



FISCAL AFFAIRS

Eleventh High-Level Tax Conference for Asian Countries

Strengthening Administrative Capacity to Manage International Tax Risks

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The issue....

- ❖ Developing countries are experiencing challenges in effectively addressing international tax risks
- ❖ FAD has highlighted the need for a **comprehensive approach** to strengthening institutional and human capacity to manage international tax risks
- ❖ FAD has developed a toolkit that can help tax administrations:
 - ❖ **understand the range of capabilities needed**,
 - ❖ **identify the gaps** in their current approach, and
 - ❖ **sequence and prioritize** the reform to move toward good practice

Expected outcome:

- Countries strengthen their administration
- Protection of the tax base against profit shifting, in conjunction with tax policy measures

The Toolkit....

❖ Framework for Managing International Tax Compliance Risks

- ❖ Addresses institutional and human capacity building that is necessary to effectively identify, quantify and address international tax risks
- ❖ Is not aimed at the technical aspects of addressing international tax risks, but rather building the administration

❖ Assessment Tool

- ❖ Assesses the current status in relation to the components in the framework
- ❖ Identifies where gaps are in administrative capacity
- ❖ Does have an element of subjectivity
- ❖ Allows the development of actions required to address the identified gaps

Summary of Framework

A continuum that assesses an administration's progress toward good practice in readiness to manage international tax risks

Six **categories**

- People
- Systems/CRM
- Tools
- Data
- Legislative Framework
- Organization Structure and Governance

28 **elements** within the six categories noted above

Each element assessed against continuum rating of Emerging, Progressing or Good Practice

Format of the Framework

Progress towards international good practice



Categories

	Emerging	Progressing	Good Practice
People			
Systems/Compliance Risk Management			
Tools			
Data and Analytics			
Legislative Framework			
Organization and Governance			

	Category	Emerging	Progressing	Good Practice	Category Score
Elements	People				P
	P1. Analytics capability	x			
	P2. International audit experience		x		
	P3. Resource availability/adequacy			x	
	P4. Specialist training		x		
	P5. Treaty application and negotiations			x	
Elements	Systems/CRM				E
	S1. Support for international risk assessment	x			
	S2. Risk markers and case selection	x			
	S3. EOI		x		
	S4. Data and analysis	x			
	S5. Data storage capacity			x	
	S6. CRM	x			

Assessment Tool

- Questionnaire approach – standard questions plus those specific to your country's situation (legislation, BEPS commitments)
- Each 'element' may have several questions that relate to important administrative aspects of that element
- A score is assigned for each question, which reflects the assessment of current status for that question – emerging, progressing or good practice. These need to be amalgamated into one score for the element
- All 28 elements will have a score.
- The element scores are then amalgamated into a 'category' score – averaging is one method

Moving from Assessment Results to Action Plan

- Any element rated as less than Good Practice requires some improvement
- Actions should be identified to address all gaps, but these do not necessarily need to be done all at once
- Sequencing and prioritizing is critical to ensure inter-dependencies are accounted for, and to ensure the comprehensive approach

Pilot observations

- Helped identify what questions we needed to be asking
- Was useful in identifying gaps in the systems, processes and data needed
- Found to be easy to use – process of discussion to arrive at ratings was valued as an inclusive approach
- Comprehensive and easy to use

Thank You!