



# How Effective Has the TADAT Framework Been in Improving Tax Administration in Uganda?

Summary of African Tax Administration Paper 16 by Doris Akol, Margaret Magumba, Patrick Loke, Milly Nalukwago Isingoma and Tina Kaidu

## The introduction of TADAT in Uganda

Like several other revenue administrations, prior to the introduction of the Tax Administration Diagnostic Assessment Tool (TADAT) in Uganda, there was no comprehensive standard tool for assessing revenue administration against internationally recognised good practices. Detailed assessment was spread across different facets of revenue administration and indicators were not standardised. The first TADAT assessment of Uganda's tax administration was conducted in 2015, and the Uganda Revenue Authority (URA) resolved to adopt the TADAT framework in order to improve organisational performance.

This study considers the extent to which TADAT standards have been effective in improving the URA's tax administration, and discusses key challenges and lessons learnt. It is largely qualitative, with data collected from URA staff through questionnaires, interviews and focus group discussions.

## Good practices adopted by the URA

In the Domestic Tax Department (DTD), one key improvement was the separation of the objections process from the audit process. Objections to tax assessments are now addressed by an independent objections management unit. This gives a fair hearing to taxpayers, as suggested by TADAT's POA 7. This currently applies in the central region only but will be extended countrywide.

The DTD has also fortified its efforts towards having a clean taxpayer register through regularly tracking and cleaning the register. The Large Taxpayers' Office (LTO) introduced a client relationship management initiative to support voluntary compliance, as proposed by POA 3.

The DTD's Compliance Improvement Plan (CIP), based on TADAT POAs, identifies risks and designs actions/mechanisms to mitigate them and improve compliance, helping to improve taxpayer compliance behaviour. The quality of tax assessments has also improved. The LTO reports a rise in the number of assessments upheld by clients, and objections have gone down.

“The URA embraced the TADAT framework by introducing several new work mechanisms.”

The Research, Planning and Development (RPD) division incorporated TADAT standards in the organisation's business plan and M&E framework. It ensures that research recommendations are implemented/incorporated in the organisation's CIP. It strengthened its risk management by preparing regular risk management reports and designing an automated risk management tool. To monitor the implementation of good practices, the RPD division conducted an in-house TADAT mock assessment in 2017, and a TADAT risk identification and prioritisation survey.

The Litigation division consider the requirements of TADAT's POA 7 in their planning process, helping them fully embrace a proper dispute resolution mechanism and follow strict timelines. They have strengthened their alternative dispute resolution endeavours; as per POA 7, they try to resolve matters amicably before resorting to litigation.

TADAT presented the Internal Audit and Compliance department with an additional credible reference point. They began publishing disciplinary decisions/statistics and started carrying out deeper background checks for new staff.

The Public and Corporate Affairs division are conducting client satisfaction surveys more regularly and working towards having the results published.

## Good practices not yet adopted

Good practice requires that a tax refund process should be concluded within 30 days following a taxpayer's application. This timeline is not usually met in URA. Uganda's tax law allows up to 60 days following application for a refund.

Even though objections management has been separated from the audit process in the central region, this is yet to be implemented elsewhere. Additionally, a more independent process would entail transfer of the objections management function to a separate office. Plans to implement these two necessities are under way.

There is limited funding and skills to implement some good practices, e.g. full-scale perception surveys every two years, and some audit requirements are too expensive. Implementation of some recommendations is also hampered by their likely spill over effects given current systems.

## Strengths regarding TADAT implementation

URA's strengths: The TADAT framework has been embraced by the segments with the most influence on business operations. Over 300 URA staff have been TADAT-trained, including 95 per cent of senior management. All the senior management staff interviewed said that adopting TADAT was worthwhile and 84 per cent of other trained staff agreed. Good practices have been incorporated in URA's business plans and it continually assesses itself against TADAT's standards.

TADAT's strengths: The framework is detailed, extensive, easy to comprehend and has clear indicators that are well aligned to revenue administration practices. It helps the URA identify performance gaps, gives clear achievement goals, forms a credible reference point for institutionalising good practices, and provides a platform for self-assessment against internationally recognised good practices. TADAT is

expedient because it equips staff with the ability to comprehend and own assessment results, and to monitor the organisation's performance through in-house assessments.

## Limitations of TADAT implementation

URA's limitations: Proper documentation is sometimes lacking, leading to failure to provide proof of work done during assessment. This leads to poor performance on certain indicators, as does lack of the funding, skills and systems required to implement some good practices.

TADAT's limitations: TADAT has limited coverage in its assessment of revenue administration. It does not currently cover customs operations, non-tax revenues and human resources. TADAT monitors refunds but provides no POAs to support revenue administrations in developing efficient VAT fraud detection systems to buffer the refund process. Similarly, it promotes automation and integration of systems but has no measure for the infrastructure that supports automation. As TADAT is evidence-based and mostly quantitative, some key qualitative facets of tax administration are left out e.g. client satisfaction levels, as it only considers the number of surveys conducted, not the results.

## Key conclusions and recommendations

- Periodic in-house assessments are essential for checking the progress of implementation of good practices. They help to trigger timely improvements where shortcomings have been detected.
- The incorporation of TADAT standards in organisational business plans is a key factor in ensuring the smooth adoption of the TADAT framework.
- Spreading awareness about TADAT among tax administrators is essential, especially among senior management and planning staff who influence a wide range of business operations.

## Further reading

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## Credits

**Doris Akol** is a Senior Policy and Engagement Adviser with ICTD's DIGITAX Programme. At the time of writing the paper, she was the Commissioner General at URA. She has over 23 years experience in tax administration. Prior to this, she served as the Commissioner for Legal Services and Board Affairs.

**Margaret Magumba** is a Research Manager at Young 1ove Organisation in Botswana. She was formerly a supervisor in charge of research and revenue modelling at the URA. She holds a Master of Arts in Policy Economics from Williams College, Massachusetts; a Masters in Financial Management from Amity University, India; and a Bachelor of Statistics degree from Makerere University, Kampala.

**Milly Nalukwago Isingoma** is the Assistant Commissioner of Research, Planning and Development at the URA. She is also the URA head of delegation to the East African Revenue Authorities Technical Committee, and a member of ICTD's Centre Advisory Group.

**Tina Kaidu** is the Manager of Research and Revenue Modelling at the URA, with over 10 years of experience in tax administration. She is a member of the Research Committee of Integrated Tax and Revenue Administration Training programme and the East Africa Authorities Revenue Technical Committee.

**Patrick Loke** is an Officer in the Research and Revenue Modelling Unit at the URA. He holds a Bachelor of Science in Business Statistics from Makerere University and Post Graduate Diploma in Monitoring and Evaluation from Uganda Management Institute.

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