

### Leveraging technology to enhance revenue administration

#### A. Executive summary

This document provides key information on the impact of the Information and Communication Technology (ICT) at the Malawi Revenue Authority towards the enhancement of revenue administration.

To contribute to the understanding of “Leveraging technology to enhance revenue administration”, the theme for Malawi Revenue authority (MRA) strategy for 2014 - 2017 was “*Innovation and Modernization*” with ICT initiatives focusing on:

- Upgrading ICT systems and infrastructure - To modernize its technology architecture, improve security and ensure convergence of its ICT system for better technical support and service delivery.
- Developing and maintaining accurate and up-to-date data.
- Managing high quality information that will be feeding into the institution’s decision making process (implementation of a data warehouse and analytical systems).

#### B. Introduction

The reforms and modernization of government institutions has been a constant theme over the last three decades in both developed and developing countries. The driving force to reforms and modernisation mostly has been due to different economic pressures that include:

- Need to deliver services more effectively and at a lower cost to citizens.
- Need to reduce deficiencies in traditional procedures and structures that have come to be seen as too rigid to respond to the rapidly changing needs of the public.
- Need to adapt current business or private sector management practice to public sector institutions

*“The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency.”<sup>1</sup>*

The underlying strategy for MRA was “*Innovation and Modernization*” which in broader terms signifies technology driven for efficient operation at the same time magnifying the efficiency. The following are some of technologies implemented by the Malawi Revenue Authority.

### **C. Facilitating, monitoring and enabling compliance through technology**

In a bid to improve compliance, MRA has worked on taxpayer self-service solutions that ease the process of getting frequently requested information and services. The Authority rolled out an online payment solution called *e-Payments*. This enables taxpayers to register and pay their tax liabilities without necessarily walking to the bank or MRA premises. Additionally, the Authority rolled out a USSD based mobile platform on two mobile phone service providers in Malawi. By dialling \*915\*# a taxpayer can access a number of MRA services which include but not limited to duty calculation, tax calculation, document authentication and others. These have improved compliance by reducing the cost of the tax payer especially time and cost of travelling to MRA to access the same services. This has also eased access to information.

Globalization, collaboration and integration have become the new business drivers in this competitive world. To remain effective, efficient and reduce cost of compliance, the authority has interfaced its domestic tax core system called SAS2 with the Registrar General. The interface helps the authority to automatically capture the prospective taxpayers who have registered business thereby issue a Taxpayer Identification Number (TPIN) as the business is registered. The information from Registrar General and the subsequent issuance of the TPIN helps in simplifying the taxpayer registration process and helps MRA to monitor the level of compliance and tax register growth by comparing the business registered versus ones that are active. Likewise in an effort to seal revenue leakages and promote compliance the Authority has interfaced with Directorate of Road Traffic and Safety Service (DRTSS) and the Malawi Police Interpol department. With this integration, the three institutions electronically are able to clear and register/deregister a vehicle. This initiative has tremendously reduced the business turnaround time for taxpayers who import vehicles and want to have their vehicles registered and cleared by Interpol.

In this high technology environment document authenticity remain a great challenge, Organisations and companies are losing a lot of revenues through fake and unauthentic documentation. It is against this background that the authority embarked on implementing a two-dimensional (2D) matrix barcodes that can hold thousands of alphanumeric characters of information called QR codes on all the official documents. The QR Code's ability to hold more information and their ease of use makes them practical and limitless for business. QR codes continue to gain in popularity with the boom in smart phone usage. They are easy to create, and

becoming easier for consumers to use. MRA official documents carry a QR-code which can be scanned by any electronic QRCode scanner to verify the content of the documents. The QR code document verification and validations will assist the authority to prevent revenue loss. The documents can further be verified online using the internet to draw an image of the document bearing the same code from the MRA Repository. This can also be done using USSD on any mobile phone by accessing the MRA facility by dialling \*915# on any mobile service operating in Malawi.

In an effort to be objective and leaders in sound business decisions, the authority has invested in a data warehousing and analytical solution called Business Objects (BOBJ). A data warehouse is essential for any business that wants to profit from sound business decisions. BobJ helps in extracting the huge streams of data from a company's operational and external databases and turns them into meaningful data, so business decisions can be made based on this information. This tool helps in monitoring compliance by slicing and dicing data giving various analytical reports. Most notably, the BobJ provides a report indicating payment and filing status for each taxpayer, a dashboard on online collections and others.

The Malawi Revenue Authority implemented Electronic Fiscal Devices that have significantly helped to increase its VAT collections. The Electronic Fiscal Device has also helped to reduce the time to settle Disputes, fighting against Tax Evasion and Enhancing the tax compliance. Through the use of EFDMS, a second generation advanced Enterprise Platform designed to provide a tight control over Sales and Tax reporting using data from GPRS based Fiscal Devices, tax audits have been simplified as the information on sales is available at the touch of the button. The information in the EFDMS is used by the auditors to verify the information in the filed income tax return.

With Electronic Cargo Tracking the authority is able to track cargo real-time from point of port of entry to point of discharge or offloading. The system was introduced to help the Authority and private transporters worldwide monitor movement of goods remotely and prevent the loss of revenue through theft of goods in transit and dumping of goods in transit through a given territory.

## **D. CHALLENGES**

Taxpayers have ended up registering for multiple TPINs to evade tax liabilities. To address this problem, MRA is working hand in hand with the National Registration Bureau to establish an interface that will help the Authority to validate citizen using National IDs which are being introduced.

Poor network infrastructure. The country faces many challenges on the speed and stability of network especially in rural areas. This affects the delivery of digital services as business is interrupted until network is available. The authority is aiming at introducing redundant/backup connectivity links for all its stations.

Un-automated government agencies. MRA faces challenges in interfacing with other key government agencies that may provide key information to assist the authority in enforcement and monitoring of compliance. Compiling and sharing of information from manual environments takes long and may not always be accurate.

The cost of technology is skyrocketing against limited budgets. This is generating low progress in adopting the technology.