdiction	Personal Income Tax	Corporate Income Tax	Value-Added Tax
Australia	92	92	54
Brunei Darussalam	...	...	...
Cambodia	...	...	...
People's Republic of China	....	...	...
Hong Kong, China	14	<1	n.app.
India	26	100	n.app.
Indonesia	...	...	...
Japan	44	58	53 (corporations)
Republic of Korea	87	97	79
Kyrgyz Republic	0.6	3	37
Lao People's Democratic Republic	...	...	...
Malaysia	69	49	n.app.
Maldives	n.app.	...	...
Mongolia	...	76	96
Myanmar	....	...	...
New Zealand	71	80	28
Papua New Guinea	...	...	...
Philippines	0.3	6	7
Singapore	96[a]	63[a]	100
Taipei,China	82	98	94
Tajikistan[b]	...	...	...
Thailand	45	10	14

... = data not available, n.app. = not applicable.

[a] Singapore: For personal income tax, e-filing results for 2011 are based on returns as of 18 April 2011. For corporate income tax, e-filing results are based on returns on estimated chargeable income e-filed from 1 April 2011 to 31 March 2012.

[b] Tajikistan: In 2011, e-filing was not yet available. First steps toward e-filing were made in the second half of 2012.

Sources: ADB, Organisation for Economic Co-operation and Development.

D. Electronic Tax Payment

The payment of the amount of tax due is another important interaction between taxpayers and tax offices. For taxpayers, carrying cash to the tax office has an obvious risk, and tax payments require time and labor. Business hours at tax offices and banks are limited, and corporations may be required to pay VAT every month. Moreover, the provision of tax payment methods that are convenient for taxpayers should increase the timeliness of tax payments and reduce the risks of tax arrears. For tax administrations, handling cash at tax offices not only is labor- and resource-intensive, but also invites a risk of corruption. Therefore, it is beneficial for both taxpayers and tax administrations to introduce electronic tax payment methods that reduce the costs associated with tax payments, such as internet banking and direct debit where a revenue body is authorized to withdraw tax amounts from a taxpayer's bank account.[13]

13 Electronic tax payments may also smooth tax payments and hence revenue receipts of the government.

Table 21 shows the availability of tax payment methods, both nonelectronic and electronic. The most basic nonelectronic means are direct payment at tax offices or through checks sent by mail. The table shows that more than half of the revenue bodies accept in-person payments at tax offices. This relatively high proportion is somewhat unexpected given the high transaction costs for both taxpayers and revenue bodies and may reflect limited alternative payment methods in

Table 21 Methods Available for Tax Payment

Jurisdiction	Mailed Check	In-Person at Tax Offices	In-Person at Agents	Phone Banking	Internet Banking	Direct Debit via Bank	Payment Kiosk Facility
Australia	Yes	No	Yes	Yes	Yes	Yes	No
Brunei Darussalam	No	Yes	No	No	No	Yes	No
Cambodia	No	Yes	Yes[a]	No	No	No	No
People's Republic of China	Yes	Yes	Yes	Yes	Yes	Yes	No
Hong Kong, China	Yes	No	Yes	Yes	Yes	Yes	No
Indonesia	...	...	...	...	...	...	...
India	No	No	Yes	No	Yes	No	No
Japan	No	Yes	Yes	No	Yes	Yes	No
Republic of Korea	No	Yes	Yes	Yes	Yes	No	Yes
Kyrgyz Republic	No	No	Yes	No	No	No	Yes
Lao People's Democratic Republic	No	No	Yes	Yes	Yes	Yes	No
Malaysia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Maldives	No	Yes	Yes[b]	No	No	No	No
Mongolia	No	Yes	Yes	No	No	Yes	No
Myanmar	No	No	Yes	No	No	No	No
New Zealand	Yes	No	Yes	No	Yes	Yes	No
Papua New Guinea	Yes	Yes	No	No	No	No	Yes
Philippines[c]	No	Yes (if no agent banks)	Yes	No	Yes	Yes	Yes
Singapore	Yes	No	Yes	Yes	Yes	Yes	Yes
Taipei,China	No	No	Yes	Yes	Yes	Yes	No
Tajikistan	No	Yes	Yes	No	Yes	Yes	Yes
Thailand	Yes	Yes	Yes	Yes	Yes	Yes	Yes

... = data not available.

[a] Cambodia: Authorized banks only.

[b] Maldives: Payments can be collected by atoll councils (branches of local government).

[c] Philippines: Mobile payment is available, which is a means for taxpayers to pay their taxes using their mobile phones' services. It allows taxpayers to pay personal income tax, documentary stamp tax, registration fees, and tax compliance verification drive (TCVD) fines and penalties with the maximum amount of payment currently set at P10,000. A confirmation message is sent to taxpayers' mobile phones informing them that their tax payment transaction has been successfully processed. Aside from this confirmation message, taxpayers may also check an online tax payment confirmation facility, which can be accessed through the Bureau of Internal Revenue Portal. To verify whether the tax payment was indeed completed, taxpayers need only to encode their confirmation number sent to their mobile phone, after which the portal will display payment details related to the transaction.

Sources: ADB, Organisation for Economic Co-operation and Development.

some jurisdictions (e.g., Brunei Darussalam, Cambodia, the Maldives, Mongolia, and Papua New Guinea). In the Philippines, taxpayers can directly pay to tax collection officers only if there are no authorized agent banks in their district. In relatively developed jurisdictions such as Australia; Hong Kong, China; New Zealand; and Singapore, while taxpayers cannot pay directly at tax offices, they can send checks to tax offices. These arrangements may help tax administrations to reduce staff costs for face-to-face interactions with taxpayers. Altogether, tax payment by mailed checks is available in eight jurisdictions. The relatively low availability of this means of payment may reflect factors such as the reliability of postal services or corruption risk involving checks.

The next category of payment methods is in-person payment at agents such as banks and post offices, and telephone banking services. This category of payment method mitigates the burden on tax offices, as financial institutions deal with payment transactions. Indeed, in-person payment at agents is the most widely available method of payment, employed in 19 jurisdictions. In-person payment at agents is not available in Brunei Darussalam, which currently has no personal income tax, and Papua New Guinea. On the other hand, the use of telephone banking services for tax payment is relatively limited, available only in nine jurisdictions.

The third category, electronic tax payment, includes internet banking, direct debit via bank accounts, and payment kiosks. Payment transactions through these methods are self-service and do not require personal contact with tax administration or bank staff. Internet banking and direct debit are available in 14 jurisdictions, which make these two electronic tax payment methods the second most widely adopted after in-person payment at agents. Electronic tax payment is widely used, and has the potential for further expansion. Electronic tax payment is currently not available in Cambodia, but the General Department of Taxation has a plan to expand tax payment options to include electronic tax payment. A tax payment kiosk is a self-service machine, often operated by banks, and can be located in bank branches, shopping centers, and train stations, but its usage is relatively limited, and it is available only in eight jurisdictions.

As these electronic tax payment methods in principle require a taxpayer to have a bank account, it may become an obstacle for promoting electronic payment in jurisdictions where many individuals are self-employed (i.e., taxes on their labor earnings are not withheld by an employer) and do not have a bank account. In the Philippines, where a large proportion of people do not have a deposit account,[14] individuals can pay their taxes through an electronic cash service provided by a mobile phone company. Under this electronic cash service, taxpayers without a bank account can deposit electronic cash at mobile phone shops or shopping centers. This method can enhance tax payments among small taxpayers in developing countries.

14 According to a consumer finance survey conducted between November 2009 and January 2010, 8 in 10 households in the Philippines (78.5%) do not have a deposit account (Bangko Sentral ng Pilipinas 2012).

E. Other Electronic Taxpayer Services

In addition to electronic tax filing and payment systems, tax administrations are employing various electronic media to enhance convenience for taxpayers and increase awareness about tax issues. For example, legal and practical information provided on the websites of tax administrations enhances taxpayers' access to tax-related information. It not only helps taxpayers understand tax issues, but also saves tax administrations' resources, as taxpayers can have most of their questions answered by tax information provided online, which reduces staff time taken addressing queries through telephone services or tax offices.

In addition to websites, social media platforms such as Facebook, Twitter, and YouTube are increasingly employed by tax administrations as a means to extend their reach to taxpayers, in particular younger generations. A 2011 OECD study on social media technologies and tax administration indicates that while revenue bodies' experience with social media is still relatively

Table 22 Information Provision via Electronic Media

Jurisdiction	Comprehensive Tax Information Provided to Taxpayers via the Internet	Using Social Media Platforms for Interaction with Taxpayers
Australia	Yes	Yes
Brunei Darussalam	Yes	Yes
Cambodia	Yes (limited)	No
People's Republic of China	Yes	Yes
Hong Kong, China	Yes	No
India	Yes	No
Indonesia	Yes	No
Japan	Yes	Yes
Republic of Korea	Yes	Yes
Kyrgyz Republic	Yes	No
Lao People's Democratic Republic	Yes	No
Malaysia	Yes	Yes
Maldives	Yes	Yes
Mongolia	Yes	Yes
Myanmar	Yes	No
New Zealand	Yes	Yes
Papua New Guinea	Yes (limited)	No
Philippines	Yes	No
Singapore	Yes	Yes
Taipei,China	Yes	Yes
Tajikistan	Yes (limited)	No
Thailand	Yes	Yes

Sources: ADB, Organisation for Economic Co-operation and Development.

limited, social media is an effective tool for better tax administration as it enhances dialogue between revenue bodies and taxpayers as well as the image of revenue bodies (OECD 2011).

All of the jurisdictions surveyed publish information and forms on tax laws, regulations, tax return preparation, payment, and appeal procedures via their websites. However, in terms of comprehensiveness, some jurisdictions recognize that there is room for improving the coverage of information provided on their websites.

Interestingly, 12 out of the 22 revenue bodies surveyed have already started to use social media platforms to provide information and interact with taxpayers. For example, the Australian Taxation Office launched its Facebook account in 2009, Twitter in 2010, and YouTube in 2011, and these accounts are used as business-as-usual communication channels with taxpayers. The National Tax Agency of Japan has accounts on Twitter and YouTube. In particular, tax education video materials to enhance taxpayers' awareness and understanding have been uploaded on its YouTube account. The Inland Revenue Authority of Singapore also has a Twitter account with over 1,000 followers.

On the other hand, some of the tax administrations cite ICT security policies as a reason for not using social media platforms. Indeed, the 2011 OECD study on social media technologies and tax administration identified breach of security and provision of misleading information as possible risks involved in using social media in tax administration, and suggests setting policy guidelines for employees working in social media as a measure to mitigate these risks.

IX. Tax Audits

Audits are a principal pillar of tax administration operations. Many tax officials are recruited and trained as auditors or examiners and, as discussed previously, substantial staff resources are allocated to verification functions.[15] In addition, to ensure the effectiveness of audit activities, tax administrations are vested with enforcement authorities to collect relevant information from taxpayers. This section discusses audit as a pillar of tax administration and examines the performance of tax verification activities and the information gathering powers of tax administrations.

A. Audits as a Pillar of Tax Administration

Audits or verifications are an activity of tax administrations to verify whether tax returns submitted by taxpayers are correct. Audits are conducted by tax examiners, at desks at tax offices, or on visits to taxpayers, and if any incorrectness on declared tax statements is found, taxpayers ought to pay revised tax amounts, often with additional charges for late or underpayment. In the case of serious tax evasion, some tax administrations also have investigation teams dedicated to criminal cases, which are referred to criminal law enforcement authorities such as the public prosecutor. Audits are the most compelling tool of tax administrations to ensure a high standard of compliance by taxpayers with national tax laws. Taxpayers are driven to comply with tax regulations or otherwise face the prospects of audits and penalties and possibly criminal prosecution in the case of serious tax evasion. In other words, enhancing compliance through taxpayer services works only with the presence of a well-established audit function in the tax administration.

15 Another high-demand specialty is arrears collection.

B. Performance of Tax Verification Activities

Table 23 presents two indicators of the performance of tax verification activities: (i) the number of completed verification actions and (ii) the amount of additional tax and penalty raised by verification actions as a percent of net tax collections. It shows that the number of verification actions varies enormously across jurisdictions and not necessarily in proportion to economies' population size. A possible reason for the large divergences may be that tax administrations apply different definitions of audit or verification, as verification activities can include simple desk-based checks of submitted tax returns, verification via correspondence with taxpayers, and field audits where tax auditors or examiners actually visit taxpayers.

Table 23 Performance of Tax Verification Activities

	Number of Completed Verification Actions (thousands)		Value of Completed Actions to Net Tax Collections (%)	
Jurisdiction	2010	2011	2010	2011
Australia	808	898	3.70	3.80
Brunei Darussalam	...	...	...	...
Cambodia	...	...	...	...
People's Republic of China	313 (2009)	...	0.2 (2009)	...
Hong Kong, China	81	92	2.10	2.70
India	331	355	0.04	0.10
Indonesia	69 (2009)	...	2.4 (2009)	...
Japan	1,270	1,216	2.00	1.50
Republic of Korea	18	18	0.03	0.03
Kyrgyz Republic[a]	8	9	3.80	3.00
Lao People's Democratic Republic	...	...	...	...
Malaysia	1,732	1,911	3.60	2.60
Maldives	...	0.18	...	0.30
Mongolia	10	11	1.00	0.60
Myanmar	...	...	...	...
New Zealand	8	8	6.20	3.10
Papua New Guinea	0.6	0.3	2.20	2.50
Philippines	45	32	1.60	3.20
Singapore	8	10	0.90	0.80
Taipei,China	...	...	...	...
Tajikistan[b]	3	3	4.20	4.80
Thailand	...	...	...	...

... = data not available.

[a] Kyrgyz Republic: Data on the number of audits and taxes charged are from field and cameral audits only. The increase in the number of tax audits in 2011 compared with 2010 is due to a decree of the interim Government of the Kyrgyz Republic.

[b] Tajikistan: The numbers include only desk audits performed by the audit subdivision of the tax service.

Sources: ADB, Organisation for Economic Co-operation and Development.

Sixteen revenue bodies provided information on the amount of additional tax and penalties raised by verification actions as a percent of net tax collections. Six of the 16 revenue bodies raised additional revenue of more than 3% of net tax collections in 2010 and/or 2011, five revenue bodies collected another 1.0%–2.7%, while in the remaining five jurisdictions, verification activities added less than 1% to net tax collections in any given year.

C. Information Gathering and Search Powers

Table 24 provides an overview of tax administrations' information gathering and search powers. In general, most of the jurisdictions have general powers to obtain information from taxpayers and third parties for tax audit purposes. There are seven jurisdictions where the tax administration's powers to request information from third parties other than taxpayers directly are limited. In some jurisdictions, including Cambodia and Indonesia, tax auditors' powers to obtain information are hampered by other laws such as bank laws, which provide client confidentiality.

Many tax administrations are given compulsory investigation powers, which allow tax auditors or investigators to enter and search premises and to seize relevant documents and articles. However, there are often restrictions imposed to exercise these compulsory investigation powers, such as a requirement to obtain a search warrant issued by a judicial court. This is because in the case of serious tax evasion, voluntary cooperation from taxpayers is hardly expected, and there is a risk that taxpayers may destroy documents and other information that can corroborate tax evasion.

Table 24 shows that in just over half of the jurisdictions surveyed (12 jurisdictions), tax auditors or investigators can enter business premises without taxpayers' consent and search warrants. In India, although search warrants are required for tax officials to enter taxpayers' premises, these search warrants are issued by senior income tax officials. In the other 10 jurisdictions, search warrants are required to enter business premises without taxpayers' consent.

More stringent restrictions apply for entering taxpayers' dwellings than for entering business premises. Only in eight jurisdictions can tax auditors or investigators enter taxpayers' dwellings without taxpayers' consent and search warrants. In nine jurisdictions, tax auditors or investigators can seize taxpayers' documents and other information without consent and search warrants.

Search warrants are typically issued by judicial courts. In 10 jurisdictions, the tax administration can request search warrants directly from a court without the involvement of other government agencies such as the police or public prosecutors.

Table 24 Information Gathering and Search Powers

Jurisdiction	Obtain All Relevant Information	Powers Extended to Third Parties	Taxpayer Must Produce Records on Request	Enter Business Premises without Taxpayer Consent and Search Warrant	Enter Taxpayer Dwellings without Taxpayer Consent and Search Warrant	Seize Taxpayer Documents without Taxpayer Consent and Search Warrant	Request Search Warrant without Help of Other Government Agencies
Australia	Yes	Yes	Yes	In certain circumstances	In certain circumstances	No[a]	Generally no
Brunei Darussalam	Yes	Yes	Yes	Yes	Yes	Yes	No
Cambodia	No[b]	No	Yes	No	No	No	No
People's Republic of China	Yes	Yes	Yes	Yes	No	Yes	Yes
Hong Kong, China	Yes	Yes	Yes	No	No	No	Yes
India[c]	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Indonesia	No[d]	Yes	Yes	No	No	No	Yes[e]
Japan	Yes	Yes	Yes	No	No	No	Yes
Republic of Korea	Yes	Yes	Yes	No	No	No	No
Kyrgyz Republic	Yes	No	Yes	Yes	No	No	No
Lao People's Democratic Republic	Yes	Yes	Yes	No	No	No	No
Malaysia	No	No	Yes	Yes[f]	Yes[f]	Yes[f]	No
Maldives	Yes	Yes	Yes	No	No	Yes	Yes
Mongolia	No	Yes	Yes	No	Yes	No	No
Myanmar	Yes	No	Yes	Yes	Yes	No	Yes
New Zealand	Yes	Yes	Yes	Yes	No	Yes	Yes
Papua New Guinea	Yes	No	Yes	Yes	Yes	Yes	...
Philippines	Yes	Yes	Yes	Yes	No	Yes	Yes
Singapore	Yes	Yes[g]	Yes	Yes	Yes	Yes	No
Taipei,China	Yes	Yes	Yes	No	No	No	No
Tajikistan	Yes	No	Yes[h]	Yes[i]	No[j]	No[k]	Yes
Thailand	No	...	No	No	No	...	...

... = data not available.

[a] Australia: Seizure is possible only when a warrant is used.

[b] Cambodia: For example, the National Bank of Cambodia has its own law that protects client confidentiality.

[c] India: Tax officials can enter taxpayer business premises and dwellings with a search warrant issued by a senior income tax official.

[d] Indonesia: For banks, duty to maintain confidentiality shall be waived by a written order from the minister of finance.

[e] Indonesia: In cases of investigation.

[f] Malaysia: In investigation cases.

[g] Singapore: The revenue body has general powers to obtain all relevant information from persons other than the taxpayer (third parties).

[h] Tajikistan: Taxpayers who are being audited must produce records on request when presented with an audit order.

[i] Tajikistan: Auditors are authorized to enter taxpayer business premises with an audit order in accordance with the procedure established with regards to the taxpayers being audited.

[j] Tajikistan: Tax officials can only enter residential premises by decision of a court.

[k] Tajikistan: Documents can be seized from taxpayers who are being audited and have been presented with an audit order.

Sources: ADB, Organisation for Economic Co-operation and Development.

X. Arrears Collection

The collection of tax arrears or unpaid taxes is another enforcement activity of tax administrations. After taxpayers declare their taxable income or tax administrations assess taxpayers' tax liabilities, taxpayers are required to pay the due amounts of tax to tax administrations within a certain period. If taxpayers fail to pay the due tax amounts, the tax amounts are considered as arrears or debt. The prevalence of tax arrears causes harm not only to tax administration operations but also to public financial management, as tax arrears make tax revenues short and unstable. Tax administrations are therefore undertaking various measures to prevent the occurrence of arrears and to collect them. This section analyzes revenue bodies' tax debt management and discusses the enforcement powers that are granted to tax administrations to collect arrears from taxpayers.

A. Tax Debt Management

Table 25 shows (i) total debt (arrears) outstanding at the end of the year as a percent of net revenue collections and (ii) debt collected during a year as a percent of total debt collectable. Total debt outstanding as a percent of net revenue collections gives an indication of the magnitude of the occurrence of tax arrears, and the higher the figures are, the more serious the tax arrears issue is for a tax administration. Of the 18 economies for which data are available, four jurisdictions (India, Mongolia, Papua New Guinea, and Tajikistan) have tax arrears of more than 20% of net revenue collections in 2010 and/or 2011. In two jurisdictions (Malaysia and Taipei,China) the figures are 10%–20%, and in the remaining 11 jurisdictions, including the four OECD member countries (Australia, Japan, the Republic of Korea, and New Zealand), tax arrears are less than 10%.

Tax debt collected during a year as a percent of total debt collectable measures the performance of tax administrations regarding tax arrears collection operation. Among the 12 jurisdictions that provided data, eight revenue bodies, including the four OECD member countries, recovered more than 30% of total debt collectable in 2010 and/or 2011.

Table 25 Tax Debt Outstanding as Percent of Net Revenue Collection and Debt Collected as Percent of Total Debt Collectable

Jurisdiction	Year-End Debt Outstanding to Net Revenue Collection		Debt Collected to Total Debt Collectable	
	2010	2011	2010	2011
Australia[a]	5.8	5.2	42.5	45.5
Brunei Darussalam	...	...	...	...
Cambodia	...	...	...	...
People's Republic of China	...	...	16.1	17.8
Hong Kong, China	6.4	4.9	...	...
India	23.9	26.0	...	...
Indonesia	7.4	6.0	...	...
Japan	4.2	3.7	33.1	32.9
Republic of Korea[b]	3.0	3.0	39.3	37.9
Kyrgyz Republic[c]	4.1	2.8	11.7	32.5
Lao People's Democratic Republic	...	...	...	...
Malaysia	12.7	10.3	34.1	36.0
Maldives	...	9.4	...	39.2
Mongolia	21.1	19.9	...	...
Myanmar	5.5	...	35.1	...
New Zealand	8.0	8.0	30.3	23.3
Papua New Guinea[d]	19.1	25.5	...	...
Philippines	5.3	6.5	18.0	21.8
Singapore[e]	2.2	1.7	...	...
Taipei,China[f]	15.2	11.5	...	...
Tajikistan	23.2	13.8	9.0	22.2
Thailand	8.0	6.8	8.8	8.9

... = data not available.

[a] Australia: Figures include objections against rulings.

[b] Republic of Korea: Data include disputed debts.

[c] Kyrgyz Republic: Data include disputed tax and penalties.

[d] Papua New Guinea: Data exclude debts in dispute.

[e] Singapore: Data include disputed debts.

[f] Taipei,China: Data include penalties.

Sources: ADB; Organisation for Economic Co-operation and Development; National Tax Agency, Government of Japan (2012); The Revenue Department, Government of Thailand (2013).

Table 26 shows how the number of tax debt cases changes during a year. A ratio above 100% indicates that the stock of debt cases accumulated beyond a tax administration's collection enforcement activities. Figures are available for 12 jurisdictions for 2010 and 2011. Nearly 60% of the ratios are in the range of 90%–110%, suggesting that the annual movement in the number of tax debt cases is relatively stable at least during the 2 years for which information is available. However, some jurisdictions show substantial variations between the 2 years in the annual

Table 26 Movement in Tax Debt Case Numbers in Percent

Jurisdiction	Number of Year-End Debt Cases to Number of Debt Cases at the Beginning of the Year	
	2010	2011
Australia	110.6	98.8
Brunei Darussalam	...	...
Cambodia	...	...
People's Republic of China	...	...
Hong Kong, China	...	...
India	...	...
Indonesia	...	...
Japan	99.4	98.1
Republic of Korea	94.9	108.2
Kyrgyz Republic	...	101.7
Lao People's Democratic Republic	...	...
Malaysia	49.2	92.0
Maldives	...	73.9
Mongolia	130.4	101.1
Myanmar	...	...
New Zealand	72.8	102.7
Papua New Guinea	100.1	93.9
Philippines	99.7	119.6
Singapore	...	...
Taipei,China	83.3	79.7
Tajikistan[a]	104.0	88.8
Thailand	...	...

... = data not available.

[a] Tajikistan: The numbers only include taxpayers with debts exceeding TJS1,000.

Sources: ADB, Organisation for Economic Co-operation and Development.

movement in tax debt case numbers (e.g., Malaysia, Mongolia, and New Zealand). The variations may be due to varying collection enforcement efforts as well external factors, such as economic conditions or natural disasters, like the 2011 Christchurch earthquake in New Zealand.

B. Enforcement Powers

Table 27 shows the available powers of tax administrations for the enforced collection of tax arrears from taxpayers. Overall, surveyed tax administrations in Asia and the Pacific are relatively well equipped with legal authority to enforce debt collection effectively.

Almost all of the tax administrations surveyed can formulate payment arrangements (e.g., installment plans) with taxpayers, taking into account the specific financial situation of each taxpayer. Sixteen out of the 22 tax administrations surveyed can collect unpaid tax from third parties, for example, financial institutions, taxpayers' employers, and other debtors. A considerable number of tax administrations, 18 out of 22, can seize taxpayers' assets, such as financial assets, credit assets, real property, and movable property, or arrange seizure often through court procedures for the recovery of unpaid tax.

In 12 out of the 22 surveyed jurisdictions, tax administrations can publicize the names of debtors in the media or some other way. Among the four OECD member countries, the publication of debtors' names is only possible in the Republic of Korea. Similarly, the initiation of bankruptcy and/or asset liquidation procedures is possible in 13 jurisdictions.

Table 27 Enforced Tax Debt Collection Powers

Jurisdiction	Formulate Payment Arrangements	Collect via Third Parties	Arrange the Seizure of Assets	Publicize the Names of Debtors	Initiate Bankruptcy and/or Liquidation
Australia	Yes	Yes	Yes (through the courts)	No	Yes (through the courts)
Brunei Darussalam	Yes	No	No	Yes	No
Cambodia	No	No	No	Yes	No
People's Republic of China	Yes	Yes	Yes	No	Yes
Hong Kong, China	Yes	Yes	Yes	No	Yes
India	Yes	Yes	Yes	Yes	Yes
Indonesia	Yes	No	Yes	Yes [a]	No
Japan	Yes	Yes	Yes	No	No
Republic of Korea	Yes	Yes	Yes	Yes	No
Kyrgyz Republic	Yes	Yes	Yes	Yes	Yes
Lao People's Democratic Republic	Yes	No	No	Yes	No
Malaysia	Yes	Yes	Yes	No	Yes
Maldives	Yes	Yes	Yes	Yes	No
Mongolia	Yes	Yes	Yes	Yes	Yes
Myanmar	Yes	Yes	Yes	No	Yes
New Zealand	Yes	Yes	Yes	No	Yes
Papua New Guinea	Yes	Yes	Yes (through the courts)	No	Yes
Philippines	Yes	Yes	Yes	Yes	No
Singapore	Yes	Yes	Yes	No	Yes
Taipei,China	Yes	No	No	Yes	No
Tajikistan	Yes [b]	Yes	Yes	Yes	Yes
Thailand	Yes	No	Yes	No	Yes

[a] Indonesia: In case a coerce warrant could not be submitted to a taxpayer or a tax bearer because the residence could not be found.

[b] Tajikistan: The tax office may conclude with the tax debtor an agreement for the following 6 months on terms and conditions of debt repayment if the debtor provides a real financial recovery plan.

Sources: ADB, Organisation for Economic Co-operation and Development.

XI. Administrative Arrangements for Tax Disputes

When tax administrations conduct audits on taxpayers and, as a result, impose a tax bill, taxpayers should be entitled to a review if they disagree with a tax administration's decision. If taxpayers have no option but to file an action for judicial review with a court, the proceedings are likely to be long and costly. Therefore, having access to a review process of a tax administration's decision before resorting to a judicial procedure should lead to a more efficient dispute resolution that benefits both taxpayers and the tax administration. This section discusses the benefits of administrative review systems and examines their institutional framework. It also assesses the operational performance of administrative review systems and direction for better dispute resolution.[16]

A. Benefits of Administrative Review Systems

A tax administration issues a large quantity of tax imposition decisions as part of its daily operations, and taxes often are of a highly specific and technical nature, such as, for example, the application of corporate income tax to cross-border financial transactions. In light of these features, it is desirable to have a resolution mechanism of tax disputes at the administrative stage prior to a judicial procedure.

The administrative review system brings benefits not only to taxpayers, but also the tax administrations, the judicial system, and governments. The administrative review system provides a means to protect taxpayers' rights through an efficient dispute resolution mechanism that is less costly, speedier, and less onerous than a judicial procedure. Some jurisdictions in fact set a target period to deliver a ruling, and the process is much more simplified than that of a judicial procedure. Tax practitioners, such as accountants, typically can represent taxpayers at administrative procedures, while at judicial procedures, this representation role is often limited to lawyers.

16 This section draws on Araki (2013b).

The administrative review procedure is equally beneficial to the tax administration. It serves as an internal control function where misjudgments made by auditors can be rectified through a process within the tax administration. Moreover, it is less costly than a judicial procedure, which is a lengthy process requiring a considerable amount of resources.

The administrative review procedure also contributes to an efficient judicial procedure and public administration as a whole. As tax is an area that invites a large number of disputes and at the same time is technical in nature, it is reasonable to have an opportunity to review the revenue body's actions at the administrative stage. This reduces the number of judicial cases and helps the judiciary focus on a smaller number of tax cases with clearer contentions from both parties. Reducing the number of judicial cases is also in the interest of governments, as a large number of unresolved judicial cases can cause uncertainty over tax revenue collections.

B. Institutional Frameworks of the Administrative Review System

Table 28 shows that, while an administrative review process in tax administrations is generally available, each jurisdiction has its own review structure, and the division of labor between the administrative branch and judicial branch also varies. In almost all of the jurisdictions, a taxpayer who is aggrieved by a tax assessment in the first instance files an objection with the tax administration, and, in most cases, such an objection is reviewed by the section in the tax administration that made the original assessment. There are a few exceptions. In Thailand, an objection is filed with the Commission of Appeal, which is an interministerial commission, rather than the tax administration itself.[17] In the People's Republic of China, an application for administrative reconsideration is required to be filed with a section in the tax administration that is one level higher than the section that made the original decision.[18]

Ten out of the 22 jurisdictions surveyed have a second administrative review system where an objection can be reviewed again at the administrative level. Institutional arrangements for these second administrative review organizations also vary. For example, in New Zealand and the Philippines, the second administrative review is conducted by a division within the tax administration. The National Tax Tribunal in Japan is located within the tax administration as a special organization,[19] and in Malaysia; Myanmar; Singapore; and Taipei,China, review organizations are affiliated with the Ministry of Finance. In the Republic of Korea, the Tax Tribunal was established under the control of the Prime Minister.[20] The second review procedure in these autonomous organizations often adopts the adversarial system similar to procedure in civil lawsuit, where an independent reviewer acts in a neutral position as if a judge, and both the taxpayer and the tax administration deliver their respective arguments in an equal position. These

17 §30, Revenue Code.
18 Article 16 of the Rules Concerning Tax Administration Reconsideration, State Administration of Taxation Decree No. 21.
19 Article 22 of the Law to Authorize the Establishment of the Ministry of Finance, 1999.
20 Article 67 of the Framework Act on National Taxes.

second administrative review systems offer taxpayers an opportunity where disputed cases are reviewed at arm's length from the section that made the tax assessment, and their procedure and costs are less onerous in comparison with the judicial procedure. Administrative review systems therefore should contribute to the protection of taxpayers' rights and the expeditious resolution of tax disputes.

In the majority of jurisdictions, an administrative review is required before having recourse to judicial procedures in the courts. In Australia, there are limited circumstances where a review by the tax administration is not required. This mandatory requirement for administrative review is imposed because, in light of the volume and technicality of tax disputes, it is considered desirable if an organization with technical expertise in the first instance reviews disputed cases, including finding the facts in question. Interestingly, India and Indonesia, which have answered that administrative review is not compulsory, both have a court or quasi-judicial tribunal specializing in tax cases.

On the other hand, in the jurisdictions that make administrative review mandatory, there are discussions that this mandatory requirement may narrow taxpayers' choices for court litigation. The Government of Japan conducted a comprehensive review of its administrative remedy systems in 2010–2011, and while the mandatory requirement of administrative review in tax disputes was considered reasonable, a possibility for a more streamlined procedure was suggested as an alternative to the current two-tier administrative review system (i.e., the objection procedure at a district tax office or regional taxation bureau and the review procedure at the National Tax Tribunal). In New Zealand in 2010, Inland Revenue made it clear that in certain circumstances,[21] such as, where the amount of tax in dispute is relatively small, Inland Revenue would agree to a taxpayer's opting out of the administrative dispute resolution process.

Five jurisdictions have a tax court or quasi-judicial tribunal specializing in tax cases. The Income Tax Appellate Tribunal in India and the Taxation Review Authority in New Zealand are both affiliated with the ministry of justice. In Australia, a taxpayer who is dissatisfied with the Australian Taxation Office's objection procedure can seek an external review at the Administrative Appeals Tribunal, which falls within the portfolio of the attorney general. Although the Administrative Appeals Tribunal is not an organization dedicated solely to tax disputes, the tribunal has the Tax Appeals Division dealing with tax cases, and, in fact, tax-related reviews are the most common type of application lodged with the tribunal in 2012–2013, constituting 27% of all cases (Administrative Appeals Tribunal 2013).

21 §208, Standard Practice Statement 11/06 Disputes Resolution Process Commenced by a Taxpayer.

Table 28 Institutional Frameworks of Administrative Review Systems

Jurisdiction	Objection to the Section in the Tax Administration That Made the Assessment	Second Review at the Administrative Stage	Administrative Review Compulsory before Judicial Review	Specialized Tax Court or Quasi-Judicial Tribunal
Australia	Yes	No	No	No (Administrative Appeals Tribunal has the Taxation Appeals Division)
Brunei	Yes	No	No	No
Cambodia	Yes	No[a]	No	No
People's Republic of China	Yes	No	Yes	No
Hong Kong, China	Yes	No	Yes	No
India	Yes	No	No	Yes (Income Tax Appellate Tribunal)
Indonesia	Yes	No	No	Yes (Tax Court)
Japan	Yes	Yes (National Tax Tribunal)	Yes	No
Republic of Korea	Yes	Yes (Tax Tribunal)	Yes	No
Kyrgyz Republic	Yes	No	No	No
Lao People's Democratic Republic	Yes	No	No	No
Malaysia	Yes	Yes (Special Commissioners of Income Tax)	Yes	No
Maldives	Yes	Yes (Tax Appeals Tribunal)	Yes	No
Mongolia	Yes	No	Yes	No (Administrative Courts)
Myanmar	Yes	Yes (Revenue Appellate Tribunal)	Yes	No
New Zealand	Yes	Yes (Adjudication Unit, Inland Revenue)	Yes	Yes (Taxation Review Authority)
Papua New Guinea	Yes	Yes (Review Tribunal)	Yes	No
Philippines	Yes	Yes (Appellate Division, Bureau of Internal Revenue)	Yes	Yes (Court of Tax Appeals)

continued on next page

Table 28 Continued

Jurisdiction	Objection to the Section in the Tax Administration That Made the Assessment	Second Review at the Administrative Stage	Administrative Review Compulsory before Judicial Review	Specialized Tax Court or Quasi-Judicial Tribunal
Singapore	Yes	Yes (Boards of Review)	Yes	No
Taipei,China	Yes	Yes (Petitions and Appeals Committee)	Yes	No (Administrative Courts)
Tajikistan	Yes [b]	No	Yes	No (Economic Courts)
Thailand	No	Yes (Commission of Appeal)	Yes	Yes (Tax Court)

[a] Cambodia: Articles 122 and 123, Law on Taxation provide for a committee of tax arbitration that reviews the first decision made by the tax administration, but it has not been set up.

[b] Tajikistan: The administrative review of tax disputes is conducted by the Tax Committee. The Tax Committee may apply to the Ministry of Finance, which defines national tax policy, with a request to express its point of view on the appealed tax cases.

Sources: ADB, Organisation for Economic Co-operation and Development.

C. Operational Performance in Administrative Review

Table 29 shows that the number of administrative review cases varies substantially across jurisdictions. It is largest in Hong Kong, China, with over 90,000 cases in both years, followed by Australia with over 25,000 cases in 2010 and 29,000 in 2011. The Maldives, with five cases in 2010 and 12 in 2011, and Myanmar, with 34 cases in 2010 and four in 2011, have the lowest number of tax disputes with taxpayers. Moreover, the ratio of cases not finalized to cases finalized is below 100% for most jurisdictions in both years. This suggests that administrative review procedures are concluded within 1 year for most disputed cases. Papua New Guinea and the Philippines have the highest ratios, at above 100%, suggesting more prolonged administrative review processes.

Table 30 reports the number of administrative review cases per 1,000 taxpayers registered for personal and corporate income taxes and VAT in 2011. Hong Kong, China has the largest number of administrative review cases per 1,000 registered taxpayers, followed by Papua New Guinea and Australia. The number of disputed cases per 1,000 registered taxpayers is lowest in Myanmar, Malaysia, New Zealand, and the Philippines, with less than one case. The number of tax disputes may be low either because taxpayers are generally satisfied with the tax administration's assessments or because they do not file disputes even though they disagree with a tax administration's decision, possibly because the administrative review institutions are not perceived as independent and fair.

Table 29 Number of Administrative Review Cases

Jurisdiction	2010			2011		
	Number of Cases Finalized	Number of Cases Not Finalized	Cases Not Finalized to Cases Finalized (%)	Number of Cases Finalized	Number of Cases Not Finalized	Cases Not Finalized to Cases Finalized (%)
Australia[a]	21,807	4,450	20	24,513	4,693	19
Brunei Darussalam	...	...	...	...	...	...
Cambodia	...	...	...	...	...	...
People's Republic of China	...	...	...	...	...	...
Hong Kong, China	68,525	25,826	38	66,186	26,689	40
India	...	...	...	...	...	...
Indonesia	12,524	9,580	76	16,310	9,384	58
Japan	7,590	3,856	51	8,463	3,580	42
Republic of Korea	5,940	653	11	5,905	534	9
Kyrgyz Republic	196	14	7	196	9	5
Lao People's Democratic Republic	...	...	...	...	...	...
Malaysia	113	24	21	101	19	19
Maldives	4	1	25	12	0	0
Mongolia	161	44	27	149	41	28
Myanmar	35	0	0	3	1	33
New Zealand	86	21	24	90	16	18
Papua New Guinea	57	281	493	217	336	155
Philippines	33	51	155	34	66	194
Singapore	...	...	...	...	...	...
Taipei,China	10,052	5,578	55	9,075	4,970	55
Tajikistan	13,588	...	...	14,300	...	...
Thailand	...	...	...	...	...	...

... = data not available.

[a] Australia: Figures include objections against rulings.

Sources: ADB, Organisation for Economic Co-operation and Development.

Table 30 Number of Administrative Review Cases per 1,000 Registered Taxpayers, 2011

Jurisdiction	Total Number of Cases	Number of Cases per 1,000 Registered Taxpayers		
		Personal Income Tax	Corporate Income Tax	Value-Added Tax
Australia	29,206	1.53	17.49	10.94
Brunei Darussalam	...	...	...	...
Cambodia	...	...	...	...
People's Republic of China	...	...	...	...
Hong Kong, China	92,875	30.96	116.09	n.app.
India	...	...	...	...
Indonesia	25,694	1.27	13.38	32.12
Japan	12,043	0.55	4.01	4.01
Republic of Korea	6,439	0.32	11.50	1.28
Kyrgyz Republic	205	1.03	4.10	20.50
Lao People's Democratic Republic	...	...	...	...
Malaysia	120	0.02	0.17	n.app.
Maldives	12	n.app.	1.20	2.83
Mongolia	190	0.22	2.71	9.50
Myanmar	4	0.01	0.20	0.02
New Zealand	106	0.03	0.23	0.17
Papua New Guinea	553	27.65	18.43	27.65
Philippines	100	0.01	0.32	0.26
Singapore	...	...	...	...
Taipei,China	14,045	2.45	18.48	11.42
Tajikistan	14,300	...	...	...
Thailand	...	...	...	...

... = data not available, n.app. = not applicable.
Sources: ADB, Organisation for Economic Co-operation and Development.

D. Direction for Better Dispute Resolution Systems

Many jurisdictions have been working on their tax dispute resolution system to enhance the protection of taxpayers' rights. A key tendency has been to strengthen the independence of review institutions from the tax administrations. For example, in Indonesia, the Tax Dispute Settlement Agency, which was affiliated with the Ministry of Finance, was the institution to conduct administrative reviews prior to 2002.[22] It was replaced in 2002 by the Tax Court, a specialized judicial court with a view to provide fairer dispute resolution.

22 Articles 1(19) and 5 of the Law No. 17/1997 dated 23 May 1997 (The Agency for the Settlement of Tax Disputes).

In Japan, while the National Tax Tribunal is a special organization of the National Tax Agency, the government decided in December 2010 to increase the external recruitment of its administrative appeals judges from lawyers and certified tax accountants, and to have about half of the administrative appeals judges in charge of appeal cases to be externally recruited by 2013.[23]

In the Republic of Korea, prior to 2008, the National Tax Tribunal had been affiliated with the Ministry of Finance and Economy. In 2008, the National Tax Tribunal was merged with the Local Tax Review Committee, and the current Tax Tribunal was established under the control of the Prime Minister.

In the People's Republic of China, the administrative review is conducted by the legal affairs division of a tax administration section where an application for administrative reconsideration is filed, and there is no institution that conducts administrative reviews outside of the State Administration of Taxation. In October 2012, the State Administration of Taxation announced the launch of an administrative reconsideration committee in charge of studying administrative review system reform as well as hearing key, complicated review cases.[24] There is, hence, a possibility that a major reform in the administrative review system in the People's Republic of China may be implemented in the near future.

23 *The Outline of Tax Reforms for Financial Year 2011*, Cabinet Decision on 16 December 2010.
24 State Administration of Taxation of the People's Republic of China. 2012. *SAT Held Establishment Ceremony of the Administrative Reconsideration Committee.* 29 October.

APPENDIX 1

Aggregate Tables

Table A1.1 Value of Completed Verification Actions (millions of local currency)

Jurisdiction	2010	2011
Australia	9,320	10,268
Brunei Darussalam	...	...
Cambodia	...	...
People's Republic of China	119,200 (2009)	...
Hong Kong, China	2,634	3,873
India	1,826	3,092
Indonesia	12,179 (2009)	...
Japan	728,900	574,700
Republic of Korea	51,324	61,881
Kyrgyz Republic	1,798	1,726
Lao People's Democratic Republic	...	...
Malaysia	2,871	2,673
Maldives	...	11.7
Mongolia	15,200	11,700
Myanmar	...	...
New Zealand	2,865	1,451
Papua New Guinea	127	177
Philippines	13,068	29,207
Singapore	256	295
Taipei,China	...	...
Tajikistan	123.2	184
Thailand	...	...

... = data not available.
Sources: ADB, Organisation for Economic Co-operation and Development.

Table A1.2 Value of Year-End Debt Outstanding and Debt Written Off (millions of local currency)

Jurisdiction	Value of Year-End Tax Debt Outstanding 2010	Value of Year-End Tax Debt Outstanding 2011	Value of Tax Debt Written Off 2010	Value of Tax Debt Written Off 2011
Australia	14,700	14,083	1,714	3,849
Brunei Darussalam	...	...	...	...
Cambodia	...	...	...	...
People's Republic of China	...	...	324	545
Hong Kong, China	7,895	7,064	...	...
India	1,049,680	1,259,450	...	...
Indonesia	...	...	...	...
Japan	1,495,528	1,420,104	131,978	130,919
Republic of Korea	4,925,700	5,460,100	7,677,200	7,880,400
Kyrgyz Republic	1,909	1,660	...	...
Lao People's Democratic Republic	...	...	...	...
Malaysia	10,091	10,568	801	791
Maldives	...	6.5	...	0
Mongolia	315,690	418,660	...	...
Myanmar	65,665	...	...	...
New Zealand	4,186	4,418	619	737
Papua New Guinea	1,117	1,824	99.5	132.5
Philippines	43,313	60,453	3,420	4,518
Singapore	669	604	...	...
Taipei,China	248,139	203,937	...	...
Tajikistan	683.5	531.7	...	...
Thailand	100,726	103,341	9,791	17,454

... = data not available.
Sources: ADB, Organisation for Economic Co-operation and Development.

Table A1.3 Debt Collected during the Fiscal Year and Number of Debt Cases

Jurisdiction	Total Amount of Debt Collected during the Fiscal Year (millions of local currency) 2010	2011	Number of Year-End Debt Cases (thousands) 2009	2010	2011
Australia	12,140	14,948	1,344	1,487	1,469
Brunei Darussalam	...	...	...	...	...
Cambodia	...	...	...	...	...
People's Republic of China	16,000	20,000	...	...	...
Hong Kong, China	...	...	...	...	...
India	537,150	550,200	...	...	...
Indonesia	22,684,000	12,407,000	...	...	...
Japan	806,050	759,066	4,135	4,111	4,034
Republic of Korea	8,146,900	8,151,100	784	744	805
Kyrgyz Republic	253.5	801.1	...	11.7	11.9
Lao People's Democratic Republic	...	...	...	...	...
Malaysia	5,636	6,402	2,201	1,083	996
Maldives	...	6.5	...	0.111	0.082
Mongolia	315,690	418,660	92	120	121.3
Myanmar	65,665	...	...	...	...
New Zealand	2,085	1,566	353	257	264
Papua New Guinea	1,117	1,824	12.74	12.75	11.96
Philippines	43,313	60,453	49,823	49,674	59,405
Singapore	...	...	...	...	...
Taipei,China	248,139	203,937	1,135	946	754
Tajikistan	683.5	531.7	4.43	4.61	4.09
Thailand	100,726	103,341	...	...	...

... = data not available.
Sources: ADB, Organisation for Economic Co-operation and Development.

APPENDIX 2
Tax Administration Bodies Covered in This Report

Jurisdiction	Name	Website Address	Monetary Unit
Australia	Australian Taxation Office	www.ato.gov.au	Australian dollar
Brunei Darussalam	Revenue Division	www.mof.gov.bn/index.php/divisions/revenue	Brunei dollar
Cambodia	General Department of Taxation	www.tax.gov.kh	riel
People's Republic of China	State Administration of Taxation	www.chinatax.gov.cn	yuan
Hong Kong, China	Inland Revenue Department	www.ird.gov.hk	Hong Kong dollar
India	Central Board of Direct Taxes	www.incometaxindia.gov.in	Indian rupee
Indonesia	Directorate General of Taxes	www.pajak.go.id	rupiah
Japan	National Tax Agency	www.nta.go.jp	yen
Republic of Korea	National Tax Service	www.nts.go.kr	won
Kyrgyz Republic	State Tax Service	www.sti.gov.kg	som
Lao People's Democratic Republic	Tax Department	www.tax.gov.la	kip
Malaysia	Inland Revenue Board of Malaysia	www.hasil.gov.my	ringgit
Maldives	Maldives Inland Revenue Authority	www.mira.gov.mv	rufiyaa
Mongolia	General Department of Taxation	www.mta.mn	togrog
Myanmar	Internal Revenue Department	www.irdmyanmar.gov.mm	kyat
New Zealand	Inland Revenue	www.ird.govt.nz	New Zealand dollar
Papua New Guinea	Internal Revenue Commission	www.irc.gov.pg	kina
Philippines	Bureau of Internal Revenue	www.bir.gov.ph	peso
Singapore	Inland Revenue Authority of Singapore	www.iras.gov.sg	Singapore dollar
Taipei,China	Taxation Administration	www.dot.gov.tw	NT dollar
Tajikistan	Tax Committee	www.andoz.tj	somoni
Thailand	Revenue Department	www.rd.go.th	baht

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A robust and sustainable tax system requires good tax administration. This report compares the administrative frameworks, functions, and performances of tax administration bodies in 22 jurisdictions in Asia and the Pacific. The descriptive analysis is based on surveys of tax administration conducted in 2012 and 2013. The surveys attempt to provide internationally comparable data on aspects of the sample jurisdictions' tax systems and their administration. Tentative conclusions emerge from the descriptive and comparative analysis.

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