



EMBRACING DIGITAL TRANSFORMATION: Revolutionalising Tax Administration for Economic Empowerment in Malawi

Presenter : John Biziwick – Commissioner General - MRA



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1. *Introduction*

1

In today's rapidly evolving digital age, revenue administrations across the globe are facing a critical crossroads.



2

Traditional, paper-based systems are proving increasingly inefficient and susceptible to errors.



3

To ensure sustainable economic development and empower citizens, effective domestic revenue mobilisation is essential



4

Digital technologies can unlock economic empowerment through effective revenue collection and fiscal management.



5

A proactive approach to harnessing the power of digital technologies for sustainable economic empowerment is a necessity for the MRA.





2. The power of digital Transformation in the context of a Revenue Administration



Convenience

By embracing these technologies, businesses can streamline operations, unlock new opportunities and create a more competitive landscape



Efficiency

This fosters innovation, boosts efficiency, and ultimately leads to economic growth



Technologies

From cloud computing enabling remote work to Artificial Intelligence (AI) streamlining data analysis, the impact is undeniable



3. Understanding the current Tax Administration landscape in Malawi

Domestic Revenue Mobilisation Strategy



The Malawi Government through the Ministry of Finance formulated the first ever Domestic Revenue Mobilisation Strategy (DRMS) in 2021

Why DRMS



The Strategy aims to :

- Provide stability and transparency in revenue policy making process
- seeks to ensure that Government gradually reduces its reliance on external and domestic debt

DRMS VISION



The Vision of this Strategy is :

“Optimal domestic revenue for improved public service delivery and quality of life for all Malawians”

4. The Domestic Revenue Mobilisation Strategy : The Guiding principles for discussion

1

Efficiency & Economic Growth

Government will seek to ensure that tax policies facilitate efficiency and economic growth.



Government will endeavor to keep to the minimum the cost of revenue collection.



Low Cost

3

2

Compliance

Government will endeavor to structure its tax laws in such a manner that promotes tax compliance.



Government will ensure automation of non-tax revenue collection and strengthening of its monitoring systems

Automation

4



5. The Role of Malawi Revenue Authority (MRA) in Economic Empowerment :

1 *MRA forms the backbone of government finances, facilitating the collection of taxes and other revenues necessary for public expenditure.*

Effective revenue collection ensures the availability of funds for infrastructure development & social welfare programs.

2

3 *Transparent and efficient tax systems foster investor confidence, stimulate entrepreneurship, and create an enabling environment for business expansion and job creation.*

By leveraging taxation as a tool for redistributive justice and resource mobilization, MRA contributes to broader gains in governance quality and socioeconomic development.

4



6. THE NEED FOR AN EFFICIENT MRA

1. Malawi needs to increase domestic revenues for supporting its development goals as set out in the country's long term national development plans.
2. Substantially higher expenditures are required on infrastructure, education, healthcare, energy, agriculture, tourism and other priorities, to raise and sustain a level of economic growth to uplift people out of poverty and improve the well-being of all Malawians

7. Challenges Faced by The Malawi Tax Systems

1

Manual processes leading to inefficiencies and errors



2

Tax evasion and avoidance due to lack of transparency.



3

Insufficient data for effective policy making and revenue forecasting



4

Large informal sector resulting in many business not captured in the tax net





8. THE NEED FOR TAX COMPLIANCE:

1

What is Tax Compliance :

the fulfilment of tax obligations by businesses and individuals.

2

Four main categories of taxpayer obligations prescribed in the Tax Laws are:

- (a) Registration in the tax system
- (b) Timely filing of declarations
- (c) Payment of tax liabilities on time
- (d) Complete and accurate reporting of information in tax declarations

For many aspects of tax compliance, the effective operation of the tax system by the tax authorities influences taxpayers' compliance behavior

The Tax Authority needs to be continuously efficient in administering the tax system in order to curtail tax evasion

3



9. How can Digital Transformation Revolutionise MRA and lead Economic Empowerment

1

New Opportunities in the Economy

As the digital economy flourishes, new business models and transactions emerge creating new opportunities for entrepreneurs and businesses which leads to formalization of the informal sector

2

Online Platforms

Connect businesses with a wider range of customers and markets, eliminating barriers of physical presence but impacting on a bigger community

3

Increased Productivity

Digital tools help businesses to improve efficiency and productivity increasing their revenues

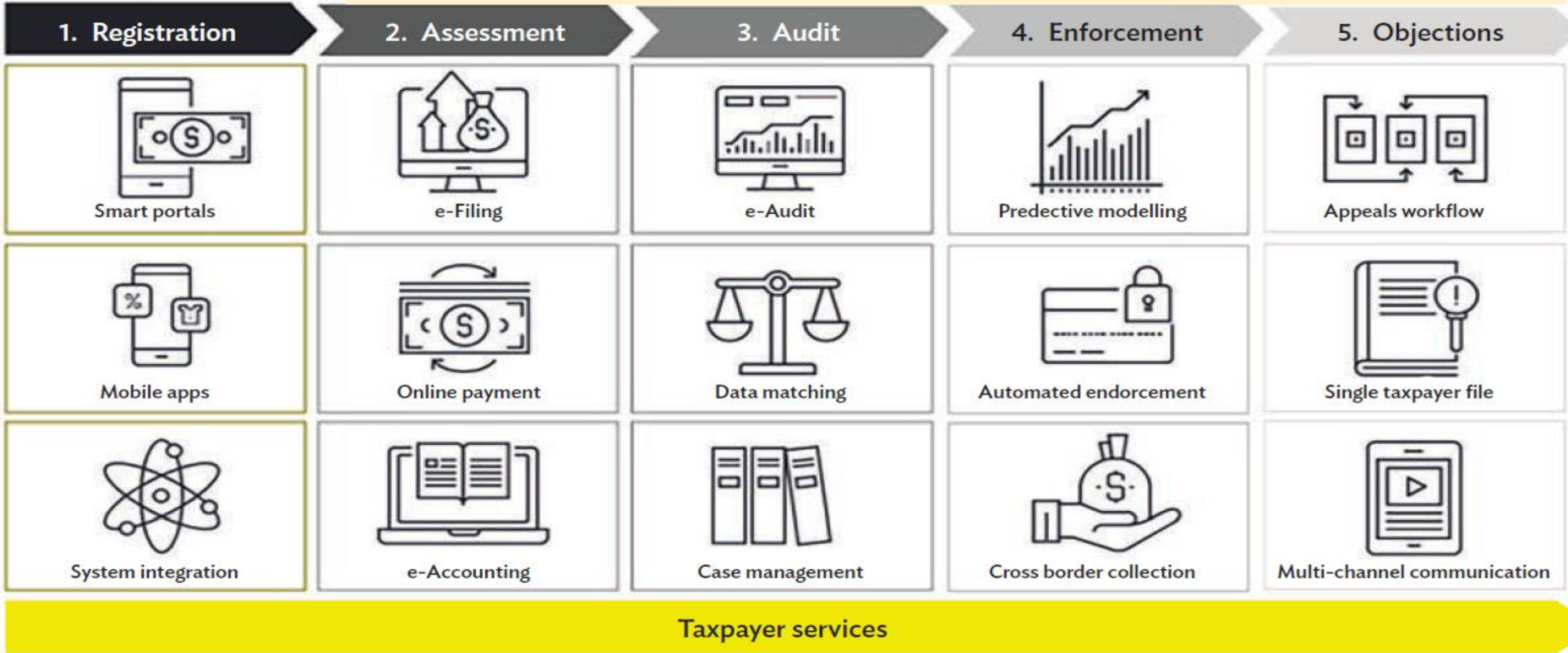
4

Job Creation

Digital skills can make individuals more employable and competitive in the job market



Focus Areas of The MRA Digital Transformation Agenda





10. *Digital technologies have revolutionised MRA in several ways :*



Efficient Data Management

Digitalisation has enabled the efficient collection, storage, and analysis of tax data. This will result into gaining valuable insights into taxpayer behavior, identify trends, and detect non-compliance more effectively.

Automation of Processes:

Manual tax processes are prone to errors, delays, and inefficiencies. The automation of processes has not only reduced the administrative burden but also improved the overall efficiency and accuracy,



Enhanced Compliance

Digitalisation has facilitated real-time monitoring and tracking of taxpayer, making it easier to identify discrepancies and instances of tax evasion.

Stimulus for Economic Growth

By improving tax compliance and revenue collection through digitalisation has provide government with resources to invest in key areas such as infrastructure, education, and healthcare. This creates a conducive environment for economic growth, job creation, and poverty reduction.





11. *Sampling The MRA Digital Journey so far...*



e- filing & Declaration

Online tax return submission and customs declaration now almost ubiquitous, offering a convenient and efficient -filing and declaration process enabling greater participation in the formal economy

ePayments

Integration of banking systems with the MRA payment platform for tax and trade liabilities reducing cost of compliance giving more time to taxpayers to do business



Taxpayer Portals

Secure online portals offer a one-stop shop for taxpayers to access tax information, file returns, make payments, and track their tax status



Chat bots and Mobile Applications

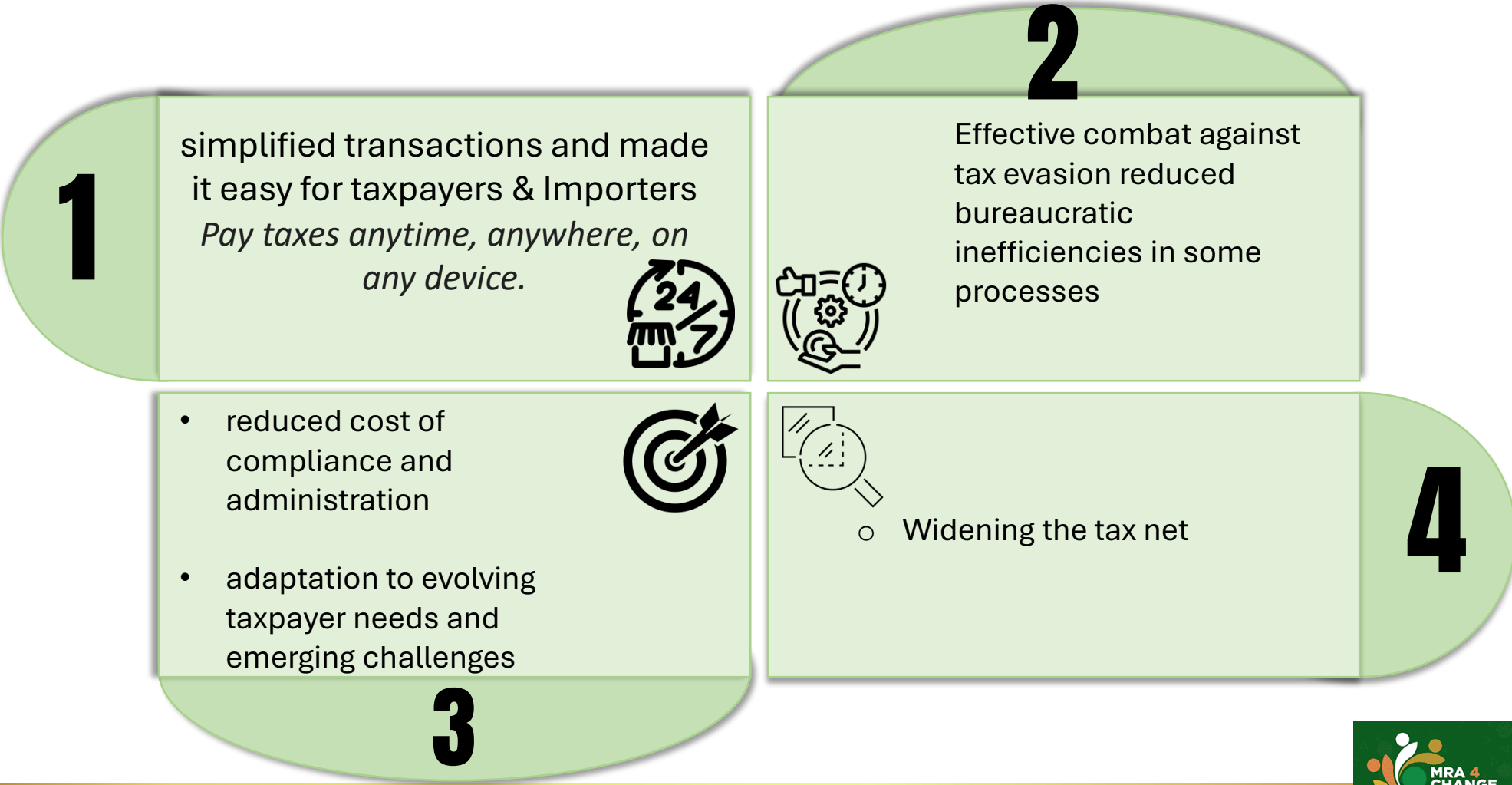
User-friendly mobile apps allow taxpayers to manage their taxes on the go, further enhancing convenience and accessibility.



Interfaces with other institutions

Outreach programs leveraging the power of digitilisation, MRA has enhanced outreach, accessibility to information for compliance to tax obligations

12. Achievements after Digitalising Filing, Declaration, Payment and Compliance

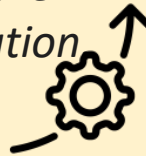


13. *The Future of MRA:*

1

Emerging Technologies

AI, Blockchain and Big Data hold immense potential for further streamlining tax administration



Proactive identification of potential tax issues and customised solutions – prefilled returns



Predictive Analysis

3

2

Personalised Services

Tailored tax information and guidance based on individual taxpayer profiles



Ongoing innovation to deliver a seamless and user-friendly experience.

Continuous Improvement

4

14. Key Considerations



Digital Divide

Not all have access to reliable internet or digital devices. Strategies are needed to ensure inclusivity.

- Internet Penetration in Malawi - 24.4 % (2023)
Affects mainly rural areas (access and use)
- Data must fall initiatives



Cybersecurity

Robust security measures (at both ends) are crucial to protect data and prevent cyberattacks.

- National ICT Policy
- National Cybersecurity Strategy
- Electronic Transactions and Cybersecurity Act of 2016



Data Privacy

Clear data privacy policies and regulations are essential to build trust with taxpayers.

- **Malawi Data Protection ACT of 2023**
- Accuracy, Storage limitation, Integrity and Confidentiality



Change Management

Transitioning to digital services requires effective communication and support for intended users and administration staff.

- Capacity building & massive stakeholder engagement
- Change Management Strategy
- Culture Change Initiative



Significant investment in digital infrastructure

People : ICT Professional Ethics



Zikomo



Kwambiri



"True change starts with change of mindset and it will start with ME"