



Fiscal Affairs Department

4th High Level Dialogue on Financing for Development in Asia and the Pacific

SANJEEV GUPTA

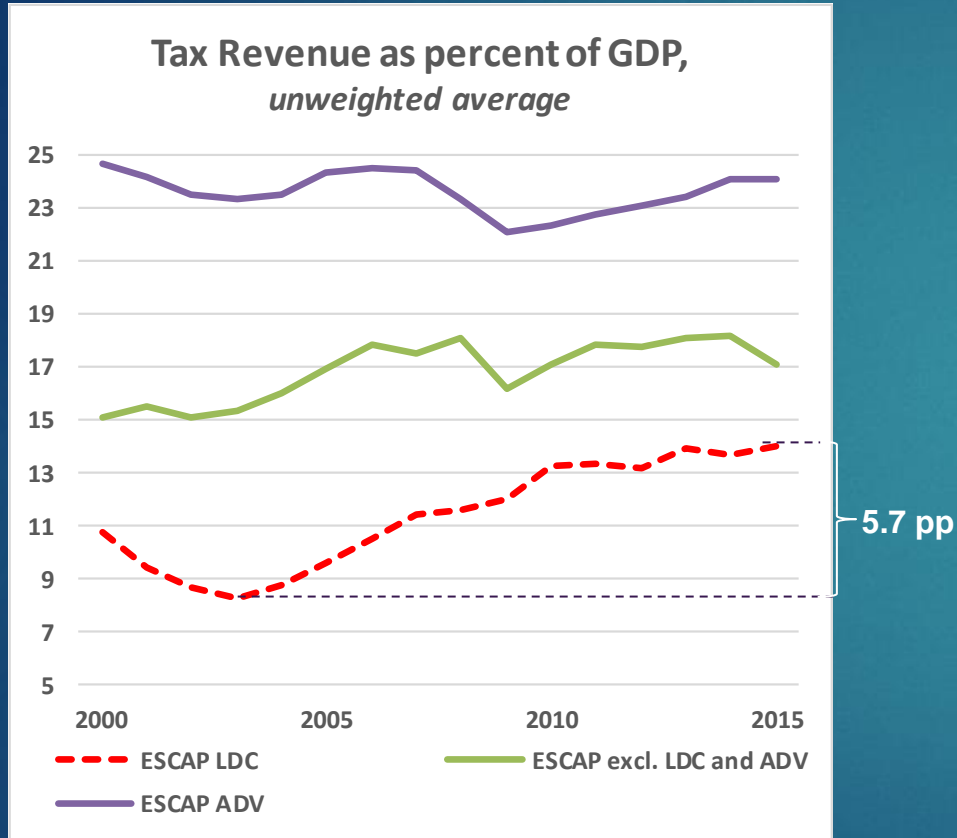
FISCAL AFFAIRS DEPARTMENT, IMF

APRIL 28-29, 2017

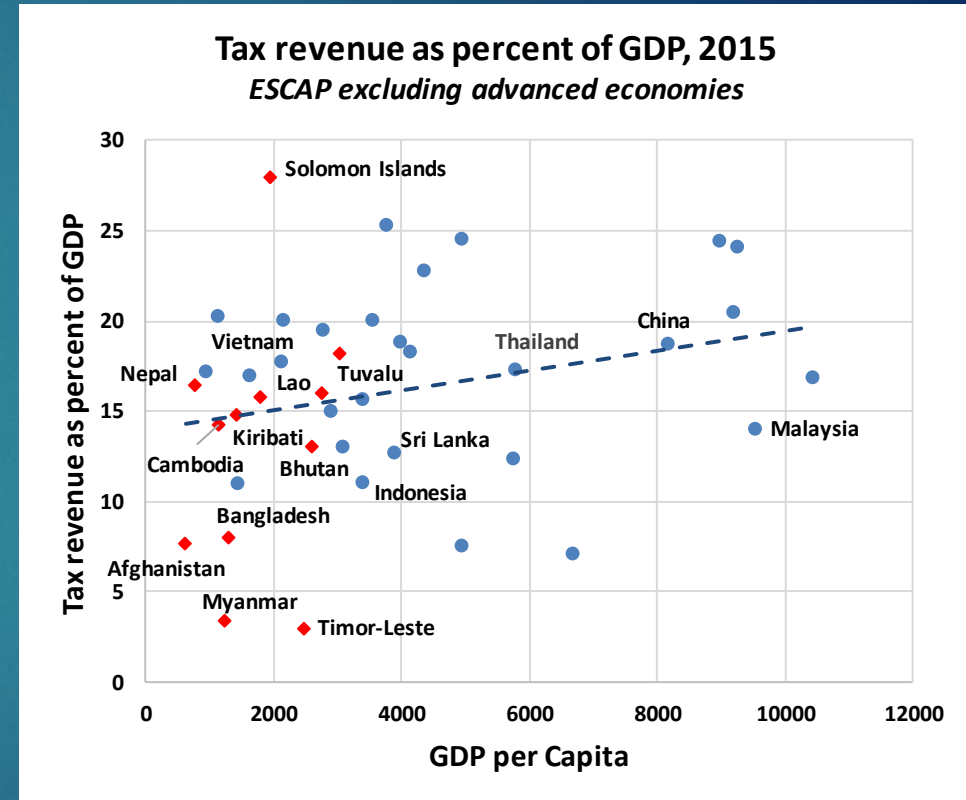


Revenue trends: ESCAP member countries

Upward trend of ESCAP LDCs as a group since 2003 – 5.7 pp increase in tax revenue



...Many ESCAP countries were below the “15% threshold” in 2015...



Note: ESCAP LDCs include Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao, Myanmar, Nepal, Solomon Islands, Timor-Leste, Vanuatu, and Tuvalu

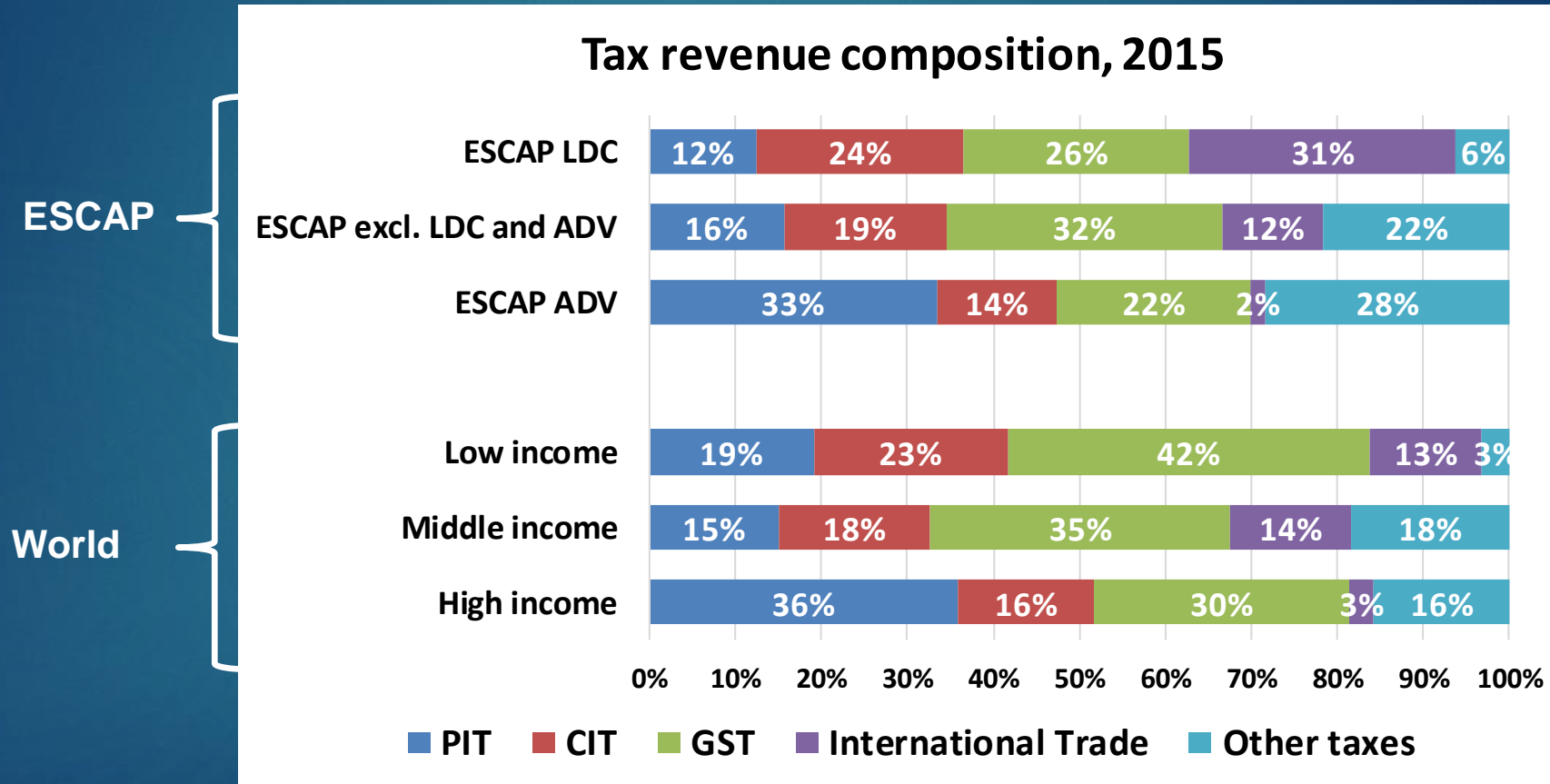
Source: IMF World Revenue Longitudinal Dataset (WoRLD)

Note: Red diamonds represent the Least Developed Countries (LDCs) of ESCAP

Source: IMF World Revenue Longitudinal Dataset (WoRLD) and IMF World Economic Outlook

“Tax mix”

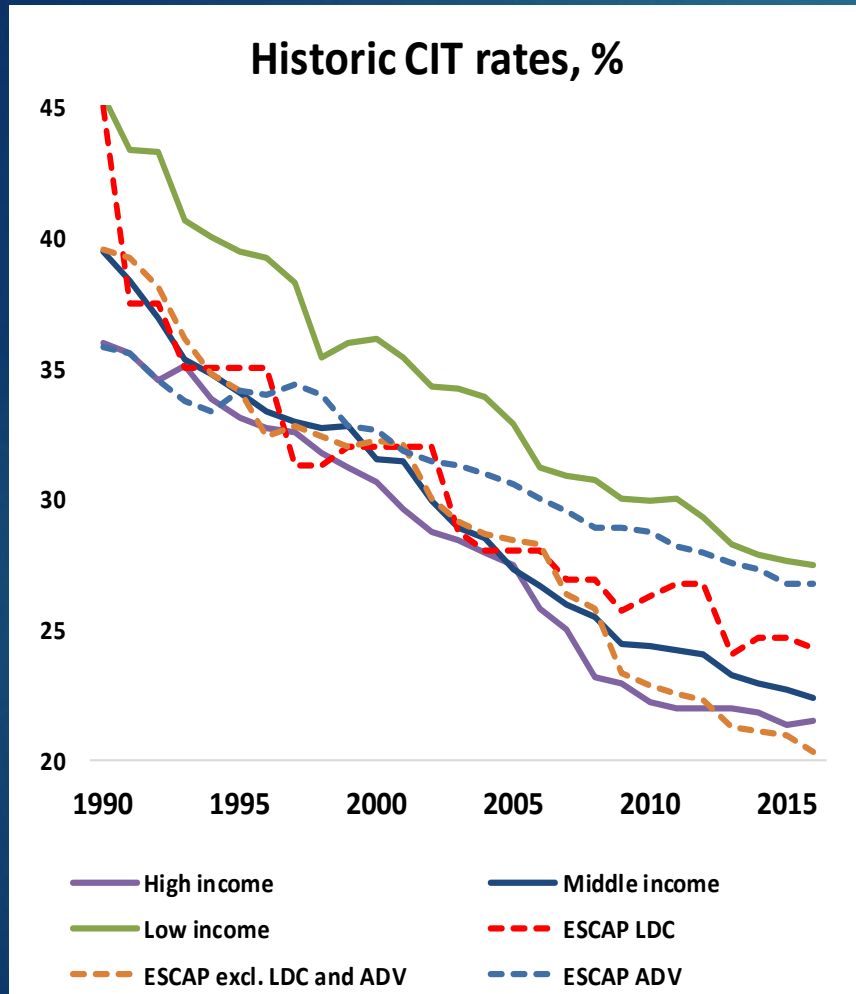
Tax revenue composition of the three ESCAP groups is broadly consistent with their levels of development, relative to world averages by income groups...



Source: IMF World Revenue Longitudinal Dataset (WoRLD)

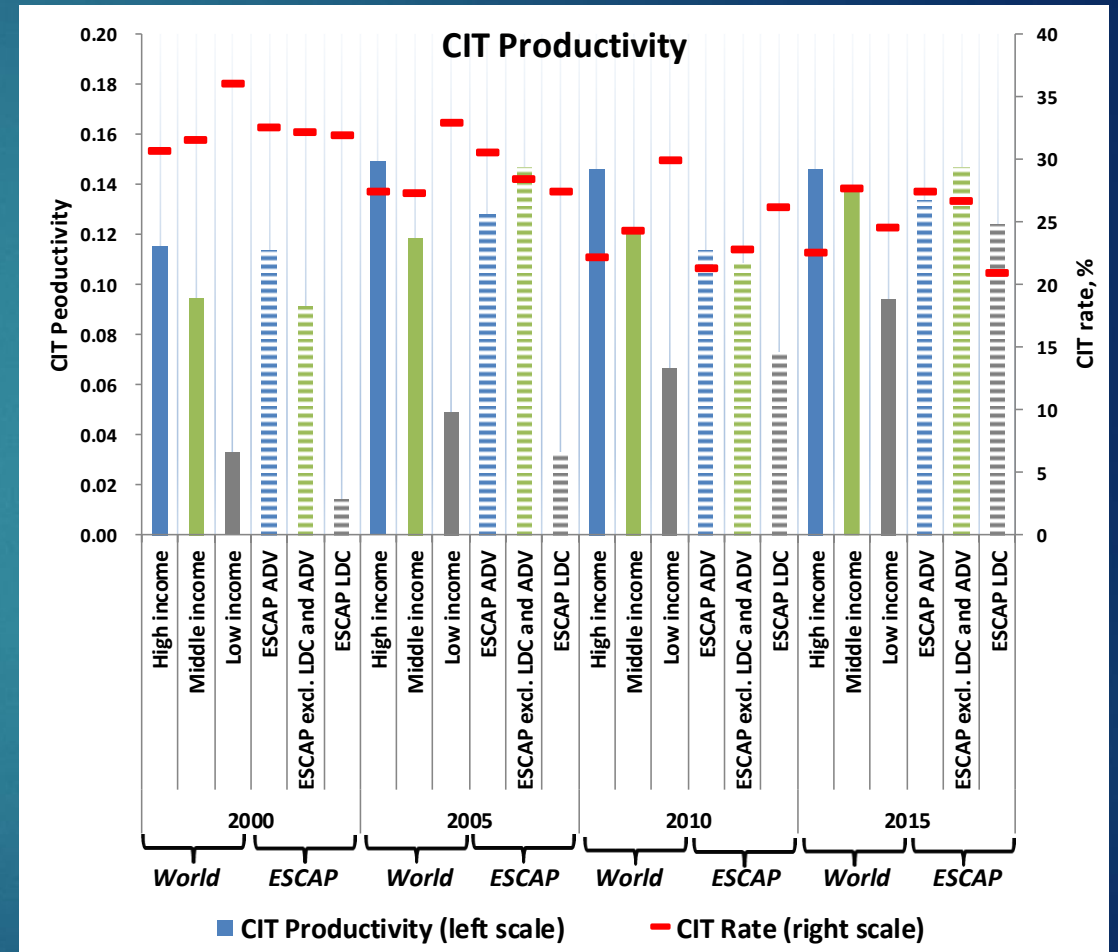
Corporate Income Tax (CIT) – trend and productivity

Continued pressure on rates...



Source: Source: KPMG, EY, IBFD

...evidence of erosion either by design (tax incentives), aggressive tax planning, and/or imperfect enforcement...

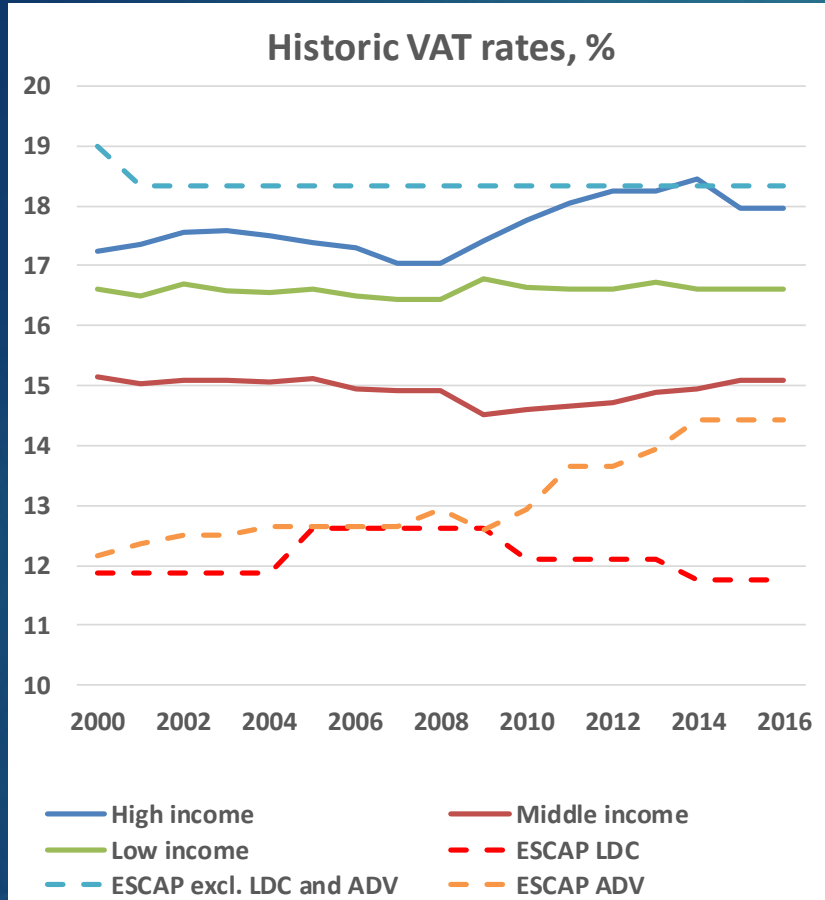


CIT productivity = CIT Revenue as percent of GDP divided by CIT rate

Source: IMF Staff calculations

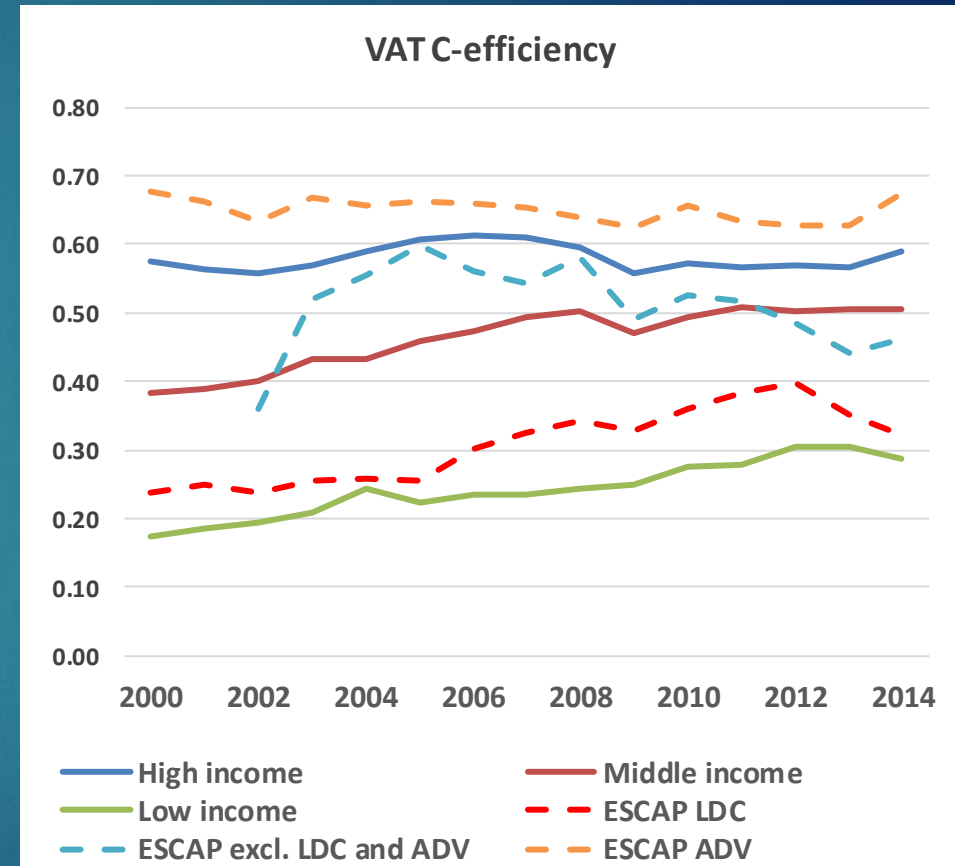
Value-added Tax – trend and C-efficiency

The LDCs of ESCAP feature low VAT rates...



Sources: KPMG, EY, IBFD

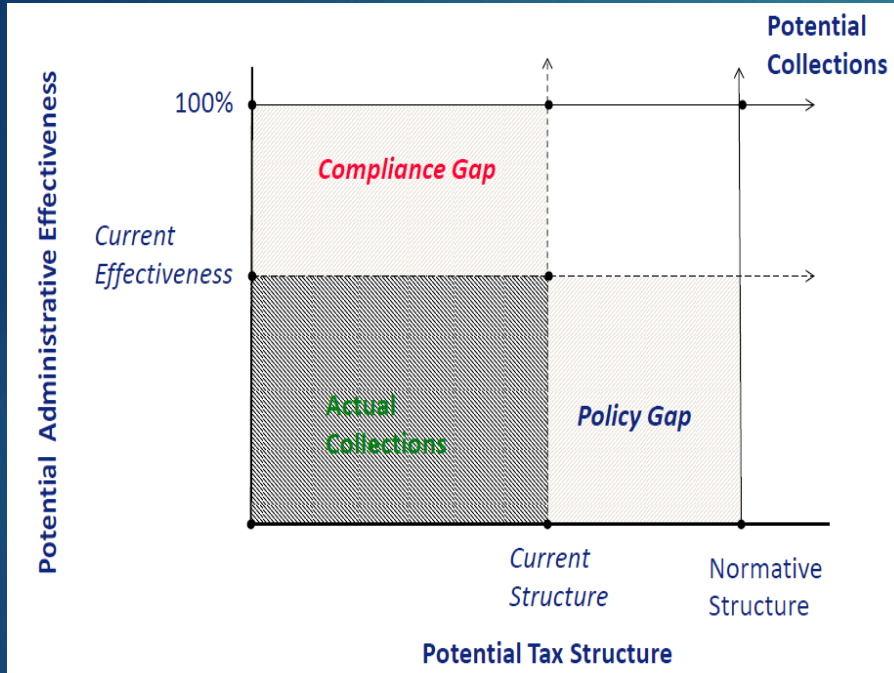
Evidence of low, but improving, C-efficiency indicating the scope to do more even without raising rates



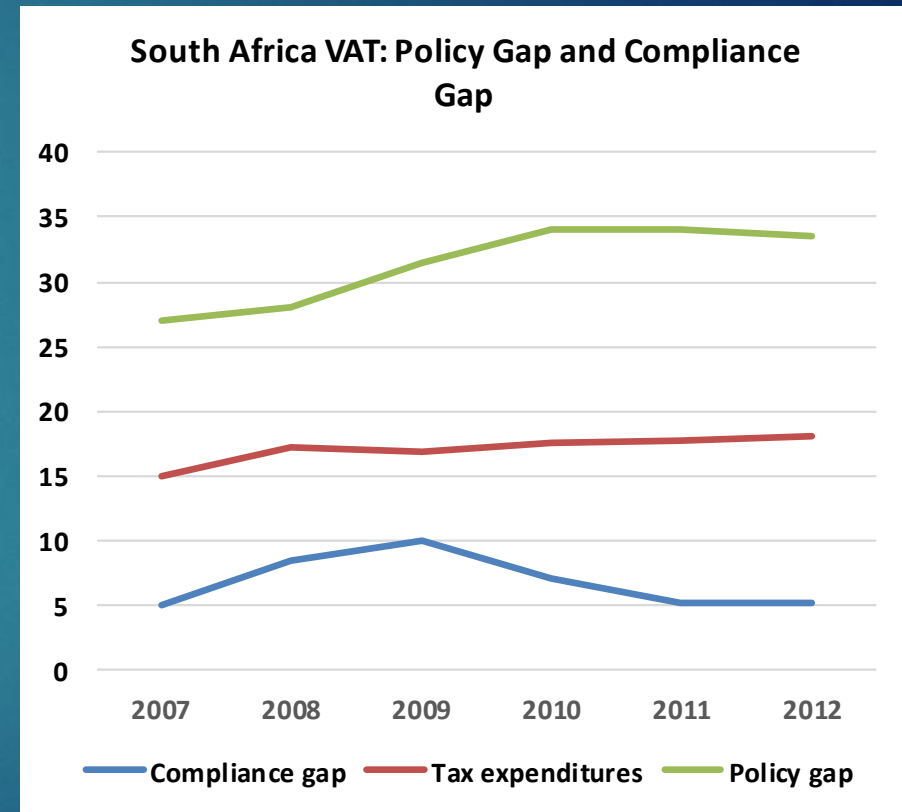
Source: IMF Staff calculations

Revenue Administration—Gap Analysis Program (RA-GAP)

IMF tool to evaluate a tax administration's operations to assess their effectiveness in collecting taxes...



Case Study: South Africa's VAT Gap analysis



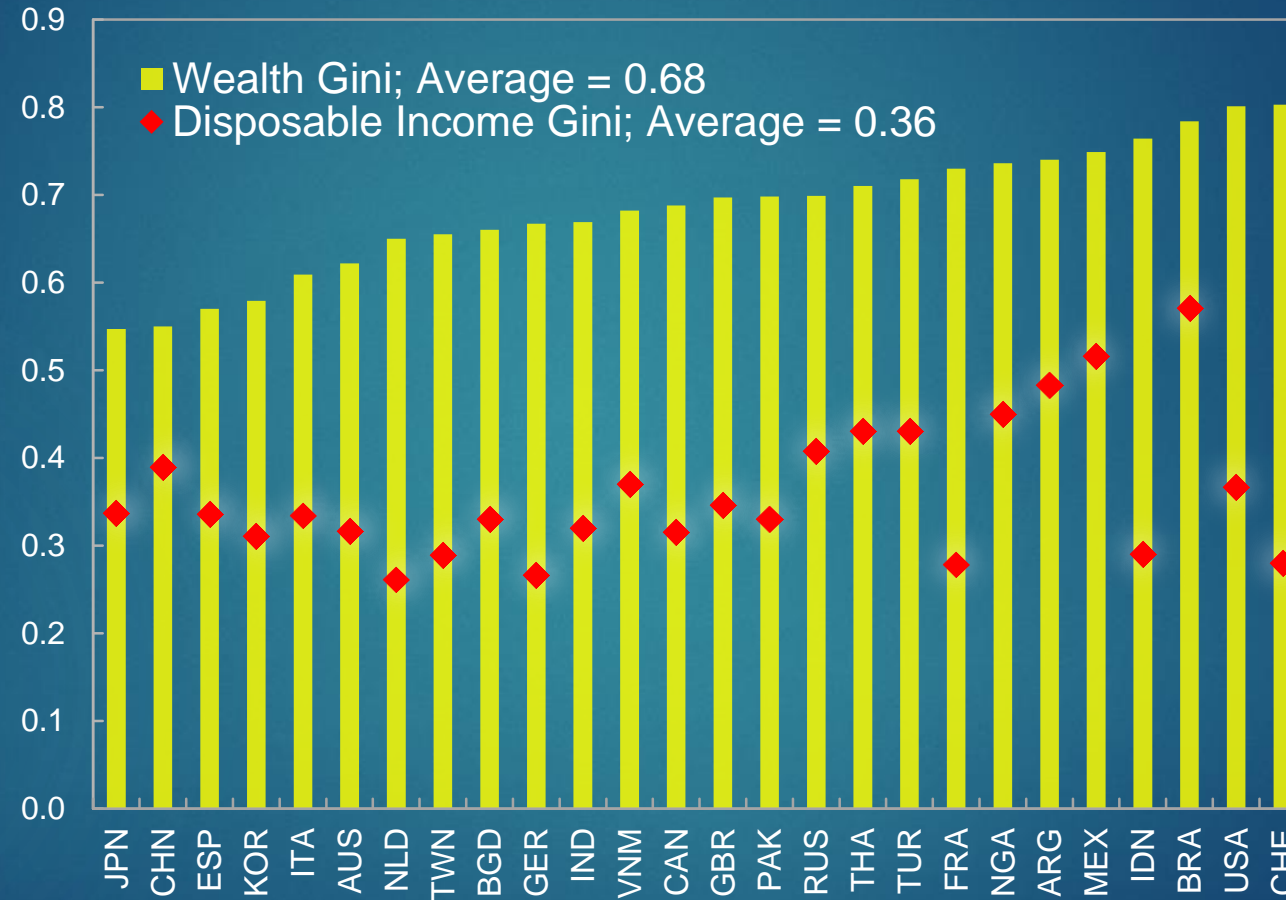
Number of RA-GAP assessments*

Total	24
Asia-Pacific	4

* Includes on-going assessments

Personal Income Taxes (PIT) and Property Taxes

Scope to do more on PIT and Wealth taxes...



Sources: Davies and others (2008); Luxembourg Income Study; OECD; Socio-Economic Database for Latin America and the Caribbean (CEDLAC and the World Bank).

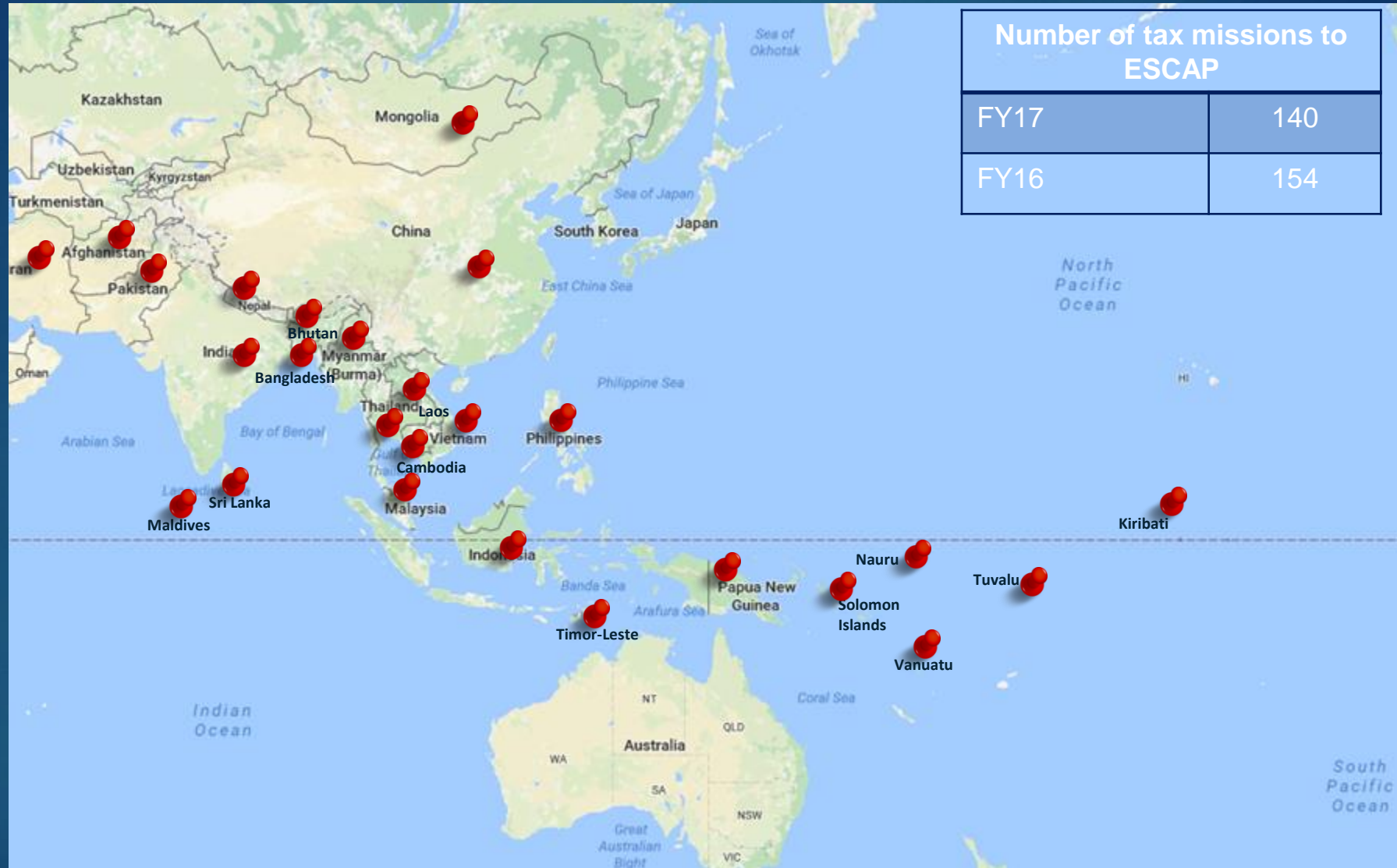
Thinking Holistically and Strategically: Medium-Term Revenue Strategy – MTRS

- ▶ Domestic revenue mobilization efforts should take a broader and longer-term perspective—this is where the IMF is moving
- ▶ Holistic rather than piecemeal treatment of all revenue aspects
- ▶ Concept can improve medium-term engagement between IMF different stakeholders and countries
- ▶ IMF is scaling up work on DRM in response to Addis Tax Initiative

Need for a thorough understanding of the current situation, before defining the end result

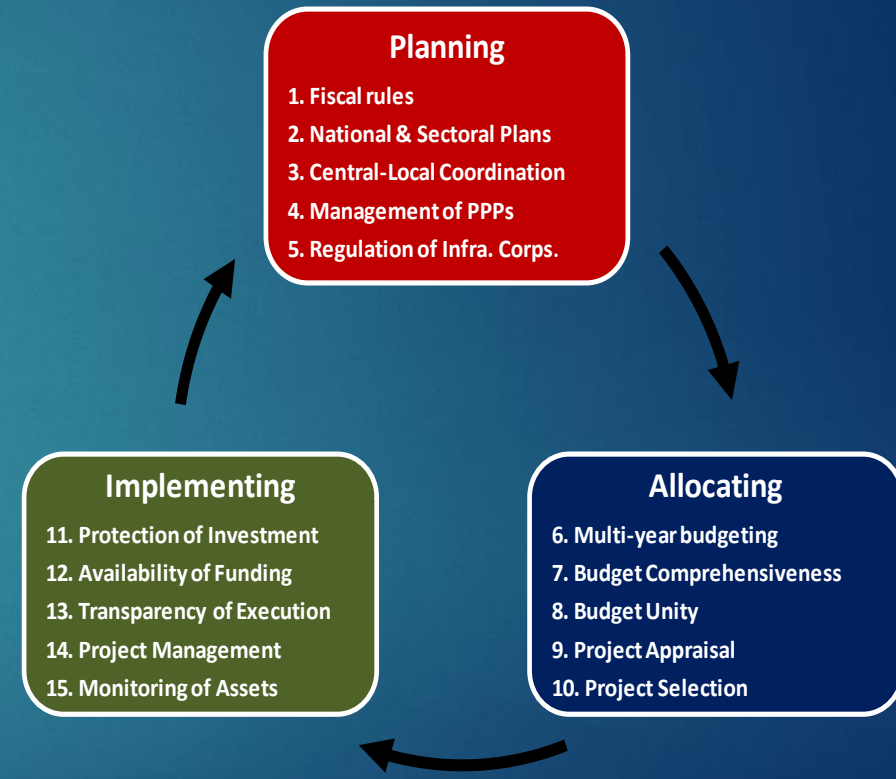
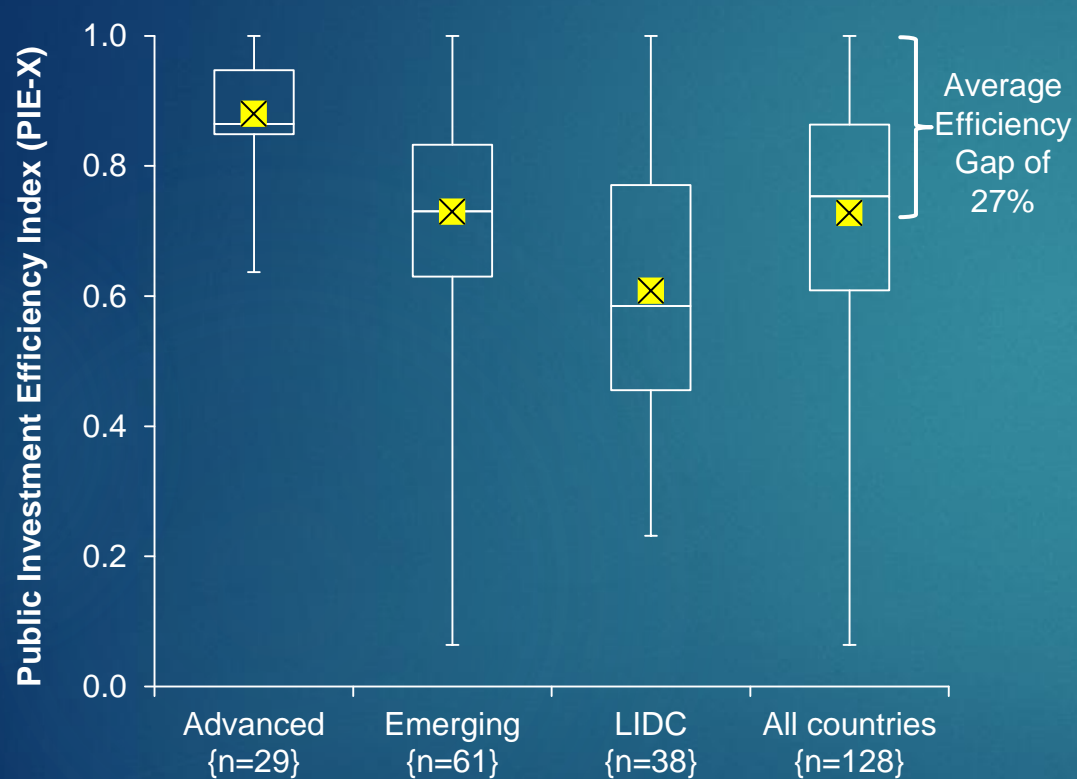
- ▶ Tax Administration Diagnostic Assessment Tool – TADAT
 - ▶ A diagnostic tool for objective and standardized performance assessment of domestic tax administrations, evaluating core functions
 - ▶ Scoring system that scores on performance indicators
 - ▶ 47 assessments to-date, including 5 in Asia-Pacific: Bangladesh, Fiji, Kyrgyzstan, Malaysia, Philippines, Vietnam
- ▶ Revenue Administration Fiscal Information Tool – RA-FIT/ISORA
 - ▶ Useful data for benchmarking tax administration systems against comparators
 - ▶ The database includes 141 countries, including 20 of Asia-Pacific
- ▶ Tax Policy Assessment Framework – TPAF
 - ▶ Is being developed jointly by the IMF and the World Bank
 - ▶ Assists countries in understanding the revenue and economic implications of their current policies, and charts a way forward

Fiscal Affairs Department – Engagements in Asia-Pacific...



Public Expenditure Efficiency goes hand-in-hand with DRM

The PIMA Framework, a new diagnostic tool, evaluates 15 key institutions in 3 phases of the PIM process



Source: IMF Staff calculations