

## TADAT – A New Tool for Better Tax Administration

**A new assessment tool aims to help governments gauge performance of their tax administrations and identify priorities for reform going forward.**

Tax collection is a central function of government, and weak tax administration can compromise development, growth, and trust in government. Like all government agencies, tax administrations face strong public demands for efficient service delivery, operational accountability, and transparency. While much has been done, there is still no single effective approach to assessing the relative strengths and weaknesses of a tax administration.

To address this, the IMF is partnering with other organizations on a new initiative, the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT is a country assessment framework that measures tax administration performance by outcome area and determines reform priorities going forward. The framework is expected to contribute to strengthened tax administration, enhanced revenue mobilisation, improved services to taxpayers and better taxpayer compliance and discipline.

### **Why TADAT?**

“Countries at all income levels often grapple with conflicting demands for both higher spending and lower taxes,” said IMF former Deputy Managing Director Nemat Shafik at the February 2014 TADAT kick-off event. “In these circumstances, measures to strengthen tax administration effectiveness are critical if the necessary fiscal space is to be found to improve public services, reduce poverty, and improve social outcomes, while collecting taxes fairly, efficiently, and transparently.”

Over the years, IMF technical assistance to many of its member countries has brought to light a common array of challenges with respect to effective tax administration reform. In 2011, a feasibility study commissioned by the Public Expenditure Financial Accountability (PEFA) programme concluded that it would be feasible and desirable to develop a tool for assessing tax administration performance. The IMF, with the Fiscal Affairs Department in the lead, responded to this call by developing TADAT, modelled on the PEFA. Just as PEFA helps assess public financial management, the TADAT framework aims to provide an objective, evidence-based assessment and baseline of tax administration’s performance and reform priorities.

## A focus on outcomes



TADAT adopts a standardised approach to assessing a tax administration. The tool will pinpoint the relative strengths and weaknesses of a country's tax administration, providing a clear and objective assessment to all stakeholders.

A TADAT assessment will focus on outcomes rather than inputs or processes. Nine high-level performance outcome areas (shown in the TADAT wheel) will drill down to 27 indicators, and ultimately 60 scored dimensions. The scoring system will follow the PEFA model with simple A through D grades.

## TADAT's Future

The TADAT framework has been put to the test in three pilot assessments—in Zambia (November 2013), Norway (December 2013), and South Africa (June 2014) —with strong support and input from the respective countries' authorities. The pilot assessments showed the framework worked well overall and also highlighted the need for adjustments in some areas. Based on those experiences, a draft TADAT Field Guide has been developed and is being fine-tuned with expert input by a Technical Advisory Group. Public comment will also be sought in the coming months. Several more pilot assessments in other countries are planned through April 2015 to refine the tool further.

By late 2015, the TADAT Secretariat (located in the IMF) will launch the final version of the assessment tool. Once the TADAT framework is fully operational, the assessments are expected to contribute to strengthened tax administration, enhanced revenue mobilisation, better services to citizens and improving taxpayer compliance. See [www.tadat.org](http://www.tadat.org) for more details.

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