

Digital Revolutions in Taxation

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Presentation by Fiscal Affairs Department, IMF

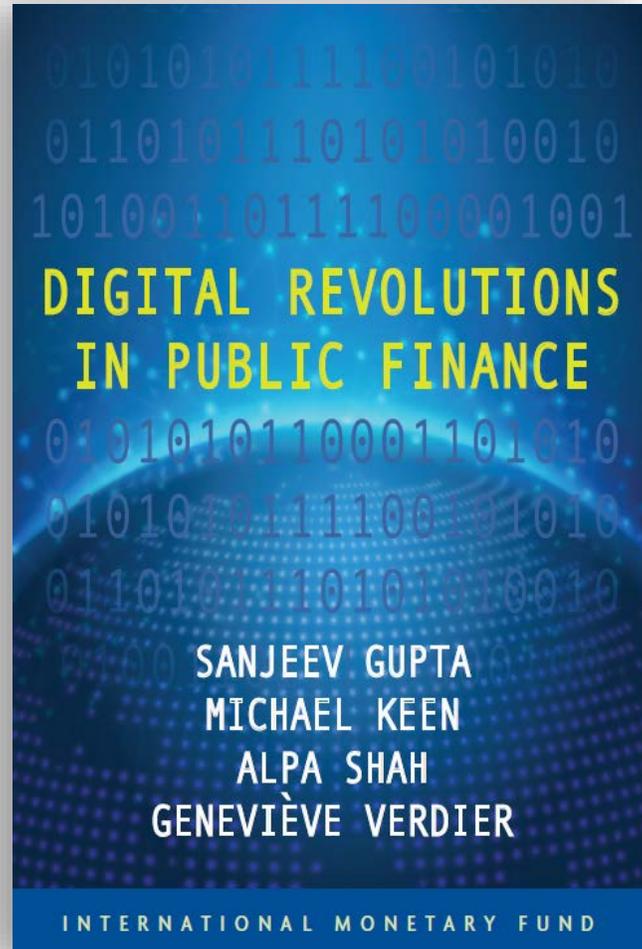
Seminar on MTRS and Related Issues

Views are author's alone and should not be attributed to the IMF, its Executive Boards, or its management

Manila

December 2017

New FAD Book



By transforming the way countries collect, process, and act on information, digital technology can reshape the way governments design and implement their tax, spending, and macro-fiscal policies.

Melinda Gates and Christine Lagarde

Part I: Pushing the frontiers in tax policy and revenue administration.

2. Digitalization and Taxation

3. Taxation and the Peer-to-Peer Economy

4. Implications of Digitalization for International Corporate Tax Reform

5. Testing and Implementing Digital Tax Administration

The book is available at <http://elibrary.imf.org/drpf>

A. Tax Policy

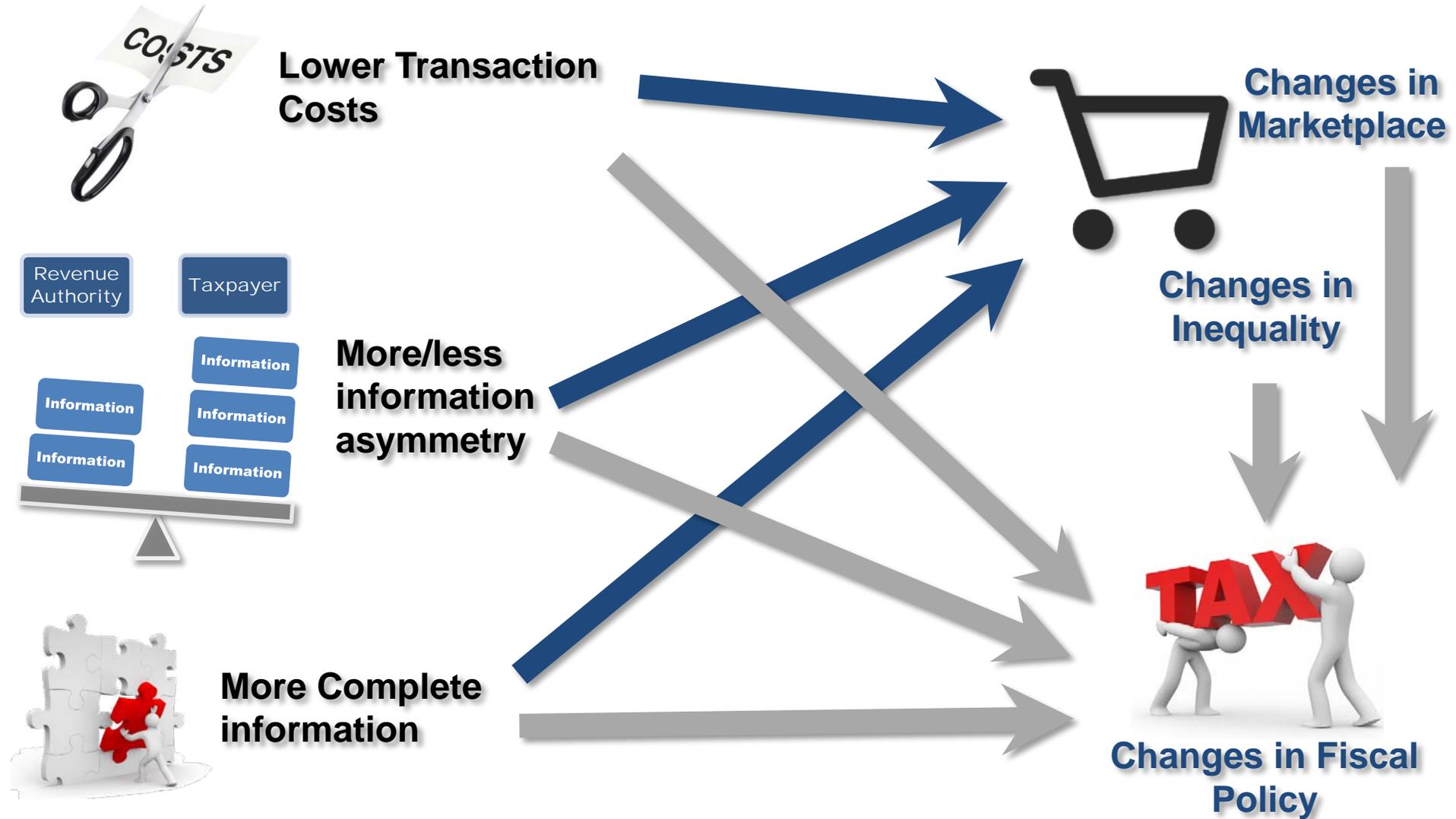
- ✓ New ways of thinking about tax design
- ✓ New ways of providing tax policy TA

B. Revenue Administration

- ✓ Enabling a transformational shift
- ✓ Success factors & risks – learned from our TA
- ✓ Analytical work / tools to enhance our TA

Tax Policy

Digitalization reshaping equity and efficiency considerations



What does this mean for taxation?

DOING THINGS BETTER

... subject to constraints,
e.g., privacy concerns,
cybersecurity.

NEW or INTENSIFIED TAX POLICY CHALLENGES

INNOVATIONS IN TAX DESIGN

Doing Much The Same... ...But Much Better

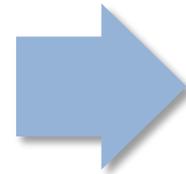


- **Peer-to-Peer platforms.**
 - Withholding agent (hotel taxes by Airbnb)
 - Third-party information



- **Cross-border exchange of information**

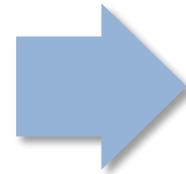
New or Intensified Tax Policy Challenges



Defining 'Physical Presence?'
Rethink Source vs. Destination
Recent EU communiques



AUTOMATION



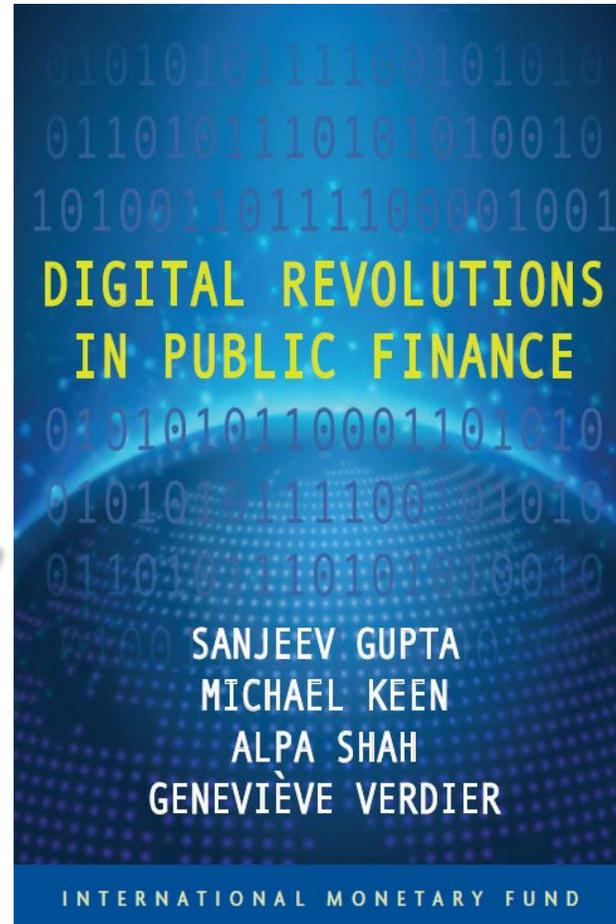
Innovations in Tax Design



Book covers other areas in public finance

**Applying
Blockchain and
Cognitive
Computing to
Public Finance**

**Mobile Money:
Revolutionizing Tax
Administration in
Kenya**



**Nowcashing: Using
Daily Fiscal Data for
Real Time Macro
Analysis**

**How much is it
worth? The value
of digitizing
payments**

Tax Policy Assessment Framework

The screenshot shows a web browser window with the URL `workspaces.imf.org/departments/FAD/FAST/main/tpaf/home.html`. The page content includes the text "TPAF Tax Policy Assessment Framework" and a world map. A blue arrow points from the text "web-published" to the browser's address bar. Below the map, a welcome message reads: "Welcome to Tax Policy Assessment Framework (TPAF). It is designed to serve as a guide for systematic and comprehensive tax policy assessments." A diagram below the text shows a house-shaped structure of modules. The roof is labeled "Conclusions". The main body is divided into "International Tax" (top section) and "Other Taxes" (right section). The "International Tax" section includes "Personal Income Tax (PIT)", "Value-Added Tax (VAT)", and "Real Property and Wealth Taxes". The "Other Taxes" section includes "Payroll and Social Security Taxes", "Turnover and Sales Tax", "National Resource Taxes, Royalties", "Environmental Taxes", "Profit Tax", "Excises", "Stamp Duties", and "Other Sector-specific Taxes". A red bar at the bottom is labeled "Structural Assessment Module". Three blue arrows point from the word "modules" to the three main columns of the diagram.

web-published

TPAF

Tax Policy Assessment Framework

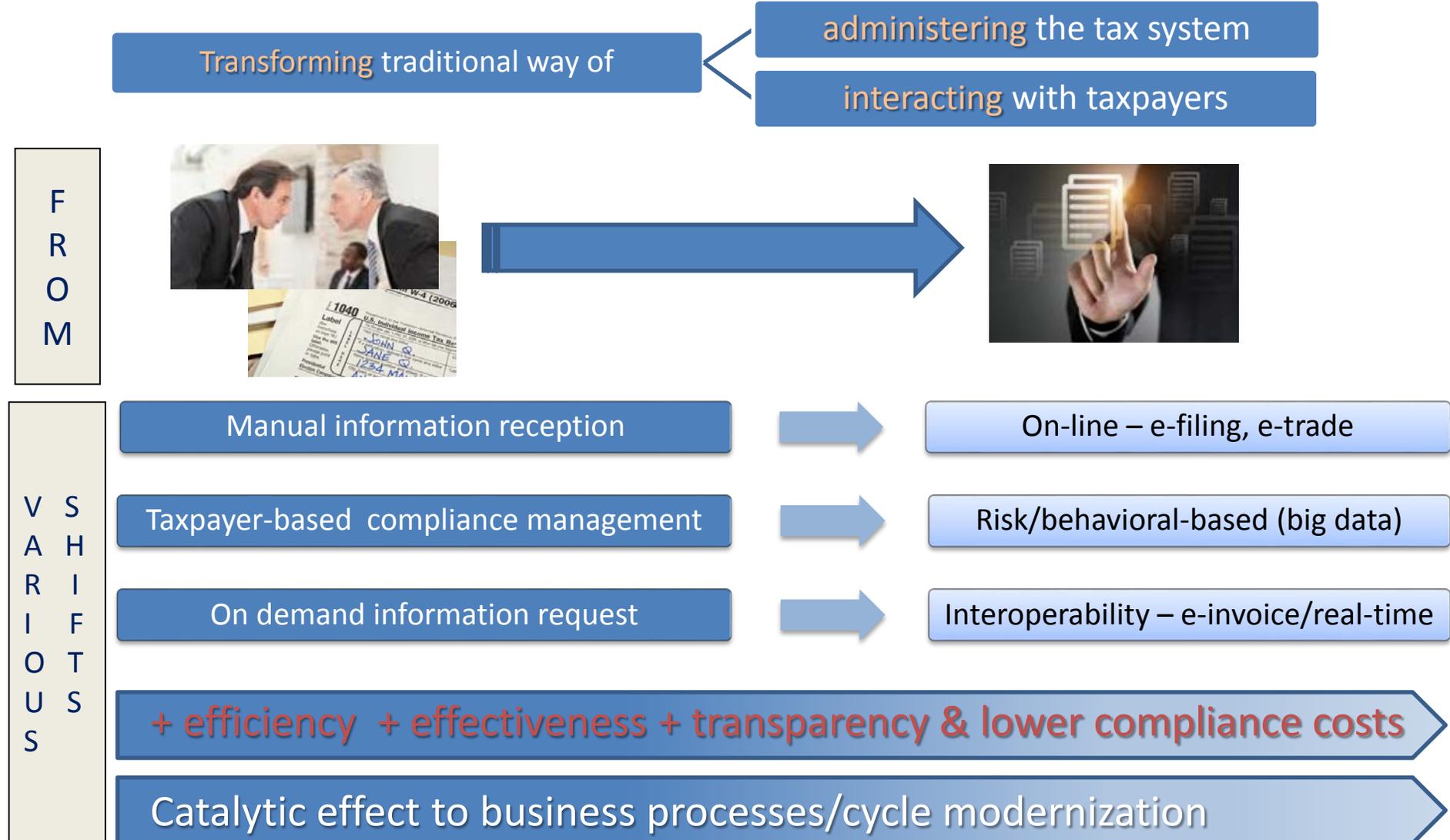
Welcome to Tax Policy Assessment Framework (TPAF).
It is designed to serve as a guide for systematic and comprehensive tax policy assessments.

modules

Conclusions			
International Tax			
Personal Income Tax (PIT)	Value-Added Tax (VAT)	Real Property and Wealth Taxes	Other Taxes
Payroll and Social Security Taxes	Turnover and Sales Tax	National Resource Taxes, Royalties	
	Environmental Taxes		
Profit Tax	Excises	Stamp Duties	Other Sector-specific Taxes
Structural Assessment Module			

Revenue Administration

Digitalization – Enabling Enhanced Revenue Administration



Digitalization – Enabling...

Success factors – lessons from TA

1st: Not losing the administration's KEY focus – Taxpayer Compliance in the Center

Digitalization should enable:

✓ RAs deliver more efficient and effective taxpayer's compliance processes for:

✓ And for achieving high taxpayer compliance

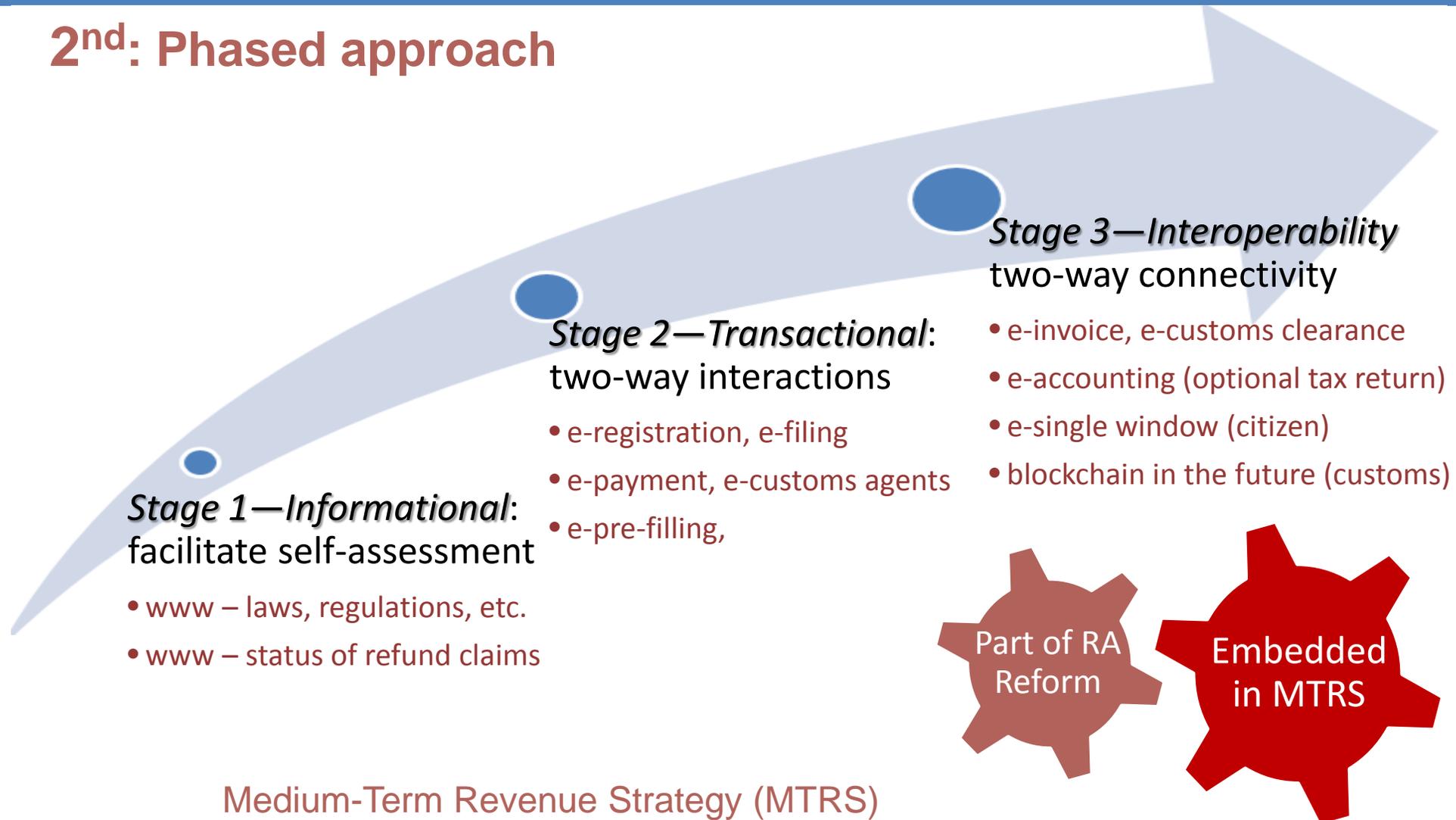


Advising on enhancing these processes – one of our main areas of TA

Digitalization – Enabling...

Success factors

2nd: Phased approach



Medium-Term Revenue Strategy (MTRS)
Approach to tax system reform developed by the PCT for G20.

Digitalization – Enabling... Risks

Institutional maturity still weak

Capabilities and Readiness

Focus on compliance

No proper or too fast leapfrogging

Skipping stages does not always work

Sequencing is sometimes not appropriate

Not capable of keeping the pace

Going digital - significant commitment (cyber-sec)

Cost of failure is high to citizen/business



FAD-led analytical work to guide TA



FAD-led tools to enhance our TA

And TA is leveraging digital platform to enhancing diagnostics...

RA-GAP: Actual vs Full Tax Compliance

RA-FIT/ISORA: Collects RA data and establishes benchmarks

TADAT: Assessment

Understanding Revenue Administration
Results from the Second Survey of the Revenue Administration – Fiscal Information Tool
Duncan Cleary, William Crandall, and Andrew Masters

Slovak Republic Revenue Administration Gap Analysis Program - Corporate Income Tax Gap
Jurg Ueda and Shafik Hebous
Technical Assistance Report | April 2017

The Revenue Administration – Gap Analysis Program: Model and Methodology for Value-Added Tax Gap Estimation
Eric Hutton
Fiscal Affairs Department

Portugal Revenue Administration Gap Analysis Program – The Value-Added Tax Gap

Thailand Revenue Administration Gap Analysis Program – The Value-Added Tax Gap

UGANDA Revenue Administration Gap Analysis Program – The Value-Added Tax Gap
USA, The IFC, and Philippe Wingender
April 2014

Cost of Collection - Percentage of Revenue

Income Level	Cost of Collection - Percentage of Revenue
1. LIC	~1.5%
2. LMC	~1.8%
3. UMC	~1.5%
4. HIC	~1.2%

Timely Payment of Taxes

Accountability and Transparency

Performance in Some Areas

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INTERNATIONAL MONETARY FUND

And to support our advice on the formulation of MTRs

THANK YOU