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Deepening Tax Administration Cooperation for  
High-Quality Belt and Road Development

Hong Kong, China 24-26/9/2024



# Tax Administration Digitalization: Lessons from Sierra Leone

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# Background





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## Background

- ❖ **Sierra Leone is a small country along the West Coast of Africa with a population of 8 million bordering Guinea and Liberia**
- ❖ **Revenue administration is championed by a semi-autonomous body set up in 2002 called the National Revenue Authority (NRA)**
- ❖ **The NRA administers both Customs and domestic taxes and even responsible for non-tax revenue collection**
- ❖ **Scope of this presentation: Using the SL as case study**



## Compliance Challenges in Revenue Administrations

### Tax Compliance Challenges in Developing Countries



01

**Voluntary tax compliance is a challenge for most developing countries and one possible determinant of non-compliance has been the complexity of tax systems**

02

**Lack of adequate knowledge about tax processes and procedures by taxpayers is a major challenge to achieving high compliance level.**

03

**Limited automation of tax administration processes and transactions**

04

**Limited knowledge in computer and digitisation in processes that are digital or intended to be digital**



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## Why Digitalise in Tax Administration

- **To promote real time cooperation;**
- **For information management;**
- **For easy administration;**
- **To enhance Efficiency;**
- **To improve taxpayer services and reduce taxpayer burden;**
- **To enhance taxpayer trust;**
- **To inform risk management decisions;**
- **To enhance compliance.**



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# Tax Administration Digitalization at the NRA





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# Tax Administration Digitalization at the NRA

- Introduced the Integrated Tax Administration System (ITAS):**
- Migration from ASYCUDA++ to ASYCUDA World**
- Implementation of Customs Electronic Single Window (CESW):**
- Implemented the Electronic Cash Register (ECR) system**
- Implementation of full data warehouse system and establishment of the data analytics unit**
- Automation of tax payment for SMEs and NTR clients**
- Research using Survey Monkey and Tablets**
- Implementation of a Finance and Admin Management Information System (MIS) called the Microsoft GREAT PLAINS dynamics**





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# Assessment of Digitalization and Reforms at the NRA





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# Assessment of Digitalization at the NRA

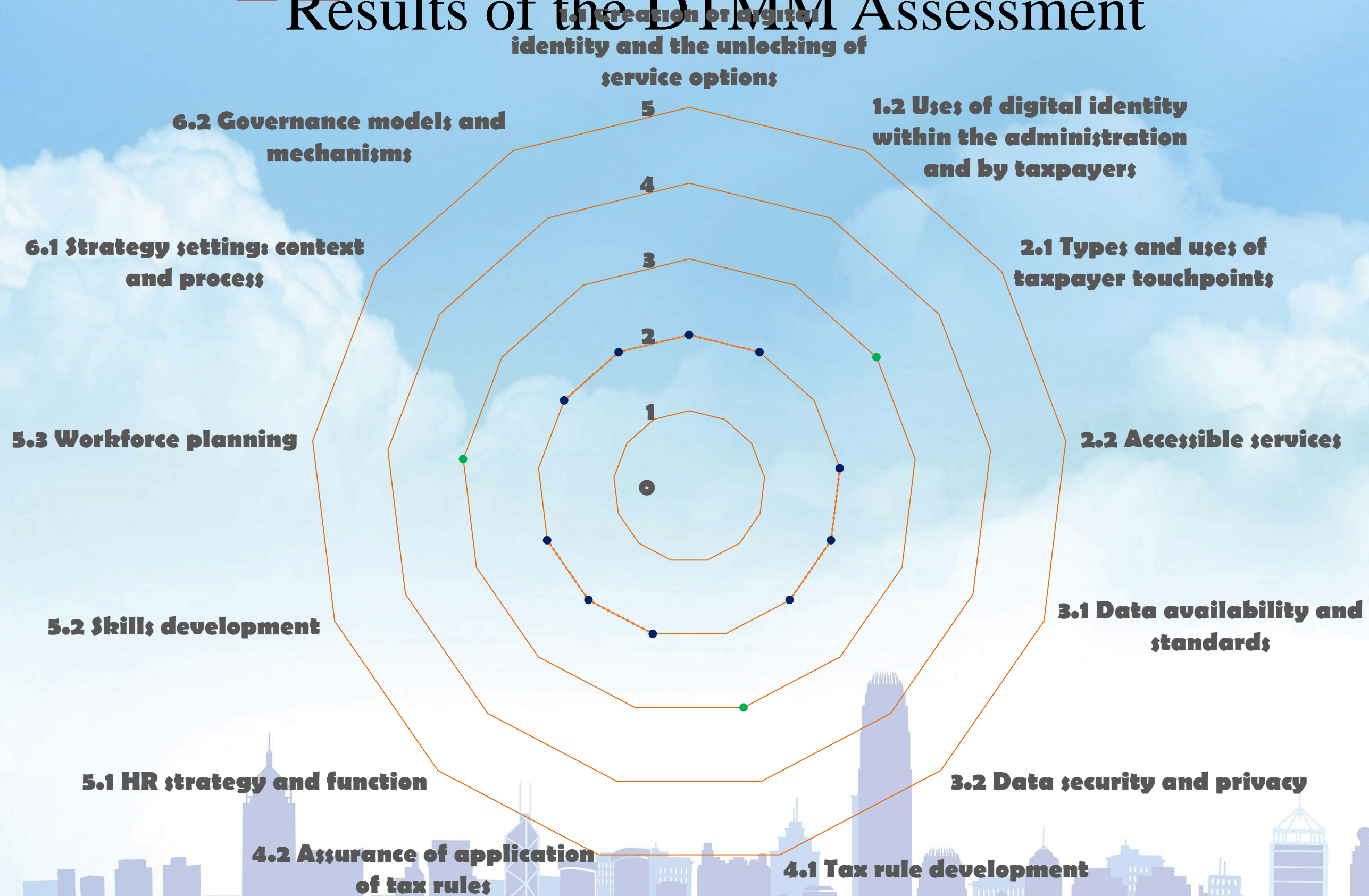
## □ DTMM Assessment

- ❖ **DTMM is an OECD developed tool to aid self assessment of digital maturity and transformation of Tax administrations**
- ❖ **Self assessment done in 2023**
- ❖ **General outcome of the assessment – in 10 out of the 13 attributes of the DTMM, the NRA is at the maturity level of ‘progressing’ and other remaining 3 attributes are at ‘established’ level of maturity.**
- ❖ **Gap analysis being conducted to identify what we need to do to improve digital maturity transformation over the medium term**





# Results of the DTMM Assessment





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# Tax Administration Digitalization in the Medium Term





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# Tax Administration Digitalization in the Medium Term

- ❖ **Systems integration (internal and external)**
- ❖ **Strengthen functionality of existing systems**
- ❖ **Implementation of an e-tariff platform in ASYCUDA to prevent misclassification**
- ❖ **Extension of Mobile payment App to other MDAs and to cater for SMEs**
- ❖ **Increased online interaction with taxpayers (e-portal operationalisation, call centre popularisation, digitisation of Tax guide)**
- ❖ **Automation of Real Time Access to Gambling and Betting and Telecoms Transactions Data for Revenue Assessments**
- ❖ **Expansion of data warehouse system to incorporate databases of other internal and external systems**
- ❖ **Development and implementation of BCP including the setting up of a backup/disaster recovery site (for security of systems);**
- ❖ **Development of a payment gateway/revenue reconciliation system; - P4**
- ❖ **Utilization of National Switch system for full digitalization of NRA payments**
- ❖ **Operationalisation of digital taxation**
- ❖ **Implementation of a container tracking system**
- ❖ **Support in developing our own NRA system for Tax administration**
- ❖ **Development of a payment gateway/revenue reconciliation system.**



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# Challenges and Lessons of Digitalising Tax Administrations





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## Challenges and Risks

- ❖ **Change management challenges - Resistance to ICT reforms**
- ❖ **Weak National ICT Infrastructure Backbone - Lack of a reliable national IT infrastructure and strategy, unreliable electricity**
- ❖ **Limited capacity in ICT – challenge in managing novel technologies**
- ❖ **Staff turnover in the ICT department**
- ❖ **Vendor lock-in**
- ❖ **Security issues (including data privacy)**
- ❖ **Prevalence of Donor-Driven Technology Adoption - Fragmented Technological Solutions, Policy Incoherence, Sustainability Concerns, Functionally incomplete IT systems**
- ❖ **Procurement and Project Implementation issues – requires Precise Requirement Definition, Alignment with Strategic Goals, and Accurate Vendor Selection – which may not be the case in most developing countries**
- ❖ **Challenges with Vendor Software: Integration with Legacy Systems, Vendor Lock-In (off the shelf systems with no source code, and need for frequent change requests), Limited Local Support, Costs and Budget Constraints**



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# Lessons and suggestions for Digitalising Tax Administrations in BRITACOM Countries

- ❖ **BRITACOM's RA's to embrace digitalisation for sustainable revenue mobilisation – Digitilisation is the way forward for building resilience in tax administration**
- ❖ **Need to have a holistic IT strategy and e-governance -**
- ❖ **Need to move towards internally developed ICT systems – to avoid issues of vendor lock-in**
- ❖ **Build capacity of ICT staff and promote their retention – for sustainability of the digital reforms**
- ❖ **Digitalisation is critical in the midst of pandemic (lockdown and social restriction)**
- ❖ **Dot rely on foreign partners for reforms as any financial constrains encountered as a result will be translated to the implementing country (DfID, AfDB)**
- ❖ **Focus on data analytics: Tax administrations should make use of the big data derived from the technological solutions rolled out and these should be appropriately utilised to enhance compliance, risk strategies and decision making, and should invest in data analytics**
- ❖ **Strengthen security of technological solutions of RA's - Providing security of ICT solutions is critical (security policies, business continuity policy and plans, back-up systems and disaster recovery sites)**





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# Thank you

