



# TOOLS FOR TAX ANALYSIS

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Tenth IMF-Japan High-Level Tax Conference  
For Asian Countries in Tokyo

April 25, 2019

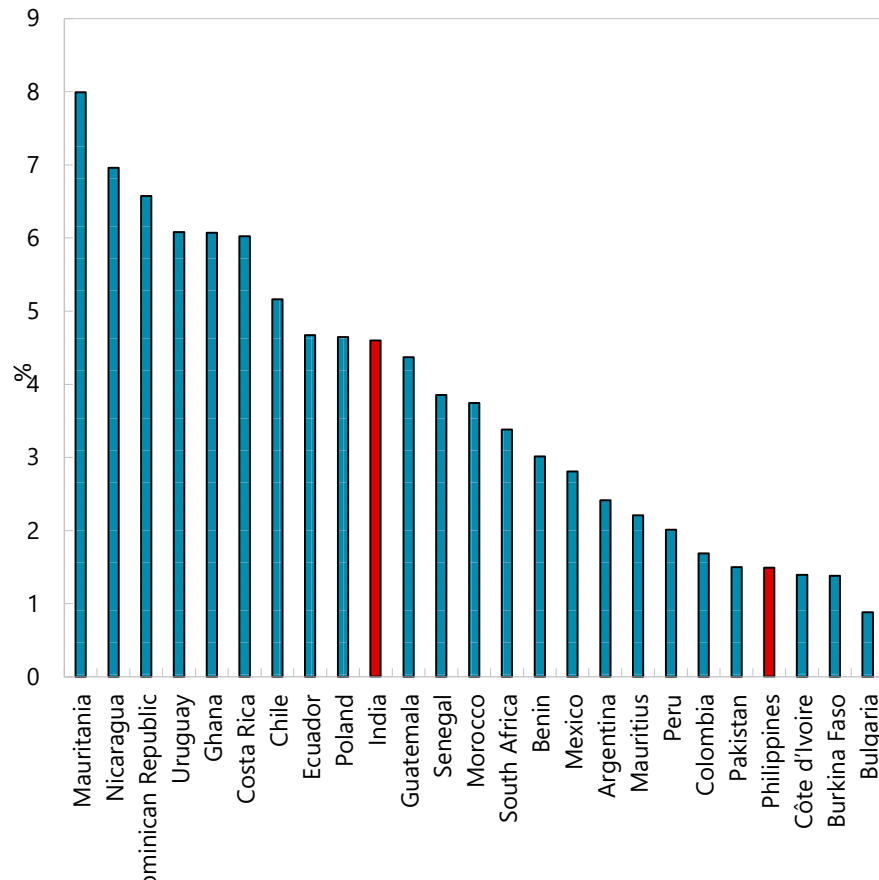
# Overview (with plenty of acronyms):

- Tax Expenditure Assessment (TEA)
- Tax Policy Assessment Framework (TPAF)—with World Bank
- Tax Administration Diagnostic Assessment Tool (TADAT)
- Revenue Administration Gap Analysis (RA-GAP)
- International Survey on Revenue Administration (ISORA)—with CIAT, IOTA and OECD

# TAX EXPENDITURE ASSESSMENT (TEA)

# TEs require careful management

**TEs, selected countries, latest year**  
(Percent of GDP)

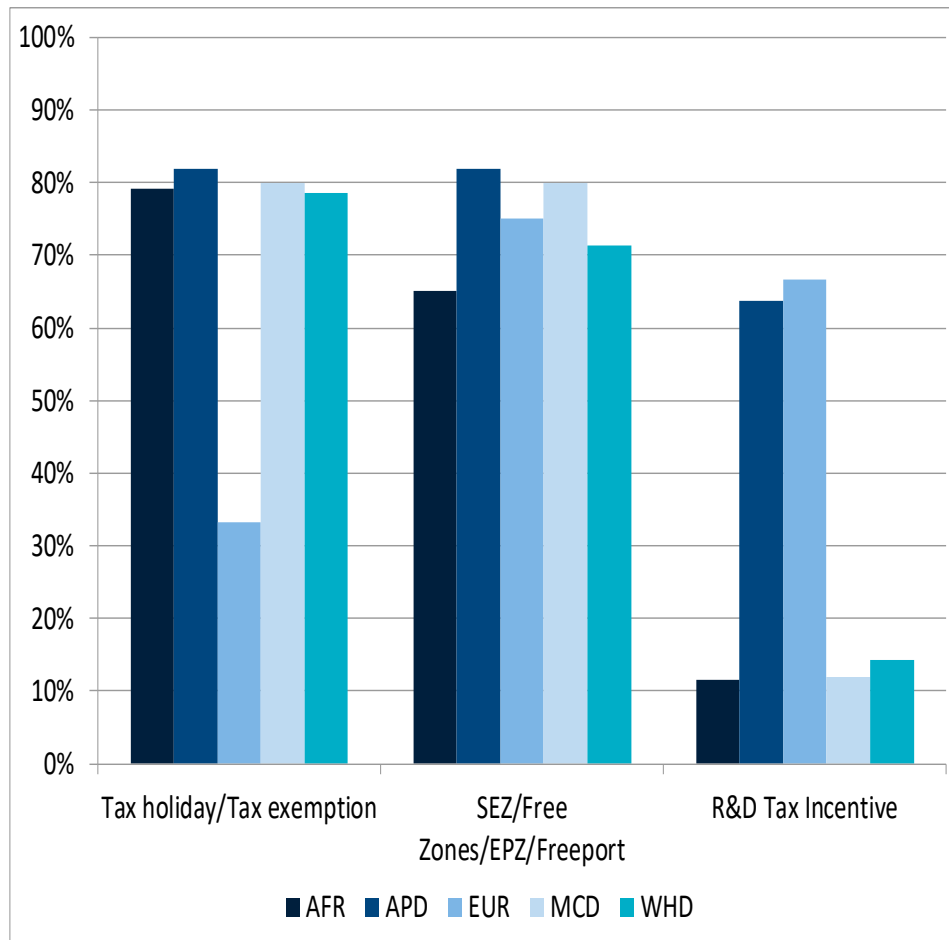


Source: IMF staff estimates based on data from Kassim and Mansour (2016) and Hoody and Mansour (2018).

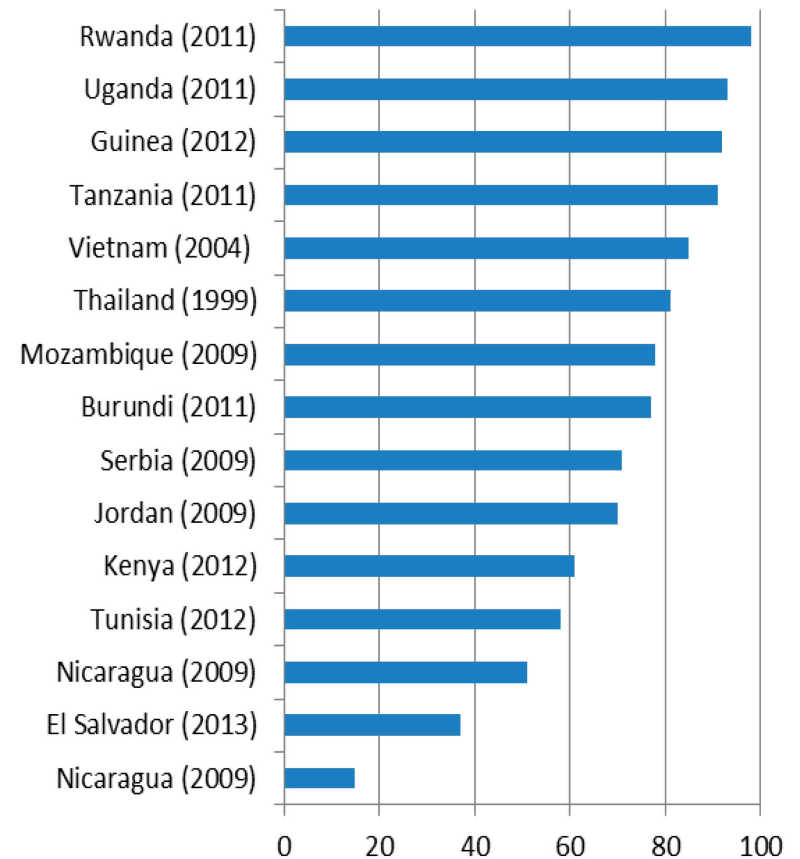
- Means by which governments support individuals/companies by reducing tax liability rather than through direct spending
- Not necessarily bad, but...

# Business tax incentives

High prevalence...




...but often ineffective



# Addressing incentives and TEs

## PCT Toolkit



INTERNATIONAL MONETARY FUND

October 2015

### OPTIONS FOR LOW INCOME COUNTRIES' EFFECTIVE AND EFFICIENT USE OF TAX INCENTIVES FOR INVESTMENT

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following document(s) have been released and are included in this package:

**A Report by Staff on "Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment;" an accompanying Background Document including tools for assessment.**

**Informal Session to Brief:**

The attached report was prepared by IMF staff jointly with staff of the OECD Center for Tax Policy and Administration, the World Bank Group, and the United Nations (collectively, the "IOs"), at the request of the G20's Development Working Group (DWG). Countries often face pressures to attract investment by offering tax incentives, which then erode the countries' tax bases with little demonstrable benefit in terms of increased investment. The IOs were asked to use their shared expertise to assist low income countries in making better and more efficient use of tax incentives. Drawing on recent country experiences and an extensive range of academic and other studies, the IOs prepared a report aiming to take a fresh look at tax incentive policies in low income countries. A separate background document also attached here reviews practical tools and models to assess the costs and benefits of tax incentives, and to enhance transparency and support informed decision making. The report was presented to the IMF Executive Board in an informal session on October 22, 2015. Such informal sessions are used to brief Executive Directors on policy issues. No decisions are taken at these informal sessions. The views expressed in this paper are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board.


The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers are available to the public from <http://www.imf.org/external/ops/oppindex.aspx>

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## New 'How to' note



FISCAL AFFAIRS

# HOW TO NOTES

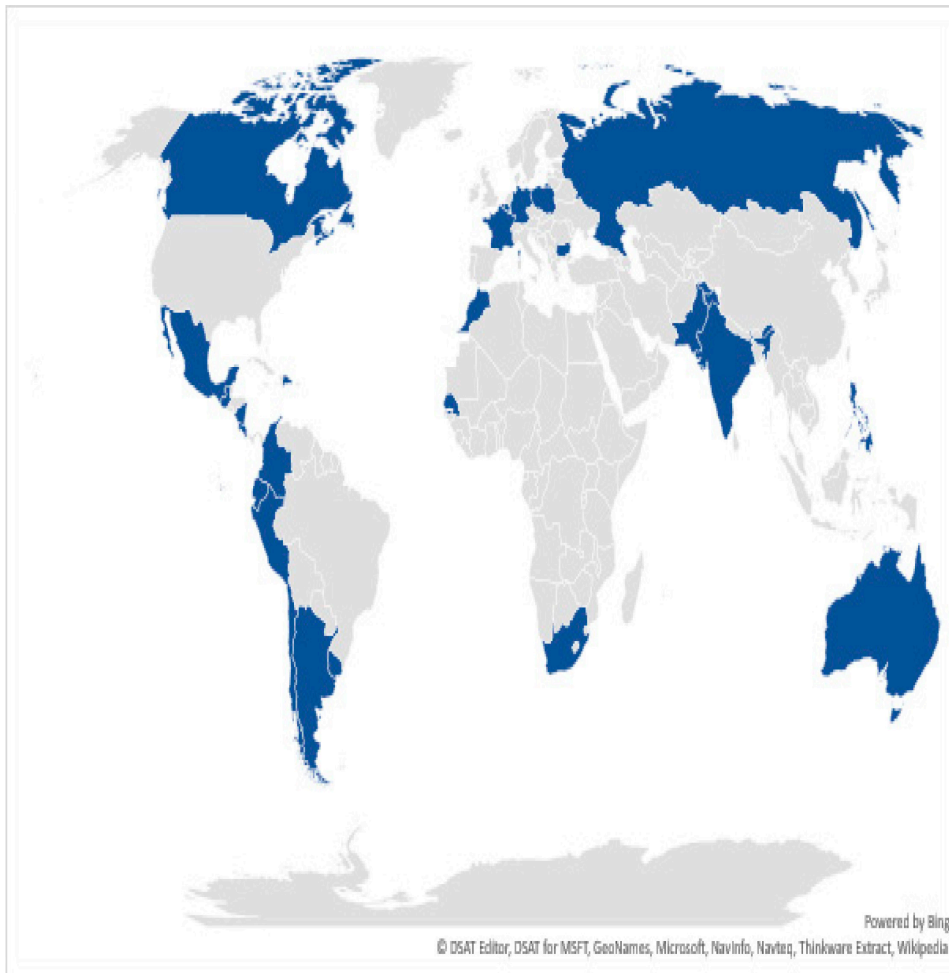
### Tax Expenditure Reporting and Its Use in Fiscal Management

A Guide for Developing Economies

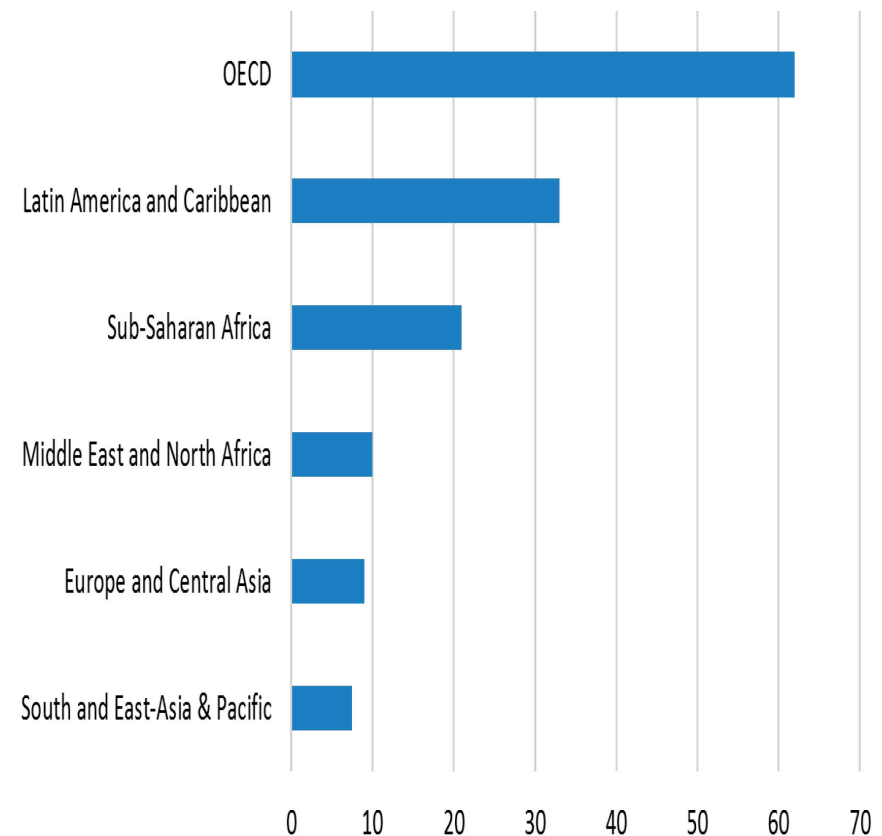
NOTE 19/01

# Many countries still do not report TEs

## Countries with TE reports...

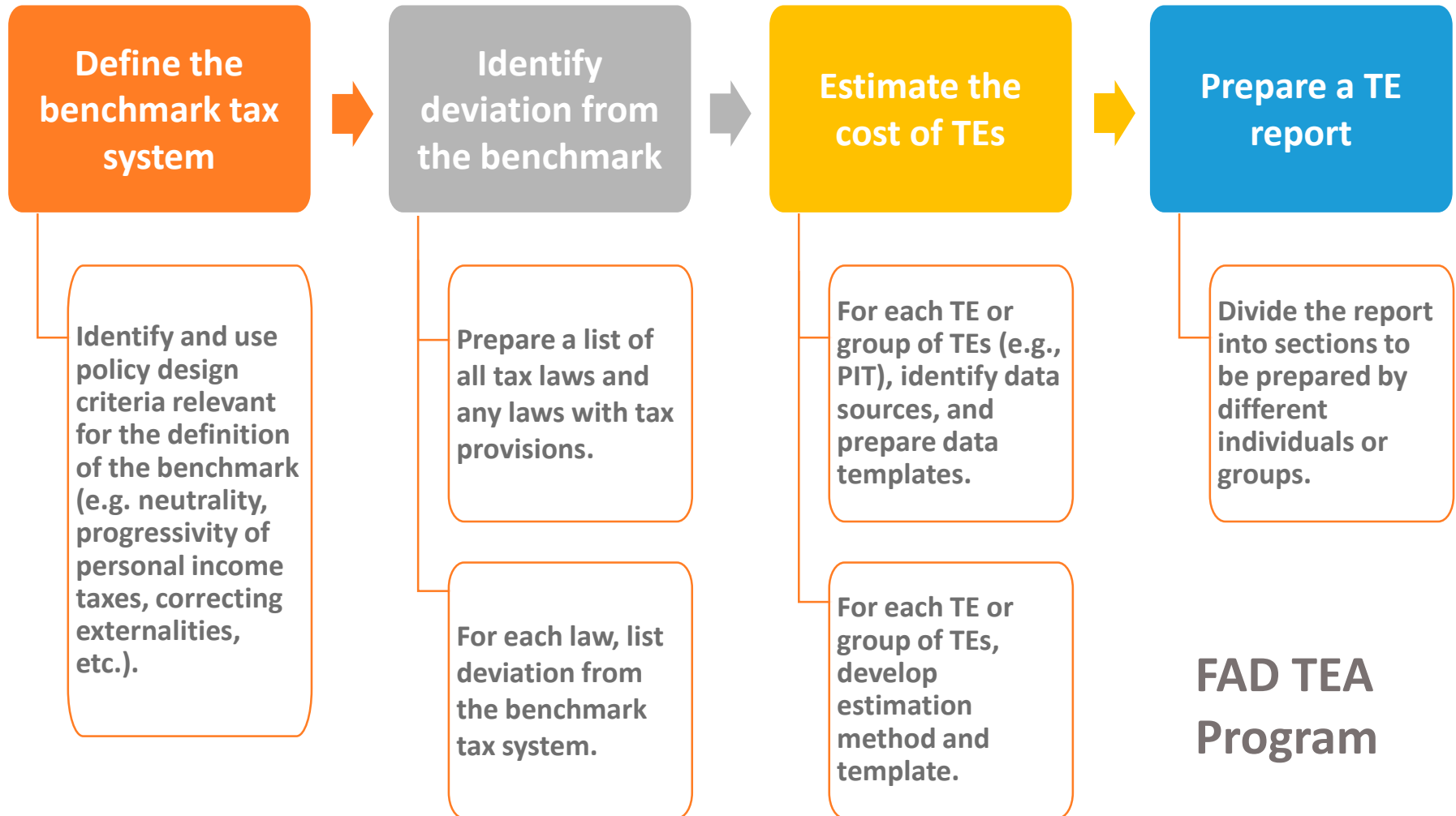


## ..by group/region



Source: World Bank 2015

# Steps in preparing TE reports





# TAX POLICY ASSESSMENT FRAMEWORK (TPAF) (IMF and World Bank)

# TPAF – What it is (and isn't)

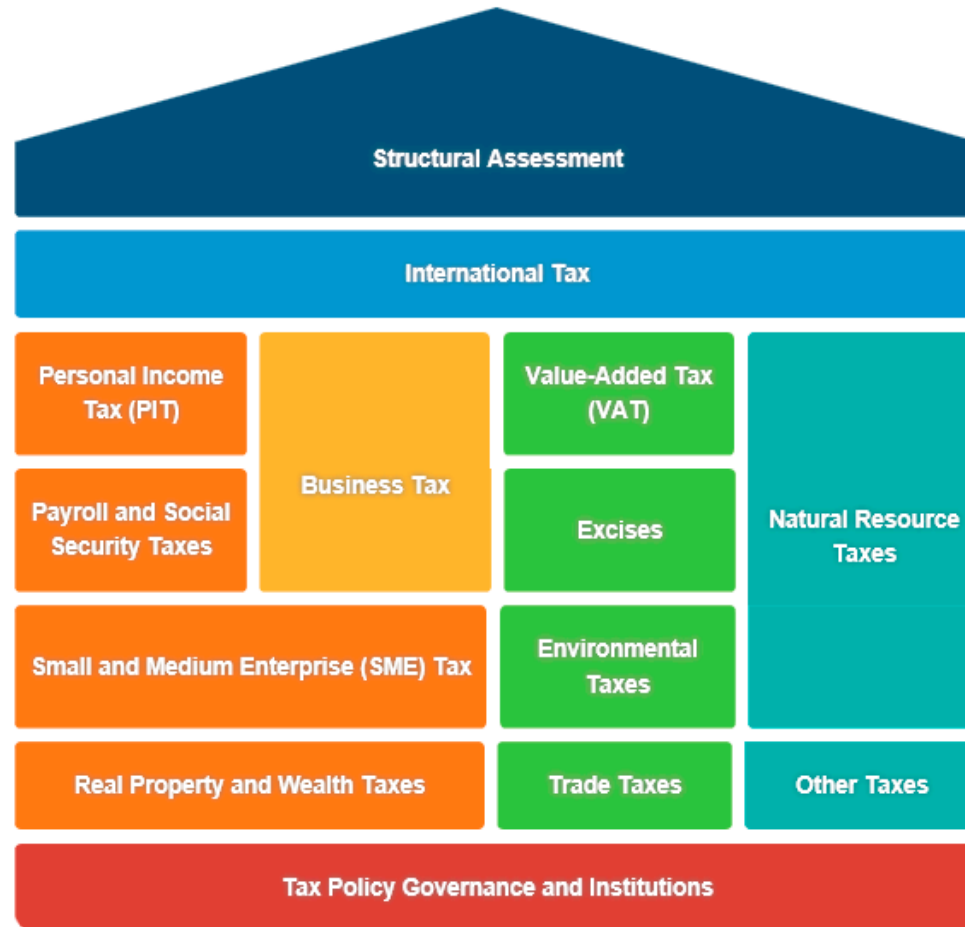


- Framework for systematic and consistent assessment of tax design
- Solid analytical base for identifying options to guide policy
- Scalable: could be used in entirety, or individual tax, or single issue
- Toolkit that requires expert skills for sound judgement



- A TADAT for tax policy
- *Standard* of what a country's tax policy should be
- *All-or-Nothing* assessment
- Tool that ranks, grades, or scores tax systems on single scale

# The TPAF 'house'



Example: THE VAT module at <https://www.imf.org/en/Data/TPAF>

# TAX ADMINISTRATION DIAGNOSTIC ASSESSMENT TOOL (TADAT)

# A reminder: TADAT is....

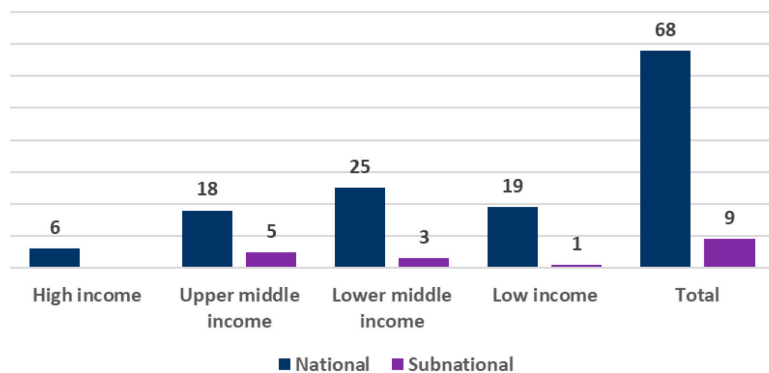
- A tool that provides an objective assessment of the strengths and weaknesses of a country's system of tax administration
- Based on nine Performance Outcome Areas (POAs)
- Assessments are evidence-based
- Assessment results show the extent of needed reforms and the relative priorities for attention



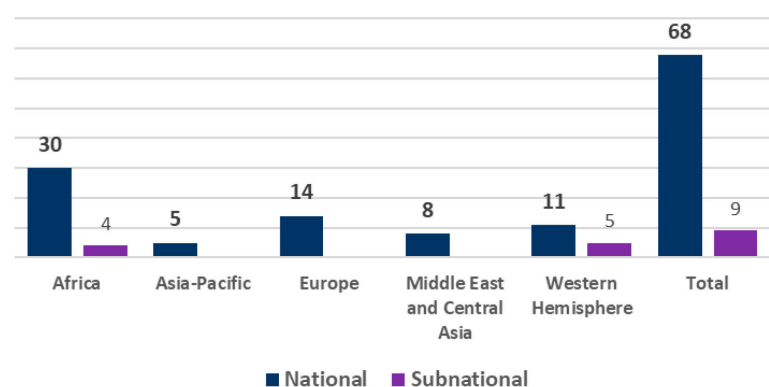
# Some activities so far

## # of Assessments (77) at mid-April 2019

### By Income Classification



### By World Region



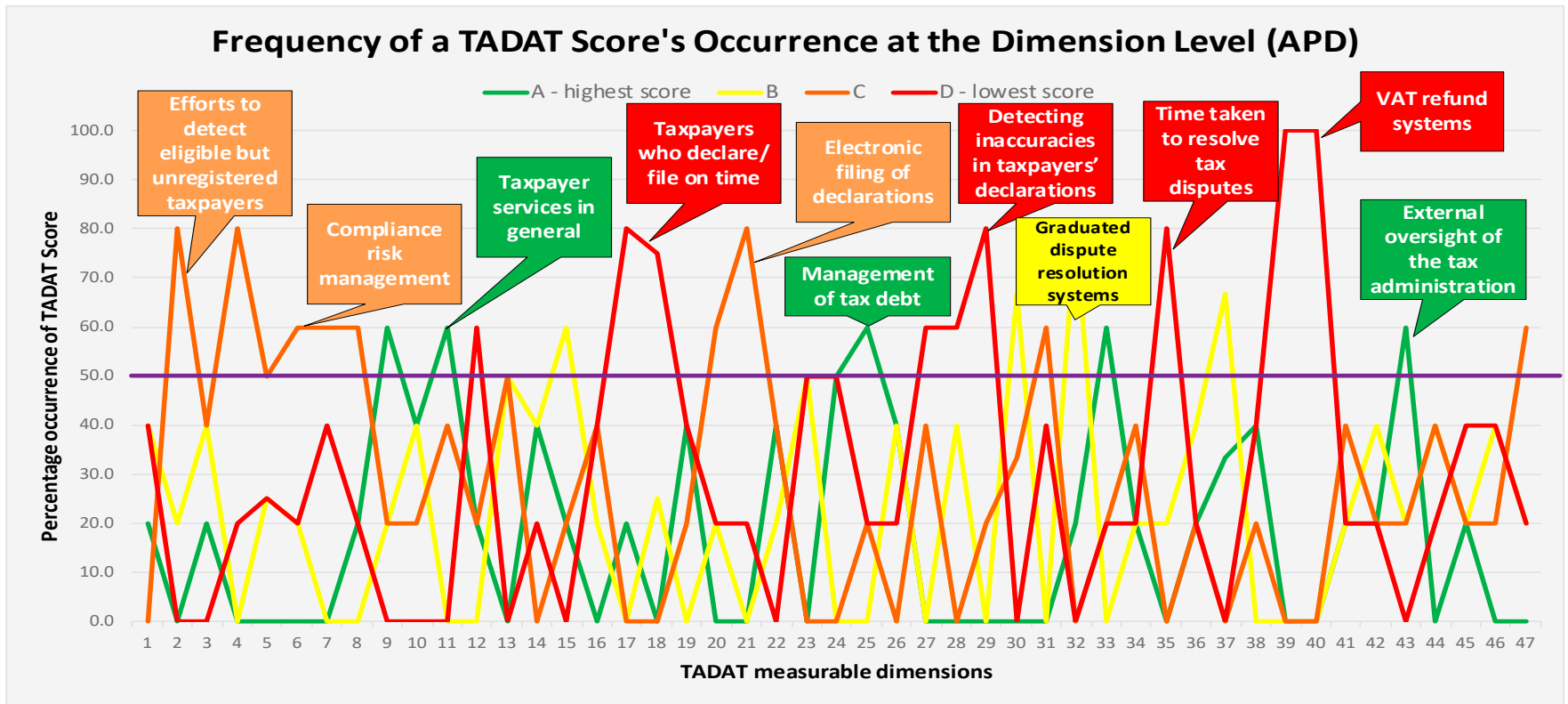
## TADAT trained persons at mid-April 2019

Region	Total #	o/w assessors
Africa	929	71
Asia and Pacific	222	89
Europe	294	191
Middle East	99	14
Western Hemisphere	470	103
<b>Total</b>	<b>2,014</b>	<b>468</b>

**TADAT assessment results can be used to illustrate performance deterioration—re: the Nugent Commission of Inquiry (South Africa)**



# Key outcomes



**Recurring issues:** Accuracy of taxpayer registration databases, on-time filing, dispute resolution, VAT refund systems and, generally, the quality of data

# REVENUE ADMINISTRATION GAP ANALYSIS (RA-GAP)

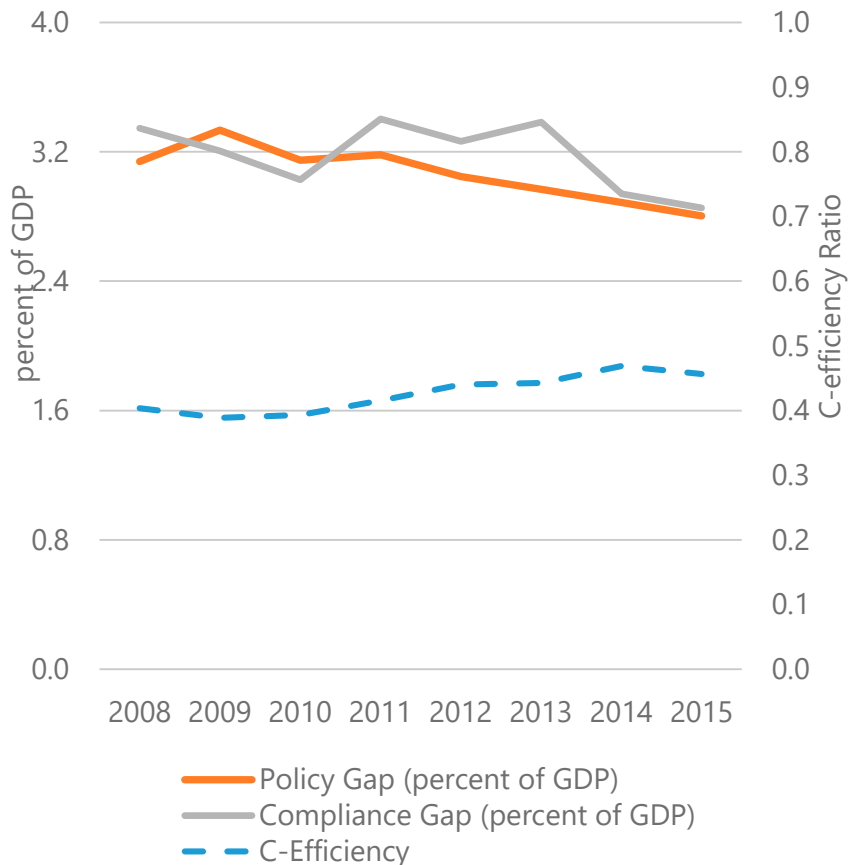


# Understanding tax gaps

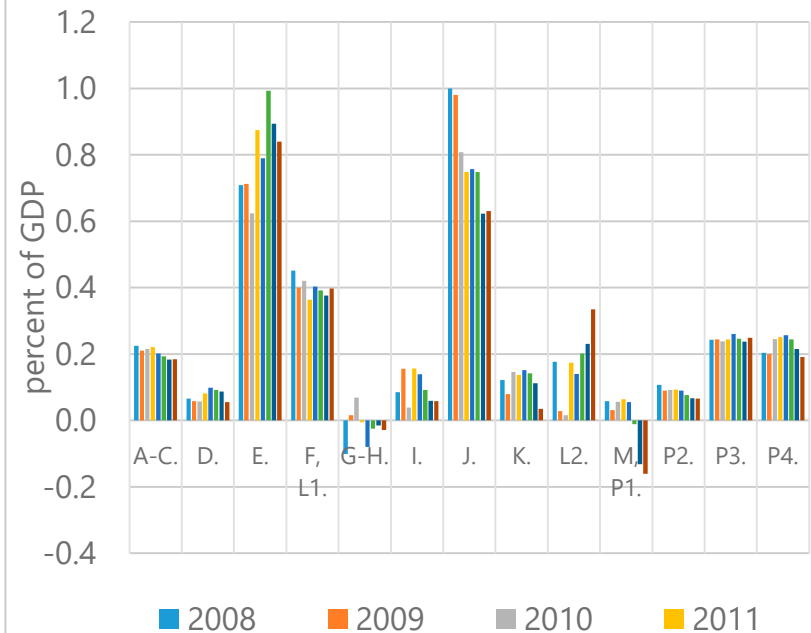
- Aims to estimate and understand the “tax gap”: *the difference between potential collections and actual collections*
- ‘Tax gap’ made up of:
  - compliance gap
  - Policy gap: akin to TE
- Estimating the tax gap is key to measuring the effectiveness of a revenue administration

# Sample RA-GAP output—Country X

## Policy Gap and Compliance Gap



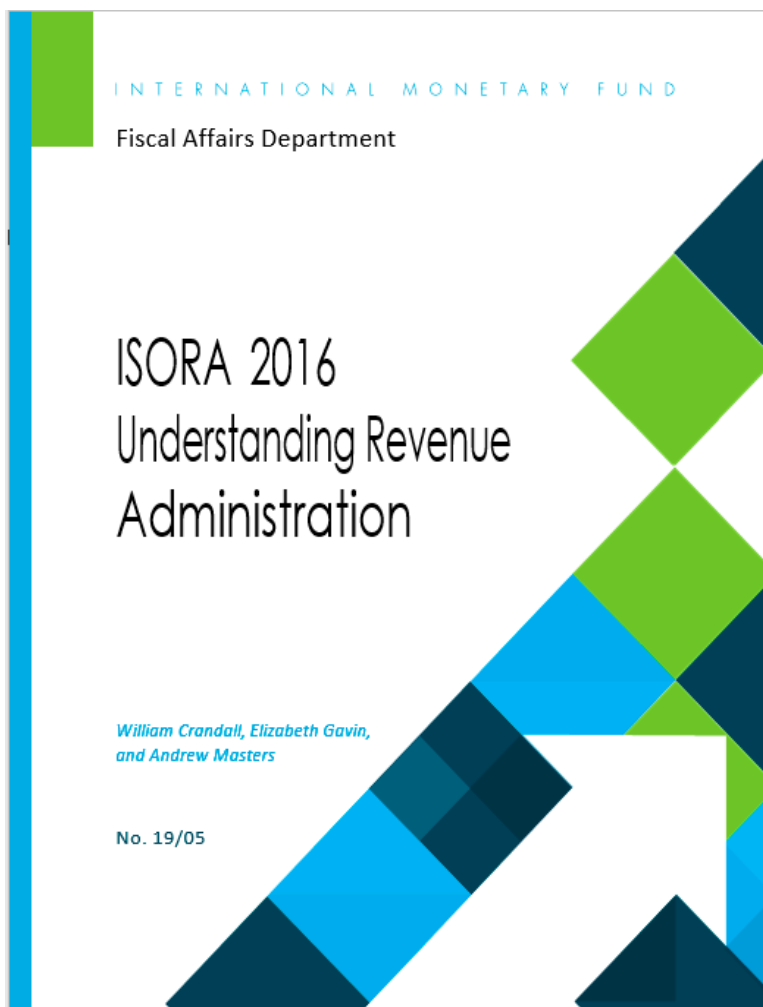
## Compliance Gap by Sector



Sector Code	Sector Description	Sector Code	Sector Description
A-C	Agriculture, Fishing, Forestry	K	Finance and Insurance Services
D	Mining & Quarrying	L2	Business & Professional Services
E	Manufacturing	M, P1	Public Administration, Education
F, L1	Construction & Real Estate	P2	Health Care
G-H	Electricity, Gas, Water, Transportation	P3	Hotels & Restaurants
I	Communication	P4	Other Services
J	Retail & Wholesale Trade		

# INTERNATIONAL SURVEY ON REVENUE ADMINISTRATION (ISORA)

# Learning about revenue administrations

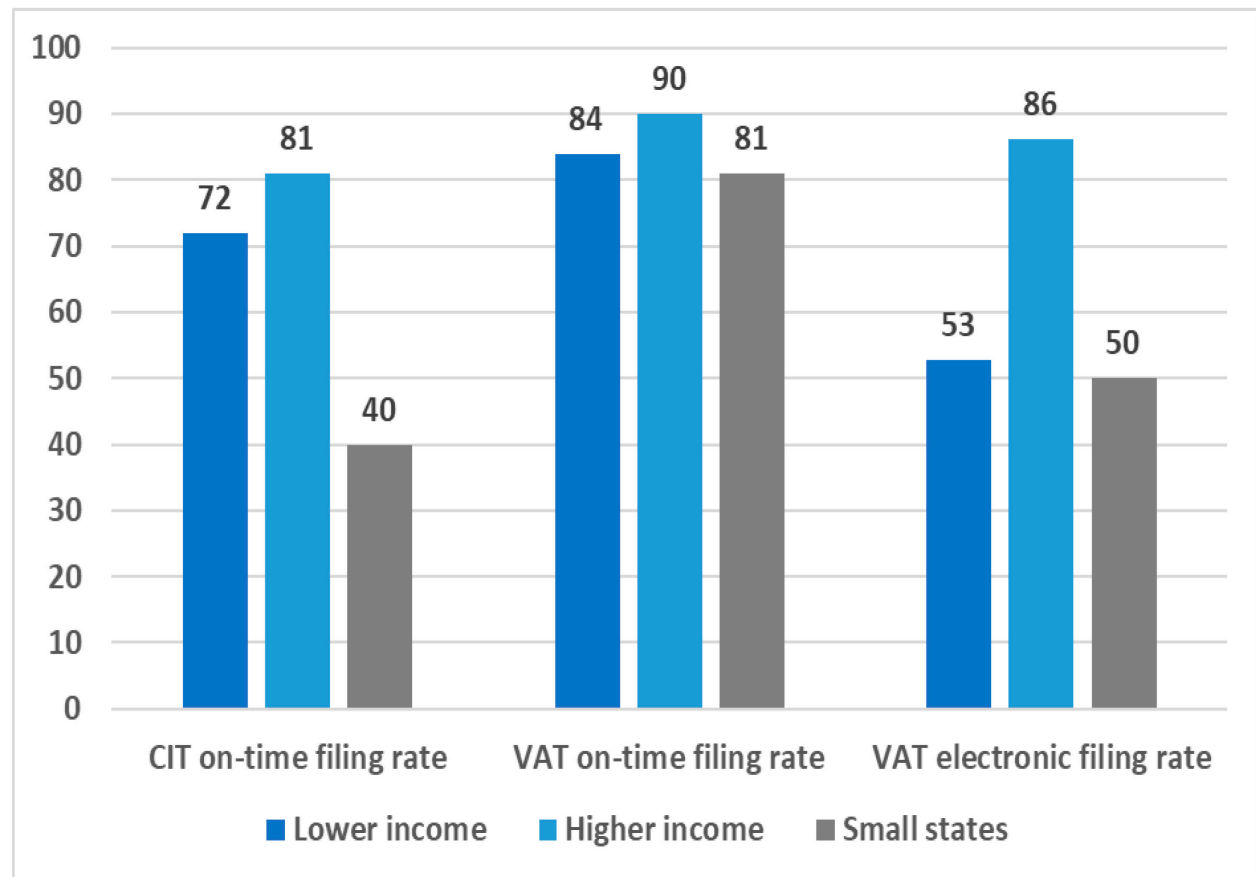


- Common questions
- Annual data on performance, administrative practices, and profile
- Voluntary, self-reporting
- Extending to customs

# ISORA results

- Data from 135 jurisdictions across all regions, with wide distribution in size and income, supports analysis by income, size, regional or other groupings

Examples from  
ISORA 2016  
*Understanding  
Revenue  
Administration*



# FITTING IT TOGETHER

# Capacity Building (Development) Tools/Frameworks

<p><b>Medium Term Revenue Strategies (MTRS)</b>—An approach to comprehensive tax system reform—policy, administration, legal framework—recommended by the PCI (IMF, OECD, UN, WB) aiming to increase revenue-to-GDP ratio, improve system design, and enhance its performance and effectiveness. The MTRS approach anchors the TSR to (a) financing additional expenditure needs for growth and development, (b) sustained political commitment to reform formulation and implementation, and (c) coordinated CD support to reform by development partners.</p>	TSR Phases	Diagram – Mapping of Tools and Frameworks to Support Tax System Reform (TSR)							Tools / Frameworks
	<p>Diagnostic of Current Situation</p>	<p><b>TADAT</b>—to assess tax administration performance from outcome perspective –9 performance outcome areas.</p>	<p><b>RA-GAP</b>—to estimate policy and compliance gaps in VAT, CIT, Excises, PIT (under development).</p>	<p><b>EC’s FBs</b>—to assess tax and customs administrations against EU best practice.</p>	<p><b>TPAF</b>—to analyze existing tax policies in accordance with good practices.</p>	<p><b>FARI</b>—to model, evaluate, compare and design fiscal regimes for extractive industries.</p>	<p><b>TER</b>—to estimate revenue forgone due to tax exemptions and special treatments</p>	<p><b>CD missions to TS Diagnostic</b>—an approach uses by the IMF (and other IOs) to assess strengths and weaknesses of policy and revenue agencies against international trends/good practice.</p>	<p>Diagnostic Tools/Frameworks<sup>1</sup></p>
		<p><b>ISORA</b>—to collect tax administration data on operations and other characteristics.</p>	<p><b>USAID’s CTD</b>—to collect a broad array of quantitative and qualitative indicators of tax systems.</p>	<p><b>ATAF’s ATO</b>—a paper-based tax administration survey ATAF conducts with its member countries.</p>	<p><b>ATI indicators</b>—under consideration or alternatively using a subset of ISORA indicators.</p>	<p><b>WB’s DB</b>—to collect perception indexes in some specific tax policy and administration topics.</p>	<p><b>ISOCA</b>—to collect customs administration data on operations and other characteristics (to be launched).</p>		<p>Data gathering tools<sup>2</sup></p>
	<p>Reform Strategy Design</p>	<p><b>CD missions to Comprehensive TSR design</b>—an approach uses by the IMF (and other IOs) to advise countries on the design of comprehensive tax system reform—policy, administration, and legal framework.<sup>3</sup></p>		<p><b>CD missions to Targeted TSR design</b>—an approach uses by the IMF (and other IOs) to advise countries on the design of targeted tax system reform—policy, administration, and/or legal framework—not necessarily in a comprehensive manner.</p>					<p>Design Approach</p>
	<p>Reform Implementation</p>	<p><b>Maturity Models</b>—to provide tax administrations with a pathway for improving maturity in specific tax administration processes/areas.</p>	<p><b>Diamond</b>—to conduct drill-down assessments on specific operations and support areas to complement outcome-based tools (e.g. TADAT) to guide implementation CD.</p>	<p><b>TIWB</b>—to strengthen skills of tax administration auditors to enhance audit function.</p>	<p><b>Papers, Toolkits &amp; Technical Notes</b>—to systematize and disseminate international trends/good practice in specific policy and administration topics.</p>	<p><b>Training by multiple Development Partners (DPs)</b>—to strengthen skills of tax administration officials at managerial and operational levels.<sup>4</sup></p>	<p><b>FTA-CBN</b>—to coordinate CB programs provided by FTA agencies in specific areas of tax administration, under a common approach and coordinating framework.</p>	<p><b>CD program to TSR implementation</b>—an approach uses by the IMF (and other IOs and DPs) to support implementation of reform strategies—comprehensive or topic-specific.</p>	<p>Drilldown tools for implementation<sup>5</sup></p>
<p>Monitoring &amp; Evaluation</p>	<p><b>Various of the above diagnostic and data gathering tools</b>—e.g. TADAT, ISORA.</p>		<p><b>Targeted assessment of TSR programs by IOs and DPs</b>—e.g. IMF’s RMTF mid-term evaluation, targeted externally-financed CD projects (DFID, SECO, EC, etc.).</p>	<p><b>Analytical work</b>—to assess impact/results of tax policy and administration changes and draw lessons to support previous TRS phases.</p>	<p><b>Ongoing during CD programs to TSR implementation</b>: by multiple DPs—e.g. through Result-Based Management system.</p>			<p>Evaluation/Monitoring Tools/Frameworks</p>	

1. TADAT—Tax Administration Diagnostic Assessment Tool (multiple partners); RA-GAP—IMF’s Revenue Administration Gap Analysis Program; EC’s FBs— European Commission’s Fiscal Blueprints; TPAF—IMF/WB Tax Policy Diagnostic Framework; TER—IMF’s Tax Expenditure Reporting. PEFA framework considers three indicators in tax administration and the WCO is developing a diagnostic framework for customs administration.
2. ISORA—International Survey on Revenue Administration/RA-FIT Platform (CIAT/IMF/IOTA/OECD); CTD—USAID’s Collecting Taxes Database; ATAF’s ATO—African Tax Outlook; ISORA—International Survey on Customs Administration/RA-FIT Platform (IMF/WCO)
3. An IMF’s key priority is assisting its member countries in building efficient and effective tax system to promote sound public finances, which is a crucial condition to robust, inclusive and sustainable economic growth and development. In doing so, the IMF assisting countries on designing TSR, the IMF uses the several diagnostic/data gathering tools, depending on the country’s circumstances, to better tailored the advice to countries’ capabilities to on TSR reform design and implementation..
4. The IMF is discussing with several partners (CIAT, IOTA, OECD-FTA, Canada Revenue Agency, ATAF) the development of an international on-line training curricula for tax administration; it will build on existing training programs by RTOs and tax administrations.
5. Maturity Models—OECD Forum on Tax Administration (FTA) Secretariat and FTA Agencies; Diamond—WB’s Development of Implementation and Monitoring Directives; TIWB—OECD/UN Tax Inspectors Without Borders; CBN—Capacity Building Network.