

2021.6.16. The Eleventh IMF-Japan High-Level Tax Conference For Asian Countries, Welcome Address (Isaya MUTO)

- Good morning, good evening, ladies and gentlemen.
- First of all, on behalf of the Japanese Government, let me welcome all of you to the Eleventh IMF-Japan High-Level Tax Conference for Asian Countries.
- I would also like to thank the IMF for arranging this valuable gathering.
- Last year, the conference was unfortunately canceled due to the outbreak of the pandemic, but I am very pleased that we can hold the conference this year on a virtual format.

- This is an important forum, where high-level government officials from the Asia-Pacific region and representatives of development partners can candidly exchange views on tax policy and administration.
- Japan has been supporting this event for many years as part of our contribution to the IMF's technical assistance programs.

- I believe that all of us here today are aware that the international tax landscape has been dramatically changing in the last decade. The key questions would be “what kind of changes are we experiencing?” and “how do we adapt our tax systems as well as administrations to such ever-changing environment?” If each of us can get any answer or at least any hint to approach these questions through the three-day conference, then I think this conference would be highly successful.

- Today, I am going to talk about three things. (1) Tax challenges arising from the digitization and globalization of the economy, (2) International tax collaboration to promote the DRM, and (3) Tax design for a sustainable and equal society.

(1) Tax challenges arising from the digitization and globalization of the economy

- First, the tax challenges arising from the digitization and globalization of the economy are getting ever closer attention today. The Inclusive Framework on the BEPS, which now involves around 140 jurisdictions, are now in the final stage toward a historic agreement on the new international tax order.
- Japan has been one of the few countries that have made continuous contribution to this project. Mr. Asakawa, the current President of the ADB, was the Chairperson of OECD's Committee on Fiscal Affairs, when they agreed on the historic BEPS projects. G20 Finance Ministers also endorsed the currently ongoing program of work under Japan's Presidency.
- This project is comprised of two pillars. Pillar One addresses the allocation of new taxing rights to market jurisdictions by significantly changing the well-established international tax rules. Pillar Two is about setting the global minimum rate as a way to stop the race to the bottom on corporate income tax. Earlier this month, the G7 Finance Ministers gathered in London and sent a clear and strong message to the world: on Pillar One, they have committed to reaching an equitable solution with the comprehensive scoping; on Pillar Two, they committed to set a global minimum tax of at least 15 percent.

Now, the political momentum is very high to reach an agreement at the IF and G20 in July.

- To this end, active cooperation by developing countries' is essential not only in reaching consensus, but also on their implementation, because close coordination among multiple tax administrations are of critical importance. Japan very much appreciates our developing partners' outreaching activities in this arena.
- I hope today's conference will help you better understand this hot topic.

(2) International tax collaboration for the DRM

- Second, international tax collaboration for the Domestic Resource Mobilization (DRM). The global economic outlook has been improving, supported by strong fiscal and monetary policies in many countries. However, the COVID pandemic has had big negative impacts on our fiscal positions. Asia-Pacific developing countries are no exception. Even before the Covid outbreak, many Asia-Pacific developing countries have had relatively low tax revenue to GDP ratios. This means Domestic Resource Mobilization or DRM is particularly important for Asia-Pacific counties.
- To achieve the DRM, knowledge-sharing and peer-learning at gatherings like this is of great value. Also, technical assistance provided by multilateral channels, including the TADAT and RMTF (Revenue Mobilization Thematic Fund), should be

helpful, I believe.

- I would like to stress that these supports are most effective when provided in a coordinated manner.
- As a regional framework for Asia and the Pacific, let me also refer to the Asia Pacific Tax Hub, which was established last month by the ADB. I strongly expect the newly established Hub will play a key role to maximize DRM efforts and facilitate cooperation in the Asia-Pacific region, through strategic dialogue, knowledge sharing and cooperative TA delivery.
- At a global scale, the Platform for Collaboration on Tax (PCT), has also been serving as a great enabler to enhance coordination among development partners. This platform has been successful under the G20 mandate with numerous track records to promote the DRM. In this regard, the PCT sets the Medium-Term Revenue Strategies (MTRS), as a key work stream to provide common basis for a comprehensive, multi-year tax system reform. I am confident that the MTRS will help align and coordinate a variety of external support under the same umbrella of the government-led reform effort. It is encouraging to know that some Asian countries have already been developing and implementing the MTRS.

(3) Tax design for a sustainable and equal society

- Third, tax design for a sustainable and equal society. The pandemic has had a great impact on our lifestyle and values. For example, a green recovery has become key to ensuring a

sustainable and resilient return to growth in the Post-COVID world. In addition, as the pandemic has had undesirable impact on gender equality, it is urgent to formulate policies that are not gender-blind. Against this backdrop, there are various ways in which tax reform can contribute to responding to these issues.

- For instance, Japan is discussing carbon pricing, including carbon tax, as one of the many policy tools to tackle climate change. In addition, there could be multiple approaches, such as introducing or raising fuel taxes, Feed-in Tariff system for renewable energies, and stricter regulation on energy savings. So, it is now necessary to better understand the pros and cons of these potential options. Most importantly, given the risk of carbon leakage, global carbon-neutral society cannot be achieved without close international coordination, which of course involves the participation of developing countries.
- Additionally, I would like to point out that Japan highly appreciate our development partners' huge efforts to remove explicit and implicit gender biases that exist in the tax systems. Sharing country experiences and empirical work at this event would help deepen your understanding on this relatively newly emerging topic.

Conclusion

- Let me conclude by expressing my high expectations for you all to have deep and candid discussions at this conference.

- Through this three-day conference, I hope you will not only obtain practical knowledge, but also construct human networks and re-affirm the importance of multilateralism, in spite of the constraints of virtual meeting.
- Thank you very much for your kind attention.