

IMPROVING POLAND'S TAX COMPLIANCE WITH A HOLISTIC APPROACH

A Europe and Central Asia
Governance Result Story



The Development Challenge



A World Bank Governance technical assistance project has helped Poland's National Revenue Administration to develop and pilot a Measurement, Monitoring, and Evaluation system and setup a Central Large Taxpayer Office, improving accountability, effectiveness and taxpayer compliance.

Poland's National Revenue Administration (NRA) faced a number of challenges including the lack of a performance measurement system and a modern taxpayer compliance risk management strategy.

Formed in March 2017, Poland's National Revenue Administration (NRA) is a relatively new department, accountable to the Ministry of Finance comprising of the former departments of Customs, Value Added Tax (VAT) and Corporate Income Tax. With over 400 tax offices nationwide, the NRA faced a number of challenges, not least in measuring the new organization's performance, but also in applying a modern

holistic compliance risk management approach to cover all the major taxes, rather than focusing on auditing individual taxes.

Under this new organization, the tax offices faced the task of administering all taxes to which taxpayers were liable, and in one office, which were previously administered in a number of different offices.

The Project

Faced with these development challenges, in 2017 the NRA applied to the European Union's Directorate General for Structural Reform Support (DG REFORM) for funding for two projects i) Implementation of a Modern Measurement, Monitoring & Evaluation (MME) System and ii) Compliance Risk Management. Before the project started, the NRA conducted a number of study visits to other EU Member States to identify good practices in both areas. Following discussions between DG REFORM and the World Bank, the project commenced in early 2019.

In order to provide better outcomes for the NRA and to ease the burden of project administration, both projects were merged. Previously, the entire organization was to be targeted in the area of compliance risk management, however following consultations between NRA, DG REFORM and the Bank, this would only be piloted with Poland's largest group of taxpayers who were potentially the most tax compliant.

Following commencement, the World Bank identified a number of consultants and tax experts with key inputs from the Australian Taxation Office (ATO), the Irish Revenue, the UK's HM Revenue & Customs, and a Human Resources expert from the United States. For their part, the NRA formed two project teams led by senior officials.

Regular meetings were held throughout 2019, both in-country and subsequently via virtual platforms due to the COVID-19 pandemic. Despite the setback of the pandemic, the groundwork from 2019 laid a solid foundation for moving forward with the development of recommendations and reports.

After a series of visits with government officials at the NRA, the World Bank team gained a good understanding of the issues the organization faced, leading to concrete recommendations for creating a central Large Taxpayer Office (LTO) organized along modern principles with a cooperative compliance

approach – in particular, working in partnership with the largest taxpayers, with a turnover in excess of €50 million, who were likely to 'get it right' the first time. This concept encourages the taxpayer and tax administration to work collaboratively to reduce errors on tax returns and provide tax certainty for taxpayers.

"It's very important in any environment where you want to encourage investment, be that local or international, businesses know there's a level playing field when it comes to paying taxes. If a business is looking to invest, it needs to know there is tax certainty. It needs to know how much taxes it has to pay, when it has to pay and how. It has to also be certain that those people it competes with in the marketplace are also doing the same thing. Tax certainty and tax surety is a major driver of investment decisions of not just large companies but small and medium companies as well."

—David Palmer, World Bank Tax Expert, Europe and Central Asia, Governance

Further, and in conformity with the Bank's recommendations, the Minister of Finance in his plans for the Ministry announced that employees and officers should be "focused on dialogue and openness (a customer-centric approach)"¹

¹ The Minister of Finance on the definition of the Directions of Action and Development of the Ministry of Finance for the years 2021–2024.

In the area of monitoring and evaluation, the World Bank team first undertook an assessment of the performance of the NRA using the World Bank's TAX DIAMOND tool. This involved assessing the operational effectiveness of various aspects of the NRA's operations and involved site visits to Customs and tax offices located throughout Poland. This methodology has been shared with the NRA enabling them to assess their effectiveness over time.

Following the use of the Tax Diamond Tool, the Bank conducted workshops with the NRA project team to identify areas where KPI pilots could be conducted, which included Customs, Revenue Collection, HR, Information Technology and Enforcement of Debts. The NRA developed their own dashboards for representing the analysis of data in a visually appealing form (see example above):

The example demonstrates the NRA's progress in managing debt. In addition to the overall progress shown in the top right of the dashboard, the system can drill down to show individual office performance and performance over time. As a management tool it provides a useful visual representation of performance at a given period in time.



“The NRA is working on initiatives, which would respond to the large business’ needs and expectations. When it comes to taxation and tax compliance, a number of developments has been put in place, in order to deal effectively with the key taxpayers. All of which are focused on building better relationships, cooperation and openness. The knowledge and experience in the field of good practices in LTO delivered by the experts of the World Bank during the workshop, will be strong support during the LTO’s implementation.”

—Anna Chałupa, Deputy Head of the Polish National Revenue Administration (NRA)

Intermediate Results

With World Bank support, the NRA have developed their own performance dashboards and have improved tax compliance and managing debt. The new LTO has been created and is working collaboratively with the largest taxpayers in Poland.

In September 2020, the NRA announced that it would introduce a central large taxpayer office handling the affairs of the top 2,500 taxpayers in Poland. The affairs of the next top 60,000 taxpayers—those taxpayers previously managed by the nationwide Large Taxpayer Offices—are now be

handled by regional “nearly large” and “medium” taxpayer offices. This has allowed the NRA to focus on the highest revenue yielding taxpayers. Additionally, being able to file returns in one office has saved taxpayers time and has made it easier for taxpayers to comply.

Yet, it is too early to quantify in revenue terms the benefit of creating the LTO since corporate tax returns for 2021 have not yet been filed and because of the economic downturn caused by the COVID

pandemic. However, it is almost certain that the reorganization will lead to positive revenue benefits as has been the case in other countries that have adopted this approach.

Lessons Learned and Next Steps

Workshops with the KPI project team continued throughout 2020, culminating in a series of virtual knowledge exchanges through February and March 2021 that were attended by the highest levels within the NRA with high level endorsements of the project. At the workshops, the NRA presented their own work in relation to the development of key KPI's and the World Bank team provided examples from other revenue administrations, both in terms of what is made available to management and what is in the public domain.

With this foundation, the NRA now has a sound base for developing organization wide KPI's going forward. They will be well placed to provide informative performance insights to senior management to assist in resource allocation and performance assessment.

In addition, the project has spillovers not only within the region, but globally. The Compliance Risk Management report was used as a template for the Bank's tax administration work in Latvia and will be used going forward in Nigeria to help their Federal

Inland Revenue Service to develop a compliance risk management system for VAT. Work is also currently taking place with the Nigerian Customs Service to develop KPIs for Customs operations.

Learn More

Blog: [Sealing the Tax Gap in Poland: A Holistic Approach to Tax Compliance](#)

Case Study: [Poland: Sealing the Tax Gap \(Building Effective, Accountable, and Inclusive Institutions in Europe and Central Asia : Lessons from the Region\)](#) by Artur Gostomski, Director of Large Business Department, Ministry of Finance of the Republic of Poland; Grzegorz Poniowski, Vice-President, Centre for Social and Economic Research (CASE), Poland

Webinar: [Sealing the Tax Gap: Improving Tax Compliance in Poland](#)



LEARN MORE
www.worldbank.org/ECAGovernance

