

Revenue Administration Gap Analysis Program (RA-GAP) - International Monetary Fund



Objective and features

1. Objective

The RA-GAP aims to assist revenue administrations from IMF member countries to get a comprehensive and detailed estimate of the gap between current and potential tax collections, as well as a review of current operational performance in a number of other related key functions. This assists in estimating the tax gap and helps in identifying some of its underlying causes.

2. Institutional coverage

National governments.

3. Technical coverage

RA-GAP covers

1. revenue management and tax administration; and
2. institutional strengthening, capacity building, and anti-corruption.

4. Application method

Custodian and self-assessment. The IMF has also launched the RA-GAP Assisted Self-Assessment (ASA) service. Through this service, the IMF will provide additional hands-on-guidance on how to tailor the methodology to make it more suitable for country-specific needs and context.

Methodology



5. Methodology

The general approach of the RA-GAP methodology is to estimate the size of tax gap on a top-down basis. According to the RA-GAP methodology, the tax gap can be deconstructed into components - the gap resulting from non-compliance (compliance gap) and the gap resulting from policy measures (the policy gap). The methodology is tailored to measure tax gaps for individual tax types. The three steps to estimate the tax gap are as follows:

Step 1: Use statistical data to estimate reference potential revenue (RPR), that is, the amount of tax revenue that administrations should be collecting.

Step 2: Use tax administration data to determine how much tax revenue is collected in practice (actual revenue or AR).

Step 3: Calculate the tax gap using the following formula: Tax gap = RPR – AR.

6. Benchmarking system

There is no benchmarking in place in the RA-GAP program.

7. Linkage to PEFA framework

The RA-GAP methodology has links to the following aspects of the PEFA framework: fiscal strategy (PI-15) and revenue administration (PI-19).

8. Complementarity with PEFA framework

The tool provides analysis and estimates on tax gap that can be used to provide greater review in areas related to PEFA Pillar I (Budget Reliability).

Development and use



9. Development and coordination

The IMF launched RA-GAP in 2013. Ahead of the launch, a peer review was conducted to test the model. Upon its launch, the program focused on assessing VAT gaps. Since then, the IMF has expanded the program to cover estimation of the tax gap for excise tax (in 2017) and corporate income tax (in 2018). The IMF aims to have RA-GAP frameworks for all major taxes in order to assist countries in estimating tax gaps.

No donor alignment has taken place in relation to the RA-GAP program.

10. Assessment management

IMF's Fiscal Affairs Department, Revenue Administration Divisions 1 and 2 (FADR1 and FADR2) are responsible for developing and implementing the RA-GAP methodology. This is done through a combination of IMF-led missions and RA-GAP-assisted self-assessment service. The assessment is conducted by experts who work closely with local teams familiar with administration operations, tax design and policy, and statistical data.

Custodian quality assurance applies. The model has a built-in quality assurance process because of the way in which the tax gap is estimated. The model outputs should reconcile with a formulaic relationship and, if this test fails, it will indicate a possible error. The IMF also retains the models used in the assessment in case other individuals want to replicate it to check the results.

11. Uses by the government and members of the PFM community

RA-GAP is used by the IMF FADR1 and FADR2 to estimate and understand tax compliance gaps in countries. Analysis and key findings are then published as part of the IMF country report series. Additionally, revenue administrations who have completed relevant training provided by the IMF can use the RA-GAP methodology to self-assess tax gaps in their respective countries.

RA-GAP is used by many EU member states in-house to estimate tax gap (2016 European Commission study).

12. Sequencing with other tools

There is no sequencing in practice with other tools.

13. PFM capacity building

Capacity building for the purpose of the assessment. The IMF offers [courses](#) to officials working in revenue administrations on how to execute the VAT gap estimation model (VGEM) of the RA-GAP. The RA-GAP Assisted Self-Assessment (ASA) service also helps administrations in carrying out gap assessments in-house.

14. Tracking of changes and frequency of assessments

While the tool is not necessarily designed for tracking changes over time, the IMF ideally completes the assessment twice. The second assessment is carried out after the improvements have been integrated and is done in order to understand their impact on the tax gaps. Assessment frequency is not predefined.

15. Resource requirements

The IMF provides the assessment for free to member countries. It takes three to six months for the initial assessment. The time required for the follow-up assessment can vary; in ideal circumstances it can take as little as three weeks.

Transparency



16. Access to methodology

The detailed methodology for estimating the tax gap for VAT, excise tax, and corporate income tax (CIT), including how to use statistical data to establish reference potential revenue and the nuanced challenges faced in applying the methodology can be found at [VAT](#), [excise tax](#), and [CIT](#).

The IMF has put in place technical guidance notes on how to apply the RA-GAP methodology to estimate VAT, excise, and CIT tax gaps. In addition, the IMF also offers a [course](#) for officials working in tax and revenue administrations using the VAT gap estimation model (VGEM) of the RA-GAP. Upon completing the course, these officials will have access to the RA-GAP Assisted Self-Assessment service and will be able to tailor the RA-GAP methodology to meet their needs and adapt it to their country's context.

17. Access to assessment results

IMF's published assessments can be found under the country report series in the IMF publications [database](#) (search term: Revenue Administration Gap Analysis Program). It is up to the country to decide whether it wants to make the assessment public. There is limited information on how many countries use the methodology in-house.