

# **For More Efficient Tax Administration in Asia**

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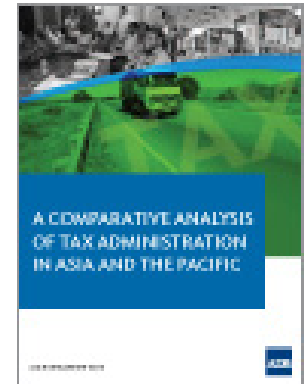
# Good tax policies need good tax administration

- New wine breaks old bottles; put new wine into new bottles (Matthew 9:17).



# Comparative Analysis of Tax Administration in Asia and the Pacific

- ADB published *A Comparative Analysis of Tax Administration in Asia and the Pacific* on 11 April 2014, which has analyzed the functions and performance of 22 tax administration bodies in Asia-Pacific.
- <http://www.adb.org/publications/comparative-analysis-tax-administration-asia-and-pacific>



# Key areas for tax administration in Asia

- 1) Institutional arrangements – autonomy of tax administration bodies
- 2) Adequate human resources
- 3) Internal organizational design for effective enforcement
- 4) Arrears collection
- 5) Use of information and communication technology

# 1-1. Delegated authority of tax administration bodies (1)

- To what extent is authority delegated to tax administration bodies in Southeast Asia re organization design, budget and human resource management?

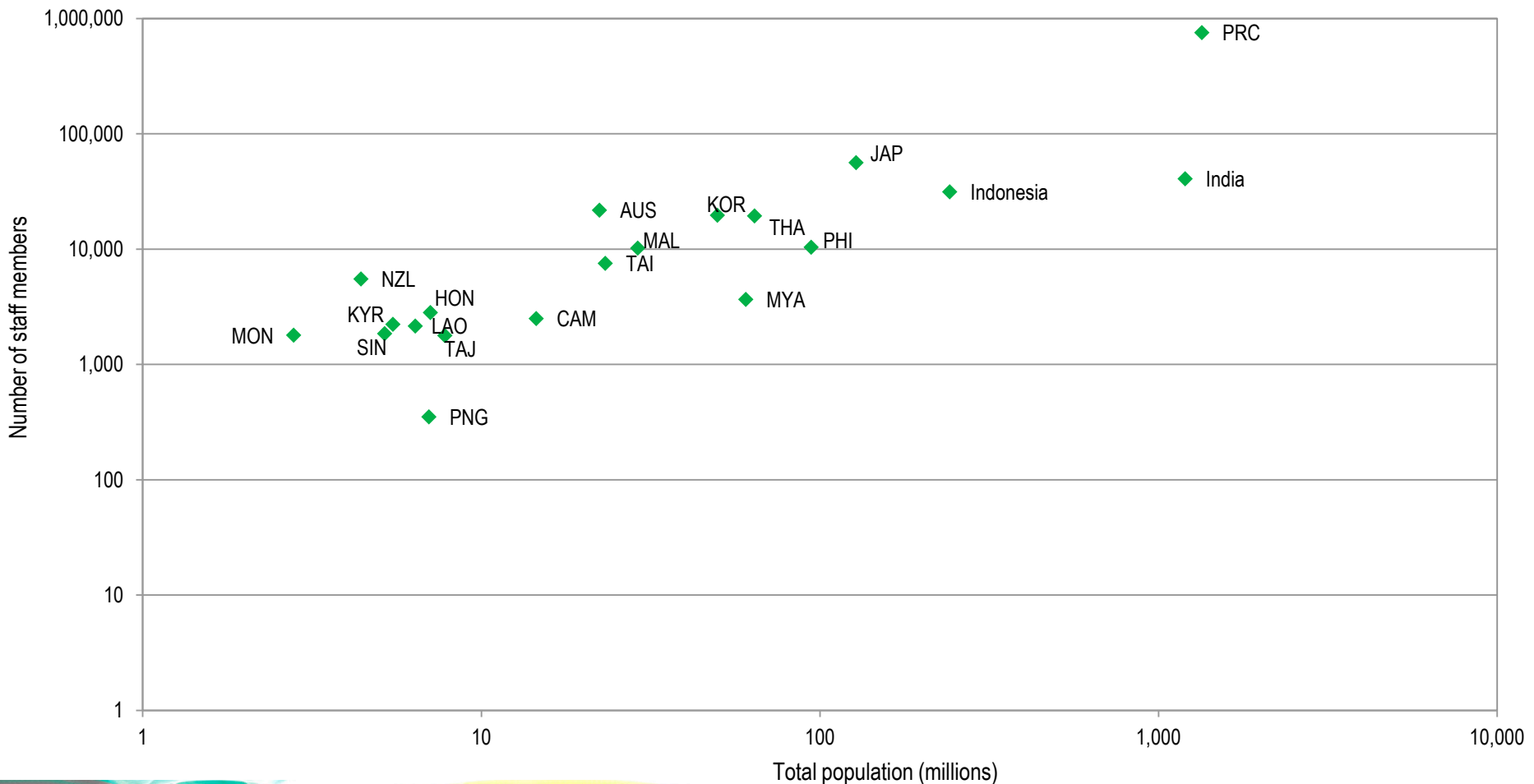
Country	Design Internal Organization	Allocate Budget	Set levels and mix of staff	Negotiate staff pay levels
Brunei	No	No	No	No
Cambodia	No	No	No	No
Indonesia	No	No	Yes	No
Lao PDR	Yes	Yes	Yes	No
Malaysia	Yes	Yes	No	Yes
Myanmar	No	No	No	No
Philippines	Yes	Yes	Yes	No
Singapore	Yes	Yes	Yes	Yes
Thailand	Yes	Yes	Yes	No

# 1-2. Delegated authority of tax administration bodies (2)

- Singapore (as well as Australia, New Zealand and Papua New Guinea) has the most autonomous tax administration bodies with autonomy in human resource management, budget and internal organization.
- While tax administration bodies classified as a directorate within the MoF, such as those in Brunei Darussalam, Cambodia, Myanmar and Taipei, China, tend to have limited autonomy.

# 2-1. Human Resource Management

Total Population and Number of Staff Members in Tax Administration, 2011





## 2-2. Human Resource Management (2)

- Some revenue bodies, such as in Cambodia, India, Indonesia, the Philippines, and Myanmar, seem to be understaffed in proportion to the size of their populations.
- Tax administration bodies in Indonesia and the Philippines plan to increase the number of staff significantly.
- The capacity and quality of each tax official is also to be enhanced through appropriate education and training system.



# 3-1. Internal Organizational Design for Effective Enforcement (1)

- Large taxpayer unit enhances effective tax collection.
- More critical for developing countries due to (1) a weaker self-assessment system by individuals and (2) a relatively lower volume of middle-sized enterprises.

Reference: Keen, Michael. 2012. *Taxation and Development – Again*. IMF, Washington, D.C.

## 3-2. Internal Organizational Design for Effective Enforcement (2)

- Many of tax administration bodies in Asia and the Pacific already have a Large Taxpayer Unit (LTU).
- Some countries still without a LTU such as Myanmar and Papua New Guinea are considering a possibility to launch a LTU.
- A small number of revenue bodies also have a unit specializing in high net worth individuals (HNWIs).

# 4-1. Arrears Collection (1)

Tax debt outstanding as a share of net revenue collection and debt collected as a share of total debt collectable

Jurisdiction	Yea-end debt outstanding as share of net revenue collections in 2011 (%)	Debt collected as share of total debt collectable in 2011 (%)
Australia	5.2%	45.5%
PRC	n.a.	17.8%
Hong Kong, China	4.9%	n.a.
India	26%	n.a.
Japan	3.7%	32.9%
Korea	3%	37.9%
Malaysia	10.3%	36.0%
Mongolia	19.9%	n.a.
New Zealand	8%	23.3%
Philippines	6.5%	21.8%
Singapore	1.7%	n.a.
Taipei, China	11.5%	n.a.
Thailand	6.8%	8.9%

## 4-2. Arrears Collection (2)

- The percentage of total tax debt (arrears) outstanding at the end of year in net tax revenue collections records less than 10% in all the four OECD member countries in Asia-Pacific, i.e. Australia, Japan, Korea and New Zealand, out of 17 jurisdictions.
- Tax debt collected during a year as a share of total debt collectable records more than 30% in all the four OECD member countries in Asia-Pacific.

# 5-1. Information and Communication Technology (1)

Use of electronic filing in 2011 by tax items

Jurisdiction	Personal Income Tax (% of returns e-filed)	Corporate Income Tax (% of returns e-filed)	Value-added tax (% of returns e-filed)
Australia	92%	92%	54%
Hong Kong, China	14%	<1%	n.app.
India	26%	100%	n.app.
Japan	44%	58%	53% (corporations)
Korea	87%	97%	79%
Kyrgyz Republic	0.6%	3%	37%
Malaysia	69%	49%	n.app.
Mongolia	n.a.	76%	96%
New Zealand	71%	80%	28%
Philippines	0.3%	6%	7%
Singapore	96%	63%	100%
Taipei, China	82%	98%	94%
Thailand	45%	10%	14%

Sources: ADB, Organisation for Economic Co-operation and Development.

## 5-2. Information and Communication Technology (2)

- Availability and penetration rates of electronic filing systems vary.
- Australia, India, Korea, Mongolia, Singapore and Taipei, China record more than 90% for the use of electronic filing in some of tax items.
- In some countries such as Kyrgyz Republic and the Philippines, usage is still limited.
- Possible reasons include the limited availability of internet access, the high cost of digital signature, and the lack of interface between e-filing and e-payment systems.
- Social media platforms such as Facebook, Twitter and YouTube as effective tools for communications with taxpayers.

# For enhancing tax administration capacity in Asia

- A well functioning tax administration is key to mobilizing domestic resources in developing countries.
- Weak tax administrations as a key challenge facing developing countries.
- Knowledge and comparative information in tax administration capacity in Asia was extremely limited.

**Thank you very much.**