

# DONOR STARTER KIT

# TAX INSPECTORS WITHOUT BORDERS

An OECD/UNDP joint initiative



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### What is "Tax Inspectors Without Borders (TIWB)"?

The TIWB Initiative facilitates the transfer of tax audit knowledge and skills to developing country tax administrations using a practical, "learning by doing" approach. Experienced tax auditors work on current tax audits and international tax issues alongside local tax officials in assistance-requesting countries under a TIWB Programme whereby they share their expertise and skills.

### How does it work?

Host Administrations request audit assistance by initially completing a [TIWB Assistance Request Form](#) and then a [TIWB Programme Details Questionnaire](#) which then allows the TIWB Secretariat to match an appropriate Expert from its database of currently serving tax officials or recently retired tax officials. The TIWB Secretariat operates a clearing house which matches the requests of Host Administration countries with available Experts from around the world.

TIWB Programmes are flexible and tailored to a country's specific needs. They can include pre-audit risk assessment and case selection, investigatory techniques, audit cases involving transfer pricing issues, anti-avoidance rules, or sector-specific issues relating, for example, to natural resources, e-commerce, financial services or telecommunications.

It is important to note that foreign Experts are not to be deployed to substitute for local audit staff or to carry out audit work where no local audit personnel are involved. TIWB is about sharing expertise by working side-by-side, building skills through practical, case-based co-operation.

## What is new and why is it different?

There is growing evidence that technical assistance, and other Official Development Assistance (ODA), financed support for tax work, has been money well spent. The International Monetary Fund, the World Bank Group and bilateral donors have been active in this field for decades. However, developing countries have indicated that there is a gap in the provision of practical audit expertise, particularly concerning the fast-moving and complex area of international taxation, including transfer pricing. There is no international initiative dedicated to this kind of hands-on approach to capacity building. TIWB is intended to fill this gap.

## What are the benefits to Host Administration countries in terms of revenues?

Practical audit assistance to develop tax audit skills and effective audit processes is an area which can improve the quality and consistency of frontline tax administration. For Host Administrations, improvements in tax audit knowledge and skills can result in increased revenue. Evidence of revenue increases gathered in TIWB's Pilot Phase involving external Experts includes:

- Transfer pricing audits in Colombia (anonymised audit files) created a significant increase in profit tax revenue (from USD 3.3 million in 2011 to USD 33.2 million in 2014)
- In Kenya, every dollar spent working with the tax authorities on cracking down on tax avoidance produced over USD 1,000 in increased revenues
- Senegal reported increased revenue as a result of their TIWB Programme: adjustments have resulted in an additional USD 12,3 million of tax income (CFA Franc 8 billion).

## What are the other benefits to Host Administration countries?

Broader benefits include:

- Improved voluntary compliance. Support provided by foreign Experts working with Host Administrations sends an important signal to all taxpayers concerning transparency and fairness in tax administration;
- More certain and transparent investment climate. Increased expertise, greater certainty and consistency for business, improving the investment climate;
- It enhances state-society relations, where taxation is one of the founding elements of that relationship, by fostering engagement with (and confidence in) the taxation process;
- Fostering international dialogue on tax matters between tax administrations in developed and developing countries.

## What are the benefits of TIWB to Partner Administrations?

In an era of rapidly accelerating international tax co-operation, tax administrations are engaging in more active partnerships with one another. Initiatives such as TIWB that promote a common understanding of shared problems serve everybody's interests. At an individual level, TIWB

provides tax officials with a unique development opportunity, to share their knowledge in a different environment.

## Why the partnership between OECD and UNDP?

OECD and UNDP have joined forces to extend the global reach of the project and scale-up the number of deployments. The OECD's technical competence in tax matters and a network of tax Experts is complemented by UNDP's global network of "on the ground" expertise in developing countries around the world.

## Who is involved in TIWB Programmes and what are their roles?

The Host Administrations of assistance requesting countries are the lead partners in TIWB Programmes, having clearly identified their needs and the scope of work.

Partner Administrations with capacity to share their expertise can deploy their tax officials and encourage recently retired audit experts to make themselves available to a TIWB Programme.

Governments in assistance requesting countries, through their Ministries of Finance and Development Agencies, should encourage TIWB Assistance Requests. These Host Administrations may also directly and/or indirectly provide funding to deploy Experts under TIWB Programmes, particularly by making funding available to the TIWB Fund from which Experts may be compensated.

International and regional organisations currently working in the tax and development field can promote the TIWB type of practical assistance and stimulate the exchange of Expert know-how.

Business groups may share their specific industry knowledge to complement the transfer of know-how by tax audit Experts. Civil society can promote the TIWB Initiative and share lessons.

## Where are the tax audit Experts from?

Currently serving officials are drawn from any tax administration capable of offering tax officials with the necessary skills and experience. Recently retired experienced tax audit officials who have experience from national tax administrations are another valuable source of Experts for TIWB Programmes.

TIWB encourages "South-South" co-operation as countries that have received Expert assistance further disseminate those skills to neighbouring countries. This has already been done by Kenya in other African countries and is being explored by more and more developing countries.

Recently retired tax officials may apply for admission to the TIWB Expert database by filling out the [TIWB Tax Audit Expert "Expression of Interest"](#) on the TIWB website. Recently retired tax officials often participate in TIWB Programmes on a voluntary basis, with their costs of participating (e.g. travel and daily expenses) covered by the Host Administration or by a third-party sponsor such as a donor agency.

## What will be the legal position of the Experts working within the Host Administration?

The TIWB Experts, both retired as well as currently serving tax officials, in a TIWB Programme will work with the Host Administration under a TIWB Programme Terms of Reference agreement which covers all the legal and practical safeguards and provisions. A Host Administration Starter Kit for establishing TIWB Programme Terms of Reference agreements, addressing potential issues such as confidentiality and conflicts of interest, can be found on this website. As the TIWB Experts are deployed as staff of the Host Administration, they will be led and managed by that Host Administration which sets the objectives for the Experts. The TIWB Expert integrates as much as possible into existing Host Administration teams to foster open dialogue and skills transfer.

## What about taxpayer confidentiality?

The TIWB Experts are directly involved in the daily audit activities of the Host Administration, which in most cases require them to have access to confidential tax information relating to individual taxpayers. This position raises issues of confidentiality and conflict of interest which have to be laid down in the TIWB Programme Terms of Reference agreement. Information on how this should be managed between both parties involved in the agreement can be found [here](#).

Options for dealing with confidentiality issues include, for example, removing taxpayer-specific identifying information from the case under examination, or through confidentiality arrangements between the Host Administration and the TIWB Expert. Conflicts of interest will be identified and managed wherever possible prior to, during and after each TIWB Programme.

## What about personal liability and safety risks of the Expert?

TIWB Programmes may involve professional liability and liability for the workplace health and safety of the Expert when working in the Host Administration country. The Host Administration, Experts and Partner Administrations will ensure that issues of liability are considered and addressed adequately before commencing a TIWB Programme. It is equally important to ensure that protections are in place for the workplace health and safety of the Expert such as secured housing, travel arrangements and adequate access to office facilities if and when required.

## What is the content of TIWB Programmes?

TIWB Programmes are flexible and can be tailored to the specific needs of a Host Administration. In principle, they may involve all types of taxation, such as corporate income tax (profit tax), value-added tax (sales tax) and personal income tax. However, developing countries' main request for audit assistance tends to be in the field of corporate income/profit taxes and more specifically the international tax aspects of cross border transactions, including financing arrangements and licensing contracts. TIWB Programmes can also include pre-audit risk assessment and case selection, investigatory techniques, audit cases involving transfer pricing issues, anti-avoidance rules, or sector-specific issues, relating, for example, to natural resources, e-commerce, financial services or telecommunications.

## How long does a TIWB Programme typically run for?

TIWB Programmes are primarily short-term since they are generally related to an actual audit. However, the timeline for any particular TIWB Programme requires flexibility, depending on demand and availability of Experts. Different modes of assistance can be considered for longer-term arrangements.



## Funding

In most cases, Host Administrations contribute to funding the costs of the TIWB Programme and should be viewed as a means of engaging ongoing and high-level commitment to the TIWB Programme's objectives by the Host Administration. The TIWB Secretariat is able to assist a Host Administration in organising funding for all or part of a TIWB Programme by drawing on its network of Donor Partners. Responsibility for ensuring that necessary funding is in place to finance a TIWB Programme resides with the Host Administration.

*The Host Administration should determine whether other government agencies (e.g. Ministry of Finance) or Donor Partners with whom the Host Administration is already working, may be able to partially or completely fund the proposed TIWB Programme.*

The relative costs should be considered in respect to the anticipated impact of the TIWB Programme. There are multiple TIWB Programme funding formats, including:

- **Self-Funding:** All TIWB Programme costs are met by the Host Administration.
- **Donor Partner Funding:** The Host Administration provides partial (base) funding for the TIWB Programme, e.g. the Expert's travel costs or daily expenses. This base funding is complemented by additional "top-up" funding by a Donor Partner in order to meet the remaining Programme costs. Often, the Donor Partner is already involved in providing a broader programme of development assistance to the Host Administration (or its Ministry of Finance).
- **Sponsored Secondments:** If the Expert is an official currently on secondment from a Partner Administration, the costs of the TIWB Programme may be partially or fully funded by the Partner Administration. For example, the Partner Administration may continue to pay the salary of the official, and may also cover the Expert's travel and daily expenses. Alternatively, the Host Administration or a Donor Partner could meet the Expert's travel and daily expenses. Occasionally, the Partner country's governmental development agency, rather than the Partner Administration, will bear all or part of the Programme costs.

*\*In the case where the Expert is a retired tax official or a currently serving official who has taken leave without pay from his or her position, the TIWB Programme will be financed through Self-Funding and/or Donor Partner Funding.*

## TIWB Programme Costs

The cost of each TIWB audit assistance programme varies widely. These variations relate to whether the Expert is a currently serving or a recently retired official; the location and cost of living in the country where the Expert will be deployed; and the duration and mode of the Programme (e.g. short- or long-term, full-time or periodic). Expenses should be budgeted for in respect to objectives and anticipated impact of the TIWB audit assistance programme. Remuneration (salary) is discussed separately below.

**When assessing budgetary requirements for a TIWB Programme, estimated expenses should be discussed in advance with the Host Administration, the Expert, and any Partner Administration or Donor Partner and should form a part of the Terms of Reference.**

### Example TIWB Expert expenses:

- **Travel (transport to and from the Programme site, and for longer-term programmes, relocation costs. The permitted class of travel must be specified. Also note that for periodic deployments travel costs will be higher).**
- **Daily expenses (per diem) covering items such as:**
  - **Accommodation**
  - **Food allowance**
  - **Miscellaneous (e.g. phone calls)**
- **Ancillary duty costs, such as any travel required to be undertaken as part of the Expert's role in the Host Administration and fees for obtaining visas and work permits. There are no internationally agreed standard rates for per diem expenses. However, several agencies and organisations have set standards that determine fixed amounts to be reimbursed to their officials when working at foreign destinations. [UN Daily Subsistence Allowance \(DSA\) Rates](#) could be a guideline for the parties when negotiating the Terms of Reference. Alternatively, Host Administrations may have their own guidelines on agreed per diem levels for national officials that could be relevant in this context.**
- **Workplace facilities in line with those available to local officials in equivalent roles (i.e. a desktop or laptop computer, workspace, mobile phone, and, if necessary, a vehicle).**

### Remuneration

In some cases remuneration for an Expert's participation may be offered. The terms and conditions under which the remuneration will be granted should be stated clearly in the TIWB Programme Terms of Reference.



Two additional issues arise where remuneration is paid, particularly in the case of a recently retired expert: taxation and pensions or social security contributions.

## Recently retired Experts

Recently retired officials may participate in TIWB Programmes without receiving a salary or other form of remuneration, although their costs of participating, for example travel and daily expenses as described above, will be covered.

In some cases, some funding may be available to offer a level of remuneration to recently retired experts. This will be at the determination of the Host Administration, UNDP, or any other donor financing the specific TIWB Programme, and will be clearly indicated in the TIWB Programme Summary made available by the TIWB Secretariat to potential Experts.

## Currently serving Experts

Currently serving officials who are seconded from the partner administration to the Host Administration will in most cases continue under the usual remuneration arrangements with the Partner Administration. For longer-term audit assistance programmes, the Host and Partner Administrations may reach an agreement for remuneration of the expert to be a shared expense, or to be met fully by the Host Administration.

Where currently serving officials participate in a TIWB Programme by taking leave without pay from his or her home administration, the remuneration circumstances are more similar to those for recently retired experts as described herein.

## Taxation

It is crucial to ensure appropriate taxation of any remuneration or other benefits paid to the Expert during a TIWB Programme. In many cases, complying with the host country's tax laws is contained in the code of conduct and/or terms and conditions of employment for tax officials or public service officials more broadly.

Experts assisted by the Host Administration, and where applicable a Partner Administration, will need to ensure they are in full compliance with the laws of the host country as well as in their country of tax residence in terms of any remuneration or programme costs (such as reimbursement of travel or accommodation expenses).

## Pension or Social Security contributions

In connection with remuneration, pension or social security contributions can raise specific issues in the case of retired experts and currently serving experts who have taken leave without pay from their tax administration to participate in a TIWB Programme. These categories of Experts will need to consider and determine if participating in the TIWB Programme will have an effect on any remuneration or pension they receive. They should also address whether, as a result of the TIWB Programme, there will be any obligation to pay to them social security contributions in the country of the Host Administration.

Where relevant, this issue should be clearly addressed in the TIWB Programme Terms of Reference.

## Programme Cycle

### 1. Assistance Request

- Host Administration identifies capacity and audit assistance needs and reviews online preliminary questions
- When necessary, the Host Administration seeks further clarification from the TIWB Secretariat or local UNDP Country Office about implementing a possible TIWB Programme

*\*Host Administration includes any department of government tasked with the collection of tax revenues.*

### 2. Preparation of Assistance Request

- Host Administration reviews and completes online [TIWB Assistance Request Form](#), specifically taking into consideration the following matters:
  - Specific area of audit assistance needs
  - Potential funding arrangements
- Host Administration receives an e-mail acknowledgement and PDF version of the Assistance Request Form, as well as an assigned TIWB Programme Number from the TIWB Secretariat via e-mail.
- TIWB Secretariat and UNDP Country Office liaise with the Host Administration to then use the TIWB Programme Number to complete the detailed [TIWB Programme Details Questionnaire](#), expounding on the form of assistance requested and providing more country-specific information on legal and practical issues relevant to the eventual TIWB Programme.
- Host Administration receives an e-mail acknowledgement and PDF version of the Programme Details Questionnaire to be signed by the Head of the Host Administration and returned to the TIWB Secretariat via [e-mail](#) or regular [mail](#).

### 3. Appraisal of Assistance Request

- TIWB Secretariat reviews and registers completed Programme request details, specifically considering:
  - Scope and feasibility of assistance
  - Proposed funding arrangements

- Country-specific legal or practical considerations
  - Avoidance of duplication with existing assistance
- TIWB Secretariat creates a Programme Summary to highlight main requirements of Host Administration.
- TIWB Secretariat disseminates the Programme Summary to (i) the international contact points in Partner Administrations in order to determine their capacity to respond to the TIWB Assistance and (ii) to those in the Expert database having the appropriate experience, skills and background.
- TIWB Secretariat provides a narrowed-down list of Experts' details to the Host Administration, who is then responsible for undertaking any reference checks deemed necessary to ensure that the selected Expert is suitably qualified.
- Final selection of the TIWB Expert is the responsibility of the Host Administration, TIWB Secretariat, UNDP and the Partner Administration when relevant.
- TIWB Secretariat works with the Host Administration and Donor Partners, as needed, on identifying funding possibilities and defining financing arrangements.

#### **4. Programme Design: Expert Selection and Terms of Reference**

- Host Administration works with the TIWB Secretariat to clarify responsibilities for logistics for the TIWB Programme.
- Host Administration, facilitated by TIWB Secretariat, works with Expert and any Partner Administration or Donor Partner to establish the Terms of Reference, setting out roles and responsibilities of each party.
- TIWB Secretariat and/or local UNDP Country office, together with Host Administration and identified Expert, execute Mission #1 under the TIWB Programme as a scoping mission to define short-, mid- and long-term objectives and performance indicators for the TIWB Programme.
- Host Administration incorporates the objectives and indicators into the Terms of Reference and executes the document together with the Partner Administration and/or Expert, as the case may be.

#### **5. Implementation**

- Commencement of TIWB Programme within the Host Administration.
- Local UNDP Country Office in the host country provides general co-ordination role and provides visibility for the mission.
- Continued administrative and practical support to both the Host Administration and/or the Expert(s) by the TIWB Secretariat and/or the local UNDP Country Office while the Expert is working in the Host Administration.

#### **6. Monitoring**

- After each TIWB Programme mission, Host Administration and Expert separately assess outcomes and individually complete online [Mission Report](#).

- Secretariat/UNDP Country Office liaises with the parties to resolve any arising issues, while respecting confidentiality between Expert and Host Administration.

## 7. Evaluation and Improvement

- Expert prepares a Final Programme Report summarizing the TIWB Programme scope, actions taken and conclusions.
- Host Administration and Expert each prepare a Programme Evaluation measuring impact of the TIWB Programme.
- TIWB Secretariat and local UN Country Office jointly prepare TIWB Programme Evaluation Report based upon the Programme Evaluations received from the Host Administration and Expert.
- TIWB Secretariat drafts TIWB Programme Outcome Report and submits to Host Administration (and Partner Administration where applicable) and Expert for approval of publication on <http://www.tiwb.org>.
- TIWB Secretariat refines and improves the TIWB process where appropriate.