REFORM PLAN

2012/13 - 2014/15

Government of Nepal
Ministry of Finance
Inland Revenue Department (IRD)
आन्तरिक राजस्व विभाग
करदाताको सेवामा समर्पित

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Message from the Finance Minister

The Inland Revenue Department's Reform Plan supports the implementation of its five year Strategic Plan. The Reform Plan has been developed taking into account the international best practices in taxation. It identifies and focuses on seven critical areas of reform, which are the most strategic areas for improvement. The success of this Plan will contribute directly to the achievement of the Inland Revenue Department's development objectives and to improved revenue collections.

The successful implementation of this Reform Plan will require a dedicated commitment by management and staff at the Inland Revenue Department, as well as the commitment of Government to provide them to the extent possible with the support and resources they need.

This plan sets out the main reform activities for the Inland Revenue Department for the next three years and provides a detailed guide for the tax administration as it moves forward with its reform agenda. It is also a basis for the Government to ensure progress so that the citizens of Nepal realize the benefits of the investments that are being made.

Barsha Man Pun
Finance Minister

Message from the Finance Secretary

A great deal of progress has been achieved in modernizing Nepal's tax administration in recent years, but the environment in which the Inland Revenue Department operates is complex and constantly changing, and the IRD must change with it.

The demand for increased domestic revenue mobilization to allow the Government to implement its policies and programs puts pressure on IRD to ensure all taxpayers are in the system and paying the right amount of tax. The explosion in technology has raised taxpayer expectations for new ways to interact with the IRD, significantly increasing security risks and requiring more vigilance. Current compliance levels need improvement, but also have to be balanced with the need to reduce the cost to business of complying with their tax obligations.

In the face of these challenges, IRD must continue to improve the way it works to deliver high levels of performance in how staff service taxpayers and in how they enforce the tax laws against non-compliance. The new IRD Strategic Plan 2013-2017 will guide the IRD in this work by emphasizing four development objectives. These over-arching objectives focus on improvements in tax policy, taxpayer service and tax enforcement, leveraging modern technology and strengthening the organization through its staff.

This Reform Plan is the roadmap through which the IRD will implement its development objectives. The Reform Plan outlines in detail the priority areas and builds on the achievements attained thus far across all of areas of the IRD's operations.

Let me encourage all concerned to continue generating ideas that have set the platform for this Reform Plan and that will continue to influence future operations as the IRD strives to work better.

Krishna Hari Baskota
Finance Secretary

Message from the Director General

This year the Inland Revenue Department has launched a new result-oriented Strategic Plan for the period 2013-2017. The Strategic Plan sets out the IRD's long term vision to establish an efficient organization with sufficient domestic revenue mobilization, professionalism in service to its clients, innovation and research in tax policy. To achieve this high level vision, the Strategic Plan outlines four development objectives that will guide our activities in the coming years with a focus on reforming policy, enhancing enforcement and improving taxpayer service and education. These activities will be supported by the optimal use of modern technology, the revitalization of the IRD's organization structure and the mobilization of competent human resources.

To achieve the desired progress on the development objectives, the IRD has developed this detailed Reform Plan covering the first three years of the Strategic Plan. The four development objectives are cross-cutting in nature and in order to operationalize the supporting activities, the Reform Plan arranges the reform activities under seven areas of focus. These areas reflect the IRD's functional structure and cover policy and legislation, taxpayer service, enforcement and compliance, human resources management, budget, e-services and information communications technology and organization and management.

The scale of reforms planned for the IRD requires efficient management and administration. Everyone at the IRD has an important part to play in the achievement of IRD's objectives; under the detailed Reform Plan, every staff member can see how their own role and contribution is reflected in the detailed way forward.

I would like to thank all those who contributed to the development of this detailed Reform Plan, especially Mr. Madhu Marasini, Deputy Director General of Inland Revenue Department, who took the lead with his vision for and design of the Plan.

I call on everyone at the IRD to commit to implement the Reform Plan and thereby work towards the achievement of our organizational objectives.

Tanka Mani Sharma
Director General - IRD

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I. BACKGROUND

The Inland Revenue Department (IRD) falls under the auspices of the Ministry of Finance and was established on July 16, 2002 as a result of a merger of the Income Tax Department and the Value Added Tax Department. It is responsible for the administration of domestic tax revenue emanating from Income Tax, Value Added Tax, Excise (the three major taxes in revenue administration), Health Services Tax and the Education Services Fee.

The department has an authorized staff complement of 1,040 positions. Nearly 20% of positions are currently vacant. Administration is decentralized, in a functional organizational structure. The IRD has one Large Taxpayer Office (LTO) to service the largest taxpayers, 22 Inland Revenue Offices (IRO) nationwide, and 13 Taxpayer Services Offices (TSO) in the Kathmandu Valley with 15 more being established outside the Valley.

In recent years the IRD has achieved significant revenue growth, including an increase of 27.4 % in collections in fiscal year 2009-10 when compared to fiscal year 2008-09, additional growth of 20.4% in the fiscal year 2010-11, followed by further growth of 23% in the most recent complete fiscal year, 2011-12. Registration activity has increased substantially over the last four years but has been accompanied by increasing non-filing compliance. It is estimated that the shadow or informal economy accounts for 38%[1] of economic activity and that there are significant gaps in filing, payment and reporting compliance for the remaining 62%.

Significant improvements have been made in taxpayer service using automation to increase efficiency (e.g. e-services in registration and filing), broadening the audit approach (e.g. introduction of current audits for value added tax (VAT) and tax deducted at source (TDS), standardizing performance (e.g. promulgation amongst staff of an audit manual for the three major taxes), and working with external partners (e.g. developing MOUs to enhance data sharing). The IRD has a strong appetite for increased data sharing and analysis, for enhancing risk assessment processes, and for exploiting the benefits of information technology.

Notwithstanding these achievements, there is a need for comprehensive reform to build a tax administration that can meet the challenges of the future. Several factors influence this need for reform, including:

- a tax revenue to GDP ratio which is approximately 13.2% and which needs to be continuously enhanced
- continuing positive revenue growth over several years, leading to a 23% increase in the target

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1   See Shadow Economies all over the World: New Estimates for 162 Countries from 1999 to 2007. F. Schneider, A. Buehn and C.E. Montenegro, June 2010.

for tax revenue in the fiscal year 2011-12

- the need for more vigilance in enforcing the tax legislation and to increase deterrence of non-compliant behavior—as evidenced by the results of recent successful VAT fraud investigations
- concerns about the compliance burden particularly regarding VAT, the need for simplification of processes, and concerns about the efficiency and transparency of the appeals process as revealed by the preliminary findings of the recent survey of taxpayers regarding compliance costs and their perceptions of the tax system[2]
- e-filing success, where more than 90% of VAT returns are currently submitted electronically, leading to the need to extend and enhance e-services in other areas
- the need to increase compliance, starting with the integrity of the registration database and following through to increasing filing, reporting and payment compliance.

It is with all these factors in mind that the IRD has prepared the tax reform plan presented in this document. This plan supports the implementation of the IRD's new Strategic Plan, which sets out the organization's vision and mission and the overall objective of "Improving Efficiency and Effectiveness in the Tax System" for the 5 year period FY2012-13 to FY2016-17. Under the overall objectives, IRD has committed to achieve the following four Development Objectives.

> **IRD's Development Objectives**
> 1. Policy reform and enhancement of enforcement
> 2. Improving taxpayer service and education
> 3. Optimal use of modern technology
> 4. Revitalization of IRD's organization structure and mobilization of competent human resources

This reform plan will be the department's first comprehensive approach to reform and will be rolled out in the initial three-year period FY2012-13 to FY2014-15. The aim is to implement a planned, structured and coordinated series of reforms, based on a high-level view of the kind of organization the IRD aspires to become in the future, as articulated in the Strategic Plan. These efforts will build on the department's earlier reforms and successes to date—such as the current Tax Compliance Enforcement Year. This reform plan is the roadmap through the reform process, and presents a consolidated view of short to medium-term strategies, priorities, sequencing, and funding sources.

This Reform Plan, based on the four Development Objectives, is built on the IRD's aim to:
- continue increasing the tax revenue to GDP ratio
- incorporate internationally recognized good practices in tax administration into the organization and operations
- enhance the e-tax system

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2   International Finance Corporation (IFC) Tax Compliance Cost Survey Report, April 2012.

- ensure excellent service to taxpayers, therefore promoting the self-assessment system and enabling taxpayers to easily comply
- broaden the tax net using diverse sources of information and legal provisions
- develop a strong research capacity to enable analysis of tax and compliance gaps
- enhance the use of risk assessment
- work with key partners and stakeholders to build trust in the administration; and
- ensure the availability of appropriate institutional infrastructure for developing the human resource, technological and logistical capacity of the organization.

The ultimate goal is to increase voluntary compliance with all tax legislation that the IRD administers through quality service and enforcement with fairness.

II. REFORM ENVIRONMENT

This section assesses the environment in which the IRD operates and was used to guide thinking as this Reform Plan was developed. In the future the IRD will monitor how the environment will change and consider the impacts on administration to ensure that this reform plan remains up to date and relevant.

Emerging challenges as well as political, social, technological, legal and environmental factors were considered from the department's perspective, as well as from the perspective of stakeholders. Within the IRD, a Reform Steering Committee was set up and a series of sub-committees undertook extensive consultations, seeking views from management and staff. Externally, consultations were held with taxpayers, associations and trade bodies, other relevant agencies of the Government of Nepal and development partners.

To understand the characteristics of successful tax administrations elsewhere in the world the IRD reviewed how some have undertaken their reforms, and also studied recent surveys and guidance published by the IMF, OECD, EU and World Bank. The department also took into consideration the results of the Taxpayer Satisfaction Survey undertaken with GTZ in 2010[3] and the preliminary findings of the Tax Compliance Cost Survey undertaken with the International Finance Corporation (IFC) this year. All these inputs helped to identify the broad themes and the areas for attention in this reform plan.

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3   A Study on Taxpayers' Satisfaction Level in Nepal, a joint project of the Inland Revenue Department and the German Technical Cooperation, August 2010.

A.   Emerging challenges to the tax system

There is a clear and stated need for domestic revenue mobilization. Nepal's tax to GDP ratio of 13.2% (2012) is low when compared to similar countries, which have an average comparable ratio of 15.2%[4]. With the informal economy estimated at 38% of GDP, there is no accurate estimate of the tax gap and this is a subject of concern.

There are approximately 600,000 taxpayers who have a Permanent Account Number (PAN). Of these, approximately 115,000 are registered for VAT purposes. The IRD has made significant efforts in recent years to increase the registration base, showing a growth of 83.2% and 60% respectively for PAN and VAT over the past four years. Notwithstanding this effort, there is more work to be done and a need to ensure that the registration database is accurate and reliable.

The current registrants pose some compliance issues. By international standards, filing compliance for Income Tax is particularly poor. Unpaid tax arrears are high, although the IRD plans to place a more concentrated effort on arrears collection in the upcoming fiscal year. The department faces challenges in enforcement: as evidenced by the recent investigation of more than 500 taxpayers for tax evasion, with a further 5,000 identified for follow up in a compliance targeting exercise. Amidst these findings, over 80% of taxpayers surveyed in the cost of compliance study reported that VAT compliance was difficult; the survey also highlighted the regressive nature of the cost of compliance, with smaller taxpayers carrying a disproportionate share of the cost.

The cost of compliance study also reported a poor public perception of the tax appeals process. There are issues of timeliness, availability of representation to sit on the second level Tribunal, and the perceived fairness of the system. While other parties also have a part to play in this process, the IRD has a strong interest in ensuring that taxpayers have access to a fair and reliable redress process, which is an important part of promoting voluntary compliance in a self-assessment system.

The impact of any tax system is determined by the quality of the staff of the tax administration. The IRD faces significant challenges to recruit qualified staff and, more importantly, to retain them. Training costs are high as the organization continually tries to bring inexperienced staff up to a functioning level when staff transfers occur every two years. In a world of increasing complexity of tax planning and increasing sophistication of taxpayers, it is important that the department's staff is equipped to interact with taxpayers on an equal footing.

Enhancing the professionalism and integrity of staff is a high priority. The IRD aims to provide a continuous training program for all staff and an appropriate combination of classroom training and on-the-job learning to equip new recruits for the workplace. Moreover, the frequency of changes at the management level has an impact on the continuity of reform initiatives, and therefore opportunities must be provided for managers to gain more experience in their positions and acquire greater leadership skills.

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4   IMF Government Finance Statistics.

Finally, the nature of business evolution itself is a constant challenge. Commercial enterprises continuously evolve their business models in response to the accelerating globalization of trade and economic transactions and advances in electronic business, and the IRD must stay apace with this evolution.

B.   Political factors

There is always the possibility of changing government priorities and the creation of new policies that impact on tax administration. Decisions on a new Constitution and a federal structure for Nepal could have an impact on the tax system, for example by redefining the types of taxes to be collected at a national level and determining a new revenue sharing model.

The first year of this Reform Plan coincides with Nepal Investment Year, planned to start later this year. Economic activity is expected to increase. New international investment in Nepal has implications for the IRD, because the simplicity and ease of compliance is often a factor in such decisions. The department may anticipate pressure to accelerate reforms and at the same time a growing complexity in administration, for example in subjects such as transfer pricing and other cross-border transactions. These developments will require greater technical expertise than the IRD currently has.

C.   Social factors

In general, society's behavior in any country is to try to avoid paying taxes. This tendency is exacerbated if compliance with the tax system is perceived to be onerous. The recent IFC survey noted that some believe that the compliance cost of tax administration exceeds the tax itself, and therefore reducing compliance costs is one of the major challenges the IRD faces.

A persistent public perception exists in Nepali society that it is only people who are in "business" who have to pay tax. This incorrect perception needs to be addressed so that in future all citizens who have income of any kind know that they are a taxpayer and should be registered in the tax system.

D.   Technological factors

E--filing initiatives have been successful, with more than 90% of VAT returns now submitted electronically. This is not restricted to large enterprises—recent survey results show that small businesses are open to the prospect of electronic filing as they gain access to personal computers and the internet and to the computer facilities provided in the IROs and TSOs. There is already a demand for expanded e-services, for example an e-payments system following on from the successful introduction of e-filing, and the IRD anticipates that the demand for electronic services will continue to increase in the future.

Increasing the use of electronic processing will have material benefits for both the taxpayer and for the tax administration. It will lead to increased services, more timely processing, better account management and decreased administrative costs for the department. Staff no longer required for manual processes may be transferred into other activities such as compliance. The IRD will be able to have better information about taxpayers, better data for risk management purposes, and an environment which will foster increased integrity.

The use of technology also presents the opportunity to exchange data more effectively with other stakeholders, both government bodies within the Ministry of Finance and outside, and private sector parties such as financial institutions.

E. Public Expenditure and Financial Accountability

After completion of the Public Expenditure and Financial Accountability (PEFA) assessment several reforms were identified to improve Nepal's public financial management systems. The Public Financial Management Reform Program (PFMRP) was established to implement these reforms, with Phase 1 running from FY2009-10 to FY2011-12. The PEFA Secretariat coordinates and monitors implementation by the relevant agencies, including the IRD.

PFMRP Phase 1 has six program outcomes. Outcome 1 relates to the IRD's activities. Within the outcome "Improved Tax Collection", four of the expected outputs apply:
- A simplified and more understandable tax system for taxpayers
- Improved access of taxpayers to their personal data
- The provision of quality data and statistics to stakeholders
- The strengthening of the Revenue Tribunal.

Although Phase 1 of the PFMRP is due to end this fiscal year, the current strategy will continue until a repeat PEFA assessment is completed later in 2012. As a result, these outputs have been included in this Reform Plan.

III. GOVERNANCE

A dedicated governance structure will be put in place to manage, implement and monitor progress of these reforms.

A Reform Steering Committee chaired by the Director General is already in place. The Steering Committee will have overall responsibility to guide the reforms and provide advice to the sections in the department responsible for implementation of the Reform Plan. Formal reviews of the Reform Plan will be undertaken every four months to assess progress on all program interventions against the detailed operational plans and to agree any adjustment or re-alignments required.

The eight sub-committees that were convened to propose activities to be included in the Reform Plan will now be aligned with the priority areas set out in Section IV of this plan.

A dedicated reform management unit will be established in the department, consistent with international practices in project management. It will be staffed at the required level to fully coordinate, monitor and report on progress of the reform program.

In addition to this Reform Plan, the Strategic Plan will be supported and complemented by the following additional action plans, which will be managed in a coordinated way:

- The Human Resource Development Strategy, to modernize the approach to human resources management and strengthen staff capacity
- The current e-Governance Strategy, which guides developments in e-commerce and information technology.

It is expected that other stakeholders will be interested in the progress of the reforms. The Director General will regularly report progress to the Ministry of Finance in particular, and will provide opportunities for collaboration and consultation with other interest groups and industry stakeholders.

The IRD is committed to working cooperatively and transparently with business partners. The department will endeavor to consult with business and professional associations to seek their input on the issues that the Reform Plan will address and encourage their support for the ongoing reform program. The IRD will also hold regular briefings with the development partners to report on progress.

IV. STRATEGIC OBJECTIVES AND PROGRAM ACTIVITIES FOR REFORM

The IRD is committed to pursuing an ambitious reform agenda based on a series of principles. These include:

- The commitment to be a dynamic and progressive tax administration
- The decentralization of service programs and the centralization of enforcement programs
- The intent to model practices on international standards
- The commitment to be a fair and transparent organization
- The commitment to communicate and consult with taxpayers, stakeholders and partners
- The commitment to provide easily accessible service, including through the use of automation, so that taxpayers may participate voluntarily in the self-assessment tax system
- The commitment to firmly and fairly enforce the law to address non-compliance.

Under the four Development Objectives, seven priority areas for reform have been identified and are described in the following plan. These cover: (1) policy and legislation; (2) taxpayer service; (3) enforcement and compliance; (4) human resources management; (5) budget; (6) e-services and information technology; and (7) organization and management.

These reform areas are presented in the following sections, preceded in each case by a summary of accepted international practice[5] and a high-level assessment of the current situation in the IRD. Program activities have been developed for each of the Strategic Objectives, with an initial indication of: (1) priority based on the three year duration of the plan; and (2) an assessment in the Budget column of whether IRD's resources (IRD) can absorb the work required, whether technical assistance (TA) is needed or whether requests to the MOF for additional funding will be needed. Each program activity is designed to contribute to the achievement of the Strategic Objectives and ultimately to the organizational Development Objectives. A series of Key Performance Indicators (KPI) are shown in the following reform tables. The KPIs are focused at activity level since the Strategic Plan sets out the high level performance indicators (expected results) for each Development Objective.

Further work will be needed to develop operational and project plans for each objective so that the IRD will be able to track progress.

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5   Drawn from a number of different sources e.g. (1) previous IMF reports; (2) other development partner initiatives; (3) IMF Technical notes; (4) IMF Tax Policy and Administration Topical Trust Fund Guidelines; (5) OECD comparative and other studies; (6) EU Fiscal Blueprints; and (7) examples of approaches adopted by other agencies.

A. Policy and Legislation

International practice: A legal framework that supports voluntary compliance is the norm. Tax laws support taxpayer self assessment and voluntary compliance by minimizing complexity. Ideally, a Tax Procedures Code exists that harmonizes administrative provisions across the range of tax laws. Rulings and interpretations are provided as needed to taxpayers, which contribute to the overall consistency and uniformity of tax administration. The tax agency is able to properly assess the performance of existing taxes through a revenue analysis function, and contribute to the evaluation of proposed tax policy changes. An objective, impartial and timely dispute resolution mechanism is available to taxpayers who disagree with the tax agency's decisions.

Current status in IRD: There are a number of gaps in current performance. Tax laws need to be reviewed to assess the complexities that have been identified by taxpayers and the professional community, especially the Income Tax Act. Administrative provisions are not consistent across the legislation the IRD administer. The IRD provides private rulings and interpretations when there is a strong case, while international practice does this as a regular taxpayer service. The IRD has recently established a research and revenue forecasting unit, which is in the very early stages of its development. Finally, the department accepts the need to respond to the perception of taxpayers that objections and appeals mechanisms need to be more effective and transparent.

The reform plan for this component includes:

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE 1.2: Harmonization of tax laws and procedural framework on par with international standards				
Revisit and study the legal system to amend laws and/or propose new laws and official directives				
1 Identify laws to be reviewed – including the Revenue Tribunal Act	1	Policy	IRD	RSC agrees list of laws to be reviewed
2 Identify needed additions e.g. Tax Procedures Code	1	Policy	IRD	List of areas for improvement/ additions prepared
3 Review for precision, clarity, simplicity and gaps	1	Policy	IRD/TA	Set of recommendations prepared
4 Review examples of modern legislation	1	Policy	IRD/TA	Review of examples completed
5 Inventory of changes needed by category of issue and by law	2	Policy	IRD	Inventory prepared
6 Submit proposal to Ministry of Finance	2	Policy	IRD	RSC approves briefing/proposal
7 Consult with Ministry of Law and Justice on potential for change	2	IRD	IRD	Consultation completed
8 Develop plan and timetable for implementing legal amendments	2	Policy	IRD	RSC approves plan and timetable
9 Implement legal amendments as per plan	2	Policy	IRD/TA	Plan implementation commenced

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
Strengthen system of advance ruling and administrative directives to reduce the propensity of litigations				
1 Compile inventory of existing rulings and interpretations for review	1	Policy	IRD	Inventory prepared
2 Discuss immediate internal needs with IRD functional groups – mainly service, audit, collections and enforcement	1	Policy		Discussions held with all functional groups and needs identified
3 Review methodology in other countries/ advice from international organizations	1	Policy	IRD/TA	Review of international practices completed and good practices documented
4 Scope rulings and interpretations program (incl. staffing assessments) and announce	2	Policy	IRD	RSC approves program details and announce
5 Establish administrative arrangements for rulings (response methods and times)	2	Policy	IRD	RSC agrees arrangements
6 Inform taxpayers of system of rulings	2	Policy	IRD	Taxpayers informed. Established monitoring of response times
7 Research advisability of binding rulings program, initially for LTO	2	Policy	IRD/TA	Proposal submitted to RSC
STRATEGIC OBJECTIVE 1.3: Operationalization of research and forecasting for maximization of revenue collection				
1 Review current planned staffing for Research and Revenue Forecasting unit	1	Research and Development	IRD	Proposals for any changes developed
2 Establish scope & mandate for RRF unit - forecasting, analysis, trends, support to tax policy development etc	1	Research and Development	IRD/TA	RSC approves scope/mandate
3 Develop job descriptions for unit staff	1	Research and Development/ HRD	IRD/TA	RSC approves JDs
4 Identify training needs & source training	1	Research and Development/ HRD	IRD/TA	TNA completed and included in IRD T&D Strategy with training source(s) identified. Training delivered. Unit contributes to revenue/policy issues
STRATEGIC OBJECTIVE 1.4: Enhancement of risk management and enforcement capability				
Improve records and reporting system of Administrative Review and Appeal System so that the taxpayers do not have to spent more time and cost				
1 Review key features of existing processes and compare to accepted practice	1	Administrative Review/Legal	IRD	Review of good practices completed and documented
2 Evaluate the IRD procedures for Administrative Reviews (including consultations and discussions with stakeholders and staff)	1	Administrative Review/Legal	IRD/TA	Review completed

	STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
3	Re-design administrative review program based on the evaluation outcomes	2	Administrative Review/Legal	IRD/TA	RSC approves revised administrative review program
4	Make public announcements	2	Administrative Review/Legal	IRD	Announcements made. First cases processed under new procedures
Support government to amend Revenue Tribunal Act and Regulations and strengthen Revenue Tribunal for effectiveness, efficiency and promptness to increase the higher rate of success and early recovery of revenue					
1	In cooperation with other stakeholders, consider amendments to the Revenue Tribunal process and procedures, including an updated Revenue Tribunal Act	2	Administrative Review/Legal	IRD/ MOF	Participate in review of Revenue Tribunal process

B. Taxpayer Service

International practice: Modern taxpayer services are designed to make voluntary compliance easier. A service environment that provides easy access by taxpayers to services and information is essential to build voluntary compliance and facilitate self-assessment. Generally services to taxpayers are delivered using multiple channels targeted at different taxpayer segments, providing advice and guidance on interpretation of tax laws and accessible and transparent problem resolution. The registration process is simple and uses a unique taxpayer identification number that minimizes duplication and inaccuracies within the taxpayer database. For greatest effectiveness and stakeholder buy-in, service options should be developed in consultation with key stakeholders that will ultimately be affected by them.

Current status in IRD: The IRD has made good progress in taxpayer service. Many new service initiatives have been introduced, including establishment of 28 TSOs. E-filing and e-registration have been introduced. A single taxpayer identification number is in place. However, there is scope for further improvement, which will be guided by a comprehensive service strategy and action plans. The IRD will develop actions to address the results of the Compliance Cost Survey, particularly for medium and small taxpayers. Taxpayers welcomed the introduction of e-filing, and the department will now develop e-payment options so that taxpayers no longer need to visit the IRD offices to confirm their payments. As a comprehensive service reform strategy and plans are developed, there will be an opportunity for greater collaboration with key stakeholders, and in particular to seek their views on service options planned or already implemented. Formal and regular consultations with various business sector groups and accountants will enhance stakeholder communications and build trust in the organization.

The reform plan for this component includes:

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE 2.1: Empowering taxpayers on related laws and tax issues through education, counseling and other Outreach programs				
Draw up and operationalize an innovative and taxpayer-friendly service toolkits, approaches and methods				
1 Assess sources of information – client surveys, taxpayer compliance cost survey, service delivery feedback to gather service needs	1	Taxpayer Service	IRD	Finalize list of current sources of information
2 Identify a range of information products, service tools and delivery processes designed to meet taxpayers' needs and minimize compliance costs (including consideration of outsourcing)	1-2	Taxpayer Service	IRD/ MOF/TA	RSC approves proposals on each issue.
3 Design an organizational structure that facilitates delivery of accurate information and timely services to taxpayers, for example a taxpayer education and information center	2	Taxpayer Service/ Administration	IRD/ MOF/TA	RSC approves proposal for org. structure
4 Equip staff and managers with the knowledge and skills to deliver services effectively to taxpayers	1-2	Taxpayer Service/HRD	IRD/ MOF/TA	Training needs identified and included in T&D strategy that is implemented
5 Revise and publish the Charter of Taxpayer's Rights and Obligations	1-2	Taxpayer Service	IRD	Publish revised charter
6 Utilize multiple service delivery channels to facilitate easy access to services to support voluntary compliance	1-3	Taxpayer Service	IRD	Additional channels used
Review service activities conducted by the TSOs				
1 Focus TSO program delivery around service and education initiatives	1-2	Taxpayer Service / Administration	IRD	RSC approves revised TSO functions
2 Expand the scope and services provided through the TSOs	1-3	Taxpayer Service	IRD	RSC approves expanded TSO services
STRATEGIC OBJECTIVE 2.2: Increasing voluntary compliance and reduction of compliance cost				
Make standard operating procedures easier for the entry to and exit from the tax system to deal with non-filers				
1 Review data requirements for taxpayers obliged to register with the IRD to make it adequate but not onerous	1-2	Taxpayer Service	IRD	RSC approves revised data requirements
2 Enforce legal requirements for taxpayers to advise the IRD of changes to the status of their business	2	Taxpayer Service Policy	IRD	Automatic penalties imposed for failure to comply
3 Establish clear business rules for registration and de-registration that are supported by design and monitoring	1	Taxpayer Service	IRD	RSC approves new rules. Required staff training is included in T&D strategy

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
Improve services in providing payment options so that compliance is increased while compliance costs are reduced				
1 Implement ABBS in phases – direct with private banks (year 1); private banks through the central bank (year 2); and directly to the central bank through e-payment gateway (year 3)	1-3	Taxpayer Service/IT	IRD/ MOF	ABBS piloted. ABBS fully implemented
2 Develop implement online e-payment system	3	Taxpayer Service/IT	IRD/ MOF/TA	Online e-payment implemented
3 Implement payment options with other third parties (e.g. remittance agencies)	3	Taxpayer Service	IRD/ MOF	Alternate payment options offered
STRATEGIC OBJECTIVE 1.4: Enhancement of risk management and enforcement capability				
Clean up data and files of nonexistent taxpayers due to closure of businesses, bankruptcy, international migration and not-in-operation for many years				
1 Update all current taxpayer profiles	1	Taxpayer Service	IRD	All profiles in place at July 14, 2012 are updated

C. Enforcement and Compliance

International practice: Compliance and enforcement strategies are based fully on risk management. All compliance risks are identified, assessed, ranked and treated according to taxpayer segments and sectors. Compliance activities cover a wide range of service and enforcement tools. Tax return filing rates are 90 percent or higher, achieved across all taxes by immediate, standardized (often automated) follow up procedures supported by appropriate penalties. Audit coverage is on average 2 to 5 percent of the taxpayer base depending on the taxpayer segment. A range of audit types is used with standard audit instructions applied nationally. Audit and investigation functions are usually allocated about one-third of the agency's staff. Outstanding debt levels are maintained at an average level of 5 percent or less of annual net revenue, by using a standard set of actions and the escalating use of enforcement powers, and with at least 10 percent of staff dedicated to enforced debt collection.

Current status at IRD: The IRD is committed to developing risk management approaches and capabilities. Currently, the use of risk management is largely confined to audit, where the IFC is supporting improvements to audit case selection based on enhanced risk profiles, and the IRD is reviewing the way in which the audit program is undertaken. A new audit manual that is supporting nationally consistent and uniform approaches to audit delivery has recently been implemented. The recently established investigation function has had some early successes and the IRD will continue to build its specialist capacity.

Enforcement of filing has been identified as an area for operational improvements. VAT return filing

compliance is improving, but income tax filing rates can be improved. Arrears collection has been a focus during the recent fiscal year, but would be enhanced by the more frequent use of statutory powers for enforced debt collection. The Public Accounts Committee has responded positively to the proposal to write off small and old debts to reduce the arrears case load; this needs to be developed into a regular procedure.

The reform plan for this component includes:

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE 1.4: Enhancement of risk management and enforcement capability				
Revisit existing LTO audit policies by segmenting revenue risks, nature of taxpayers and businesses, turnover and timelag				
1 Review current LTO risk selection criteria linked to audit results of recent years	1	LTO/Audit Management	IRD	RSC approves revised LTO risk criteria
2 Review international practice on large taxpayer controls (audit aspects)	1	LTO/Audit Management	IRD/ MOF	Review of LTO international practices completed and good practices documented
3 Include upgrades to the LTO audit risk selection criteria in the enhanced risk engine	1	LTO/Audit Management	IRD/TA	Upgrades included
4 Develop a comprehensive LTO audit program with proposals for a fully risk-based selection system, the resources required and expected outcomes	2	LTO/Audit Management	IRD/TA	New audit program designed
5 Seek approval to implement the new audit program	2	IRD	IRD	RSC/MOF approves new audit program
6 Implement new LTO audit program	3	LTO/Audit Management	IRD	New audit program implemented
Revisit existing audit policies by segmenting revenue risks, nature of taxpayers and businesses, turnover and timelag				
1 Review the current audit selection risk engine and the audit results being achieved from current risk criteria	1	Audit Management	IRD/TA	Review completed
2 Enhance the audit risk selection criteria (risk engine) on a regular basis	1	Audit Management	IRD/TA	Regular (annual) updates completed
3 Prepare formal documentation to support the audit selection process, including feedback loops for regular review and update	1	Audit Management	IRD/TA	RSC approves documentation. Implement procedures
4 Review international audit and compliance strategy research, emerging threats and current audit data and draw conclusions to inform audit programs	1-2	Audit Management	IRD/TA	Review of international practices completed and good practices documented

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
5 Determine new audit strategy content - covering taxpayer segments, risk factors, selection criteria, target coverage, types of audit, resources, capacity needs, key indicators etc	2	Audit Management	IRD/ MOF/TA	RSC approves audit strategy
6 Enhance the audit manual to reflect new audit types and include specific audit approaches for high risk sectors (financial institutions, contractors etc	2-3	Audit Management	IRD/TA	Audit manual enhancements made
7 Based on audit strategies, develop a new fully risk-based national audit program	2-3	Audit Management	IRD/TA	RSC approves audit program. Audit program implemented
8 Review and enhance reporting mechanisms from field to headquarters based on new audit program, including individual work plans for auditors	2	Audit Management	IRD	RSC approves reporting mechanisms
Establish and regularly update a comprehensive and integrated data banking system in informing and rectifying any deviations and/or shortcomings immediately				
1 Develop a proposal for a new Taxpayer Information network (TIN)	1-3	Research & Development/ IT	IRD/ MOF/TA	RSC approves proposal
Reorient enforcement against non-filers so as to increase compliance				
1 Analyze current non-filer profiles to identify highest risk segments, sectors, locations etc	1	Taxpayer Services	IRD	Analysis completed
2 Develop a set of standardized time-bound steps for filing compliance follow up	1	Taxpayer Services	IRD	RSC approves procedures
3 Design a program to address the compliance issues for each identified high risk group using a range of targeted interventions (service improvements, awareness, education, enforcement actions, automatic penalties etc)	1	Taxpayer Services	IRD/TA	RSC approves program
4 Roll out the filing compliance enforcement procedures with a national staff training program	1-2	Taxpayer Services/HRD	IRD/ MOF	Training program is completed
5 Introduce reporting measures to monitor field office use of the filing compliance enforcement procedures	1	Taxpayer Services/ Monitoring	IRD	RSC approves reporting measures and they are adopted
6 Develop an annual filing compliance program based on ongoing analysis of risks	2	Taxpayer Services	IRD	RSC approves annual program

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
Develop and apply harmonized arrears collection guidelines				
1 Analyze current arrears case profiles to identify highest risk cases (size/age/segment/sector etc)	1	Collection	IRD	Analysis completed
2 Continue to develop the arrears software to include cases under appeal (and not subject to collection action) and to ensure full accuracy of the data	1-2	Collection/IT	IRD/ MOF	Software is fully functional
3 Review national staffing levels for enforced collection activities and compare to international norms	2	Collection	IRD/ MOF	Review and prepare proposals
4 Based on the review results, build a business case for the re-allocation of resources to enforced collection work	2	Collection	IRD/ MOF	RSC approves proposed resource allocation
5 Develop a set of standardized time-bound steps for chasing arrears cases	1	Collection	IRD	RSC approves procedures
6 Design a collections program that targets the highest risk cases (size/age/segment/sector)	1	Collection	IRD/TA	RSC approves program
7 Roll out the arrears collection procedures with a national staff training program	1-2	Collection/ HRD	IRD/ MOF	Training program is completed
8 Introduce reporting measures to monitor field office use of the arrears collection procedures	1	Collection/ Monitoring	IRD	RSC approves reporting measures and they are adopted
9 Develop an annual arrears management program based on ongoing analysis of risks	2	Collection	IRD	RSC approves annual program
Develop and apply harmonized arrears collection guidelines - Review powers of debt collection for adequacy and harmonization across taxes				
1 Review debt collection powers across all tax acts for adequacy (based on model tax conventions) and harmonization	1	Collection/ Policy	IRD	Review completed
2 Develop a proposal for priority legal amendments that will support the ongoing arrears management program	2	Collection/ Policy	IRD	RSC approves proposal
3 Submit proposals for approval	2	IRD	IRD	Proposal submitted to MOF
Develop and apply harmonized arrears collection guidelines - Develop proposal for regular write off of uncollectible debt				
1 Pursue approval for write off of the current proposed debt cases	1	Collection	IRD	Current write off request is approved
2 Develop a proposal for the regular write off of debts that meet an agreed set of criteria	1	Collection	IRD	RSC approves proposal
3 Seek approval for regular write off	1	IRD	IRD	Proposal submitted to MOF

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE 1.3: Operationalization of research and forecasting for maximization of revenue collection				
Analyze tax gap and forecast using tax forecasting models for quantifying the gap between potential revenue and actual collection to help IRD to optimize its revenue mobilization				
1 Undertake a tax gap analysis	1	RRF	IRD/TA	Tax gap analysis completed
2 Undertake research on the informal economy and international tax administration programs that address these issues and risks	1	Research and Development	IRD/TA	Review of international practices completed and good practices documented
3 Based on the research and tax gap study, develop targeted programs to address the identified risk areas/factors	1-2	Taxpayer Service/Audit Management/ Research & Dev	IRD/TA	RSC approves new targeted programs
STRATEGIC OBJECTIVE 4.4: Revitalization of Human Resource Development system to increase knowledge, skills and abilities of employees				
Develop capability to investigate and enforce high-tech national and cross-border tax frauds				
1 Develop clear operating procedures for work of investigations unit (including procedures to define operating relationship with audit)	1-2	Research & Development	IRD/TA	RSC approves operating procedures
2 Develop a comprehensive investigations work plan	2	Research & Development	IRD/TA	RSC approves work plan and implemented
3 Equip staff and managers with the knowledge, skills and tools to deliver high quality investigations	2-3	Research & Development /HRD	IRD/ MOF/TA	Training needs identified and included in T&D strategy
4 Identify serious fraud cases where the focused outcome of the investigations is on prosecution	3	Research & Development	IRD	Prosecution cases are started

D. Human Resources Management

International practice: A human resources (HR) strategy and plans are in place to support the business strategy, and the agency has autonomy in making decisions about the management of its employees. The HR policies and practices motivate, protect and support employees, while staff behaviors are managed within the framework of an ethics policy and code of conduct designed to ensure that the agency maintains high standards of professional and ethical behavior which are visible to all stakeholders. A training and staff development strategy is adopted with a structure and systems that support staff training and development.

Current status in IRD: The IRD is currently developing a new Human Resource Management

Policy and Plan. The department operates within the Nepal civil service rules and as a result has limited autonomy over major HR decisions that affect operations, including recruitment, remuneration and staff transfers. The staff form part of the civil service Revenue Group and rotate regularly between the IRD and the Ministry of Finance, Department of Customs, Department of Revenue Investigations and the Anti-Money Laundering Department. This creates challenges in managing a highly specialized workforce that operates in a complex technical environment. The current staff Performance Based Incentive Scheme has had a positive impact on performance since its introduction in FY2007-08, but is only available for staff at field offices and excludes headquarters-based staff.

The establishment of the TSO network has set a new standard for tax offices that is not replicated in all offices. A code of conduct is in place, signed by all IRD employees. The IRD plans to develop a training and development strategy based on an assessment of staff needs, and the department is fortunate to have access to the Revenue Administration Training Centre facilities to deliver training programs. The IRD also plans to create a training and development unit in headquarters to assess training needs and develop the necessary courses and programs.

The reform plan for this component includes:

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE 4.3: Application of a tax cadre-based professional and compatible HRM policy and plan				
Adopt and implement an IRD HRM policy and plan				
1 Review draft HRM Policy (including in light of current limits of ability to act and the planned IRD Reform initiatives)	1	HRD/ Administration	IRD/TA	Review completed and feedback provided
2 Hold staff consultation and feedback sessions on draft policy	1	HRD/ Administration	IRD/TA	Consultation program completed
3 Discuss final draft HRM Policy and Plan with MOF	1	IRD	IRD	Discussions held
4 Seek approval for HRM Policy and Plan	1	IRD	IRD	RSC approves strategy and seeks MOF approval
5 Implement HRM Policy and Plan with full program of staff orientation sessions	1	HRD/ Administration	IRD/ MOF /TA	Orientation sessions held for all staff
Enforce code of conduct and align it with reward and punishment practices				
1 Research international good practices on developing ethics policies and staff professionalism	1	HRD/ Administration	IRD	Review of international practices completed and good practices documented
2 Design a workshop program based on this research and targeted in the IRD context	2	HRD/ Administration	IRD/TA	RSC approves workshop materials
3 Roll out the workshop program nationally	2-3	HRD/ Administration	IRD/ MOF	Workshops completed for all staff

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
Support Government to amend laws to create tax group within the revenue service				
1 Analyze business areas where transfer policy has biggest effect (including LTO) and define impact on operations	2	HRD/ Administration	IRD	Analysis paper prepared
2 Develop proposals for a Tax Sub-group under the Revenue Group	2-3	HRD/ Administration	IRD	RSC approves proposals
3 Obtain staff feedback on the analysis and proposals	2-3	HRD/ Administration	IRD	Feedback obtained
4 Discuss proposals with MOF and other stakeholders (Ministry of General Administration, Public Service Commission etc)	3	IRD	IRD	Discussions held
5 Submit proposals for approval	3	IRD	IRD/ MOF	Proposals submitted
STRATEGIC OBJECTIVE 4.1: Transformation of IRD and its associated offices into segment and functional organization				
Refurbish/renovate offices to ensure function-based and quality service delivery to become efficient				
1 Conduct facilities survey (physical structures and equipment)	1	Administration	IRD	Survey completed
2 Review facilities against GON standards (if they exist)	1	Administration	IRD	Review completed
3 Determine IRD standards for office accommodation and working conditions based on TSO model	1	Administration	IRD	RSC approves standards
4 Develop a national office upgrade plan	2	Administration	IRD	RSC approves plan
5 Develop needs proposal for discussion with MOF	2	Administration	IRD	RSC approves proposal
6 Submit resource request	2	IRD	IRD	Request submitted
7 Upon approval, implement plan	2-5	Administration	IRD/ MOF	Implementation commences
STRATEGIC OBJECTIVE 4.4: Revitalization of Human Resource Development system to increase knowledge, skills and abilities of employees				
Re-define and apply the approaches for entry-level, specialized, issue based and career development oriented training approaches that become compatible for institutionalization of quality circle and cadre-based team system				
1 Prepare a detailed inventory of current staff education, qualifications, skills and experience	1	HRD	IRD	Inventory completed
2 Undertake a training and development needs assessment	1	HRD	IRD/TA	TNA completed
3 Develop a longer term IRD training and development strategy	1	HRD	IRD/TA	RSC approves T&D strategy
4 Develop formal, fully-costed annual training plans to deliver the strategy	2	HRD	IRD/ MOF	Annual training plans developed
5 Implement annual training and development strategy through the annual plans	2--	HRD	IRD/ MOF	Annual training plans implemented

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
6 Strengthen IRD library to include supporting training materials as required	1-2	HRD	IRD/ MOF	Training section in Library
7 Establish scope, mandate and staffing needs for a new training section	1-2	HRD	IRD/ MOF	RSC approves proposal for training section

E. Budget

International practice: Resource allocations are based on activities to be funded and levels of service to be delivered, with the agency having flexibility to respond to changing priorities. The administration clearly specifies its planned activities and services, supported by reliable calculations of the input costs for each of these. Staff are allocated to functions in sufficient numbers and with the technical competencies to deliver the agreed level of activities, with flexibility for re-allocation as operational priorities change. Agencies develop sound business cases for proposals to government for additional resources.

Current status in IRD: The IRD planning is principally revenue-focused. Budgeting is governed by national budget policies and processes. The department costs and budgets for new initiatives, such as workshops and publicity campaigns, but large-scale operational activities, such as the FY2011-12 Tax Compliance Enforcement Year, are not yet separately costed and funded based on expected program outcomes. The TSO initiative is an example of the capacity to establish a sound business case to receive additional resources. For the IRD headquarters to perform the full range of national responsibilities that are typical internationally, additional staff positions will be required.

The reform plan for this component includes:

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE: To increase ability to budget and allocate resources based on expected results				
Strengthen planning and monitoring functions				
1 For new national initiatives, determine expected results and then calculate the amount and cost of resources required to deliver these results based on a fully-costed plan	2-3	Administration /All sections	IRD	RSC approves procedures for budgeting
2 Measure progress of the initiatives based primarily on the delivery of results, but also continuing the monitoring of consumption of resources	2-3	Administration /All sections	IRD	IRD starts to measures progress on delivery
Build business cases for additional resources based on costs and benefits				
1 Analyze the current gaps around the issue	1-3	Administration	IRD	Analysis completed

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
2 Develop a methodology to develop business cases for emerging needs	1-3	Administration	IRD	RSC approves methodology
3 Outline the changes to be made and the benefits to accrue	1-3	Administration	IRD	Summary developed
4 Outline broadly cost estimates and potential sources of funding	1-3	Administration	IRD	Summary developed

F. E-services and Information Communications Technology

International practice: ICT systems have become central to the operations of modern tax agencies. ICT systems provide a comprehensive range of electronic services to taxpayers (e.g., e- registration, filing, payment) and administrative support functions within the agency. IT developments, operations and maintenance are guided by an Information Technology strategy. ICT security, data protection and disaster recovery measures are robust and effective. Within the agency ICT systems are increasingly integrated, and linkages have been established to other agencies in government e.g., customs, statistics, etc. New ICT projects are professionally managed and properly resourced.

Current situation at IRD: The IRD has made significant progress in the area of ICT. Existing filing and registration e-services are actively promoted and the department plans to expand these services. Technology developments are guided by a 5-year e-governance strategy, and the IRD has plans in place to harmonize ICT platforms and software, upgrade security systems and establish comprehensive disaster recovery programs. Work is under way to integrate 14 current applications across all tax types, and the longer term plan is to link systems with other government agencies. The IRD outsources major ICT projects such as design and development, and also systems operations and maintenance including hardware, networking, and data mining. Upgrading of the IT skills of all of the IRD's staff will be a priority in the coming years.

The reform plan for this component includes:

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE 3.1: Enhancement of ICT network				
Integrate different software being used into an integrated ICT system so that a compatible national system with international standards is maintained				
1 Provide the capability for information (legislation and forms) to be electronically available	1-3	Information Technology	IRD	Digitize all available documents for IRD website
2 Implement plans to establish a "taxpayer portal" providing easy access through a simple user-friendly interface	1	Information Technology	IRD/ MOF/TA	Taxpayer portal launched
3 Complete the development and implementation of the integrated tax administration system to replace the current 14 ad hoc systems	1	Information Technology	IRD/ MOF/TA	Integration project completed

STRATEGIC OBJECTIVE/ACTIVITY		Year	Who	Budget	KPIs
4	Establish a data warehouse for easy retrieval of data and to allow for extensive data mining	2-3	Information Technology	IRD/ MOF/TA	Data warehouse established
5	Identify field staff IT skills gaps and incorporate appropriate training in the overall training plan	1-2	Information Technology	IRD/ MOF/TA	Training needs identified and included in T&D strategy

STRATEGIC OBJECTIVE 3.2: Operationalization of full-scale e-governance system

Revisit, update and implement ongoing five year e-governance master plan

1	Update the 5-year e-governance strategy plan to take into account the plans being developed under the new reform program	1	Information Technology	IRD/TA	E-governance strategy updated

Install all required amenities for getting into full-fledged e-governance

1	Expand e-service options, including e-payment, Tax Clearance Certificates	1-3	Information Technology	IRD	Additional e-services introduced

STRATEGIC OBJECTIVE 3.3: Regular auditing and management of ICT system to international standards

1	Utilize appropriate IT protocols, procedures and standards to design the architecture and individual systems	1-3	Information Technology	IRD	Design standards are approved
2	Implement plans to establish a Disaster Recovery Center (DRC)	1-2	Information Technology	IRD/ MOF/TA	DRC established
3	Complete the establishment of a Data Center	1	Information Technology	IRD/ MOF/TA	Data Center established

G. Organization and Management

International practice: A function-based structure is the norm, with strong headquarters management and direction. Headquarters divisions develop policies, procedures and plans and oversee their implementation in operational and field offices. There are clear lines of accountability from headquarters to field offices and within the field offices themselves. There are a range of options for field organization. Field offices can be: (1) organized by taxpayer segment (small and micro, medium or large taxpayer offices); (2) organized based on geography, serving all taxpayers through targeted programs to address the needs of the different taxpayer segments; (3) organized as either "front offices" for service functions or "back offices" for enforcement functions; and (4) a combination of these. Most administrations have established a large taxpayer office (LTO), reflecting the high revenue importance of this relatively small group of taxpayers. Corporate planning processes are in place that include strategic, operational and work planning. Good management information is available and is used to direct and better manage the tax administration at all levels.

Current status at IRD: The IRD has a function-based structure in place that includes an LTO and a number of TSOs. Headquarters' oversight and direction to the field offices can be strengthened

to achieve nationally consistent management of core tax administration business – service, audit and debt collection. The department has a new Strategic Plan, which will be implemented through this Reform Plan, supported by more detailed operational plans (to be developed). An internal monitoring system is in place to capture data on operational activities. Using this capacity, the IRD plans to further develop the indicators for each main function and produce regular performance monitoring reports for management purposes, which will complement and expand the reporting that the department undertakes for the purposes of the staff performance incentive scheme.

The reform plan for this component provides the required institutional strengthening to allow for the successful implementation of the Strategic Plan and the Reform Plan and includes:

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
STRATEGIC OBJECTIVE 4.2: Increase coverage and access to service for potential tax payers with low administrative cost				
Expand IRD's presence throughout the country and set up an appropriate service structure (i.e. through regional offices, mobile offices, etc.)				
1 Complete and consider the results of the O&M study	1	Administration	IRD/TA	RSC agrees which proposals to pursue
2 Assess whether the organization meets functional needs	1	Administration	IRD/TA	Assessment completed
3 Identify any missing functions	1	Administration	IRD/TA	Analysis completed
4 Review mandate/scope of work statements by division	1	Administration	IRD/TA	Review completed
5 Confirm changes to headquarters structure	1	Administration	IRD	RSC approves changes
6 Review field network and assess: • Number of taxpayers managed • Size of taxpayers managed - MSME • Revenue importance of current offices • Staff strength of each office	1	Administration	IRD/TA	Review completed
7 Consider impact of possible tax policy changes on organization	1	Administration	IRD	Review completed
8 Review current good practice on field office structure	1	Administration	IRD/TA	Review of international practices completed and practices documented
9 Develop proposals for IRD organization	1	Administration	IRD	RSC approves proposals
10 Review proposal for regional offices: • Confirm locations • Confirm role/mandate • Confirm expected staffing • Develop accountability statements	2	Administration	IRD	Review completed
Develop strong headquarters direction				
1 Review requirements for headquarters functional direction (IMF technical notes and other)	1	Administration/ DDG Reform	IRD/ TA	Review completed

	STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
2	Develop workshops on functional management for key headquarters and field managers	1	Administration/ DDG Reform	IRD/ MOF/ TA	Workshops held
3	Identify areas where national strategies and programs are lacking i.e. service, enforced collections, audit and investigations	1	Administration/ DDG Reform	IRD/ TA	Review completed
4	Create core groups for each of these areas with mandate to: • Assess what direction/planning is in place and what is missing • Determine best means to build functional direction • Create subject-based teams as centers of excellence to build strategies and plans	1	Administration/ DDG Reform	IRD/ TA	Output from core groups is consolidated
5	Review headquarters staffing and assess true needs to deliver adequate functional direction	1	Administration	IRD/ TA	Review completed
6	Develop reporting requirements	1	Administration	IRD	RSC approves reporting requirements
7	Establish regular headquarters/field meeting program as functional management develops	2	Administration	IRD/ TA	Initial meeting held. Schedule for future meetings agreed
8	Evaluate and assess - seek enhancements	2	Administration	IRD	Evaluation completed. RSC approves recommendations for enhancements
	Improve planning				
1	Develop scope of work for planning division	1	HRD & Planning	IRD	RSC approves scope of work
2	Train division + managers and staff in planning and performance monitoring	1	HRD & Planning	IRD/TA	Training completed
3	Establish planning committee of headquarters and field managers and supervisors	1	HRD & Planning	IRD	Committee meets for first time
4	Fully implement IRD planning cycle	1	HRD & Planning	IRD/TA	Planning cycle implemented
5	Inform managers and supervisors of planning requirements	1	HRD & Planning	IRD	Planning requirements conveyed
6	Monitor performance against plan	2	HRD & Planning	IRD	Performance monitoring ongoing
7	Publish externally appropriate excerpts of strategic plan	1	HRD & Planning	IRD	Strategic Plan published

STRATEGIC OBJECTIVE/ACTIVITY	Year	Who	Budget	KPIs
Improve monitoring and reporting				
1 Review current approach to performance management/measures	1	Monitoring	IRD/ TA	Review completed
2 Assess what is useful to measure and what can be measured	1	Monitoring	IRD/ TA	Assessment completed
3 Establish performance measures for key areas of strategic and reform plans	1	Monitoring	IRD/ TA	RSC approves performance measures
4 Establish regular performance reporting to DG	1	Monitoring	IRD	DG receives regular reports
5 Establish linkages to individual performance assessment e.g. performance contracts, performance evaluation	2-3	Monitoring	IRD/ TA	Individual performance assessment linked to IRD monitoring
6 Consider means to de-link organizational performance management from staff incentive scheme	2	Monitoring	IRD/ TA	RSC approves proposals

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