



Domestic  
Resource  
Mobilization  
Trust Fund



# Workshop on Enhancing Tax Administration (Value Added Tax)

**Multi-Function Hall 2- ADB HQ  
Manila, Philippines  
23–25 October 2018**

## Background

Enhanced domestic resource mobilisation is an ongoing focus for policy makers and administrators in the region as many economies seek to make progress towards achieving their UN sustainable development goals. With many economies placing significant reliance on their VAT systems for Government revenue needs, their smooth and effective functioning is of considerable importance.

VAT systems are today operating in over 160 economies globally. Despite their extensive and, for some, long use the effective realisation of an efficient and effective VAT system is still very much an aspiration for many economies. Some face problems with timely and accurate refund management and/or large-scale VAT fraud, while for others simply managing the sheer workload of a tax that impacts most businesses is an enormous challenge. New challenges arise. Growth in e-commerce and related developments (e.g. the sharing economy) must be confronted to counter revenue leakage. And new opportunities emerge—advances in technology and its use across the business environment are presenting new opportunities for fundamental reform of VAT administration.

With many countries, developed and developing alike, facing similar challenges there is considerable scope for experience sharing and problem resolution.

## Objectives

The workshop will provide an opportunity for tax officials from advanced and developing economies to:

- 1) identify and discuss the key challenges and issues confronting their administration of VAT in their respective economies;
- 2) learn of the work and assistance being provided by international bodies (i.e. the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD)) to assist economies enhance the policy design and administration of their VAT systems.
- 3) learn of the approaches and experiences of developed economies in addressing their key challenges, in particular digitalization and e-commerce, compliance risk management, service delivery, refund controls, VAT verification and fraud detection, and performance evaluation; and
- 4) explore with all participants potential ideas for policy and administrative reforms to enhance overall VAT system performance.

## Methodology

The workshop will focus on the key challenges and issues confronting revenue bodies in VAT administration across the region, with particular emphasis on their implications for revenue bodies in developing economies.

## Participants

Senior tax officials with VAT policy and administration responsibilities are invited to the workshop.

## Preliminary Draft Agenda [as at 28 September 2018]

**Tuesday, 23 October 2018**

Time	Topic and themes	Speakers and Format
9.00	<b>Opening Address</b> <b>Group photo</b>	ADB representative All participants
	<ul style="list-style-type: none"> <li>• Welcome Remarks,</li> <li>• Logistics and Introductions</li> <li>• Objectives of the Workshop</li> </ul>	ADB representatives
9.30	<b>Session 1:</b> <b>Key Developments And Emerging Trends in VAT Policy And Administration From Around the World</b> This part of session 1 will provide an overview of key developments and trends that are shaping the design and administration of VAT systems globally. Topics to be addressed include the development of international standards, digital economy impacts, new collection mechanisms and digital platforms, key policy trends, and newly-emerging VAT fraud practices.	Mr Piet Battiau (Head, Consumption Taxes Unit, OECD Centre for Tax Policy and Administration)  <i>(Presentation followed by Q and A)</i>
10.10	<b>VAT Systems in the Region</b> This part of session 1 will highlight key aspects of policy design and administrative performance of VAT systems in the Asia/ Pacific region, drawing on published materials from a variety of sources (e.g. IMF reports, ADB Comparative Series, KPMG Asia Pacific Indirect Tax Guide).  <i>(A background note will be provided to participants prior to the workshop.)</i>	Mr Richard Highfield, ADB Consultant  <i>(Presentation followed by Q and A)</i>
10.30	<i>Coffee/tea break</i>	

Time	Topic and themes	Speakers
10.50-2.00	<b>Session 2</b>  <b>Enhancing Tax Administration: Managing Tax Compliance Risks</b>  VATs, like all taxes, present a range of compliance risks across different segments of taxpayers that must be managed effectively by revenue bodies to improve the overall performance of the VAT system. While the features and circumstances of individual economies will vary widely, all revenue bodies face similar challenges—how to detect, assess and prioritise compliance risks and design measures for their mitigation.  This session will explore the approaches and strategies adopted by revenue bodies in participating economies to manage their compliance risks in a strategic and holistic sense. Participants will also have an opportunity to discuss the strengths and weaknesses of their respective approaches and what steps can be taken to improve them.	<i>Revenue bodies representing a mix of developing and advanced economies, followed by Q and A and breakout discussion group.</i>  <b>Confirmed speakers:</b> <ol style="list-style-type: none"> <li>1) Singapore</li> <li>2) Thailand</li> <li>3) Australia</li> </ol>

	<p><b>### Breakout group discussion exercise focusing on the practices of revenue bodies in participating economies:</b></p> <ol style="list-style-type: none"> <li>1) What practices does your revenue body use to identify, assess, prioritise, &amp; treat compliance risks?</li> <li>2) Are they sufficiently effective?</li> <li>3) What are the gaps and limitations in your practices?</li> <li>4) Are there barriers to making improvements?</li> <li>5) What further information and assistance would participants like to receive about compliance risk management?</li> </ol> <p><i>(Further background on this topic will be provided to participants prior to the workshop in a set of Agenda Notes.)</i></p>	Three discussion groups with a brief report back
12.30-1.30	<i>Lunch break</i>	
1.30-2.00	<b>Session 2 (contd.)</b>	
2.00- 4.15	<p><b>Session 3</b></p> <p><b>Enhancing Tax Administration: Addressing VAT Fraud And Other Under-Reporting Non-Compliance</b></p> <p>All VAT systems are susceptible to fraud and other forms of under-reporting VAT liabilities. The failure to effectively detect and deter the under-reporting of VAT liabilities can have profound impacts on the integrity of the tax system.</p> <p>The session will explore the individual approaches, experiences and challenges of revenue bodies in both developing and advanced economies in detecting and dealing with VAT fraud.</p> <p>There will also discussion on the role and use of administrative co-operation (including the exchange of information between tax bodies) to counter fraud, particularly in the context of the extraordinary growth in digital cross-border trade.</p>	<p><i>Revenue bodies representing developing and advanced economies, followed by Q and A</i></p> <p><b>Confirmed speakers:</b></p> <ol style="list-style-type: none"> <li>1) Cambodia</li> <li>2) New Zealand</li> <li>3) IMF</li> </ol> <p>Mr Piet Battiau (Head, Consumption Taxes Unit, OECD Centre for Tax Policy and Administration)</p>
3.20-3.40	<i>Coffee/ tea break</i>	
3.40	<b>Session 3 (contd.)</b>	
4.15	<p><b>Session 4</b></p> <p><b>Enhancing Tax Administration: Managing VAT refunds</b></p> <p>An important feature of the invoice-credit form of VAT is that some businesses (viz. exporters and businesses with large investment purchases) pay more tax on their purchases than is due on their sales, entitling them to claim a refund of the difference from the revenue body. However, this feature of VAT systems provides an incentive for fraudulent behaviour which can result in significant revenue leakage if exploited and not quickly detected. On the other</p>	<p><i>Revenue bodies representing developing economies and advanced economies followed by Q and A</i></p> <p><b>Confirmed speakers:</b> Australia, Papua New Guinea</p>

	<p>hand, the failure to provide timely refunds to those taxpayers with legitimate entitlements increases their compliance costs and weakens the integrity of the tax system.</p> <p>The session will explore the approaches of selected revenue bodies to VAT refund management, including the development and use of automated risk assessment tools and the use of analytics to support such capabilities.</p>	<p><b>Requested: Korea, Philippines</b></p>
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**Wednesday, 24 October 2018**

Time	Topic and themes	Speakers
9.00	Recap of Day 1 discussions	
9.15	<b>Session 4 (contd.)</b>	
10.00	<p><b>Session 5</b></p> <p><b>Enhancing Tax Administration: Achieving A Good Standard Of VAT Service Delivery</b></p> <p>VAT systems impose numerous obligations on taxpayers, resulting in the need for revenue bodies to offer a comprehensive range of services to minimise taxpayers' compliance costs and enable good standards of compliance to be achieved. However, achieving this objective presents a number of challenges, for example:</p> <ul style="list-style-type: none"> <li>- What services should be provided and in what manner?</li> <li>- Which services are required by which taxpayers?</li> <li>- How can service demand be managed more effectively?</li> <li>- Optimising the use of technology in service delivery.</li> </ul> <p>The session will explore how selected revenue bodies are responding to these sorts of challenges.</p>	<p><i>Revenue bodies representing a mix of developing and advanced economies, followed by Q and A)</i></p> <p><b>Confirmed speakers:</b> New Zealand, Vietnam</p> <p><b>Requested presenters: Korea,</b></p>
10.40	<i>Coffee/ tea break</i>	
11.00	<b>Session 5 (contd.)</b>	

11.30-2.30	<p><b>Session 6</b></p> <p><b>Enhancing Tax Administration: Taxing Digital Supplies (Incl. E-Commerce)</b></p> <p>This session will commence by exploring the policy and administrative challenges faced by revenue bodies in an era of digital globalisation, and then turn to the development and implementation of standards and mechanisms for addressing these challenges, including the International VAT/GST guidelines developed by the OECD.</p> <p>There will also be presentations from selected economies where policy and administrative reforms have been implemented to impose VAT on cross-border supplies of services, outlining the nature of the reforms implemented, their impacts, and emerging issues and challenges that have had to be addressed in their administration.</p> <p><b>#### Breakout Discussion Topic:</b></p> <ol style="list-style-type: none"> <li>1) Are these issues relevant to your economy and administration?</li> <li>2) Have steps be taken to explore their scale and understand what changes may be required?</li> <li>3) Are difficulties being experienced in formulating a response—if so, what are they?</li> <li>4) What further assistance would revenue bodies like in order to address these issues?</li> </ol> <p><i>(Further background on this topic will be provided to participants prior to the workshop in a set of Agenda Notes.)</i></p>	<p>Mr Piet Battiau (Head, Consumption Taxes Unit, OECD Centre for Tax Policy and Administration)</p> <p><b>Confirmed speakers</b></p> <ol style="list-style-type: none"> <li>1) Japan</li> <li>2) Taipei, China</li> <li>3) Australia</li> </ol> <p>Three discussion groups with a brief report back and discussion</p>
12.30-1.30	<i>Lunch break</i>	
1.30	<b>Session 6 (contd.)</b>	
3.00-3.20	<i>Coffee/tea break</i>	
3.20	<p><b>Session 7</b></p> <p><b>Enhancing Tax Administration: Digitising VAT Administration</b></p> <p>The last two decades have seen enormous progress in many revenue bodies in the automation of routine tax administration processes with initiatives such as electronic filing and payment, use of the Internet for service delivery, and the establishment of integrated taxpayer registration and accounting systems that provide a ‘whole of taxpayer’ perspective. And this evolution has continued with more recent developments in some economies that link or integrate the automation of taxpayers’ business affairs with tax administration processes. In a VAT administration context, this has seen the emergence in some countries of electronic invoicing systems and/or online cash register systems of retail outlets that are directly linked into revenue bodies’ information processing systems.</p>	<p><i>Revenue bodies representing a mix of developing and advanced economies, followed by Q and A)</i></p> <p><b>Confirmed presenters:</b> Indonesia, Mongolia, Philippines</p> <p><b>Requested presenters:</b> Korea</p>

	This session will explore recent developments in the use of digital automation tools and systems to enhance VAT administration, including the use of large scale VAT invoice reporting and matching systems and online (point of sale / cash register) payment systems.	
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**Thursday, 25 October 2018**

Time	Topic and themes	Speakers
9.00	Recap of Day 2 discussions	
9.15	<p><b>Session 8</b></p> <p><b>Enhancing Tax Administration: Addressing VAT Policy And Administrative Implications Of The Sharing/ Peer-To-Peer/ Gig Economy.</b></p> <p>A feature of the digital economy has been the emergence of business models that establish new ways of transacting business, relying on digital platforms that connect individual buyers and sellers directly. Examples include Didi Chuxing Uber, and Deliveroo. These models—comprising the so-called sharing, peer-to-peer, and/or gig economies — are presenting challenges for regulators and tax administrators globally, at times caught unprepared and not fully aware of how they operate and how they might fit within existing regulatory frameworks. Among other things, these developments have spawned a proliferation of small-scale market operators, adding to the existing large populations of small businesses that already present challenges for effective tax administration.</p> <p>This session will be introduced by the OECD, highlighting from its work important VAT policy and administration challenges, and then explore the experiences of selected revenue bodies in responding to these developments, drawing attention to any special administrative initiatives introduced, legislative reforms found necessary, issues yet to be resolved, and newly emerging challenges.</p> <p><i>For reference: <a href="https://www.imf.org/en/Publications/WP/Issues/2017/08/08/Taxation-and-the-Peer-to-Peer-Economy-45157">Taxation and the Peer-to-Peer Economy</a> <a href="https://www.imf.org/en/Publications/WP/Issues/2017/08/08/Taxation-and-the-Peer-to-Peer-Economy-45157">https://www.imf.org/en/Publications/WP/Issues/2017/08/08/Taxation-and-the-Peer-to-Peer-Economy-45157</a></i></p>	<p>Mr Piet Battiau (Head, Consumption Taxes Unit, OECD Centre for Tax Policy and Administration</p> <p>Mr Mick Thackray (Senior Economist, Revenue Administration Division, IMF)</p> <p><b>Other confirmed speakers:</b> New Zealand</p> <p><i>(Global and regional perspectives on the tax implications of these new business models, followed by Q and A)</i></p>
11.30-2.40	<p><b>Session 9</b></p> <p><b>Enhancing Tax Administration: Monitoring and Evaluating Progress in Improving VAT System Performance</b></p> <p>Revenue bodies have a responsibility to use their limited resources in the most cost effective manner. In a tax compliance context, exercising this responsibility requires them to have a systematic approach for managing tax compliance risks, aiming to ensure that such risks are properly identified, assessed, prioritised and treated. Given the cyclical nature of this process, a key requirement is that</p>	<p>Mr Mick Thackray (Senior Economist, Revenue Administration Division, IMF)</p> <p><i>Format still to finalised:</i></p>

	<p>they are able to understand the impacts achieved and effectiveness of their risk treatment strategies (OECD, 2010). In short, they require a systematic approach for monitoring and evaluating their strategies for improving VAT system performance.</p> <p>The session will explore the systems of measures and indicators used by selected revenue bodies to evaluate their performance in improving key aspects of VAT administration, in particular improvements in taxpayers' compliance.</p> <p><i>(Further background on this topic will be provided to participants prior to the workshop in a set of Agenda Notes.)</i></p>	
12.30-1.30	Lunch break	
1.30	<b>Session 9 (contd.)</b>	
2.40	<b>Workshop wrap-up</b>	All participants
3.00	<i>Coffee/ tea break</i>	
3.20	<p><b>Session 10</b></p> <p><b>A Comparative Analysis of Tax Administration in Asia and the Pacific</b></p> <p>This session will provide a brief introduction to the ADB's recently published comparative information series on tax administration in Asia and the Pacific region, drawing attention to some of the key findings and observations.</p> <p>(NOTE: This information-sharing session will also be attended by ADB staff interested in learning about the comparative information series.)</p>	<p>Mr Richard Highfield, ADB Consultant</p> <p><i>(Presentation followed by Q and A)</i></p>