


AFRICAN TAX
ADMINISTRATION FORUM
FORUM SUR
L'ADMINISTRATION
FISCALE AFRICAINE

SUGGESTED COVID-19 MEASURES FOR REVENUE AUTHORITIES

An African Tax Administration Publication



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Foreword



Extraordinary times call for extraordinary measures and revenue authorities throughout the world are facing a truly unprecedented situation as a result of the COVID 19 pandemic. Economies throughout the globe have had to be shutdown in the quest to slow down and limit the spread of the virus. This has caused economic distress throughout societies as workers can no longer go to work, many businesses cannot trade and borders are closed to all but essential goods.

Revenue authorities are a crucial institution of the state and have had to quickly consider measures, both operational and as part of the wider governmental response to mitigate the economic impact. African countries are fortunate as the pandemic has not affected the continent to the extent that it has devastated other parts of the world. This gives us a window of opportunity to learn from the lessons of countries who are further along the curve in their battle against COVID 19. We can do so regarding the health, social and economic measures they have put in place.

The African Tax Administration Forum has compiled a guideline to the response measures African countries can consider implementing as the pandemic spreads across our continent. Already many governments throughout the continent have declared travel bans, instituted lockdowns and introduced stringent social distancing and hygiene measures. This document focuses specifically on the actions tax administrations should take to protect their staff and taxpayers and to ensure business continuity. It also proposes concrete measures that can be introduced to alleviate economic distress that will affect taxpayers big and small. These include extending payment deadlines, expediting refunds, tax subsidies and even reducing the tax rate where relevant.

Some countries on the continents, such as Kenya, Nigeria, Mauritius and South Africa, have already taken some of these actions and we expect more countries will follow as the pandemic worsens in their states. I trust you will find this document of use as we stand together in the face of a challenge that faces ourselves, our countries, our continent and the world.

Logan Wort
Executive Secretary

SUGGESTED COVID-19 MEASURES FOR REVENUE AUTHORITIES

The Covid-19 pandemic is affecting the lives of the world population in various ways and has resulted into an unforeseen scale of disruption of activities across the globe. Its emergence has health and economic implications that impacts individuals, organizations and sovereign states which is inclusive of the stakeholders in a tax system. Thus, revenue authorities need to take actions to protect and ease the burden on their external and internal stakeholders.

Consequently, this document has been developed to provide general suggestions on what African tax jurisdictions can consider in their development of measures to protect the health of their staff and taxpayers while alleviating the burden of COVID 19 on stakeholders. Revenue Authorities should adopt measures that are applicable in their jurisdictions with considerations given to the peculiarities of their tax system, political and economic environment. Some of the suggestions may require legislative or policy adjustments for effective implementation.

1. Risk Assessment

- **Safety:** The health and safety of staff and taxpayers is very critical to the operations of revenue authorities therefore there is need to evaluate the transmission risk of COVID-19 in tax offices and other external engagements. This will include:
 - monitoring and evaluating the transmission rate and expectancy within the jurisdiction – consult with appropriate health professionals and authorities
 - evaluation of the operational processes and procedures of the revenue authorities vis-à-vis the social distancing and other precautions proffered by the appropriate authorities.
- **Possible Impacts on the Economy and Revenue Collection:** The revenue authority can work in collaboration with the relevant

authorities to evaluate the potential economic impact of the pandemic.

- What are the potential economic burdens?
- Who will bear the economic burdens of the pandemic?
- How will the burden present itself?
- When will the burden materialize?
- What is the potential tax revenue loss due to the pandemic?
- In what economic sectors will the tax revenue loss be most prevalent?
- How can the authorities optimally mitigate or alleviate the economic burden and tax revenue loss?
- **Business Continuity:** In assessing the potential impact of COVID-19, it is critical that revenue authorities assess the extent to which the pandemic may reduce its ability to function effectively. Understanding of the risk and the functions that may be threatened will help the Revenue Authority plan accordingly to prevent or mitigate the impact of the risk if it materialises. Safety and economic impact in combination with other factors are risks that may affect business continuity. Some of the basic questions to be considered are as below.
 - How can the pandemic disrupt the rendering of services to internal and external customers?
 - What services can it disrupt?
 - Who receives the services?
 - How, when and where is the service rendered and received?

2.Scenario Planning

After appropriate risk assessments, revenue authorities should come up with potential scenarios consisting of best-case, midpoint and worst-case scenarios. The scenarios can be derived from the risk assessments e.g. worst-case scenario can be where the safety risk assessment shows that 50% of workforce will be incapacitated across all functions. Precision may not be achieved in scenario planning but enhances the ability to plan for risk mitigation. Under each scenario the following can be clearly identified and provided for accordingly.

- **Identify Essential and Non-Essential Activities:**

Under each scenario identify what activities are essential for continuous rendering of services (external and internal) by the revenue authority. Non-essential activities may be those activities whose absence under that scenario will not materially disrupt the ability to carry on operations.

- **Remote and In-Office Activities:** When the non-essential activities are identified, the next step is to evaluate the activities that can and should be performed remotely or in-office under each scenario. This evaluation will include the resource implications of remote work e.g. ICT access and permissions, internet connectivity etc. Where in-office activities will involve engagement with taxpayers, the revenue authority should consider adopting visits by taxpayers based on appointment. The working areas should be reorganized to ensure the recommended distance between staff is maintained while a dedicated space for taxpayer visits with clear markings on distance be maintained between taxpayer and tax official.

- **Resources:** The relevant resources for remote work should be provided for staff e.g. internet connectivity provided through phone data or usb dongles, grant permission to access ICT resources remotely, provision of applications/software necessary for communication or team activities, technical support etc.

It is very important to deploy ICT resources that do not compromise the confidentiality of taxpayers information.

- **Governance Arrangements:** It is critical to maintain clear decision making, reporting, performance monitoring and communication processes and procedures under each scenario. There should be a documented and clearly communicated guidelines on the following issues.
 - The decision-making authority under each scenario or its delegation especially in an emergency
 - Reporting line across functions in an emergency
 - Guideline on in-office work process – stipulating expectations, deliverables and measures to enhance health safety
 - Guideline on remote work – stipulating expectations, deliverables and performance monitoring system
 - Guideline on Communication – stating the official channels for communication for remote and on-site work. It can also provide for obligatory periodic communication and reiterate the taxpayer information confidentiality obligations when working remotely.

- **Vulnerabilities:** Adequate mitigation plan should be put in place for vulnerabilities may arise due to the aforementioned measures. These vulnerabilities may range from ICT to physical security risks etc.
- **Staff Enlightenment and Education:** It is critical that staff understand the measures being adopted by the revenue authorities as its effective execution is dependent on the staff. Thus, staff should be educated on the measures and provided regular tit bits and documents on the new measures.

3. Electronic/Digital Channels (eChannel)

All tax operations like registration, filing and payments should be conducted through the digital channels. Physical interactions with taxpayers should be limited to the barest minimum. Where the revenue authority has partially or non-digitalized systems, it could make use of dedicated email addresses based on tax offices, segmentation and tax types to receive documentation for registration, filing or proof of payment. On-site regularization can be carried out when the business environment has normalized. This will require resources like digital storage capacity and clear guideline and communication to all parties on the process, obligations and responsibilities.

4.0 Extension of Deadlines

On-site regularization can be carried out when the business environment has normalized. This will require resources like digital storage capacity and clear guideline and communication to all parties on the process, obligations and responsibilities.

- The deadline for filing tax returns should be extended to accommodate the disruption taxpayers may be facing due to the pandemic. Ideally, the extension should be based on the compliance level of the taxpayer, however, all taxpayers should be considered as the extension will play a dual role of easing burden on taxpayers and limiting the transmission risk of revenue authority staff where digital channels are limited or non-existent.

The extension can be done by one or mix of options. Some examples are below.

- All returns to be filed on or before a certain date beyond the normal deadline e.g. all returns due between March 2020 and June 2020 to be filed on or before 31 August 2020.
- All monthly returns should be filed quarterly till certain date.
- All quarterly returns should be filed biannually (twice a year).
- Revenue authorities should also consider the extension of certain time limits which do not necessarily relate to payment or submission of returns - e.g. the time period within which a vendor is required to issue a tax invoice, notify the revenue authority of a change of address etc.

5. Flexible Payment Plans

Revenue authorities should consider granting taxpayers flexible payment plans like monthly or bimonthly instalment payments over a certain period beyond the extant due date. This will ease the some of the economic burden the pandemic may cause for the taxpayers. The flexible payment plan may also include the suspension of payments for a certain period. Depending on the administrative resources available to the revenue authority, the flexible payment plan may be same across taxpayers or differ dependent on the compliance history of the taxpayer, economic sectors etc.

6.Suspension of Penalty and Interests

The imposition of penalty for late filings can be suspended during this period. The period may be based on the extended deadlines with provision for waiver of late filing penalty for taxpayers who can show that the non-compliance with the extended deadline to be due to disruption caused by the pandemic.

Imposition of penalty and interest for late payments can also be suspended for a certain period in line with flexible payment plans given to taxpayers and provisions made for waiver of interest for late payments/remittances for taxpayers who can show that the non-compliance with the flexible payment plan to be due to disruption caused by the pandemic.

7.Suspension of Compliance and Enforcement Activities

Revenue authorities should consider the total suspension of compliance and enforcement activities or limiting the activities to specific situations like where there is clear case of fraud or elopement of the taxpayer. The activities in this context consist of field activities like compliance check, audit and other activities like debt recovery actions etc. The suspension should be for a period that allows taxpayers get through the pandemic and return to a material level of operations. The idea is to not add to the burden of the taxpayers during this period or add to the hurdles of recovering from the pandemic.

While compliance and enforcement activities may be suspended for a certain period, revenue authorities should continue with compliance risk assessment and have a cohesive plan on how to effectively and efficiently carry out the compliance and enforcement activities after the suspension without substantially disrupting recovery of businesses.

8.Expedited Tax Refund

The turnaround time for payment of refunds should be expedited to ameliorate the possible cashflow issues that taxpayers may face due to economic hardships that may be caused by the pandemic. The refund process should be streamlined for efficiency during this period with compliant taxpayers and taxpayers in essential sectors prioritised for expedited tax refund.

While revenue authorities consider to pay out VAT refunds as quickly as possible it is probably also a good idea to consider the suspension of the payment of interest on outstanding refunds as the priority should be to pay out as many refunds as quickly as possible and not to prioritise refunds based on interest that may be accumulating.

9.Prioritise Issues Involving Essential Goods

All queries, clarifications, rulings etc. involving essential goods such as food, medical supplies etc. should be expedited while the processes and procedures relating to the importation of these goods should be streamlined and expedited to ensure that these goods reach those in need as soon as possible.

10. Tax Rates

Temporary reduction of tax rates is one of the options available to revenue authorities as a way easing the economic burden of the pandemic on taxpayers. In considering this, the jurisdiction should be clear on the period covered by the reduction and the legal framework to safeguard such. However, the reduction of tax rates will require both the revenue authorities and taxpayers to make changes to its systems thereby increasing administrative and compliance costs. In the case of consumption taxes like VAT, the benefits may not reach the intended public as suppliers can absorb the reduced rate as part of price mark up in jurisdictions where there is no price control.

11. Tax Relief - Deductibles and Allowances

Consideration should be given for the provision of tax relief for taxpayers whose business has been substantially affected by the pandemic. Such relief can come in the form of allowing certain deductibles for tax purposes or accelerated tax depreciation/capital allowance for certain assets for business. The relief granted by the revenue authority will depend on the peculiarities of the jurisdiction, economic sectors, etc. For individuals, the relief can be in the form of increase in the rates, value, sum etc of reliefs or allowances claimable in the computation of personal income tax.

12. Tax Rebate

Tax rebate can be granted to taxpayers significantly affected by the pandemic. The rebate can come in the form of a discount of a certain percentage of tax due.

Tax subsidy and tax relief schemes will require clear guidelines on who, what, how and when for effective and efficient implementation.

13. VAT Exemption or Zero Rating for Essential Items

In jurisdictions where some essential goods and services are vat-able, consideration should be given to temporary exemption or zero rating of such goods and services. For example, some processed foods that are widely consumed but not included in food items exempted or zero rated from VAT can be temporarily exempted or zero rated. This is to improve cashflow in the supply chain and ensure that the public get essential goods as needed. However, revenue authorities should take cognisance of possible increase in administrative and compliance cost that may arise from changing transaction systems to comply with the exemptions or zero rating.

If a jurisdiction chooses to reduce VAT rate for an extended period, then it may also consider widening its base by narrowing the scope of exemption or zero rating in order to protect its revenue.

14. Allowable/Deductible Donation Rules

In order to encourage increased donations to welfare funds for alleviating the hardships caused by COVID-19, revenue authorities should review their rules on deductible donations to see if they are effective in encouraging donations in this time of hardship. Consideration should be given for temporary removal of certain limitations (e.g. percentage/amount ceilings) and the process and procedure for inclusion of organisations for receipt of deductible donations should be streamlined and expedited.

15. Suspension of Advance Payments

The temporary suspension of advance payments should be considered by revenue authorities. Advance payments are those tax payments for the current tax year made by taxpayers based on the tax returns from the previous year. They are prepayments of tax before returns for the tax year are prepared and filed. Suspending the advance payments will aid in mitigating cashflow challenges that taxpayers may experience during and after the pandemic. Taxpayers with a good compliance history and those substantially affected by COVID-19 can be prioritised in the temporary suspension of advance payments. Prioritization of certain taxpayers or sectoral application of the measure can also help revenue authorities alleviate the burden of the pandemic on the worst hit taxpayers while duly managing the tax revenue cashflow of the government. Where the suspension is applicable to a certain type of taxpayers, there will be need for documented clear guideline on how it the benefactors will be identified and how it will be implemented.

16. Review of Revenue Target

Though targets are meant to aid government budgets it might be important to revise targets downwards so that the pressure on revenue authorities is relieved and in turn the pressure on taxpayers will be reduced as they face economic hardships which are likely during this period.

17. Communication

Revenue authorities should duly inform and educate taxpayers of the relevant communication channels available to them for respective services. More importantly, revenue authorities need to clearly communicate measures or changes being adopted in order to provide tax certainty for taxpayers.

18. Other Suggested Actions

- Constitute an ad hoc committee to plan, implement and monitor the measures to mitigate the impact of COVID-19. The committee will be responsible for actions not limited to the following:
 - Identify internal and external stakeholders
 - Coordinate between all stakeholders
 - Identify required resources and ensure its provision in a timely manner
 - Ensure the development of all necessary guidelines for the implementation of chosen measures
 - Actively monitors the situation and provides update and advice to Management
 - Continuously keep staff informed and updated in a timely manner. Provide educational material on all internal communication channels and urge staff to continuously read this material to keep abreast on the latest information.
 - All Attaches and Interns may be requested not to report to work until further notice.
- Staff with health conditions that make them vulnerable as outlined by World Health Organization including lactating and expectant mothers can be requested to take their leave.
- All physical learning and training should be suspended or migrated to digital platforms.
- Procure adequate hand sanitizers, hand gloves, masks and equipment for measurement of temperature for staff working on points of entry and others who may require them.
- Develop and communicate to staff a clear guideline on how to report and handle instances of staff who have had any contact with persons deemed to be high risk or being out of the country or in areas that may predispose them to COVID-19 We have provided psycho-social support for staff and our counsellors are on call throughout this period.
- To enhance staff safety, all common areas such as restaurants, gym facilities among others should be aligned to the safety guidelines from the relevant agencies.

The advent and pervasive spread of COVID-19 is a health and economic threat to both the taxpayers, revenue authorities and sovereign states therefore it is important that the revenue authorities take all necessary steps in collaboration with relevant stakeholders to actively play its part in ensuring that the people and economy is protected. The suggestions in this document are intended in helping revenue authorities play its part.

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