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BENCHMARKING THE TAX SYSTEM IN JORDAN

A REVIEW CONDUCTED BY THE INCOME AND SALES TAX DEPARTMENT (ISTD) IN COOPERATION WITH THE FISCAL REFORM II PROJECT (FRP II)

JULY 2013

This publication is the first review of the Benchmarking Study conducted in 2010. It covers the period 2010-2012 and was conducted by the Income and Sales Tax Department of Jordan and FRP II.

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Of course, all data, errors, omissions, and lapses in judgment that remain are solely the responsibility of the authors of this report.

ABBREVIATIONS

ASEZA	Aqaba Special Economic Zone Authority
ATS	Audit Tracking System
CIT	Corporate Income Tax
DG	Director General
FRP I	USAID/Jordan Fiscal Reform I Project
FRP II	USAID/Jordan Fiscal Reform II Project
GDP	Gross Domestic Product
GOJ	Government of Jordan
GST	General Sales Tax
IMF	International Monetary Fund
ISTD	Income and Sales Tax Department
JCD	Jordan Customs Department
JD	Jordanian Dinar (the national currency)
KAA	King Abdullah Award
KACE	King Abdullah Center for Excellence
LTO	Large Taxpayers Office/Directorate
MENA	Middle East and North Africa Region
MIS	Management Information System
MTO	Medium Taxpayers Office/Directorate
MOF	Ministry of Finance
OECD	Organization for Economic Cooperation and Development
OJT	On-the-job training
PAYE	Pay as You Earn
PIT	Personal Income Tax
SST	Special Sales Tax
STO	Small Taxpayers Office/Directorate
TIN	Taxpayer Identification Number
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value-Added Tax
VIPS	VAT Information Processing System

EXECUTIVE SUMMARY

This updated study begins with a review of the 2010 tax system benchmarking study that addressed tax system structure and performance in the Hashemite Kingdom of Jordan, in comparison with a very large number of countries around the world. This review covers the period 2010-2012 by reference to 2009 being the base-line year. It is considered a status report showing the overall progress made at ISTD in Jordan since 2009 in the tax system performance. It seems that the tax system benchmarking is an emerging discipline in the Arab world. Only few Arab countries have conducted similar surveys. Therefore, the international tax system standards are deemed to be evolving. Such being the case, we had a sort of flexibility to add new standards and reorganize others according to certain criteria such as logical order, relative importance or relevance to areas of tax policy and administration. The total number of comprehensive tax system benchmarks that we have identified is 175, both primary and secondary. Annex A presents the entire set of benchmarks and annex B presents the new benchmarks added to this study. In case countries concerned agree on the number of standards for benchmarking purposes, then it would be possible to measure in percentages the tax system performance in a certain country, both on the overall and in specific areas. For example, if we agree on a certain number of benchmarks, say 100, and we find that a country is doing well in 50 of them, then we can generally say that the overall tax system performance in that country is 50%, and so forth. Overall performance can be further broken down into certain areas of the tax system such as tax policy, structure or revenue performance. We envisage this report as a model to be followed and improved by tax administrations considering the initiation of such studies in their countries. As the time passes by we can have a set of internationally accredited standards, very similar to the International Accounting Standards (IAS) or the International Tax Audit Standards. The first benchmarking study in Jordan was conducted early in 2010 based on the 2009 data by a number of internationally recognized tax experts, Dr. Mark Gallagher, Mr. Arturo Jacobs and Mr Steve Rozner. Next section compares internationally recognized practices in tax administration organization and operations with those prevailing in Jordan as evolved during 2009-2012, based on the benchmarking methodology. This is followed by a review of the organizational setup and the major operations of the country's domestic tax administration, the Income and Sales Tax Department (ISTD), and a discussion of the ISTD's core resources vis-à-vis international standards. Of note, the values of the international and regional benchmarks stated in the 2010 Benchmarking Study remained unchanged in this review. The changing values are only those of Jordan, which have improved, declined or remained the same since 2009. It is also worth mentioning that some benchmarks are mentioned here as references without corresponding values as they are either not available or inaccessible; others have been added here as new benchmarks. Finally, we provide a number of recommendations both to improve ISTD efficiency in tax collection and to reduce the burden of tax compliance on taxpayers, thereby improving the enabling environment for private sector development, increasing voluntary compliance, and ultimately enhancing revenues. Our vision is for ISTD to come as much closer as possible to the international best practices and see Jordan as a leading country in developing a complete set of internationally recognized and comparable tax system benchmarks. Annex A provides a comprehensive set of benchmarks, an explanation of the major benchmarks and a graphic presentation of a large number of tax system performance and

structural indicators that were used to provide the overall performance assessment, while Annex B provides new benchmarks added to this review. Annex C lists the data that were collected in the course of this review. Annex D presents the current organization chart of the ISTD. Lastly, Annex E presents the major technical assistance items provided to counterparts by FRP II for reference purposes only.

In this review we classified 175 tax system benchmarks under eleven groups: general, tax policy, structure and organization, planning, revenue, audit, compliance and enforcement, anti-tax fraud, taxpayer services and communication, information technology and human and financial resources. Not all of these may be deemed to be international benchmarks at this point of time but hopefully most of them will be so recognized in the near future. Some of the benchmarks can be classified under more than one group. For instance, the fiscal compliance unit can be classified under structure and organization or under compliance and enforcement. Some benchmarks have been reclassified under different categories based on relevance. On the other hand, many of the benchmarks are stated based on existence, partial existence or non-existence. In these cases the indicator will be either “Yes” or “No”, “Partial” or “Limited”. The rest of benchmarks are expressed in numerical terms or in percentages, as may be the case. The list of almost all benchmarks that may be used internationally to assess the performance of tax systems around the world, along with the corresponding international values, if available, is included in Annex A. The benchmarks are divided into eleven groups as described above.

Jordan’s tax system has a number of excellent features already. There are relatively few taxes. Tax rates are low. And, the overall tax burden is not particularly high. At the same time, revenue performance was relatively strong during the period 2005-2008. In fact, among the Middle East region’s non-oil producing countries, Jordan had the highest ratio of tax revenues to GDP in 2009. In particular, collections of the General Sales Tax (GST), which is comparable to the value-added tax (VAT) found worldwide, are high compared to other countries in the region and indeed compared to the rest of the world.

In tax administration, Jordan has also made important strides. Since the merger of the former income and sales tax departments in 2004, the ISTD has instituted many of the internationally recognized good or best practices. It has reorganized its operations along functional lines, rather than by tax type. It has decentralized most operations to field offices and implemented taxpayer segmentation, with dedicated services for the country’s largest taxpayers and separate directorates for small and medium-sized businesses. Furthermore, it has established “e-links” to external agencies and connected tax offices to a centralized taxpayer database, facilitating access to tax information from any ISTD location in real time. These and other innovations have drawn attention from foreign tax officials, many of whom have visited Jordan to learn from the Department’s experiences with employing new methods and technologies.

The ISTD actively pursues strategic planning and has a strong interest in developing indicators and metrics with which to monitor and improve its performance. Leadership is constantly seeking to strengthen operations, and to this end is still in the process of reorganizing functions, both in headquarters and in its operational units. Also noteworthy, ISTD staff and management, while not highly remunerated, are well educated and exhibit a high degree of professionalism though their pay system has only improved recently. Yet, it is still below the international standards (international cost-to-collection benchmark is 1% while it is only 0.6 in Jordan.)

Table 1 below shows the status of benchmarks that Jordan was performing well in 2009. Not all of these benchmarks have been addressed in the 2010 Benchmarking Report as it was somewhat limited. The benchmarks that are highlighted in yellow are the authors' projections or need to be confirmed or inserted by counterparts.

Table 1: Status of the benchmarks that Jordan was performing well in 2009

Seq	Benchmark	Description	Jordan Value	World Value
GENERAL				
1.	Stability of leadership	Appointment of top management	fixed appointment	fixed appointment
TAX POLICY				
2.	# of taxes constituting 75% of revenues	An indicator of tax structure. It includes the major taxes in the country.	6	6
3.	Limited tax rates	An indicator of tax structure. Usually, there is a general standard rate and few others.	Yes	Yes
4.	VAT rate	An indicator of tax structure. It means the standard rate.	16%	15.8%
5.	Limited excisable items	An indicator of tax structure. Usually, four or five items are subject to excise duties: tobacco, alcohol, hydro-carbonated oils (fuel) and gambling and gaming machines.	Yes	Yes
6.	Staggering VAT returns	Odd and even return filing to ease taxpayer control.	Yes	Yes
7.	Full deduction of input tax	Reduce output tax liability by the amount of all taxable supplies-related input tax.	Yes	Yes
8.	IAS bookkeeping	Legal requirement to use international accounting standards for large firms.	Yes	Yes
ORGANIZATION AND STRUCTURE				
9.	Taxpayer segmentation	Taxpayer classification by certain criteria such as size and business industry.	Yes	Yes

10.	Functional organization	Function-based tax administration rather than tax-based.	Yes	Yes
11.	% of staff in LTO	LTO staff as a percentage of total staff.	ε%	3%
12.	% of auditors	Proper distribution of staff among the core functions.	30%	30%-40%

PLANNING

13.	Strategic and operational plans	Existence of strategic and operational plans	Yes	Yes
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REVENUE PERFORMANCE

14.	Tax revenue forecasting	Using unified micro level forecasting model by ministry of finance to project tax revenue based on growth rate, inflation rate, tax policy changes and tax administration initiatives.	Yes	Yes
15.	% of tax yield (TY)	Tax revenue as % of GDP.	17.0%	20%
16.	Cost-to-collection ratio	Operating and capital costs of collecting taxes as percentage of tax revenue.	0.53%	1%
17.	CITY	Corporate income tax yield. CIT revenue as a percentage of GDP.	3.6%	3.5%
18.	CITPROD	Corporate income tax productivity. Corporate income tax yield divided by the general corporate income tax rate. It provides a sense of how well the corporate income tax does in terms of producing revenue, given the prevailing tax rate. It is presented as a value between 0 and 1.	0.14	0.13
19.	VATY	VAT yield. VAT revenue as a percentage of GDP.	9%	6.4%

20.	VATPROD	VAT productivity. It measures the amount of revenue relative to the tax rate per household consumption and provides a sense of the government's productivity in collecting VAT. VAT yield is divided by the VAT rate.	0.56	0.4
21.	VATGCR	VAT gross compliance rate. Net VAT collections divided by potential VAT collections. Only private final household consumption is included in potential VAT collections.	71%	65%
22.	% of tax revenue from LTO	LTO tax revenue as % of tax revenue.	80%	65%-70%

AUDIT

23.	Automated audit case selection system	Electronic case selection based on risk parameters.	Yes	Yes
24.	E-links	Links with stakeholders.	Yes	Yes
25.	Ratio of senior-to-entry level auditor salary	Measure fairness of pay regime.	1.5:1	2:1

COMPLIANCE AND ENFORCEMENT

26.	Cost of compliance	The annual average administrative costs imposed on large, medium and small business taxpayers to comply with PIT, CIT, sales tax, and other tax law-related fees and charges, relative to the average income of those taxpayers.	3,079	NA
27.	Registration cross-checking	Use of third party registration database for cross-matching to identify non-filers.	Yes	Yes
28.	Non-filer pre-assessment	Establish tax liability to enforce registration.	Yes	Yes
29.	Late registration penalty	Impose sanctions to enforce registration.	Yes	Yes

30.	Compulsory registration	Enforced registration by tax authorities.	Yes	Yes
31.	Stop-filer pre-assessment	Estimation of tax liability by generating criteria-based electronic tax pre-assessment to secure default tax returns.	Yes	Yes
32.	Late filing penalty	Imposing penalty to enforce filing compliance.	Yes	Yes
33.	Late payment penalty	Imposing penalty on late payments to enhance compliance and ensure equity.	Yes	Yes

ANTI-FRAUD

34.	Tax fraud unit in tax administration	Unit to handle criminal cases.	Yes	Yes
35.	Tax misdemeanor penalty	Penalty imposed on civil cases.	Yes	Yes
36.	Tax fraud felony	Penalty imposed on more serious offences.	Yes	Yes
37.	Appeals tribunal	Court to consider tax appeal cases.	Yes	Yes

CUSTOMER SERVICE AND COMMUNICATION

38.	e-payments	On-line tax payments.	Partial	Yes
39.	Customer satisfaction	Average customer satisfaction measurement.	Yes	Yes
40.	Suggestion box	Periodic measurement of customer feedback.	Yes	Yes
41.	Tax laws handbook	Updated tax laws and regulations handbook published and made available to the public.	Yes	Yes
42.	Tax awareness newsletter	Periodic tax publicity journal.	Yes	Yes
43.	Annual report	Annual tax awareness publication.	Yes	Yes
44.	Official website	Tax awareness and education site.	Yes	Yes

INFORMATION TECHNOLOGY

45.	Automated operations	Use of automated systems for daily operations.	Yes	Yes
46.	Interconnectivity with field	On-line links/ servers between Headquarters and field offices.	Yes	Yes
47.	Backup systems for users	Data and system protection for all users.	Yes	Yes
48.	Networking	IT infrastructure, speed and cabling.	Yes	Yes

HUMAN AND FINANCIAL RESOURCES

49.	Gender equity	No discrimination based on sex.	Yes	Yes
50.	Position descriptions	For job segregation, accountability and performance evaluation.	Yes	Yes
51.	% of employees with higher education	University and college graduates.	69%	70%
52.	Average tax administrator's salary	Ratio of average tax administrator's salary to GDP per capita.	2.4:1	2:1
53.	Formal retirement plan	For career planning and development.	Yes	Yes
54.	Employee turnover	An indication of job satisfaction.	5%	10%
55.	Code of conduct	A code to control work ethics and discipline and ensure integrity.	Yes	Yes
56.	Unit for investigation of internal corruption	This is usually the internal control unit.	Yes	Yes

Since 2009, Jordan's tax system has improved in a number of areas. Table 2 below shows the benchmarks that have improved since then.

Table 2: Benchmarks that have improved since 2009

Seq	Benchmark	Description	Jordan Value				World Value
			2009	2010	2011	2012	
GENERAL							
1.	Ratio of taxpayers to tax administrators	Number of active/ filing taxpayers (corporate and individual) per tax administration employee on board. It measures tax administration efficiency.	53:1	64:1	91:1	98:1	150-250:1 (437:1)
TAX POLICY							
2.	Income tax advance payments	Payments made by certain businesses during the year prior to filing tax returns.	No	Yes	Yes	Yes	Yes
ORGANIZATION AND STRUCTURE							
3.	HQ vs. operational roles	Headquarters normative role and operational role are separate, clearly defined and observed.	No	Partial	Partial	Yes	Yes
4.	% of auditors	Proper distribution of staff among the core functions.	30%	30%	31% %	31%	30%-40%
5.	% of collectors	Proper distribution of staff among the core functions.	9%	10%	10% %	10%	25%-30%
6.	% of taxpayer service staff	Proper distribution of staff among the core functions.	7%	8%	9%	9%	25%-30%

PLANNING

REVENUE PERFORMANCE

7.	VATY	VAT yield. VAT revenue as a percentage of GDP.	9.0%	10.5%	9.9%	10.0 %	6.4%
8.	VATGCR	VAT gross compliance rate. Net VAT collections divided by potential VAT collections. Only private final household consumption is included in potential VAT collections.	71%	92%	86%	90	65%
9.	VATPROD	VAT productivity. It measures the amount of revenue relative to the tax rate per household consumption and provides a sense of the government's productivity in collecting VAT. VAT yield is divided by the VAT standard rate.	0.56	0.65	0.62	0.63	0.40

AUDIT

10.	% of taxpayers audited	Audit coverage relative to the total number of filers. It tracks audit improvements as they shift for quality rather than quantity audits, thereby reducing burden of compliance for companies.	39%	37.7%	36%	33%	1%-5%
11.	ATS system	Automated system to track audit process, assess workload and average time per audit.	No	No	Partia I	Partia I	Yes

COMPLIANCE AND ENFORCEMENT

12.	Timely keying-in of tax returns	Timely keying in of tax returns and payments before generating the stop-filer or non-payer lists.	No	Partial	Partial	Yes	Yes
13.	stop-filer and non-payer identification system	Electronic tracking system to identify stop-filers and non-payers for follow up.	No	Partial	Yes	Yes	Yes
14.	% of VAT stop-filers	Number of stop-filers (taxpayers that simply stop filing their periodic VAT returns) as a percentage of VAT active filers. It is combined with an automated notification system to remind taxpayers of their filing obligations which should reduce this percentage over time.	13%	12%	10%	9%	5%
15.	% of income tax stop-filers	Income tax stop-filers as % of active filers.	300%	-	-	-	10%
16.	Lien and seizure	Enforcement of debts by all possible means.	Limited	Limited	Limited	Yes	Yes

ANTI-FRAUD

CUSTOMER SERVICE AND COMMUNICATION

17.	TP service management unit	Tax administration unit to set policies and monitor customer service performance.	No	No	Yes	Yes	Yes
18.	Diverse & high quality service delivery	Use all possible means of service delivery to ensure quality.	No	No	limited	limited	Yes

19.	% of LTO e-filing	LTO connectivity. Large taxpayers filing via Internet.	<1%	1%	2%	3%	100%
20.	Simple customer satisfaction questionnaire.	Very short and quick questionnaire taking less than a minute to fill.	No	No	Yes	Yes	Yes
21.	Diverse tax publications	Sufficient booklets, leaflets, brochures, guides, etc made available to the public.	limited	limited	limited	Yes	Yes
22.	Taxpayer charter	A leaflet containing taxpayers' rights and obligations.	No	No	No	Yes	Yes
23.	Multi-media outlets	Use diverse media channels for tax awareness.	Limited	Yes	Yes	Yes	Yes
24.	Tax awareness campaigns	Tax publicity and outreach media campaigns.	limited	limited	Yes	Yes	Yes

INFORMATION TECHNOLOGY

25.	Modern hardware	IT infrastructure	No	No	Yes	Yes	Yes
26.	Modern data center	IT infrastructure and data security	No	No	No	Yes	Yes
27.	Data security unit	IT security control	No	No	Yes	Yes	Yes
28.	Reliable current account	Up-to-date posting of all tax activities.	limited	Yes	Yes	Yes	Yes
29.	Clean taxpayer registry	Up-to-date clean and operating taxpayer database.	No	No	No	Limited	Yes

HUMAN AND FINANCIAL RESOURCES

30.	Training manuals	Instructor and participant guides to secure continuous and consistent training.	Limited	Limited	Yes	Yes	Yes
31.	Training facilities	In-house training venues and training center for capacity building.	No	Yes	Yes	Yes	Yes
32.	Oriented training	Measurement of training effectiveness and return on investment.	No	No	limited	limited	Yes

Despite these positive changes, the tax system continues to face considerable challenges, both old and new. Table 3 below shows the benchmarks that have declined since 2009.

Table 3: Benchmarks that have declined since 2009

Seq	Benchmark	Description	Jordan Value				World Value
			2009	2010	2011	2012	
GENERAL							
1.	# of tax administrators per 1,000 national population	This indicator measures tax administration efficiency. It should be read together with the taxpayers to tax administrators Ratio.	0.27	0.24	0.24	0.23	0.8 (1.14 in FSU)
TAX POLICY							
2.	limited excisable items	An indicator of tax structure. Usually, four or five items are subject to excise duties: tobacco, alcohol, hydro-carbonated oils (fuel) and gambling and gaming machines.	Yes	Yes	No	No	Yes

ORGANIZATION AND STRUCTURE

PLANNING

REVENUE PERFORMANCE

3.	Total tax yield (TY)	Total tax revenue as percentage of GDP	17.0%	15.9%	15.0 %	15.1 %	20%
4.	PITY	Personal income tax yield as % of GDP.	1.1%	0.8%	0.7%	0.6%	3.7%
5.	CITY	Corporate income tax yield. CIT revenue as a percentage of GDP.	3.6%	2.5%	2.5%	2.5%	3.5%
6.	CITPROD	Corporate income tax productivity. Corporate income tax yield divided by the general corporate income tax rate.	0.14	0.11	0.11	0.11	0.13

AUDIT

COMPLIANCE AND ENFORCEMENT

7.	Debt ratio	Overall debt ratio. Total tax arrears as % of total tax revenue.	-	-	-	-	3%-5%
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ANTI-FRAUD

CUSTOMER SERVICE AND COMMUNICATION

8.	Tax laws handbook	Updated tax laws and regulations handbook published and made available to the public.	Yes	No	No	No	Yes
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INFORMATION TECHNOLOGY

HUMAN AND FINANCIAL RESOURCES

There are a sizable number of benchmarks in which ISTD has been underperforming since 2009 and remained unchanged. Table 4 below shows the status of those benchmarks in 2009-2012, along with those which have witnessed little improvement during that period. Those benchmarks, along with the ones that have declined, may be viewed as areas for intervention by future reform projects.

Table 4: Status of benchmarks underperforming since 2009

Seq	Benchmark	Description	Jordan Value 2009-2012	World Value
GENERAL				
1.	Tax revenue authority	Institution that administers taxes.	MOF	SARA
TAX POLICY				
2.	Tax Code	A single, comprehensive piece of legislation that defines all the legal rights, requirements and recourses for taxpayers and the tax administration.	No	Yes
3.	VAT registration threshold	An indicator of tax structure. Taxable turnover for VAT registration and filing.	Multi	Single
4.	Average VAT registration threshold	An indicator of tax structure. Average threshold applicable internationally.	\$70,000	\$38,000
5.	Application of VAT threshold to importers	Usually, the same threshold is applied to importers.	No	Yes
6.	Immediate input tax credit repayment	A cash flow issue. The right to apply for input tax credit upon filing.	No	Yes
7.	PITR	Average minimum and top marginal income tax rates on natural persons.	7% 14%	12% 29%
8.	PITPROD	Actual revenue collected as a percentage of GDP, divided by the weighted average PIT rate, that is, the weighted average of the lowest and highest marginal personal income tax rates.	0.05	0.14
9.	Personal min & max income level (tax brackets)	Minimum and maximum taxable income levels of natural persons as multipliers of income per	6.9 10	1.0 8.5

Seq	Benchmark	Description	Jordan Value 2009-2012	World Value
		capita.		
10.	CITR	Average income tax rate on legal persons.	14%	27%
11.	Single income tax rate	Most countries apply only one corporate income tax rate as fairer and progressive tax system.	No	Yes
12.	Import withholding tax	Income tax withheld at borders and offset against the final tax liability upon filing tax returns.	Yes	No
13.	Years for loss carry forward	Income tax loss carry forward should be limited to a certain period of time and not kept open.	Open	5
14.	Transfer pricing	Legal provisions to treat transfer pricing in multi-national firms or related parties.	Partial	Yes
15.	Accelerated depreciation	Optional depreciation method based on business type to improve tax climate.	Partial	Yes
16.	Mergers, reorganization and acquisitions	Legal provision for tax treatment of business changes to capture income.	No	Yes
17.	SMEs regime	Legal provisions for special treatment of small taxpayers to reduce compliance burden.	No	Yes

ORGANIZATION AND STRUCTURE

18.	Integrated tax administration	All taxes merged into one single tax administration.	Partial	Yes
19.	HQ vs. operational roles	Headquarters normative role and operational role are separate, clearly defined and observed.	Partial	Yes
20.	% of staff in policy units	Staff in the planning and operational policy units.	3%	10%



21.	Incentives of staff in policy units	Planning and operational policy staff should receive the highest compensation.	No	Yes
22.	Balanced core functions	Striking a balance among the tax administration core functions, i.e. audit, collection and taxpayer service in terms of importance and compensations.	No	Yes
23.	% of collectors	Proper distribution of staff among the core functions.	10%	25%-30%
24.	% of taxpayer service staff	Proper distribution of staff among the core functions.	9%	25%-30%


PLANNING

25.	Performance management system	Appropriate use of planning, monitoring, evaluation and reporting to measure both organizational and individual performance	Partial	Yes
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REVENUE PERFORMANCE

26.	Tax revenue forecasting	Using unified micro level forecasting model by ministry of finance to project tax revenue based on growth rate, inflation rate, tax policy changes and tax administration initiatives.	Partial	Yes
27.	ITGCR	Income tax gross compliance rate. Income tax actual revenue as a percentage of potential revenue.	NA	70%
28.	Indirect taxes as % of total tax revenues	Consumption taxes and Customs duties contribution.	70%	50%
29.	% of VAT collections	VAT collections as a percentage of total tax take. It measures VAT contributions to tax revenues.	58%	35%
30.	Direct taxes as % of total tax revenues	Income tax and real property taxes contribution to tax revenues.	30%	50%

31.	% of taxpayers paying the top 75% of tax revenues	It measures structure of taxpayers.	0.5%	5%
AUDIT				
32.	Audit revenue target	Projection of audit assessments as % of the projected annual revenue.	Partial	3%-5%
33.	Return entry with automatic correction	Electronic validation system at the data entry stage.	No	Yes
34.	Return entry with data cross-checking	Checking credibility of tax returns by matching declarations with information references.	No	Yes
35.	% of taxpayers audited	Audit coverage relative to the total number of filers. It tracks audit improvements as they shift for quality rather than quantity audits, thereby reducing burden of compliance.	33%	1%-5%
36.	Case management approach	Audit case assignment and control.	Batches	Case by case
37.	Audit backlog	Incomplete audit cases at the end of the tax period in question.	Yes	No
38.	Field audit approach	How to approach audits chronologically. Last period audited first.	Oldest first	Latest first
39.	Audit and auditor metrics	Audit performance indicators.	Partial	Yes
40.	% of audits with no change	Audits resulted in no change in tax liability		0%-1%
41.	% of audit assessments without approval by taxpayers	Audit assessments resulted in tax assessments by taxpayer's disapproval as % of total assessments.		0%-3%

42.	Share of adjustments and fines collected	Adjustments actually paid as % of adjustments made. It measures quality of audits and collection.		80%
43.	ATS system	Automated system to track audit process, assess workload and average time per audit.	Partial	Yes
44.	Audit manual	A guide for standard and consistent audit procedures by all auditors.	Partial	Yes
45.	PAYE control system	Labor withholding tax tracking and control system.	No	Yes
46.	Data crossing among taxes	Checking tax declaration credibility by cross matching different tax returns.	Limited	Yes
47.	Use of exogenous info.	Checking taxpayer assets database such as vehicles, real estate, lifestyle, etc.	Limited	Yes
48.	Unified domestic and import audits	In-depth audits covering all taxes including Customs.	Limited	Yes
49.	Bank secrecy	Banned accessibility to taxpayer accounts by tax authorities for verifications.	Yes	No

COMPLIANCE AND ENFORCEMENT

50.	Income tax evasion	Estimated as a percentage of income tax revenue or GDP.	NA	10%
51.	VAT/ Sales tax evasion	Estimated as a percentage of VAT/ sales tax revenue.	NA	10%
52.	% of non-filers	Non-registered business activities or registered but never filed, as a percentage of total registrations.	NA	10%
53.	Targeted field surveys	Field visits based on intelligence and information gathering.	Limited	Yes
54.	Centralized processing unit	Centralized unit/s to process tax returns, payments and other transactions.	No	Yes

55.	Fiscal compliance unit	Centralized unit to default tax returns and payments.	No	Yes
56.	% of VAT stop-filers	Number of stop-filers (taxpayers that simply stop filing their periodic VAT returns) as a percentage of VAT active filers. It is combined with an automated notification system to remind taxpayers of their filing obligations which should reduce this percentage over time.	-	5%
57.	% of income tax stop-filers	Income tax stop-filers as % of active filers.	-	10%
58.	Call center	Existence of a state-of-the-art call center with outgoing and incoming calls and tax-related database to secure default tax returns and timely respond to taxpayers' inquiries.	Partial	Yes
59.	# of delinquent taxpayers	Taxpayers that can pay, but have not, or taxpayers in arrears. It tracks tax administration performance in reducing delinquent taxpayers.	-	3%-5%
60.	Overall debt ratio	Total tax arrears as % of total tax revenue.	-	3%-5%
61.	Final tax arrears ratio	Total amounts that can be collected as % of total tax arrears.	-	80%
62.	Net collectible tax arrears ratio	Net amounts that can be collected as % of final tax arrears.	30%	95%
63.	Accelerated tax arrears collection ratio	Tax arrears collected within the first six months of the due date as % of total collectible tax arrears.	NA	60%
64.	Write-off policy	Provision to write off bad debts.	Partial	Yes
65.	Statute of limitation	Provision to prescribe bad debts.	No	Yes
66.	Lien and seizure	Enforcement of debts by all possible means.	Yes	Yes

67.	% of late payments	Late payments as % of total tax receipts.	NA	5%
ANTI-FRAUD				
68.	Application of tax fraud felony sanctions	Law enforcement to ensure equity.	Limited	Yes
CUSTOMER SERVICE AND COMMUNICATION				
69.	Diverse & high quality service delivery	Use all possible means of service delivery to ensure quality.	Partial	Yes
70.	Modern walk-in area	State-of-the-art customer service offices.	Partial	Yes
71.	Single-window service	Receive quick service at one point.	No	Yes
72.	Banking system payments	All payments made in or through banks.	Partial	Yes
73.	e-payments	On-line tax payments.	Partial	Yes
74.	% of LTO e-filing	LTO connectivity. Large taxpayers filing via Internet.	■	100%
75.	Business days for VAT refund	Business days to get refund from date of application.	30-60	25
76.	TP education program	Regular tax publicity and outreach programs.	Limited	Yes
77.	Tax laws handbook	Updated tax laws and regulations handbook published and made available to the public.	No	Yes
78.	Tax laws Q & A database	Standard tax-related question and answer database made available to call center and front-line staff to answer 90% of inquiries.	Partial	Yes
79.	Simplified forms	Short and clear tax forms.	Limited	Yes
80.	Media center	Modern outreach facility.	Partial	Yes
81.	Tax awareness campaigns	Tax publicity and outreach media campaigns.	Limited	Yes

INFORMATION TECHNOLOGY

82.	MIS reporting	Proper use of MIS for monitoring and evaluation.	Limited	Yes
83.	Oracle DBA	Oracle database administrator as a clearly defined separate job for accurate MIS reporting and data classification.	Partial	Yes
84.	System analyst	System analyst as a clearly defined separate job for accurate MIS reporting and system classification.	Trend	Yes
85.	Computer lab	Hands-on training and multi-purpose computer lab.	No	Yes
86.	Clean taxpayer registry	Up-to-date clean and operating taxpayer database.	Limited	Yes

HUMAN AND FINANCIAL RESOURCES

87.	HR planning	Creating and filling the right amount and quality of vacancies as needed by the organization.	Partial	Yes
88.	Independent recruitment	Neutral appointment process.	No	Yes
89.	Position descriptions	For job segregation, accountability and performance evaluation.	Partial	Yes
90.	Fair pay regime	Core functions have similar compensation	Limited	Yes
91.	Career plan	Administrative career plan for development and promotion.	No	Yes
92.	Job rotation	Planned transfers for staff development and promotion.	No	Yes
93.	Succession plan	Qualify second line managers and secure job replacements.	Partial	Yes
94.	Authority delegation	Delegation of power to secure empowerment and smooth flow of work.	Limited	Yes

95.	Retention plan	A plan to reduce employee attrition and keep qualified persons.	No	Yes
96.	Training strategy	Long term training plan based on training need analysis.	Partial	Yes
97.	Training manuals	Instructor and participant guides to secure continuous and consistent training.	Limited	Yes
98.	Training center	Tax training center belonging to ISTD with modern training facilities for capacity building.	No	Yes
99.	Oriented training	Measurement of training effectiveness and return on investment.	Limited	Yes
100.	Tax academy	An academic tax education institution to qualify potential tax appointments.	Trend	Tend

If we agree on the benchmarks listed in this study and the methodology described above, then we come to the conclusion that ISTD's overall performance has improved by 14% during 2010-2012, exceeding FRP II's year 4 workplan target (5%-10%). ISTD's overall performance was 32% in 2009. 32 indicators have improved and 8 have declined since 2009. The new overall performance rate in 2012 is 46%. The total number of benchmarks that are still deemed to be opportunities for improvement is 108, including the underperforming benchmarks and those which have witnessed little improvements.

This review addresses the 2010 Benchmarking Study, based on internationally recognized and accepted best and good practices. Data needed were identified by the team and gathered from different sources, such as the ISTD Strategy, IMF consulting reports, and ISTD statistical reports, as well as from external sources such as the MOF and the DOS. Annex C lists the data collected in the course of this review.

Based on this exercise, the team has compiled a number of recommendations that can help to improve ISTD efficiency and effectiveness in mobilizing revenues for the Government and in its interaction with taxpayers as well as to come closer to the international standards. Most of the recommendations were made in the 2010 Benchmarking Report but still valid.

Specific recommendations are found in the final section of this review. The high-level recommendations are following:

- Making clean out of the taxpayer registry an ongoing job;
- Enhancing applications of the taxpayer current account, the stop filers system, and the tax arrears database;
- Centralizing processing of declarations and forms, and shifting payment exclusively to the banking system;
- Improving the taxpayer appeals process and reducing internal conflicts of interest;
- Consolidating the Tax Compliance and Debt Management Directorates and improving their role in setting policies and procedures for audit, collections and enforcement;
- Making further reductions in the number of taxpayers audited and prioritizing them based on risk;
- Strengthening audit through the full deployment of the Audit Tracking System (ATS);
- Reviewing and re-delegating more authority for approving common transactions, allowing ISTD leadership to focus on planning and management;
- Streamlining and automating procedures for processing refunds, tax clearances, and other common transactions, reducing the ISTD's administrative workload, while at the same time reducing face-to-face contact between ISTD staff and taxpayers;
- Helping the MOF and ISTD draft a new, uniform tax procedure code, consolidating administrative provisions for all taxes in one law; and,
- Finally, as an overarching principle, dedicating more resources to addressing non-compliant taxpayers, while rewarding law-abiding taxpayers by making the process of filing and paying taxes consistent, transparent and easy.

These and other measures, if adopted, will help the Income and Sales Tax Department become a leading tax administration and a center of excellence, help the Government secure the resources it needs to fulfill its policy priorities, and ensure the Kingdom of Jordan realizes its National Agenda objectives.

INTRODUCTION

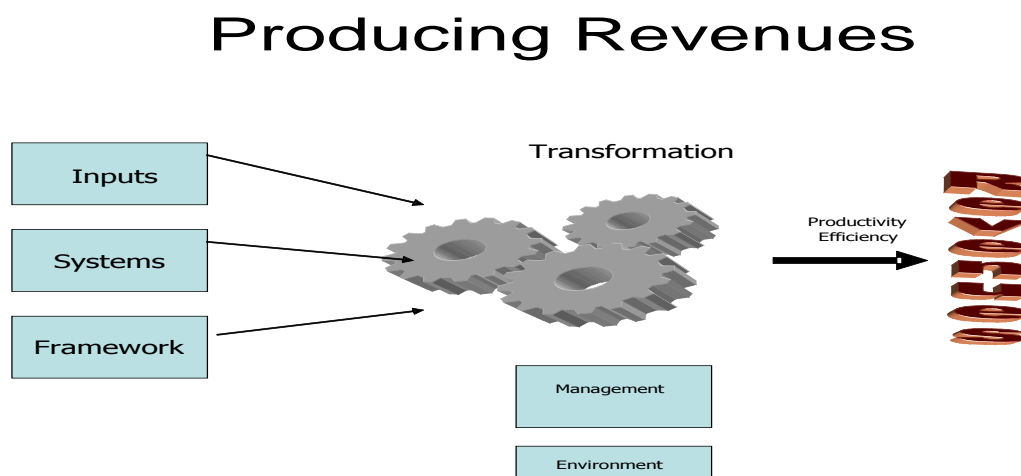
a) Purpose

The purpose of this review is twofold: to highlight the progress made during the period 2009-2012 in the structure and performance of the Jordanian tax system in an internationally comparative framework, and to provide an added value to the international tax system benchmarking methodology. This exercise will help the Government of Jordan, and specifically the Ministry of Finance (MOF) and Income & Sales Tax Department (ISTD), to assess the overall efficiency and effectiveness of the tax system, accounting for tax policy, tax administration, and tax compliance. The result is a series of standards that can be useful in establishing specific goals, measures, and steps for improving the tax system. The international benchmark indicators came from different sources, namely, Collecting Taxes comparative data system (www.collectingtaxes.net/), an ongoing, global initiative of USAID's Washington, World Bank Doing Business and Jordan Competitiveness Reports, and IMF tax system assessment reports. These indicators came to be international accepted benchmarks as the majority of countries adopt them, being best or common practices. This study has been jointly performed by ISTD and FRP II by forming a joint working team assembled by the ISTD. The Team bears responsibility for the findings and analysis of this study.

b) Methodology

The benchmarking methodology, whether applied to tax systems or to business processes and organizational development in private business, is based on a production approach. In tax benchmarking, there are inputs, such as human resources and other budgetary resources, transformation processes, and outputs. The output of the tax system is the amount of revenues generated. When optimized, these are the revenues to be collected according to law. From an efficiency point of view, these revenues should be collected at the lowest feasible cost, both in terms of the costs of tax administration, as well as in terms of taxpayer compliance. **Error! Reference source not found.** presents this production schema in picture form.

Figure 1: Tax Administration as a "production process"



In the above illustration, the benchmarking methodology works from right to left, looking first at revenue collections, as well as the revenue productivity and overall tax administration efficiency in the production of these revenues. Next, it looks at the transformation process, with a focus on business processes, organizational management, and the environment in which the tax system operates. It then examines the inputs, especially in terms of the adequacy of human resources, financial resources, and IT systems and programs. The “framework” analysis shown in the graphic essentially comprises the set of tax laws, regulations and related legislative concerns that affect tax system operation.

The tax benchmarking methodology views tax system operations and performance from two related perspectives. First, we compare a variety of performance, structure, process and operations and organization measures in Jordan with those in many other countries of the world. The measures or benchmarks we use to compare Jordan in this study are largely those developed in Gallagher, Mark et al (2001), “Applying International Best Practices to Tax Administration Performance in Guatemala: A Benchmarking Study.”¹ Added to these, we also proposed a number of new benchmarks that can be introduced to the international benchmarks. These comparisons help to establish the degree of normalcy of the Jordanian tax system: where it excels, where it falls short, and where it meets normal operating expectations. To make the analysis local in scope, we also compare the situation in Jordan to the experiences in other Middle East countries.

Second, the methodology compares tax administration operations and organization to what are generally considered “best” practice, although in some cases, common or good practice might be a more appropriate term. While there is no exhaustive catalogue of these practices as applied around the world, these practices nevertheless make up the basis of the recommendations made by international experts, such as those from the IMF or from USAID, that can be found in many reports and studies. In this review, there is an attempt to increase the number of practices by adding new benchmarks that can be applied around the world.

c) Guide to this report

Chapter II of this report takes a high-level view of the progress made during 2009-2012 in tax system in Jordan, both in terms of the competitiveness of the tax system and how taxes are collected and paid. We compare various aspects of Jordan’s tax system with tax systems in the region and around the world. This provides the reader with an international comparative perspective, based on international benchmarks or standards that are useful in assessing overall system performance. The chapter is bolstered by a large number of graphs that are presented in Annex A.

Chapter III presents lower-level tax system benchmarks, comparing the situation in Jordan as it developed since 2009 with good international practices. Chapter IV describes best international

¹ See Balaguer, Mark et al (2001), *Aplicación de Mejores Prácticas Internacionales al Desempeño de la Administración Tributaria de Guatemala: Un Estudio de Benchmarking*, at www.fiscalreform.net/library/pdfs/benchmark.pdf . These benchmarks have since been applied in studies of other tax systems, including in El Salvador (2005) and Moldova (2008).

practices in tax administration organization and operations. Chapter V examines the structure and distribution of ISTD's human resources in view of those standards, while Chapters VI and VII discusses the operations of the ISTD and the Department's core resources and systems, respectively. Finally, Chapter VIII provides our recommendations for how Jordanian authorities can improve, simplify, and enhance efficiency in how the ISTD administers and taxpayers comply with taxes. Most of these recommendations refer specifically to changes that should be implemented within the ISTD.

Annex A, as mentioned, compares tax collection performance and structure in Jordan with that prevailing in the rest of the world, based on a number of internationally available comparative indicators plus new ones introduced here. Annex B presents the new benchmarks added to this report. Annex C presents the data collected for this study. Annex D presents the most recent organizational chart of the ISTD, as of July, 2013. Finally, annex E provides a summary of the FRP II technical assistance provided to ISTD since 2009

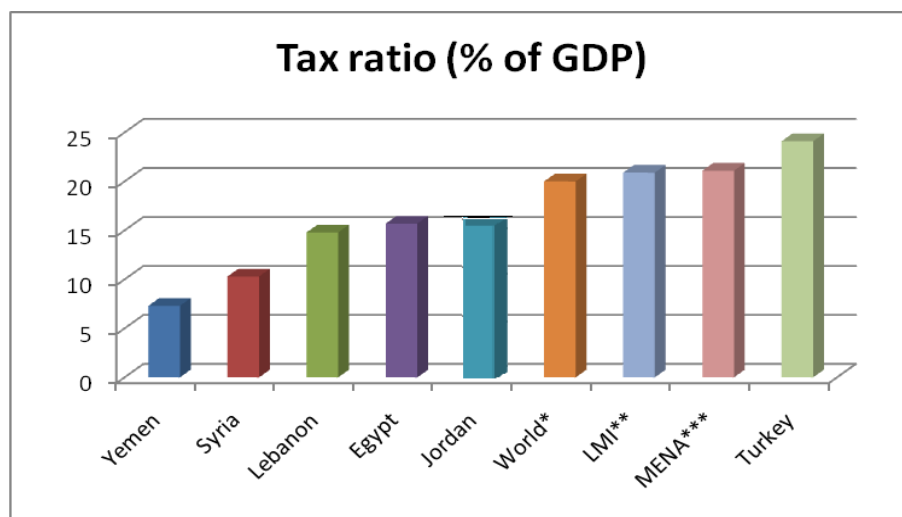
GLOBAL PERSPECTIVE

This section presents in brief the overall assessment of Jordan's tax system based solely upon the macro-level tax benchmarking indicators that are presented in Annex A to this report. These data come from the Collecting Taxes comparative data system (www.collectingtaxes.net/), an ongoing, global initiative of USAID's Washington, DC-based Fiscal Reform and Economic Governance Project.

a) Competitiveness of the Jordanian tax system

A “competitive” tax system is one that imposes the minimum possible burden on its taxpayers, relative to the tax burden found in other countries. From this perspective, overall levels of taxation in Jordan are neither high, nor low. For instance, total tax revenues, including taxes collected by the ISTD, Jordan Customs Department (JCD) and other domestic agencies, came to 17 percent of GDP in 2009, which was not particularly high when compared to other Middle East countries (**Error! Reference source not found.**). This percentage has been declining since 2009, coming down to around 15.3 percent in 2012. Moreover, when we consider only the major taxes collected by domestic tax agencies around the world, and excluding import duties and social contributions, we found that at lower than 15 percent of GDP, these taxes do not impose a particularly heavy burden in Jordan. However, the question of tax incidence, that is, who pays the taxes in Jordan and what the actual tax burden on households is, are issues that cannot be accurately assessed without conducting a tax incidence study, underway at the time of publishing this report.

Figure 2: Tax revenue performance as at 2012 -- an international perspective



* World = international average

** LMI = lower-middle-income countries

*** World = Middle East & North Africa region

Jordan's general tax rates are also rather competitive from an international perspective. For instance, the standard GST rate, set at 16 percent, is right on par with GST/VAT rates prevailing

around the world (average rate is 15.8%). Furthermore, exports are zero-rated following international best practice.²

In accordance with the Income Tax Law, as of January 1, 2010 the general income tax rate on legal persons (including corporations and partnerships) has been reduced from 15 percent to 14 percent to match the new top personal income tax rate (see below), which is well below the average for the rest of the world as well as for the MENA region (approximately 26 percent in both cases).

Also starting in January 2010, the lowest marginal rate of taxation on personal income is set at only 7 percent, more than 2 percentage points below the regional average and 5 percentage points below the international norm. The top marginal tax rate, meanwhile, is reduced from 25 to 14 percent, which is not only far below the international average (30 percent), but is also highly competitive when compared to top rates around the MENA region (excluding oil-rich countries where personal income is generally not taxed).³ The 2010 law also provides generous tax allowances for employees and individuals, exempting the first 12,000 JDs of income for single persons, and the first 24,000 JDs for those with dependents (nearly 10 times per capita income).⁴ As a result, the “tax wedge” on labor in Jordan, at 14.5 percent, is considerably lower than the average tax wedge around the world; in other words, the tax system is, in principle, “labor-friendly” and by itself should not pose a significant obstacle to job creation.⁵

Notwithstanding these positive features and the progress ISTD made since 2009, there are still a number of tax structure issues that are of concern. For instance, the tax-free threshold of 24,000 JDs is equal to nearly 10 times per capita income in Jordan. While this might be seen as positive development from a tax system “competitiveness” viewpoint—the international average is about 1 times per capita income for a single person and about 8 times per capita income for a household —by setting the tax-free threshold so high the Government of Jordan has removed all but the top 2 to 4 percent of income earners from the tax net and, thus, has foregone a potentially amount of tax revenues.

² Reduced rates of 4 and 8 percent apply to certain goods and services.

³ The new, two-rate PIT regime includes an introductory rate of 7% on the first 12,000 JDs of taxable income; and, a top marginal rate of 14% on all remaining income.

⁴ The 2010 law also exempts the first 48,000 JDs for pension entitlements, as well as 50% of individuals’ end-of-service compensation.

⁵ The “tax wedge,” which comprises mandatory social security contributions (employer and employee) and the personal income tax imposed on average working salaries, is a widely accepted indicator of the tax burden on labor. International studies have shown that there is a strong connection between the tax wedge and unemployment.

Furthermore, the 2010 Income Tax Law continued the previous practice of imposing separate, higher income tax rates on banks (30 percent) and an assortment of telecommunications and financial services (24 percent). International best practice suggests that corporate income should be taxed at a single rate, and this should match the top marginal tax rate for personal income to avoid distorting taxpayers' decisions about how to set up their businesses.

Starting in 2013, Jordan has had initiatives to revisit the income tax law and change income tax rates for more progressivity in both personal and corporate income tax.

Finally, even with the adoption of a General Sales Tax Law, which also took effect in January 2010, there are still multiple GST registration thresholds depending on the type of business: importers and manufacturers subject to the excise-like Special Sales Tax (SST) must register regardless of turnover; otherwise, the turnover threshold is 30,000 JDs for services sector businesses, 50,000 JDs for manufacturers and 75,000 JDs for all other businesses. International experience suggests that a single filing threshold, based purely on annual turnover or a similar measure, is much easier to administer. The worldwide average for the GST/VAT registration threshold is about US\$40,000 (28,000 JDs).

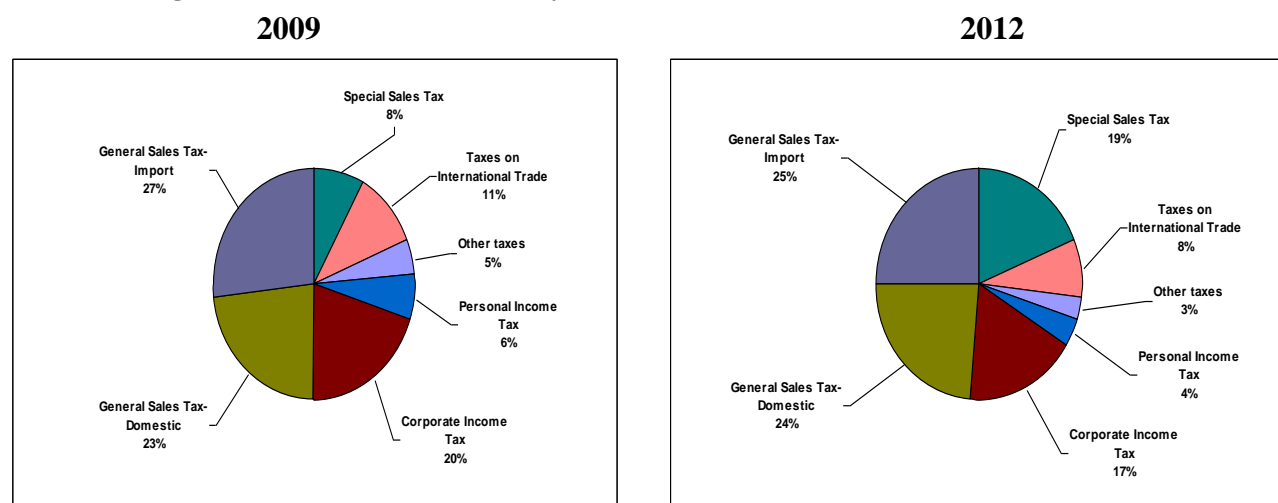
In short, we can conclude that the Jordanian tax system, in terms of the overall level of taxation, nominal tax rates, the 2010 changes in taxation of income and profits, and the tax wedge, is rather competitive, encouraging both investment and the creation of jobs. Yet, there is still considerable room to simplify tax policy, broaden the tax base and bring Jordan's tax system closer to international standards.

b) Structure of the Jordanian revenue system

Tax revenue performance in Jordan is neither particularly strong, nor weak. Among the Middle East region's non-oil producing countries, Jordan had in 2009 the highest ratio of tax revenues to GDP, at around 18 percent (**Error! Reference source not found.**). This percentage declined to 15.3 percent in 2010, increased to 15.4 percent in 2011 and around 15 percent in 2012, respectively. The decline can be partially attributable to reducing the tax rates and granting more exemptions in the 2010 tax laws. Yet, the Government of Jordan still derives around 40 percent of its revenues from *non-tax* sources, including substantial foreign grants. Collections of the GST are high compared to GST/VAT collections in other countries of the region and indeed compared to the rest of the world; however, taxation of corporate income produces only average revenues, while taxation of individuals' income produces only a measly amount.

Error! Reference source not found. shows the composition of tax revenues by tax type in Fiscal Years 2009 and 2012. Worth noting, revenues from the General Sales Tax constitute roughly 50 percent of total tax revenues administered by the ISTD. Of this amount, more than 53 percent is collected at the border on imports of goods.

Figure 3: Composition of revenue by tax in Jordan, 2009 and 2012



Source: Income and Sales Tax Department.

A more detailed presentation of the revenue structure and revenue trends over the past eight years is presented in Table 5 below.

Table 5: Revenue trends in Jordan, 2005-2012

	2005	2006	2007	2008	2009	2010	2011	2012
Millions of Jordanian Dinars								
Revenues & grants	3,062	3,469	3,972	5,093	4,521	4,663	5,414	5,054
Revenues (without grants)	2,562	3,164	3,628	4,375	4,188	4,261	4,199	4,727
Tax revenues	1,766	2,134	2,472	2,758	2,880	2,986	3,092	3,351
ISTD-administered revenues	1,314	1,638	1,972	2,300	2,463	2,640	2,764	3,032
PIT	94	99	111	146	179	152	148	132
CIT	186	310	376	455	585	472	520	557
GST:	888	1,056	1,275	1,508	1,682	1,987	2,033	2,275
SST (Excises)	147	172	199	178	334	589	555	664
International	334	346	351	307	270	275	287	285

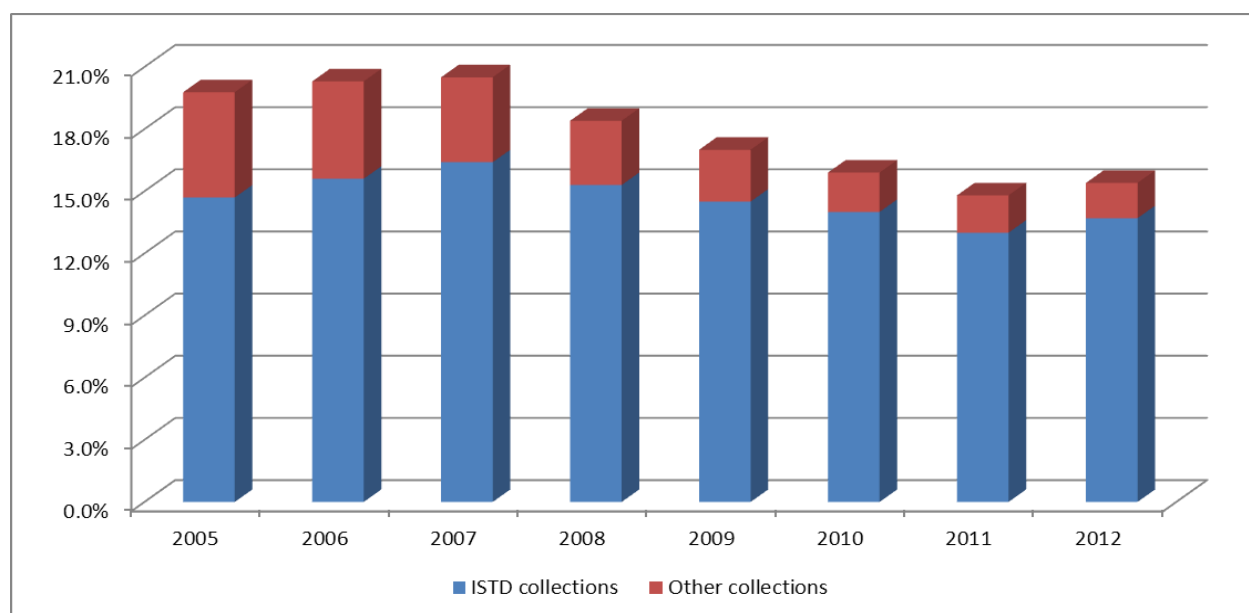
	2005	2006	2007	2008	2009	2010	2011	2012
trade taxes								
Other taxes	118	150	159	165	145	100	89	90
Non-tax revenues	778	1,014	1,138	1,595	1,287	1,254	1,116	1,352
Nominal GDP	8,953	10,520	12,057	15,058	16,912	18,762	20,476	22,127
CPI inflation	3.5%	6.3%	5.4%	14.9%	4.0%	5.8	4.4	4.7
Percent of GDP								
Revenues & grants	34.2%	33.0%	32.9%	33.8%	26.7%	24.8	26.4	23.0
Revenues (without grants)	28.6%	30.1%	30.1%	28.1%	24.8%	22.7	20.5	21.5
Tax revenues	19.78%	20.3%	20.5%	17.7%	17.0%	15.9%	15.0%	15.1%
ISTD-administered revenues	14.7%	15.6%	16.4%	15.3%	14.5%	14.0%	13.5%	13.7%
PIT	1.0%	0.9%	0.9%	1.0%	0.5%	0.5%	0.4%	0.3%
Labour tax	0.4%	0.3%	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%
CIT	2.1%	2.9%	3.1%	3.0%	3.5%	2.5%	2.5%	2.5%
GST	9.9%	10.0%	10.6%	10.0%	9.9%	10.5%	9.9%	10%
SST (Excises)	1.6%	1.6%	1.7%	1.2%	1.9%	3.1%	2.7%	2.9%
International trade taxes	3.7%	3.3%	2.9%	2.0%	1.6%	1.5%	1.4%	1.3%
Other taxes	1.3%	1.4%	1.3%	1.1%	1.0%	0.5%	0.4%	0.5%
Other revenues	8.7%	9.6%	9.4%	10.6%	7.5%	6.8%	5.6%	6.2%
Percent of total tax revenues								
Tax revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ISTD-	74.4%	76.8%	79.8%	83.4%	84.9%	88.0%	89.0%	90.0%

	2005	2006	2007	2008	2009	2010	2011	2012
administered revenues								
PIT	5.3%	4.6%	4.5%	5.3%	6.0%	5.0%	4.7%	3.9%
CIT	10.5%	14.5%	15.2%	16.5%	20.2%	16.0%	17.0%	17.0%
GST	50.3%	49.5%	51.6%	54.7%	58.0%	66.0%	66.0%	68.0%
SST (Excises)	8.3%	8.1%	8.1%	6.4%	10.0%	19.0%	18.0%	19.0%
International trade taxes	18.9%	16.2%	14.2%	11.1%	9.0%	9.0%	9.0%	8.0%
Other taxes	6.7%	7.0%	6.4%	6.0%	5.0%	3.0%	3.0%	3.0%

Source: Ministry of Finance; Income and Sales Tax Department.

Revenue performance had been improving steadily from the time of the ISTD merger, crossing the 20 percent of GDP threshold in 2006 and again in 2007. However, as **Error! Reference source not found.** shows, the tax revenue to GDP ratio has declined since then, in large part as a result of the economic downturn that hit Jordan and numerous economies around the world in 2008⁶ as well as the changes in tax rates introduced in the 2010 tax laws. In real terms (i.e. after adjusting for inflation) annual tax revenue growth also slowed, to only about 1 percent in 2008 and 2009. Afterwards, tax revenue growth has been reversed. It started to decline by around 1 percent annually since 2009. Tax yield stood at 15.1% in 2012.

Figure 4: Tax revenues-to-GDP in Jordan, 2005-2012



in spite of Jordan's economic troubles.

Even so, it is important to note that tax revenues collected by the ISTD have continued to grow as a percentage of overall tax revenues in Jordan, rising from 74 percent of the total in 2005 to 85 percent in 2009 to 90 percent in 2012. In contrast, foreign trade taxes have declined sharply in their contribution to overall government revenues. They declined from 19 percent in 2005 to 8 percent in 2012.

On an internationally comparative basis, we see that Jordan collects relatively low shares of GDP in personal and corporate income taxes and the Special Sales Tax, while it collects a relatively high share of GDP in the General Sales Tax. These shares are presented in an internationally comparative framework in Annex A.

Compared to VAT collections in other MENA countries, too, Jordan's GST produces a larger than average share of GDP in public revenues, while taxes on personal income tax (PIT) and corporate income tax (CIT) register slightly below the regional averages.

In 2005, ISTD-collected GST revenues were equal to about 79 percent of those VAT revenues collected by Customs. Since 2009, the ISTD's GST collections, net of refunds, increased to around 88 percent of Customs' GST collections. The trends in domestic (ISTD) VAT collections and collections at Customs on imports from 2005 to 2012 are presented in **Error! Reference source not found.**⁶ below. Net GST revenues from domestic transactions increased by 69 percent between 2005 and 2009 and by 75 percent between 2009 and 2012, while GST on imports increased by roughly 54 percent and 60 percent, respectively.

Table 6: Sales tax on domestic and international transactions

(JD millions)

Year	TOTAL	Domestic collections			Border collections			Domestic/ Customs
		GST	SST	Total	GST	SST	Total	
2005	1,034.9	392.0	146.5	538.5	496.4			79.0%
2006	1,228.5	462.2	172.3	634.5	594.0			77.8%
2007	1,473.9	592.8	199.0	791.8	682.2			86.9%
2008	1,685.4	749.1	177.6	926.7	758.7			98.7%
2009	1,689.5	682.5	229.3	911.8	777.8			87.8%
2010	2,000	647	529	1,176	759	60	819	85.2%
2011	2,078	686	485	1,171	806	70	876	85.1%
2012	2,318	701	560	1,261	824	92	916	85.0%

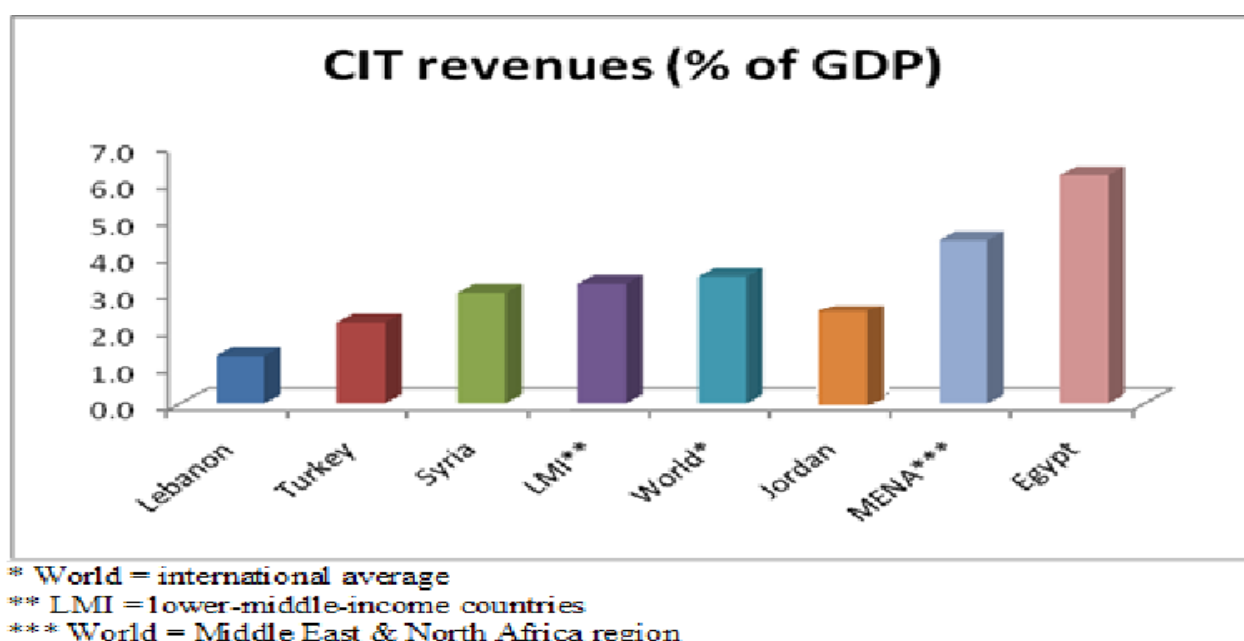
Source: Income and Sales Tax Department.

c) Revenue productivity and efficiency

The Collecting Taxes comparative data system (www.collectingtaxes.net/) examines national tax systems from many perspectives, including in terms of revenue productivity. Tax revenue productivity measures a country's performance in collecting revenues for a particular tax, taking into account the specific features of that tax in that country. Annex A of this report provides detailed explanations of these productivity indicators and several related variables.

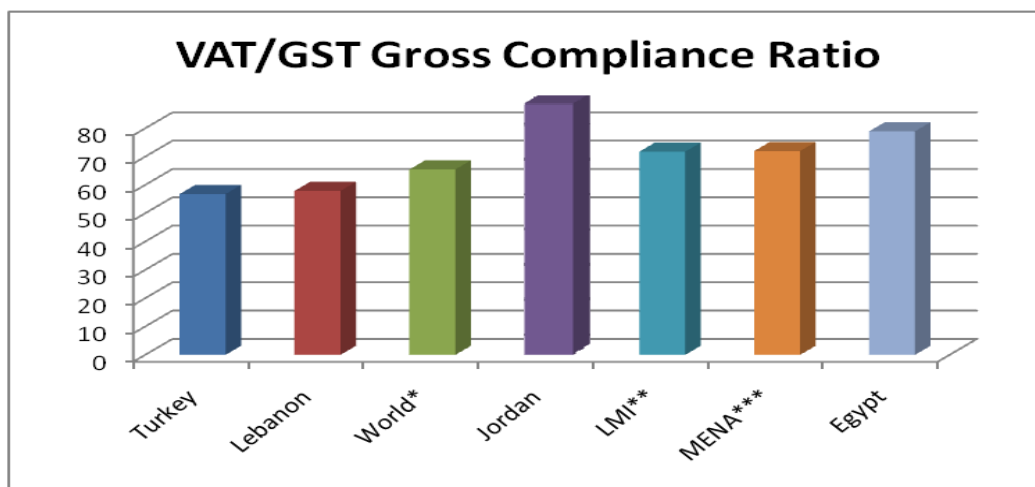
From a revenue productivity perspective, Jordan has achieved relatively strong performance. Corporate income tax revenue productivity was in 2009 just slightly above the worldwide average of 0.13, but substantially lower than the 0.19 average across all MENA countries. **(Error! Reference source not found.)** In 2010-2012 it stood at 0.11. It is important to note that the MENA average is as high as it is in part because the region includes several oil- and gas-rich countries, many of which boast among the highest CIT revenue yields in the world.

Figure 5: CIT collections as at 2012 in an international context



The ISTD also does a good job of collecting GST revenues. Indeed, GST productivity, at 0.56 in 2009, and 0.63 in 2012, and the more refined productivity indicator referred to as the GST “Gross Compliance Ratio,” at 71 percent in 2009, and around 90 percent in 2012, are higher than the regional and international averages in those categories. **(Error! Reference source not found.)**

Figure 6: GST productivity as at 2012 in an international context



In contrast, personal income tax productivity in Jordan, given the current structure of the tax, is extremely low. The country's PIT productivity was only 0.05 in 2009 and slightly increased to 0.06 in 2011 and then dropped again to 0.05 in 2012 compared to the international average of 0.14. However, there is quite a wide distribution in this indicator, and the MENA regional average is only 0.07, or just slightly higher than in Jordan. Regardless, Jordan's consistently weak performance can be explained, at least in part, by the large number of exemptions and reliefs offered under the old income tax law besides the low level of compliance. As highlighted above, the new law is similarly generous with its high tax-free thresholds; therefore, we expect that PIT revenue productivity will likely have little improvement as long as the 2010 tax law is in force.

Another good indicator of overall revenue productivity and efficiency is the overall cost of collections measure – though sometimes might be read as not good given the insufficient staff remunerations and the lack of capital expenses and other resources. Available data indicate that the ISTD's cost-to-collections ratio is quite low, at 0.53 percent in 2008 (i.e., 0.53 JDs for every 100 JDs of revenue collected), compared to an average of 1.08 percent for tax administrations worldwide (Figure 8). The ratio has changed to 0.6 since 2009 and to 0.63 in 2012.⁷

Figure 7: Cost-to-Collection ratio

⁷ The cost-to-collections ratio was calculated for the year 2008, as follows:

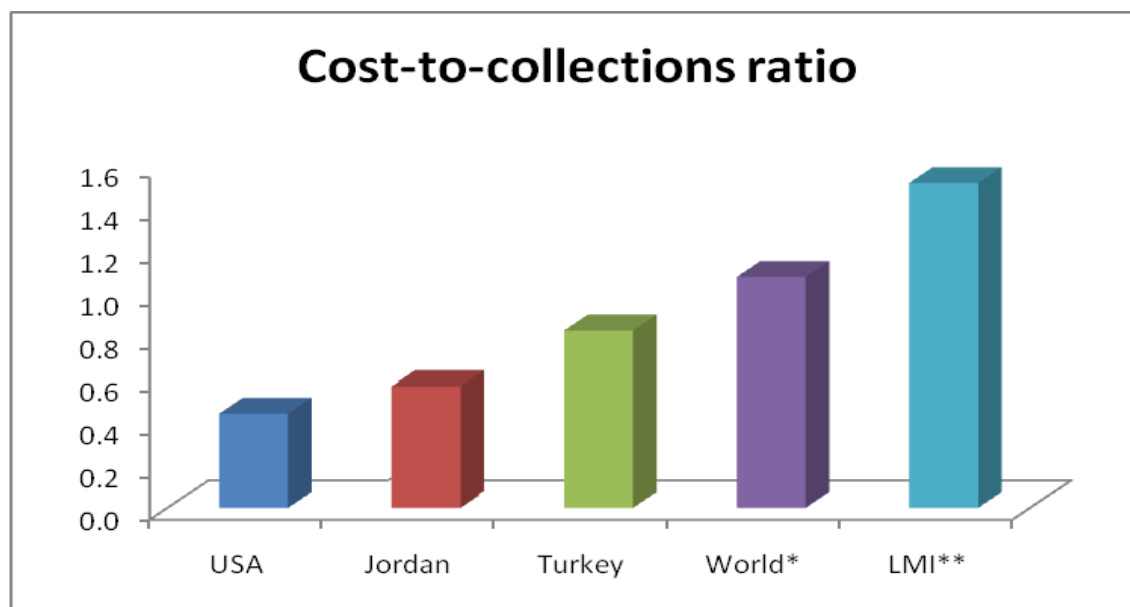
$$\frac{\text{Actual ISTD expenditures}}{\text{Revenues collected}} \times 100 = \text{Cost-to-collections ratio}$$

where 2008 expenditures include:

Personnel costs	10,413,803
Non-personnel expenditures	1,678,451
Others	5,125
Capital spending	<u>200,951</u>
Total	JD 12,298,330

and where 2008 revenues were:

	JD 2,300,310,000
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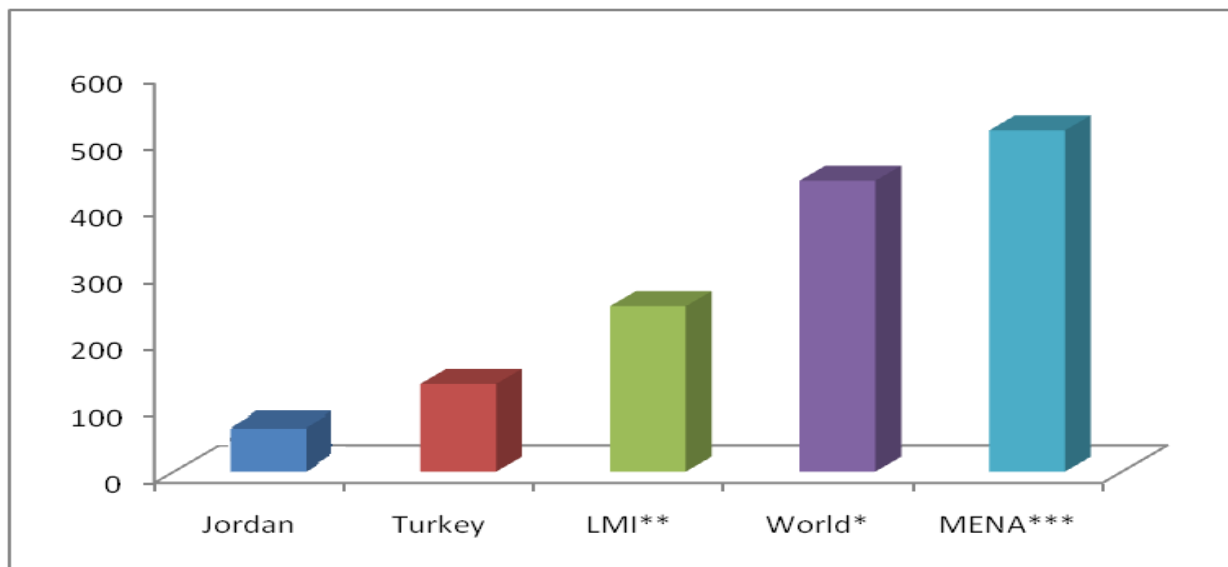


While a lower cost-to-collections ratio is always desirable, it is more important to ensure that the tax administration has the resources it needs to effectively carry out its responsibilities to the Government and to its customers.

Two other major factors related to tax administration productivity are the depth of the tax administration into the general population and, more specifically, into the taxpayer population, expressed in terms of its human resources or staffing. Compared to international norms, ISTD's staffing, at 1,507 employees as of January 2010, is very low relative to population. Indeed, in Jordan, there were 0.27 tax administration personnel per 1,000 inhabitants in 2009, which dropped to 0.23 in 2012. The worldwide average for tax administration staff size is 0.82 per 1,000 persons in the population. For the MENA region, the average staff size is 0.51.

At the same time, the number of active taxpayers per tax administration staff is quite low. **(Error! Reference source not found.)** By “active” taxpayers, we refer here to registered taxpayers who are actively filing, whether for income tax, GST, or any other tax obligations.

Figure 9: Active taxpayers per ISTD employee as in 2012—an international comparison



*World = international average

**LMI = lower-middle income countries

*** = Middle East & North Africa region

As **Error! Reference source not found.** illustrates, at approximately 98 taxpayers for every ISTD employee in 2012, Jordan's coverage of the taxpayer population is about one-fifth of the world average, and one-seventh of the average in the MENA countries for which we have data. The international averages are as high as they are in part because those countries, such as the United States, Canada and many OECD countries, have a large number of active (i.e., filing) personal income taxpayers. By contrast, Jordan's ratio of taxpayers to tax officials is so low because in 2009 only about 85,000 taxpayers were actively filing for income tax. However, This ratio has improved since 2010 due to the improvement in the filing compliance following the increasing number of new taxpayer registrations in 2010 and 2011. The ratio increased to 64:1, 78:1 and 98:1 in 2010, 2011 and 2012, respectively.

Of note, the two major factors explained above should be read together as they are closely interrelated. It is true that the number of staff is low relative to population; however, this does not always mean that we need to recruit more staff at this point. Most likely, there might be a need to rather increase the number of active taxpayers than increase the staff.

d) Paying taxes in Jordan: taxpayers' perspective

International interest in the tax system's impact on the business "enabling environment" is growing rapidly. Among the many initiatives in this area, the World Bank's Doing Business Project has attracted wide attention with its "Paying Taxes" survey.⁸ The survey and its data set

⁸ See Doing Business' Paying Taxes site at: <http://www.doingbusiness.org/ExploreTopics/PayingTaxes/>.

compare the ease of paying taxes in countries around the world and rank them based on a series of indicators. The survey includes two indicators of administrative burden:

- The total number of tax payments per year; and
- The time it takes to prepare, file and pay (or with-hold) the corporate income tax, the value-added tax and social security contributions (in hours per year).

The “Paying Taxes” methodology is not without its flaws. For instance, the number of payments a taxpayer must make may be of lesser interest than the manner in which those payments are made (e.g., electronically, by post, or in person at the tax office). Furthermore, the “time” indicator only measures the time required to comply with three common taxes, while ignoring other taxes and fees—which in some countries may include dozens of so-called “nuisance taxes”—to which a company must dedicate resources. Yet, “Paying Taxes” is a good starting point for examining the burdens that businesses face from complying with tax laws.

A third indicator has been added to this review, which is the cost of compliance beard by taxpayers relative to taxpayers’ revenues. FRP II conducted a cost of compliance survey in 2011. The survey showed an average cost of 3,079 JDs. Table 7 below shows the average cost per size of taxpayers. The cost of compliance seems quite reasonable in Jordan. However, this indicator is not deemed to be an international benchmark as countries have different conditions which might not be comparable.

Table 7: Average cost of compliance relative to income per taxpayer type

Size of Taxpayer	Total Cost of Compliance (JD/Year)	Revenues	% Cost of Compliance Relative to Revenues
LTO	10,429	4,926,761	0.2%
MTOs	2,759	665,173	0.4%
STOs	1,814	60,582	3.0%
Average	<u>3,079</u>	238,082	1.3%

Table 8 below presents the “Doing Business 2010 -2012” survey’s estimates of these administrative burdens for Jordan, MENA countries, and all the regions of the world. From this table, it is clear that Jordan is internationally competitive with respect to the administrative burdens placed on business in complying with taxes. While requirements will vary depending on the size and nature of the business, the average taxpayer must only make about 25 payments per year – the most recent of 2012- to the Government (compared with 23 payments for the MENA region); and, it devotes about 116 hours to preparing and filing tax returns and paying taxes due, or one-half of the regional average.

Table 8: Ranking Jordan's "Paying Taxes" regulations 2010-2012

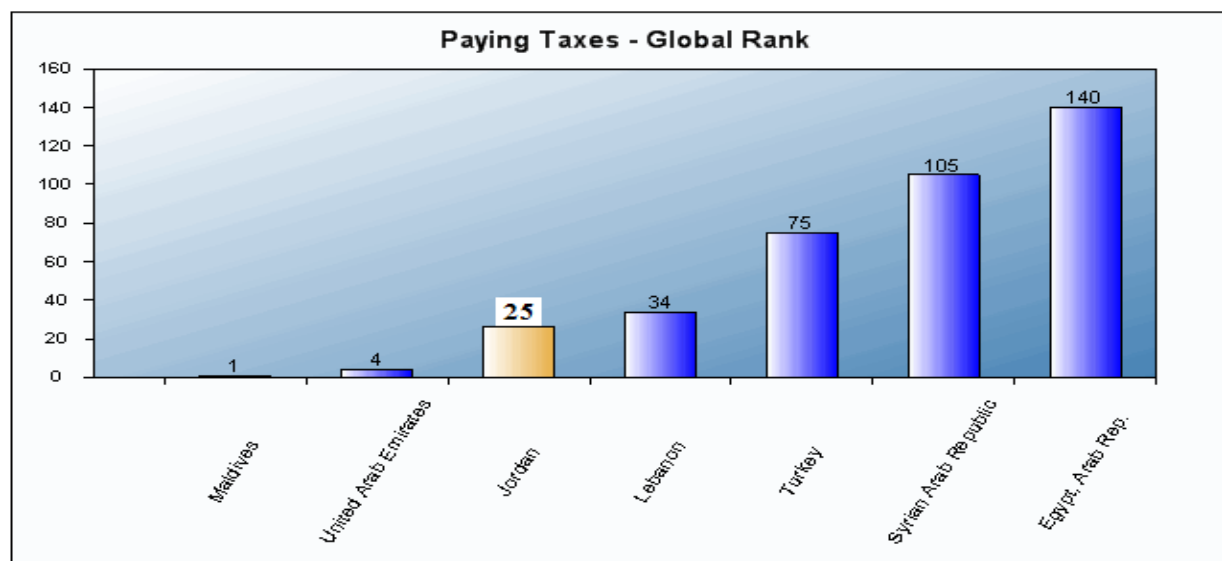
SEQ.	INDICATOR	PAYMENTS (NUMBER)			TIME (HOURS)		
		2010	2011	2012	2010	2011	2012
1.	East Asia & Pacific	24.6	25	25	227.2	209	209
2.	Eastern Europe & Central Asia	46.3	28	28	336.3	260	260
3.	Latin America & Caribbean	33.2	30	30	385.2	367	367
4.	Middle East & North Africa	22.9	19	19	204.2	184	184
5.	OECD	12.8	12	12	194.1	176	176
6.	South Asia	31.3	30	30	284.5	311	311
7.	Sub-Saharan Africa	37.7	39	39	306	319	319
8.	Algeria	34	29	29	451	451	451
9.	Bahrain	25	13	13	36	36	36
10.	Egypt	29	29	29	480	392	392
11.	Iran	22	20	20	344	344	344
12.	Iraq	13	13	13	312	312	312
13.	Israel	33	33	33	230	235	235
14.	Jordan	26	26	25	101	101	151
15.	Kuwait	15	12	12	118	98	98
16.	Lebanon	19	19	19	180	180	180
17.	Morocco	28	17	17	358	238	238
18.	Oman	14	14	14	62	62	62
19.	Qatar	1	4	4	36	48	48
20.	Saudi Arabia	14	3	3	79	72	72
21.	Syrian Arab Republic	20	19	19	336	336	336

SEQ.	INDICATOR	PAYMENTS (NUMBER)			TIME (HOURS)		
		2010	2011	2012	2010	2011	2012
22.	Tunisia	22	8	8	228	144	144
23.	Turkey	15	15	15	223	223	223
24.	United Arab Emirates	14	4	4	12	12	12
25.	West Bank and Gaza	27	39	39	154	154	154
26.	Yemen	44	44	44	248	248	248

Source: Doing Business, *Paying Taxes 2012*, at www.doingbusiness.org/exploretopics/payingtaxes/

Error! Reference source not found. shows Jordan's global rank in 2012 relative to its regional neighbors. The small island country of the Maldives in the Indian Ocean is shown here merely as a reference point, as it ranks first among all the countries surveyed by Doing Business. In the Middle East, however, Jordan ranks second, bested only by the United Arab Emirates, an oil-rich country with a very lean tax regime.

Figure 10: Ease of paying taxes in Jordan in 2012: Regional and International Benchmarks



Source: *Paying Taxes 2012*, at www.doingbusiness.org

As mentioned above, the Doing Business Project's "Paying Taxes" comparative system provides but one perspective on the relative burdens of complying with tax laws from country to country. In the chapters that follow, we will address additional burdens that taxpayers face in complying with tax rules and procedures specific to the ISTD and to Jordan.

e) Recent developments

Jordan's National Agenda lays out clear targets for achieving broad-based growth and creating an internationally competitive economy, including greater reliance on taxation to fund investments in the country's development. Yet, a number of recent developments present serious challenges to meeting this objective.

The ongoing economic crisis is one such challenge. In real terms, economic growth has declined from 8.9 percent in 2007 to less than 5 percent in 2009, then to 2.3, 2.6 and 2.7 percent for 2010-2012, respectively. This slowdown has already had an impact on tax revenues. Unusually, it seems to have had more of an effect on GST collections than collections of the personal and corporate income taxes, which are traditionally more sensitive to economic fluctuations.

Reforms introduced in the 2010 Income Tax Law posed additional risks to revenue generation. In an attempt to lessen the burden of taxation on Jordanian society, starting in 2010, the Government has flattened personal income tax rates from a five-rate regime, with progressive rates from 5 to 25 percent, to a two-rate regime, where the first 12,000 JDs of taxable income is subject to taxation at 7 percent, and all remaining income at 14 percent. While high income earners surely welcomed this change, lower income earners took little consolation from the increase in the introductory rate to 7 percent. Regardless, with the high tax-free threshold, and with the lowering of the top marginal tax rate, this reform resulted in lower tax revenues for the Government.

Another risk comes from the frequent amnesty decisions issued by the Government, where taxpayers with outstanding debts can apply to the ISTD to waive part or all of the penalties (and, in some cases, part of the taxes due) for agreeing to pay off their outstanding tax obligations. The hope is that these amnesties, in the short term, will help the Government recoup a significant portion of its total tax arrears; and, in the long term, that one-time delinquent taxpayers will now become compliant and actively participate in the tax system. However, there is no reason to expect that this strategy will result in improved compliance or greater revenue generation. Indeed, international experience suggests that tax amnesties lead to even less compliance in the long run. Non-compliant taxpayers will continue to break the rules, and some of the previously compliant taxpayers will join them, because they anticipate that the Government will eventually grant another amnesty. To ensure that the Government and the ISTD are able to secure the desired results from amnesty program, immediate efforts are needed to strengthen compliance. Several measures recommended in Chapter VIII of this report can help in this regard.

f) Pinpointing strengths and weaknesses

Overall, Jordan's tax system, while not particularly weak, is also not particularly strong. There are some improvements made since 2010. GST and corporate income tax collections are relatively strong and are seemingly on the rise. Personal income tax collections are improving but remain very low due to changes in the 2010 tax law.

With respect to tax administration specifically, the size of the ISTD work force is not large, but the number of taxpayers that this staff is actively managing is probably lower than is optimal. Measures to reduce unproductive activities within the ISTD - many of which will be discussed in the coming chapters - would continue to free up staff to focus on more revenue-productive activities, such as bringing income tax non-filers into the tax net and thereby increasing the ISTD's tax base.

ISTD ORGANIZATION & OPERATIONAL BENCHMARKS

The attributes and statistical benchmarks of modern tax administrations used to compare Jordan in the table below are those developed in the Gallagher (2001) study, "Applying International Best Practices to Tax Administration Performance in Guatemala: A Benchmarking Study."⁹ In Table 9 below, the data shown in the second column replicate the "International Benchmark" data presented in Gallagher (2001). Jordan's status during 2009 -2012, in comparison to each of the international benchmarks, is shown in the columns to the right. Some benchmarks and groups were added in this review. Others were moved to different groups. Explanations for each indicator and benchmark are presented below the table.

a) Primary benchmarks

Table 9: Primary tax administration benchmarks 2009-2012

Indicator	International Benchmark	Regional Benchmark (if available)	Jordan Benchmark			
			2009	2010	2011	2012
General						
1. Number of tax administrators per 1000 national population	0.87 (1.14 in FSU)	0.51	0.27	0.24	0.24	0.23
2. Ratio of active taxpayers to tax administrators	150-250:1	NA	56:1	64:1	91:1	98:1
Audit						
1. Use of performance indicators for audits and auditors	Yes	NA	Partial	Partial	Partial	Partial

⁹ See Gallagher, Mark et al (2001), *Aplicación de Mejores Prácticas Internacionales al Desempeño de la Administración Tributaria de Guatemala: Un Estudio de Benchmarking*, at <http://www.fiscalreform.net/library/pdfs/benchmark.pdf>.

2. Audited taxpayers as % of total taxpayers, per year	1%	5%	39% MTOs 100% LTO	37.8% MTOs 100% LTO	36% MTOs 100% LTO	33% MTOs 100% LTO
3. Unified domestic and import audits	Trend	Trend	Partial	Partial	Partial	Partial
4. Ex post customs audits	Trend	NA	Yes	Yes	Yes	Yes
5. Separation of taxpayers by size or nature	Yes	Yes	Yes	Yes	Yes	Yes
6. Percent of taxpayers in LTO	0.5% to 1%	NA	0.3%	0.3%	0.3%	0.3%
7. Percent of revenues from large taxpayers	65%	NA	63%	75%	70%	71%
8. LTO staff as % of total tax staff	3%	NA	4%	6%	7%	6%
Payment and collections						
1. Banking system payments	Yes	Yes	Limited	Limited	Limited	Limited
2. Percent of large taxpayers declaring via Internet	100%	NA	< 1%	1%	2%	3%
3. Income tax "Stop-filers" as % of active taxpayers	5%	NA	300%	■	■	■
4. Late payments as % of total tax receipts	5%	NA	NA	NA	NA	NA
5. Administrative cost as % of total receipts	1%	NA	0.53%	0.57	0.56	0.63
6. Share of adjustments and fines collected	80%	NA	NA	NA	NA	■
7. Business days for VAT refunds	25	NA	30-90 days	30-60 days	30-60 days	30-60 days
8. Institution that establishes revenue targets	Ministry of Finance	NA	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance

Automated Systems						
1. Use of automated systems for daily operations	Yes	Yes	Yes	Yes	Yes	Yes
2. Existence and use of automated Management Information Systems (MIS)	Yes	Partial	Partial	Partial	Partial	Partial
3. Interconnectivity between Headquarters (HQ) and local tax offices	Yes	Yes	Yes	Yes	Yes	Yes
4. Backup systems for all uses	Yes	Yes	Yes	Yes	Yes	Yes
5. Reliable taxpayer current account	Yes	Yes	No	Yes	Yes	Yes
6. Clean and operating taxpayer registry	Yes	NA	No	Yes	Yes	Yes
7. Automated audit case selection	Yes	NA	No	Partial	Partial	Partial
8. Tax declaration entry with automatic error correction	Yes	NA	No	No	No	No
9. Use of exogenous information (filers, vehicles, real estate)	Yes	NA	Limited	Limited	Limited	Limited
10. Use of third-party databases	Yes	Yes	Yes	Yes	Yes	Yes
11. Data crossing among taxes	Yes	NA	Partial	Partial	Partial	Partial
12. Late or stop filers system	Yes	NA	Partial	Partial	Partial	Yes

Planning and coordination						
1. Appropriate use of planning, monitoring, and evaluation systems for tax organization	Yes	NA	Partial	Partial	Partial	Partial
2. Coordination of data flows among tax administration, Ministry, and other agencies	Yes	NA	Partial	Partial	Yes	Yes
Human Resources						
1. % of employees with university or college degrees	70%	NA	69%	70%	71%	72%
2. Ratio of senior auditor to entry-level auditor salaries	2:1	NA	1:2	1:1.5	1:1.5	1:1.30
3. Ratio of average tax administrator's salary to GDP per capita	2:1	NA	1:2.4	1:2.4	1:2.3	1:2.8
4. Existence of administrative career plan	Yes	NA	No	No	No	No
5. Existence of formal retirement plan	Yes	NA	Yes	Yes	Yes	Yes
Sanctions and penalties						
1. Tax code	Trend	NA	No	No	No	No
2. Tax fraud felony	Trend	NA	Yes	Yes	Yes	Yes
3. Application of tax fraud felony sanctions	Little	NA	Limited	Limited	Limited	Yes
4. Appeals tribunal	Yes	NA	Yes	Yes	Yes	Yes

Organization, Institutional Credibility and Public Confidence						
1. Stability of top-level leadership	Fixed appointment	NA	Fixed appointment	Fixed appointment	Fixed appointment	Fixed appointment
2. Professionalism of top-level staff	Excellent	NA	Excellent	Excellent	Excellent	Excellent
3. Tax fraud unit in tax administration	Yes	NA	Yes	Yes	Yes	Yes
4. Unit for investigation of internal corruption	Yes	NA	Yes	Yes	Yes	Yes
5. Diverse and high-quality taxpayer services	Yes	NA	Partial	Partial	Partial	Partial
6. Internal regulation	Yes	NA	Partial	Yes	Yes	Yes

b) Explanations of PRIMARY benchmark indicators

General

1. *Number of tax administrators per 1000 national population.* A measure of tax administration efficiency which explains how deep the tax administration is engaged in educating and controlling the public.
2. *Ratio of active taxpayers to tax administrators.* Another indicator of tax administration efficiency interrelated with the above. Those two indicators should be read together.

Audit

1. *Use of performance indicators for audits and auditors.* There should be a wide range of audit indicators to measure performance in a comprehensive and objective way.
2. *Audited taxpayers as % of total taxpayers, per year.* Cost-effectiveness and optimal use of audit resources call for auditing the minimum number of taxpayers and generating the maximum amount of tax assessments. Tax administration should target the top 1 percent of the most risky taxpayers.
3. *Unified domestic and import audits.* These are in-depth audits that cover all taxes for which the taxpayer is liable, including Customs duties.
4. *Ex post Customs audits.* These are audits conducted after merchandise has been cleared and released to taxpayers.
5. *Separation of taxpayers by size or nature.* This refers to the practice of most modern tax administrations to classify taxpayers as large, medium or small, and to further classify taxpayers by industry groups for special handling of each category.
6. *Percent of taxpayers in LTO.* The international norm is to have between 0.5% and 1% of total active taxpayers managed by a large taxpayer unit.
7. *Percent of revenues from large taxpayers.* In most modern tax systems, receipts from large taxpayer account for about 65-70% of total tax revenues on average.

8. *LTO staff as % of total tax staff.* The international benchmark is to dedicate about 3% of total tax administration staff to servicing large taxpayers.

Payments and enforced collections

1. *Banking System Payments.* This involves tax payments through the banking system, which is usually more convenient for taxpayers; more accurate processing; and less expensive to the government than payments through the tax administration.
2. *Percent of large taxpayer declaring via the internet.* Again, this is highly desirable in terms of cost and reliable data. The higher the percentage, the better.
3. *“Stop filers” as % of active taxpayers.* This is the percentage of the number of registered taxpayers who have stopped filing the tax returns they were registered to file (VAT, Income Tax, etc.) in relation to the total number of active taxpayers. Management of delinquent stop-filers to keep this percentage as low as possible is a very important objective.
4. *Late payments as % of total receipts.* This is the percentage of the value of tax payments made after the due date for payment established by law, in relation to total tax revenue. Management of delinquent taxpayers to keep this percentage low is a very important objective.
5. *Administrative cost as % of total receipts.* This is a gross indicator of efficiency. How much it costs – salaries, equipment, fixed assets, etc. – for a government to impose taxation on its people in administrative terms. Internationally, costs vary widely, but rich countries have lower costs than poor countries in relation to how much they collect.
6. *Share of adjustments and fines collected.* The reference here is to the % of additional taxes and penalties proposed by auditors that are actually collected, after technical reviews; objections by taxpayers to proposed additional assessments; and appeals to administrative and judicial levels. The higher the percentage, the higher the quality of case selection and work quality of audits, as based on law and facts.
7. *Business days for VAT refunds.* The lower the average number of days, the better in terms of taxpayer service, taxpayer relations, and the image of the tax administration.
8. *Institution that establishes revenue targets.* In most countries, ministries of finance are the institutions that establish revenue targets using a micro-simulation forecasting model. In some cases tax authorities establish revenue targets; however, there should be a single revenue forecast in the country.

Automated systems

1. *Use of automated systems for daily operations.* All modern tax administrations must employ reliable systems of automation for all major operations, such as document receipt, issuance of notices, filing and imaging, taxpayer services, collection and auditing cases, etc.
2. *Existence and use of automated Management Information Systems (MIS).* MIS should be widely used by tax administrations for different purposes. It should be used mainly for monitoring and evaluation.
3. *Interconnectivity between HQ and local tax offices.* All modern tax administrations provide on-line links/servers between Head Quarters and regional and local offices for all major aspects of operations. Those administrations that do not and have to resort to paper exchanges and processing are always the least efficient and least effective.

4. *Data and systems backups.* All modern public institutions must insure that their data and computer systems are backed up on a daily basis to avoid losing the vital data and systems of the entire country's tax system in case of a natural or other types of disasters.
5. *Taxpayer current account in operation.* A current account is an accounting of all the taxes that a taxpayer is responsible to file and pay which requires at all times up-to-date posting by automated means of all tax activities of the taxpayer, i.e., filings, payments, penalties, etc. for all types of taxes. The taxpayer current account is the heart of modern tax administrations. The taxpayer account in most developing countries is not up-to-date or reliable.
6. *Clean and up-to-date Taxpayer Registration System.* A modern and up-to-date taxpayer registration system is a pre-requisite for a taxpayer account. The taxpayer registration system in most developing countries is not up-to-date or reliable.
7. *Automated Audit case selection.* Audit selection, whether for income tax, VAT or other types of taxes, should be based on unbiased risk assessments based on statistically determined parameters. Such a system will help select for audit those firms and individuals that are more likely concealing information and therefore under-declaring their tax obligations.
8. *Tax declaration entry with automatic error correction.* This has reference to automated systems integrated with automated systems for processing tax declarations that will detect error and either make corrections automatically or set the declaration aside for human intervention and correction.
9. *Use of exogenous information (filers- vehicles – real estate).* Efficient and effective tax administrations must use databases about assets of taxpayers for income-and-tax consistency with ownership of assets.
10. *Use of third party databases.* The legal authority and ability of tax administrations to use automated systems of information to compare 3rd-party financial and other data to taxpayers' returns is of utmost importance to modern tax administration.
11. *Data crossing among taxes.* Crossing and comparing information of each taxpayer's taxes provide excellent leads for taxpayer compliance programs, e.g. VAT paid in customs and VAT paid on domestic transactions; real estate taxes and income taxes; and import duties and VAT.
12. *Late or stop-filer systems.* Management and compliance programs and systems to monitor and pursue late and stop-filers to keep this percentage as low as possible are very important objectives of modern, efficient and effective tax administrations.

Planning and coordination

1. *Appropriate use of planning, monitoring and evaluation systems for tax organization.* Efficient/effective tax administrations have a planning unit that leads in the development of coordinates strategic plans and annual work plans and establishes a culture that includes setting and continual monitoring of performance targets.
2. *Coordination of data flows among tax administration, Ministry, and other agencies.* The tax administration should have information-sharing agreements with the banking system, the Ministry of Finance, Customs and local governments – all of which can provide information about taxpayers valuable to tax administration such as value of imports, exports, bank deposits, international transfer pricing, and other information.

Human resources

1. *% of employees with university or college degrees.* A higher percentage – particularly in the technical and management ranks – enhances the efficiency and effectiveness of the overall administration.
2. *Ratio between director and auditor salaries.* In industrialized countries, the ratio is about 2 to 1, but the ratio in developing countries varies considerably.
3. *Ratio between average tax administrator's salary and GDP per capita.* Here again, the ratio in industrialized countries is about 2 to 1; so the average salary, while not high, is enough to attract highly qualified candidates to the tax administration's ranks. In developing countries, the ratio is higher but still too low to attract enough high caliber professionals.
4. *Existence of administrative career plan.* This refers to what is called a "civil service system" in many industrialized countries, with features such as formal recruitment, training and promotion programs based on qualifications and competition of candidates.
5. *Existence of formal retirement plan.* Retirement plan should apply to all employees without any sort of favoritism.

Sanctions and penalties

1. *Tax Code.* The ideal tax code is a single, comprehensive piece of legislation that defines all the legal rights, requirements and recourses for taxpayers and the tax administration alike. It defines all terms that are to be used in the tax system and establishes broad procedures; the organization structure; and the roles of related bodies, such as appeals tribunals.
2. *Tax fraud penalty.* A tax fraud law imposes criminal sanctions for tax evasion and intentional filing false documents with regard to income, expenses or other financial transactions with the tax authorities. Developing countries have only recently started to adopt tax fraud laws.
3. *Application of tax fraud felony sanctions.* Developed countries usually have a high voluntary compliance rate. Therefore, the tax fraud penalty has to be applied only sporadically and its applications are given heavy publicity in the news media. In developing countries which have recently adopted tax fraud laws, despite low voluntary compliance and high tax evasion rates, application of fraud felony sanctions have been weak at best or totally non-existent.
4. *Appeals tribunal.* Most industrialized countries have an appeals process where taxpayers are able to dispute the decisions of the tax authorities. The appeals process is an important institutional arrangement that helps to insure the protection of taxpayer rights lends credibility to the overall tax system and helps to keep the tax authorities under constant review.

Organization, institutional credibility and public confidence

1. *Stability of top-level leadership.* Stability at the top is a critically important feature for consistent direction and leadership of modern, effective and efficient tax administration. In tax administrations of developing countries, instability is the norm, as directors general are replaced very often.
2. *Professionalism of top-level staff.* Self-explanatory.

3. *Tax fraud unit in tax administration.* Tax administrations should have an internal organization unit to investigate cases of tax fraud. The investigators of such a unit require special investigative skills, different from those of auditors and other tax administration staff.
4. *Unit for investigation of internal corruption.* Tax administrations should have an internal organization unit to investigate allegations of corruption of tax officials. This unit should report directly to the top-level administrator.
5. *Diversity and quality of taxpayer services.* The most important responsibility of any tax administration is to attain and maintain a very high degree of voluntary compliance by taxpayers with their tax obligations. The variety and quality of services given to taxpayers to help them comply with their tax obligations voluntarily encourage voluntary compliance as much or more than enforcement programs.
6. *Internal regulation.* All public entities need to clearly specify in terms of internal regulations or rules the policies and procedures that must be followed in carrying out their functions. Procedural manuals issued to all employees of modern tax administrations are the handbooks that outline how these policies and procedures are to be carried out and provide uniformity in application by all personnel. In developing countries, such manuals usually do not exist or are outdated or obsolete.

ORGANIZATION & OPERATIONS

BEST INTERNATIONAL PRACTICES

There are several features which distinguish successful tax administrations around the world. From many of those features, a collective, but not all-inclusive, set of good or best international practices in tax administration has been drawn. Our observations and recommendations in this report about the ISTD's organization and operations are based largely on comparisons to international best practices. The sections below briefly describe many of those practices.

a) Type of organizational structure

Tax administrations around the world tend to organize around three different themes:

1. Some are organized by type of tax, e.g., income tax, VAT, and excises taxes.
2. Some are organized by type of taxpayer/client, e.g., large enterprises, small/medium enterprises and self-employed, wage and salary earners, and exempt organizations.
3. Some are organized by functions performed, e.g., taxpayer services, audits, collections and enforcement.

Each approach has its advantages and its disadvantages. The most prevalent and most successful organizational structure for many years has been by functions performed (commonly referred to as "functional organization"). However, in some countries, including Australia, New Zealand and the United States, there have been moves in recent years away from the wholly functional structure to either the "client type" or to a "hybrid" structure, which combines elements of the functional and the client-type structures.

Under the functional and the functional/client type structures, a very high proportion of the human and financial resources are allocated to the core functions or field operations of the tax administration in relation to that provided to the support functions in Headquarters.

b) Core and support functions

The basic or core functions of modern tax administration include:

- Taxpayer registration;
- Taxpayer services;
- Receipt & processing of tax declarations;
- Taxpayer audits;
- Taxpayer objections (administrative appeals);
- Collections of current taxes and of tax arrears;
- Compliance control of non-filers and stop-filers; and

- Tax-fraud investigations.

The support functions which provide the resources and guidance to the core functions are:

- Integrity investigations and internal audits ;
- Planning, monitoring and performance evaluation;
- Legal services;
- Human resources (personnel management and training functions);
- Budget and financial administration;
- Information technology (computerization and data networking); and
- Facilities and administrative services.

c) Role of headquarters directorates

The Headquarters of a country's national tax administrations is meant to provide support and normative guidance for all field operations, but not to actually carry out any of those operations. The specific roles of Headquarters Directorates generally include:

- Preparing strategic plans;
- Preparing, issuing, monitoring and evaluating annual work plans for Audit, Tax Compliance, Debt Management and Taxpayer Services operations and monitoring progress on meeting objectives;
- Developing case-selection criteria for Audit, Debt Management, and Compliance;
- Determining human resource needs and recruiting, training and allocating personnel;
- Providing financial resources;
- Providing legal services;
- Providing IT hardware, software and expertise; and
- Developing and providing the norms by which the entire organization is governed.

The normative role that Headquarters Directorates perform—setting organization-wide policies and operating procedures and laying these out in written procedural manuals—is vital to the success of the tax administration. Clear policies and methodologies—the *norms*—guide the consistent application of tax laws, tax policies and administrative procedures at all levels, and help ensure fairness, transparency and predictability in the tax system. These are key ingredients in stimulating the high levels of domestic and foreign investment required for economic growth.

d) Role of field directorates

In contrast to Headquarters, Field Directorates perform the operations role of the tax administration. Auditors, Compliance Officers, Anti-Fraud Investigators, and Customer Service Specialists are the ones who deal exclusively with taxpayers to provide information and assistance, perform audits, enforce compliance, collect tax arrears, and investigate cases of possible tax evasion.

e) Control of high-priority taxpayers by segmentation

Over the years, more and more tax administrations have developed and implemented strategies for controlling their universe of taxpayers by segments. The most common segmentation strategy has been to establish a Large Taxpayer Office (LTO) program to control those taxpayers who collectively account for between 60-80 percent of the government's overall tax revenue each year. Inclusion in the LTO program is usually determined by the annual turnover and/or amount of tax liability of the taxpayer for the prior two or more years, plus other criteria such as the nature of the business. For instance, in many countries all taxpayers in certain industries—such as financial institutions—are included in the LTO program, regardless of their actual size.

Lower-level segmentation of taxpayers has recently been extended in some countries to designing and implementing strategies and offices to control medium-size taxpayers who usually contribute around 15-20 percent of the government's annual tax revenue. Medium Taxpayer Offices (MTOs), by default, control those taxpayers not included in the Large Taxpayer program or those classified as “small taxpayers.”

Small taxpayers, meanwhile, are by far the largest taxpayer segment, but also the most difficult to control because of their sheer number and their lack of adequate record-keeping. In many countries, tax administrations have begun to develop and implement strategies for controlling this segment as well. Many have introduced presumptive tax strategies, in lieu of applying scarce audit and compliance resources to this taxpayer population. Many have also designed and implemented simplified regimes for small businesses, allowing these taxpayers to opt to pay a simple turnover tax, rather than be subject to more complex income tax and VAT reporting requirements.

f) Categories of staffing

Functional organizations require three categories of personnel: (i) management, (ii) technical, and (iii) administrative, or support, personnel. Each category is organized around its respective, specialized tax administration function. Staff are then recruited or selected and specifically trained to specialize in the performance of their respective roles and responsibilities, and they are expected to continually dedicate most of their time to the performance of those duties. Auditors perform tax audits, and Anti-fraud Investigators conduct fraud investigations; the former should not perform the latter's job, and vice versa. To the extent possible, technical personnel should not be burdened with a high degree of clerical or administrative work. Supervisors and managers should mainly be left to carry out management functions, and should not be involved in the technical work concerning specific taxpayers.

In a given organizational unit, personnel sharing the same technical specialization (Auditors, Compliance Officers, etc) are assigned to “full groups”, each with a supervisor. The term “full groups” relates to management span-of-control—groups that are large enough to permit specialization, but small enough to be manageable. A ratio of 8-12 specialists per one supervisor is considered a good span-of-control. However, a smaller span-of-control is desirable in some highly technical operations, such as large-taxpayer audits.

Of course, one disadvantage of organization by taxpayer segments in countries with less than 2,000 tax administration employees is the inability to implement this particular good practice.

g) Centralized staffing

Another important practice in successful functional organizations is “centralized staffing.” Centralized staffing ensures the adequate provision of personnel to a limited number of centrally located tax offices to carry out all of the core functions of tax administration efficiently and effectively. The central geographic locations of offices makes them accessible to a high percentage of the taxpayers in that tax jurisdiction, while also ensuring that taxpayers in the wider geographic area will still “feel the presence” of the tax authorities. To provide adequate coverage of more remote areas, staff are assigned periodically to travel from these central locations to perform audits, collect tax arrears, hear taxpayer objections and conduct taxpayer education. Connectivity at all locations to centralized databases allows each site to provide services to taxpayers anywhere in the country.

h) Delegations of authority

In the most successful tax administrations, tax officials in Headquarters and Field Directorates are given sufficient authority and resources from the finance ministry and higher levels of government to make and carry out technical and administrative decisions. Directors run their respective Directorates with a high degree of independence, while being held fully accountable for their unit’s performance.

In fact, modern tax administrations rely heavily on a system of “cascading” delegations of authority. In the traditional chain of command, authority is given in the law to the Minister of Finance to delegate authority to the Director General of Taxes to perform all duties necessary to execute the country’s tax laws. The Director General is then authorized to delegate his own authority to his Assistants DGs in Headquarters and in the field. In turn, Assistant DGs make similar written delegations of authority to their respective Directors, who then can delegate to their managers and supervisors. Finally, managers are able to delegate sufficient authority to their trusted staff to ensure that work gets done both efficiently and effectively. Given sufficient authority, employees at each level of the tax administration are able to deal with most operational, personnel, and administrative matters expeditiously and with a high degree of

independence. Each level of management can then monitor the proper exercise of authority through monitoring reports, on-site reviews, internal audits and other activities.¹⁰

i) Internal audit & internal control

The term “internal audit” refers to the process of conducting periodic reviews to ensure that selected regulations, operations and administrative procedures and programs conform to specified standards and are being implemented efficiently and effectively. All modern tax administrations have an Internal Audit staff in the Headquarters office who conduct independent and professional internal audits on behalf of the Director General to detect and deter inefficiency and waste and identify better ways to carry out tax administration operations.

The internal audit function is often part of a division that also includes “internal control,” although these two functions are somewhat different. Whereas internal audit focuses on the quality and efficiency of tax administration systems, procedures and processes, internal control focuses on allegations of corruption, fraud and misconduct by tax officials. Internal control staff conducts professional and timely investigations of such misconduct and then recommend and carry out sanctions against those officials in confirmed cases. An effective, independent internal control function helps to preserve public confidence in the integrity of tax administration personnel.

j) Enhancing voluntary compliance

The most successful tax administrations around the world are the ones that strongly encourage and achieve a very high degree of voluntary compliance by taxpayers with the country’s tax laws. Tax administration expenses are low, and tax revenues for the government are high, when most taxpayers comply voluntarily. To this end, the cost or burden for taxpayers who continue to comply voluntarily must be kept to a minimum at all times. Furthermore, a wide variety of high-quality services must be provided to demonstrate to taxpayers that those who comply voluntarily are respected and are treated as valued customers of the government.

At the same time, the tax administration can direct its limited compliance resources at taxpayers who do not comply with their tax obligations, exercising all enforcement powers at its disposal.

k) Operating, reliable taxpayer current account

The Taxpayer Current Account (sometimes referred to as the “taxpayer ledger” in the ISTD) is one of the pillars of modern and successful tax administrations. A taxpayer current account is really an accounting system for each taxpayer by which the tax administration tracks liabilities owed and payments made by each taxpayer for all types of taxes. All debit and credit transactions must be recorded in a very timely manner—no matter where the activity takes place—to track all financial activity (liabilities and payments, respectively) on a taxpayer’s account. Automated current account systems are able to track and record tax declarations filed by the taxpayer, whether through the banking system, electronically (e.g., e-filing), or at a tax administration office anywhere in the country. Tax payments made at all locations must also be

¹⁰ There are, of course, certain limitations to such delegations of authority—for instance, with respect to official decisions on tax cases with very high monetary values, or for purchases of major capital equipment.

recorded to the taxpayer's current account as quickly as possible. Prompt and complete posting of these data provides an audit trail with debit and credit transactions to track all financial activity (liabilities and payments, respectively) on each taxpayer's account.

A given taxpayer's current account is first established at the time the taxpayer registers with the tax administration and is given a unique taxpayer identification number (TIN). The TIN for each taxpayer is the "electronic address" where all transactions are recorded. At the time of registration, the particular taxpayer's tax obligations are entered in his own current account in the tax administration's master file database of taxpayers, using the unique TIN as the main identifier. The particular current account for that taxpayer lists the types of tax declarations for which the taxpayer is liable (GST, Income Tax, SST, etc.) and the due dates of each tax return and payment. Thereafter, the automated system monitors the taxpayer's current account for compliance or non-compliance with tax obligations. If the taxpayer does not file any of the required declarations by the due date, a non-filer case is issued soon thereafter by the automated system to the appropriate compliance unit for contact with the taxpayer (by mail, telephone, or field visit).

Similarly, if the taxpayer does file, but does not pay all or part of the tax due, the automated system issues a tax-arrears case to the appropriate division for contact with the taxpayer. The system also automatically calculates and records information to the taxpayer's current account, including: penalties and interest assessed for each tax and period; tax deficiencies assessed, after audit; each payment made for each tax and period; and, refunds made. The taxpayer's physical address for tax purposes—or that of his legal representative—must continually be updated for issuance of official notices.

In short, all tax filing and financial activity must be entered and tracked in a very timely manner so that the tax administration can identify instantly the status of any given taxpayer, and determine whether any compliance action or other response is required.

l) Adequate budget for support and field operations

Management, supervisory and technical officials in modern, successful tax administrations throughout the world need to be given the necessary human and financial resources to perform their principal core and support operations efficiently and effectively. Managers must have some certainty that the resources allocated to them each year will be available as the expenditures become necessary. Furthermore, they must have the authority and independence to manage their own budgets, while being held accountable for results and for efficient use of their allotments.

m) Computerization and data networking

Successful execution of every function of a modern tax administration requires effective use of computers, automation and data networking systems. To perform their respective jobs well, employees in all core and support functions rely heavily on information, and unless this information is accurate and complete and can be retrieved in a timely manner, the information becomes virtually meaningless.

All levels of management rely on automated Management Information Systems (MIS) to monitor progress on strategic and annual objectives and report monthly and annual progress on objectives within the tax administration and to the Ministry of Finance.

Taxpayers also benefit when the tax administration makes effective use of computerization and data networking systems, as this helps ensure timely service in response to all their compliance needs.

n) Summary features of best international practices

In short, the most successful tax administrations around the world are those whose management:

- Define, communicate and apply clear roles for the normative, functional-support and operations levels of the organization;
- Provide clear communication channels among different levels and among interdependent units;
- Maintain a comprehensive, up-to-date record of all taxpayers and their tax obligations;
- Direct the allocation of the bulk of their financial and human resources to the “front-line” functions and to those support functions directly related to tax compliance; enforcement and taxpayer service;
- Delegate authority to all operations levels and officials of the organization;
- Encourage development and application of technology in all functions, including internal management information systems; and
- Provide functional and management training, career opportunities and a work environment that helps attract and retain a high-caliber, career workforce.

STRUCTURE & DISTRIBUTION OF ISTD STAFF

a) Structure

The ISTD's current organization structure as in 2013 is shown in Annex F. The current structure is in large part reflects the recommendations made by the IMF in recent years and represents a "hybrid" functional/client-type structure. Significant events which have impacted the stages of development to the current structure are:

- The Tax and Customs Administrations were separated in 2001;
- The ISTD was created by prime ministerial decree December 31, 2003;
- The formerly separate Income Tax and General Sales Tax Administrations officially merged in August, 2004;
- Actual merger of respective Directorates of Income Tax and GST Headquarters began in late 2004;
- Segmentation by size of taxpayers in the ISTD began October 3, 2004, when the Large Taxpayer Office (LTO) became operational to control taxpayers with annual turnover exceeding 3 million JDs;
- Three Medium Taxpayer Offices (MTOs) were created July 2006—one each to serve Industrial, Service, and Commercial Traders with less than 3 million JDs in annual turnover. Commercial Traders, the largest MTO in terms of number of taxpayers, was divided into MTO Commercial Traders 1 & 2 in May 2008.
- Thirteen (13) long-established District Tax Directorates and Centers, or Small Taxpayer Offices (STOs), were made responsible for income tax administration of all taxpayers in the country not under the jurisdiction of the LTO or the MTOs.

As can be seen in Annex F, the ISTD has made substantial progress in a relatively short period of time to transform its structure from one based of type-of-tax, to one that is largely consistent with best international practices.

While Annex F, at first glance, largely reflects a client-type structure within the ISTD, the sub-structures which exist within the LTO, MTOs and STOs—not shown in Annex F—are based on functional organization structures. In other words, the LTO, MTOs and STOs all have sub-structures and staff to provide taxpayer service, returns receipts, processing and payments, audit, compliance (stop filers and non-filers), and collection of tax arrears for their respective taxpayers. In effect, the ISTD has made a concerted effort to establish "one-stop centers" in all of its offices.

b) Distribution of ISTD staffing

The ISTD's authorized staffing as in 2012 is 1,679. As of this writing, however, total on-board staffing was 1,485, of which 367 (24 percent) were assigned to the Headquarters Directorates and 1,140 (76 percent) to various field offices throughout the country.¹¹ The relative distribution of staff to operations roles vis-à-vis support/normative roles in Headquarters is right in line with best international practices. Table 10 below shows the breakdown of field operations staff in 2009-2012:

Table 10: Distribution of ISTD staff 2009-2012

Field Office	2009	2010	2011	2012
Total ISTD staff	1,663	1,679	1,670	1,679
ISTD staff on board	1,407	1,443	1,495	1,485
Headquarters	367	370	375	373
LTO	113 (51 SST)	105	111	107
MTOs	331	337	344	333
Site Control (SST)	51 (part of LTO)	50	52	50
STOs	٦٠٤	٦٠٢	٦٠٩	٦١٦
Anti-Fraud	50	53	55	57

While the allocation of staff to operations roles follows the international practice, the allocation of more than 56 percent of these operations staff to the STOs is disproportionately high given that this taxpayer population only accounts for about 10 percent of total tax revenues.

c) Exceptions noted about ISTD's organization structure

Since 2009 and based on the recommendations made in the 2010 Benchmarking Study, ISTD has taken concrete actions to improve the structure. Those improvements are noted below along with other features which are still unusual to the ISTD's current organization structure:

11 Of these field operations staff, 576 were Auditors, 63 were first-line Supervisors, and 36 were designated as Managers or Directors.

- The Seven Local District Tax Centers (STOs)—field operations offices in Al Karak, Al Balqa, Attafeelah, Madaba, Ma'an, Al Mafrq, and Ajloun—which used to be placed under the Assistant DG for Planning, Development & Taxpayer Services (a Headquarters policy and support function), have been moved under the Executive Assistant DG for Field Operations, where all the other operational directorates are located.
- The Information Technology Directorate is under the Assistant DG for Administrative and Financial Affairs. In most modern tax administrations, this function is placed directly under the Director General, since the IT Directorate serves and supports the entire organization, including and particularly the Field Operations Directorates.
- The Debt Management Directorate, which deals with tax arrears, was established in 2009 and was placed under the Assistant DG for Finance & Administration. It has been moved under the Assistant DG for Planning, Development & Taxpayer Service, where it should be.
- Debt Management was established at the Directorate level rather than as a component within the Tax Compliance & Operational Management Directorate, which customarily has Divisions for (i) Tax Audit and (ii) Tax Compliance, including Collection of Tax Arrears & Follow-up (Stop Filers).
- The Taxpayer Call Center is now a Division of the Media & Communications Directorate, and was placed under the Assistant DG for Administrative and Financial Affairs. In most modern tax administrations, the call center is typically part of the Customer Service Directorate, under the Assistant DG for Planning, Development & Taxpayer Services.

d) Operations roles played by ISTD headquarters

During the first few years after the merger of the former Income Sales Tax Departments, Headquarters Directorates and Field Directorates both performed substantial operations roles. Wherever similar practices have been performed by Headquarters Directorates in other countries, there has been a great deal of duplication of effort, creating confusion among taxpayers about who has jurisdiction and authority to deal with their tax cases, and among tax administration personnel about who directs their work and the scope of their responsibilities.

The ISTD has made substantial progress in shifting operations roles exclusively to its Field Directorates. However, contrary to best international best practices, we did note that some Headquarters Directorates still conduct some operations functions, some of them overlapping with activities already carried out by field offices. For example:

- The staff of the Debt Management Directorate deals directly with taxpayers to resolve tax arrears cases, as do all of the Collection and Follow-up staffs in the LTO, MTOs and the STOs.

- The fact that very heavy taxpayer traffic visits the first and fourth floors of the ISTD's Headquarters building, where extensive Taxpayer Service operations are conducted, no doubt contributes to the operations functions that the Headquarters Directorates continue to execute. To the extent possible, the ISTD should shift such operations out of the Headquarters facilities to minimize contact between Headquarters tax officials and taxpayers.

e) practice of HEADQUARTERS normative role

As stated above, the main role of a tax administration's headquarters is a normative one, i.e., to develop, issue and continually update policies, procedures and standards—usually in the form of manuals—that govern the day-to-day execution of the core tax administration functions. During the visits made to ISTD offices in preparation for the 2010 study, however, it was found that current procedural manuals or other formal guidance were largely missing. For example:

- The only audit procedures manual in use in one MTO was a manual developed independently for on-the-job training by a senior auditor in 2003.
- In one STO, staff made reference to instructions in “a circular” that is no longer available, but which they have followed for several years, related to issuance of one type of tax clearance certificate that creates a high volume of work for that office.
- Upon inquiry in several offices, we were informed that none of the various operations staffs had current, written procedural manuals.

There were exceptions, of course. A Customer Service Manual, for example, was developed in December 2007 and is currently in use. There was also an on-the-job training (OJT) Manual developed by the FRP I Project in 2007 which is being used, though mainly by newly assigned Auditors.

In 2011, FRP II assisted ISTD in developing two procedures manuals; one for tax compliance, the other for tax arrears. An effort was also made to develop an updated audit manual. This manual is currently half-way through and needs to be completed.

OPERATIONS OF ISTD

This section describes and assesses the core functional processes and operations of the Income and Sales Tax Department. Throughout the discussion, references are made to a variety of benchmark indicators of tax administration performance and structure. Primary indicators, comparing the situation in Jordan to the international benchmark or standard, are presented in Table 9, above. International comparative indicators for Jordan are then presented in Annex A.

It is important to remember that the ISTD is already initiating important changes to meet the objectives of its 2010-2014 Strategic Plan. Other events, including the ongoing tax amnesty program, have had and will continue to have an effect on tax administration operations. The discussion below aims to provide a general picture of the developments made since 2009, statutory procedures and their application, and areas in need of improvement, rationalization or simplification.

a) Taxpayer services, registration, and returns filing

Walk-in taxpayer services

Taxpayers and tax practitioners are provided walk-in taxpayer services on the first and fourth floors of the ISTD Headquarters and at all ISTD field offices throughout the country. The services include:

- Obtaining necessary information and pamphlets to file tax returns;
- Taxpayer registration;
- Filing tax returns and other documents;
- Making payments;
- Obtaining tax clearance certificates;
- Obtaining tax exemption certificates; and
- Securing tax refund checks.

Taxpayer and tax practitioner traffic in all Taxpayer Service offices at Headquarters and in Field Directorates is very heavy—especially with the run-up to the deadline for early filing (and payment) for annual income tax returns and sales tax returns.

Based on practices observed in several other countries, the ISTD's walk-in traffic could be decreased considerably. For instance:

- The layout of the physical space at some Customer Service locations, such as on the 4th floor in the ISTD Headquarters building, could be made much more customer friendly. Current practices require taxpayers to visit a sequence of service counters to complete different steps in support of whatever service they require or tax obligation they need to fulfill, whether completing taxpayer registration, filing a return or other documentation, paying taxes due, or obtaining a tax clearance certificate. These steps could be substantially streamlined to make them more efficient and customer-friendly.
- ISTD staff spend considerable time reviewing the accuracy of tax returns and keying in the data for those returns while taxpayers wait to obtain a stamped receipt and payment voucher. These activities could be considerably streamlined as well, with greater centralization and automation of data processing, and considerably less (or preferably no) in-person filing at ISTD tax offices. Chapter VIII includes some recommendations for how to accomplish this.
- A “Qmatic” numbering system, with numbers drawn by taxpayers in the order of their arrival, was installed several years ago at the 4th floor of ISTD Headquarters, but we understand that the system is not in use. Consequently, even though chairs are provided for waiting, we observed a large number of visitors where seats cannot take them all. The “Qmatic” system should be used at all times, at least until walk-in services at ISTD Headquarters are discontinued.
- One of the ISTD’s most administratively burdensome activities is the issuance of tax clearance certificates. Such certificates are usually required by taxpayers before they can complete a particular transaction, such as transferring real property obtaining bank loans, importing an automobile, or bidding on government contracts. Individuals and employees often require these as well for a variety of reasons. These tax clearance requests create a lot of heavy traffic in all ISTD offices, yet there is no evidence that these clearances actually contribute in any measurable way to enhanced taxpayer compliance or additional tax revenues. While eliminating such requirements is often very difficult to accomplish, some countries have reduced the administrative and compliance burden they create by using web-based services to automate the issuance of tax clearances and move this activity out of the tax office.
- The ISTD also processes and pays out tax refunds to taxpayers, which also creates considerable traffic at the various tax offices. In most countries, budgeting and disbursement of tax refunds is typically the domain of the Treasury function within the Ministry of Finance. Under the ISTD’s current practice, current and capital expenditures as well as tax refunds are all part of the same budgetary allocation. This practice not only creates an unnecessary administrative burden for the Department; it also puts pressure on the Department’s normal spending, since sufficient funds must always be set aside to pay out refunds.

Telephone service – national call center

The ISTD launched a taxpayer-service call center in February 2005 to provide telephone service to taxpayers anywhere in the country. The Call Center was placed in the Media & Communications Directorate, under the Assistant DG for Finance & Administration, which is unusual given that call center services clearly represent an operations function.

At the outset, five taxpayer service specialists handled inquiries six days per week, from 7:30-16:30 each day. Currently, however, the number of specialists has dwindled from five to two. Moreover, the staff are provided with limited tools for responding to taxpayer queries.

A national call center was established under the Ministry of Telecommunications and Information Technology, staffed by personnel from the various government ministries. Under this scheme, the ISTD's call center staff can also be transferred to the new national center. However, for privacy and sensitivity reasons ISTD preferred to keep its own call center service separate and remain where located.

b) Tax payments

The MOF and ISTD have already implemented a progressive initiative that allows taxpayers to pay GST at selected banking institutions throughout the country. It is not clear whether the same service is offered for payment of income taxes. Initially, agreements were made with three commercial banks to accept GST payments and issue receipts to taxpayers. Under this arrangement, taxpayers can come to one of the designated banks to pay taxes due, where bank staff document entity information—the taxpayer's identification number (TIN), name, the tax period, and amount of the payment—and then transmit the data to the ISTD electronically for posting to the taxpayer's current account. Agreements were then made with an additionally three banks, and most recently three more banks were added, bringing it to a total of nine commercial banks participating in the program. This initiative makes paying taxes more convenient for taxpayers and tax practitioners, ensures more rapid and accurate transcription of entity data, and more timely posting of new data to taxpayers' current accounts.

Perhaps the public information campaign to advertise this new service has not been successful, because a very high number of taxpayers continue to make their GST payments at ISTD offices, where the Cashier's office continues to receive very heavy customer traffic. Besides the long queues at the Cashier's offices, it is also noticed that there is no security of any kind for the Cashier staff and the monies entrusted to them. This vulnerability to security breaches, combined with the potential for abuse, were among the major factors contributing to many other countries' decision to discontinue the cashier function at tax administration offices.

c) Taxpayer registry

Taxpayer Registration and the TIN numbering represent one of the most important pillars supporting integrated tax information systems. The reliability of a tax administration's taxpayer registration system, procedures and TIN database have a very significant impact not only on the effectiveness and efficiency of all its operations, but also on the revenue collections for the whole country.

The overall quality and reliability of the ISTD's current taxpayer registry has improved since 2009. There were more than 500,000 registered taxpayers in the ISTD's registration database in 2009 (not including the more than 400,000 employees on record). Table 11 below shows changes in registry since 2009:

Table 11: Changes in taxpayer registry 2009-2012

Taxpayers	2009	2010	2011	2012
Individuals (nonemployees)	419,905	431,550	444,758	452,501
Partnerships	71,645	75,560	83,042	85,722
Corporations	29,884	33,602	38,349	41,771

Table 12 below shows developments in the number of active taxpayers since 2009:

Table 12: Developments in the number of active taxpayers 2009-2012

Active Taxpayers	2009	2010	2011	2012
Individuals (nonemployees)	68,297	72,123	98,257	87,735
Employees	206,421	186,198	107,945	80,563
Partners	11,563	12,635	24,468	23,353
Corporations	6,463	7,669	13,334	16,620

The status of the Taxpayer Registry has come about in large part because of the use of multiple identification numbers for different registration purposes over the years. The Ministry of Interior issued a national ID number for all citizens, usually at birth. The Income Tax Department issued an Income Tax TIN for employees and individuals, and a separate TIN for corporations. And, the Sales Tax Department issued a General Sales Tax TIN and a separate Special Sales Tax TIN for the relevant taxpayers.

When the Income and Sales Tax Departments merged, the decision was made to adopt and use the Income Tax TIN for all taxpayers, a system for TINs which had been developed by the UNDP-funded Petra Project. Starting July 1, 2007, the Income Tax TIN became the official and only TIN issued to new taxpayers. However, for GST taxpayers who had already registered prior to that date, the old GST TIN was retained as a "secondary TIN" on each taxpayer's ledger, or current account, for information purposes only.

d) Taxpayer current account

The accuracy and reliability of the ISTD's taxpayer current account database hinges on the reliability of data in the taxpayer registry. Since the latter database has improved, so has the taxpayer current account database.

Eliminating the problems with the taxpayer current account database enables ISTD Taxpayer Service personnel to issue tax clearance certificates or respond to taxpayer inquiries about their tax standing with a high degree of confidence about the reliability of the underlying data. Without a reliable current account database, moreover, Tax Compliance and Debt Management operations have to cull information manually from different databases to try to establish a more accurate picture of taxpayers' activity.

e) Audit operations in general

Risk-based Selection of Cases for Audit

An effective taxpayer audit system must be based on the selection of returns for audit from self-assessed declarations with the highest risk of revenue loss to the government. Risk-based criteria help identify, classify and assign such cases for audit. For many years prior to the merger, the audit strategies of the former Income Tax and Sales Tax Departments were to select and audit 100 percent of tax returns filed—an objective which is largely unproductive. The 100-percent audit strategy persisted even after the merger of the two Departments.

During the last five years, the ISTD has made considerable progress in channeling their resources to higher-priority audits through segmentation of taxpayers and reducing audit coverage. Establishing the LTO, MTOs and STOs represents a huge accomplishment by ISTD's top management in this respect.

Additionally, the ISTD developed, in collaboration with the FRP I project, a risk-based, computer-assisted selection system, which has been in use for about five years. Despite the progress made by the ISTD to channel their human and financial resources to audit cases with the greatest revenue-loss potential, however, there is still a very long way to go before the ISTD' audit selection practices are consistent with the most productive and efficient international best practices. For example, most successful tax administrations select and audit only 1 percent of Income Tax and no more than 5 percent of GST returns filed. Current selection and assignment for Income Tax audits for the MTOs is around 33 percent, and the percentage for GST cases is substantially higher. There is also a trend at ISTD to audit 100% of large taxpayers for unjustifiable reasons. Table 13 below shows developments in the audit coverage since 2009:

Table 13: Developments in the audit coverage 2009-2012

Audit Coverage	2009	2010	2011	2012
LTO	100%	100%	100%	100%
Others	39%	37.8%	36%	33%

Contributing to the excessive audit rates are several policies and legal requirements for mandatory audits of certain categories of cases. For example, all applications for refunds whose value exceeds a certain limit must be audited. Additionally, all returns that show an operating loss of JD 20,000 require mandatory audit as well.

Similar mandatory-audit requirements in other countries have proved very unproductive. For example, in Indonesia a few years ago, analyses of results of mandatory refund audits showed an average additional assessment of US\$3 per audit. Audit resources would have been utilized much more efficiently and effectively had they been channeled to comprehensive audits instead, which produced an average of US\$800 per audit.

Even if changes to legislation are required in Jordan to establish much higher thresholds for review or audit of refunds, efforts to change the laws are of vital importance. If successful, ISTD's limited resources, which are now being used to a largely degree in low value, unproductive audits, could be applied more efficiently and effectively.

Annual audit work plan

The staff of the Audit Management Division in the Tax Compliance & Operational Management Directorate at Headquarters prepares the annual audit work plans and selects cases for audit based on the risk-based criteria in the automated system. Through the 2009 tax year, the statute of limitations to conduct audits has been only one year from the date a tax return was filed or its due date, whichever is later. Under the 2010 income and sales tax laws, the statute of limitations for the ISTD to initiate audits has been extended to four years. This is far more reasonable and consistent with best practices.

An Automated Tracking System (ATS) developed under FRP I was designed to monitor assignment, on-going progress and completion of audit cases in Field Directorates and to produce automated MIS reports about the results. The ATS was piloted by the LTO and roll out to the MTOs began in 2012. Ultimately, the ATS is scheduled to be rolled out to all MTOs.

With regard to conducting comprehensive, integrated audits for Income and General Sales Tax, this is the standard practice in LTOs. The STOs, meanwhile, have only been performing Income Tax audits, but selected STOs have begun to conduct GST audits for new GST taxpayers with annual turnover below JD 100,000, even though GST taxpayers should all be handled by the MTOs and the LTO. ISTD has a plan to reconsider the bases for the distribution of taxpayers among the different MTOs and STOs.

Aside from the above, one of the major problems with current practice in the ISTD's Audit function—whether in the LTO, the MTOs, or the STOs—is the lack of current and consistent written procedures and policies for all Audit personnel to follow. In one MTO, the Audit Manual in use had been developed by an Auditor in 1993. We also understand that an on-the-job training (OJT) Audit Manual developed in 2007 was currently in use as well, but only by newly assigned Auditors. Otherwise, no audit manuals or any uniform written procedural instructions exist, as far as we could determine. Clearly, there is a need for centralization and standardization of audit procedures and policies.

Delegations of authority

Despite the fact that the tax laws permit delegation of authority, and that delegation has increased since 2009 as described in Chapter IV of this report, there is still room for more delegation of authority to lower level staff. There are still some completed cases being sent to Directors, and even to higher levels, for review and approval. It has always been reported that managers at all levels spend much of their time on technical and administrative matters because of the absence of delegations of authority. Consequently, they are left with little time to perform their primary management duties.

LTO audit operations

The LTO was launched in October 2004 with about 40 Auditors to control 500 of Jordan's largest taxpayers, including those with annual turnover above JD 3 million, as well as SST taxpayers. The strategy was to control those taxpayers who accounted for more than 70 percent of the ISTD's revenue collections. The largest taxpayer categories were Commercial Traders (180) and Industrial (177); other categories included Services, Banks, and Insurance Companies.

Until the end of 2012, the LTO administered ٧٩١ taxpayers accounting for around ٧١ percent of the ISTD's total tax revenue. To qualify for LTO status, taxpayers must have an annual turnover of JD ٣ million for a consecutive three-year period. LTO taxpayers have a very high compliance rate of ٩٤ percent.

Of the LTO's 59 total staff in 2009, 33 auditors and 5 supervisors were dedicated to the audit function. All case assignments to LTO auditors are done electronically, through the Audit Tracking System. As recently as last year, only about half of the Auditors had laptops, but we understand that now almost each auditor is equipped with a laptop and a workstation. Completed case work papers are also archived electronically. The Audit staff is not specialized by industry, but rather is grouped into several teams with the various industry specializations represented in each group.

Surprisingly, there is no risk-based sampling for the selection of large taxpayer audit cases. The objective continues to be to audit 100 percent of large taxpayers, which, of course, is an unrealistic goal. However, managers do prioritize cases for assignment to ensure that the highest priority cases are continually assigned for audit. LTO management emphasizes that audit quality is as important as audit productivity, and this is reflected in the quality of their audit staffs' work. Table 14 below shows developments in LTO audit operations since for 2009-2012.

Table 14: Developments in LTO audit operations 2009-2012

LTO Operations	2009	2010	2011	2012
LTO selection criteria	3m in turnover	3m in turnover	3m in turnover	3m in turnover
# of LTO taxpayers	746	769	784	791
# of LTO staff	113	100	111	107
# of auditors	27	24	25	25
# of supervisors	4	4	5	5
LTO Revenues	1,541	1,966	1,938	2,151
LTO filing rate	92%	93%	97%	96%

Training for LTO Auditors is on an ad hoc basis. FRP II trained auditors in various areas such as International Accounting Standards, Basic Audit Techniques, Bank Audit, Sales Tax Audit Techniques and English language. Transfer-pricing issues and systems audits for large taxpayers are topics which require in-depth training as well.

MTO audit operations

Three MTOs were launched in 2005 to administer a population of 15,000-20,000 medium-sized taxpayers. The strategy was to control the group of income tax and GST taxpayers who provide around 20 percent of the ISTD's total revenue collections, after the 75 percent contributed by LTO taxpayers. The Commercial Traders MTO was split in two in 2008, bringing the total to four MTOs: Commercial Traders 1 & 2, and one each for Industrial and Services Sector taxpayers. The combined staffing of the MTOs in 2009 was around 325, of which there were 168 Auditors and Audit Supervisors. Taxpayer Service, Collection and Follow-up, and Administration accounted for the rest of the staffing. The two Commercial Trader MTOs share a Customer Service site at Headquarters, while the Industrial and Services Sector MTOs each have their own Customer Service offices because both are now at sites away from Headquarters. MTOs operations staffing since for 2009-2012 is shown in Table 15 below.

Table 15: ISTD MTOs operations staffing 2009-2012

MTOs Staffing	2009	2010	2011	2012
Industrial Total	90	87	85	80
Auditors	43	45	43	40
Supervisors	6	6	6	6
Trade I Total	69	71	72	74
Auditors	43	42	43	45
Supervisors	5	5	5	5
Trade II Total	74	74	75	77
Auditors	41	42	42	41
Supervisors	5	5	6	7
Services Total	92	92	93	94
Auditors	42	42	43	45
Supervisors	5	5	5	5

There are still several common problems shared by all MTOs, at least from the standpoint of the audit function. Specifically:

- Current risk-based selection systems for audit cases are not sufficiently selective. There are too many cases being selected for audit, and workload is excessive.
- Unlike the LTO and in contrast to international best practices, there is a very high emphasis on audit “production.” In other words, the more cases completed, and the higher the revenues produced from those cases, the greater the reward for audit staff. In this environment, audit quality becomes a lower level priority.
- Information Technology resources, particularly PCs and laptops, and IT expertise are in short supply at MTOs.

f) Collection & follow-up operations in general

Even though the Debt Management and the Tax Compliance & Management Directorates are Headquarters Directorates, we discuss many of their activities here in tandem with those of Field Directorates because (i) they continue to conduct some operations that are normally performed by field offices, and (ii) many aspects of Collection & Follow-up operations in the Field Directorates depend on the respective functions these two Directorates perform at Headquarters.

Debt management directorate

The Debt Management Directorate was established at Headquarters in January 2009. It had nine employees in two Divisions: (i) the Debt Management Division, with a Collections Follow-up Section and a Pay as You Earn (PAYE) Follow-up Section, and (ii) an Enforcement Division, with Enforcement and Insolvency Sections.

Procedural manuals did not exist for Debt Management. The 2010 Income Tax and GST Laws and Jordan's Public Debt Collection Law provide ISTD Director-General with the basic legal framework and some of the procedures for much of ISTD work. Tax officials do have the power to file protective liens on real and personal property and seize and sell property at public auction by the State Funds Collection Law for taxpayers who refuse to pay tax arrears. However, we understand that in practice, seizure and sale rarely happened. Recently, ISTD started to take serious measures, such as seizure and action sale, to enforce tax debts. The ISTD has electronic links with many external agencies to provide information about property of taxpayers for enforcement purposes, including the Department of Lands & Surveys; Jordan Customs; the Department of Vehicle Registration; the Securities Commission; and, the Central Bank of Jordan.

The total tax arrears in Jordan are increasing. With no statute of limitations, part of this total belongs to many years back. Even though these amounts are largely uncollectible, they cannot be written off because there is no legislation to permit write-offs.

Because of substantial budget deficits, amnesties are frequently approved for taxpayers with outstanding debts to the Government. Through December 8, 2009, a sizable amount of debts had been approved and paid by taxpayers under the amnesty program. The results may seem impressive in the short run, but international experience has provided sufficient evidence to conclude that tax amnesties are very detrimental in the long term to voluntary compliance.

Tax officials had some concerns about the operation of the automated tax arrears database, which was developed with the assistance of the Information Technology Directorate. The LTO and the MTOs have also had serious difficulties with the system (described below). Everyone involved, both in Headquarters and in the Field Directorates, has had to resort to manual methods for managing tax arrears cases. MIS reports for monitoring progress against annual work plan objectives are also mainly developed manually. However, with the data base clean-up process underway since 2010, tax arrears and MIS reporting system has improved a lot and became more reliable.

Tax compliance & operational management directorate

The roles of this Directorate in selecting cases for tax audit and preparing annual audit work plans were described above, under Audit Operations. This Directorate also has responsibility for non-filers and stop-filers, including setting the criteria for selecting samples of non-filers and stop-filers for assignment to Field Directorates on cases not resolved at Headquarters. The criteria are sent to the Information Technology Directorate for selection of the sample and are returned to the Directorate to establish priorities and provide taxpayers' lists to the Field Directorates.

Collection & follow-up operations in the LTO and MTO's

The Collection and Follow-up Divisions in the LTO and MTOs have dedicated staff responsible for sending notifications to delinquent taxpayers, negotiating installment agreements for payment of tax arrears, and enforcing collection, including through tax liens and seizure and sale of property at public auction. In practice, however, we understand that no seizures had actually been carried out because of some restrictive provisions in the Public Debt Collection Law. Collection & Follow-up staffs also work stop-filer GST and income tax cases and are authorized to make electronic presumptive assessments in such cases based on prior tax liabilities.

We understand that the automated stop-filer system, which was supported by FRP I and developed with the help of the IT Directorate to provide listings of stop-filer cases, was not working effectively. However, this system has improved since 2010 and now it is in a much better shape.

Delegations of authority and management roles

In Collection and Follow-up field operations, as in Audit field operations, effective delegations of authority were largely non-existent. Auditors feel powerless to make decisions on their cases, since they have to first secure approval from MTO Directors and, at times, higher levels of the ISTD. Here again, managers at all levels spend much of their time on technical and administrative matters, leaving little time to focus on their management planning roles.

g) STO operations

In 2009 there were 500,000 small taxpayers registered for Income Tax under the administration of the 13 STO Directorates, compared to 708 for the LTO and roughly 20,000 for the four MTOs. Small taxpayers maintain few records that can be examined by tax officials. Therefore, the small-taxpayer segment is the most difficult to control, not just in Jordan, but in all countries.

Collectively, small taxpayers in Jordan are estimated to account for only 10 percent of the ISTD's overall revenue collections. Because of the high number of taxpayers under their jurisdiction, however, the STOs had in 2009 56 percent of the staff allocated to ISTD field offices, which is disproportionately high given the small contribution of this taxpayer segment to total tax revenues. MTOs, meanwhile, complain that their staffing is insufficient to meet workload demands.

For several years, the IMF and FRP II have recommended the design of a broad, simplified regime for small taxpayers, allowing small businesses (say, those below the GST filing threshold) to pay a single turnover tax, in lieu of fulfilling the filing and payment requirements for income tax and GST. The IMF has also advocated for several years to eliminate the requirement for most employee-taxpayers to file annual income tax returns.

The actual strategies are slowly evolving. For example, the 2010 temporary Income Tax Law sets the tax-free threshold so high (a basic deduction of 12,000 JDs, and 24,000 JDs including all dependents) virtually most employees are, in effect, freed from the requirement to file for income tax. The ISTD has begun efforts to extend the coverage of STOs to include control of the population of smaller GST taxpayers, even though the ISTD's taxpayer segmentation strategy did not originally envision STOs playing a role in controlling any GST taxpayers. In 2009, the Irbid and Zarqa District Tax Centers were the first STOs to pilot this initiative, taking on new GST payers with annual turnover below JD 100,000. As mentioned above, the trend now at ISTD is to redistribute taxpayers among STOs and MTOs for more effective control. This strategy has many advantages such as reducing the compliance burden, treating tax auditors equally and giving them more chances to grow, acquire and share experiences.

STO organization structures and substructures in all 13 Directorates are the same as in the MTOs. FRP II visited the STO Amman North Directorate (the largest of the 13 District Tax Centers) and discussed with the Director the high volume of work handled by this office. We observed first-hand the heavy taxpayer traffic in the Customer Service area for a variety of services. Among them, the most common were requests for tax clearance certificates and for refunds of income taxes withheld by employers.

FRP II also visited Al Balqa District Tax Center. This office is located in a commercial building about 30 minutes outside of Central Amman, and was easily the most attractive of the offices visited. Clearly, this office represents a "One Stop Center." All services are provided there, and the layout is very customer-friendly. Work stations for employees are modern and comfortable, as is the Customer Service area. The nature of the workload is much like that of the Amman North STO, but of considerably lesser volume.

h) Objections and appeals

Under Article 32 of the 2010 Income Tax Law, taxpayers must file an objection to proposed additional assessments, after audit, within 30 days of having the audit decision letter notified to him. According to the same Article, an "Objections Committee" comprised of one or more audit officials is appointed to review the audit decision, consider the taxpayer's objection, and issue a decision within 90 days from the date the taxpayer filed the objection. If the taxpayer agrees to any part of the proposed original assessment, however, he is required to pay any amounts due on agreed portions.

If the taxpayer disagrees with the decision of the Objections Committee, he has the right to file an appeal to be considered by the Tax Court of 1st Instance; then to the Tax Court of Appeals; and finally to the Court of Cassation (which we understand is similar to a Supreme Court). All appeals court cases are handled by attorneys of the General Prosecution Division in the ISTD's Directorate of Legal Affairs.

Best international practices have shown that objections should be brought before an independent Objections Committee composed of experienced, former auditors and housed in a unit that is not responsible for conducting any audits or other tax enforcement activities. These arrangements provide reassurance to taxpayers that they will receive fair and impartial consideration of their objections, and ensure that a higher percentage of cases are resolved at the objections stage. A high settlement rate at the objections stage, of course, decreases the volume of cases that go to appeals courts and is of benefit to all parties.

i) Anti-fraud investigations

The Anti-Tax Fraud Directorate was established in 2007. In 2010 the Directorate had 50 employees, of which 35 Auditors investigate cases on GST non-filers, i.e. taxpayers liable for GST who have never registered with the ISTD. Investigators for evasion of GST comprise the largest part of the investigator staff. Other cases address suspected tax evasion involving under-reporting and non-reporting of income and overstating of business expenses. Anti-fraud investigators are recruited from the ranks of experienced Auditors who have at least three years of tax administration experience. Given the (sometimes) physical nature of the work, anti-fraud investigators must also meet certain physical fitness requirements. FRP II conducted a number of technical trainings for anti-fraud officers such as international investigation techniques best practices, tax fraud awareness sessions and fraud recognition techniques, which highly improved their skills. In addition, there were efforts to establish a computer forensic unit at ISTD, which is still an open issue for technical assistance.

Article 35 of the GST Law of 1994, as amended, provides financial penalties for criminal offenses. Taxpayers convicted are liable to pay a sum not less than twice nor more than three times the amount of GST tax under-reported, plus a fine of JD 200 – JD 1,000. A second criminal offense doubles the penalties. Only if the second offense occurs within one year of the first offense is a taxpayer subject to imprisonment, for a period of between 3-6 months. Article 55 of the 2010 Income Tax Law, meanwhile, provides for imprisonment of between 1-12 months, plus a fine of JD 500 – JD 1,000, for tax evasion.

An annual work plan is prepared and progress on objectives is monitored on an on-going basis. Many of the cases investigated involve GST evasion. The source of most of the Anti-Fraud Directorate's GST cases is communications from informants. The investigators also conduct "road-search operations" in conjunction with law enforcement authorities, which also produce evasion cases.

In 2009, there was not much ongoing work on income tax evasion. This area needed more activity. For income tax evasion cases, international experience has proved that the best cases with the most fraud potential are case referrals from auditors who, through preliminary investigation of taxpayers' books and records, recognize so-called "badges of fraud," or possible tax evasion. Auditors are given specialized training to detect such "badges of fraud" and are required to stop their examination and refer the case to the Anti-Fraud office when they detect such activity. Anti-fraud investigators can then focus on developing the criminal aspects of potential fraud cases, not to produce additional revenue as in audit cases, but rather to develop the necessary proof to be able to refer the case to the Legal Directorate for prosecution. Successful prosecution, conviction and incarceration sentences—even if only a few cases are

successfully prosecuted each year—are heavily publicized to serve as examples to all taxpayers that non-compliance with the country’s tax laws has serious consequences.

j) Internal control

The ISTD’s Internal Control Directorate reports directly to the Director General. It had in 2010 a staff of 15 Auditors assigned to three Divisions: Technical & Financial Control; Administrative & Legal; and Post-Audit. The Director has an annual work plan and monitors progress on objectives. He and his staff had done a great deal of work in 2010 to streamline their operations.

The Directorate routinely performs two unusual functions not consistent with international best practices. First, the Directorate’s Post-Audit Division performs sample quality reviews of audit cases. Quality review of audit cases is an integral function of Audit Management in the Headquarters and audit Divisions in the Field Directorates, not of the Internal Control function.

Second, the Internal Control Directorate also reviews a variety of disbursements made by the ISTD, including tax refunds above certain threshold. Jordanian law requires all such refund vouchers to be audited. Yet, the time and effort expended in such work may not worth the return on resources invested.

k) Planning and coordination within ISTD

Many aspects of ISTD’s planning and coordination have already been described in various sections of this report. For example, the Planning & Development Directorate has developed a strategic plan for 2010-2014 and coordinates with all Directorates to monitor and report progress on strategic objectives on a monthly, quarterly and annual basis. The Tax Compliance and Operational Management Directorate prepare annual work plan for the respective compliance functions in Field Directorates and coordinate with them to monitor and report monthly progress on operations objectives.

One automated, internal planning and coordination tool not described earlier is an automated Workflow System, developed in 2007 with support from the UNDP. The Workflow System was designed to re-engineer internal workflows of communications related to the various functions to simplify automatic procedures, reduce paper work, monitor operations and save time and effort for both visitors and ISTD.

Workflow System was primarily designed to automate current operations. Since introduced in 2007, the system, however, has largely improved to fulfill ISTD changing needs and became a daily routine exercised by all ISTD staff.

I) Coordination with external agencies

The ISTD has electronic links with many different agencies for a variety of purposes. The Debt Management operations obtain a great deal of data electronically from agencies such as the Customs Department, the Social Security Administration (e.g., pensions), the Department of Vehicle Registration, the Department of Lands & Surveys, and the Ministry of Trade. The Audit function at Headquarters and in Field Directorates uses data from the same and other electronic links with third parties to make comparison analyses for selection, planning and examination of audit cases. Table 16 below shows the development of e-links at ISTD since 2009.

Table 16: Development of e-links at ISTD 2009-2012

E-links	2009	2010	2011	2012
No. of Agencies	3	4	4	5

ISTD has made substantial progress in developing software programs to obtain third-party data electronically. It uses such data effectively in ISTD operations. Software applications for cross-referencing these data with information in the ISTD's own databases have been adequately developed. Both manual and electronic cross-checking of data are being used.

RESOURCES

a) Information technology

The ISTD's Information Technology Directorate is located in the Headquarters and reports to the Assistant DG for Administrative and Financial Affairs. It has a total staff of 44 persons, of which 39 is on board. The Directorate is comprised of three Divisions:

- Programming & database, whose staff develop new systems, make modifications to existing ones, collect data from third parties, and refine and enter those data into ISTD databases;
- Maintenance & operations, whose staff maintain the ISTD servers and backup-system and design and maintain the networking systems; and
- System administration and E-Government, whose staff test new software and manage system security (providing and restricting access to users),

In 2009 the ISTD's IT system, an Oracle database system, was about 6 years old. three years earlier, the ISTD's IT and operations staff had had to merge three legacy IT systems – the old Income Tax System, the Value-Added Tax Information Processing System, or VIPS (used by the former Sales Tax Department, and a newer system designed with UNDP support. The migration of data from the old Income Tax and VIPS systems to the newer system was an enormous task and was completed not long ago before 2009. The ISTD had an integrated tax information system in 2010; however, problems persisted, as reported above, such as with the automated stop-filer and tax-arrears systems. Furthermore, there was only one server for the integrated database. Consequently, users in the field had to request a great deal of assistance from the IT Directorate to meet a variety of their operations needs.

The IT Directorate seems to be constantly putting out fires, responding daily to urgent requests from all operations offices. There is an overwhelming volume of IT work throughout the ISTD; the IT Staff is in constant demand, yet they cannot meet all needs.

Auditors and managers no longer defer to the IT Directorate when a need for automation is identified. IT specialists designed and developed systems and applications that meet needs defined and specified by the functional experts. Directors, managers and other employees can now have access to reports on line.

Since 2010, FRP II has assisted ISTD in improving the information technology, both infrastructure and organization. FRP II provided ISTD with two state-of-the-art servers along with remodeling the data center to be safer and more secure. ISTD also created a separate division for data security to have better control over IT systems and data base. A separate Oracle DBA position has also been created. In addition, technical IT trainings have been delivered such as Dot Net and Oracle.

b) Human Resources

As noted above, the average ISTD staff on board is around 1,500 employees. The overall education level of the staff is excellent. Around 72 percent of all employees have university or college degrees, as compared to the international benchmark of 70 percent.

ISTD employees are appointed by Jordan's Civil Service Bureau. Typically, several months—sometimes up to a year—elapse between the date requests are made by the ISTD to fill vacancies and the date the vacancies are actually filled.

Training function

Since 2004, when the Income Tax and Sales Tax Departments merged, much of the ISTD's training has been delivered on an ad hoc basis. On occasion, considerable training was organized and delivered. In 2006, for example, over 100 employees were recruited. The majority of them were trained in both Income and Sales Tax Laws, and several were trained as programmers for the Information Technology Directorate. In 2007, a formal training program was developed with a great deal of effort by FRP I staff. Approximately 25 training courses were delivered over the course of more than two years. Courses included an orientation program for new employees; an on-the-job (OJT) training program; a train-the-trainer course; development of a cadre of trained instructors; training programs in specialized fields, such as auditing techniques and international accounting standards; several management training courses; and, legal framework training courses. However, the ISTD did not take any follow-up action to evaluate the impact of the training on participants' job performance. Furthermore, little action was taken to convert the training materials into training manuals or other formal tools for future training needs of the ISTD.

We understand that the ISTD continues to develop annual training plans. For instance, the 2009 training plan listed about a dozen training courses, including programs covering the Income and Sales Tax Laws, International Accounting Standards, English language, and Advanced Software Programming, among others. Some of the listed courses were to be taught by the ISTD's cadre of trained instructors, while other courses were to be outsourced to other institutions, such as the National Training Institute.

Since 2009, FRP II supported a wide spectrum of training events in many areas, along with rehabilitation of six training facilities in collaboration with ISTD. The focus has been on capacity building of ISTD and knowledge transfer in many aspects. Table 17 below summarizes the capacity building/training supported by FRP II.

Table 17: FRP II High-level training summary table 2009-2012

SUMMARY REPORT for Capacity Building /Training					
Team	Total # of events	Total # of Participants	Male	Female	% of Total
(ISTD)	117	3085	2577	508	36%
(GDB)	98	2165	1702	463	30%
(MoF)	33	568	417	151	10%
(JC)	35	705	555	150	10.7 %
(GPI; mostly ROG)	23	561	346	215	7%
GFMIS	5	68	57	11	1.5%
Cross Cutting	16	251	183	68	4.8%
Grand Total	327	7403	5837	1566	100%

Lack of career paths

The ISTD has no formal career paths. All appointees with university degrees are appointed to the ISTD as “Auditors.” However, in line with international best practices, there is a distinction made in job titles between the type of work performed, say, by those staff working in tax audit, compliance and collection, and other parts of the tax administration organization.

Career paths provide a means for new staff to attain progressively higher, non-competitive grade/pay levels in their jobs, usually over a period of two years, until they attain a level of experience at which their work requires minimum supervision. Thereafter, with several additional years of experience, they can compete for higher-level positions and salaries, up to senior levels in the LTO or MTOs or other high-profile divisions.

A career path also provides a means for new staff to attain progressively higher, non-competitive grade/pay levels in a given career field, such as “Auditor” or “Compliance Officer.” They begin as “trainees” for a period of typically up to two years, after which time they gain increasing independence in their jobs, rising again several steps until they reach the level of experience to perform their work with minimal supervision. Once an employee reaches and performs satisfactorily at that level, most modern HR promotion systems allow them to compete for higher grade-level positions requiring additional expertise, e.g. LTO Auditors.

The concept of non-competitive career ladder promotion provides Tax Administrations an opportunity to accelerate the development of employees to the independent working level within their respective occupations. There are three critical factors involved in the accelerated development process: the progressive assignment of more difficult work; providing the training required to perform assigned tasks; and, a performance evaluation system that measures performance of assigned work at various levels of difficulty.

Adequacy of remuneration

Remuneration for ISTD Auditors is comprised of many factors, including:

- The Civil Service Bureau’s basic salary at time of appointment, which is less than JD 100 (the basic salary of appointees with master’s degrees is higher than that of those with bachelor’s degrees);

- To the basic salary, the Civil Service Bureau adds sums for personal allowance and family allowance;
- The MOF adds an allowance for overtime pay;
- The ISTD adds a monthly travel allowance and a hospitality allowance;
- The ISTD adds an incentive bonus for performance each month, which can be as high as 60 percent for those whose monthly rating is “Excellent”;
- Periodic increases for length of service; and
- Grade category, which depends on position and education level of the incumbent.

There had been general demands throughout the ISTD to improve remuneration levels authorized by the Civil Service Bureau and the incentive system within the ISTD. This might have increased the employee turnover given the competitive job opportunities offered by the private sector. There were also many initiatives to enact special pay system for ISTD due to its importance in terms of generating revenue for the government. The special system has never been issued due to different reasons. However, ISTD staff has ultimately attained their demands by receiving a rewarding pay raise in 2012. Nevertheless, there is still need to improve the remunerations further.

With the new pay raise, the average monthly salary of Auditors, including bonuses and allowances, is now around JD 550, 6,600 per year, or twice the per capita income in Jordan. Meanwhile, the maximum monthly salary for an Auditor with 20 years of service, including bonuses and allowances, is now around JD 950, 11,400 per year or four times the per capita income.

Performance evaluations

Auditors are evaluated monthly by their supervisors. The evaluation is mainly based on the criteria of the number of audits closed. The evaluation form used includes also several other criteria, including:

- Performance indicators, such as knowledge, dedication, and ethics;
- Discipline;
- Capabilities & Aptitude; and
- Relationships with others.

However, the evaluation made is not deemed to be a systematic approach consisting of objective criteria that focus on quality audits based on institutional KPIs of the core functions. ISTD is developing a more objective performance management system with certain KPIs for institutional performance and individual criteria for the main functions.

c) Financial resources

According to the Ministry of Finance, total ISTD outlays in 2008 came to just over JD 12 million, of which more than 98 percent was used to finance current (operating) expenditures. These figures exclude approximately JD 25,000,000 paid out to taxpayers in the form of tax refunds, which unusually are included in the Department's annual budget. In most modern tax systems, tax refunds are the domain of the government's treasury function. Table 18 below shows ISTD expenditures by type since 2008.

Table 18: ISTD expenditures by type, 2008-2012

Expenditure category	Amount in JDs				
	2008	2009	2010	2011	2012
Salaries & wages	10,037	11,493	12,316	12,667	16,226
Social Security	377	476	524	535	660
Total operating expenditures	10,414	11,968	12,840	13,202	16,886
Non-personnel expenditures	1,678	1,908	2,117	2,126	2,210
Others (Trainings)	5	30	100	62	107
Total capital spending	1,684	1,937	2,217	2,188	2,317
Total Expenditures	12,097	13,906	15,057	15,390	19,203

Personnel costs, at JD 10.04 million in 2008, and the figures in the subsequent years up to 2012, consistently dominate ISTD's spending, leaving less than JD 2 million to cover the Department's overhead expenses, purchase goods and services, and finance capital expenditures, including investments in new IT equipment, systems, and other infrastructure. During our investigations, we heard claims from various sources that the ISTD often uses proceeds from collected penalties to compensate for its severe budget constraints. As we understand it, these funds are used to cover various support costs and to make special performance awards to individuals and committees. They are not used to support salaries.

Indeed, even with the wage bill claiming a disproportionately large chunk of the budget, and though remuneration of ISTD employees has improved in 2012, it remains relatively low. With current staffing at just over 1,500, average compensation per ISTD employee would be around JD 900 per month, including the various official allowances and bonuses described earlier in this report. To put this into perspective, in industrialized countries, the ratio between an average tax administrator's basic compensation and GDP per capita is about 2 to 1—not particularly high, but high enough to attract and retain experienced personnel. In Jordan, the ratio now is 1 to 2.4, i.e., the average ISTD employee earns almost twice and a half the value of per capita GDP. The rigid civil service grade and pay system poses challenges for the ISTD in attracting talent to its ranks. The Department has become accustomed to losing its staff to the private sector as soon as they have been trained.

The programmatic breakdown of the ISTD budget is also of concern. In consistent with international best practice, the ISTD should be dedicating the bulk of its resources (both financial and personnel) to controlling the largest taxpayers in the LTO and the MTOs. It should be devoting far fewer resources to controlling smaller taxpayers, and far less time and energy on performing low-return tasks, such as low-value refund audits and tax clearances.

d) Legal framework

Discussion of the key laws and regulations

The ISTD implements two tax laws—the Income Tax Law and the General Sales Tax Law—which both have references to regulations, executive instructions, and other laws in force, such as the Civil Procedure Law, the Penal Code, and the State Funds Collection Law. The Income Tax Law applies to both personal income and corporate income. Though called sales tax, the GST Law is a VAT law in practice. It is applied on general sales tax (GST) and special sales tax (SST), which is more like an excise tax. Several revisions and amendments have been made to both laws since their introduction.

According to the Jordanian legal system, legislation exists largely at four levels, starting with the basic law (the constitution), followed by laws, regulations, and finally instructions. Laws are endorsed by the Parliament and by the King, regulations by the Cabinet and the King, and instructions by ministers. All are published in the Official Gazette. Some further internal instructions can be issued by director generals.

Between 2007 and 2009, the Jordan Fiscal Reform I Project helped develop a proposal for a new, comprehensive tax code, incorporating all taxes and administrative provisions in the country into one code. Ultimately, however, the decision was made to split the tax code into four separate tax laws—for income tax, sales tax (GST and SST), property tax and property transfer tax, respectively. The first two were issued in late December 2009 and became effective as of January 2010. Both are provisional or “temporary” laws, the Parliament having been dissolved when they were issued. The Income Tax Law constituted a completely new law, while the new Sales Tax Law only amended the existing law.

The new tax laws are clearer; more simplified and generally improve the tax legislation, especially with regard to tax compliance issues. As discussed in Chapter II, the Income Tax Law lowers and flattens the tax rates, increases the tax-free threshold for individuals, and makes a number of changes with respect to exemptions and other reliefs. On the other hand, the amended GST law makes only minor changes, mainly reorganizing the structure of the law to group all the administrative provisions at the end of the law. Remaining issues, which are considered common international practices, such as establishing a uniform GST filing threshold, and separating SST provisions from GST provisions, will need to be addressed in due course. Importantly, however, the Income Tax and Sales Tax Laws now have almost completely harmonized provisions for tax administration.

Legal services in the ISTD

The Directorate of Public Attorney and Legal Affairs provides a wide range of services to ISTD operations. The Public Prosecution Division, with a staff of 34, represents the ISTD on all litigation cases, including cases which go before the court of appeals, and prosecution of fiscal crimes. The staff also handles cases referred for prosecution by the Anti-Fraud Directorate, as reported above. A Consultations and International Tax Agreements Division, with 3 attorneys, provides assistance with interpretation of legal issues and works on double-taxation issues. The Directorate also drafts regulations and instructions associated with tax legislation.

RECOMMENDATIONS

a) High-level recommendations

The Jordanian tax system is built on relatively solid foundations. The country's tax laws are still in a state of flux, but the underlying tax policies in many ways follow international best practices. Personal income tax compliance is still far below international standards, but compliance with the GST is very high and corporate income tax compliance has been increasing steadily since 2009. The ISTD still has many challenges, but we recognize here that there has been considerable progress toward creating a modern, truly integrated tax administration.

The ISTD is actively upgrading and strengthening its IT infrastructure, from workflow systems, to computer-assisted, risk-based audit selection, to audit tracking system, to an integrated, comprehensive tax accounts database. These efforts will result in improved compliance while improving taxpayer service and enhancing tax administration efficiency.

Technical assistance from international agencies, including USAID and the IMF, is helping the ISTD accelerate its modernization efforts, but the tasks are great and the opportunities plentiful. The ISTD must coordinate these efforts to maximize benefits and minimize duplication. Annex E to this review summarizes the technical assistance that FRP II has provided to ISTD during 2009-2013. In this respect, it is highly recommended to establish a reform unit reporting directly to the Director-General Office, equipped with highly qualified staff to handle all reform activities being initiated internally and externally. It is also highly recommended to form a core team at ISTD to undertake updating the Benchmarking Study on regular bases.

There is little point to making a series of recommendations unless they are consistent with an overall set of strategic objectives. The ISTD's Strategic Plan for the period 2010-2014 provides three objectives in this regard:

1. Increasing tax administration efficiency and effectiveness;
2. Raising voluntary compliance through improving taxpayer education, taxpayer services, and transparency; and,
3. Increasing tax revenues available for the Government to execute its responsibilities.

To ensure consistency and clarity of purpose, we have relied on these strategic objectives to drive the development of our recommendations. Some recommendations were made in the 2010 Benchmarking Study but still valid today, so they are maintained in this review. Others have been modified to reflect the amount of progress made since 2009. Of course, there are new recommendations added to this review. Thus, at a high level, we propose the following:

First, official data indicate that the current cost-to-collection ratio in Jordan (0.63%) is low, compared to the international bench mark at 1 percent. Remuneration levels on average have improved can be improved further, but at the same time there are many inefficient practices that divert scarce tax administration resources from their most productive uses. The following sections provide some recommendations that could lead to greater efficiency, without adversely affecting revenues.

Second, in tandem with the above, the Department should adopt all reasonable measures to increase the ratio of tax revenues to GDP that it collects. Given the significant contribution of the General Sales Tax to overall tax revenue, recovering GST revenue lost since the onset of the current economic crisis should be a Departmental priority. The ISTD should also concentrate on improving collection of other taxes, particularly on raising compliance among income taxpayers. This strategy will reap benefits in the long run, after Jordan has emerged from the current economic slump.

Finally, revenue-raising efforts, while important, must not create additional administrative burdens for the private sector. Voluntary compliance is built on the premise that tax administration should provide taxpayers the information and assistance they need to comply with tax laws, focus its limited resources on pursuing those who violate those laws, and reward those who follow the rules by making compliance easy and then leaving them alone. The recommendations that follow seek to both raise compliance, while reducing the administrative burdens the tax system imposes on businesses and individuals. In some instances, we propose actions that are mostly designed to reduce taxpayer compliance burdens and ISTD administrative burdens, without specifically seeking to raise revenue productivity.

With these objectives in mind, and based upon the analyses in this review, the following sections present our immediate and medium-term recommendations for the consideration of His Excellency, the Director General of the Income and Sales Tax Department, as well as other concerned authorities.

b) Specific recommendations

Continue with Cleaning up the taxpayer registry

A reliable taxpayer registry database provides the foundation for an integrated tax information system, which, in turn, supports all operations of the tax administration. The ISTD's Taxpayer Registry has improved since 2010 and the cleaning up process is still on going.

Without a clean, up-to-date taxpayer registry, the tax authorities cannot effectively control their taxpayer population and will continually focus excessively on those who follow the rules, and insufficiently on those who violate them. The ISTD should put in place procedures to constantly clean up the taxpayer registry on day-to-day basis so that the data base can be up-to-date all the time. The first step should be to eliminate all the "ghost" taxpayers from the database. There is no point in clogging up the taxpayer database with records of deceased and defunct taxpayers. Once this is done, the ISTD can concentrate their limited resources on finding and enforcing compliance on the real stop filers. At the same time, the ISTD should mount a campaign requiring all taxpayers to update or verify their status, including contact information, type of business, and other information.

Priority level: This activity should always be a high priority for the ISTD. The “retiring” of ghost files should be done on regular basis in order for ISTD to be able to find the real stop filers to enforce their compliance.

Implement an aggressive compliance program

With FRP II's support, ISTD launched in 2010 two pilot compliance programs targeting non-filers and stop-filers. Those two pilots led to both registration and filing compliance improvements. Nevertheless, we think that there are still many unregistered taxpayers in Jordan who should be in the taxpayer registry and are not. These are the non-filers who operate “under the radar” and go largely undetected by the ISTD. A very strong continuous compliance program needs to be designed and implemented to broaden Jordan's tax base, bring non-filers (for both income tax and sales tax) into the tax net, and lessen control on those who already do comply. The program should focus selectively on those taxpayers with potentially significant tax liabilities, i.e., corporations and professional taxpayers. Specific ISTD activities might include scanning of business registration information in the Ministry of Industry and Trade's commercial registry; information from electric company lists of high wattage users; lists of passport holders; cross-checking of lists of membership in professional associations (doctors, lawyers, etc.); scanning of publications for new business announcements; cross-checking of import/export documents; and other sources. Widespread publicity about the launching of the compliance program, coupled with publicity of high-profile cases where the ISTD successfully brings large tax evaders into the tax net, will also help compliance.

Priority Level: This is a high priority activity.

Improve the taxpayer current account/ledger system

The reliability of the taxpayer current account/ledger system has improved depending on the continued improvement in accuracy and reliability of the taxpayer registry. Also, we understand that the ISTD's tax arrears system is improving in a way reflecting much more accurate status of tax arrears inventory. We also understand there is much better automated non-filer system producing accurate stop-filer lists. All these improvements, whether wholly or partially, in current automated databases positively affect the reliability of the Taxpayer Current Account/Ledger System.

Priority level: Making the taxpayer current account/ledger system reliable and accurate is a very high priority.

Centralize and automate data processing

A very high volume of taxpayers visit ISTD offices throughout the country for a variety of reasons, including to register as taxpayers; file GST and/or income tax returns; make tax payments; claim tax refunds; and, request tax clearance certificates. All of these tasks and processes are completed decentralized, and ISTD staff in all offices dedicates a great deal of time and effort to manually handling all of these requests. For example, taxpayers can go to any tax office, present their tax returns, and wait while tax technicians review the mathematical accuracy and key in and verify data from the tax return. The services provided from office to office may vary as well. In some cases, for instance, the tax office will only process income tax declarations, but will accept and transmit GST returns to ISTD Headquarters for processing.

Managing all this document traffic—with all the different rules and procedures for income and sales tax, and with all the different kinds of taxpayer requests—cannot be easy. Furthermore, the document processing workload is highly variable, with heavy activity during peak filing

periods and lighter activity at other times. Dedicating staff in each ISTD office to this function, thus, is an inefficient use of resources.

Many modern tax administrations around the world have designed and implemented centralized, highly automated tax returns and document processing centers. The United States' Internal Revenue Service implemented this concept many years ago. Bosnia and Herzegovina, with USAID support, recently established a Centralized Processing Center with excellent results. Huge backlogs of unprocessed tax returns (that were previously processed manually) were eliminated within the first year of operations. Similar successes have been enjoyed by tax administrations in many countries.

We recommend that the ISTD move to centralized receipt and processing of tax returns and many of the other documents associated with registration, refunds, tax clearances and other common taxpayer transactions. This processing center can be set up at a central location to be determined once requirements are laid out. All data entry will take place within the central processing unit, with automated applications for key verification, error correction and tax accounting. Processing of all tax payments will also be included in the operations of the Centralized Processing Center (recommended processes for taxpayers to make tax payments are discussed below).

Once the plans to proceed are approved and the design begins, a very strong publicity campaign should be mounted and maintained, until the Centralized Processing Center is operational. The campaign should emphasize that the ISTD has taken the initiative to streamline the filing process and reduce taxpayers' burdens in doing so. Therefore, all returns and other documents—regardless of the purpose and regardless of the type of tax—should henceforth be sent to the ISTD's Centralized Processing Center, either by mail or electronically. There will no longer be an option to file tax returns and other documents at ISTD offices, nor to make payments at the tax office; instead, taxpayers will only be able to make tax payments at commercial banks (discussed in detail below). It should be emphasized, here, that this recommendation does not contradict with the concept of decentralization. What is intended here is to deal centrally and electronically with certain procedures proved to mitigate burdens on taxpayers, and tax authorities as well.

Priority level: The need to design and establish a Centralized Automated Processing Center is a high priority. However, implementation will require securing the financial resources and physical plant for the Center.

Establish a centralized, automated fiscal compliance center

Many Tax Administrations around the world have designed and implemented centralized fiscal compliance centers in conjunction with centralized automated document processing centers. The fiscal compliance centers, with largely automated systems, have very successfully dealt with a large number of taxpayers in a variety of non-compliance situations, such as stop-filers, non-filers, taxpayers with outstanding arrears, and under-reporters of income tax or GST¹²—in short, most of the preliminary compliance functions presently being performed collectively by the Tax Compliance Directorate and the Debt Management Directorate at the ISTD's Headquarters.

Much of the work of fiscal compliance centers is automated, including notices for the various types of non-compliance. Even some telephone calls to taxpayers are automated. In El Salvador, for instance, the Director General of Internal Taxes recently deployed a new “robo-

¹² The lists of under-reporters of tax liabilities are generated by cross-referencing third-party information documents received electronically about income, sales, or expenses reported on tax declarations.

call” system, an automated program that calls stop-filers and other non-compliers with recorded messages instructing them to rectify their particular non-compliance issue by a specified date. In addition, there are compliance technicians on live telephone systems to work on cases not resolved by such “robo-call” systems. Cases not resolved by any of these methods are assigned to field offices for enforcement.

Experience has shown that a large percentage of non-compliance cases are resolved by Fiscal Compliance Centers much more efficiently, and much more cost-effectively, than one-on-one efforts in field operations. Some countries have experienced a yield on average of 15:1 for their investment in fiscal compliance centers, i.e. an additional US\$15 in taxes collected for every US\$1 authorized and invested in these centers.

Priority Level: The need to plan for and design a centralized, automated ISTD Fiscal Compliance Center is high priority. However, implementation will require securing the funding and physical plant.

Shift all tax payment to the banking system

The MOF and ISTD have already implemented a progressive initiative to engage three, then six and now nine commercial banks as certified to accept and remit tax payments to the ISTD. However, the initiative has not taken hold sufficiently to decrease very heavy customer traffic handled by ISTD cashiers at Headquarters and the various field offices, especially during the last few days before payment deadlines.

All over the world, modern tax administrations have moved away from the practice of accepting tax payments and have eliminated the cashier function in all of their offices. Instead, most processes for making tax payments have been shifted to the commercial banking system. Ministers of Finance have successfully negotiated contracts with the commercial banking sector to accept process and transmit tax payments, usually with software designed by the tax administration and provided free-of-charge to the banks. Contract terms in different countries for compensation to banks vary—from merely allowing banks the use of these Government funds for 3-5 days (referred to as a “float”), to paying monthly fees to banks for their service, or both. Under these contracts, commercial banks use the software provided to issue receipts, transcribe taxpayers’ entity and payment information (TIN, name, type of tax and period, and payment amount), and transmit the transactions electronically to the tax administration’s centralized processing center, where reconciliation and posting to the taxpayers’ current accounts/ledgers are performed.

Widely engaging the commercial banking sector to accept and process tax payments has produced “win-win” benefits for all parties: Banks benefit financially from service fees and/or the 3-5 day “float”; taxpayers gain access to a wider network of bank locations, allowing them to pay and obtain tax receipts more conveniently; and, the Government benefits from more timely tax collections, and a reduced time between processing and posting of payments to taxpayers’ current accounts. At the same time, the tax administration disposes of a cashier function that is frequently prone to abuse and security breaches.

Priority level: This recommendation is of very high priority. The publicity campaign described above for centralizing submission of tax returns will also incorporate messages and instructions regarding the decision to shift tax payment fully to the banking system.

Use commercial banks as a submission point for tax returns

In several countries (Chile, El Salvador and others), the contracts between the finance ministry and commercial banks for handling tax payments also authorize banks to receive and sometimes process tax declarations. In most cases, the banks do some minimal data processing of tax declarations (e.g., TIN, name, address, tax period and amount) on behalf of the tax administration and then batch and submit the returns electronically to the tax administration's centralized document processing center.

Confidentiality of taxpayers' financial information is of paramount concern, and in many cases is enshrined in the country's tax laws. In some such countries, contracts with commercial banks involve only deposit of tax returns in sealed envelopes into "locked boxes" on banks' premises for daily forwarding to the tax administration's centralized processing center. In other countries (e.g., in Chile and El Salvador), the "confidentiality issue" is covered in contracts with banks by imposing penalties for unauthorized disclosure by bank staff of taxpayers' tax return information.

Priority level: This recommendation is of high priority, and should be considered jointly with the recommendation to centralize and automate data processing and the recommendation to shift all tax payment to the banking system.

Strengthen call center operations

Call center plays an important and key role in interactions with taxpayers. Therefore, tax administration should constantly focus on its role, improve its status and activate its role by increasing its staff and training them well, and making available a question and answer data base to answer inquiries consistently. Though ISTD has had a limited tools call center, a modern call center with incoming and outgoing calls facility is still a need for ISTD with the likely increase in call volumes that will come from reducing taxpayer visits to the ISTD offices. Eventually, the call center will be the focal point for responding to taxpayer queries and providing specific information for taxpayer compliance. FRP II had plans to provided ISTD with a modern call center and made efforts up to the submission of a call center business case for approval. This assistance has stopped for a variety of reasons but still open for any future assistance.

Priority level: This recommendation should be implemented over the medium term.

Make taxpayer current account / tax clearances fully web accessible

The ISTD should fully roll out web-accessible applications for the taxpayer current account and for the issuance of taxpayer clearance certificates. The ISTD already has an intranet portal where some taxpayers can go and view their account information, their current status, and file an income tax declaration electronically. Any taxpayer should be able to access this portal to view and manage information for all of his taxes, using his TIN and an assigned password or personal identification number (PIN).

The ISTD should also develop a transparent, controlled, and accountable certification process that allows immediate issuance of certifications from this web-accessible application. The clearance certificate should be available to taxpayers from the portal, where they can request and download certificates by themselves. In cases where taxpayers do not have internet access, we propose that taxpayers be able to use one of the proposed ISTD “internet centers” locations to access the internet and print official tax clearance certificates.

Priority level: The ISTD should begin to implement these measures as soon as possible.

Restrict taxpayer access in field offices to customer care areas only

Taxpayers should no longer be allowed access to work areas of the Audit and Collections functions in ISTD tax offices. This will help prevent the unauthorized disclosure of information on taxpayers, and at the same time reduce opportunities for improper, “closed door” contact between taxpayers and tax officials. Contacts between auditors and taxpayers subject to audit typically occur on taxpayers’ business premises or at other locations outside of ISTD offices, where most of the inspection work is performed. Of course, there may be circumstances in which such taxpayers would have to visit ISTD offices, such as in relation to objections. In such cases, meetings or interviews between the taxpayer and ISTD officers should take place in designated customer service space.

The ISTD should also explore innovative means for delivering customer services to further reduce the need for taxpayer visits to compliance work areas. In Moldova, for instance, the State Tax Inspectorate, the country’s tax administration, is establishing “internet café”-style taxpayer service centers inside municipal government facilities, where taxpayers are able to register, obtain forms and instructions, update their status, or access their tax statement via an intranet portal. Increasingly, and especially as the ISTD moves to centralized processing and bank payments, taxpayer information and assistance should be made available via the ISTD website, the call center, and at “one-stop” taxpayer service centers.

Priority Level: Restricting taxpayer access to compliance work areas is a high priority.

Strengthen the ISTD Headquarter’s normative role

The ISTD has made a lot of progress in transferring operations functions from Headquarters to the Field Directorates. ISTD Headquarters should be totally relieved of all operational tasks and left to concentrate on its normative developing operational policies and procedures, and to leading Department-wide planning, monitoring, and development activities.

Among the most pressing Headquarters tasks will be the development, updating and dissemination of procedural manuals for all functions (audit, collection, follow-up, anti-fraud investigations, training, etc.), as well as taxpayer publications (including tax forms and instructions) reflecting the changes effected by the new income and sales tax laws. FRP II assisted ISTD in producing two procedural manuals for collection and tax compliance. There is still a need for more manuals.

Priority level: The ISTD should begin to develop and issue written policy and procedural manuals immediately.

Discontinue Internal Control Unit's role in audit reviews and disbursement approvals

The ISTD's Internal Control Directorate routinely performs two very unusual functions not consistent with international best practices. First, the Directorate's Post-Audit Division performs sample quality reviews of audit cases based on certain criteria. Quality review of audit cases is an integral function of Audit Division in the Field Directorates and should not be performed by the Internal Control Directorate *unless* an auditor's integrity is in question.

Second, the Internal Control Directorate also reviews and approves (or disapproves) several types of disbursements by the ISTD, including tax refunds above certain limit. We understand that national law requires all such refund vouchers to be audited. We sincerely doubt that the time and effort expended is worth the return on resources invested, and elimination of this requirement for low-threshold disbursements should be implemented as soon as possible, even if this requires legislative change.

Internal Control can then dedicate its small staff to more traditional "internal audit" roles—particularly system audits, which trigger corrective actions on a much broader scale throughout the ISTD—rather than to dealing with individual taxpayer cases and minor disbursements.

Priority level: These changes are of very high priority.

Realign some ISTD directorates to improve efficiency and effectiveness

The Information Technology Directorate should be realigned to report directly to the Director General. Information technology in modern tax administrations serves all tax offices, both in the field and at headquarters. IT staff and expertise are always in very high demand, yet frequently limited by resource constraints. The case is no different in the ISTD. The best placement of IT Directorate, therefore, is under the highest level of the organization, where senior management can prioritize the organization-wide IT needs and implement responses accordingly. Annex D shows the current ISTD structure of 2013.

The responsibilities of the Debt Management Directorate really "fit" much better under the Tax Compliance & Operations Monitoring Directorate. Like stop filers, taxpayers with outstanding tax arrears are, by definition, *non-compliant* taxpayers; yet, the ISTD currently divide responsibility for these taxpayer categories between the two directorates, resulting in duplication of effort and inefficiencies. Therefore, the Debt Management Directorate should be realigned as a Division within the Tax Compliance Directorate, focusing on policies, procedures and methodologies for addressing the ISTD's tax arrears cases. At the same time, the audit management division, currently belonging to the tax compliance directorate, should be upgraded to the level of a separate directorate to reflect the importance of audit as a core function of tax administration. This fits into the segregation of duties different in nature. Audit management is supposed to deal with returns filed, while tax compliance management is supposed to deal with non-compliance issues.

We also recommend that the Executive Assistant DG for Field Operations be supported by three subordinates, two at the Deputy Assistant DG level. Figure 10 below illustrates the proposed reorganization described here. One Deputy would supervise the six larger STO Directorates (Amman North, West, South, etc.) and the Local STOs Directorate. The other Deputy would supervise the LTO and the 4 MTOs. The Anti-Fraud Directorate, which services all field operations, would also be placed directly under the Executive Assistant DG for Field Operations, as is currently the case. This realignment will free up the Assistant DG to dedicate more of his time to oversight of all ISTD field operations, to keeping the Director General informed at all times, and to monitoring and report on progress in meeting the ISTD's strategic objectives. Alternatively, ISTD may integrate all STOs into MTOs for efficiency.

Priority Level: Re-aligning of the ISTD's organization structure as described above is of high priority.

Figure 11: Proposed organization of ISTD operational units



Reassign staff from STO's to MTO's

The STOs currently have 53 percent of the total staff allocated to ISTD field offices. This allocation is disproportionately high for administering a taxpayer segment whose contribution to tax revenues is only 10 percent. Meanwhile, many auditors and managers in the MTOs report severe shortages of staffing in relation to their workload, particularly in the Collection & Follow-up Divisions.

STOs' staffing needs will decline with the implementation of many of the measures described above, including centralized processing and compliance centers and other innovations to reduce taxpayer visits to tax offices. Moreover, as most employees will no longer have to file under the 2010 Income Tax Law, we expect that taxpayer traffic at the STOs will decline even more. Therefore, we recommend a significant number of STO personnel be redeployed to MTOs. Administration of small GST taxpayers by STOs should be reconsidered. Towards this, ISTD adopted new criteria to classify taxpayers and will move around 9,000 files from MTOs to STOs.

Priority Level: Switching some staffing from STOs to MTOs is very high priority.

Increase the use of formal delegations of authority

Jordan's tax laws permit formal delegation of authority. However, high number of completed audit, collection and follow-up cases have to be sent to MTO Directors and even to higher levels for approval. Indeed, it has been reported that managers and directors at all levels spend much of their time on technical and administrative matters, leaving little time to perform their primary management responsibilities.

As reported in Chapter IV of this report, a "cascading" system of formal delegations of authority from the Director General down through management channels to experienced auditors and compliance officials—with careful oversight by the Internal Control/Audit function to prevent abuses—is essential to developing and maintaining efficient and effective operations in tax administration.

Priority Level: A system of formal delegations of authority urgently needs to be implemented throughout the ISTD.

Seek legislative changes to write off uncollectible tax arrears

The ISTD's tax arrears total amount is high. A large part of this total is very old and is uncollectible. Tax arrears go back to the 1960s because there is no statute of limitations under the law. Furthermore, these debts cannot be automatically written off because there is no provision in the law permitting write-offs of uncollectible debts to the Government. However, ISTD tackles these amounts through the State Funds Exemption Law. This would make it easier for ISTD compliance officials to focus on those tax arrears accounts which are truly collectible, in whole or in part, and establish priorities among these accounts.

Modern tax administrations are given authority under the law to determine which tax arrears accounts are uncollectible—e.g., bankrupt or deceased taxpayers with no assets—and to place these accounts on “inactive” status, separate from active accounts. Periodic follow-up actions, generated by automated systems, determine if any of the inactive accounts should be restored to active status, in the event the taxpayer’s collectability situation improves. Furthermore, there is always a statute of limitations—10 years from the date of assessment in some countries—within which to collect the tax arrears or permanently write off those accounts. Experience has proven that, the older the tax arrears, the lower the likelihood of collecting any taxes due.

Priority level: There is an urgent need to seek legislation to write-off uncollectible tax arrears cases.

Implement the risk-based audit selection system

A risk-based, computer- assisted selection system was developed under FRP I and has been in use since then. Despite progress made by the ISTD to channel their auditor and other resources to audit cases with the greatest revenue-loss potential, however, there is still a very long way to go before the ISTD’s audit-selection practices are consistent with international norms. For example, most successful tax administrations select and audit only 1 percent of income tax and no more than 5 percent of GST declarations filed. The ISTD’s MTOs currently audit around 33 percent of income tax returns and an even higher percentage for GST returns. The LTO, meanwhile, does not use an automated, risk-based system and relies instead on priorities established by LTO managers. To conduct a comprehensive audit on every large taxpayer takes considerable time; a 100-percent audit strategy is unrealistic.

Contributing to the excessive audit rates are several policies and legal requirements for mandatory audits of certain categories of cases, without regard to the return (additional revenue) on ISTD’s investment. For example, all refund claims for amounts exceeding JD 200 are subject to audit, as are all tax returns reporting an operating loss of JD 20,000 or more.

Priority level: Much higher application of the automated audit selection system should be of highest priority, including any refinements needed to the system.

Improve the objections and appeals processes

In the ISTD, taxpayers’ objections are first brought for consideration before an objection commission where all members are auditors. Auditors who consider the objection cases are not the same auditors who proposed the additional deficiency. Best international practices have shown that objections should be brought before an independent Objections Committee composed of experienced, former auditors and housed in a unit that is not responsible for conducting any audits or other tax enforcement activities. These arrangements provide reassurance to taxpayers that they will receive fair and impartial consideration of their objections, and ensure that a higher percentage of cases are resolved at the objections stage. A high settlement rate at the objections stage, of course, decreases the volume of cases that go to appeals courts and is of benefit to all parties.

Objections Committees are often placed as a Division of the Legal Affairs Directorate in tax administration headquarters. Those cases not resolved by the Objections Committee and referred to appeals courts are then handled by the general prosecution division of the Legal Affairs Directorate.

Priority level: Reform of the objections and appeals processes are of high priority and should begin to be addressed immediately.

Improve the functionality of the Audit Tracking System (ATS)

The ISTD should fully roll out the ATS to all directorates, for all audit cases. The ATS will allow auditors, audit managers, directors, and ISTD leadership to be able to track the actions being taken in any and all audit cases as they occur. The ATS can help to improve audit, audit oversight, audit performance, and even reduce the opportunities for error and corruption in audit practices.

ATS is now fully utilized in LTO. It is under testing in the MTOs. ISTD has a plan to roll out the ATS to all directorates to help transform ATS into a beneficial, performance-enhancing system across ISTD.

Priority level: This should be done immediately for auditors in MTOs that have rolled out the ATS, and should precede implementation of ATS roll-out and training in those Field Directorates that do not yet have it.

Establish career paths for ISTD personnel

All new appointees with college and university degrees are appointed to the ISTD as “Auditors”. Unlike policies and practices in many other countries, the ISTD has not established formal career paths for new staff. Career paths provide a means for new staff to attain progressively higher, non-competitive grade/pay levels in their jobs, usually over a period of two years, until they attain a level of experience at which their work requires minimum supervision. Thereafter, with several additional years of experience, they can compete for higher-level positions and salaries, up to senior levels in the LTO or other high-profile divisions.

The ISTD has a fairly high turnover rate of experienced Auditors. Based on experience in tax administrations in other countries, a system of career paths and performance-based promotions, with higher grades and pay the higher the level, help a great deal to improve retention rates of experienced staff.

Priority Level: The need to establish career paths in Audit, Compliance, Anti-fraud investigations, and Taxpayer Service positions is of high priority.

Improve performance evaluation systems

All ISTD Auditors are evaluated monthly on a variety of performance criteria, and points are assigned to each to derive an overall score. Those who score 90 or above get a 60-percent bonus added to their monthly salary; those with scores of 80-90 get 40 percent; etc. Even though several criteria on the monthly evaluation form are subjective (aptitude, dedication, etc.), there is a general feeling among Auditors (except in the LTO) that the sole criterion on which they are rated each month is “production”: how many cases they work each month, the value of the additional deficiencies proposed, and the amount of tax arrears collected.

Over the years, tax administrations around the world have abandoned similar “production evaluation systems.” Experience has shown that such systems provide incentives for auditors to propose higher than appropriate tax deficiencies, resulting in increased numbers of objections and appeals cases, and creating considerable tension between the tax authorities and those taxpayers who are complying with their tax obligations voluntarily.

Furthermore, most countries have introduced annual performance evaluation systems, with expectations established between auditors and their supervisors, who monitor performance throughout the year with quarterly assessments. Additionally, the criteria used to evaluate auditors are job-specific, e.g., workload management; work planning and scheduling; and, proper application of auditing techniques.

Priority level: This recommendation is of high priority.

Draft a comprehensive, unified tax administration law

The international norm is to consolidate all administrative provisions concerning tax administration and tax compliance requirements in one place, rather than separately in each tax law. Such a practice is more likely to ensure uniform application of tax laws, in a clear, consistent, and transparent manner. The tax administration law (or, as some countries refer to it, the “tax procedure code”) would provide the ISTD, taxpayers and tax practitioners with a comprehensive guide to taxpayer rights and responsibilities, tax administration powers, as well as constraints on those powers. Among others, it would also lay out the role and responsibilities of the independent objections and appeals function, including a requirement for the ISTD to rule in favor of the taxpayer in cases of ambiguity.

Priority level: This recommendation should be undertaken in the medium term, say, over the next 12 months, once experience with the new tax laws has provided lessons for improving the administrative provisions.

Institute advance rulings procedures

Advance rulings are official responses to taxpayer queries on specific situations, the answer to which can have important implications on business and investment decisions. The ISTD should have the authority and the capacity to provide answers, in writing, to specific sets of questions and situations to help taxpayers make business decisions with a clear understanding of the tax implications. Moreover, these advance rulings must be binding—that is, the tax administration cannot subsequently change its ruling.

Advance rulings are an important way to introduce more transparency in tax administration and improve business decision making for taxpayers. Advance rulings are available in many of the world’s most advanced tax administrations, including in the United States, India, and Malaysia.

Changes in Jordanian tax legislation may be required to allow such advance rulings.

Priority level: This is a medium-term priority.

Improve the management information systems reporting

The ISTD's various IT systems contain a wealth of data that could be more effectively used for monitoring, managing and improving both performance efficiency and effectiveness in providing service and collecting taxes due. Yet, there is still a need to develop more standard reports for many of the Department's functions. The ISTD should develop automated MIS reports, formats and templates required by Field Directorates as a high priority, starting with reports that help ISTD leadership more effectively and efficiently track and report on the Department's performance against its Key Performance Indicators. These reports should be developed in close collaboration with Field Directorate managers and technical staff, who are best placed to define information needs.

Priority level: This work should begin immediately.

Strengthen taxpayer education to enhance taxpayer culture

The ISTD needs to strengthen and expand its efforts to inform taxpayers about the tax system, how taxes are collected, and how taxes are used to benefit society. A permanent public relations campaign should be developed, based on a clear set of messages, which will continually highlight the importance of paying taxes and complying with tax laws to Jordan's present and future prosperity.

Such an education program would include, inter alia: television spots, pamphlets, classroom materials and curricula for schools.

The expansion of taxpayer education should also be geared toward specific outreach programs meant to provide specific information, including: taxpayer rights and obligations, the rights, obligations and powers of tax officials (and limitations on those powers); and information with regard to how, where, and when to deliver specific tax reports and other documents. To this effect, ISTD has recently conducted a number of free-of-charge educational programs targeting the new taxpayers.

Priority level: This is a high priority and the ISTD should begin to implement these measures immediately, in tandem with outreach campaigns to educate the public on the new tax laws.

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In closing, we wish to acknowledge that the ISTD's accomplishments in transforming its organization to one consistent with many international best practices in a relatively short period of time are impressive. Clearly, the ISTD's top management and workforce are very skilled and are determined to continue the journey toward organizational and operational excellence.

We have made numerous observations and recommendations for changes in this report—not in a critical sense, but with the desire to assist and support the ISTD in accelerating its modernization efforts. We are confident that continued collaboration between the ISTD and USAID's Fiscal Reform Projects will yield benefits for tax administration, tax compliance, and the broader tax system in Jordan.

ANNEX A: COMPARATIVE BENCHMARKING INDICATORS

a) COMPREHENSIVE LIST OF COMPARATIVE indicators

Seq	Benchmark	Description	World Value
GENERAL			
1.	# of tax administrators per 1,000 national population	This indicator measures tax administration efficiency. It should be read together with the next indicator.	0.8 (1.14 in FSU)
2.	Ratio of taxpayers to tax administrators	Number of active/ filing taxpayers (corporate and individual) per tax administration employee on board. It measures tax administration efficiency. This ratio improves as number of taxpayers increases or when tax administration growth is rationalized. In countries with high rate of personal income tax compliance, the ratio is much greater.	150-250:1 (437:1)
3.	Tax revenue authority	Institution that administers taxes.	SARA
4.	Stability of leadership	Appointment of top management	fixed appointment
TAX POLICY			
5.	Tax Code	A single, comprehensive piece of legislation that defines all the legal rights, requirements and recourses for taxpayers and the tax administration alike.	Yes
6.	# of taxes constituting 75% of revenues	An indicator of tax structure. It includes the major taxes in the country.	6
7.	Broad tax base with limited exemptions	An indicator of tax structure. An ideal tax system taxes almost everything the same.	Yes
8.	Limited tax rates	An indicator of tax structure. Usually, there is a general standard rate and few others.	Yes
9.	VAT rate	An indicator of tax structure. It means the standard rate.	15.8%
10.	Limited excisable items	An indicator of tax structure. Usually, four or	Yes

Seq	Benchmark	Description	World Value
		five items are subject to excise duties: tobacco, alcohol, hydro-carbonated oils (fuel) and gambling and gaming machines.	
11.	VAT registration threshold	An indicator of tax structure. Taxable turnover for VAT registration and filing.	Single
12.	VAT registration threshold	An indicator of tax structure. Average amount of threshold.	\$38,000
13.	VAT threshold applicable to importers	Same threshold is usually applied to importers.	Yes
14.	Staggering VAT returns	Odd and even return filing to ease taxpayer control.	Yes
15.	Full deduction of input tax	Reduce output tax liability by the amount of all taxable supplies-related input tax.	Yes
16.	Immediate input tax credit repayment	A cash flow issue. The right to apply for and recover input tax credit upon filing.	Yes
17.	PITR	Average minimum and top marginal income tax rates on natural persons.	12% 29%
18.	Personal min & max income level	Minimum and maximum taxable income levels of natural persons as multipliers of income per capita.	1.0 8.5
19.	CITR	Average income tax rate on legal persons.	27%
20.	Single income tax rate	Most countries apply only one corporate income tax rate as fairer and progressive tax system.	Yes
21.	Income tax advance payments	Payments made during the year prior to filing tax returns.	Yes
22.	Import withholding tax	Income tax withheld at borders and offset against final tax liability after filing tax returns.	No
23.	Years for loss carry forward	Income tax loss carry forward should be limited to a certain period of time and not kept open.	5
24.	Transfer pricing	Legal provisions to treat transfer pricing in multi-national firms or related parties.	Yes

Seq	Benchmark	Description	World Value
25.	Accelerated depreciation	Optional depreciation method based on business type to improve tax climate.	Yes
26.	Mergers, reorganization and acquisitions	Legal provision for tax treatment of business changes to capture income.	Yes
27.	SMEs regime	Legal provisions for special treatment of small taxpayers to reduce compliance burden.	Yes
28.	IAS bookkeeping	Legal requirement to use international accounting standards for large firms.	Yes

ORGANIZATION AND STRUCTURE

29.	Integrated tax administration	All taxes administered by a single tax administration.	Yes
30.	Taxpayer segmentation	Taxpayer classification by certain criteria such as size and business industry.	Yes
31.	Functional organization	Organization of tax administration based on function rather than type of tax.	Yes
32.	% of taxpayers in LTO	Criteria to classify large taxpayers.	0.5%-1%
33.	% of staff in LTO	LTO staff as a percentage of total staff.	3%
34.	HQ vs. operational roles	Headquarters normative role and operational role are separate, clearly defined and observed.	Yes
35.	% of staff in policy units	Staff in the planning and operational policy units.	10%
36.	Incentives of staff in policy units	Planning and operational policy staff should receive the highest compensation.	Yes
37.	Balanced core functions	Striking a balance among the tax administration core functions, i.e. audit, collection and taxpayer service in terms of importance and compensations.	Yes
38.	% of auditors	Proper distribution of staff among the core functions.	30%-40%
39.	% of collectors	Proper distribution of staff among the core functions.	25%-30%

Seq	Benchmark	Description	World Value
40.	% of taxpayer service staff	Proper distribution of staff among the core functions.	25%-30%
PLANNING			
41.	Strategic and operational plans	Existence of strategic and operational plans	Yes
42.	KPIs	Setting realistic performance indicators for the major tax administration functions by reference to the mission and vision.	Yes
43.	Performance management system	Appropriate use of planning, monitoring, evaluation and reporting to measure both organizational and individual performance	Yes
REVENUE PERFORMANCE			
44.	Tax revenue forecasting	Using unified micro level forecasting model by ministry of finance to project tax revenue based on growth rate, inflation rate, tax policy changes and tax administration initiatives.	Yes
45.	Total tax yield (TY)	Total tax revenue as percentage of GDP	20%
46.	Cost-to-collection ratio	Operating and capital costs of collecting taxes as percentage of tax revenue.	1%
47.	Tax yield vs. total revenue	Tax revenue contribution in the budget.	
48.	PITY	Personal income tax yield as % of GDP.	3,7%
49.	PITPROD	Personal income tax productivity. Actual revenue collected as a percentage of GDP, divided by the weighted average PIT rate, that is, the weighted average of the lowest and highest marginal personal income tax rates. It provides a sense of how well the personal income tax does in terms of producing revenue and is presented as a value between 0 and 1.	0.14
50.	CITY	Corporate income tax yield. CIT revenue as a percentage of GDP.	3.5%
51.	CITPROD	Corporate income tax productivity. Corporate income tax yield divided by the general corporate income tax rate. It	0.13

Seq	Benchmark	Description	World Value
		provides a sense of how well the corporate income tax does in terms of producing revenue, given the prevailing tax rate. It is presented as a value between 0 and 1.	
52.	ITGCR	Income tax gross compliance rate. Income tax actual revenue as a percentage of income tax potential revenue.	70%
53.	VATY	VAT yield. VAT revenue as a percentage of GDP.	6.4%
54.	VATPROD	VAT productivity. It measures the amount of revenue relative to the tax rate per household consumption and provides a sense of the government's productivity in collecting VAT. VAT yield is divided by the VAT standard rate.	0.4
55.	VATGCR	VAT gross compliance rate. Net VAT collections divided by potential VAT collections. Only private final household consumption is included in potential VAT collections.	65%
56.	SST/ Excise Yield (SSTY)	Special sales tax revenue as a percentage of GDP.	
57.	SST Productivity (SSTPROD)	SST productivity. It measures the amount of special sales tax revenue relative to the SST rate per household consumption per item and provides a sense of the government's productivity in collecting SST.	
58.	Indirect taxes as % of total tax revenues	Consumption taxes and Customs duties contribution.	50%
59.	% of VAT collections	VAT collections as a percentage of total tax take. It measures VAT contributions to tax revenues.	35%
60.	Direct taxes as % of total tax revenues	Income tax and real property taxes contribution to tax revenues.	50%
61.	% of tax revenue from LTO	LTO tax revenue as % of total tax revenue	65%-70%

Seq	Benchmark	Description	World Value
62.	% of taxpayers paying the top 75% of tax revenues	It measures structure of taxpayers.	5%
AUDIT			
63.	Audit revenue target	Projection of audit assessments as % of the projected annual revenue.	3%-5%
64.	Return entry with automatic error correction	Electronic validation system at the data entry stage.	Yes
65.	Return entry with data cross-checking	Checking credibility of tax returns by matching declarations with information references.	Yes
66.	Automated audit case selection system	Electronic case selection based on risk parameters.	Yes
67.	% of taxpayers audited	Audit coverage relative to the total number of filers. It tracks audit improvements as they shift for quality rather than quantity audits, thereby reducing burden of compliance for companies.	1%-5%
68.	Case management approach	Audit case assignment and control.	Case by case
69.	Audit backlog	Incomplete audit cases at the end of the tax period in question.	No
70.	Field audit method	How to approach audits chronologically. Last period audited first.	LIFO
71.	Audit and auditor metrics	Audit performance indicators.	Yes
72.	% of audits with no change	Audits resulted in no change in tax liability	0%-1%
73.	% of audit assessments with no objection	Audits resulted in tax assessments by taxpayer's approval as % of total assessments.	0%-3%
74.	Share of adjustments and fines collected	Adjustments actually paid as % of adjustments made. It measures quality of audits and collection.	80%
75.	ATS system	Automated system to track audit process, assess workload and average time per audit.	Yes

Seq	Benchmark	Description	World Value
76.	Audit manual	A guide for standard and consistent audit procedures by all auditors.	Yes
77.	PAYE control system	Labor withholding tax tracking and control system.	Yes
78.	Data crossing among taxes	Checking tax declaration credibility by cross matching different tax returns.	Yes
79.	Use of exogenous info.	Checking taxpayer assets database such as vehicles, real estate, lifestyle, etc.	Yes
80.	Unified domestic and import audits	In-depth audits covering all taxes including Customs.	Yes
81.	E-links	Links with stakeholders for verification.	Yes
82.	Bank secrecy	Banned accessibility to taxpayer accounts by tax authorities for verifications.	No
83.	Ratio of senior-to-entry level auditor salary	Measure fairness of pay regime.	2:1

COMPLIANCE AND ENFORCEMENT

84.	Cost of compliance	The administrative costs imposed on large, medium and small business taxpayers to comply with PIT, CIT, sales tax, and other tax law-related fees and charges, as a percentage of average income.	
85.	Income tax evasion	Estimated as a percentage of income tax revenue.	10%
86.	VAT/ Sales tax evasion	Estimated as a percentage of VAT/ sales tax revenue.	10%
87.	Reg. cross-checking	Use of third party registration database for cross-matching to identify non-filers.	Yes
88.	% of non-filers	Non-registered business activities or registered but never filed, as a percentage of total registrations.	10%
89.	Targeted field surveys	Field visits based on intelligence and information gathering.	Yes
90.	Non-filer pre-assessment	Establish tax liability to enforce registration.	Yes

Seq	Benchmark	Description	World Value
91.	Late registration penalty	Impose sanctions to enforce registration.	Yes
92.	Compulsory registration	Enforced registration by tax authorities.	Yes
93.	Centralized processing unit	Centralized unit/s to process tax returns, payments and other transactions.	Yes
94.	Fiscal compliance unit	Centralized unit to default tax returns and payments.	Yes
95.	Timely keying-in of tax returns	Timely keying in of tax returns and payments before generating the stop-filer or non-payer lists.	Yes
96.	stop-filer and non-payer identification system	Electronic tracking system to identify stop-filers and non-payers for follow up.	Yes
97.	% of VAT stop-filers	Number of stop-filers (taxpayers that simply stop filing their periodic VAT returns) as a percentage of VAT active filers. It is combined with an automated notification system to remind taxpayers of their filing obligations which should reduce this percentage over time.	5%
98.	% of income tax stop-filers	Income tax stop-filers as % of active filers	10%
99.	Call center	Existence of a state-of-the-art call center with outgoing and incoming calls and tax-related database to secure default tax returns and respond to taxpayers' inquiries on timely basis.	Yes
100.	Stop-filer pre-assessment	Estimation of tax liability by generating criteria-based electronic tax pre-assessment to secure default tax returns.	Yes
101.	Late filing penalty	Imposing penalty to enforce filing compliance.	Yes
102.	# of delinquent taxpayers	Taxpayers that can pay, but have not, or taxpayers in arrears. It tracks tax administration performance in reducing delinquent taxpayers.	3%-5%
103.	Overall debt ratio	Total tax arrears as % of total tax revenue.	3%-5%

Seq	Benchmark	Description	World Value
104.	Final tax arrears ratio	Total amounts that can be collected as % of total tax arrears.	80%
105.	Net collectible tax arrears ratio	Net amounts that can be collected as % of final tax arrears.	95%
106.	Accelerated tax arrears collection ratio	Tax arrears collected within the first six months of the due date as % of total collectible tax arrears.	60%
107.	Write-off policy	Provision to write off bad debts.	Yes
108.	Statute of limitation	Provision to prescribe bad debts.	Yes
109.	Lien and seizure	Enforcement of debts by all possible means.	Yes
110.	Late payment penalty	Imposing penalty on late payments to enhance compliance and ensure equity.	Yes
111.	% of late payments	Late payments as % of total tax receipts.	5%

ANTI-FRAUD

112.	Tax fraud unit in tax administration	Unit to handle criminal cases.	Yes
113.	Tax misdemeanor penalty	Penalty imposed on civil cases.	Yes
114.	Tax fraud felony	Penalty imposed on more serious offences.	Yes
115.	Application of tax fraud felony sanctions	Law enforcement to ensure equity.	Yes
116.	Appeals tribunal	Court to consider tax appeal cases.	Yes
117.	Criteria for fraud cases	Set of criteria to refer fraud cases from audit to anti-fraud.	Yes

CUSTOMER SERVICE AND COMMUNICATION

118.	TP service mgt unit	Tax administration unit to set policies and monitor customer service performance.	Yes
119.	Diverse & high quality service delivery	Use all possible means of service delivery to ensure quality.	Yes
120.	Modern walk-in area	State-of-the-art customer service offices.	Yes
121.	Single-window service	Receive quick service at one point.	Yes

Seq	Benchmark	Description	World Value
122.	Banking system payments	All payments made in or through banks.	Yes
123.	e-payments	On-line tax payments.	Yes
124.	% of LTO e-filing	LTO connectivity. Large taxpayers filing via Internet.	100%
125.	Business days for VAT refund	Business days to get refund from date of application.	25
126.	Simple customer satisfaction questionnaire.	Very short and quick questionnaire taking less than a minute to fill.	Yes
127.	Customer satisfaction	Average customer satisfaction measurement.	Yes
128.	Suggestion box	Periodic measurement of customer feedback.	Yes
129.	TP education program	Regular tax publicity and outreach programs.	Yes
130.	Diverse tax publications	Sufficient booklets, leaflets, brochures, guides, etc made available to the public.	Yes
131.	Tax laws handbook	Updated tax laws and regulations handbook published and made available to the public.	Yes
132.	Tax laws Q & A database	Standard tax-related question and answer database made available to call center and front-line staff to answer 90% of inquiries.	Yes
133.	Taxpayer charter	A leaflet containing taxpayers' rights and obligations.	Yes
134.	Simplified forms	Short and clear tax forms.	Yes
135.	Media center	Modern outreach facility.	Yes
136.	Multi-media outlets	Diverse tax awareness programs and campaigns.	Yes
137.	Tax awareness newsletter	Periodic tax publicity journal.	Yes
138.	Annual report	Annual tax awareness publication.	Yes
139.	Official website	Tax awareness and education site.	Yes
140.	Tax awareness campaigns	Tax publicity and outreach media campaigns.	Yes

Seq	Benchmark	Description	World Value
INFORMATION TECHNOLOGY			
141.	Modern hardware	IT infrastructure	Yes
142.	Modern data center	IT infrastructure and data security	Yes
143.	Data security unit	IT security control	Yes
144.	Automated operations	Use of automated systems for daily operations.	Yes
145.	MIS reporting	Existence and proper use of automated Management Information Systems (MIS) for monitoring, evaluation and reporting.	Yes
146.	Interconnectivity with field	On-line links/ servers between Headquarters and field offices.	Yes
147.	Backup systems for users	Data and system protection for all users.	Yes
148.	Networking	IT infrastructure, speed and cabling.	Yes
149.	Oracle DBA	Oracle database administrator as a clearly defined separate job for accurate MIS reporting and data classification.	Yes
150.	System analyst	System analyst as a clearly defined separate job for accurate MIS reporting and system classification.	Yes
151.	Computer lab	Hands-on training and multi-purpose computer lab.	Yes
152.	Reliable current account	Up-to-date posting of all tax activities.	Yes
153.	Clean taxpayer registry	Up-to-date clean and operating taxpayer database.	Yes
HUMAN AND FINANCIAL RESOURCES			
154.	HR planning	Creating and filling the right amount and quality of vacancies as needed by the organization.	Yes
155.	Independent recruitment	Neutral appointment process.	Yes
156.	Gender equity	No discrimination based on sex.	Yes
157.	Position descriptions	For job segregation, accountability and performance evaluation.	Yes

Seq	Benchmark	Description	World Value
158.	Personnel system	Accessibility to personnel database for transparency purposes.	Yes
159.	% of employees with higher education	University and college graduates.	70%
160.	Fair pay regime	Core functions have similar compensation	Yes
161.	Average tax administrator's salary	Ratio of average tax administrator's salary to GDP per capita.	2:1
162.	Career plan	Administrative career plan for development and promotion.	Yes
163.	Job rotation	Planned transfers for staff development and promotion.	Yes
164.	Succession plan	Qualify second line managers and secure job replacements.	Yes
165.	Authority delegation	Delegation of power to secure empowerment and smooth flow of work.	Yes
166.	Formal retirement plan	For career planning and development.	Yes
167.	Retention plan	A plan to reduce employee attrition and keep qualified persons.	Yes
168.	Employee turnover	An indication of job satisfaction.	10%
169.	Code of conduct	A code to control work ethics and discipline and ensure integrity.	Yes
170.	Unit for investigation of internal corruption	This is usually the internal control unit.	Yes
171.	Training strategy	Long term training plan based on training need analysis.	Yes
172.	Training manuals	Instructor and participant guides to secure continuous and consistent training.	Yes
173.	Training facilities	In-house training venues and training center for capacity building.	Yes
174.	Oriented training	Measurement of training effectiveness and return on investment.	Yes

Seq	Benchmark	Description	World Value
175.	Tax academy	An academic tax education institution to qualify potential tax appointments.	Tend

b) About the indicators

The Collecting Taxes comparative data system (www.collectingtaxes.net) features performance and structural indicators about countries' national tax systems. The interactive database contains quantitative revenue performance indicators, addressing how well a particular tax performs in generating revenues for the government, given its overall rate structure. Among the performance indicators is also an indicator of how well the overall tax system produces revenues, given the costs of administering the tax system. The database also provides tax rate information, such as the general value-added tax/GST rate or the general corporate income tax rate. Other indicators describe the main features of tax administrations, while economic indicators are also included so that performance, rate competitiveness, and structure can be easily compared given levels of development and other factors.

The entire Collecting Taxes data system compiles and presents more than 30 indicators or variables. These indicators can be divided into five categories:

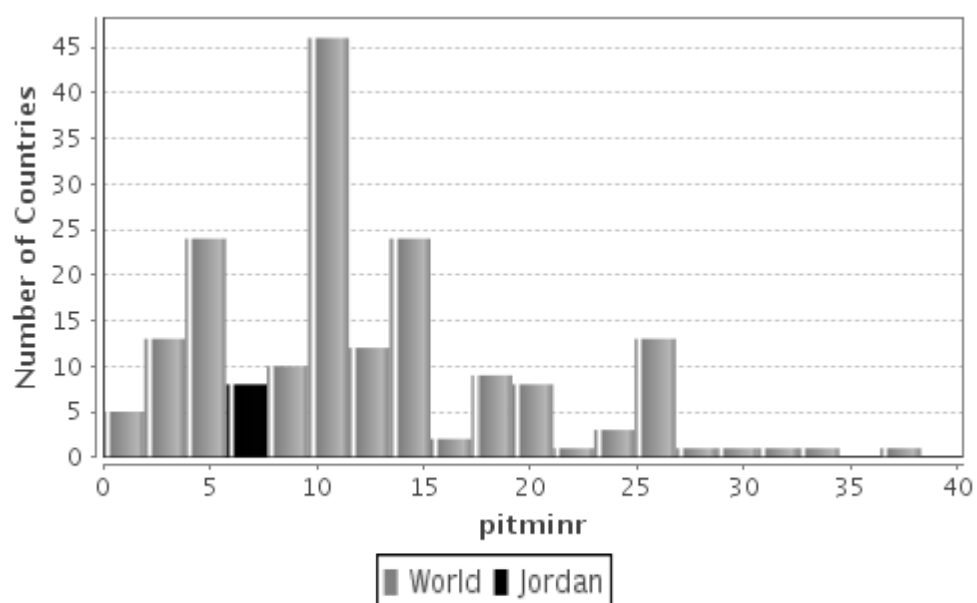
1. **Tax revenue performance:** These quantitative indicators provide a sense of how effectively the tax system produces revenues.
2. **Tax structure:** These quantitative indicators represent the substantive structure of tax law, in a simplified, comparative way.
3. **Tax administration structure:** This category includes both qualitative and quantitative indicators of the organization and size of the tax administration.
4. **Economic structure:** These indicators provide information about the economy of each country included in the data system. These basic indicators have been cited in a number of research projects as having important impact on the ability of tax systems to collect taxes.
5. **Reference:** These indicators measure neither performance nor quality of the tax system. Rather, they provide information about the amount of revenues the three major taxes produce and allow international reference comparisons. There is no specific evaluative aspect to these indicators.

However, the total number of indicators collected in this review can be classified also into eleven categories based on the different areas of the tax system.

Below, we compare tax collection performance and structure in Jordan as in 2012 with that in the rest of the world, based on many of the key Collecting Taxes indicators. First, we present for each variable—say, the general VAT/GST tax rate—a histogram that graphically shows the variable's distribution among the countries of the world. Then, to make the analysis more local in scope, we also compare Jordanian data for each of the variables to the experiences in other Middle East countries.

Personal income tax minimum rate (PITMINR)

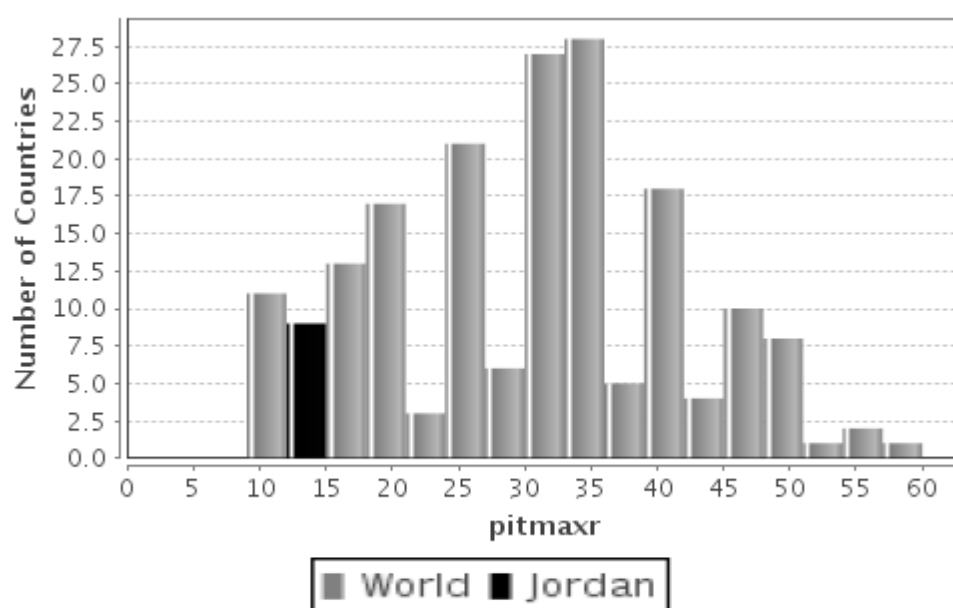
This is a **tax structure** indicator. It is the lowest, non-zero tax rate applied to taxable income in the personal income tax system. In most countries, this is also the rate at which the lowest income earners pay tax on their personal income, after deductions and exemptions.



Economy/Region	pitminr	Std. Dev	Min	Max	Obs
Jordan	7.00	--	--	--	1
Middle East and North Africa Region	9.29	4.92	2.00	20.00	17
Low-middle-income Economies Group	11.94	6.96	1.00	33.30	52
World	12.00	7.20	0.50	38.30	183

Personal income tax maximum rate (PITMAXR)

This is a **tax structure** indicator. It is the highest marginal tax rate applied under the personal income tax system, usually on taxpayers with the highest incomes.

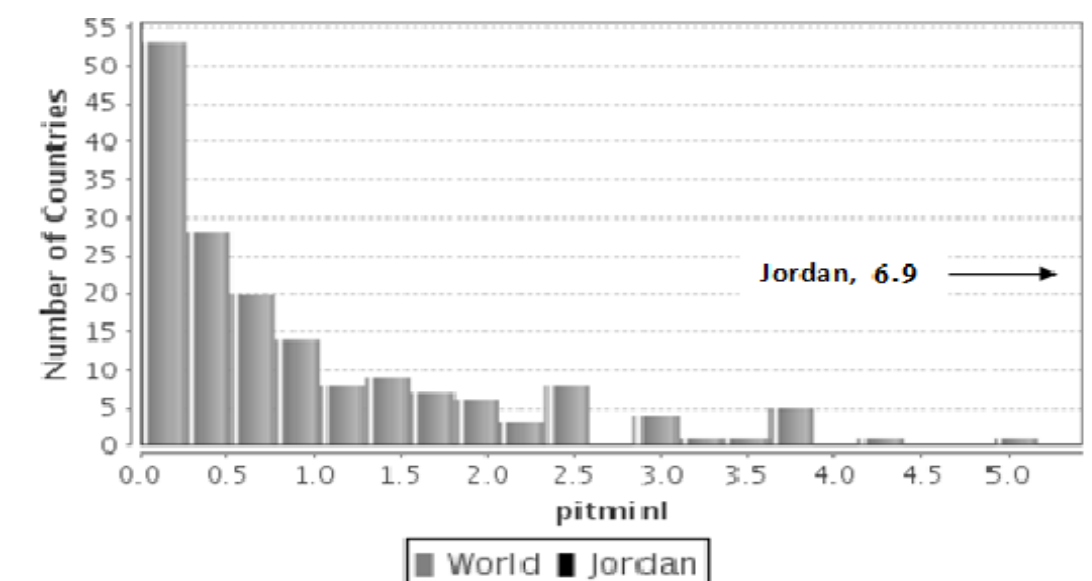


Economy/Region	pitmaxr	Std. Dev	Min	Max	Obs
Jordan	14.00	--	--	--	1
Middle East and North Africa Region	27.12	9.80	15.00	46.00	17
Low-middle-income Economies Group	26.78	10.72	10.00	50.00	53
World	29.72	11.47	10.00	60.00	184

Personal income tax minimum income level (PITMINL)

This is a **tax structure** indicator. It is the lowest level of income at which the lowest marginal personal income tax rate (PITMINR) is imposed, expressed as a multiple of per capita GDP. For instance, if the lowest level of income that is subject to personal income taxation is \$30,000 and the per capita GDP is \$40,000 then this indicator will be 0.75.

When the country applies a single rate, say a “flat tax”, to all personal income, without a zero rate, the PITMINL indicator will be the value of the basic personal allowance or deduction, expressed as a multiple of per capita GDP.

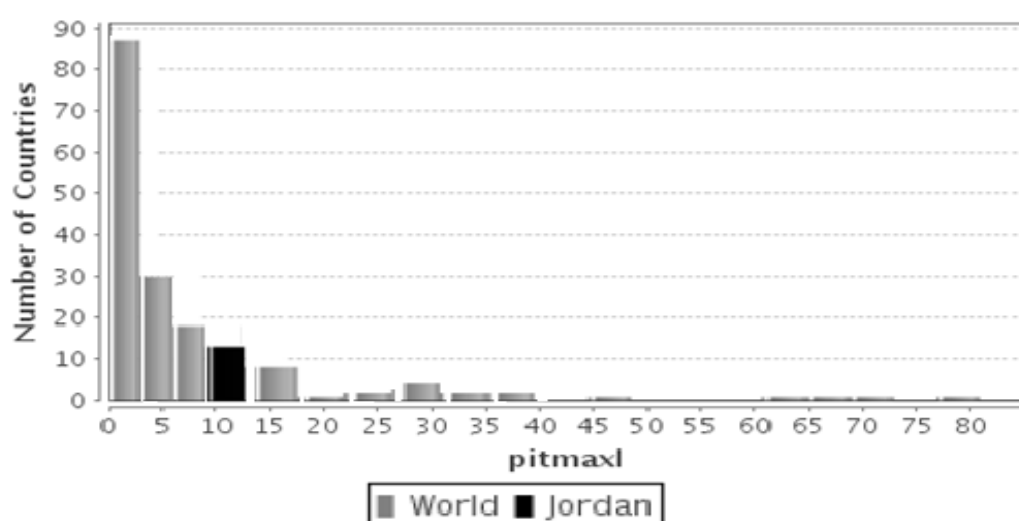


Economy/Region	pitminl	Std. Dev	Min	Max	Obs
Jordan	6.9	--	--	--	1
Middle East and North Africa Region	1.06	2.04	0.00	8.56	15
Low-middle-income Economies Group	1.43	1.77	0.00	10.23	51
World	0.95	1.03	0.00	57.29	169

Personal income tax maximum income level (PITMAXL)

This is a **tax structure** indicator. It is the lowest level of income at which the top marginal personal income tax rate is imposed, expressed as a multiple of per capita GDP. For instance: Suppose a country's top marginal personal income tax rate is imposed on an individual's annual income exceeding \$400,000 and the per capita GDP of the country is \$40,000; in this case, the PITMAXL indicator would be 10, i.e., the income level at which the top rate applies, divided by per capita GDP.

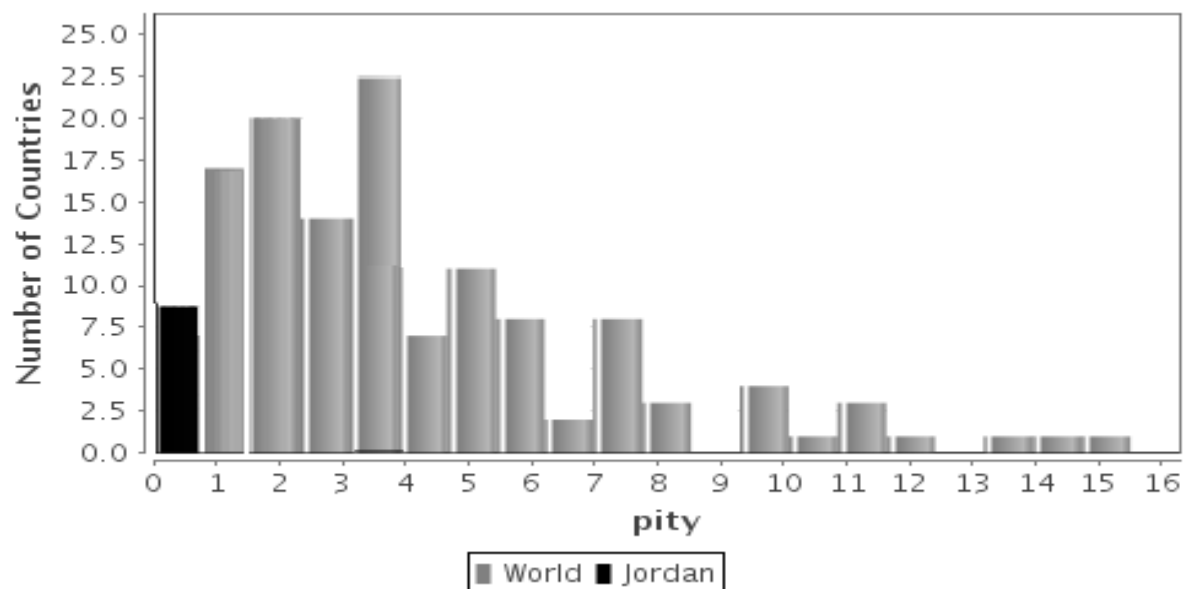
When the country applies a single rate, say a “flat tax”, to all personal income, the value of PITMINL and PITMAXL will be the same.



Economy/Region	pitmaxl	Std. Dev	Min	Max	Obs
Jordan	10.0	--	--	--	1
Middle East and North Africa Region	9.15	10.15	0.66	36.55	14
Low-middle-income Economies Group	8.97	10.06	0.00	46.69	51
World	8.63	12.86	0.00	5,728.84	172

Personal income tax revenues (PITY)

This is a **reference** indicator. It is the level of personal income tax collections as a percentage of GDP.

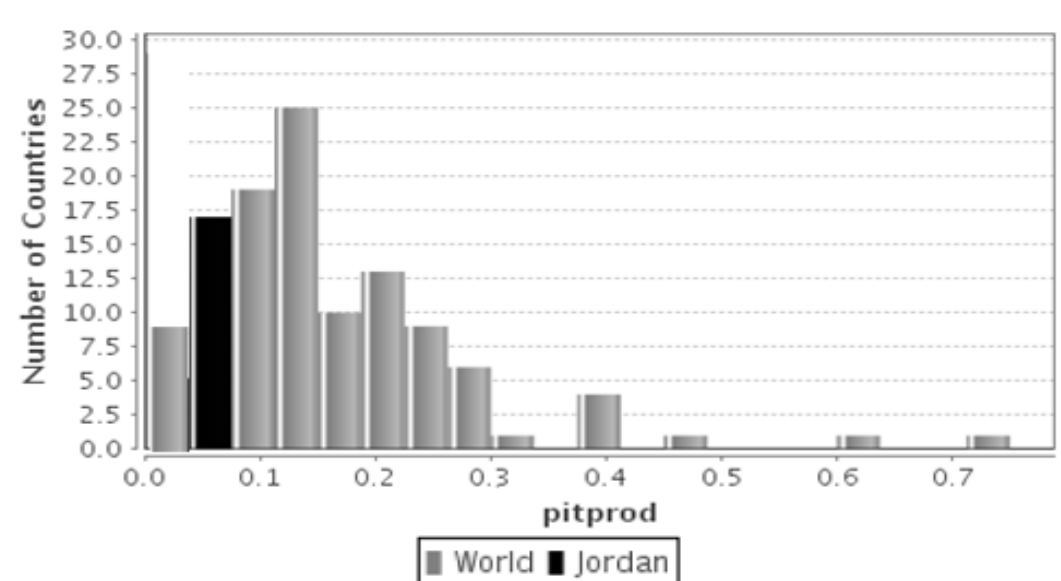


Economy/Region	pity 2012	Std. Dev	Min	Max	Obs
Jordan	0.6	--	--	--	1
Middle East and North Africa Region	2.31	1.88	0.60	6.60	10
Low-middle-income Economies Group	2.71	2.07	0.10	8.20	41
World	3.72	3.23	0.10	15.50	141

Personal income tax revenue productivity (PITPROD)

This is a **tax revenue performance** indicator. It attempts to provide some sense of how well the personal income tax in a country does in terms of producing revenue. It is calculated by taking the actual revenue collected as a percentage of GDP (PITY), divided by the weighted average PIT rate, or PITWR. The weighted average PIT rate is the weighted average of the lowest (PITMINR) and highest (PITMAXR) marginal personal income tax rates, given the income level at which each rate kicks in.

For all countries, the PITPROD indicator falls between 0 and 1.



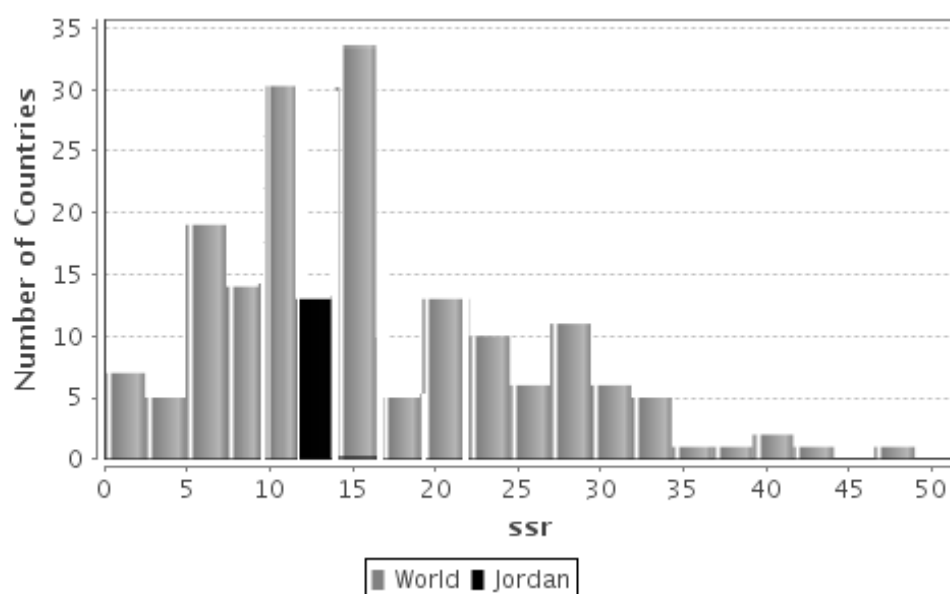
Economy/Region	pitprod	Std. Dev	Min	Max	Obs
Jordan	0.05	--	--	--	1
Middle East and North Africa Region	0.07	0.04	0.03	0.14	9
Low-middle-income Economies Group	0.12	0.13	0.00	0.75	40
World	0.14	0.12	0.00	0.75	136

Social Contributions rate (SSR)

This is a **tax structure** indicator. There is no revenue performance indicator associated with it.

It is calculated by summing the nominal rates of mandatory contributions to social security, pension, employment security, health, disability and/or other social programs in the country. This includes both employer and employee contributions (whether withheld from employee compensation or paid directly). The indicator is expressed as a percentage of gross salary, though there may be slight variations from country to country.

In general, social contributions are only applied to salaries or “earned income” and are not applied to interest earnings, capital gains, and other miscellaneous income. Most countries do impose social contributions on income of the self-employed, and the rate applied is often about the same as the combined employer-employee rate. Nonetheless, we report here on the tax on employers and employees.



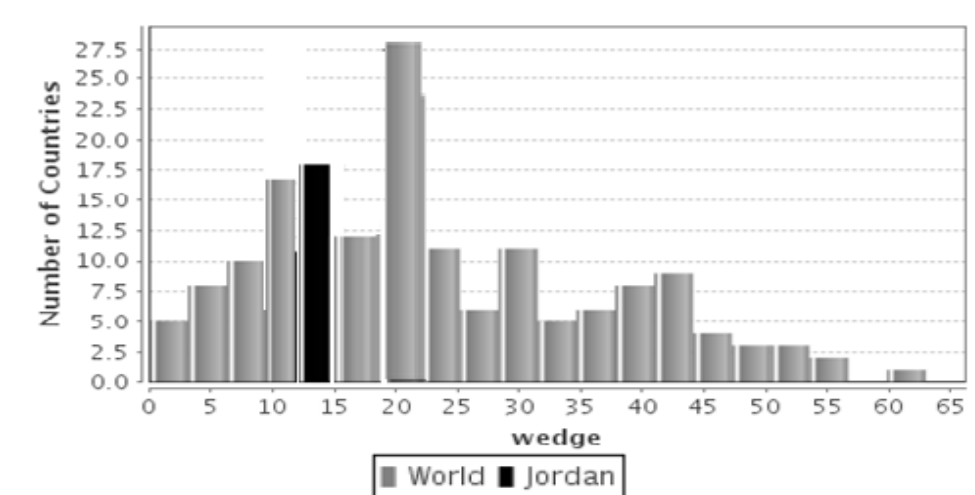
Economy/Region	ssr	Std. Dev	Min	Max	Obs
Jordan	12.90	--	--	--	1
Middle East and North Africa Region	16.21	6.64	2.00	29.06	16
Low-middle-income Economies Group	16.59	9.18	2.00	41.50	47
World	15.83	9.53	0.00	49.00	171

Tax Wedge (WEDGE)

This is a **tax structure** indicator. There is no revenue performance indicator associated with it. The tax wedge is a widely accepted indicator of the tax burden on labor, represented as a percentage of gross salary. It combines social contributions with personal income tax. The OECD provides tax wedge estimates for OECD countries and a few others. For almost all other countries, "Collecting Taxes" (www.collectingtaxes.net) estimates the tax wedge using its own methodology, estimating the taxes that are applicable to below-average wage earners without dependents. The calculation is as follows:

- If the PIT minimum income level (PITMINL) is greater than per capita GDP, then the tax wedge is equal to the combined social contributions rate (SSR).
- If the PITMINL is applied at some fraction (say, half) of GDP per capita, then this rate is applied, pro rata, to per capita GDP and added to the combined social contributions rate. For instance, say the minimum PIT rate (PITMINR) is 10% and it is applied to income equivalent to one half of per capita GDP (i.e., PITMINL = 0.5), then the effective PIT rate on average income earners is 5%. Add this 5% to the social contributions rate, say 20%, and the tax wedge calculation is 25%.

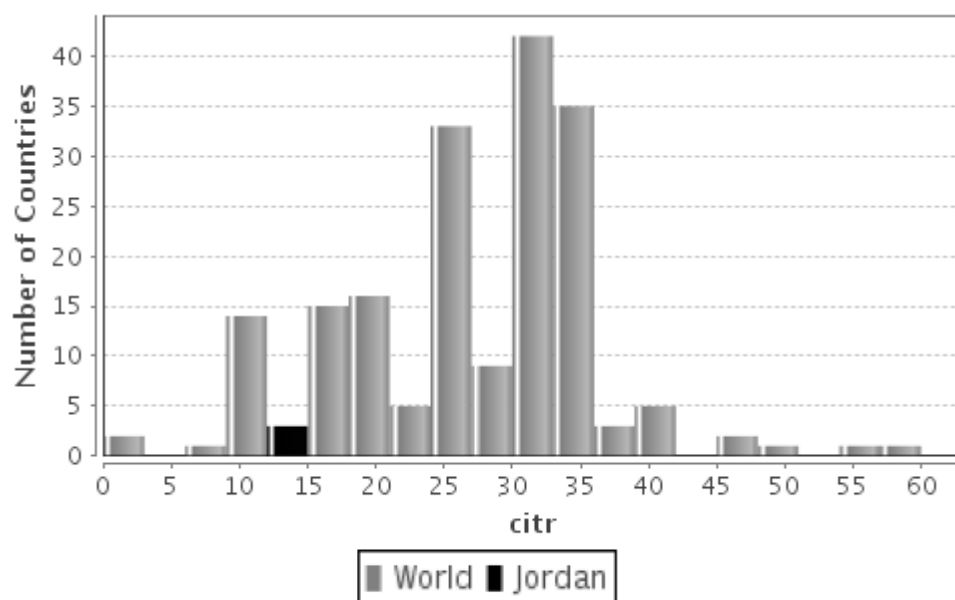
Empirical evidence shows that the higher the tax wedge, the fewer the jobs that will be generated from economic growth.



Economy/Region	Wedge	Std. Dev	Min	Max	Obs
Jordan	12.90	--	--	--	1
Middle East and North Africa Region	21.77	7.57	9.30	39.10	15
Low-middle-income Economies Group	19.41	10.26	3.00	42.80	44
World	22.35	13.89	0.00	63.00	163

Corporate income tax rate (CITR)

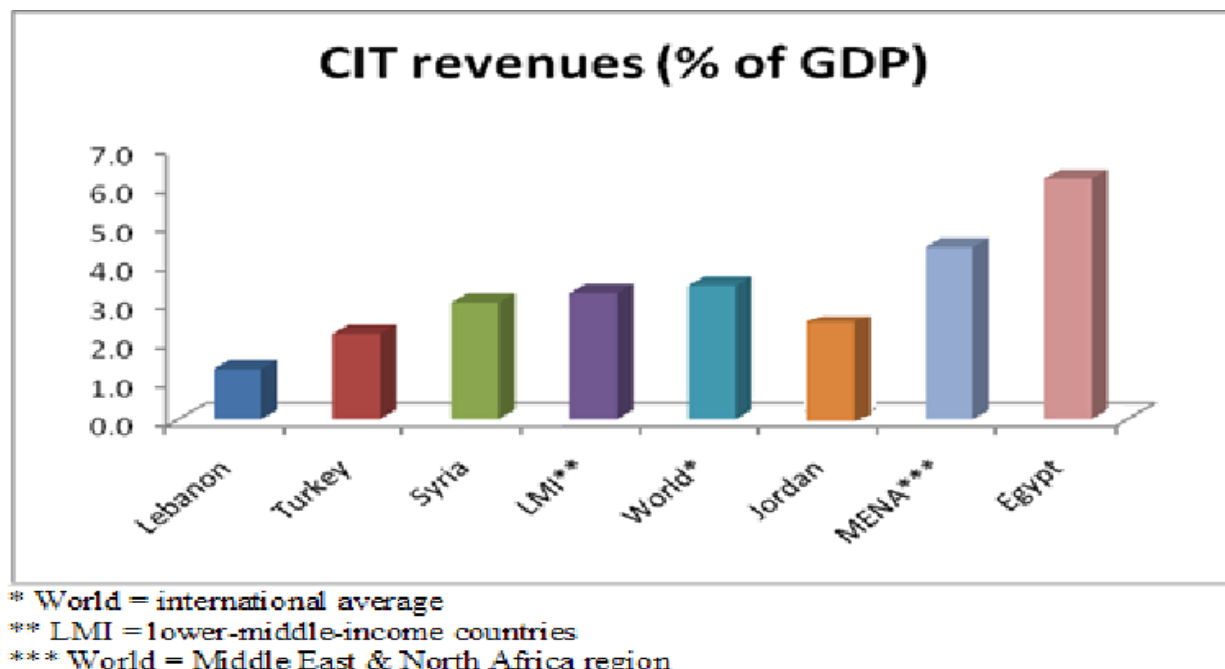
This is a **tax structure** indicator. It is the general rate applied for the corporate income tax. In most countries, only one corporate income tax is applied to corporate profits. Furthermore, in most countries business enterprises that are owned by sole proprietors or unincorporated partnerships pay tax under the personal income tax system.



Economy/Region	citr	Std. Dev	Min	Max	Obs
Jordan	14.00	--	--	--	1
Middle East and North Africa Region	26.14	11.77	10.00	55.00	21
Low-middle-income Economies Group	25.52	9.22	0.00	38.50	52
World	26.39	9.33	0.00	60.00	188

Corporate income tax revenues (CITY)

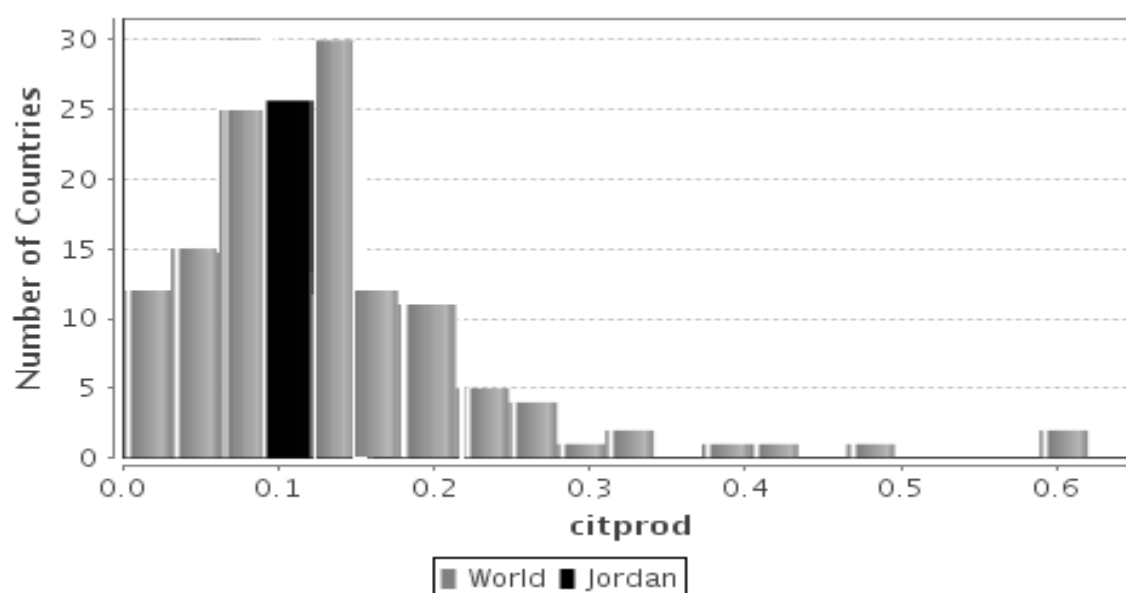
This is a **reference** indicator. It is the level of corporate income tax collections as a percentage of GDP.



Economy/Region	CITY	Std. Dev	Min	Max	Obs
Jordan	2.5	--	--	--	1
Middle East and North Africa Region	4.44	5.27	0.30	21.60	13
Low-middle-income Economies Group	3.25	1.87	0.40	9.10	41
World	3.45	3.46	0.30	33.30	146

Corporate income tax revenue productivity (CITPROD)

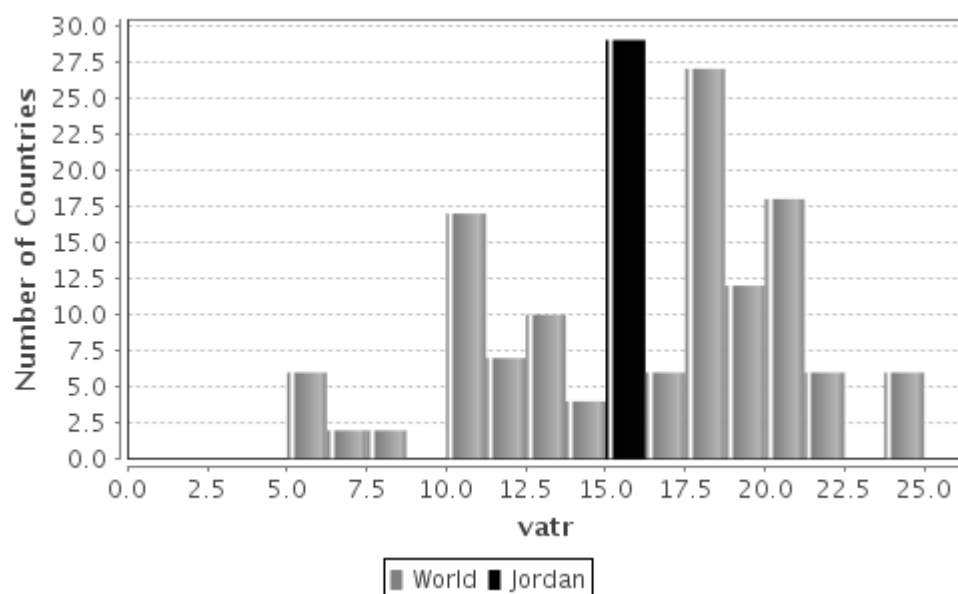
This is a **tax revenue performance** indicator. It represents how well the corporate income tax does in terms of producing revenue, given the tax structure. It is calculated by dividing total corporate income tax revenues by GDP (CITY) and then dividing this by the general corporate income tax rate (CITR). For instance, if corporate income tax revenues came to 10% of GDP and the corporate income tax rate is 20%, then the CITPROD value would be 0.50.



Economy/Region	CITPROD	Std. Dev	Min	Max	Obs
Jordan	0.11	--	--	--	1
Middle East and North Africa Region	0.19	0.18	0.02	0.62	12
Low-middle-income Economies Group	0.13	0.07	0.03	0.42	41
World	0.13	0.10	0.01	0.62	145

Value-added tax/GST rate (VATR)

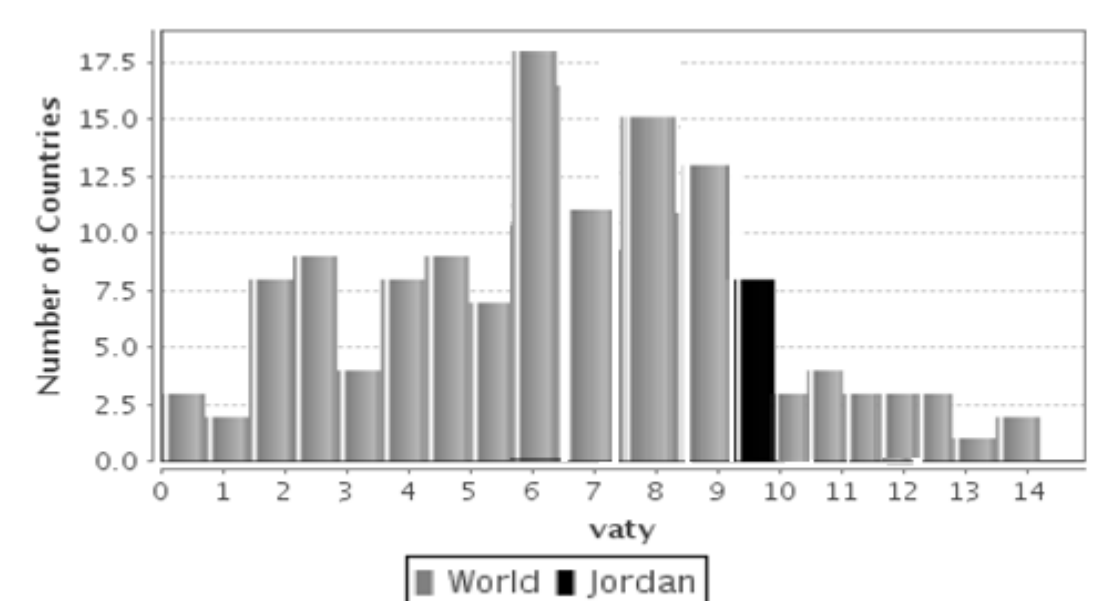
This is a **tax structure** indicator. It is the general rate at which most goods and services are taxed under the value-added tax system. Most countries with a VAT, or a VAT-like general sales/consumption tax (GST/GCT), have a variety of reduced rates for certain goods, such as basic food stuffs, and zero rate for exported goods.



Economy/Region	vatr	Std. Dev	Min	Max	Obs
Jordan	16.00	--	--	--	1
Middle East and North Africa Region	14.10	4.26	5.00	20.00	10
Low-middle-income Economies Group	15.56	3.66	7.00	25.00	44
World	15.77	4.50	5.00	25.00	152

VAT collections (VATY)

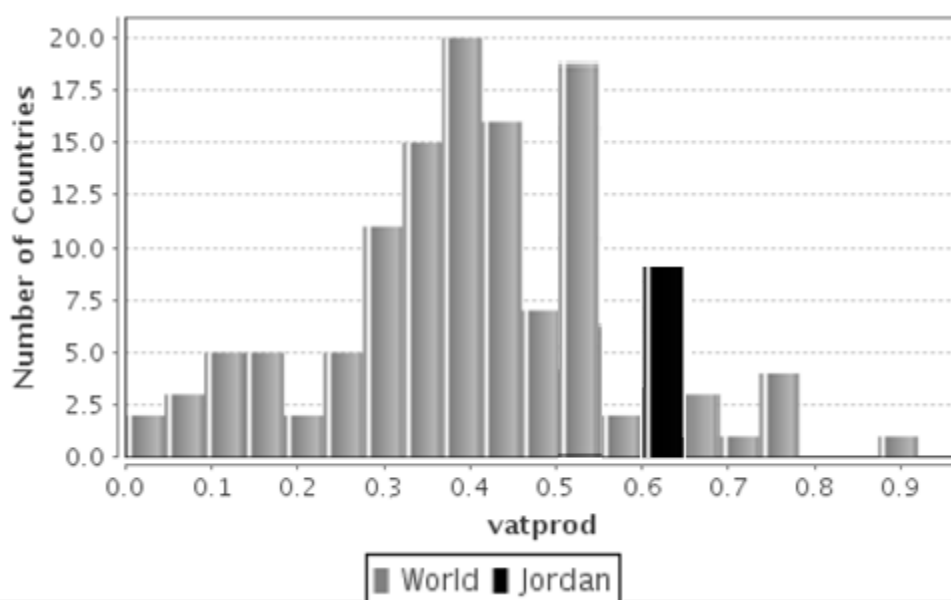
This is a **reference** indicator. This is the level of net VAT collections as a percentage of GDP.



Economy/Region	Vaty	Std. Dev	Min	Max	Obs
Jordan	10.0	--	--	--	1
Middle East and North Africa Region	7.07	2.97	2.90	12.50	9
Low-middle-income Economies Group	7.40	2.87	1.80	14.20	39
World	6.37	3.06	0.20	14.20	131

VAT/GST Productivity (VATPROD)

This is a **tax revenue performance** indicator. It is a measure of how well the VAT/GST produces revenue for the government, given the prevailing VAT/GST rate. It is calculated by dividing net VAT collections by GDP (VATY) and then dividing this by the general VAT/GST rate (VATR). For instance, if net VAT/GST revenues come to 10% of GDP and the general VAT rate is 20%, then the VATPROD value will be 0.50.

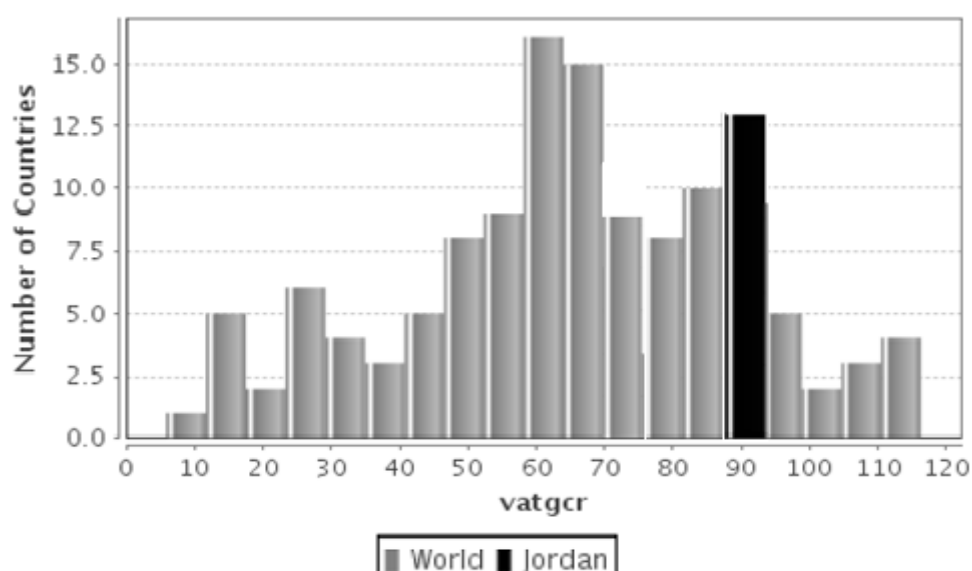


Economy/Region	vatprod	Std. Dev	Min	Max	Obs
Jordan	0.63	--	--	--	1
Middle East and North Africa Region	0.48	0.18	0.17	0.78	9
Low-middle-income Economies Group	0.48	0.16	0.10	0.78	39
World	0.41	0.17	0.03	0.92	130

VAT/GST gross compliance ratio (VATGCR)

This is a **tax revenue performance** indicator. It measures how revenue-productive the VAT or GST is, but is a bit more refined than the VAT/GST productivity (VATPROD) indicator, since it considers the fact that VAT or GST is mostly applied to final consumption by households and individuals. It is calculated by dividing net VAT/GST revenues (VATY) by total private consumption in the economy and then dividing this by the general VAT/GST rate. For instance, if VATY comes to 5% of private consumption and the VAT rate is 20%, then VATGCR would come to 25%. The VATGCR ratio is equal to actual VAT/GST collections divided by potential VAT/GST collections, expressed as a percentage.

The VATGCR is similar to the VAT "c-efficiency," or collection efficiency, indicator except that VAT c-efficiency relates VAT collections to aggregate consumption expenditures rather than just private consumption.¹³ Since almost all government consumption around the world is the payment of government wages and salaries, the VATGCR is perhaps "tighter" indicator of performance.

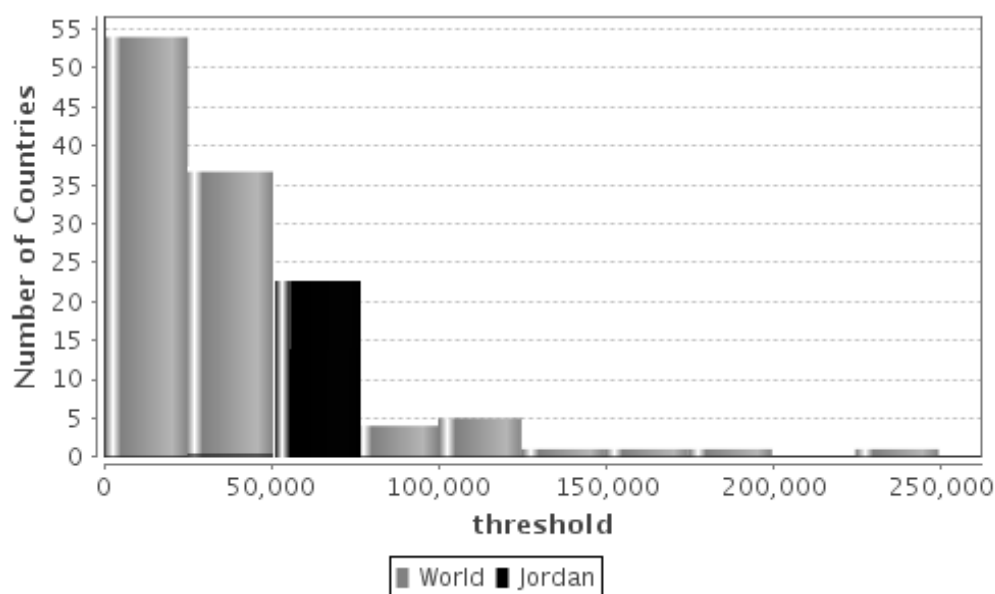


Economy/Region	vatgcr	Std. Dev	Min	Max	Obs
Jordan	90.0	--	--	--	1
Middle East and North Africa Region	71.98	23.63	43.90	114.70	9
Low-middle-income Economies Group	71.75	18.24	26.20	108.10	39
World	65.48	24.45	11.40	116.30	130

¹³ See Joshua Aizenman and Yothin Jinjarak, "The collection efficiency of the value added tax: theory and international evidence," at: http://econ.ucsc.edu/faculty/aizenman/VAT_Collection_efficiency.pdf.

VAT/GST filing threshold (THRESHOLD)

This is a **tax structure** indicator. It is related to the VAT or GST and is expressed in current US Dollars (\$) for purposes of international comparison. It indicates the amount of annual turnover, or supply/import of goods and services, above which taxpayers must file regular VAT/GST returns. It also often represents the threshold above which businesses must register with the authorities as VAT/GST payers. A low or no VAT Threshold can place undue tax compliance burdens on smaller businesses without sophisticated recordkeeping, as well as place unnecessary administrative burdens on the tax administration.

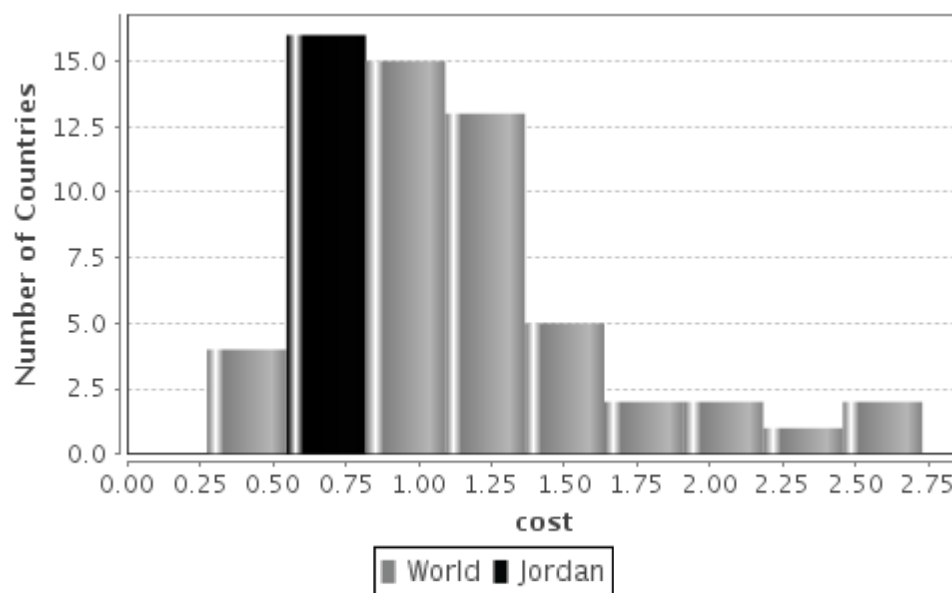


Economy/Region	Threshold	Std. Dev	Min	Max	Obs
Jordan	\$70,000	--	--	--	1
Middle East and North Africa Region	25,601	32,242	0.00	101,010	11
Low-middle-income Economies Group	42,216	44,789	0.00	194,333	33
World	38,067	39,455	0.00	1,140,264	127

Tax administration cost (COST)

This **performance** indicator relates the cost of administering the tax system to the total revenues collected by the tax administration. For instance, if a country's tax administration budget comes to \$2 million and it collects \$200 million, this variable will be equal to 1%, or \$1 in costs for every \$100 collected.

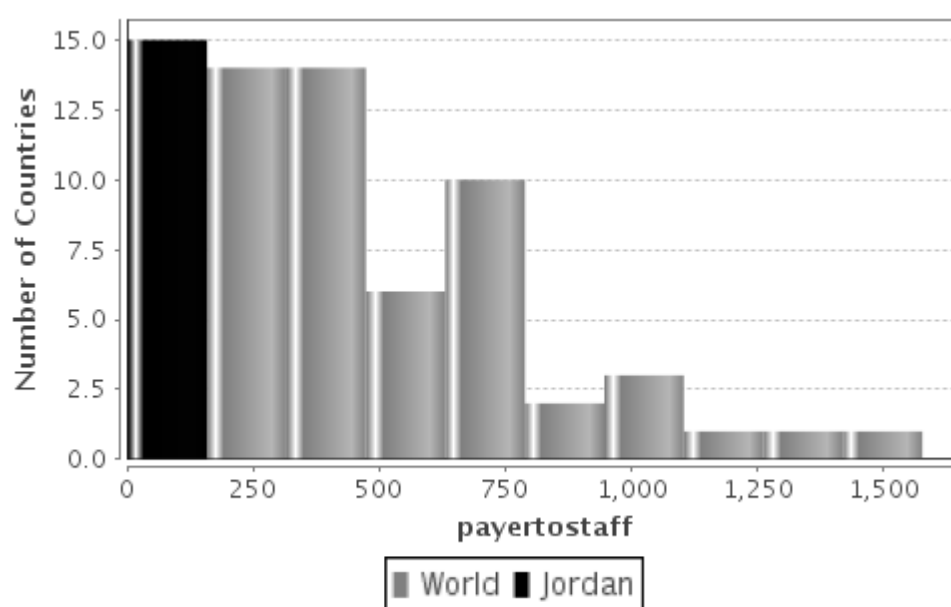
In general, the lower this cost indicator is, the more efficient the overall tax system is in collecting all taxes.



Economy/Region	Cost	Std. Dev	Min	Max	Obs
Jordan	0.63	--	--	--	1
Middle East and North Africa Region	--	0.00	5.80	5.80	1
Low-middle-income Economies Group	1.52	0.94	0.43	3.41	14
World	1.08	0.50	0.28	7.40	60

Number of taxpayers per tax staff (PAYERTOSTAFF)

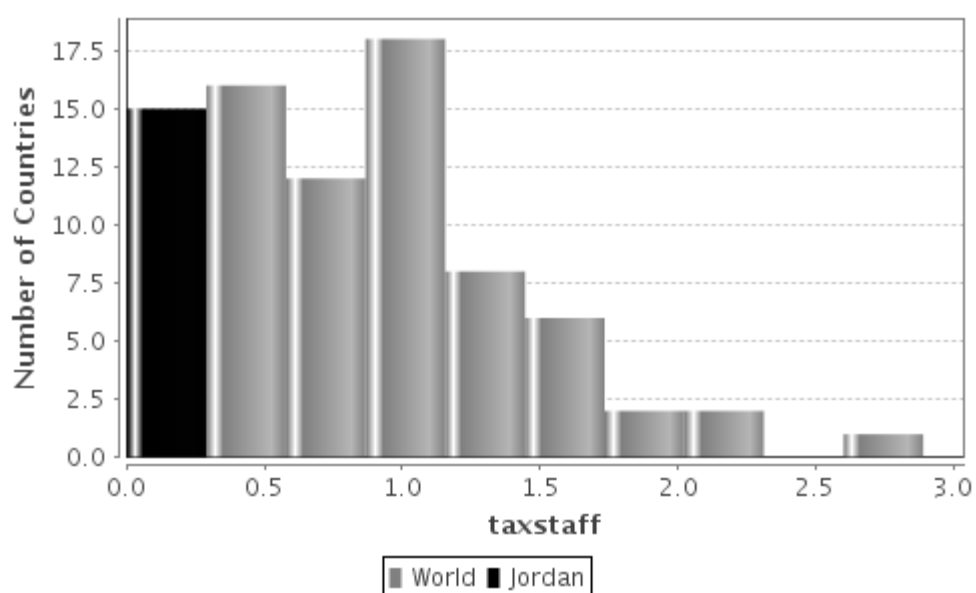
This is a **tax administration structural** indicator. It is a measure of the size of the tax administration's staff given the number of active taxpayers in the country. An active taxpayer is a person, business, or other entity that files tax declarations on a regular basis. In countries that rely heavily on the personal income tax, where taxes are withheld from salaries and most individuals are required to file with the tax administration, this indicator can be expected to be relatively large. In countries where personal income tax is not particularly important and where the VAT or GST is much more prominent, the number of active taxpayers relative to the number of tax administration staff is usually lower.



Economy/Region	Payertostaff	Std. Dev	Min	Max	Obs
Jordan	98.0	--	--	--	1
Middle East and North Africa Region	512.95	147.35	365.60	660.30	2
Low-middle-income Economies Group	248.74	191.69	24.50	609.30	16
World	437.36	334.30	16.00	3,181.80	67

Tax staff (TAXSTAFF)

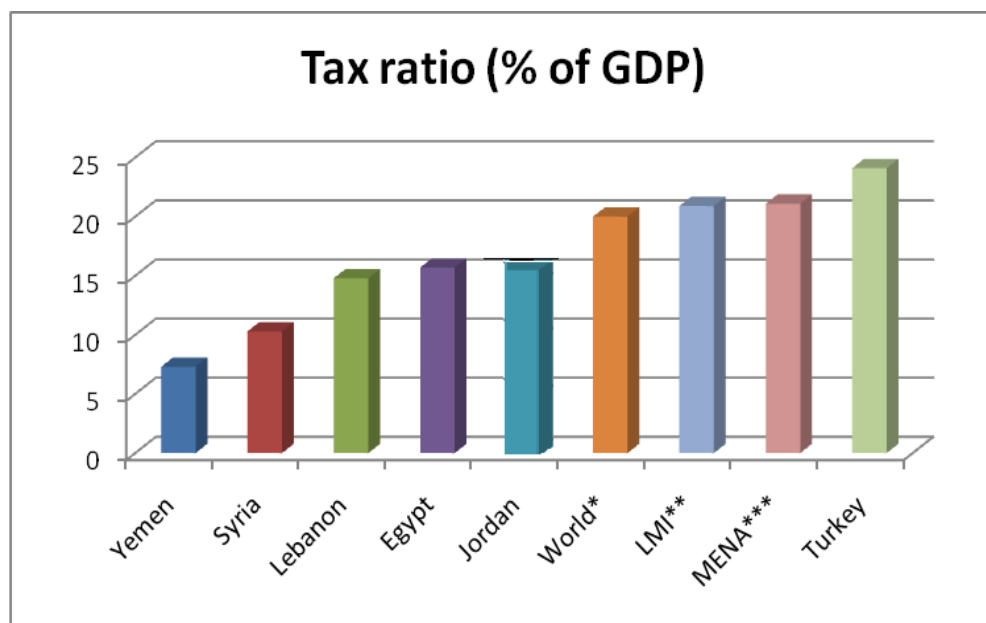
This is a **tax administration structural** indicator. This is a measure of the size of the tax administration, with respect to the size of the country's population. TAXSTAFF is the total number of staff of the tax administration per 1,000 national populations. For instance, if the tax administration in a country has 1,000 employees and the country's total population is 1,000,000 persons, then the TAXSTAFF ratio will be 1.0, i.e., one tax staff member for every 1,000 people in the country.



Economy/Region	tax staff	Std. Dev	Min	Max	Obs
Jordan	0.23	--	--	--	1
Middle East and North Africa Region	0.51	0.26	0.25	0.77	2
Low-middle-income Economies Group	0.51	0.32	0.07	1.32	20
World	0.82	0.57	0.05	2.89	80

Tax ratio (TAXY)

This is a **reference** indicator. It represents total taxes (both domestic and international taxes) collected as a percentage of GDP.



* World = international average

** LMI = lower-middle-income countries

*** World = Middle East & North Africa region

c) Comparative tables

Table 19: Comparative macro-level indicators for the MENA region as in 2012

Indicator	International	Region	Income group	Jordan	Egypt	Lebanon	Syria	Turkey	Yemen
PITMINR	12.0	9.3	11.9	7	10	2	5	15	10
PITMAXR	29.7	27.1	26.8	14	20	20	20	35	20
PITMINL	1.0	1.1	1.4	6.9	0.7	0.6	0.9	0.8	0.19
PITMAXL	8.6	9.2	8.9	10.0	3.3	11.9	3.5	4.7	4.16
PITY	3.7	2.3	2.7	0.6	1.3	0.6	0.4	5.4	0.4
PITPROD	0.14	0.07	0.12	0.05	0.07	0.03	0.02	0.17	0.02
SSR	15.8	16.2	16.6	12.6	25	8.5	21	20	15
WEDGE	22.4	21.8	19.4	12.6	28.3	9.3	21.4	42.7	23.1
CITR	26.4	26.1	25.5	14	20	15	35	20	35
CITY	3.5	4.4	3.3	2.5	6.2	1.3	3.0	2.2	3.0
CITPROD	0.13	0.19	0.13	0.11	0.3	0.09	0.09	0.11	0.09
VATR	15.8	14.1	15.6	16	10	10	--	18	5
VATY	6.4	7.1	7.4	10.0	6.0	5.3	--	6.8	--
VATPROD	0.4	0.48	0.48	0.63	0.6	0.5	--	0.4	--
VATGCR	65	72	71.8	90.0	78.9	57.9	--	56.8	--
THRESHOLD	38,067	25,601	42,216	70,000	9,681	101,010	--	0	242,000
TAXY	20.0	21.1	20.9	15.3	15.7	14.8	10.3	24.1	7.3
COST	1.1	--	1.5	0.63	--	--	--	0.83	--
PAYERTOSTAFF	437	513	249	98	--	--	--	132	--
TAX STAFF	0.8	0.5	0.5	0.23	--	--	--	0.65	--

Source: USAID Collecting Taxes data system: www.collectingtaxes.net.

ANNEX B: NEW BECHMARKS ADDED TO THIS REVIEW

Seq	Benchmark	Description	World Value
GENERAL			
TAX POLICY			
1.	Limited excisable items	An indicator of tax structure. Usually, four or five items are subject to excise duties: tobacco, alcohol, hydro-carbonated oils (fuel) and gambling and gaming machines.	Yes
2.	Staggering VAT returns	Odd and even return filing to ease taxpayer control.	Yes
3.	Full deduction of input tax	Reduce output tax liability by the amount of all taxable supplies-related input tax.	Yes
4.	Application of VAT threshold on importers	Usually, same VAT threshold is also applied to imports.	Yes
5.	Immediate input tax credit repayment	A cash flow issue. The right to apply for and recover input tax credit upon filing.	Yes
6.	Income tax advance payments	Payments made during the year prior to filing tax returns.	Yes
7.	Import withholding tax	Income tax withheld at borders and offset against final tax liability upon submitting the tax return.	No
8.	Years for loss carry forward	Income tax loss carry forward should be limited to a certain period of time and not kept open.	5
9.	IAS bookkeeping	Legal requirement to use international accounting standards for large firms.	Yes
ORGANIZATION AND STRUCTURE			
10.	% of collectors	Proper distribution of staff among the core functions.	25%-30%
11.	% of taxpayer service	Proper distribution of staff among the core	25%-30%

Seq	Benchmark	Description	World Value
	staff	functions.	
PLANNING			
12.	KPIs	Setting realistic performance indicators for the major tax administration functions by reference to the mission and vision.	Yes
REVENUE PERFORMANCE			
13.	Tax revenue forecasting	Using unified micro level forecasting model by ministry of finance to project tax revenue based on growth rate, inflation rate, tax policy changes and tax administration initiatives.	Yes
14.	ITGCR	Income tax gross compliance rate. Income tax actual revenue as a percentage of income tax potential revenue.	70%
15.	SST/ Excise Yield (SSTY)	Special sales tax revenue as a % of GDP.	NA
16.	SST Productivity (SSTPROD)	SST productivity. It measures the amount of special sales tax revenue relative to the SST rate per household consumption per item and provides a sense of the government's productivity in collecting SST.	NA
AUDIT			
17.	Audit revenue target	Projection of audit assessments as % of the projected annual revenue.	3%-5%
18.	Case management approach	Audit case assignment and control.	Case by case
19.	Audit backlog	Incomplete audit cases at the end of the tax period in question.	No
20.	Field audit method	How to approach audits chronologically. Last period audited first.	LIFO
21.	% of audits with no change	Audits resulted in no change in tax liability	0%-1%
22.	% of audit assessments with no objection	Audits resulted in tax assessments by taxpayer's approval as % of total assessments.	0%-3%

Seq	Benchmark	Description	World Value
23.	PAYE control system	Labor withholding tax tracking and control system.	Yes
COMPLIANCE AND ENFORCEMENT			
24.	Cost of compliance	The administrative costs imposed on large, medium and small business taxpayers to comply with PIT, CIT, sales tax, and other tax law-related fees and charges, as a % of average income.	NA
25.	Income tax evasion	Estimated as % of income tax revenue.	10%
26.	VAT/ Sales tax evasion	Estimated as a % of VAT/ sales tax revenue.	10%
27.	Reg. cross-checking	Use of third party registration database for cross-matching to identify non-filers.	Yes
28.	% of non-filers	Non-registered business activities or registered but never filed, as a % of total registrations.	10%
29.	Targeted field surveys	Field visits based on intelligence and information gathering.	Yes
30.	Non-filer pre-assessment	Establish tax liability to enforce registration.	Yes
31.	Late registration penalty	Impose sanctions to enforce registration.	Yes
32.	Compulsory registration	Enforced registration by tax authorities.	Yes
33.	Timely keying-in of tax returns	Timely keying in of tax returns and payments before generating stop-filer or non-payer lists.	Yes
34.	% of VAT stop-filers	Number of stop-filers (taxpayers that simply stop filing their periodic VAT returns) as a percentage of VAT active filers. It is combined with an automated notification system to remind taxpayers of their filing obligations which should reduce this percentage over time.	5%
35.	Stop-filer pre-assessment	Estimation of tax liability by generating criteria-based electronic tax pre-assessment to secure default tax returns.	Yes
36.	Late filing penalty	Imposing penalty to enforce filing	Yes

Seq	Benchmark	Description	World Value
		compliance.	
37.	# of delinquent taxpayers	Taxpayers that can pay, but have not, or taxpayers in arrears. It tracks tax administration performance in reducing delinquent taxpayers.	3%-5%
38.	Overall debt ratio	Total tax arrears as % of total tax revenue.	3%-5%
39.	Final tax arrears ratio	Total amounts that can be collected as % of total tax arrears.	80%
40.	Net collectible tax arrears ratio	Net amounts that can be collected as % of final tax arrears.	95%
41.	Accelerated tax arrears collection ratio	Arrears collected within the first six months of the due date as % of total collectible tax arrears.	60%
42.	Late payment penalty	Imposing penalty on late payments to enhance compliance and ensure equity.	Yes

ANTI-FRAUD

43.	Criteria for fraud cases	Set of criteria to refer fraud cases from audit.	Yes
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CUSTOMER SERVICE AND COMMUNICATION

44.	TP service mgt unit	Tax administration unit to set policies and monitor customer service performance.	Yes
45.	Simple customer satisfaction questionnaire.	Very short and quick questionnaire taking less than a minute to fill.	Yes
46.	Customer satisfaction	Average customer satisfaction measurement.	Yes
47.	Suggestion box	Periodic measurement of customer feedback.	Yes
48.	TP education program	Regular tax publicity and outreach programs.	Yes
49.	Diverse tax publications	Sufficient booklets, leaflets, brochures, guides, etc made available to the public.	Yes
50.	Tax laws handbook	Updated tax laws and regulations handbook published and made available to the public.	Yes

Seq	Benchmark	Description	World Value
51.	Tax laws Q & A database	Standard tax-related question and answer database made available to call center and front-line staff to answer 90% of inquiries.	Yes
52.	Taxpayer charter	A leaflet with taxpayers' rights and obligations.	Yes
53.	Simplified forms	Short and clear tax forms.	Yes
54.	Media center	Modern outreach facility.	Yes
55.	Multi-media outlets	Diverse tax awareness programs and campaigns.	Yes
56.	Tax awareness newsletter	Periodic tax publicity journal.	Yes
57.	Annual report	Annual tax awareness publication.	Yes
58.	Official website	Tax awareness and education site.	Yes
59.	Tax awareness campaigns	Tax publicity and outreach media campaigns.	Yes

INFORMATION TECHNOLOGY

60.	Data security unit	IT security control	Yes
61.	MIS reporting	Proper use of MIS for monitoring and evaluation.	Yes
62.	Oracle DBA	Oracle database administrator as a clearly defined separate job for accurate MIS reporting and data classification.	Yes
63.	System analyst	System analyst as a clearly defined separate job for accurate MIS reporting and database.	Yes
64.	Computer lab	Hands-on training and multi-purpose com lab.	Yes

HUMAN AND FINANCIAL RESOURCES

65.	HR planning	Creating and filling the right amount and quality of vacancies as needed by the organization.	Yes
66.	Gender equity	No discrimination based on sex.	Yes
67.	Personnel system	Accessibility to personnel database for	Yes

Seq	Benchmark	Description	World Value
		transparency purposes.	
68.	Fair pay regime	Core functions have similar compensation	Yes
69.	Retention plan	A plan to reduce employee attrition and keep qualified persons.	Yes
70.	Employee turnover	An indication of job satisfaction.	10%
71.	Code of conduct	A code to control work ethics and discipline and ensure integrity.	Yes
72.	Training strategy	Long term training plan based on training needs.	Yes
73.	Training manuals	Instructor and participant guides to secure continuous and consistent training.	Yes
74.	Training facilities	In-house training venues and training center for capacity building.	Yes
75.	Oriented training	Measurement of training effectiveness and return on investment.	Yes
76.	Tax academy	An academic tax education institution to qualify potential tax appointments.	Tend

ANNEX C: DATA COLLECTED

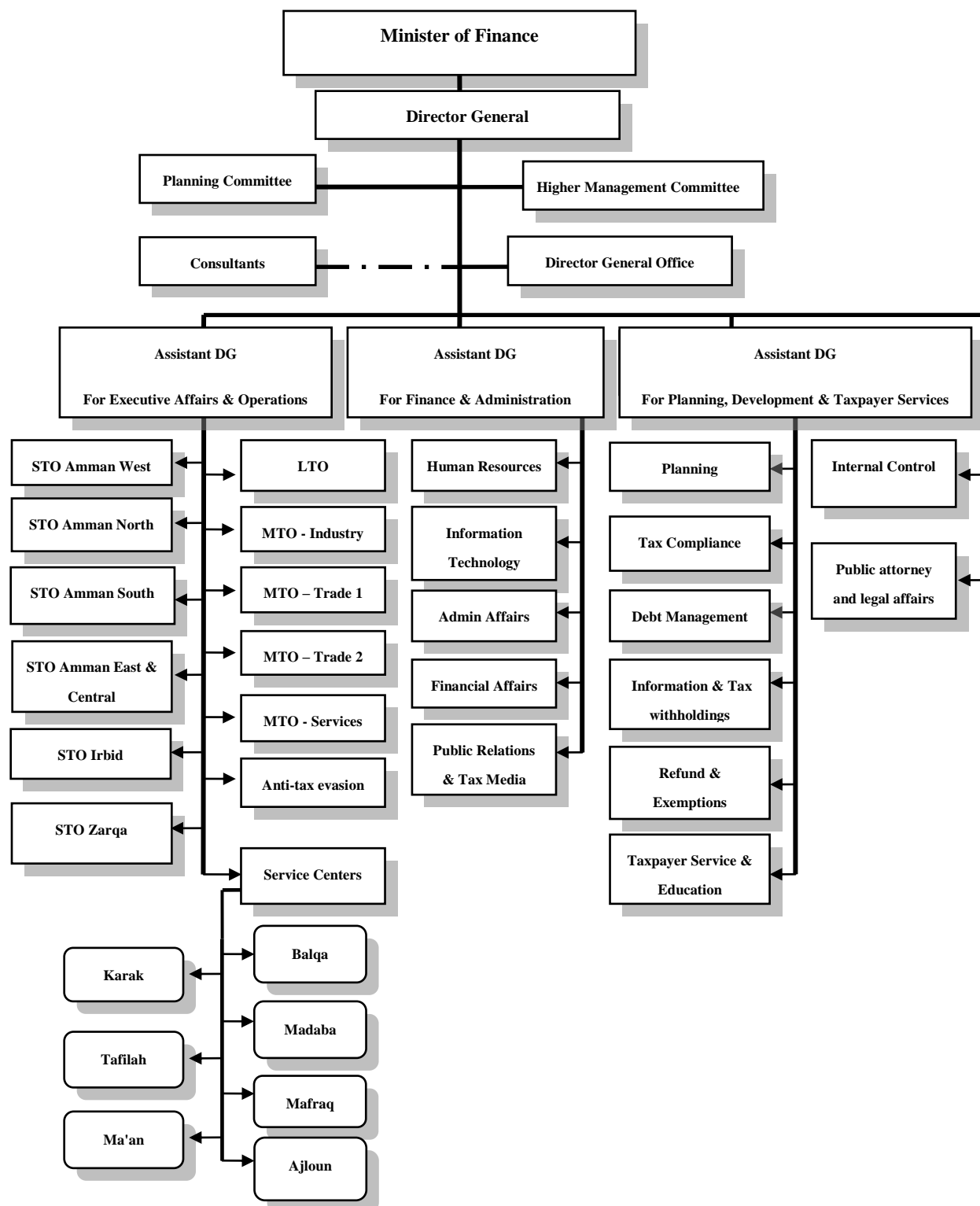
The list below includes all data collected for updating the benchmarking study 2009-2012. Some fields are kept empty as the data needed is not available. Some data is provided here just as references.

Seq.	Data	2009	2010	2011	2012
1.	ISTD current organization structure	✓	✓	✓	✓
2.	Population of Jordan	5,980	6,113	6,250	6,388
3.	Total ISTD staff	1,663	1,679	1,670	1,679
4.	Total ISTD staff on board	1,407	1,443	1,495	1,485
5.	Total ISTD registrations - Income & sales tax (no employees)	258,000	270,000	293,000	300,000
6.	Tax registrations - LTO	746	769	784	791
7.	Tax registrations - MTOs	19,905	21,225	22,252	23,673
8.	Tax registrations - STOs	571,652	602,911	535,102	656,839
9.	Tax registrations - corporate		34,818	33,012	
10.	Tax registrations- partnerships		17,090		
11.	Tax registrations - individuals		186,344		
12.	Tax registrations- employees		403,483		
13.	Tax registrations- GST/VAT	23,744	22,385	23,645	23,623
14.	Tax registrations- SST/Excise		69	70	
15.	Total tax registrations liable to filing				
16.	Tax registrations liable to filing- corporate				
17.	Tax registrations liable to filing- partnerships				
18.	Tax registrations liable to filing- individuals				
19.	Tax registrations liable to filing- employees				
20.	Total non-employee active taxpayers- income tax	86,000	92,000	136,000	144,000
21.	Active taxpayers/filers- corporate	6,463	7,669	13,334	16,620
22.	Active taxpayers/filers- partnerships	11,563	12,635	24,468	23,353
23.	Active taxpayers/filers- individuals	68,297	72,123	98,257	87,735
24.	Active taxpayers/filers- employees	206,421	186,198	107,945	80,563
25.	Tax registrations liable to filing - GST	23,744	22,385	23,645	23,623
26.	Tax registrations liable to filing - SST		69	70	
27.	Active taxpayers/filers- LTO	688	719	763	764
28.	Active taxpayers/filers- MTOs	11,594	12,790	17,024	17,082
29.	Active taxpayers/filers- STOs	73,234	78,053	116,906	106,699
30.	Total income tax returns subject to audit	32,747	34,785	40,959	47,875
31.	Total sales tax taxpayers subject to audit				
32.	Tax returns subject to audit- LTO	777	712	709	764
33.	Tax returns subject to audit- MTOs	7,585	8,102	12,404	14,217
34.	Tax returns subject to audit- STOs	29,412	28,316	63,777	43,672
35.	Tax returns subject to audit- corporate	5,467	6,360	29,479	24,525
36.	Tax returns subject to audit- personal	239,396	217,844	156,745	116,352
37.	GDP	16,912	18,762	20,477	22,127
38.	Final Household private consumption	12,688	13,197	14,551	15,133
39.	Final Household private consumption as % of GDP	75	70	71.1	68
40.	Total revenues (with grants)	4,521	4,663	5,414	5,054
41.	Total revenues (without grants)	4,188	4,261	4,199	4,727
42.	Total pension contributions	20.5	20.7	20.7	24.3
43.	Other revenues	1,287	1,254	1,116	1,352
44.	Total tax revenues	2,880	2,986	3,062	3,351
45.	Total ISTD revenues	2,463	2,640	2,764	3,032
46.	Total ISTD operating and capital expenses	13,906	15,057	15,390	19,203

Seq.	Data	2009	2010	2011	2012
47.	Total ISTD revenues -LTO			1,120	
48.	Total ISTD revenues- MTOs			190	
49.	Total ISTD revenues- STOs			140	
50.	Total ISTD revenues- imports			934	
51.	Total income tax revenues	774	640	685	714
52.	Advance payments- income tax	0	15	65	121
53.	Withholding tax payments- income tax				
54.	Presumptive tax payments- income tax				
55.	Income tax revenues- LTO	549	423	448	487
56.	Income tax revenues- MTOs	88	80	80	73
57.	Income tax revenues- STOs	120	113	119	110
58.	Income tax revenues- corporate & businesses:	585	472	518	557
59.	Income tax revenues- Banks & financial institutions.	281	191	233	222
60.	Income tax revenues- Banks				
61.	Income tax revenues- partnerships	19	12	32	38
62.	Income tax revenues- personal:	179	152	137	132
63.	Income tax revenues- individual	91	84	79	65
64.	Income tax revenues- employees	74	54	64	67
65.	Social contributions	15	14	5	0
66.	Total GST and SST revenues	1,682	1,987	2,033	2,275
67.	Total GST revenues- domestic & import	1,348	1,398	1,478	1,623
68.	Total SST revenues- domestic & import	334	589	555	664
69.	Total GST revenues- domestic	612	639	672	799
70.	Sales tax on domestic goods	320	463	458	679
71.	Sales tax on domestic services	293	400	383	397
72.	Sales tax on domestic trade	284	304	315	284
73.	SST revenue- domestic	284	529	485	560
74.	SST revenue- air tickets	16	10	0	0
75.	SST revenue- departure charges	20	10	0	0
76.	Import GST and SST revenues	786	819	876	916
77.	Import GST revenues	736	759	806	824
78.	Import SST revenues	50	60	70	92
79.	Sales tax revenues- LTO	658	954	935	1,000
80.	Sales tax revenues- MTOs	253	223	219	227
81.	Sales tax revenues- STOs	3	3	27	39
82.	International trade revenues (without GST & SST)	270	275	287	285
83.	Property tax collections- Municipal	55	56	68	70
84.	Property tax collections- education & sewage	20	24	27	25
85.	Property transfer tax collections	82	78	75	103
86.	ISTD taxpayers generating 75% of tax revenues	718	742	783	762
87.	# of LTO taxpayers filing electronically				
88.	LTO staff	113	105	111	107
89.	MTOs staff	331	337	344	333
90.	STOs staff	604	602	609	616
91.	Staff in planning and policy units	29	30	38	48
92.	# of auditors	501	505	510	521
93.	# of collectors	160	165	174	177
94.	# of taxpayer service staff	105	130	140	149
95.	# of staff with higher education	1,141	1,177	1,184	1,207
96.	# of audits with no change				
97.	Tax assessments and penalties				
98.	Tax assessments and penalties collected				
99.	Tax assessments with no objection (#, JD)				
100.	Tax assessments objected (#, JD)				

Seq.	Data	2009	2010	2011	2012
101.	Administrative appeal cases (#, JD)				
102.	Judicial appeals cases (#, JD)				
103.	Installments (#, JD)				
104.	Total tax arrears				
105.	Total # of delinquent taxpayers				
106.	Final debts				
107.	Non-final debts				
108.	Non-collectible tax arrears (bad debts)				
109.	Net collectible debts				
110.	Tax arrears collected within 6 months of due date				
111.	Late payments (#, JD)				
112.	Total VAT stop-filers				
113.	Total SST stop-filers				
114.	VAT stop-filers- LTO				
115.	VAT stop-filers- MTOs				
116.	VAT stop-filers- STOs				
117.	Total income tax stop-filers	172,000	178,000	157,000	156,000
118.	Income tax stop-filers- LTO	58	50	21	27
119.	Income tax stop-filers- MTOs	8,311	8,435	5,228	6,591
120.	Income tax stop-filers- STOs	498,418	524,858	418,196	550,140
121.	Stop-filers- corporate				
122.	Stop-filers- partnerships				
123.	Stop-filers- individuals				
124.	Stop-filers- employees				
125.	Pre-assessments raised (#, JD)				
126.	Pre-assessments reversed (#, JD)				
127.	Average days for VAT refunds				
128.	Average days for income tax refunds				
129.	Entry level auditor salary	538	538	538	878
130.	Senior level auditor salary	675	675	675	1,110
131.	Average auditor salary	581	581	581	1,005
132.	Average collector salary	581	581	581	851
133.	Average customer service employee salary	581	581	581	851
134.	Average planning and policy employee salary	581	581	581	1,005
135.	GDP per capita	2,828	3,069	3,275	3,459
136.	Growth rate	2.3	2.3	2.6	2.7
137.	Inflation rate	2.7	5.8	4.4	4.7
138.	Tax administrator average salary	576	612	632	805
139.	# of resignations	26	12	6	4
140.	Average job satisfaction	69%	68%	66%	66.5%

ANNEX D ISTD ORGANIZATIONAL CHART 2013



ANNEX E: SUMMARY OF FRP II TECHNICAL ASSISTANCE TO ISTD

AREA	SEQ	TECHNICAL ASSISTANCE
Tax Studies and Researches	1.	Jordan Tax System Benchmarking Study 2010
	2.	Jordan Tax System Benchmarking Review 2013
	3.	Cost of Compliance Study 2011
	4.	Tax Expenditures Study 2011
	5.	Tax Expenditures Study 2013 (underway)
	6.	Tax Incidence Study 2013 (underway)
	7.	Bilateral Tax Treaties Review 2010
	8.	2010 Temporary Income Tax Law Review
	9.	2013 Income Tax Law Proposal Review
	10.	Tax Administration Whitepaper (SARA)
	11.	ATS User Acceptance Survey
	12.	Informal Economy Paper for the 7 th ATIAC Islamic Technical Conference
	13.	Methods of presumptive tax assessment on professions
	14.	Revenue impact of changes in excise rates
	15.	Proposal to broaden tax base
Tax Policy	16.	Tax laws amendment proposal
	17.	Audit legal provisions review
	18.	Depreciation Regulations Draft
	19.	Rule Book of substantial sales tax regulations
	20.	Tax arrears write off and statute of limitation proposal
	21.	Tax regulations handbook proposal
	22.	Property tax proposal
	23.	Property tax law revision

AREA	SEQ	TECHNICAL ASSISTANCE
	24.	Compilation of property tax issue papers and blue print
Outreach and Communication	25.	Outreach and communication strategic plan
	26.	Media campaigns
	27.	e-services campaign
	28.	Tax awareness campaigns
	29.	Tax policy and administration advocacy sessions
Taxpayer Services	30.	Taxpayer service strategic plan
	31.	Taxpayer educational program
	32.	Taxpayer services feedback session
	33.	Taxpayer service skills inventory assessment
	34.	Walk-in area and single-window concept paper
	35.	Taxpayer service training curriculum
	36.	Basic taxpayer techniques training
	37.	Dealing with the public training
	38.	Taxpayer service staffing needs
	39.	Taxpayer service new position descriptions
	40.	Establishment of Taxpayer Service Management Unit
	41.	Taxpayer Charter
Tax Compliance Management	42.	Non-filer pilot program
	43.	Stop-filer pilot program
	44.	Tax arrears inventory assessment
	45.	Tax compliance and arrears manuals
	46.	Introduction of tax compliance case management system
	47.	Tax compliance training sessions
Audit Program	48.	New audit position descriptions
	49.	ATS improvement and training
	50.	Criteria of identifying taxpayers for audit

AREA	SEQ	TECHNICAL ASSISTANCE
	51.	Risk-based audit case selection assessment
	52.	Training on direct audit techniques, IAS, banking audit, sales tax audit...
Anti-tax evasion	53.	Anti-fraud activity assessment
	54.	Anti-fraud best practices training
	55.	Fraud recognition training
	56.	Tax fraud awareness sessions
Information Technology	57.	Hardware and software assessment
	58.	IT strategic plan
	59.	Installation of new servers, SAN storage and Core Switch
	60.	Data center enhancement
	61.	Data security new position
	62.	Oracle DBA new position
	63.	Oracle DBA fine tuning for ISTD main data base
	64.	Developing KPIs portal for ISTD Director-General
	65.	Oracle DBA training
	66.	Dot net training (Web development)
Human Resources	67.	Improving MIS system
	68.	Training strategic plan
	69.	ISTD structural and organizational review
	70.	Human resources assessment
Capacity Building	71.	Succession plan proposal
	72.	Conducting train of trainers courses
	73.	Delivering hands-on training sessions
	74.	Conducting wide spectrum of technical and managerial training events
	75.	Rehabilitating training facilities
	76.	Developing training manuals
	77.	Developing procedural manuals

AREA	SEQ	TECHNICAL ASSISTANCE
King Abdullah Award (KAA) Activities	78.	ISTD 2010 KAA Criteria Status Report
	79.	Development of "Approaches Guide" for each KAA criterion
	80.	KAA awareness sessions
	81.	KAA Mystery Shopper & RADAR Training
	82.	KAA final submission report
	83.	KAA remedial action plan
Property Taxes	84.	CAMA system training: Common Valuation Methodology
	85.	Revision of property tax law
	86.	Property tax issue papers seminars
	87.	Tax base: "Property Tax Reform Manifesto"
	88.	Feasibility study of a unified cadastre
	89.	Sales assessment ratio study
	90.	White paper on property tax ratios

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