

Enhancing Transparency and Exchange of Information - Background to the project and progress -

Presentation by

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What is the Asian Development Bank?

Established in 1966 in Manila, the ADB finances development in the Asia and Pacific region with the aim of reducing poverty.

The ADB provides loan, grants and technical assistance (country-level and regional) to support tax administration in its developing member countries.



The ADB has 67 shareholding members, including Australia, Hong Kong, China; Indonesia, Japan, Korea, Malaysia, Mongolia, New Zealand, Papua New Guinea, Peoples Republic of China, the Philippines, Singapore, Taipei, China; Thailand and Viet Nam.

ADB

Domestic Revenue Mobilization

Better tax systems crucial for development

"Domestic resource mobilisation and effective use is the crux of our common pursuit of sustainable development and achieving the SDGs."

The Addis Tax Initiative – Declaration, July 2015

Better Tax System with:

Better Tax policies

More Efficient Tax Administration

Fair International Taxation Rule and Enhanced Regional Co-operation

ADB Projects underway:

**RE
TA**

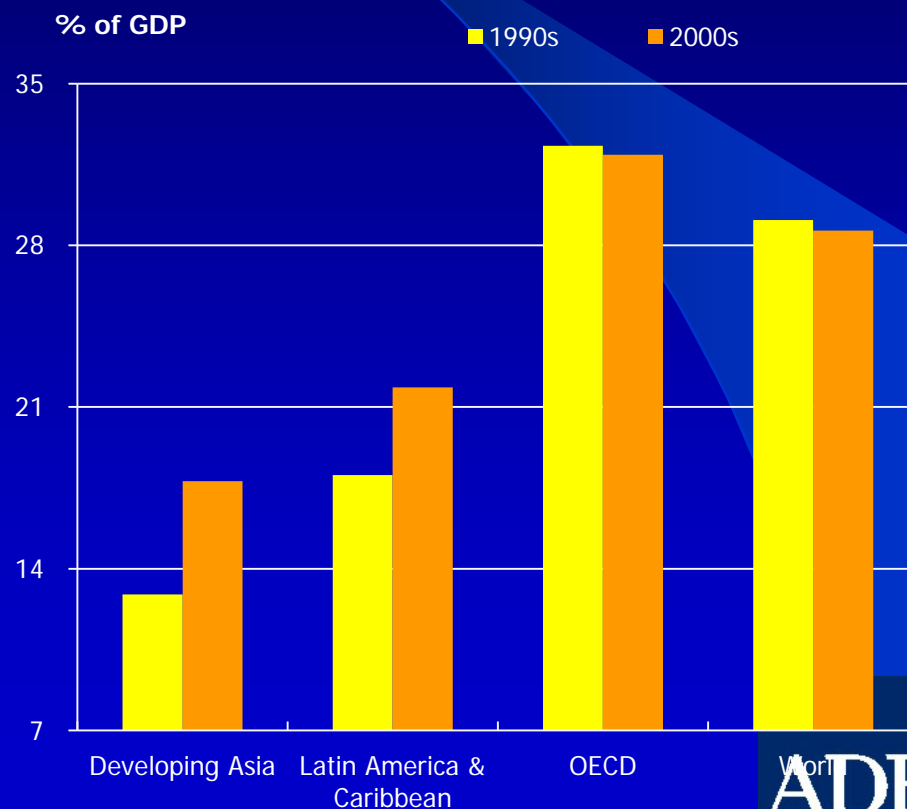
Enhancing Transparency and Exchange of Information for Tax Purposes

Tax Policy and Administration Research and Capacity Development

**Coun
try
TA**

E-Tax Administration (Mongolia), Tax Administration Capacity Development (Maldives, Philippines), etc.

Tax revenues, share of GDP

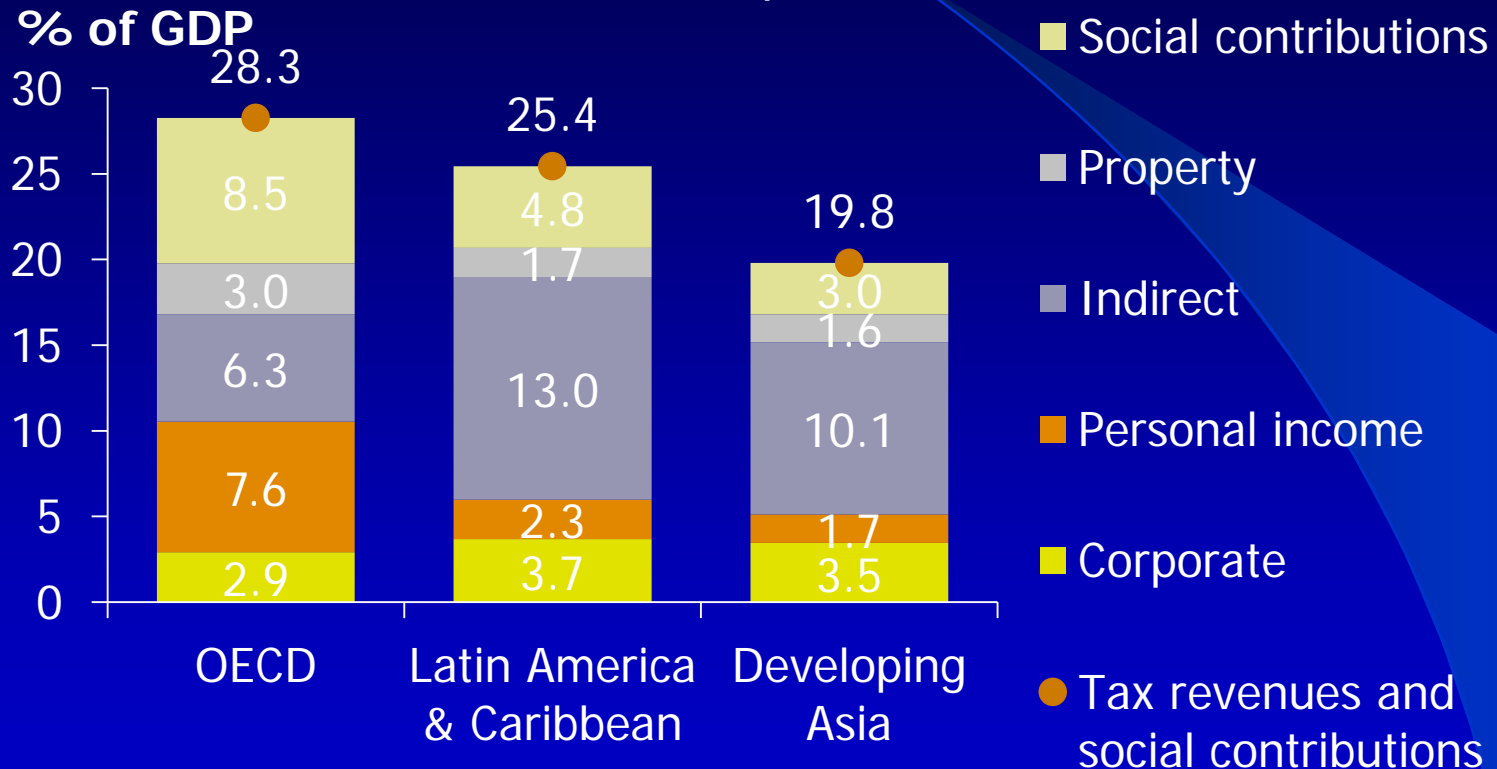


Source: ADB estimates based on data from the International Monetary Fund, Revenue Data.

World
ADB

.....implying a clear need to improve revenue mobilization across all categories

Composition of tax revenues and social contributions, 2010



A wide range of options should be explored.

- Broaden base for personal income tax and VAT
- Increase use of corrective taxes and nontax revenues
- Introduce progressive taxes on property, capital gains, and inheritance
- Improve collection and tax administration through ICT and international cooperation

Strengthening Tax System to Mobilize Domestic Resources

"it is essential to continue to strengthen tax regimes and fiscal policies in developing countries to provide a sustainable revenue base for inclusive growth and social equity, as well as to enhance the transparency and accountability of public finances." **G20 Seoul Summit in November 2010 .**

- support the development of more effective tax systems
- work to prevent erosion of domestic tax revenues

Enhancing the mobilization

Effective use of domestic
resources

Improve

Fairness

Transparency

Efficiency

Effectiveness

Closing Tax Gaps!

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Tax avoidance and evasion risks in Asia on the rise

Cross-border financial transactions are increasingly used to aggressively avoid and evade taxes

Base
Erosion and
Profit
Shifting



Reducing
Domestic Tax
Revenues

- Developing countries lost \$5.6 trillion in illicit financial outflows in 2001 -2010;
- Asia accounted for 61% of the total illicit outflows, which are illegally transferred and accumulated outside of the taxpayers' country of residence.

(Global Financial Integrity, a Washington-based NGO)

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Capacity Development Technical Assistance for EOI by ADB

Enhancing Transparency and Exchange of Information for Tax Purposes

- To strengthen the capacity of tax authorities in the ADB Developing Member Countries (DMCs) that are members of SGATAR for the exchange of information for tax purposes and audit on cross-border tax evasion.

Launched in April 2014

- For the effective and sustainable capacity development of tax authorities, the focus has been on developing training modules, and delivering training courses targeting tax officials
 - (i) in charge of exchanging information with foreign tax authorities at their country headquarters, and
 - (ii) in charge of investigating cross border tax evasion cases at audit and investigation departments.

Enhancing Transparency and Exchange of Information for Tax Purposes

Workshop on
Detecting Cross-
Border Tax Evasion

**NOVEMBER
2015**

- Regularly assessing the nature of the tax crime threat to direct the best use of audit and investigation resources
- Developing approaches to tax risks in the banking, construction, extractive, fishing and logging industries
- Gathering, analyzing and managing intelligence, especially with the expected windfall of new data from the implementation of AEOI
- Developing cooperation with law enforcement agencies to effectively combat the most serious tax and other financial crimes
- Sharing knowledge and insights from the developed countries as well as the between the developing countries
- Building on the regional cooperation provided by this workshop.

Enhancing Transparency and Exchange of Information for Tax Purposes

Emerging Finding from Project – Future support needs

- Tax crime investigation
- Interaction with money laundering
- Joint training for auditors/investigators and prosecutors
- Continued training on EOI as the subject evolves including issues of admissibility in court proceedings of information exchanged
- Approaches to specific industries including banking, extractive, fisheries and logging
- Use of typologies of tax evasion
- Intelligence systems
- Attachments of their staff to EOI units in other countries
- Implementing the IT systems required for CRS and Automatic EOI

ADB Strategy 2020

Agendas

Inclusive economic growth, Environmentally sustainable growth, and Regional integration

5 "Drivers of Change"

- **Private Sector Development**
 - developing the private sector,
- **Good Governance and Capacity Development**
 - encouraging good governance,
- **Gender Equity**
 - supporting gender equity,
- **Knowledge Solutions**
 - helping developing countries gain knowledge, and
- **Partnerships**
 - expanding partnerships with other development institutions, the private sector, and with community-based organizations.

Public Financial Management

- **Revenues** must be properly assessed, collected, and administered;
- Budgets must be judiciously prepared and executed;
- Fiscal discipline must be maintained; and
- Procurement, accounting, internal control, and intergovernmental fiscal relations must be well managed

Issues where tax administration in Asia needs capacity development include:

- (1) **Institutional Arrangements.** Tax administration as an autonomous body or an internal department of the ministry of finance?
- (2) **Reducing Tax Collection Gap.** Effective engagement with small and medium taxpayers including those in cash-intensive industries. Tackling the underground economy. Strengthen tax collection enforcement.
- (3) **Electronic Tax Administration.** Integrated tax administration information management system. Electronic taxpayer services (electronic tax return filing and payment).
- (4) **International Taxation and International Co-operation.** Double taxation agreements. Exchange of information for tax purposes. Tackling cross-border tax evasion. Possible role of the Study Group on Asian Tax Administration and Research, a regional tax administration forum.
- (5) **Training and Education for Tax Officials.** Effective training and education régime at tax administration in particular for new recruits.

For enhancing tax administration capacity in Asia

- As tax administrations in Asia are increasingly required to work together, regional cooperative frameworks can play more active roles.
- The functions of these frameworks need to be strengthened.
- Public financial management is a priority area for ADB support, and we recognize the importance of good tax policy and administration for bettering governments' financial management system.

New Project Proposal: Strengthening Tax Systems to Mobilize Domestic Resources

Objectives:

The proposed TA will focus on improving the capacity of tax authorities in target countries to collect tax through

- (i) Broadening and protecting the domestic tax base through implementation of the recommendation in the BEPS report,
- (ii) Improving domestic tax compliance through efficient and transparent tax administration, improved risk management practices, and effective use of information and communication technology (ICT); and
- (iii) Improving tools and procedures to stem both cross-border and domestic tax evasion and avoidance.

New Project Proposal: Strengthening Tax Systems to Mobilize Domestic Resources

Components:

- (1) A study on current tax systems, capacity development needs assessment and recommendation report.
- (2) A knowledge sharing session for target DMCs.
- (3) Skill development and training sessions
 - (i) Broadening and protecting the domestic tax base through sound tax policy and improving domestic tax compliance,
 - (ii) Improving efficiency and transparency in tax administration through appropriate ICT and human resource management, and
 - (iii) Cooperating to combat international tax evasion.

Welcome!

For countries which are willing to support the proposed new project and are interested in joining the project

==> Email me!

- **Your views** are important to ADB and **your expressions** of support for the proposed new project and the benefits you will gain from it will speed its journey through the approval process.
- I look forward to receiving your emails on the subject.

**Thank you very much.
Maraming salamat.**

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