

# U4 Expert Answer



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## Approaches to curbing corruption in tax administration in Africa

### Query

What evidence is available regarding corruption in African tax administrations and what are the approaches and efforts undertaken (by tax administrators themselves and / or accountability actors) to combat this problem?

### Purpose

The answer will inform the agency's work in this area.

### Content

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### Summary

Corruption in tax administration in Africa remains a fundamental barrier to effective and fair taxation and to building trust between government and citizens. There are very few recent studies assessing the extent to which and how corruption affects tax administration in Africa, but surveys on citizen experience and perceptions of corruption within tax administration paint a worrying picture, with more than 50% of respondents who were in contact with tax administrations having reported experiencing corruption when dealing with tax and custom officials in several African countries. Studies and anecdotal examples also demonstrate that

corruption in tax administration takes different forms, from bribery to patronage, to revolving doors and regulatory capture.

Approaches to fighting corruption in tax administration undertaken by governments in Africa often aim at addressing the main drivers of corruption. They include measures to enhance the autonomy and capacity of tax agencies, for example through the establishment of semi-autonomous tax agencies, higher salaries, measures to improve tax services and reduce tax-payers interactions with tax officials, by for instance investing in technology and tax-payer education, as well as measures to improve internal control and oversight and encourage informants to report corruption.

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## 1 Corruption in tax administration in Africa

### Overview

Taxes are crucial for mobilising revenue to fund public services, infrastructure and other development and poverty reduction goals. Taxes are also crucial “for building the accountability of states to their citizens, and reduce inequality by redistributing wealth” (Tax Justice Network and Christian Aid 2014).

During the past 25 years, tax revenues in Sub-Saharan Africa have largely stagnated at levels around 15% of GDP, half of the amount collected in OECD countries. This amount is higher in resource-rich countries, but even in those countries revenue collection is still below its potential (Tax Justice Network Africa 2011).

Tax administration and law enforcement institutions in Africa often suffer from high levels of corruption, making the collection and management of public resources very challenging. In fact, according to experts, weak and often corrupt revenue administration remains a fundamental barrier to effective and fair taxation and to building trust between government and citizens in many countries (Fjeldstad 2013; Tax Justice Network Africa 2011).

### The role of tax administration

Tax administration plays a key role in ensuring that the right amount of tax is collected at the right time and at minimal cost, while minimizing the burden to both the government and tax-payers (USAID 2013). Tax officials thus are responsible for the administration of tax collection and enforcement, including the registration and removal of tax-payers from the national registry, the collection of tax dues (filling, payment and processing), the identification of tax liabilities and the inspection and prosecution of alleged tax offences (Bridi 2010).

In addition, tax officers also play an important role in combating corruption as in the course of their work they may uncover corruption and other wrongdoings (OECD 2014).

Within this framework effective, efficient and capable tax authorities that uphold the highest ethical standards are instrumental to mobilise and administer domestic fiscal resources, enabling countries to provide basic services (Magashula 2010).

This answer analyses the evidence of corruption in tax administration in Africa and discusses the main approaches that have been undertaken to prevent and curb corruption among tax authorities.

### Evidence of corruption in tax administration in Africa

There are very few recent studies assessing corruption in tax administration in Africa. The majority of studies available focus on assessing how effective tax administrations are (such as the [Public Expenditure and Financial Accountability Program](#)), but they do not deal specifically with corruption<sup>1</sup>. The many inefficiencies identified in those assessments, however, are also helpful to understand what are the drivers of corruption in the region.

This section thus uses a set of corruption perception and experience indicators as well as anecdotal examples to provide an overview of how corruption affects tax administration in African countries, as well as the main causes for corruption.

#### *Perceptions and experience with corruption*

The majority of African countries are perceived as very corrupt by their citizens. 90% of the countries in the Sub-Saharan African region performed poorly in the 2013 Corruption Perceptions Index, with scores below 50, on a scale from zero (very corrupt) to 100 (very clean) (Transparency International 2013a).

Corruption affects a wide range of institutions and sectors, and corruption within the tax administration is rampant and particularly problematic when compared to other regions. Data from the 2013 Global Corruption Barometer shows the percentage of citizens reporting paying a bribe to officials in tax administration and / or customs in the African countries assessed is much higher than the global average. For instance, 61% of citizens in Sierra Leone who came in contact with such

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<sup>1</sup> A few diagnosis tools aimed at investigating corruption / corruption risks in tax administration have been developed. The Helpdesk could not find however any indication that they have been applied in African countries. A list of tools and their methodologies is available at Transparency International's Gateway Portal: <http://gateway.transparency.org/tools/search/1252c23235c869d808bedea3d8c9cb13>

services reported having to pay bribes. The global average is 15%. Experience with bribery to access tax services is equally high in Liberia (62%), Senegal (59%), Uganda (46%), Cameroon (46%), and Ethiopia (41%), among others countries<sup>2</sup> (Transparency International 2013b).

Respondents to the Afrobarometer, a survey conducted in 35 African countries to measure social, political and economic atmosphere, also perceive corruption among tax officials to be high<sup>3</sup>. 35% of respondents perceive that most tax officials are involved in corruption, and close to 40% believe that at least some of them are involved in corruption (Afrobarometer 2012). Perceptions of corruption among tax officials are highest in Cameroon and Nigeria (59% each), followed by Sierra Leone (57%), and Benin (54%), whereas only 9% in Mauritius, 11% in Cape Verde and 13% in Botswana say corruption is widespread (Aiko & Logan 2014).

Business people also reported having to pay bribes in their encounter with tax administration in African countries. Approximately 17% of companies surveyed by the World Bank & International Finance Corporation (IFC) Enterprise Survey reported having to give gifts when meeting with tax officials in Sub-Saharan African countries. The percentage is even higher in the Middle East and North Africa, where close to 26% of respondents reported expecting to give gifts to tax officials (World Bank & IFC 2013).

### Forms of corruption

While there are very few recent studies investigating corruption within tax administrations, a few case studies and several anecdotal examples provide some evidence of the main forms of corruption involving tax and custom officials. Examples of corrupt activities include (Kabera 2008; Child 2008):

- **Bribery:** Illegal payments to tax/custom officials to reduce taxation or to be granted tax exemptions, licenses, and clearances. Bribery can also be paid to speed up processes or to hold back a competitor's business activities. Illegal payments are often made through cash or gifts. In South Africa, for example, a custom

<sup>2</sup> Results for all countries assessed are available at: <http://www.transparency.org/gcb2013/countries>

<sup>3</sup> Question related to corruption in tax administration were asked in only 29 countries.

official was convicted of corruption after being accused of receiving illegal payments in exchange for being charged lower tax rates. In Nigeria, rice importers have reported having to pay NGN 2.5 million per truck to custom officials to clear the border (United States Trade Representatives 2014).

Illegal payments may also be made to tax officials to make files disappear or to sell insider information about competitors.

- **Revenue fraud:** In many countries revenue fraud through the undervaluation or under-declaration of goods (using fraudulent invoices) is facilitated by tax and / or customs officials. They also may be involved in smuggling activities allowing often illegal goods to be commercialised without taxes being paid. For instance, several companies operating in the informal sector in Nigeria resort to smuggling instead of legal trade to avoid paying taxes, with the support of tax officials (Business Anti-Corruption Portal 2013).
- **Embezzlement:** Tax officials may dishonestly and illegally appropriate or divert funds they have been entrusted with for personal enrichment or other activities.
- **Extortion:** Tax/customs officials may take advantage of the lack of knowledge of taxpayers regarding tax laws. They can use their power and threat in order to extort illicit payments from tax-payers.
- **Patronage/nepotism:** In many African countries kinship and social networks still exercise influence – a person in a position of power is expected to use that influence to help his/her kin and community of origin. Within tax administrations, patronage networks can negatively influence the appointment, selection, transfer and promotion of officials.
- **Regulatory capture:** In countries with widespread corruption there is also the risk that well-connected companies exercise undue influence on how laws and regulations are decided. The US Climate Investment Statement for instance highlights that in Nigeria many companies report having

'negotiated' their own taxation levels using their personal connections or bribing officials (US Department of State 2013).

- **Collusion between tax officers and tax payers:** There is also evidence that corruption in tax administration takes place in a more organised manner with tax officials and tax-payers acting together to systematically evade taxes (Kabera 2008). In Ghana, for instance, the 2009 Global Corruption Report found that some high-ranking tax officials were covering up tax evasion and conducting secret dealings (Transparency International 2009).
- **Political interference:** Politics may intervene in the tax administration to grant favours to the private sector such as tax exemptions to supporters or to harass political opponents through audits. In Zambia, for instance, the semi-autonomous revenue authority struggles to keep its operational autonomy. The government has instructed the agency not to tax certain business owned by members of the ruling party (Fjeldstad & Moore 2009).
- **Revolving doors:** A "revolving door" is a practice whereby an "individual moves back and forth between public office and private companies exploiting his/her period of government service to benefit the company [he or she] used to regulate" (Transparency International 2009b). Revolving doors is increasingly becoming a problem in tax administration in Africa. Tax officers can be recruited by the private sector as they have insider knowledge (and connections) on the operations of revenue authorities.

## Drivers of corruption in tax administration

Understanding the main drivers of corruption in tax administration is essential to determining the approaches to be used to tackle it. There is a broad consensus in the literature regarding the main factors that contribute to corruption in tax administration more broadly. These include the complexity of tax laws and procedures, the monopoly, power and degree of discretion of tax officials, the lack of adequate monitoring and supervision, and the overall environment in the public sector (Purohit; Rahman 2011).

While all these elements are relevant in the context of tax administration in Africa, studies have pointed out that in the region the following specific factors seem to facilitate corruption within tax administration and contribute to their weak performance (Fjeldstad 2005; ATAF 2012; Fossat & Bua 2013):

### *Lack of taxpaying culture and complex laws and regulations*

The lack of accountability and opaqueness regarding tax policy and administration and widespread perception of corruption provide serious disincentives for tax-payers to contribute. There is a broad perception that taxes are not used efficiently and can easily be diverted by corrupt officials. 40% of respondents to the Afro Barometer consider it very difficult to find out how governments use revenues from people's taxes and fees and, as already mentioned, a significant percentage of the African population believe that tax officials are involved in corrupt dealings (Afrobarometer 2012).

In addition, an unfair tax systems and incoherent set of rules, where for instance companies that have connections with the political elite are granted tax exemptions, offer even more opportunities for tax evasion. In Ghana, Malawi and Uganda, for example, there is a broad perception that the enforcement of tax law is not uniform. Individuals and companies related to politicians often receive tax breaks or are not audited (Global Integrity Report 2011).

Complex rules and burdensome procedures also act as an incentive for taxpayers to offer bribes to cut their tax burden or speed up procedures, or to tax officials to manipulate and extort tax-payers who do not know their rights.

According to the Afrobarometer, a majority of respondents reported finding it (very) difficult to find out what taxes or fees they were required to pay.

Reports produced by the World Bank and by the African Development Bank also demonstrate how lengthy and cumbersome tax administration procedures are in African countries. For instance, according to data compiled within the framework of the Doing Business survey, businesses operating in Sub-Saharan Africa are expected to make 38 payments per year (compared to 12 in OECD countries) and are expected to spend an average of 314 hours per year to comply with their tax obligations (compared to 175 hours in OECD countries). In some countries, the complexity of the tax

system is particularly worrying. In Nigeria, for example, the average number of hours a company spends annually paying taxes is nearly three times higher than the regional average (World Bank & IFC 2014).

Cumbersome and unclear procedures and frequent encounters with public officials certainly increase the opportunities for corruption.

### ***Weak capacity of tax administration***

In spite of recent reforms, tax administrations across the continent still suffer from a lack of (qualified) personnel and poor working conditions. Recent reforms have certainly increased the level of professionalism, but the expertise among tax officers is still limited (Kloeden 2011). Public sector salaries in the great majority of countries are still low, making it difficult to compete with the private sector for highly qualified staff and to prevent officials from engaging in corruption.

Moreover, in many countries the lack of clear criteria for recruitment, promotion, punishment and reward of staff offer further opportunities for corruption, for example allowing the recruitment and professional advancement of incompetent staff due to personal connections or willingness to engage in corruption schemes.

### ***Low probability of detection and punishment for corruption***

The fact that tax-payers and tax officials involved in corruption are rarely investigated and punished contributes to a culture of impunity. Tax administrations in Africa have a very low-track record of investigating internal fraud and corruption, particularly incases where senior officials are involved (Fossat & Bua 2013). Many tax administrations have only very recently established internal audit mechanisms, but access to technology and possibilities to cross check information and data is still limited.

There is also evidence of the lack of political will to eradicate corruption within tax administration. Studies show that in some countries tax officials who were found to be involved in corruption were only transferred to other positions instead of being fired (Fjeldstadt 2005).

## **2 Approaches to curb corruption in tax administration in Africa**

For many years, tax administration reform had the primary aim of expanding revenue collection. It has

been quite successful in doing so and many African countries have experienced an increase in revenue in the past decade. Nevertheless, these reforms have not necessarily helped to reduce or control corruption. In some cases, the amount of rents available for being extracted by corrupt officials have increased but stronger accountability measures have not followed. As a result, the availability of more financial resources has not always translated into better services and overall better governance.

Against this backdrop, approaches to improve tax administration applied more recently seem also to emphasise the process of collecting taxes and how this can contribute to improved tax governance and broader state-building goals in addition to expanding revenue collection (Moore 2013; ATAF 2012).

While they do not necessarily have the primary aim of curbing corruption, many of the approaches used to enhance tax administrations' capacity and effectiveness focus on closing loopholes and fixing inefficiencies that are also the main drivers of corruption, including for instance measures to: (i) simplify the tax system and limit tax officials' discretionary powers, (ii) increase tax administration's autonomy, reducing the opportunities for political interference, (iii) enhance tax administration capacity; (iv) improve tax services; and (v) strengthen monitoring and oversight. Countries have also adopted specific measures aimed at enhancing ethics and integrity within the tax administration. These include for instance the adoption of codes of conduct, rules on asset declaration, and ethical trainings.

Results so far have been mixed. Studies have shown that these approaches are extremely interlinked and therefore should be undertaken as a reform package to achieve positive results (Fjeldstadt 2003; 2005; Moore; Fossat & Bua 2013).

Within this framework, this section analyses some of these approaches undertaken by African countries to improve tax administration and reduce opportunities for corruption at the national level.

### **Creation of semi-autonomous agencies**

The most popular and the most discussed approach to tax administration reform implemented in Africa is the establishment of semi-autonomous revenue authorities (ARAs). Prior to the creation of ARAs, tax collection was often under the responsibility of the Ministry of

Finance but dispersed among a number of departments that did not work in a coordinated fashion and offered several opportunities for rent-seeking (ATAF 2012).

According to experts, the creation of ARAs aimed, among other things, at giving more autonomy to tax administration agencies and ensuring more independence from governments and politicians, in a signal that “the power to tax will not be abused” (Fjeldstad & Moore 2009).

The main idea behind this approach was to provide a set of legal arrangements that would guarantee more autonomy and efficiency in the operation of these recently created ARAs, including, for instance, the establishment of independent management boards to oversee its operations, and the provision of an operational budget that is independent of the regular annual budgeting process, in order to eliminate political interference. Additionally, ARAs also enjoyed more flexibility in the hiring, paying and managing of staff (Fjeldstad & Moore 2009). In principle, higher salaries should attract more qualified and motivated staff and reduce incentives for corruption (Fjeldstad 2005).

As of 2010, ARAs have been set up in 14 Sub-Saharan African countries and the results so far have been mixed. While there is an understanding that ARAs have made it easier to implement other operational reforms that can also have an impact on control of corruption (as discussed later), the extent to which they have contributed to better governance of tax administration is debatable (OECD 2010).

Studies show that ARAs have been successful in improving revenue collection and even in reducing corruption in the first years of operation. But once politicians and tax officials “got used” to the new system, reports of political interference, bribery and extortion became common again. This is the case in Uganda, as reported by Fjeldstad (2005).

Further analysis on the functioning of ARAs in Africa shows that one of the reasons why they have failed to yield the expected results could be related to the lack of legal safeguards to secure their de facto autonomy. This also demonstrates the lack of political will from governments and politicians. For instance, in the majority of African countries chairs and members of oversight management boards are appointed by the President or the Minister of Finance instead of by an independent stakeholder group; and while almost all boards have representatives of the private sector, they are often appointed by the government without the

opinion of any other stakeholder. Similarly, ARAs’ chief executives have also been appointed by the government, and studies have shown that close relationships between the chief executive and the head of state is the norm in several African countries (Fjeldstad & Moore 2009; Kloeden 2011).

ARAs have also been established to allow for a higher degree of managerial autonomy, meaning that the tax administration may have different rules on staff recruitment, promotion and remuneration, as well as regarding the monitoring and punishment of staff involved in wrongdoing (ATAF 2012). Managerial autonomy was also expected to help reducing opportunities for corruption by addressing what was considered to be one of the main causes: low salaries and poor working conditions. However, the implementation of this managerial autonomy approach in Africa has also been questionable. While salaries have increased substantially, new recruitment processes were not launched (former tax officials were simply transferred into newly created ARAs), and thus the new salary structure and recruitment policy did not help to attract motivated and qualified staff and more importantly did not bring about a change in organisational culture (Fjeldstad & Moore 2009; IMF 2011).

Furthermore, while some ARAs have investigated and sanctioned tax officials involved in corruption in the first years following their establishment, control and oversight have not been continuously and consistently implemented. Prosecutions and dismissals for corruption are very rare, particularly in cases involving senior tax officials (Moore 2013; Fjeldstad & Moore 2008).

As highlighted by Fjeldstad, “in a situation where there is a high demand for corrupt services, it is unrealistic to provide tax officers with pay rates that can compensate for the amount gained through bribery. Without extensive and effective monitoring, wage increases may produce not only a highly paid, but also a highly corrupt tax administration (Fjeldstad 2003:165).

In addition, the majority of reforms have focused on central government and national level issues. In the majority of African countries this has meant that ARAs were not well prepared to engage with small-scale, rural and small town tax-payers, or help sub-national governments raise revenue more effectively and curb corruption (Moore 2013).

## Simplification of tax policy, systems and processes

The simplification of tax rules, including the reduction in number of taxes, the level of tax rates and the number of tax exemptions may help limit the discretion of tax officials and at the same time make it easier for tax-payers to understand their rights and obligations (Child 2008).

Similarly, the simplification, standardisation and harmonisation of tax procedures are also important to reduce corruption within tax administration. Simpler and more streamlined processes to pay and collect taxes reduce tax officials' discretionary power, increase predictability, lessening the burden for firms and individuals to comply and hence reduce the opportunities for corruption (Rahman 2009).

Many African countries adopted measures to simplify the administration of tax systems (for instance by adopting electronic filing of tax returns), but did so without ensuring that tax laws and policies were coherent and fair. In Anglophone African countries, revenue administration reforms have failed to include tax policy. As a consequence, tax officials continue to have the possibility of granting unjustified and ad hoc tax exemptions, increasing the opportunities for political interference and corruption in general (Moore 2013; Moore & Mascagni 2014).

The most common approaches undertaken by African countries with the aim of simplifying tax procedures and reducing corruption opportunities include:

### *Reorganisation of tax administration by type of tax-payer and function*

Tax administrations are typically organised on the basis of three models: (i) tax-type, where the tax administration is divided according to the different types of tax (corporate tax, value-added tax, income tax, custom duties); (ii) functional, where the division of work related to the different functions performed by the tax administration (processing tax returns, auditing, adjudication and appeals, or collecting taxes; and (iii) tax-payer segmentation, where the division of work relates to the different types of tax-payer (large, small or specific industrial/economic sectors) (ATAF 2012).

In African countries reforms have sought to change the organisation of tax administrations from type of tax to a hybrid model based on tax-payer segmentation and the different administrative functions performed by

tax administrations. This model is expected to enhance control and accountability, reduce corruption and improve compliance by allowing for specialisation and a better understanding of tax-payer behaviour (ATAF 2012).

In addition, reorganising the tax administration around functions or industry type reduces the number of interactions each individual tax-payer has with different tax officers. Moreover, having different officials responsible for different steps of the tax administration (e.g. tax collection and audit) creates a certain checks and balances mechanism and limits the opportunities for direct extortion and corruption (Fjeldstad & Moore 2009).

For instance, in the majority of countries in francophone Sub-Saharan Africa tax administration was reformed and divided in six units along the administrative functions performed by the tax agency: human resources and administration; information technology; legislation and appeals; taxpayer registration and services; audit; and collection enforcement. While the reform meets recommendations put forward by international organisations, progress is still needed to ensure that in practice the different units function efficiently and effectively and that the opportunities for corruption are de facto curbed (Fossat & Bua 2013).

In a number of countries, such as Kenya, Rwanda, Tanzania, and Uganda, tax and customs departments also share common revenue administration functions in investigations and taxpayer services (Kloeden 2011).

As part of these reforms, the great majority of countries have established the so-called Large Tax-payer Units (LTUs), focusing on big companies, and more recently many of them have also created dedicated offices to deal with small and medium size enterprises (Kloeden 2011). In some countries, approaches have also been undertaken targeting the informal sector. In Ghana, for example, the Revenue Authority (GRA) reached an agreement with a union of bus drivers to collect a daily income tax that would be handled over to GRA. Compliant bus drivers were issued a sticker and the guarantee that they would not be extorted by tax or police officials. The initiative was very successful until the union stopped handing over the taxes collected to the GRA (Oxfam Blog 2013).

### *Establishment of single tax identification numbers*

Another measure that has been implemented in several African countries with the aim of facilitating compliance, control and reducing the room for corruption is the introduction of single tax identification numbers for individuals and companies. This number should be used for all tax purposes, including in customs. Combined with the introduction of information and communication technology tools, it can facilitate the detection of tax evasion and corruption (Fjeldstad & Moore 2013).

However, while the majority of countries in Africa have already adopted this unique tax identification number, the process of assigning such number is still very slow and bureaucratic in most of them, opening the door for further corruption (for instance, tax-payers may bribe tax officials in order to speed up the process of being assigned a tax number). Also delays in updating files and removing large numbers of inactive files can seriously hamper the use of computer system for identifying and dealing with non-compliant taxpayers. (Fossat & Bua 2013; Kloeden 2011). In addition, the integrity of the single tax-payer register has been questioned in some countries. There have been instances where individuals or companies obtained multiple identification numbers (Kloeden 2011).

### *Introduction of self-assessment*

Self-assessment, the system through which tax-payers have to calculate themselves their own liabilities, file returns and pay the taxes, was basically non-existent in Africa until the introduction of value-added tax. Currently, it has also been extended to other types of taxes. In general, self-assessment is considered to have a positive impact on the control of corruption as it reduces the opportunities for negotiations between tax-payers and tax officials and also streamlines procedures (Rahman 2011).

In African countries however there are several challenges for the effective implementation of self-assessment systems, including complex laws and regulations which make compliance more difficult, lack of consistency and predictability, lack of proper verification mechanisms and limited enforcement of the law (e.g. risk-based audit) as well as lack of appropriate mechanisms for reviewing/appealing decisions (Kloeden 2011).

### **Use of technology**

In recent times, African governments have turned towards increasing the use of technology in the administration of taxes. Information technology (IT) tools can play an important role in tax administration modernisation. For instance, an electronic system for filing and paying taxes, if implemented well and used by most taxpayers, reduces operational costs for administering tax and increases tax compliance. It may also provide for a reduction of corruption, which is more likely to occur with in-person payments at tax offices (World Bank & IFC 2014).

Technology can also increase the efficiency of the tax administration and improve tax operations by providing online information on taxpayer rights and obligations through call centres or virtual helpdesks.

In Africa, however, the number of countries that have tax administrations with fully functioning IT systems is still scarce. The majority of countries receive tax payments through the banking sector, but fewer have established electronic filing of tax returns (Kloeden 2011). Investment in technology in most African countries is still rather low, accounting for less than two% of the total administrative expenditure.

Another challenge related to internet penetration, which is also rather low across the region.

In addition, the development of new IT systems has not always been synchronised and aligned to other tax administration or broader public sector reforms. For instance, in Senegal, the installation of basic computer models prior to the implementation of other reforms has prevented the tax administration from fully benefitting from the IT package (Fossat & Bua 2013).

Nevertheless, there are some examples of the use of technology to facilitate tax collection and administration that can be found in the region. In Rwanda, for example, since 2012 businesses with an annual turnover of between US\$3,000 and US\$770,000 can pay taxes through mobile phones ([M-Declaration](#)) (Oxfam Blog 2013).

In Tunisia, a system for online filing and payment has helped to reduce the frequency of payments and the time required to file and pay taxes, reducing also the burden to tax payers – which consequently may provide disincentives to engage in corruption. According to experts, the reform has reduced tax evasion and helped to increase the total tax revenue collected (from 12.3% of GDP in 2007 to 19% in 2008). A one stop shop e-

window has also been established to facilitate trade across borders (ATAF 2012).

In South Africa, electronic filling of tax returns (e-filing) has made the process much faster; in 2006/07 only 1.6% of tax returns were processed within 48 hours, in 2008, this number increased 34% (African Development Bank 2010).

The Kenya Revenue Authority (KRA) uses an online system to generate Taxpayer Identification Number (TIN) certificates. Tax-payers can use the iTax system, electronic registration module to obtain the identification online, without having to interact with tax officials or visit tax offices. The agency also has plans to further enhance iTax to enable the electronic collection of taxes (Kariuki 2013).

## Improving tax-payers services

Taxpayer services are one of the primary areas where corruption occurs in revenue administration. As mentioned, simpler and more reliable procedures, more transparent processes and fewer interactions between taxpayers and tax officials may help to reduce corruption and improve compliance (Bridi 2010). Moreover, incentives for corruption can be further reduced by improving tax-payers knowledge and awareness of their rights and obligations, reducing tax compliance costs and adopting customer orientation (ATAF 2012).

Within this framework, African countries have also sought to improve the services provided to tax-payers by adopting measures to increase public awareness of tax rules and procedures. Educating tax payers reduces firms' misconceptions and confusion about tax policies and procedures. More clarity regarding audit and enforcement may also create disincentives for companies to behave dishonestly. In Uganda, Rwanda, and South Africa outreach activities to tax-payers have included TV and radio coverage (Rahman 2009).

In Cote d'Ivoire, Madagascar and Senegal tax agencies have created service charters explaining the rights of tax-payers and the responsibilities and obligations of tax officials. Tax brochures highlighting the different types of taxes and how, when and where they have to be paid were also created.

More generally, increasing transparency and access to information as well as improving accountability in taxpayer-tax officer relations are also necessary steps to improve tax services and prevent corruption. In addition,

an institutionalised and transparent appeal process may also help to create faith in the tax administration and collection process and at the same time guarantee fair treatment and decisions (Rahman 2009).

## Strengthening the integrity framework

Tax and custom officials should be held to the highest standards of professional behaviour. Safeguarding the integrity of a tax administration requires a clear, consistent framework of rules and standards of behaviour that employees must adhere to. A set of dissuasive and proportional sanctions should also be in place.

A variety of tools and techniques can be used by tax administration to limit the opportunities for misconduct, including rotating staff, controlling/restricting staff access to files or areas of work, establishing code of conduct and requirements to declare assets and conflicts of interest as well as providing ethical training and guidance.

### *Enactment of a code of conduct for tax officials*

Codes of conduct are usually established to address a wide variety of issues and ethical dilemmas that are part of the revenue officials' daily operations. Many codes of conduct for revenue administration officials also include social and cultural norms that are context specific. Codes also spell out what is expected from officials when confronted with corruption or other forms of wrongdoings (Martini 2013).

With regard to integrity, codes of conduct for revenue administration officials may include rules on: (i) conflicts of interest: clear rules should be in place regarding the disqualification of tax officials from specific assignments in case of conflict, among others. Revenue administration officials should also be obliged to declare that they do not carry out any other activities incompatible with their public functions, or cease these activities before assuming their position; (ii) confidentiality of tax information: Tax officials must safeguard official information, and therefore must not take advantage of, or benefit from information that is obtained in the course of their official duties and responsibilities and that is not generally available to the public; (iii) bribery: revenue administration officials should not be involved in any form of bribery or corruption. Officials have also the obligation to report any attempts by taxpayers and/or businesses to offer

bribes or other benefits in exchange for favours or special treatment; (iv) gifts and favours: revenue administration officials must not accept any gifts, services, hospitality or other benefits that could influence, or be seen as an attempt to influence their judgment, affect their impartiality, or call into question their integrity or that of the revenue administration (Martini 2013).

Codes of conduct have been adopted in some African countries. In Mozambique, reforms in the revenue administration introduced a code of conduct and a staff handbook. Customs personnel are also required to sign a personal integrity commitment (Mosse; Cortez 2006).

There are no assessments however regarding the extent to which such codes may help to prevent and curb corruption in practice.

#### *Enactment of rules on asset declaration*

Many countries have also introduced rules requiring tax and custom officials to declare their assets and liabilities in order to identify potential illicit enrichment situations. For instance, in Uganda, tax officials are required to declare their income and properties on a regular basis. The problem however is that the law is easily circumvented. Tax officials often own properties that are not registered in their names or in the name of their relatives but of a third person (Fjeldstad 2005).

### Strengthening internal investigations

The majority of countries have focused on reforms that would more directly support revenue mobilisation, and less attention has been paid to strengthening internal investigations mechanisms. These however are essential to detect corruption and mismanagement within tax agencies as well as to act as deterrent for futures cases. If the risk of being caught increases, tax officials may reconsider getting involved in corruption schemes.

For that, in addition to external audits, an independent and autonomous unit dedicated to monitoring and investigating corruption cases involving officials of the tax administration, staffed with a skilled and effective team is essential (Child 2008). Investigations should be conducted swiftly and fairly; equal treatment should be given to low and high ranking staff and sanctions should be pre-defined. Also, to ensure transparency and accountability, the outcomes of cases should be

made available to other tax officials as well as to the general public (Child 2008).

In addition, mechanisms that allow for staff, companies and citizens to report corruption within the tax administration, such as hotlines and web portals should be available.

In South Africa, for instance, the Revenue Service (SARS) established an Anti-Corruption and Security Unit in 2008 to deal with internal investigations and prosecutions on tax and customs corruption. In 2008, two employees were dismissed and several others were convicted due to involvement in tax fraud (SARS 2008).

The Revenue Service also established a [corruption hotline](#). Individuals wishing to report corruption involving tax officials can call a toll free number or report anonymously online.

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