



# PROPOSED GUIDELINES

## OF ENGAGEMENT ON TAX RESEARCH

### FOR AFRICAN REVENUE ADMINISTRATIONS

An ATAF Publication



AFRICAN TAX  
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**This brief was developed to specifically bridge the gap between Tax Administrations and the Research Practice within Africa. It sets proposed guidelines when conducting research between tax administrations and independent researchers. The end result is to ensure increased research uptake within Tax Administrations as well as building tax research capacity in Africa.**

## 1. Background

The increased attention on domestic resource mobilisation (DRM) since the global financial crisis of 2008 has given rise to significant increase in scholarly interest in a range of tax related topics spanning from the basics of tax administration, the nexus between tax policy and administration, to the implications of global standards setting for developing countries.

This guideline document focusses on two groups in this context: on the one hand, there are scholars/researchers who aim to offer evidence-based analyses and trends in developing countries (especially African countries) and require access to macroeconomic and tax statistics to understand tax policy, revenue trends, risks and administrative challenges, etc. On the other hand, are tax administrations and tax policy units within Ministries of Finance (MoF) which in order to accurately estimate, analyse and collect revenue in a sustainable manner must understand their tax base and socio-economic environment within which they operate. This requires a level of technical research and analytical capabilities.

While both groups have a common interest in a broader practice of tax research whether scholarly or applied, they are confronted to a set of factors hindering the possibility of a mutually beneficial cooperation in the area of research. Key among these issues preventing both parties from realising this common interest would be the restriction placed on taxpayer information through law, access to data not necessarily owned by tax administrations, and the ownership and dissemination of information and output arising out of the research, especially in the case of sensitive results. Another possible impediment to realising this mutually beneficial relationship is the issue of trust, where tax administrations or tax policy units within MoF often do not have the confidence that research institutions would do more than simply accessing their data and producing research outputs apart from their needs.

This document therefore sets out a series of proposals and modus operandi that could lay the basis for a structured, professional and mutually beneficial partnership between Research Practice and Public Administrations in general, and Tax Administrations in particular.

## 2. Introduction

Academic or independent researchers (also called external researchers)<sup>1</sup> and tax official researchers (or internal researchers)<sup>2</sup> typically do not collaborate closely in taxation research projects in Africa.

Tax official researchers often perceive that academic research is focused more on abstract or theoretical issues, not on practical, policy-relevant questions. While they would be interested in theoretical, scholarly research, they might not necessarily initiate them. They will however initiate applied research. Academic or independent researchers, on the other hand, may perceive tax official researchers as having little interest in rigorous research and unwilling to help make available to researchers the large volumes of administrative data to which they, tax official researchers, have access.

More cooperation between the two parties would greatly improve the quality and relevance of the research that is done on taxation in Africa, and simultaneously provide us with both more policy-relevant knowledge and a deeper academic understanding of tax issues.

## 3. Categories of engagement between researchers and tax administrators

There are indeed great potential benefits from closer cooperation between tax official researchers and academic researchers. Below we propose some guidelines to promote a mutually beneficial cooperation in the area of tax research in Africa.

1. Academic or independent researchers may be from universities, research institutions, think tanks or research networks.

2. Tax official researchers refers to tax administration officials both in the research and operational departments as well as officials of tax policy units within MoF.



### 3.1 Memorandum of Understanding

- a) The two parties will to some extent have different interests, different objectives, different ways of working, and different expectations. To minimise the likelihood of significant misunderstandings, it is advisable that the parties (a) sign a memorandum of understanding (MoU) before commencing the research and (b) commit to resolving any differences openly and in a spirit of cooperation.
- b) Engaging with external researchers might require tax administrations to invest substantial staff resources, including in preparing data and in adhering to a schedule of research activities. These requirements might conflict with the normal business activities of the tax administration. Precise timing can be very important in research, especially if engaging in 'tax experiments'. Failure to meet obligations will often invalidate research plans. It is correspondingly important that (a) there is clarity in advance about the obligations of the staff of the tax administration to the research and (b) the responsible officials in the tax administration ensure that those obligations are honoured.

### 3.2 Confidentiality and Data Protection

Ensuring the confidentiality of taxpayer data is a primary obligation on both parties. This has a number of dimensions:

- All data obtained directly from the administrative records of tax administrations should be anonymised before it is made available to researchers.
- This data remains the property of the tax administration. A non-disclosure agreement will have to be signed by all researchers and reviewers involved in the collaborative research project. Academic researchers making use of the data should access them only through the tax authority, with written permission. Academic researchers should not – and should not be expected or asked to – make available to other researchers data obtained directly from the administrative records.
- In the event that academic researchers collect other data directly from other sources, including from taxpayers themselves, in the course of joint research with tax authorities, the principles for

ownership of that data should be negotiated on a case by case basis.

- Where tax administrations have information that should as a matter of course be publicly available, but may not have the means to disseminate it, such information should be readily accessible to academic researcher without fear or favour. This includes for example macro data on revenue collections and revenue performance. As far as possible, this should be accurate, detailed and up-to-date, and therefore potentially useful for research purposes. Tax authorities should explain publicly the categories and procedures they use to collect and present revenue data, and warn of possible errors or sources of misunderstanding.

### 3.3 Collaborative Initiation and Execution of Research Projects

Research is likely to be taken up more enthusiastically within tax administrations, and impact on policy, if it is (a) undertaken at the initiative of tax administration staff and/or (b) they are closely involved in design and execution. This implies, among other things:

- The use of simple, non-technical language in discussing, designing and reporting back on research.
- Tax administrations need to assign staff to be responsible for engagement with external researchers, for doing research, and for liaising between researchers and other tax administration personnel. The staff deputed for this task need to be allocated sufficient time and other resources.
- The tax administration personnel selected to participate in research should be appropriately qualified, experienced and motivated. If the academic researchers can make a convincing case that any deputed personnel are unsuitable, management should replace them with someone more suitable.

### 3.4 Opportunity for mutual learning

Collaborative research project in taxation opens the possibility for mutual learning between tax administrations and external researchers. On the one