



Special Series on Fiscal Policies to Respond to COVID-19

This is one of a series of notes produced by the Fiscal Affairs Department to help members address the COVID emergency. The views expressed in this note are those of IMF staff and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

Tax and Customs Administration Responses

This note provides guidance on how revenue agencies can support governments' responses to the unprecedented challenges posed by the COVID-19 crisis—by maintaining the operation of the revenue system, implementing governments' measures to address the crisis, supporting the economy and facilitating trade, and protecting the health of officials and the wider population. Revenue agencies will have to safeguard tax revenue to protect financing of the significant spending needs to address the crisis, including maintaining and expanding governments' social protection programs, and will need to be ready to restore compliance levels in the post-crisis period, when the focus on raising revenue will likely be renewed.¹

In applying this guidance, revenue agencies need to carefully consider their implementation capabilities and local conditions, taking into account the stage that the virus has reached in their country and the stage of the government's responses to the crisis.

At the outset of the crisis, maintaining the revenue administration's business continuity and ensuring healthy working conditions for staff and taxpayers will be critical to preserving the integrity of the tax system. In the early stages, revenue agencies should focus on helping businesses and individuals cope with financial stress—by easing taxpayer compliance burdens and obligations, implementing government support policies, enhancing communication and facilitating trade. At the same time, they should closely monitor revenue developments (particularly collections from large taxpayers) and put in place targeted enforcement measures to prevent excessive revenue losses.

As the crisis recedes, temporary measures should be lifted, and enforcement measures fully restored to reverse any increases in noncompliance that may have occurred and help rebuild tax bases. This will be particularly important in lower income and resource dependent countries.

¹ This note will be supported by further notes elaborating key issues arising in revenue administration (e.g. ensuring business continuity during the crisis) and tailoring advice to countries with varying degrees of implementation capacity and revenue sources (i.e. oil). It may be updated to reflect new developments and IMF member countries' experiences. For an overview of tax policy responses, see the Note on "Tax Issues: An Overview."

The note draws on revenue administrations' current responses to the COVID-19 crisis and previous IMF guidance on earlier crises²—adapted to the special circumstances of the current crisis. Specific measures are provided under six broad headings: (I) Business Continuity; (II) Easing Taxpayer Obligations; (III) Implementing Government Support Policies; (IV) Enhancing Communication and Taxpayer Assistance; (V) Protecting Revenue and Safeguarding Compliance; and (VI) Customs Administration.

I. BUSINESS CONTINUITY: PROTECTING HEALTH OF STAFF AND TAXPAYERS AND WORKING REMOTELY

Revenue Administrations are encouraged to implement business continuity strategies to maintain the operation of the tax and customs systems with a reduced workforce (due to virus-induced illness and lockdown measures) and to facilitate remote work as much as possible (to protect staff and taxpayers from illness). Administrations with established business continuity plans should consider adjusting them to reflect the specific circumstances of the COVID-19 crisis. While full-fledged business continuity plans may take time to develop and implement, simple measures undertaken on an urgent basis can make a big difference, including:

- Establish a senior management crisis team to design and implement the business continuity plan, convene daily management meetings (including remote meetings) at all levels of the organization, require all department heads to monitor and report their operations on a daily basis to the tax agency's leadership (with a particular focus on monitoring tax collections and IT systems workload).
- Prioritize work and reallocate the workforce to ensure the most critical activities are adequately staffed, including the redeployment of staff from discretionary to mandatory activities as well from regular duty posts to a remote/digital duty post when practical (as per below).
- Implement remote work policies, procedures, technologies wherever possible, including the redeployment of staff to telephone contact centers—relaying calls to employee cell phones if possible, substituting “desk” audits in place of field audits, and extending the hours of the IT support units to facilitate remote work.
- Where face-to-face contact is necessary: implement personal safety measures, e.g. protective gear and social distancing, introduce appointments for urgent face-to-face contacts, arrange office staff to work in shifts, and limit non-essential services with a view to minimizing the number of tax officers and taxpayers in a tax office at any time.

II. EASING TAXPAYER OBLIGATIONS (AS ENABLED UNDER EXISTING LEGISLATION)

Tax agencies should expand their efforts at assisting businesses and individuals, particularly those directly affected by the crisis, to cope with the financial and non-financial effects of the crisis. Temporary provisions should be considered based on the impact and stage of the crisis and adjusted as needed as the crisis evolves. Potential (temporary) provisions include:

- Extend tax return filing and payment deadlines (without penalty), with clear guidance on the types of taxes and taxpayers that are eligible for extension, as well as the duration of the extension. The focus should be on reducing compliance costs for small businesses while ensuring large taxpayers' compliance. Agencies in countries that have high levels of online filing may consider postponing only payments so that filing liabilities are reported and recorded on time—further discussion on prioritizing online revenue administration in I above.
- Allow taxpayers to reduce their provisional personal and corporate income tax liabilities to reflect their lower expected income.
- Relax the terms and conditions for paying tax arrears in installments (e.g. by extending the period and eventually reducing interest).

² See, for example, “Collecting Taxes During an Economic Crisis: Challenges and Policy Options”, IMF Staff Position Note, July 14, 2009—<https://www.IMF.org/external/pubs/ft/spn/2009/spn0917.pdf>.

- Accelerate refund payments (with careful consideration of risk categories).

III. IMPLEMENTING GOVERNMENT SUPPORT POLICIES

Many governments are introducing various types of tax measures to provide financial support to businesses and individuals and to stimulate the economy. Tax agencies must quickly and accurately implement these measures in order to achieve the intended policy effect. This requires tax agencies to:

- Support governments in identifying, analyzing, and assessing policy options and in the timely drafting regulations and operational guidelines on the practical application of the new tax measures.³
- Design the administrative systems and procedures for applying the measures, with an emphasis on making their application as simple, easy, and rapid to implement as possible.
- Quickly disseminate the new tax measures within the agencies and promptly train tax officers in how to apply them.
- Publicize the new tax measures to taxpayers in a timely manner (refer to topic V below).

IV. ENHANCING COMMUNICATION AND TAXPAYER ASSISTANCE

Tax agencies should implement a comprehensive external communication strategy to inform taxpayers of the relaxed tax obligations, new tax policies, and any changes in tax agencies' operations. In addition to those messages, the communication strategy should promote social solidarity (including by encouraging taxpayers to continue complying with their tax obligations, notably those less affected by the crisis) and discourage fraudulent claims of relief measures (by warning of the consequences). The following measures could be considered:

- Appoint a communication teams to design and implement the communication strategy.
- Create a special website page and telephone hotline for crisis-related tax issues.
- Send mass emails, SMS messages, and leverage both social and traditional media to provide information.
- Publicize the availability of (and encourage taxpayers to use) the tax agency's online services (to the extent available).
- Increase the availability of remote taxpayer assistance, including by extending the operating hours of and increasing the staff assigned to telephone contactcenters.
- Provide additional tax filing options for taxpayers who do not have access to e-filing (e.g., locked and hygienic drop-boxes) and new tax payment methods (such as payment through mobile phones).

V. PROTECTING REVENUE AND SAFEGUARDING COMPLIANCE

Some tax agencies have reduced their audit and arrears collection activities in recognition of the severe financial pressures facing many businesses and individuals. However, any reductions in enforcement should be temporary to mitigate the risk that non-compliance may become entrenched in the tax system and difficult to reverse after the crisis has passed and when tax bases need to be rebuilt. To protect revenue and safeguard compliance, tax agencies could consider the following measures:

³ For further detail, see IMF note on "Tax Law Design Considerations when Implementing Responses to the COVID-19 Outbreak", April 2020.

<ul style="list-style-type: none"> Temporarily reduce (but do not eliminate) audit and arrears collection actions, and redirect enforcement towards the most critical and emerging compliance risks (e.g., possible abuse of relief measures) and those industries that may be experiencing a boom in business.
<ul style="list-style-type: none"> Intensify monitoring of the largest taxpayers, particularly those businesses less impacted or even booming, with a view to ensuring their timely tax payments. More generally, intensify tracking of revenue including, for example, by undertaking analysis by sector and by tax type.
<ul style="list-style-type: none"> Promote the use of installment payments for those taxpayers who do not have the capacity to make full and timely payment.
<ul style="list-style-type: none"> Develop criteria for identifying flagrant abuses and fraudulent activities related to COVID-19 (within the tax agency's jurisdiction) and implement enforcement actions to include criminal investigations/prosecutions when warranted.
<ul style="list-style-type: none"> Set up simplified procedures for quick verification of eligibility for relaxed tax obligations and tax reliefs with a view to applying enforcement actions post-crisis, where warranted.
<ul style="list-style-type: none"> In collaboration with the Ministry of Finance, continually collect and analyze data to assess the emerging impacts on particular tax types, taxpayers, revenue and duration to make decisions and adjust measures through the crisis.
<p>VI. CUSTOMS ADMINISTRATION: SECURING AND FACILITATING TRADE</p>
<p><i>During the crisis, Customs has the critical responsibility of ensuring that essential goods, including needed medical supplies, flow smoothly and quickly across borders, maintaining economic activity by facilitating trade. Health and safety protocols must be established and maintained while measures are put in place to streamline critical work. Customs measures to consider include:</i></p>
<ul style="list-style-type: none"> Identify essential workstreams and new/additional work due to the crisis and reallocate resources from non-essential/other operations.
<ul style="list-style-type: none"> Defer the submission of supporting documents for imports with extended expiration dates and accept supporting documents without signature/stamp. When available, have traders submit supporting documents electronically.
<ul style="list-style-type: none"> Streamline and expedite clearance processes for essential goods and medical supplies, including by establishing special channels for health products related to COVID-19.
<ul style="list-style-type: none"> Establish a quick response IT and business team to ensure systems remain operational and provide timely updating of duty rate changes, exemptions and preferential treatments granted by government.
<ul style="list-style-type: none"> Ease enforcement of minor breaches while maintaining a minimum of risk-based inspections. Establish a rapid intervention team to monitor and enforce anti-smuggling and to combat fraud.