

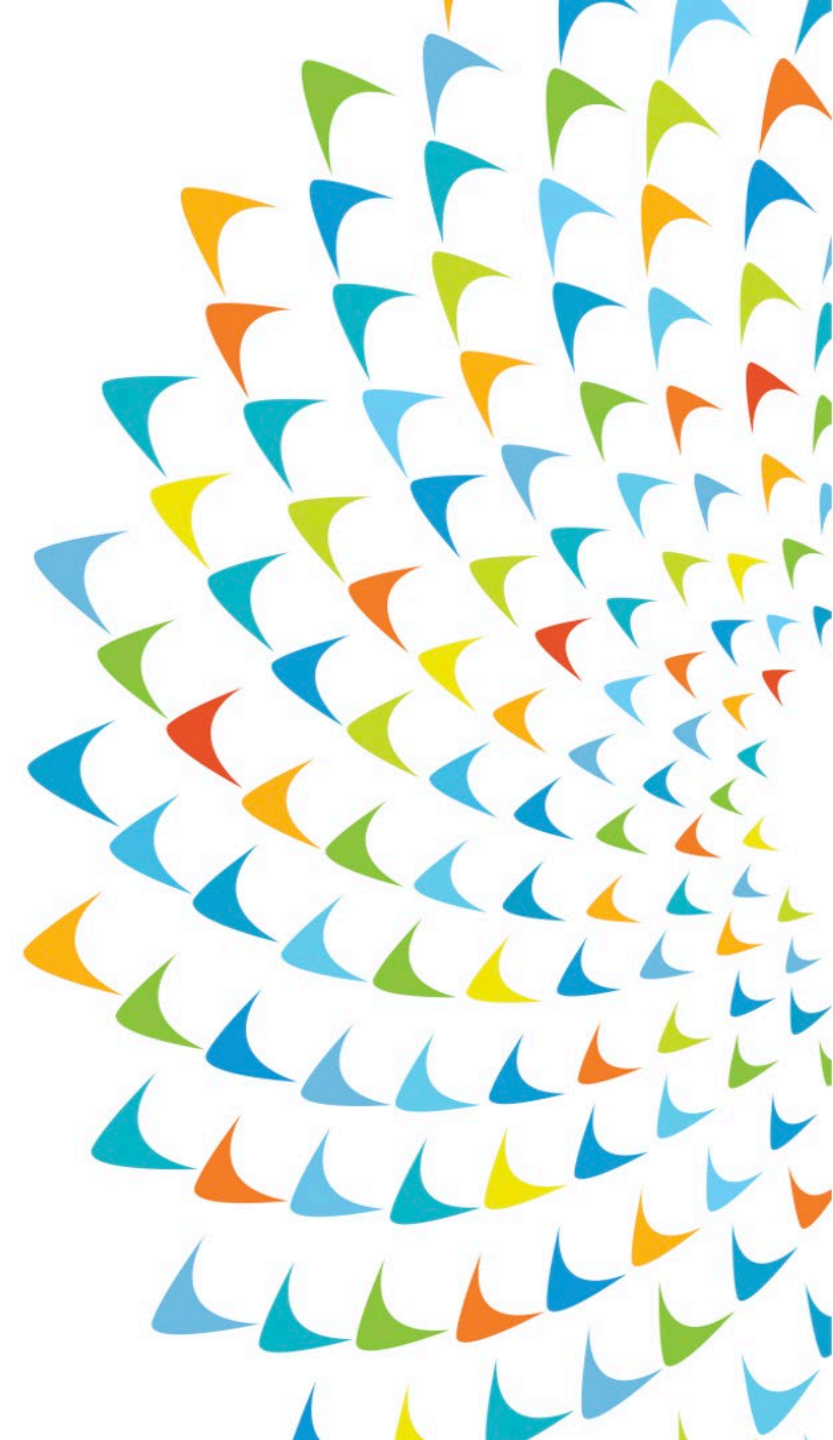


# ADB Support for Tax Administration Reform through Digital Transformation

## The Twelfth IMF-Japan High-Level Tax Conference For Asian Countries in Tokyo

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October 2022





# Present Challenges: What Countries Are Facing

**High and rising debt-to-GDP ratios and low tax-to-GDP ratios over the years.**

Meeting developmental expenditures without risking debt sustainability.

Poor performance of meeting SDGs



**Urgent Need to Improve Revenue Efforts**

Figure 1: Debt-to-GDP, 2016-2022

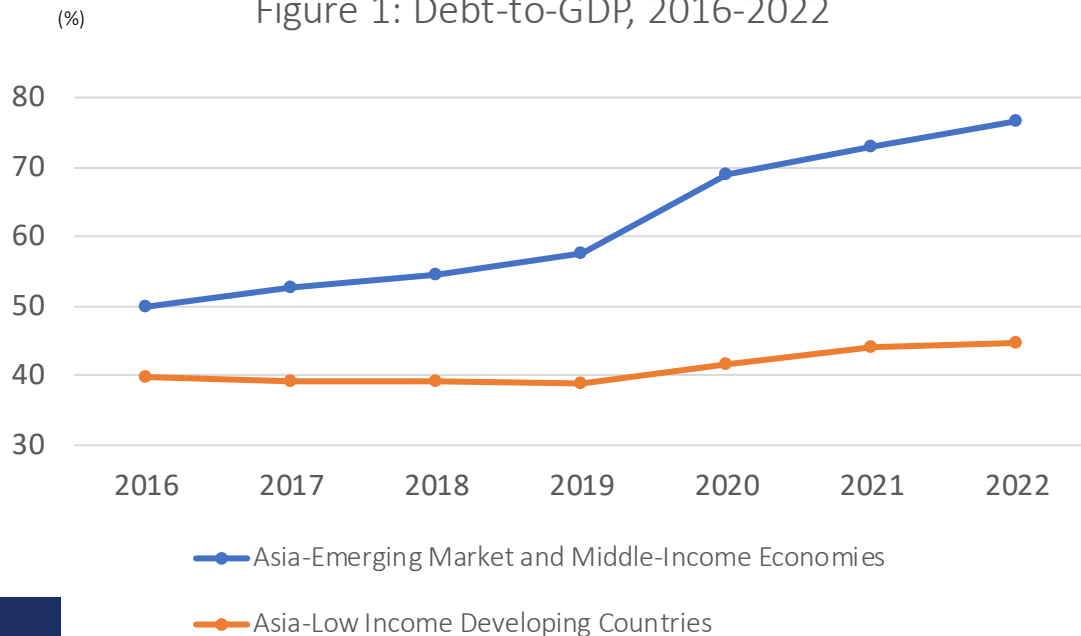
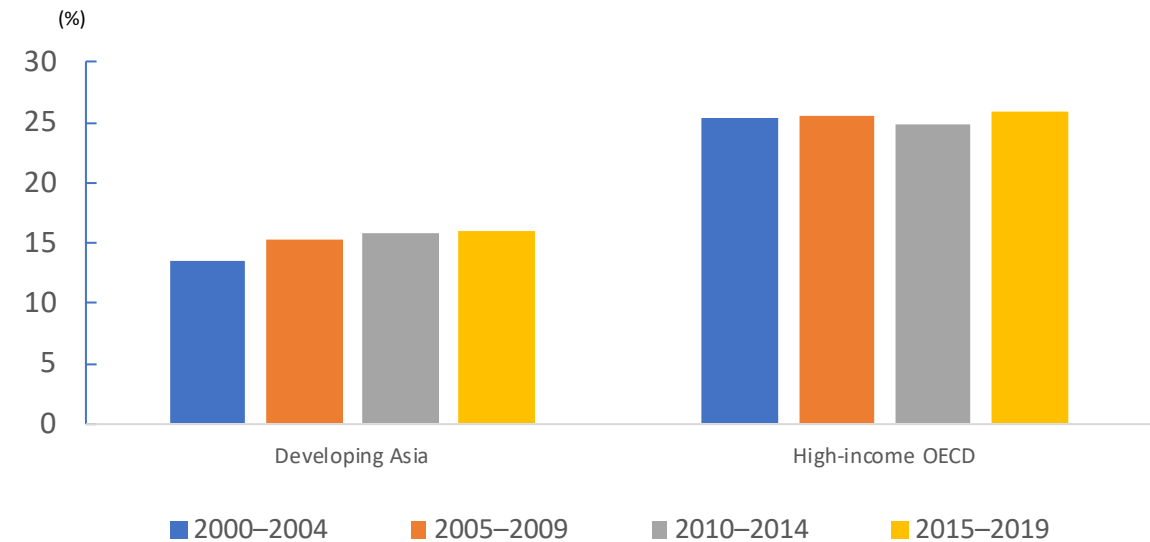


Figure 2: Tax-to-GDP ratios, 2000-2019



Note : Twenty-six economies in developing Asia and 33 among high-income OECD members. Data do not include social security contributions. Sources: Asian Development Outlook 2022, Theme Chapter, Figure 2.1.3





# Challenges For Improving Revenue Efforts

1

## Tax incentives during the COVID-19

Widespread use of tax incentives during the COVID-19 pandemic leading to revenue losses, and how to exit.

Making efficient and effective tax administration through modernization with digital tools.

4

## Tax Administration

2

## Digitalization

Expanding digitalization of economic activities and inherent challenges for tax administration.

Addressing a large informal sector through more effective way to tax economic activity.

5

## Informal Sector

3

## International Tax Cooperation

Increasing international tax cooperation to ensure an international tax system that is fair, equitable, and well-functioning

How to implement an effective carbon taxation and fossil fuel subsidy policy.

6

## Carbon Taxation and Fossil Fuel Subsidy



# Digitalization is Imperative to Revenue Efforts

## Background

- ✓ The pandemic has accelerated the **adoption and use of digital technology**.
- ✓ Tax authorities will need to modernize their operations with digital technology to **bolster tax collection and improve tax compliance**.

## Potential Advantages

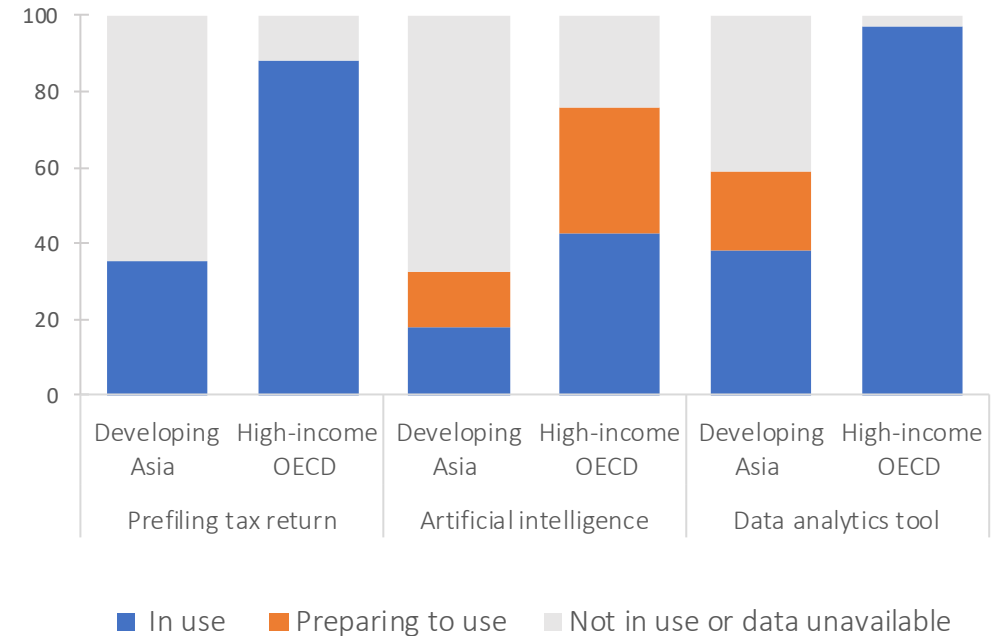
- ✓ **Generate more revenues** from improved taxpayer compliance.
- ✓ **Reduce administrative and compliance costs** through automation.
- ✓ **Minimize risks** creating leakages and corruption.
- ✓ **Timely and accurate data** for more effective decision-making.
- ✓ Expand tax base from greater business formalization.

## Issues/Risks

- ✓ Replacing legacy IT systems and developing the staff capacity with required additional budget.
- ✓ Close coordination with all relevant departments and political buy-in.
- ✓ How to monitor and supervise the process.

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Figure 3: Advanced Digital Technologies, 2019 (%)



Note: Data include 34 economies in developing Asia and 33 high-income OECD economies.  
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 Sources: Revenue Administrations Fiscal Information Tool, 2020 International Survey of Revenue Administration. <https://data.rafit.org> (accessed 26 January 2021); Asian Development Bank estimates.



# ADB's Support In Digitalization of Tax Administration

- APTH has published manual for digitalization of tax administration.

**Produce knowledge products**

- APTH has initiated the first pilot project, based on the manual/toolkit, for Bhutan's Department of Revenue and Custom.
- APTH has been in touch with Maldives to support their effort.

**Conduct needs assessment for developing a roadmap**

- APTH organized two virtual workshops on Tax and Digital Transformation jointly with international organizations and regional tax communities.

**Organize regional capacity building workshops**

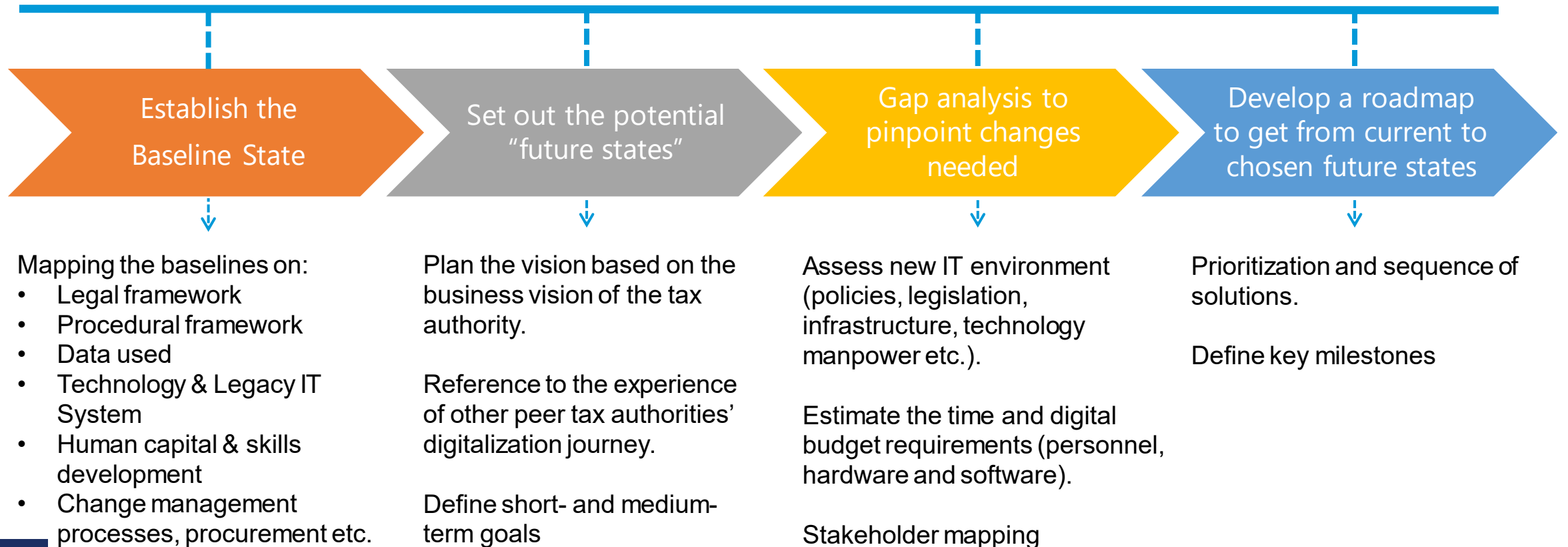
**Tax administration reform through digital transformation is one of the key areas that the Asia Pacific Tax Hub (APTH) primarily highlights to support our developing member countries.**





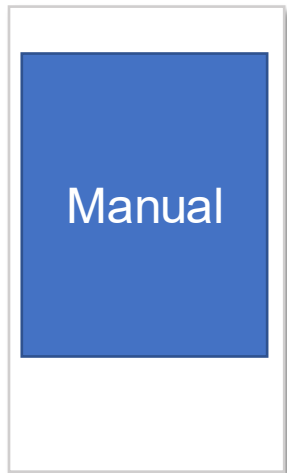
# The Journey from Planning to Implementation

The manual is designed to support governments' initial work on digital transformation of tax administration which would entail careful analysis and planning on the defined baseline and the specified endpoints.





# The Journey from Planning to Implementation



The Manual provides detailed guidelines for each step.

ADB is ready to provide handholding support to the developing member countries.





# Thank you!

Governance Thematic Group, ADB

October 2022

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