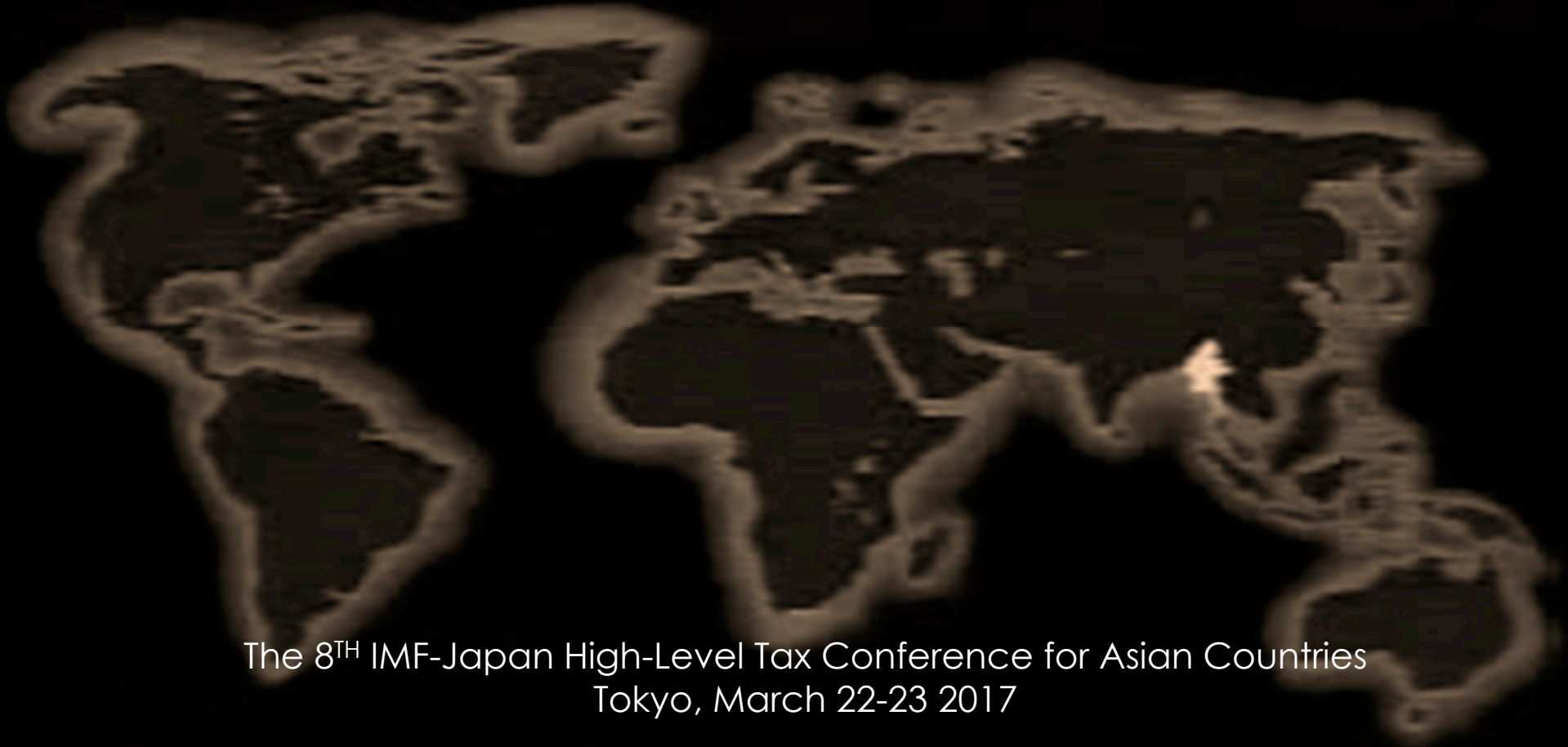


MYANMAR TAX SYSTEM REFORM



The 8TH IMF-Japan High-Level Tax Conference for Asian Countries
Tokyo, March 22-23 2017

The Union of Myanmar

The Land

The largest country on the main land of South East Asia

Capital : Nay Pyi Taw

Total land area

676,577 sq. km (216,228 sq. miles)

Total coastal line

2,832 km

Neighboring countries:

Bangladesh, India, China, Laos, Thailand

Population

➤ 51 millions

Religion

➤ Buddhism (89.3%), Christians (5.6%), Islam (3.8%), Hindus (0.5%), Animism (0.5%)



Road to Reform History

► Myanmar Background:

- Isolated since 1962 – largely ruled by Military Government since then.
- Some reforms started in 1988 – moved from a socialist to a market economy.
- First semi-democratic elections in 2011. Significant Reform program commenced.
- First contested semi democratic elections 2015. Daw Aung San Suu Kyi's party elected.
- Economy has been opened up to foreign investment. Overseas investors will expect to deal with a modern tax administration.
- Drive for reform will strengthen across political, economic, social and administrative areas.
- IRD face many challenges going forward.

Background - IRD

Tax administration in Myanmar is characterized by:

- ▶ Low capacity in the tax administration
- ▶ Low levels of compliance in the community
- ▶ Outdated systems, processes, procedures and approaches.
- ▶ Seriously inadequate IT infrastructure and systems
- ▶ Outdated and unclear taxation policies and Legislation.
- ▶ High levels of corruption.
- ▶ Tax to GDP Ratio is currently 7.8% (almost 3 times below what it should be).
- ▶ Cost of collection is 0.3% (almost 8 times below most other countries)
- ▶ Foreign investor expectations of IRD are high.

We need to reform our tax system as a matter of urgency.

Reform Program

- Reform Program commenced in 2012 with an IMF Mission.
- This set out a very ambitious reform agenda.
- Adviser assistance from IMF, OTA and World Bank commenced in late 2014.
- Resident Advisers from IMF and OTA were in place from mid 2014.
- A plan was formulated to encapsulate all aspects of the Reform Program.
- To guide us a Strategic Plan has been developed – strong base from which to build IRD.

Strategic Plan Outcomes/Goals of Reform

➤ *Maximize revenue*

- Revenue collection is maximized over time and within the law.

➤ *Broaden the tax base*

- All those who should be in the tax system, are in the tax system. Indirect taxes in the form of VAT are a feature of the tax system. Systems and processes are aligned to ensure all taxpayers are treated equally and information is available. Enforcement activity is targeted at those who choose not to comply.

➤ *Maintain and improve compliance*

- Taxpayers understand their obligations and comply voluntarily.

➤ *Modernize Tax administration*

- The organization is modern, utilizes technology and international best practice in tax administration is applied and tailored for the needs of Myanmar.

Vision **(What we are striving for)**

“We will be a modern organization that acts with integrity and is recognized Internationally as a highly effective tax administration.”

Mission **(IRD's Purpose – why we exist)**

“To make taxpayers willingly pay tax as good citizens, by delivering quality service in order to maximize revenue for the prosperity of the people”

Values

(The way we will operate)

- *Professionalism*
- *Integrity*
- *Collaboration*
- *Service Delivery*
- *Valuing people*
- *Commitment*

Reform Objectives

We have eight streams of work – these are based on our objectives.

1. Develop enabling legislation
2. Re-organise IRD to enable improved efficiency and effectiveness
3. Modernise Assessment Processes
4. Introduce Technology and reliable IT infrastructure
5. Develop Service and Enforcement programs and capability
6. Develop our people capability and capacity
7. Establish a governance framework
8. Increase transparency and accountability.

Management of Reforms

- ▶ The reforms are significant and we have developed a Governance Framework which is operational.
- ▶ This enables us to lead, monitor and direct the reforms and make decisions quickly.
- ▶ We have established a Tax Reform Program Management Unit (TRPMU) – oversee the reforms. This has been in operation since April 2014. Soon to be a full Directorate.
- ▶ Steering Committee Chaired by the DG in place and meeting monthly.
- ▶ Each Project reports monthly to the Steering Committee on their progress.



Achievements of LTO

- ▶ Capacity and integrity
- ▶ some improvement in compliance.
- ▶ Almost 100 percent of large taxpayers submitted their 2015/2016 annual returns on time.
- ▶ Revenue self-assessed by large taxpayers increased in 2015/2016 compared to 2014/2015 and LTO continues to show growth in revenue payments received month to month compared to last year.
- ▶ Large taxpayers are requesting advice from IRD and LTO in greater numbers.

Challenges Ahead

- Building capacity from such a low base.
- Changing the mindset of taxpayers and citizens about taxation.
- IRD staff don't want to change.
- Significant issues with corruption.
- Moving forward at a pace IRD staff can manage. Risk of organizational fatigue.
- Educating taxpayers on obligations.
- Developing Audit capability.
- Determining correct resource requirements.
- Obtaining Government support especially funding.
- Meeting expectations of Government for increased revenue at a time of considerable change.
- Embedding Reforms into day to day business.



Thank you

INTERNAL REVENUE DEPARTMENT