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Organisation and Management of Tax Departments

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Note: The views presented in this paper do not necessarily reflect
the views of the Organisation to which the author belongs.

Organisation and Management of Tax Departments

Dealing first with "organisation", the extent to which an income tax department needs to have a formal personnel structure or organisation chart will of course depend on the size of the department and the number of officers employed.

In organising the department it is important to remember that there are at least three separate ways in which the work can be divided.

(i) First we have the need to define the areas of work to be dealt with by -

- (a) head office
- (b) district office

even in cases where there is no physical separation in the department

(ii) Secondly there is the division of work between:-

- (a) work which is largely technical or even semi-legal in character (deciding whether particular items or classes of expenditures are deductible and whether particular receipts or profits are assessable) and
- (b) work which is mainly administrative in character (e.g. matters pertaining to staffing, preparation and design of return forms)

(iii) Thirdly in relation to district office work in particular, there are two broad divisions of work to organise viz

- (a) the work of reconciling the returns, making adjustments to the income returned and otherwise determining the assessable income; dealing with objections and the like.
- (b) the accounting and collection work i.e. recording the tax to pay; crediting payments and taking action to recover arrears of tax.

The organisation chart for a medium to fairly large sized income tax department should therefore probably include for its "head office" structure:-

1. The Commissioner as head of the department
2. Probably two deputies or assistant commissioners (or if this seemed too high powered two executive officers)
 - (i) one responsible for all technical matters
 - (ii) the other for administrative matters
3. If the size of the department was sufficient, formal positions for -
 - (i) an administration officer to supervise staff matters, form design; publicity; instructions; work methods;
 - (ii) a chief accountant to correlate all the accounting and collection work in the districts.
 - (iii) a research officer (or officers) to consider technical improvements and the effects of proposed new legislation.
 - (iv) a legal officer to give formal opinions on important technical problems; prepare legislation.

Note

- The officers in (i) and (ii) could be responsible to the deputy commissioner referred to in 2(ii) above and those in (iii) and (iv) to the deputy in 2(i).
- Once the department had sufficient income tax inspectors there may be a need for a "Chief inspector" in head office to prepare manuals; supervise collection of checking material on a national basis; organise the work of the district inspectors generally.

Obviously in small tax departments separate positions for all the above could not be justified but even in these, "head office" work should be defined in the organisational structure.

The organisation chart for a "district office" will again depend very much on the number of officers involved but it should recognise and plan for the two broad divisions referred to above in this context viz:-

- . the "assessment" and
- . the "accounting and collection" sides

As I stress later it is important that these two sides of the work be fully co-ordinated and for this reason I favour the co-ordination first taking place at "district office" level with the divisional head of each side of the work being responsible to the district commissioner or district controller (or whatever the officer in charge of the district may be called) rather than direct to somebody in head office.

Management

As to actual management of an income tax department I make the following points:-

- (a) Probably the most important single point in the top administration of an income tax department is to see that the whole office so plans and carries out its work that a full years work is in fact done in the space of 12 months.

The department will handle many returns each year and it is vital that these are received and processed and the tax collected as far as is possible within the 12 months in the tax calendar.

The snowballing effect of work not completed on time can be disastrous in an income tax department.

- (b) It is important also that the top management of an income tax department at both head office and district office level give full attention to the accounting and collection side of the work. In effect top management should see that both aspects of the work are fully co-ordinated without bottlenecks developing and if need be should be prepared to move staff from one side to the other to achieve this.

Usually, the officers in top management have come from the technical or assessment side of the work and there is a tendency for them to concentrate on this side of the work and thus possibly ignore the accounting and collection work.

I would stress again the importance of the two points I have just made. Other points I would make in relation to management of an income tax department are -

- (c) The need to clearly define - particularly in a department of any size - the head office and district office work respectively even if there is no physical separation of the department.

The head office - and particularly the Commissioner - should be freed as far as possible from district office type work to concentrate on overall policy and management. To this end the number of income tax files being sent to head office should be kept to a minimum.

- (d) It follows from (c) that there should be adequate delegation from head office to district offices backed up by positive guide lines and instructions from head office.
- (e) Good public relations at all points of contact with the public should be developed as a positive ingredient of the functions of the department stemming right down from top management itself.

- (f) Equally good staff relations should be developed with officers made to feel they are members of a team. If possible they should be informed in advance of proposed changes. Any criticism of an officer's work should be made to him privately.
- (g) Adequate training of staff both on and off the job should be given and rotation of work among sections of the office is desirable for young officers.
- (h) A system of work measurement whereby "norms" of output are fixed and the work of officers tested against them can be a valuable adjunct to increasing output and planning work and staff requirements.
- (i) Reports on the state of the work should be made by district to head office at regular intervals. However the reports should not be an end in themselves and should only contain information which head office needs to know on the state of the work e.g. the number of returns received and still to be received the number still to be processed, the number unactioned on accounts, the amount of tax outstanding and the number of taxpayers in arrears.
- (j) There should be comprehensive but clear internal instructions from head to district office.
- (k) A common sense attitude to checking and reconciling returns should be developed in officers so that time saved on ignoring trivial matters can be used on more important ones particularly in unearthing indications of evasion.
- (l) Accommodation. Adequate and suitable accommodation is important but this may be outside the control of the tax department. If possible "open planning" should be adopted i.e. all but the very senior officers on a section should be located in the same room rather than in individual "boxes". This aids in work allocation, work flows and supervision. The location of each section in relation to others particularly those with which there is frequent interchanges should be carefully considered.

- (m) Work flows. The way files, assessments and correspondence are handled in each section and transferred to others is important and should be the subject of study by an "O and M" group (organisation and method). Unnecessary double handling of files should be eliminated.
- (n) Both in the organisational chart and actual management there should be provision for internal inspectors, checking on the quality and accuracy of work done at the local or district office level and reporting to top management on serious deficiencies.
- (o) Adequate tax "tolerance", (below which amounts additional assessments are not to be made) should be fixed for past years and for a current year respectively. In other words too many reassessments of tax can cause administrative problems particularly on accounting and arrears sections and a common sense approach is needed.