



“Enhancing Efficiency in Tax Administration”

Communication Strategies in Tax Reform

General Authority of Zakat and Tax(GAZT)

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Executive Summary

The purpose of communication strategies in tax reform is to provide an overall framework for integrating, managing and coordinating the communications and public consultation initiatives that will guide the process of the Tax Reform project. Strategic communications is used to achieve the following purposes: mitigate risks, accelerate reform adoption and achieve sustainable reform.

A communications strategy should cover the following elements: reform objective(s), stakeholders, communication tactics/means to be used, reform plan phases, and communication means to be used in any stage.

In addition to its previous experiences in tax reform, Saudi Arabia is undergoing now two major revenue administration reforms. The first one is transforming its tax administration into a semi-autonomous General Authority of Zakat and Tax (GAZT) with a Board of Directors to oversee it; the second one is to implement the Value-added Tax (VAT) and excise taxes. Tax reform in Saudi Arabia is managed by Minister of Finance assisted by the Board of Directors of the General Authority of Zakat and Tax and Committees at the level of the implementing authority.



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Part 1: The Importance of Communication Strategies to Tax Reform Projects

Introduction

The purpose of communication strategies in tax reform is to provide an overall framework for integrating, managing and coordinating the communications and public consultation initiatives that will guide the process of the Tax Reform project.

Strategic communications is used to build support and local ownership for reform initiatives while diffusing stakeholder opposition. It addresses the critical 'people' side of the reform process by fostering dialogue between stakeholders, changing perceptions, and strengthening the capacity of government to assist taxpayers.

Communications is often viewed as an add-on to the reform program, rather than as an integrated mechanism for proactively engaging stakeholders to help ensure the reform's results and sustainability. Many programs aim to reach stakeholders, but not in a methodical way that applies communications and engagement best practices. This lack of structure, strategy, and analytical rigor exposes reform efforts to great risk on multiple stakeholder fronts—well designed and intentioned reforms can be derailed by a lack of political will, unforeseen opposition, unexpected adversaries, or inattention to core constituencies. On the technical side, the design may be poorly suited for the local context, reducing chances of successful implementation.

Supporting the tax reform project with strategic communications

Strategic communications is a planned, analytical approach for determining whom a given project must engage to achieve its reform objectives, for what purpose, and when and how this engagement takes place. A strategic approach to communications helps to first identify those stakeholders who will help or hinder reform and then leverages that knowledge to influence their behavior and change the stakeholder landscape in support of reform goals. It is designed to:

- **Mitigate risks.** Reform can be easily derailed from staunch opposition or a simple lack of support or interest. Strategic communications identifies risk areas early and develops approaches to mitigate or minimize those risks.
- **Accelerate reform adoption.** Successful reform requires support from a broad range of stakeholders. By engaging those stakeholders, strategic communications can increase understanding, achieve behavior change, generate support, and accelerate the pace of reform.

- **Achieve sustainable reform.** Changing legislation or policy advances reform, but unless the new processes or reformed policies are accepted by the public and “owned” by stakeholders, the reform may be ineffective or short-lived.

Strategic communications is an effective tool because it provides a framework for engaging stakeholders to address risks and barriers to reform. Outlining a clear plan for stakeholder engagement and outreach—the process for reaching target groups with key messages—from the project’s early stages is critical to tax reform projects in particular. Tax reform projects often face serious challenges, such as lack of public information and transparency, and an absence of two-way dialogue or private-sector participation in the policymaking process.

Building strategic communications into project design

The tailored approach to stakeholder engagement and communications should take into account the local environment, perceptions, and resources. The outreach plan relies on vehicles (such as focus groups and media campaigns) geared to the specific local context to target and address groups affected by the reform, leveraging individuals and groups to influence the reform. The key from a process standpoint is to devise a communications plan as an integral part of project formulation and design from the outset. A plan to get press coverage, launch the reform publicly, and build public awareness is simply not enough. When strategic communications is integral to the design of country rollout, it has dedicated project resources. It includes an upfront and early analysis of stakeholder interests, perceptions, and level of support for proposed reforms. By analyzing stakeholders and assessing the communications environment in the local context in which the program will operate, the project team can carefully consider the behavioral changes that must be achieved, expectations requiring a response, and risks that could slow the program’s progress. Effectively managing each of these factors contributes to greater project impact and sustainability.

The “five Ds” framework

The communications framework has five phases that correspond to the project lifecycle. The five phases are referred to as the “five Ds”: Diagnose; Design; Develop; Deploy; Debrief. The framework is flexible and scalable to adapt to increases in project size and resources. The five phases of the framework are interrelated and may overlap. It is important to begin the initial mapping of the stakeholder and communications environment in the Diagnose phase, which should occur in country during pre-project implementation or scoping. The strategy should be outlined during the Design phase alongside the design of the technical components of the



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reform. Some communications products may need to be created during the Develop phase—the planning phase when the strategy is further developed—while others will be produced during the Deploy phase when implementation takes place. The Debrief phase includes monitoring and evaluation of communications activities as part of the project’s monitoring and evaluation carried out over the course of project development and implementation.

Communication Strategy Main Elements

A Communication Strategy should cover the following elements:

- Tax Reform Objective;
- Stakeholders;
- Communication Tactics/means to be used;
- Tax Reform Plan Phases and Communication support to be used in each phase.

Part 2: Saudi Arabia as an Example

Saudi Arabia experience in tax reform

Saudi Arabia Tax Authority has undergone several tax reforms in the last decade or so. Saudi Arabia issued a new tax law replacing the old one which remained effective for more than 50 years.

Saudi Arabia Tax Authority has transformed most of its functions into electronic ones

Saudi Arabia is undergoing now two major revenue administration reforms. The first is the Royal Decree to transform The Department of Zakat and Income Tax (DZIT) into a semi-autonomous General Authority of Zakat and Tax (GAZT) with a Board of Directors to oversee it. The second is the decision to implement the Value-added Tax (VAT) and excise taxes which we will highlight in paragraphs below.

Managing the reforms, technical assistance received and challenges faced

In the past, Saudi Arabia managed its tax reforms by the competent Minister, i.e. Minister of Finance. A Steering Committee comprised of the concerned Directors- General, Deputies Ministry of Finance, and senior managers would help the Minister of Finance manage such reform.

With the General Authority of Zakat and Tax, tax reforms are still managed by Minister of Finance assisted by the GAZT Board of Directors. The GATZ Governor reports directly to the Minister of Finance. The GAZT Board of Directors provides advice to the Minister on the strategic direction, overall operation, and significant issues that may impact on sound administration of the tax system.

Technical assistance in tax reform, if needed, is obtained from well-known and long-established Professional Organizations, such as the IMF.

The main challenge the Kingdom faces in tax reform is lack of tax culture in the society.

Tax Reform Objective

Saudi Arabia has decided to introduce the Value-added tax (VAT) and excise taxes. The introduction of VAT and excises is part of a long-term economic reform agenda that aims to diversify government revenue sources away from the current heavy reliance on oil. VAT will be introduced in the Kingdom on a timetable consistent with a GCC Agreement to introduce a harmonized VAT in all GCC countries in 2018.



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Tax Reform Stakeholders

The stakeholders the communication strategy addresses are the following:

- The general public
- Business groups/associations
- Taxpayers
- Customs Department
- Other Government Agencies
- Council of Chambers of Commerce
- Tax Staff

Communication Tactics/means to be used

The communication tactics/means to be used under the strategy are as follows:

- Consultation
- VAT Initial Communication material (taxpayer enquiry scripts, general Vat Guide, specific industry guides, registration guide, consumer information material)
- Presentations (to tax advisors and businesses)
- Media Campaign
- Taxpayers advisory visits
- Staff communication campaign (regular information up-dates and regular presentations)
- Call Facilities/Center (to answer taxpayer enquiries)

Tax Reform Plan Phases and Communication support

The Tax Reform Plan has 13 phases; several phases receive communication support. The phases are as follows:

Phase 1: Preparation

This phase consists of internal preparatory work, such as preparation of the Implementation Plan, establishment of Implementation Steering Committee, assignment of a project manager, development of Implementation Team organizational structure, identification of support needed.



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Phase 2: Policy and Law

During this phase Policy issues are decided and the law and regulations are drafted, processed and approved.

Communications Support: Tax advisor and Business Consultative Forums

Phase 3: External Awareness Campaign

This phase addresses external communication and the support it provides as follows:

Communication Support:

- Prepare initial VAT communication material
- initial taxpayer enquiry scripts
- Develop an overall external communication strategy
- Prepare general VAT guide
- Prepare specific industry guides
- Prepare VAT registration pack
- Prepare consumer information material
- Media campaign
- Conduct presentations to tax advisors and businesses
- Taxpayer Advisory visits

Phase 4: Staff Communications

This phase addresses communication with staff to keep them up-dated as follows:

Communication Support:

- Develop overall staff communication campaign
- Prepare regular information updates for staff
- Regular presentations for staff

Phase 5: Staffing

This phases addresses the determination of new staffing requirement and recruitment of such staff.



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Phase 6: Business Processes and Procedures

During this phase VAT processes are developed: registration, return filing, payment, taxpayer accounting, refunds, arrears and non-filing enforcement, audit and appeals.

Phase 7: Taxpayer Enquiries (jointly with AMER)

This phase includes preparing a strategy on how to deal with taxpayer enquires: estimation of timing, channel and volume of enquiries, staffing requirements to deal with enquiries, and taxpayer enquiry procedures as follows:

- Taxpayer enquiries strategy
- Estimate likely timing, channel and volume of enquiries
- Taxpayer enquiry staffing requirements (GAZT and AMER)
- Taxpayer enquiry procedures

Phase 8: Forms

This phase addresses form design, such as registration form, VAT Certificate and on line return form.

Phase 9: Preparing Staff Business Process and Procedure Manuals

This phases addresses the development of staff Business process and procedure manuals on Registration, Taxpayer enquiries, Refunds, Arrears and non-filing enforcement, Audit and Appeals.

Phase 10: Staff Training Development

This phases addresses staff training development and training to be developed will be general overview training package, Taxpayer enquiries, Advisory visits, Registration, Arrears and non-filing enforcement, Refund, Audit and Appeals.

Phase 11: Staff Training Delivery

This phase is about delivery of the training packaged developed in the previous phase.



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Phase 12: IT Systems Development

12.1 Phase 1 Registration, Accounts

12.2 Phase 2 Filing, Refunds, Payment, Enforcement, Audit

Phase 13: Implementation

Conclusion

Strategic communication is a powerful tool to help mitigate the risks posed from the “people” side of the reform process and increase the potential for sustainable reform after the project ends. A strategic communication plan aims at achieving in a balance manner awareness for reform, changing perceptions and thus behavior (such as taxpayers seeing tax as a tool for greater economic growth and public good), and building capacity to serve taxpayers. Strategic communication is not public or media relations, it is rather a fully developed methodology that encompasses the entire project life cycle, it plays an integral role in implementing and sustaining planned reforms.