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A COMPARATIVE ANALYSIS OF TAX ADMINISTRATION IN ASIA AND THE PACIFIC

2018 EDITION

JULY 2018

ASIAN DEVELOPMENT BANK

ADB

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Acknowledgments

This comparative analysis report, the third in the series, is part of an Asian Development Bank (ADB) regional capacity development technical assistance project for Strengthening Tax Policy and Administration Capacity to Mobilize Domestic Resources, which was approved in November 2016, with funding provided by the Japan Fund for Poverty Reduction.

The initial edition of this report was published by ADB in April 2014, covering fiscal year performance-related data to end of 2011 for national revenue bodies in 22 economies in Asia and the Pacific. A second edition was published in 2016, including similar data for 21 economies up to end of 2013. For both editions, ADB was supported by the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development (OECD) through the provision of survey data from revenue bodies that form part of its Tax Administration Series and that are also included in ADB's report.

Throughout 2015, the OECD collaborated with the Inter-American Centre of Tax Administrations, the International Monetary Fund (IMF), and the Intra-European Organisation of Tax Administrations to develop a common survey framework—the International Survey on Revenue Administration. This new survey framework standardized terminology and requirements for capturing global tax administration performance information. Survey data was captured using the IMF's Revenue Administration Information Tool.

For this series, ADB adopted the International Survey on Revenue Administrations survey instrument, although a small number of questions were removed to ease the reporting burden of participating revenue bodies and to encourage participation from a larger number of revenue bodies in ADB member economies. As a result, the report provides comparative data from revenue bodies in 28 economies in Asia and the Pacific.

The authors wish to thank the Centre for Tax Policy and Administration of the OECD and the Fiscal Affairs Department of the IMF for assisting the completion of this series by sharing survey data from a number of economies that are included in the OECD comparative information series, Tax Administration 2017, and/or captured by the IMF's Revenue Administration Fiscal Information Tool. These economies are Australia; Hong Kong, China; India; Indonesia; Japan; Malaysia; Maldives; Myanmar; New Zealand; Papua New Guinea; the People's Republic of China; the Republic of Korea; and Singapore.

ADB also acknowledges the cooperation and assistance from revenue bodies in Afghanistan; Bangladesh; Bhutan; Brunei Darussalam; Cambodia; the Kyrgyz Republic; the Lao People's Democratic Republic; Kazakhstan; Mongolia; Nepal; the Philippines; Taipei,China; Tajikistan; Thailand; and Viet Nam.

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Abbreviations

ADB	–	Asian Development Bank
AEOI	–	automatic exchange of information
ATO	–	Australian Taxation Office
BEPS	–	base erosion and profit shifting
BIR	–	Bureau of Internal Revenue (Philippines)
CAA	–	Competent Authority Agreement (OECD)
CIT	–	corporate income tax
COTS	–	commercial off-the-shelf
CRS	–	Common Reporting Standard (OECD)
DGT	–	Directorate General of Taxes (Indonesia's Ministry of Finance)
EC	–	European Commission
ESCAP	–	Economic Commission for Asia and the Pacific
EU	–	European Union
FTA	–	Forum on Tax Administration (OECD)
FTE	–	full-time equivalent (i.e., with respect to annual usage of staff)
G20	–	Group of Twenty
GDP	–	gross domestic product
GDT	–	General Directorate of Taxes (Cambodia)
GST	–	goods and services tax
HRM	–	human resource management
IBFD	–	International Bureau of Fiscal Documentation
ICT	–	information and communication technology
IMF	–	International Monetary Fund
IRBM	–	Inland Revenue Board of Malaysia
IR	–	Inland Revenue (New Zealand)
IRAS	–	Inland Revenue Authority of Singapore
IRC	–	Internal Revenue Commission (Papua New Guinea)

IT	–	information technology
Lao PDR	–	Lao People's Democratic Republic
LTO	–	large taxpayer office
LTU	–	large taxpayer unit
MDMOF	–	multiple directorates within the Ministry of Finance
MIRA	–	Maldives Internal Revenue Authority
MOF	–	Ministry of Finance
NBR	–	National Board of Revenue (Bangladesh)
NTA	–	National Tax Agency (Japan)
NTS	–	National Tax Service (Republic of Korea)
NZIR	–	New Zealand Inland Revenue
OECD	–	Organisation for Economic Co-operation and Development
PAYE	–	pay as you earn
PIT	–	personal income tax
PNG	–	Papua New Guinea
PRC	–	People's Republic of China
RMCD	–	Royal Malaysian Customs Department
SARA	–	semiautonomous revenue authority
SAT	–	State Administration of Taxation (People's Republic of China)
SDMOF	–	single directorate within the Ministry of Finance
SMEs	–	small and medium-sized enterprises
SSC	–	social security contribution
TADAT	–	Tax Administration Diagnostic Assessment Tool (IMF)
TIN	–	taxpayer identification number
UN	–	United Nations
USB	–	unified semiautonomous body (within the Ministry of Finance)
USBB	–	unified semiautonomous body with a management/oversight board
VAT	–	value-added tax
VRR	–	VAT revenue ratio

Executive Summary

This third edition of the Asian Development Bank's comparative series on tax administration analyzes the administrative frameworks, operations, and performance of revenue bodies in 28 economies in Asia and the Pacific. Most of these economies have developing or emerging economy status and, in almost one-third, the overall tax to gross domestic product (GDP) ratio in 2015 was below 15%, now widely regarded as the minimum level required for sustainable development in the absence of other sources of government revenue.

The United Nations Sustainable Development Goals set ambitious goals for most of the economies covered by this series. Central to the achievement of many of these goals is the establishment of modern, robust, and effective arrangements for the collection of taxes, particularly at the national level where the bulk of tax revenue is collected. It is only through building such arrangements can governments generate the overall level of resources needed to create a sustainable economy.

This series provides an extensive array of information gathered through surveys and research that enables high-level comparative analyses of tax administration in the 28 economies. The following are important observations and conclusions emerging from the analyses:

Tax Ratios, Productivity, and Reforms

- Drawing on the data gathered for this series, the average tax/GDP (%) for the 28 economies covered by this series was 17.3% in 2015, just over half the average tax burden of the Organisation for Economic Co-operation and Development (OECD) economies (i.e., 34.0%). Significantly, only seven economies (i.e., Australia, Cambodia, Japan, Myanmar, Nepal, the People's Republic of China, and the Philippines) show consistent year-on-year growth in overall tax revenue collections (% of GDP) in the 5 years up to 2015. For a few economies (e.g., Kazakhstan and Mongolia), tax collections were impacted significantly in the period reviewed by weak commodity prices.
- As evident from examples in the series, the rate of tax productivity of the main taxes varies enormously across the region for some countries impacted by policy choices (e.g., concessions and thresholds) that reduce the amount of tax revenue that might otherwise be collected. While this series focuses on aspects of tax administration, domestic resource mobilization inevitably requires a holistic approach—better tax policy and more effective tax administration. The series also highlights examples drawn from International Monetary Fund reports of tax policy enhancements that were under examination in 2017 and early 2018.

Institutions, Organization, and Governance

- In line with international best practice, the vast majority of economies have established a single or unified national revenue body, administering both direct and indirect taxes and, in most cases, organized along functional lines and with a dedicated large taxpayer division. However, in a number of economies, the institutional and organizational setups could be made more effective through greater integration of functional activities across taxes.
- Many revenue bodies lack the level of autonomy needed to become fully effective organizations, particularly in relation to aspects of budget and human resource management; at the same time, there are examples of economies within the region (i.e., Malaysia, Maldives, and Singapore) where respective governments have established the revenue body as a largely autonomous institution in return for greater accountability, and which appear to be performing to high standards based on performance-related data set out in the series.
- There is scope for many revenue bodies to improve the comprehensiveness and/or transparency of their strategic and annual business plans, and accounting for their performance systematically against key goals and objectives.

Tax Compliance

- Effective compliance risk management processes are an integral part of a revenue body's strategy for improving taxpayers' compliance, particularly in an environment of increasing demands for revenue, constant changes, and increasing globalization. While most revenue bodies report having a formal compliance risk management process, relatively very few publicly report on how this critical area of tax administration is conducted.
- Against a comprehensive menu, the compliance risk areas most frequently reported by revenue bodies were (i) aggressive tax avoidance, (ii) value-added tax fraud schemes and practices, (iii) base erosion and profit shifting, and (iv) the shadow economy. This high-level ranking of major risks is identical to that reported by the OECD in its comparative series Tax Administration 2017 of 55 economies.
- A number of these major compliance risks fall within a category of international avoidance and evasion practices that are currently the subject of Group of Twenty (G20)-supported global collaborative efforts: (i) implementation of the OECD's Common Reporting Standard by the Global Forum on Transparency and Exchange of Information and (ii) the OECD's Base Erosion and Profit Shifting Project and its inclusive framework to guide the development and implementation of Base Erosion and Profit Shifting recommendations. These global initiatives have major implications for the region, and it is critical that all economies participate in these collaborative efforts to the fullest extent practicable. According to the most recently available information, around one-third of economies covered by this series are yet to engage with these global efforts.

- Globally, and particularly in some advanced economies (e.g., Australia), there is a growing practice among national revenue bodies to conduct programs of tax gap research. These programs seek to establish a likely order of magnitude of overall revenue leakage for each tax researched and, depending on the methodologies used, the nature of this revenue leakage. The findings from this research, where conducted in some developing and emerging economies including in Asia, often indicate an overall revenue leakage for a tax (e.g., the value-added tax) in the region of 30%–50%, which demonstrates the significant scope for improved performance.

Managing Human Resources

- As emphasized in Chapter V, the complex and rapidly changing environment in which revenue bodies must operate dictates the need for a strong organizational capacity for innovation and reform implementation and a highly motivated and engaged workforce. The series highlights areas where human resource management practices can be strengthened in many revenue bodies; for example, through greater levels of autonomy, more flexible and incentive-based remuneration policies and practices, and more effective performance management processes.
- The series cites examples from a few economies (i.e., Australia, Cambodia, and Indonesia) where revenue bodies have identified human resource management enhancements as critical elements of their strategic approach to improving tax administration, setting out clear objectives, and enabling tasks and reporting on their progress in achieving the objectives set.

Modern Tax Collection Systems and Processes

- Importantly, just about all revenue bodies report having a formal strategy to improve service delivery, with objectives most often related to reducing taxpayers' compliance burden, improving taxpayers' certainty with the laws application and their overall satisfaction with the services delivered, and reducing operational costs.
- Developments concerning the promotion and use of a wide range of electronic services (e.g., provision of information and tools via the internet and capabilities for online transactions) appear uneven across economies, and there are opportunities for many revenue bodies to make inroads in this area of service delivery.
- Considerable progress has been made with the use of electronic filing of tax returns for major taxes by a number of developing and emerging economies (e.g., India; Kazakhstan; Malaysia; Mongolia; Nepal; Singapore; and Taipei,China). However, for quite a few other developing economies (e.g., Cambodia; Hong Kong, China; Indonesia; the Kyrgyz Republic; Papua New Guinea; and the Philippines), little progress has been made or these services are yet to be offered.
- Gaps in the reporting of performance-related data for 2015 by many revenue bodies suggest weaknesses in the management of information systems used to monitor operational performance (e.g., debt collection). Remedial action should have a high priority unless already taken.

Resources

- Using a variety of comparative measures, the series demonstrates that the resources invested in overall tax administration operations in many developing economies, especially for staffing, are at extremely low levels (e.g., in Bangladesh, Cambodia, and Nepal). While this situation is, in part, understandable given the overall resource limits of their respective governments, increasing resources in tax administration and their careful deployment should be viewed as a strategic investment where the potential revenue return can far exceed the funds invested. The series cites examples of developing economies that have made significant injections of additional staff resources in 2014 and 2015 to expand their capacity to deliver basic tax administration operations (e.g., Cambodia, Indonesia, Maldives, and Papua New Guinea).
- Data reported on staff usage across key tax administration functions (e.g., taxpayer services, verification, and tax debts) reveal significant variations across revenue bodies that are likely to result from a variety of factors (e.g., differences in levels of automation and taxpayers' compliance, overall resource limitations, and/or poor resource management practices). Functional resource allocations should be the by-product of a systematic approach conducted as part of the budget cycle that aligns resource allocations with organizational objectives and priorities.
- Revenue bodies contemplating major upgrades of their information technology systems for tax administration operations (e.g., registration, taxpayer accounting, and case management) should give careful consideration to the acquisition of commercial off-the-shelf packages, given their growing use by revenue bodies, including a number in advanced economies (e.g., New Zealand).

I. Introduction

This report, the third in this series, analyzes the administrative frameworks, functions, and performance of revenue bodies in selected economies in Asia and the Pacific. The analysis and practical guidance provided in the report are based on surveys of revenue bodies conducted in 2016 and 2017, along with accompanying research of revenue bodies' corporate documents, and guidance and diagnostic materials published by international organizations that seek to promote improvements in tax administration (e.g., the European Commission, the International Monetary Fund, and the Organisation for Economic Co-operation and Development [OECD]).

National revenue bodies from 28 economies in Asia and the Pacific are included in the study, although not all were featured in prior editions of the series. The economies are Afghanistan; Australia; Bangladesh; Bhutan; Brunei Darussalam; Cambodia; Hong Kong, China; India; Indonesia; Japan; Kazakhstan; the Kyrgyz Republic; the Lao People's Democratic Republic (Lao PDR); Malaysia; Maldives; Mongolia; Myanmar; Nepal; New Zealand; Papua New Guinea; the Philippines; the People's Republic of China (PRC); the Republic of Korea; Singapore; Taipei,China; Tajikistan; Thailand; and Viet Nam.

The objective of the series is to help revenue bodies and governments identify opportunities for enhancing the operation of their tax systems by sharing internationally comparable data on aspects of tax systems and their administration. However, considerable care needs be taken with international comparisons of tax administration setups and performance-related data. The functioning of tax systems is influenced by many factors, including the size and composition of the tax base; tax reforms; the level of economic development; the structure and openness of economies; business cycle fluctuations; and the rate of political, economic, and social development. All of these factors and others are likely to be relevant to varying degrees to the information presented in this series, particularly as it includes a mix of advanced, emerging, and developing economies. An array of demographic, economic, and social indicators to inform readers on the level of development of the economies reported in this series is set out in Tables A4–A6 of the Appendix.

II. Tax Revenues and Tax Structures

An important consideration in understanding the administrative frameworks, functions, and performance of national revenue bodies is the size and mix of the taxes that they are required to administer. This chapter provides internationally comparable data and analyses for economies included in the series of aggregate tax collections, and how their respective tax systems are structured.

A. Tax System Revenue Collections

1. Tax Ratios

Information on aggregate net tax revenue collections, often expressed in terms of a country's tax ratio or tax burden, is typically presented for cross-country comparative purposes as a percentage share of gross domestic product (GDP). In practice, most tax revenue is collected by the national revenue body, although the relative proportion of tax collected by national and subnational tax bodies can vary significantly from economy to economy due to a variety of factors. The aggregate tax revenue data displayed is for all levels of government, unless otherwise indicated.

For the purpose of presenting internationally comparable data on tax revenues for all levels of government, this series generally follows the definition of taxes of the OECD:[1]

> In the OECD classification, the term "taxes" is confined to compulsory, unrequited payments to general government. Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments. The term "tax" does not include fines loans and compulsory loans paid to government.

Applying this definition, regimes of social security contributions (SSCs) that have been established by governments in many developed economies, including a number covered by this series, are generally regarded as a tax and form part of a country's computed tax ratio or tax burden.

It is also important to recognize that the tax ratios computed for each economy rely as much on the denominator (i.e., GDP) as the numerator (i.e., net revenue collected), and that the denominator is subject to periodic revision by the relevant statistical body to take account of updated data and/or the introduction of new methodologies intended to improve the accuracy and exhaustiveness of national accounts aggregates.

[1] OECD. 2017. *Revenue Statistics in Asian Countries*. Paris. p. 80.

It should be noted that, for some economies, including a number covered by this series, governments have access to significant nontax revenues (e.g., sales of oil, minerals, and real property, and investment income) that lessen the need for reliance on tax revenues to fund government programs and services.

Key Observations and Findings

Data collected on tax ratios for economies included in the series are set out in Tables 1–3 and depicted in Figures 1–2. Key observations include the following:

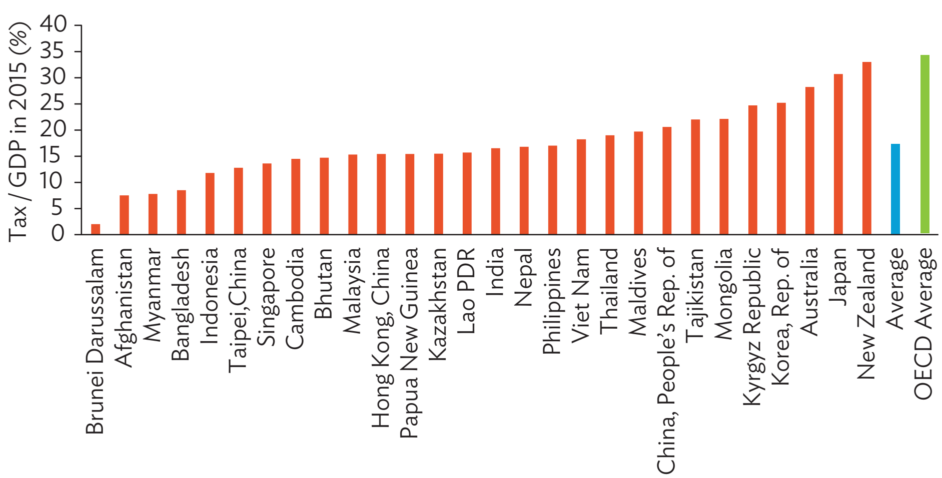
(i) The tax ratios of economies covered by the series vary enormously, reflecting a mix of a few high-income or OECD economies, large and rapidly growing developing economies such as the PRC, India, and Viet Nam, and a number of newly emerging economies, as well as the fact that governments in a few economies have access to significant streams of non-taxation revenue that reduce their dependency on taxation (Figure 1).

(ii) Overall, the unweighted measure of the ratio of average tax to GDP (average tax/GDP) for fiscal year 2015 was 17.3%, significantly below the OECD average tax burden of 34.0%. Also of note is the decline of the ratio over the years displayed, in direct contrast to the modest upward trend observed for OECD economies (Table 1).

(iii) For fiscal year 2015, two economies (i.e., Japan and New Zealand) had a tax/GDP ratio in excess of 30%, while in eight of the 28 economies covered by the series, the tax ratio was below 15%, widely considered by international bodies to be the minimum level required for sustainable development (Figure 1).

(iv) Over the 5-year period 2011–2015 only two economies, including five developing and/or emerging economies (i.e., Cambodia, Myanmar, Nepal, the Philippines, and the PRC), experienced consistent year-on-year growth in their tax ratios (Figure 2).

Figure 1: Tax Ratios, 2015



GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, OECD = Organisation for Economic Co-operation and Development.

Sources: OECD. 2017. *Revenue Statistics in Asian Countries 2017*. Paris; OECD. 2017. *Revenue Statistics 1965–2016*. Paris; and 2017 International Monetary Fund Article IV reports. Washington, DC.

Table 1: Tax Revenue Collections, 2011–2016 (all levels of government)

	Tax Revenues (% of GDP)					
Region/Member	2011	2012	2013	2014	2015	2016 (projected)
Central and West Asia						
Afghanistan	...	...	6.9	6.7	7.5	7.9
Kazakhstan	24.5	23.9	22.6	21.1	15.5	15.6
Kyrgyz Republic	23.1	25.5	26.3	26.1	24.7	26.8
Tajikistan	19.4	19.8	21	22.8	22.0	20.6
East Asia						
China, People's Republic of	19	19.4	19.5	20	20.6	...
Hong Kong, China	13.6	14.1	13.6	13.3	15.4	14.3
Japan	28.6	28.2	28.9	30.3	30.7	...
Korea, Republic of	24.2	24.8	24.3	24.6	25.2	26.3
Mongolia	29.7	25.7	26.8	23.4	22.1	20.6
Taipei,China	12.3	12.2	12	12.3	12.8	...
Pacific						
Australia	26.3	27.1	27.3	27.6	28.2	...
New Zealand	30.4	32.1	31.1	32.4	33.0	32.1
Papua New Guinea	...	20.7	20.1	20.2	15.4	14.3
South Asia						
Bangladesh	8.7	9.0	9	8.6	8.5	8.8
Bhutan	13.7	15.8	15.2	14.4	14.7	13.2
India	16.1	16.1	17.1	16.4	16.5	17.6
Maldives	...	...	...	18.9	19.7	20.2
Nepal	13.0	13.9	15.3	15.9	16.8	18.7
Southeast Asia						
Brunei Darussalam	...	1.7	2.5	1.8	2	...
Cambodia	10.2	11.3	11.8	13.8	14.5	15.3
Indonesia	12.2	12.5	12.5	12.2	11.8	12.2
Lao PDR	14.7	15.5	15.8	15.7	15.7	15.2
Malaysia	15.8	16.6	16.3	15.9	15.3	13.6
Myanmar	...	3.9	6.3	7.3	7.8	7.5
Philippines	15.1	15.8	16.2	16.7	17	16.9
Singapore	13.3	13.9	13.5	13.9	13.6	14.3
Thailand	19.7	18.4	19.1	18.3	19.1	19.1
Viet Nam	22.3	19	19.1	18.2	18.0	17.9
Average	18.5	17.6	17.4	17.5	17.3	...
OECD average	33.0	33.3	33.6	33.9	34.0	34.3

... = data not available at cutoff date, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, OECD = Organisation for Economic Co-operation and Development.

Sources: OECD. 2017. *Revenue Statistics 1965–2017*. Paris; OECD. 2017. *Revenue Statistics in Asian Countries 2017*. Paris; 2017 International Monetary Fund Article IV reports. Washington, DC; Government of Taipei,China, Ministry of Finance. 2017. *Yearbook of Financial Statistics 2016*; and Asian Development Bank survey responses from the Lao People's Democratic Republic Tax Administration Department and Viet Nam's General Department of Taxation.

Table 2: Tax Revenue Collections, 2015 (all levels of government)

Region/Member	Tax Revenues in 2015 (% of GDP) Income and Profits	Social Security	Payroll	Property	Goods and Services	Other Taxes	Total
Central and West Asia							
Afghanistan[a]	2.7	0.0	0.0	0.0	4.3	0.5	7.5
Kazakhstan	6.0	0.6	1.1	0.6	7.2	0.0	15.5
Kyrgyz Republic	5.1	5.6	0.0	0.5	13.5	0.0	24.7
Tajikistan	...	...	...	...	...	...	22.0
East Asia							
China, People's Republic of	...	...	...	...	...	...	20.6
Hong Kong, China	8.6	0.0	0.0	3.3	...	3.5	15.4
Japan	9.6	12.1	0.0	2.5	6.4	0.1	30.7
Korea, Republic of	7.6	6.7	0.0	3.1	7.1	0.6	25.2
Mongolia	5.1	4.4	0.0	...	8.5	4.1	22.1
Taipei,China	5.6	...	...	2.3	4.9	0.0	12.8
Pacific							
Australia	16.0	0.0	1.4	3.0	7.8	0.0	28.2
New Zealand	18.3	0.0	0.0	2.0	12.7	0.0	33.0
Papua New Guinea	10.3	0.0	0.0	...	5.2		15.5
South Asia							
Bangladesh[a]	2.7	0.0	0.0	0.0	5.4	0.4	8.5
Bhutan	9.3	0.0	0.0	0.0	5.4	0.0	14.7
India	...	...	...	...	...	...	16.5
Maldives	4.3	0.0	0.0	0	14.5	0.9	19.7
Nepal	4.1	0.0	0.0	0.4	12.0	0.3	16.8
Southeast Asia							
Brunei Darussalam	2.3	0.0	0.0	0.0	0.0	0.0	2.3
Cambodia	3.4	0.0	0.0	0.0	11.2	0.0	14.6
Indonesia	5.2	...	...	0.3	5.2	1.2	11.9
Lao PDR	3.2	0.0	0.0	...	9.1	3.3	15.7
Malaysia	9.1	0.3	0.0	0.5	4.9	0.4	15.3
Myanmar							7.8
Philippines	6.9	2.4	0.0	0.5	6.6	0.6	17.0
Singapore	6.1	0.0	0.0	1.8	4.3	1.4	13.6
Thailand	7.0	1.2	0.0	...	10.2	0.7	19.1
Viet Nam	5.0	0.0	0.0	0.0	8.6	4.4	18.0
Average (unweighted)	6.9	1.6	0.1	1.0	7.5	0.9	17.0
OECD average (unweighted)	11.5	9.0	0.4	1.9	10.9	0.4	34.0

... = data not available at cutoff date, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, OECD = Organisation for Economic Co-operation and Development.

[a] Revenue for central government only.

Sources: OECD. 2017. *Revenue Statistics 1965–2016.* Paris; OECD. 2017. *Revenue Statistics in Asian Countries 2017.* Paris; 2017 International Monetary Fund Article IV reports. Washington, DC; ADB. 2017. *Key Indicators for Asia and the Pacific 2017.* Manila; and Government of Taipei,China, Ministry of Finance. 2017. *Yearbook of Financial Statistics 2016.*

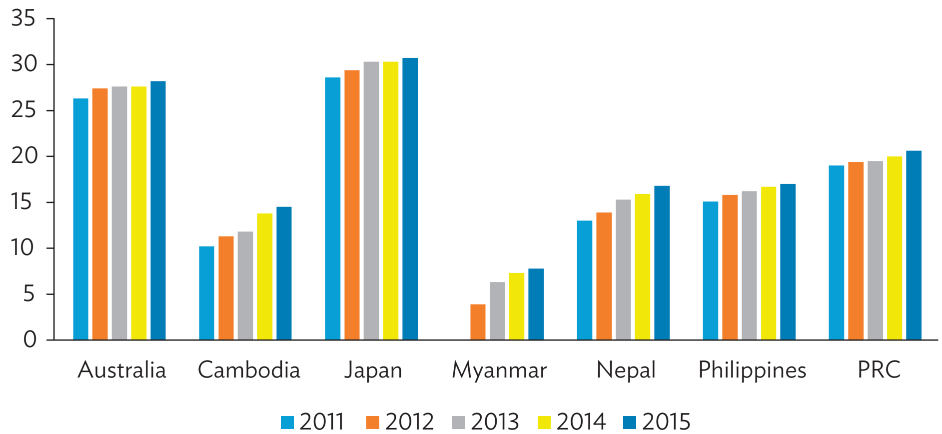
Table 3: Tax Structures, 2015 (all levels of government)

Region/ Member	Structure of Tax Revenue in 2015 (% of total taxation revenue)					
	Taxes on Income and Profits	Social Security	Payroll	Property	Goods and Services	Other Taxes
Central and West Asia						
Afghanistan	36.0	0.0	0.0	0.0	57.3	6.7
Kazakhstan	31.8	3.8	7.3	3.6	46.5	0.0
Kyrgyz Republic	20.6	22.7	0.0	2.0	54.7	0.0
Tajikistan	...	...	...	...	...	...
East Asia						
China, People's Republic of	...	...	...	...	...	...
Hong Kong, China	55.8	0.0	0.0	21.4	...	22.7
Japan	31.2	39.4	0.0	8.2	21.0	0.3
Korea, Republic of	30.3	26.6	0.0	12.4	28.0	2.7
Mongolia	23.1	19.9	0.0	...	34.5	18.5
Taipei,China	44.0	...	...	18.0	38.0	0.0
Pacific						
Australia	56.8	0.0	...	10.7	27.5	5.0
New Zealand	51.9	0.0	0.0	6.1	38.4	3.6
Papua New Guinea	66.5	0.0	0.0	...	33.5	0.0
South Asia						
Bangladesh	31.8	0.0	0.0	0.0	63.5	4.7
Bhutan	63.3	0.0	0.0	0.0	36.7	0.0
India	...	...	...	...	...	...
Maldives	21.8	0.0	0.0	0.0	73.6	4.6
Nepal	24.4	0.0	0.0	2.4	71.4	1.8
Southeast Asia						
Brunei Darussalam	100	0.0	0.0	0.0	0.0	0.0
Cambodia	23.3	0.0	0.0	0.0	76.7	0.0
Indonesia	44.2	0.0	0.0	2.1	44.3	9.3
Lao PDR	20.4	0.0	0.0	...	58.0	21.0
Malaysia	59.6	1.6	0.0	3.6	31.8	3.4
Myanmar	...	...	...	...	...	...
Philippines	40.3	14.0	0.0	2.8	39.1	3.8
Singapore	44.7	0.0	0.0	13.0	31.7	10.6
Thailand	36.6	6.3	0.0	...	53.4	3.7
Viet Nam	27.5	0.0	0.0	0.0	47.4	25.1
Average (unweighted)	41.4	6.0	0.3	4.4	42.1	6.1
OECD average (unweighted)	34.1	25.8	1.1	5.8	32.4	0.8

... = data not available at cut-off date, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, OECD = Organisation for Economic Co-operation and Development.

Sources: OECD. 2017. *Revenue Statistics 1965–2016*. Paris; OECD. 2017. *Revenue Statistics in Asian Countries 2017*. Paris; 2017 International Monetary Fund Article IV reports. Washington, DC; and Government of Taipei,China, Ministry of Finance. 2017. *Yearbook of Financial Statistics 2016*.

Figure 2: Economies with Consistent Year-on-Year Growth in Tax Ratios, 2011–2015



GDP = gross domestic product, PRC = People's Republic of China.

Sources: Organisation for Economic Co-operation and Development (OECD). 2017. *Revenue Statistics in Asian Countries 2017*. Paris; OECD. 2017. *Revenue Statistics 1965–2016*. Paris; and 2017 International Monetary Fund Article IV reports. Washington, DC.

(v) Compared with 2012 where data are available for just about all economies in the series, the tax ratio in 2015 rose in 15 of 25 economies and declined in 10; a particular concern is the lack of growth in a number of heavily populated economies with very low tax ratios (e.g., Bangladesh and Indonesia).

(vi) A number of economies are known to have experienced significant declines in their overall tax ratio in the period 2012–2015 owing to substantial falls in the prices of commodities. These include Kazakhstan, Mongolia, and Papua New Guinea where year-on-year reductions in the tax ratio of over 4% were experienced.

(vii) While data for 2016 are incomplete and rely largely on projections, the outlook for movements in tax ratios was not significantly different from 2015.

(viii) There are economies (i.e., Australia, Brunei Darussalam, Maldives, Myanmar, the PRC, and Singapore) that have access to significant non-taxation revenue streams (i.e., equivalent to 6.0% of GDP or more) from various sources such as sales of oil, gas, and land; profits of state-owned enterprises; and investment income, which reduce their dependency on taxation as a source of government funds.

2. Revenue Productivity

Tax system performance can also be viewed across economies by contrasting the productivity of individual taxes. This series illustrates the use of two revenue productivity ratios—the efficiency ratio often used by the International Monetary Fund (IMF) in its analyses of economies' tax system performance and the value-added tax (VAT) revenue ratio developed by the OECD and reported in its tax revenue statistical publications:[2]

[2] OECD. 2016. *Consumption Tax Trends 2016*. Paris. (pp. 101–103).

(i) **Efficiency ratio.** The efficiency ratio of a tax is calculated by dividing its tax ratio by the statutory (standard) rate of the tax. For example, a VAT with a 10% standard rate of tax that produces tax revenue equivalent to 5.0% of GDP will have an efficiency ratio equal to 0.5. Efficiency ratios are typically calculated for the VAT and the corporate income tax (CIT) where it is normally the practice to have a standard rate of tax, but generally not for the personal income tax (PIT) where the practice of most economies is to have a progressive rate structure.

(ii) **Value-added tax revenue ratio.** The VAT revenue ratio (VRR) measures the difference between the amount of VAT revenue actually collected in respect of a fiscal year and what would theoretically be raised if the VAT was applied at the standard rate to the entire potential tax base in a "pure" VAT regime and all revenue was collected (i.e., with perfect compliance). In general, the maximum value of the VRR is 1, although in particular and rare circumstances its value can exceed 1. A more detailed account of the VRR's computation and its interpretation is in the biennial OECD publication Consumption Tax Trends.

In practice, both the efficiency ratio and VRR of an economy's taxes are impacted by tax policy design choices and administrative factors. Concerning tax policy design and using the VAT as an example, decisions by policy makers to exclude specific items of consumption expenditure from the scope of the VAT and/or to tax specific items at a reduced rate of tax by their very nature reduce the amount of tax that might, otherwise, be collectible. These legislated reductions are often referred to as tax expenditures. On the administration side, revenue productivity is impacted by the incidence of taxpayers' noncompliance—both unreported tax liabilities that are not detected by the revenue body and taxes assessed that go unpaid and are ultimately written off. At the individual tax level, the aggregate amount of tax not collected as a result of noncompliance is often referred to as the tax gap. The topic of the tax gap and its estimation is discussed briefly in Chapter IV.

In addition to their use for cross-country comparisons, both ratios can be applied at the individual country level to gauge the trend of a tax's productivity over time. For example, all other things being equal, a consistent upward trend in either ratio over a period of 3–5 years may be indicative of improved taxpayer compliance and/or reflect the impact of tax policy changes designed to mobilize additional tax revenues.

Key Observations and Findings

It is not possible to provide computations of revenue productivity ratios for all economies covered by this series given difficulties in readily accessing all the data required. Examples of the computations for selected economies are set out in Tables 4–5, while some observations are as follows:

(i) The rate of revenue productivity of both the CIT and VAT systems varies enormously across the selected economies highlighted in Table 4, reflecting differences on policy design choices and levels of tax compliance:

  (a) Revenue productivity for the corporate income tax varies by a factor of around three, ranging from 0.090% in the Lao PDR to 0.271% in Malaysia.

(b) Revenue productivity for the VAT also varies markedly, ranging from 0.183% in the Philippines to over 0.640% in both the Kyrgyz Republic and New Zealand.

(c) VAT revenue productivity is low for Kazakhstan at 0.192 and the Philippines at 0.147. In the case of Kazakhstan, policy choices, including the range of exempt items and the high registration and collection threshold in place, are likely to be contributing factors, although falls in commodity prices are also likely to have had an impact (p. 14 has further comments). For the Philippines, the findings of its revenue body's research to estimate the size and trend of the VAT gap suggest that undetected noncompliance is a significant contributing factor (further comments in Chapter IV).

(ii) Although confined to a small number of economies, the computations of the VRR displayed and its trend over time also draw attention to substantial differences in both the policy design and administrative performance of the respective VAT systems:

(a) New Zealand's very high VRR results from the broadness of its VAT base—generally acknowledged as the broadest of any economy—and the high levels of compliance achieved in practice.

Table 4: Productivity of the Corporate Income Tax and Value-Added Tax in Selected Economies

	Corporate Income Tax				Value-Added Tax			
Economy	Year	Tax/GDP (%)	Standard Rate (%)	Efficiency Ratio	Year	Tax/GDP (%)	Standard Rate (%)	Efficiency Ratio
Australia	2015	4.3	30.0	0.143	2015	3.7	10.0	0.370
Indonesia	2015	2.7	25.0[a]	0.108	2015	3.7[d]	10.0	0.370[d]
Japan	2015	3.8	32.11[b]/2	0.118	2015	4.2	8.0	0.525
Kazakhstan	2015	4.6	20.0	0.230	2015	2.3	12.0	0.192
Korea, Republic of	2015	3.3	24.2[b]/2	0.136	2015	3.8	10.0	0.380
Kyrgyz Republic	2015	2.3	10.0	0.230	2015	7.7	12.0	0.642
Lao PDR	2015	2.1	24.0	0.090	2015	4.4	10.0	0.440
Malaysia[e]	2015	6.5	24.0	0.271	2015	...	6.0	...
Mongolia	2015	3.0	25.0	0.120	2015	4.5	10.0	0.450
Nepal	2015	2.9	20.0, 30.0	...	2015	5.3	13.0	0.408
New Zealand	2015	4.6	28.0	0.146	2015	9.8	15.0	0.647
Philippines	2015	4.3	30.0	0.143	2015	2.2[f]	12.0	0.183
Singapore	2015	3.5	17.0[c]	0.205	2015	2.5	7.0	0.357
Thailand	2015	4.0	20.0[a]	0.200	2015	3.8	7.0	0.554

... = data not available, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, VAT = value-added tax.

[a] Lower rate for small and medium-sized enterprises.
[b] Combined rates of both central and subnational governments.
[c] A threshold applies, below which a lower rate is applicable.
[d] The ratio is overstated as revenue data includes tax on luxury goods.
[e] For Malaysia, VAT was applied only for part of 2015.
[f] For the Philippines, the tax/GDP ratio is incomplete as VAT receipts on imports are not included.

Sources: Organisation for Economic Co-operation and Development (OECD). 2017. *Revenue Statistics in Asian Countries 2017*. Paris; OECD. 2017. *Revenue Statistics 1965–2016*. Paris; and 2017 International Monetary Fund Article IV reports. Washington, DC.

Table 5: Value-Added Tax Revenue Ratio for Selected Economies, 2008–2014

Economy	2008	2009	2010	2011	2012	2013	2014	Variation: 2008–2014
Australia	0.49	0.51	0.50	0.48	0.47	0.50	0.49	0.00
Japan	0.68	0.67	0.69	0.69	0.69	0.71	0.70	0.02
Korea, Republic of	0.63	0.65	0.67	0.67	0.69	0.67	0.69	0.06
New Zealand	0.96	0.97	1.10	0.93	0.94	0.95	0.97	0.01
Philippines	...	...	...	...	...	...	0.47	...
Singapore	...	...	...	...	...	...	0.84	
OECD average (unweighted)	0.57	0.54	0.55	0.55	0.55	0.55	0.56	(0.01)

... = data not available, OECD = Organisation for Economic Co-operation and Development.

Sources: OECD. 2016. *Consumption Tax Trends 2016*. Paris; and OECD. 2017. *Revenue Statistics in Asian Countries 2017*. Paris.

(b) Singapore's high VRR, albeit only displayed for 2014, reflects its broad VAT base and the high levels of compliance achieved.

(c) Australia's consistently low VRR largely reflects the relative narrowness of its VAT base and the lack of substantive policy changes over the period displayed.

(d) At an average of around 0.55 over time, the unweighted ratio for OECD economies is relatively low compared to the reported levels for Japan, New Zealand, and the Republic of Korea.

B. Tax Structures

The term tax structures used in this part refers to the mix of taxes that is relied on for overall government revenue purposes, and the relative amount of revenue each tax contributes to aggregate tax revenue collections, expressed as a percentage of total taxes. Tax structures are impacted by a range of factors that can vary significantly from country to country. These include (i) policy choices regarding the mix of taxes to be adopted; (ii) policy choices concerning whether to establish a separate regime of social security contributions; (iii) the scope of taxing powers of subnational governments, and how those powers are exercised; (iv) access to natural resources, especially oil and gas, as a source of tax revenues; and (v) access to non-taxation sources of revenue (e.g., sales of oil and mineral resources and real property, and investment income).

For presentational and comparative purposes, this series adopts the OECD's classification criteria that allocate tax receipts by the base on which tax is levied: (i) income, profits, and capital gains; (ii) social contributions; (iii) taxes on payroll and workforce; (iv) taxes on property; (v) taxes on goods and services, including trade imports and exports; and (vi) other taxes. More details on the OECD's system of tax classification are in the interpretative guide contained in its *Revenue Statistics* publication.

Key Observations and Findings

Data collected on tax structures are set out in Tables 2–3, and summarized in Figure 3. Key observations and findings from the data provided and related research are as follows:

(i) Across all of the economies included in the study where disaggregated data are available, the structure of tax revenue varies to a fair degree from that observed across OECD economies:

(a) Taxes on goods and services are predominant, representing on average 42.1% of overall tax collections (OECD economies—32.4%).

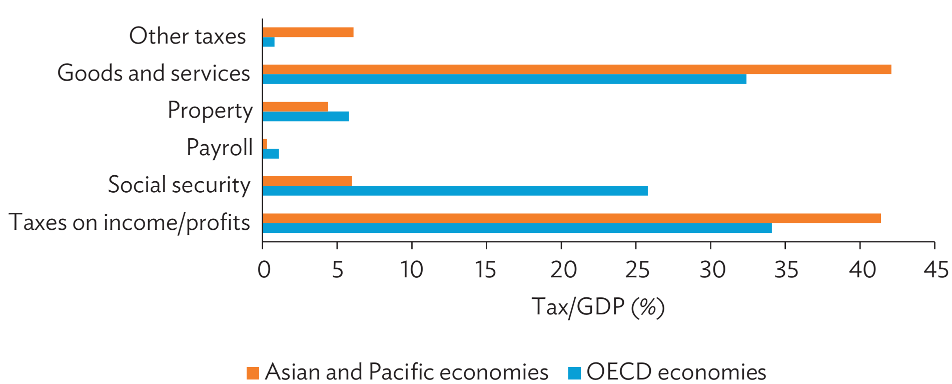
(b) Taxes on income and profits are also significant at 41.4% of tax collections (OECD economies—32.4%), although this observation needs to be read in conjunction with the level of SSCs.

(c) Social security contributions are a very minor contributor to government revenues at 6.0% a share in stark contrast to that observed across OECD economies (25.8%); furthermore, SSCs are heavily concentrated in four economies (Japan, the Kyrgyz Republic, the Republic of Korea, and Mongolia) reported in this series, meaning that their contribution across other economies is negligible.

(d) Taxes on property average 4.4% of total revenue and are almost 25% below the OECD average; further, property taxes are heavily concentrated in a small number of high-income economies (Australia; Hong Kong, China; New Zealand; the Republic of Korea; Singapore; and Taipei,China), meaning that their contribution in most other economies is very small.

(ii) An even greater divergence in tax structures is apparent when the focus turns to less well-off economies, defined as those where the tax ratio is less than 20% of GDP or where gross income / capita was less than $20,000 in 2015 (Table 6); for these economies, reliance on indirect taxes is significantly greater, exceeding on average over 50% of all taxes collected.

Figure 3: Tax Structures—Asia and Pacific and Organisation for Economic Co-operation and Development Economies



GDP = gross domestic product, OECD = Organisation for Economic Co-operation and Development.

Sources: OECD. 2017. *Revenue Statistics in Asian Countries 2017*. Paris; OECD. 2017. Revenue Statistics. Paris; and 2017 International Monetary Fund Article IV reports. Washington, DC; and Government of Taipei,China, Ministry of Finance. 2017. *Yearbook of Financial Statistics 2016*.

Table 6: Tax Structures in Less Well-Off Economies

Category of Economy	Structure of Tax Revenue in 2015 (% of total taxation revenue)					
	Income and Profits	Social Security	Payroll	Property	Goods and Services	Other Taxes
Less well-off economies (16)	36.1	4.3	0.4	1.0	51.6	6.4
All economies in the series (28)	41.4	6.0	0.3	4.4	42.1	6.1
All OECD economies (35)	34.1	25.8	1.1	5.8	32.4	0.8

OECD = Organisation for Economic Co-operation and Development.

Sources: OECD. 2017. *Revenue Statistics in Asian Countries 2017*. Paris; OECD. 2017. Revenue Statistics. Paris; 2017 International Monetary Fund Article IV reports. Washington, DC. and Government of Taipei,China, Ministry of Finance. 2017. *Yearbook of Financial Statistics 2016*.

(iii) Reflecting the broad and growing use of the VAT, for the 2015 fiscal year, VAT regimes for consumption tax were in place in all but six economies (Afghanistan; Bhutan; Brunei Darussalam; Hong Kong, China; India; and Myanmar). Malaysia introduced a VAT system in early 2015, and India in 2017. Planning has also commenced for the introduction of VAT regimes in Afghanistan (now expected to be fully functioning by 2021) and Bhutan (where there is an objective for a VAT regime to be in place by end of 2018).

C. Tax Policy Reforms to Mobilize Domestic Resources

At the time of preparing this series, many economies had recently implemented or were examining policy reform measures to mobilize increased tax revenues from their respective tax systems. The comments set out below for selected economies have been obtained directly from IMF reports and country reports in 2017 that are referenced as appropriate.

Afghanistan

Afghanistan is reported as making progress in building modern tax and customs systems, contributing to revenue growth, albeit from a very low base and in difficult circumstances.[3]

The IMF notes that much remains to be done to strengthen and expand the tax base, and in 2017 authorities made commitments for further reform efforts as part of an IMF funding program. Concerning tax policy reform, the main efforts are being directed towards planning for the introduction of a VAT, which is now expected to be fully functioning by 2021. A specific objective of the new VAT is to expand the indirect tax base and replace the existing business receipts tax.

[3] IMF. 2017. First Review Under the Extended Credit Facility and Request for Modification of Performance Criteria. *Country Report*. No. 17/144. Washington, DC.

Table 7: Afghanistan Tax Collections (% of GDP)

	FY2014	FY2015	FY2016 (estimated)
Tax Revenue	6.7	7.5	7.8
Income, profits, and capital gains	2.5	2.7	2.7
International trade	2.2	2.5	2.5
Goods and services	1.4	1.8	2.1
Others	0.5	0.5	0.5

FY = fiscal year, GDP = gross domestic product.

Source: International Monetary Fund.

Bangladesh

With a population of over 160 million, considerable poverty, and a very low tax effort that is slanted significantly to reliance on indirect taxes, the IMF notes that modernizing the tax system and its administration remains one of Bangladesh's key challenges.[4,5] The priority tax reform for 2017 was the implementation of a modernized VAT regime, with new features expected to include (i) a uniform 15% rate to replace a multirate regime; (ii) exemptions for basic goods and services; (iii) measures to simplify compliance, especially for smaller businesses; and (iv) a revamped and modernized computer platform for its administration. Other matters receiving attention were the development and implementation of a new direct tax code that, among other things, will be designed to improve the balance of direct and indirect taxes, with a goal of achieving a 50:50 split by 2021–2022.

Indonesia

Revenue mobilization continues to present major challenges for Indonesian authorities, with sluggish tax revenue growth over recent years, while also experiencing a decline in oil and gas revenues amounting to 2% of GDP since 2014.[6] With a projected tax ratio of around 11% in 2017, Indonesia is well below the 15% tax ratio benchmark seen as necessary for sustainable development.

The IMF's most recent Article IV review notes that authorities are now working to strengthen tax administration with information gathered from a tax amnesty held from July 2016 to March 2017. To assist these efforts, a law has been passed that will give tax officials direct access to bank accounts owned by both Indonesian citizens and foreigners starting in 2018. The authorities are also developing a proposal for a medium-term revenue strategy with the objective of raising tax revenue by at least 3% of GDP in 5 years based on both tax policy and tax administration reforms. The medium-term revenue strategy was expected to be finalized by March 2018 and, while its content is not yet known, proposals by the IMF

4 IMF. 2017. Bangladesh: 2017 Article IV Consultation Staff Report. *Country Report.* No. 17/147. Washington, DC.
5 For fiscal year 2015, around 64% of central government revenue was derived from indirect taxes. As reported in a presentation by NBR officials at the 8th IMF-Japan High-Level Tax Conference for Asian Countries, March 2017.
6 IMF. 2018. Indonesia 2017 Article IV Consultation Staff Report. *Country Report.* No. 18/32. Washington, DC.

included many tax policy reforms (e.g., removing exemptions in VAT, CIT, and PIT, lowering the VAT registration threshold [currently at a very high level], introducing excise taxes on vehicles and fuel, and ultimately raising the VAT rate to 12% from 10%).

Kazakhstan

As reported by the IMF in early 2017, Kazakhstan's economy was continuing to recover from negative shocks experienced since late 2014.[7] Lower oil prices and weaker demand in the PRC, the Russian Federation, and the European Union, along with other developments, had affected performance, including tax revenues that declined dramatically from 2013 to 2016. Recovery was underway, supported by growth in oil prices. However, to sustain the positive momentum, key challenges needed to be addressed, including non-oil revenue mobilization.

Authorities have reportedly acknowledged the need for medium-term fiscal consolidation and that non-oil revenues should be increased over the medium term. They are of the view that further gains from revenue administration would generate additional revenues, along with tax policy measures in a new tax code. The new tax code under preparation provides a platform for reforms—it aims to rationalize exemptions and preferential treatments; thus, broadening tax bases and supporting consolidation. The changes envisage greater reliance on indirect taxes, including increases in excise taxes and expansion of the VAT by reducing the registration threshold, which is exceptionally high by international standards.[8] Natural resource taxation is also to be reexamined.

Table 8: Kazakhstan Tax Collections (% of GDP)

	FY2013	FY2014	FY2015	FY2016	FY2017 (estimated)
Tax revenue	22.7	21.6	15.9	15.6	17.6
Oil-related revenues	11.5	11.3	6.6	4.2	6.4
Income, profits, and capital gains	7.7	7.6	5.8	5.6	5.6
VAT	3.7	3.0	2.3	3.3	3.2
Others	...	...	1.2	2.5	2.4

... = data not available, FY = fiscal year, GDP = gross domestic product, VAT = value-added tax.

Source: International Monetary Fund.

7 IMF. 2017. Kazakhstan 2017 Article IV Consultation Staff Report. *Country Report.* No. 17/108. Washington, DC.

8 The VAT registration threshold is indexed-based. As of 1 January 2017, it was the equivalent of around $230,000 in annual business turnover.

Kyrgyz Republic

As part of a funding program arrangement, the IMF notes that authorities are committed to a range of measures to support resource mobilization and improve tax administration performance.[9] On supporting resource mobilization, the measures include (i) a review of natural resources taxation; (ii) the reversal of the VAT exemption on grain imports and the sale of flour, (iii) the introduction of measures to harmonize excise tax rates on alcohol and tobacco products with Eurasian Economic Union countries and introduce control stamps for domestically produced goods, and (iv) a proposal to introduce a luxury tax for properties.

Lao People's Democratic Republic[10]

With the Lao PDR under a variety of economic pressures, the IMF reports that authorities have agreed that fiscal reforms are needed and are taking steps to help achieve this outcome. On domestic revenue mobilization, measures were being taken to improve revenue collection and broaden the tax base in line with the recently approved 5-year budget plan. Revenue collection is to be strengthened by enforcing compliance of tax and duty exemptions and VAT deductibles, removing tax exemptions for vehicles and construction materials for public investment projects, and focusing on large taxpayers and taxes on vehicles, petrol, and luxury goods. Also under review were existing tax rates to ensure that they remain appropriate. Taxes on vehicles and luxury goods are expected to generate higher revenue, now based on market prices instead of baseline prices as was the previously the case.

Mongolia

The IMF has noted that Mongolia's economy suffered enormously over recent years from the downturn in world commodity prices.[11] From 2011 to 2016, the revenue/GDP ratio declined by over six percentage points. In April 2017, Mongolia's new government reached agreement with the IMF as part of a loan arrangement on a new economic reform program. Tax policy reforms are a key part of the program, and there are important measures and commitments:

(i) **Increased rates of tax**. A range of measures are envisaged: (i) petroleum excise rates are to be raised and rationalized, while the rates on alcohol and tobacco are also to be raised; (ii) the personal income tax will be made more progressive and yield additional revenues after the rates on upper brackets are increased; (iii) the threshold above which interest is subject to a withholding tax will be eliminated so as to apply this tax more broadly; and (iv) SSC rates will be increased by five percentage points over 3 years.

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9 IMF. 2017. Third review under the 3-year arrangement under the extended credit facility, and request for modification of performance criteria. *Country Report*. No. 17/143. Washington, DC.

10 IMF. 2017. Lao PDR 2017 Article IV Consultation Staff Report, *Country Report*. No. 17/53. Washington, DC.

11 IMF. 2017. Mongolia 2017 Article IV Consultation Staff Report, *Country Report*. No. 17/140. Washington, DC.

(ii) **Tax system review.** A working group was established in 2017 with donor technical assistance to review the tax structure (including the VAT, as well as business—and in particular mining—taxation) and made recommendations to improve equity and efficiency.
(iii) **Simplified tax regime for small and medium-sized enterprises.** A submission is to be made to Parliament in 2017 of legislation to create a simplified tax regime for micro and small businesses in line with technical assistance recommendations.
(iv) **Tax expenditures.** These are to be reviewed with World Bank assistance to increase their transparency and, where feasible, reduce their scale.

Nepal

As reported by the IMF in May 2017, the Government of Nepal was drafting a new single tax code to implement a range of tax policy improvements and to consolidate and harmonize the main domestic taxes under one piece of legislation.[12] This action follows the recommendations of a high-level commission established in 2014 to review the tax system. The recommendations envisage broadening the base of the VAT, simplifying the major taxes, and introducing a system of reporting on tax expenditures with the annual budget. Authorities were expecting to introduce the new legislation in 2018 and that it will help reduce tax compliance costs and create a more business-friendly environment. The IMF's report also drew attention to the possibility of Nepal's relatively high tax/GDP ratio (when compared with its regional peers) being overstated due to the outdated base year in the national accounts.

Thailand

Thailand is afflicted by features of low growth and aging as seen in some advanced economies.[13] Over the last decade, its GDP growth has trailed behind regional peers, while inflation, investment, and employment rates have steadily declined since 2012. Rapid population aging—almost 11% of the population is over 65—widespread informality, and overdue structural transformation represent important bottlenecks. On a positive note, progress in poverty alleviation has been impressive, with extreme poverty virtually eradicated by 2013.

The IMF's report notes that authorities have acknowledged the need for reform to gradually strengthen tax revenue, and were expected to give consideration to a range of suggested reform options, including an increase in the amount of tax revenue collected from the VAT—the existing rate of 7.0% is relatively low in comparison with regional peers—reforming the system of incentives, and increasing taxes on property. Reform priorities for the Revenue Department include (i) deploying a compliance risk management framework to allocate resources where risks are greatest, (ii) streamlining core processes to allow reallocation of workforce from low- to high-value activities, (iii) reinvigorating the audit function, and (iv) accelerating the implementation of electronic processes in core functions.

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12 IMF. 2017. Nepal 2017 Article IV Consultation Staff Report. *Country Report.* No. 17/174. Washington, DC.
13 IMF. 2017. Thailand 2017 Article IV Consultation Staff Report. *Country Report.* No. 17/136. Washington, DC.

Viet Nam

In early 2017, acknowledging the need for additional measures to broaden and diversify the revenue base, authorities in Viet Nam reported that a range of measures were under consideration, including higher environmental tax, a property tax, and unifying VAT rates.[14] A review of tax incentives was also expected to be carried out. On a positive note, authorities also indicated that a new transfer pricing decree applies minimum liabilities to counter profit shifting, which should help improve the taxation of large multinationals.

[14] IMF. 2017. Viet Nam. Article IV Staff Report. *Country Report.* No. 17/190. Washington, DC.

III. Institutions, Organization, and Governance

As the primary agent of government responsible for revenue collection in just about every economy, national revenue bodies play a key role in delivering the funding required for government programs and services, and more generally in supporting the stable functioning of the economy and society.

The scale and complexity of a revenue body's mandate cannot be overstated. Taxes are inevitably complex and, certainly in relation to the major taxes, their administration often touches a large proportion of citizens and/or businesses. These challenges are heightened in developing economies where tax literacy is likely to be low, poverty high, and revenue bodies must often go about their work with limited resources. In addition to the challenges associated with encouraging high levels of voluntary compliance, a revenue body must be responsive to its government's decisions concerning the implementation of new and changed tax policies, while also remaining vigilant and responsive to its rapidly changing environment, in particular, the challenges and risks arising from globalization and the increasing mobility of tax bases and taxpayers.

It follows that, to achieve high standards of performance, revenue bodies must be equipped with adequate powers and autonomy, as well as sufficient skilled staff and other resources needed to carry out their mandate. At the same time, as part of the broader public sector, revenue bodies are subject to government laws and regulations, systems of checks and balances, and codes of conduct, and must be seen to operate in a fair and impartial manner, while also demonstrating a proper level of accountability for their performance. These considerations raise many important issues and questions, in particular:

(i) What are the appropriate institutional and organizational design arrangements for national tax administration?

(ii) What are the essential features of the governance arrangements that should be in place for an effective and efficient revenue administration?

This chapter provides a brief description of how surveyed revenue bodies generally address these issues. Survey responses are set out in tables that appear at the end of this chapter.

A. Institutional and Organizational Design for Tax Administration

The institutional and organizational design frameworks appropriate for national tax administration have not been the subject of any detailed study by the Asian Development Bank (ADB). However, there is a valuable body of advice and practical guidance, drawing on extensive international experience, in various studies and reports of international bodies (e.g., the IMF and the European Commission [EC]).[15] Brief reference is made to this guidance in the body of this chapter to assist readers in assessing the progress being made by revenue bodies in the region to build effective and efficient revenue bodies.

Generally speaking, the advice and guidance provided by both the IMF and the EC concerning appropriate institutional and organizational setups for national tax administration are broadly consistent and emphasize the elements and features set out in Box 1.

To give effect to the types of design elements set out in Box 1, national governments in many economies have established what are described as semiautonomous revenue authorities (SARAs). This form of institutional setup is seen widely in both Africa and South America, although it is relatively rare in Asia (e.g., Singapore's Inland Revenue Authority and Malaysia's Inland Revenue Board). SARAs are generally established to provide more autonomy in human resource and budget management matters, and to provide a level of insulation from political interference. As described later in this chapter, SARAs are generally overseen by a board of management that includes a non-executive chair and other non-executive officials. Further information on SARAs can be found in a variety of references.[16]

These comments provide a useful introduction and framework to examine the setups in economies covered by the series.

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15 As examples: IMF. 2010. *Revenue Administration: Functionally Organised Administration*. Washington, DC; IMF. 2015. The Evolving Functions and Organization of Finance Ministries, *Working Paper. WP/15/232*. Washington, DC; and European Commission. 2007. *Fiscal Blueprints: A Path to a Robust, Modern and Efficient Tax Administration*. Washington, DC. http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/common/publications/info_docs/taxation/fiscal_blueprint_en.pdf.

16 For example, M. Kidd and W. Crandall. 2006. *Revenue Authorities: Issues and Problems in Evaluating their Success*. Washington, DC: IMF; and M. Kidd and W. Crandall. 2010. *Revenue Administration: A Toolkit for Implementing a Revenue Authority*. Washington, DC: IMF.

Box 1: Institutional and Organizational Design for Tax Administration

Recommended features

- ✓ There is a unified revenue body responsible for both direct and indirect taxes, including excises.
- ✓ The revenue body has adequate autonomy, particularly concerning organizational design, devising plans and objectives, managing budgets, and important human resource management matters.
- ✓ Where there is a regime of social security contributions to be administered, the revenue body is responsible for their collection and enforcement or, at a minimum, actively supporting other agencies responsible for these aspects of social contributions administration.
- ✓ The revenue body comprises all the functions necessary for effective administration of tax laws, including dedicated divisions for tax fraud investigations, internal audit, and internal affairs.
- ✓ The revenue body is structured primarily on a functional basis, but also includes divisions and units to manage the compliance of different taxpayer segments, in particular, large taxpayers.
- ✓ The revenue body provides advice on the implementation and operation of tax policy, but is not primarily responsible for tax policy matters which are seen to best fall within the province of a dedicated tax policy function within the Ministry of Finance.[a]
- ✓ The revenue body has a sufficiently resourced and empowered headquarters operation to oversee all aspects of administration conducted at the regional and local levels.
- ✓ Office networks for tax administration operations (e.g., service delivery, debt collection, and verification) are designed to take account of viable critical mass and economic considerations, with specialist national and/or regional centers for some functions.

[a] A detailed consideration of developments and trends in the organization of ministries of finance is in International Monetary Fund. 2015. The Evolving Functions and Organization of Finance Ministries. *IMF Working Paper.* No. WP/15/232. Washington, DC.

B. Revenue Body as an Institution

For this series, revenue bodies are classified within five categories of institutional setup:

(i) **A single directorate within the Ministry of Finance.** Tax administration functions are the responsibility of a single organizational unit (e.g., a department) comprised within the formal organizational structure of the Ministry of Finance (MOF).

(ii) **Multiple directorates within the Ministry of Finance.** Tax administration functions are the responsibility of multiple organizational units (e.g., directorates) within the MOF that often share common support functions (e.g., information technology and human resources).

(iii) **A separate unified semiautonomous body.** Tax administration functions, along with support functions (e.g., information technology and human resources), are carried out by a separate unified semiautonomous body, with the head reporting to a government minister.

(iv) **A unified semiautonomous body with a board.** Tax administration functions, along with support functions (e.g., information technology and human resources) are carried out by a separate unified semiautonomous body, the head of which reports to a government minister and oversight body or board of management comprising external officials.

(v) **Others.** Types of setups not falling within the four categories.

Revenue bodies were requested to indicate the institutional category that, in their view, best matched their current setup and to identify (i) the major taxes administered, (ii) their role in relation to tax policy development, (iii) any non-taxation-related roles that they are required to undertake, (iv) the extent of their responsibilities in relation to SSCs administration, and (v) the extent of their autonomy concerning a range of specific matters. Survey responses were supplemented by research of publicly available reports and other materials to identify any novel or unusual features of the institutional setups in place or planned for implementation.

Observations and Findings

The following is a summary of the wide variety of responses of revenue bodies to the matters raised.

Institutional Setups

(i) The predominant form of institution across surveyed bodies is a single or multiple departments within the formal structure of the MOF—16 revenue bodies report this form of institution (Table 9).

(ii) A total of 10 revenue bodies report the existence of a unified semiautonomous body while 2 (i.e., the PRC and Tajikistan) report that their respective institutional setups fall into the “other” category.

(iii) In a small number of economies (i.e., Maldives and Singapore), the unified semi-autonomous revenue body is overseen by a management board comprised of the head of the revenue body, and government and non-executive officials. In the case of Singapore, the board reports to the MOF; in Maldives, the board is directly accountable to the Parliament. An outline of the role and operation of the Inland Revenue Authority of Singapore (IRAS) board of management is set out in Box 2.

(iv) Survey responses and research revealed a number of institutional setups with unusual features and/or characteristics:

(a) **People’s Republic of China.** Established previously as a directorate within the Ministry of Finance, the State Administration of Taxation (SAT) is now an independent agency of the State Council.[17] In response to the financial reform that segregated the collection and administration of tax into state and local taxes administrations in 1994, the organization of the SAT is made up of a head office and coexisting state and local tax administrations at each provincial level and below. This organizational structure adopts a vertical management system, terms of organization, personnel, and budget, in relation to the state tax administrations at each level. There is a shared management framework with

[17] Government of the PRC, SAT. The Organizational Structure. http://www.chinatax.gov.cn/eng/n2367721/c2390734/content.html (accessed 30 November 2017).

Box 2: Inland Revenue Authority of Singapore Board of Management

Role. The board oversees the Inland Revenue Authority of Singapore (IRAS) and ensures that it carries out its functions competently. The board meets three times a year to review major corporate policies and to approve financial statements, the annual budget, and major expenditure projects.

The board operates with two committees. The Audit and Risk Committee reviews the adequacy and compliance of IRAS' accounting and financial policies and internal controls. The Audit and Risk Committee works closely with the external auditor, the auditor-general, in reviewing the financial statements of IRAS, the scope of audit plans, and the audit results. The Audit and Risk Committee also reviews the annual audit plan of the Internal Audit Branch and the enterprise risk management framework and processes. Staff Committee A is the approving authority for key remuneration policies in IRAS as well as key appointments, promotion, and remuneration of senior executives in IRAS.

Membership. The board is comprised of the chairperson, who is also the permanent secretary of the Ministry of Finance, the commissioner of inland revenue, and eight other members representing the public and private sectors, who are approved by the minister.

Features of operation. The board determines its own operating procedures and meets three times a year. A quorum of five members is required to make decisions, which are made by a simple majority, with the chair having a casting vote, if needed. Board members are obliged to disclose any interest in any project or transaction of the revenue body. Such an interest must be recorded in meeting minutes. Members are excluded from deliberations on such matters.

Sources: Inland Revenue Authority of Singapore. 2016. *Annual Performance Report 2016* and website (accessed 30 June 2017). https://www.iras.gov.sg/irashome/default.aspx.

local governments over the local tax administrations at the provincial level and below. Key responsibilities of SAT include drafting tax laws, regulations, and implementation rules; providing advice on draft legislation; and working jointly with the MOF to devise and distribute implementation measures.

(b) **India.** The Department of Revenue, which functions under the overall direction and control of the secretary, exercises control in respect to matters relating to all direct and indirect taxes through two statutory boards; the Central Board of Direct Taxes and the Central Board of Excise and Customs.[18] Each board is headed by a chairperson who is also ex officio special secretary to the Government of India. Matters relating to the levy and collection of all direct taxes are the responsibility of the Central Board of Direct Taxes, whereas those relating to the levy and collection of customs and central excise duties and other indirect taxes fall within the purview of the Central Board of Excise and Customs. In short, there are separate direct and indirect tax administrations operating under a coordinating department.

[18] Government of India, Department of Revenue. About the Department. http://dor.gov.in/about-us (accessed 30 November 2017).

(c) **Malaysia.** There are separate bodies responsible for direct and indirect tax administration—the Inland Revenue Board of Malaysia (IRBM), which is responsible for the collection of direct taxes, and the Royal Malaysian Customs Department (RMCD), which is responsible for the administration of both customs duties and indirect taxes, including the goods and services tax (VAT) introduced in 2015. IRBM is largely autonomous and reports to a board of directors comprising external officials, while RMCD operates as a normal government department and reports directly to a government minister.

(d) **Tajikistan.** The revenue body is established as a tax committee reporting directly to the government, and with an executive structure headed by four deputy chairpersons.

(v) With the exception of Malaysia, the national revenue body in all other economies is responsible for the collection of both direct and indirect taxes. However, in a fair proportion of economies (around one-third), excise taxes are administered by the customs administration body, not the main revenue body.

Autonomy of the Revenue Body

(i) As demonstrated later in this chapter, revenue bodies established as unified semiautonomous institutions generally have far more autonomy in relation to most aspects surveyed, in particular, concerning internal organizational design, budget management, and critical aspects of human resource management (Table 11).

Roles in Relation to Tax Policy Matters

(i) Responsibilities in relation to the tax policy function vary significantly across economies (Table 9). Seventeen revenue bodies reported that they are jointly responsible with other areas of government (e.g., MOF's tax policy function) for tax policy development and operational monitoring, while seven reported that the revenue body is the main provider of tax policy advice. Only one revenue body indicated that its role is confined to reporting on the operational implications of tax policy changes, supporting the primary tax policy function within the MOF.

(ii) The revenue body is reported as the main source of tax policy advice to the MOF and government in Bhutan; Brunei Darussalam; Cambodia; Nepal; New Zealand; Papua New Guinea; and Taipei,China.

Collection of Social Security Contributions

Only three revenue bodies (Kazakhstan, Nepal, and Tajikistan) reported having direct responsibility for the collection of SSC, while the Kyrgyz Republic's revenue body reported this as a development planned for implementation in 2019 (Table 10). A few other revenue bodies (i.e., Bangladesh and Bhutan) reported they provide assistance with the collection of SSC, although this does not appear to be the case for a number of revenue bodies in economies with significant SSC regimes (Japan, Mongolia and the Republic of Korea).

Table 9: Institutional Setup for Tax Administration and Revenue Body Authority, 2015

			Main Taxes Administered by Revenue Body, 2015				
Region/Member	Nature of Institutional Framework	Tax Policy Role (main provider, operational issues, joint provider)	PIT	CIT	SSC	VAT	Excises
Central and West Asia							
Afghanistan	MDMOF	Joint provider	✓	✓	x	x	x
Kazakhstan	USB	...	✓	✓	✓	✓	✓
Kyrgyz Republic	USB	Joint provider	✓	✓	x	✓	✓
Tajikistan	Other	Joint provider	✓	✓	✓	✓	✓
East Asia							
China, People's Republic of	Other	Joint provider	✓	✓	x	✓	✓
Hong Kong, China	SDMIN	Joint provider	✓	✓	x	n.a.	x
Japan	USB	...	✓	✓	x	✓	✓
Korea, Republic of	SDMIN	...	✓	✓	x	✓	✓
Mongolia	MDMIN	Joint provider	✓	✓	x	✓	✓
Taipei,China	SDMIN	Main provider	✓	✓	x	✓	✓
Pacific							
Australia	USB	Joint provider	✓	✓	x	✓	✓
New Zealand	USB	Main provider	✓	✓	x	✓	x
Papua New Guinea	USB	Main provider	✓	✓	x	✓	✓
South Asia							
Bangladesh	MDMOF	Joint provider	✓	✓	x	✓	✓
Bhutan	SDMOF	Main provider	✓	✓	✓		✓
India	USBB	Joint provider	✓	✓	x	x	✓
Maldives	USBB	Operational issues	x	✓	x	✓	x
Nepal	MDMOF	Main provider	✓	✓	✓	✓	✓
Southeast Asia							
Brunei Darussalam	MDFIN	Main provider	x	✓	x	x	x
Cambodia	MDMIN	Main provider	✓	✓	x	✓	✓
Indonesia	SDMIN	Joint provider	✓	✓	x	✓	x
Lao PDR	SDMIN	Joint provider	✓	✓	x	✓	✓
Malaysia	USBB	Joint provider	✓	✓	x	x	x
Myanmar	SDMIN	Joint provider	✓	✓	x	x	✓
Philippines	SDMIN	Joint provider	✓	✓	x	✓	x
Singapore	USBB	Joint provider	✓	✓	x	✓	x
Thailand	SDMIN	Joint provider	✓	✓	x	✓	x
Viet Nam	SDMIN	Joint provider	✓	✓	x	✓	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, CIT = corporate income tax, Lao PDR = Lao People's Democratic Republic, MDMIN = multiple directorates within the Ministry of Finance, n.a. = not applicable, PIT = personal income tax, SDMIN = single directorate within the Ministry of Finance, SSC = social security contribution, USB = unified semiautonomous body, USBB = unified semiautonomous body with board comprised of external officials, VAT = value-added tax.

Source: ADB survey responses.

Table 10: Revenue Body's Role in the Collection of Social Security Contributions, 2015

Region/Member	Collection of Social Security Contributions (SSCs)					
	Revenue Body Assists in SSC Collection	Functions Performed by Revenue Body for SSCs Administration: Verifying Liabilities	Reporting Noncompliance	Collecting SSC Debts	Others	Plan/to Integrate Tax and SSC Collection
Central and West Asia						
Afghanistan	x	...	...	...	...	x
Kazakhstan	✓	✓	✓	✓	...	(Integrated)
Kyrgyz Republic	✓	x	✓	x	x	✓ (2019)
Tajikistan	✓	✓	✓	✓	...	(Integrated)
East Asia						
China, People's Republic of	✓	✓	✓	✓	...	x
Hong Kong, China	x	...	...	...	...	x
Japan	x	...	...	...	...	x
Korea, Republic of	x	...	...	...	...	x
Mongolia	x	...	...	...	...	x
Taipei,China	x	...	...	...	...	x
Pacific						
Australia	x	...	...	...	...	...
New Zealand	x	...	...	...	...	...
Papua New Guinea	x	...	...	...	...	...
South Asia						
Bangladesh	✓	✓	✓	✓	x	x
Bhutan	✓	✓	✓	✓	x	x
India	x	...	...	...	...	x
Maldives	x	...	...	...	...	...
Nepal	✓	✓	✓	✓	...	...
Southeast Asia						
Brunei Darussalam	x	...	...	...	...	x
Cambodia	x	...	...	...	...	x
Indonesia	x	...	...	...	...	x
Lao PDR	x	...	...	...	...	x
Malaysia	x	...	...	...	...	x
Myanmar	x	...	...	...	...	x
Philippines	x	...	...	...	...	x
Singapore	x	...	...	...	...	x
Thailand	x	...	...	...	...	x
Viet Nam	x	...	...	...	...	x

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic, SSC = social security contributions.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A32 and A33).

Table 11: Authority and Autonomy of Revenue Bodies, 2015 (by institutional category)

Region/Member	Type of Institution	Authority Delegated to the Revenue Body				Assessed Degree of Overall Autonomy in HRM Matters
		Can Decide Internal Structure	Has Discretion over Operating Budget	Has Discretion over Capital Budget	Can Establish Performance Standards	
Central and West Asia						
Afghanistan	MDMOF	✓	✓	...	✓	Very narrow
Kazakhstan	USB	✓	✓	✓	✓	Extensive
Kyrgyz Republic	USB	✓	x	x	x	Fairly broad
Tajikistan	Other	✓	x	x	✓	Extensive
East Asia						
China, People's Republic of	Other	x	x	x	✓	Extensive
Hong Kong, China	SDMIN	✓	✓	✓	✓	Fairly broad
Japan	USB	x	x	x	✓	Some limitations
Korea, Republic of	SDMIN	x	✓	x	✓	Fairly narrow
Mongolia	MDMIN	✓	✓	✓	✓	Fairly narrow
Taipei,China	SDMIN	✓	✓	✓	✓	Fairly broad
Pacific						
Australia	USB	✓	✓	✓	✓	Full autonomy
New Zealand	USB	✓	✓	✓	✓	Full autonomy
Papua New Guinea	USB	✓	✓	x	✓	Extensive
South Asia						
Bangladesh	MDMOF	✓	x	x	✓	Extensive
Bhutan	SDMOF	x	x	x	✓	Very narrow
India	USBB	✓	x	x	✓	Fairly broad
Maldives	USBB	✓	x	x	✓	Full autonomy
Nepal	MDMOF	✓	✓	✓	✓	Some limitations
Southeast Asia						
Brunei Darussalam	MDFIN	x	x	x	✓	Fairly narrow
Cambodia	MDMIN	✓	✓	✓	✓	Very narrow
Indonesia	SDMIN	x	x	x	✓	Some limitations
Lao PDR	SDMIN	x	✓	✓	✓	Extensive
Malaysia	USBB	✓	✓	✓	✓	Extensive
Myanmar	SDMIN	x	x	x	✓	Some limitations
Philippines	SDMIN	✓	x	x	✓	Extensive
Singapore	USBB	✓	✓	✓	✓	Full autonomy
Thailand	SDMIN	x	x	x	✓	Fairly broad
Viet Nam	SDMIN	✓	x	x	✓	Extensive

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic, MDMIN = multiple directorates within the Ministry of Finance, SDMIN = single directorate within the Ministry of Finance, USB = unified semiautonomous body, USBB = unified semiautonomous body with board comprised of external officials.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration* 2017. Paris. (Tables A32, A35, and A59).

Table 12: Non-Taxation Roles of Revenue Bodies

Nature of Nontax Role	Economies Where the Revenue Body Is Assigned This Role
Administers customs laws	Bangladesh, India, Kazakhstan, Malaysia (i.e., Royal Customs and Excise)
Administers certain welfare-related benefits	Lao PDR, Malaysia, New Zealand
Administers child support	New Zealand
Administers property valuation	Singapore
Administers collection of student loans	Australia, Malaysia, New Zealand, Republic of Korea
Administers aspects of the government's retirement incomes policy	Australia, Lao PDR, Kazakhstan, New Zealand
Lotteries and gambling	Afghanistan, Bangladesh, Cambodia, Kazakhstan, Lao PDR, Mongolia, Myanmar, New Zealand, Republic of Korea
Regulates liquor industry	Japan
Administers population register	Afghanistan

Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A34).

Responsibility for Non-Taxation-Related Roles

(i) The practice of assigning non-taxation-related roles to the revenue body is fairly common although survey responses and related research suggest this practice applies only to any significant degree in terms of resource usage in Australia, Malaysia, and New Zealand (Table 12).

(ii) The more frequently reported non-taxation-related roles were responsibilities for lotteries and gambling regulations, customs, the administration of welfare-related arrangements, aspects of the government's retirement income policy, and the collection of student loans.

(iii) Concerning customs administration, very few governments have established combined tax and customs administration bodies, as commonly observed in some other regions (e.g., Africa and South America). With the exception of Kazakhstan, where tax and customs operations were merged into a single body in 2014–2015, and Bangladesh and India, no other economies have implemented combined tax and customs bodies. There are no indications of other economies moving in this direction.

C. Governance

An effective system or framework of governance is essential for all revenue bodies, regardless of their institutional form. In its guide on public sector governance, the Australian National Audit Office describes the term governance as referring to:

> the arrangements and practices in place which enable a public sector entity to set its direction and manage its operations to achieve expected outcomes and properly discharge its accountability obligations. Governance encompasses leadership, direction, control and accountability, and assists an organization to achieve its outcomes in such a way as to enhance confidence in its operations, its decisions and its actions.[19]

The issue of governance, as it pertains to fiscal management, is a central theme in the 2017 edition of the Economic and Social Survey for Asia and the Pacific published by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).[20] As highlighted by the United Nations (UN) Secretary General, António Guterres, in his foreword to the survey report:[21]

> The 2017 edition of the ESCAP Economic and Social Survey of Asia and the Pacific identifies governance – and in particular fiscal management – as a key factor in improving long-term economic prospects while grappling with social and environmental challenges. It finds that countries that perform better on governance measures tend to spend their fiscal resources more efficiently. Similarly, weak governance partially explains the low levels of tax revenues in several countries of the region, as so-called "tax morale"—the willingness to pay taxes—is affected by perceptions of how well those revenues are used. Highlighting the importance of transparency and accountability, the Survey calls for increasing access to fiscal data and information, and developing public administration capacities to monitor, evaluate and audit policies and actions. Indeed, inclusive institutions are both one of the Sustainable Development Goals and critical for progress across the 2030 Agenda.

The governance arrangements and practices appropriate for a national revenue body will obviously vary from economy to economy, shaped by relevant legislative and policy instruments that regulate their management, resource use, and accountability. For some aspects, such as risk management, the comprehensiveness and richness of these instruments and policies will depend on the degree of maturity of the public sector administration. However, there are some general principles and approaches that are widely acknowledged as desirable, and which are reflected in the advice and guidance provided by both the IMF and the EC for revenue bodies (Box 3).

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19 Government of Australia, Australian National Audit Office. 2014. *Public Sector Governance: Strengthening Performance through Good Governance—Better Practice Guide*. June. p. 7. https://www.anao.gov.au/sites/g/files/net616/f/2014_ANAO%20-%20BPG%20Public%20Sector%20Governance.pdf.

20 ESCAP is the regional development arm of the UN and serves as the main economic and social development center for the UN in Asia and the Pacific. Its mandate is to foster cooperation among its 53 members and 9 associate members. It provides the strategic link between global and country-level programs and issues. It supports governments of countries in the region in consolidating regional positions, and advocates regional approaches to meeting the region's unique socioeconomic challenges in a globalizing world.

21 ESCAP. 2017. *Economic and Social Survey of Asia and the Pacific 2017: Governance and Fiscal Management*. Bangkok. (p. iii).

Box 3: Governance Framework for a National Revenue Body

- ✓ The revenue body has adequate autonomy, particularly concerning organizational design, developing plans and objectives, managing budgets, and aspects of human resource management.
- ✓ The revenue body has a robust strategic management framework in place for the preparation of medium-term and short-term business plans, which is underpinned by clear statements of mission, vision, goals, and objectives, and ideally accompanied by a set of robust performance indicators.
- ✓ The revenue body employs modern risk management approaches, particularly for managing taxpayers' compliance.
- ✓ There is a common and stable legal framework for the administration of all taxes, as opposed to a separate framework for each tax.
- ✓ The revenue body has a flexible strategic approach for managing its staff resources, making adjustments to how they are allocated and used to take account of changed priorities.
- ✓ The revenue body's operations are assessed on the basis of a performance management system.
- ✓ The revenue body is transparent in the conduct of its activities, and is accountable for its operations, which are also subject to control and assessment.

Sources: International Monetary Fund. 2010. *Revenue Administration: Functionally Organised Administration.* Washington, DC; and European Commission. 2007. *Fiscal Blueprints: A Path to a Robust, Modern and Efficient Tax Administration.* Luxembourg.

The following part of this chapter further explores important aspects of governance, and how these are applied in practice across the revenue bodies included in the series.

1. The Autonomy of the Revenue Body

As noted earlier in this chapter, the conventional advice of international organizations is that a revenue body should be given sufficient autonomy to properly carry out its mandate. Such advice raises questions concerning what constitutes "sufficient" autonomy, and which powers or responsibilities are most important for a revenue body to carry out its mandate effectively.

Autonomy is important for effective administration and, in economies where steps have been taken to increase the autonomy of the revenue body, it has generally been done to empower the body to be more responsive, adaptable, innovative, professional, and/or outward looking, and/or to become a more attractive employer. For this series, revenue bodies were requested to indicate the scope of their powers and responsibilities against a menu of powers of the kind that are typically delegated to semiautonomous bodies.

Observations and Findings

Table 11 sets out how the distribution of powers or autonomy aligns with the nature of the institutional body reported by revenue bodies, while Table 13 provides a quantitative summary of the information reported. The key observations and findings are as follows:

(i) Revenue bodies reporting that they are established as semi-autonomous bodies consistently report having greater authority than revenue bodies set up as single or multiple directorates, particularly concerning discretion in budget management, decisions concerning their internal structure, and important aspects of human resource management (Table 13).

(ii) Looking across all revenue bodies, the areas of greatest autonomy concerned the setting of performance standards, determining work requirements, promoting existing staff, and deciding the mix of staff (i.e., permanent or contractual). The areas of least flexibility or autonomy were discretion over the use of operating and capital budgets, the placement of staff within prescribed salary ranges, and staff dismissals.

Table 13: Institutional Setups and Degree of Autonomy

	Type of Institution and Numbers					
	Single or Multiple Departments in MOF (16)		Unified Semiautonomous Body (10)		Others (2)	
Measure	Number	%	Number	%	Number	%
Number of revenue bodies who						
– can decide internal structure	9	56	9	90	1	50
– have discretion over operating budget	7	44	6	60	0	0
– have discretion over capital budget	6	37	5	50	0	0
– can establish performance standards	16	100	9	90	1	50
Number of revenue bodies with autonomy for all staff to						
– determine work requirements	10	62	10	100	1	50
– appoint new staff	6	37	6	60	2	100
– promote existing staff	8	50	7	70	2	100
– determine skills and qualifications	8	50	8	80	2	100
– decide staff mix: permanent or contract	11	69	9	90	2	100
– place staff in salary range	4	25	8	80	0	0
– dismiss staff	5	31	8	80	2	100

MOF = Ministry of Finance.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A32, A35, and A59).

2. Strategic Management Framework

A key element of a revenue body's overall system of governance is a framework for strategic planning and management. There is a fair amount of guidance on strategic planning provided by central public sector bodies in advanced economies to their respective public sector entities, including national revenue bodies. Important considerations are reflected in the following comments:

> The planning process provides an opportunity to review current data and trends, consider stakeholder needs and budgets, and set priorities. Plans should give a high-level view of the organization's objectives, major strategies and key activities to be undertaken in the short and longer terms. Strategies and activities need to

be developed with appropriate regard to the prevailing budgetary environment, and their delivery needs to be underpinned by strong approaches to budget management and the ability to adjust strategies and activities when policy and/or budget priorities change.[22]

These points are depicted in Figure 4 and in guidance provided by international organizations (e.g., TADAT Field Guide Performance Outcome Area 9 - Accountability and Transparency).

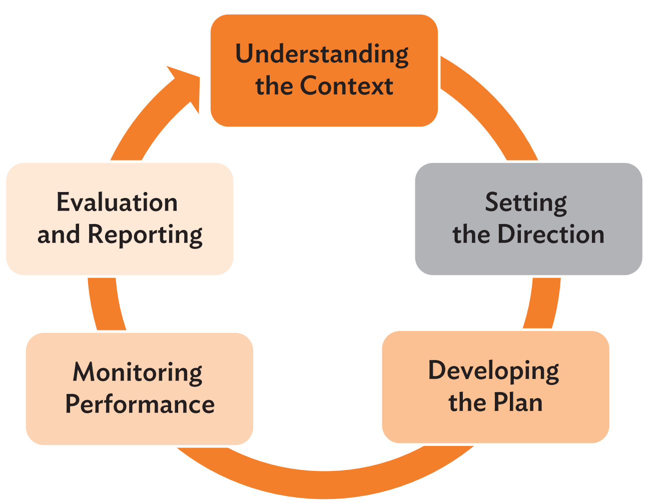
Planning and Management Approaches in Asia and the Pacific

For this series, revenue bodies were asked a number of general questions concerning their planning processes (e.g., the preparation and publication of an annual or multiyear business plan, the preparation and publication of an annual performance report, compliance risk management, and gathering of feedback from stakeholders). In addition, research was carried out on published materials (e.g., revenue body plans, corporate planning-related statements, and annual performance reports) to gather insights on the approaches and practices adopted, revenue bodies' key priorities, and major developments. Survey responses are summarized in Tables 14a and 14b, while the main observations and findings from the responses and related research are as follows:

Strategic and Annual Business Plans

(i) The vast majority of revenue bodies report having a strategic plan and annual business plans although, for many of these revenue bodies, these plans are not made public. Research undertaken of published strategic plans indicates that most revenue bodies articulate clear statements of mission, vision, values, and key objectives.

Figure 4: Guidance on the Strategic Planning Process



Source: Adapted from International Monetary Fund. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool, Field Guide*. Washington, DC.

[22] Government of Australia, Australian National Audit Office. 2014. *Public Sector Governance: Strengthening Performance through Good Governance—Better Practice Guide.* Canberra. (p. 13).

Table 14a: Selected Management Practices, 2015

	Selected Management Practices of the Revenue Body						
	Strategic Plan		Annual Business Plan		Service Standards		
Region/Economy	Prepared	Published	Prepared	Published	Prepared	Standards Published	Results Published
Central and West Asia							
Afghanistan	✓	✓	✓	✓	✓	✓	✓
Kazakhstan	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	x	✓	✓	x
Tajikistan	✓	✓	✓	x	✓	✓	✓
East Asia							
China, People's Republic of	✓	x	✓	x	✓	✓	x
Hong Kong, China	✓	✓	✓	✓	✓	✓	✓
Japan	x	x	✓	✓	✓	✓	✓
Korea, Republic of	✓	x	✓	x	✓	✓	x
Mongolia	✓	x	✓	x	✓	✓	x
Taipei,China	✓	✓	✓	✓	✓	✓	✓
Pacific							
Australia	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓	✓	✓	x
South Asia							
Bangladesh	✓	✓	✓	✓	✓	✓	✓
Bhutan	x	x	✓	✓	✓	✓	x
India	✓	✓	✓	✓	✓	✓	✓
Maldives	✓	✓	✓	x	✓	x	x
Nepal	✓	✓	✓	✓	✓	✓	✓
Southeast Asia							
Brunei Darussalam	✓	x	x	x	✓	✓	x
Cambodia	✓	✓	x	x	✓	✓	✓
Indonesia	✓	x	✓	x	✓	x	x
Lao PDR	✓	✓	✓	✓	x	x	x
Malaysia	✓	✓	✓	✓	✓	✓	✓
Myanmar	✓	x	✓	x	x	x	x
Philippines	✓	✓	✓	✓	✓	✓	✓
Singapore	✓	x	✓	x	✓	✓	✓
Thailand	✓	✓	✓	✓	✓	✓	✓
Viet Nam	✓	✓	✓	✓	✓	✓	✓

✓= relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A39).

Table 14b: Selected Management Practices, 2015

Region/Economy	Selected Management Practices of the Revenue Body					
	Annual Report		Use of External Auditor	Formal Internal Assurance Mechanisms	Enterprise-Wide Risk Policy	Formal Compliance Risk Management Process
	Prepared	Published				
Central and West Asia						
Afghanistan	✓	✓	✓	✓	✓	✓
Kazakhstan	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	✓	x	x
Tajikistan	✓	✓	✓	✓	✓	✓
East Asia						
China, People's Republic of	✓	x	x	✓	✓	✓
Hong Kong, China	✓	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	x	x
Korea, Republic of	✓	✓	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓	...	✓
Taipei,China	✓	✓	✓	✓	✓	✓
Pacific						
Australia	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓	✓	x
South Asia						
Bangladesh	✓	✓	✓	✓	✓	✓
Bhutan	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	x	✓
Maldives	✓	✓	x	✓	x	✓
Nepal	✓	✓	✓	✓	✓ (partially)	✓(partially)
Southeast Asia						
Brunei Darussalam	x	x	x	✓	x	x
Cambodia	✓	✓	✓	✓	✓	✓
Indonesia	✓	✓	✓	✓	✓	✓
Lao PDR	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	✓
Myanmar	✓	x	✓	✓	x	x
Philippines	✓	✓	✓	✓	x	x
Singapore	✓	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	✓	✓
Viet Nam	✓	✓	x	x	x	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and OECD. 2017. *Tax Administration 2017*. Paris. (Tables A40 and A41).

(ii) Statements of mission generally describe the primary role of the revenue body and, for some, the broader societal role or the benefits of a well-performing tax system. For example, Myanmar's Internal Revenue Department's mission is to "make taxpayers willingly pay tax as good citizens, by delivering quality service in order to maximize revenue for the prosperity of the people."[23]

(iii) Statements of revenue bodies' values (i.e., expected norms of behavior) typically refer to integrity, fairness, respect, trust, and professionalism, while for a few there are expressed aspirations of innovation and continual improvement to raise performance.

(iv) Formally expressed strategic goals and objectives tend to be relatively few in number and tend to give emphasis to four strategic aspects of tax administration: (a) improving the overall level of taxpayers' voluntary compliance; (b) improving service delivery performance; (c) increasing organizational efficiency; and (d) strengthening internal capabilities, especially human resources.

In a number of economies, the revenue body's goals and objectives, as well as related strategies, are very much driven by broader government imperatives. For example, the strategic statement of Kazakhstan's revenue body—the Development Model for 2015–2017—primarily reflects the aim of ensuring that a very high level of trust and partnership exists and is maintained with the business community, consistent with the primary goal in the Government of Kazakhstan's plan 100 Concrete Steps to Implement Five Institutional Reforms—Kazakhstan's accession to the group of the 30 most developed economies in the world.[24] The Development Model identifies four goals and eight strategic objectives to guide its planning, all of which are consistent with the government's stated primary goal.

For Indonesia's Directorate General of Taxation, its strategic plan for 2015–2019 reflects an overriding goal to improve Indonesia's tax/GDP ratio to 16% by 2019 (from its level in 2015 of just under 12%).[25]

(i) Where identified in plans, measures of success for each goal tend to be both output and outcome and impact focused. Selected examples drawn from the published report of Nepal's Inland Revenue Department are set out in Table 15:

(ii) Only around two-thirds of revenue bodies publish their strategic and/or annual business plans, raising questions concerning the degree of external consultation undertaken, their comprehensiveness, and their commitment to transparency.

Service Delivery Standards

(i) In line with their commitment to improve voluntary compliance, most revenue bodies report having a set of taxpayer service standards that they make public. (Examples are in Chapter VII.) However, over a third of revenue bodies do not make the levels of performance they achieve in public practice, potentially leading to negative perceptions by taxpayers, regardless of the standards actually achieved.

[23] Government of Myanmar, Internal Revenue Department. 2014. *Reform Plan 2014—2018*. Nay Pyi Taw.

[24] Government of Kazakhstan, Ministry of Finance, State Revenue Committee. Strategy. http://kgd.gov.kz/en/content/strategy-1 (accessed 9 September 2017).

[25] Government of Indonesia, Directorate General of Taxation. 2016. *Annual Report 2015*. Jakarta. (p. 45).

Table 15: Selected Examples of Indicators Used to Gauge Progress in Improving Tax Administration in Nepal

Development Objectives	Indicators (expected results)	Status (by end of 2015)
Policy reform and enhancement of enforcement	Tax/GDP ratio to be increased to 18% by the end of 2016–2017	16.64% actual result
	VAT/GDP ratio to be increased to 5.64% by end of 2016–2017	5.28% actual result
	Income tax to-GDP ratio to be increased to 5.46% by end of 2016–2017	4.09% actual result
	Systematized annual tax gap analysis and revenue forecasting	Partially complied
Improving taxpayer services and education	Increase in positive perception toward the tax administration	Observed by survey
	Implementation of IT system offering appropriate and IT-assisted payment options	Work in progress
Optimal use of modern technology	100% taxpayer registration by online system	Completed
	100% collection of tax returns through e-filing	Completed
	Full integration and full automation of VAT, IT, and excise systems	Partially completed
Revitalization of the organization system and mobilization of competent human resources	Establishment of a functional, segment-based organization	Complied
	Full application of HRM policy	Partially complied

GDP = gross domestic product, HRM = human resource management, IT = information technology, VAT = value-added tax.

Source: Government of Nepal, Inland Revenue Department. 2015. *Reform Plan 2015-2018*. Kathmandu.

Evaluating Performance through External Stakeholders

(i) Around two-thirds of revenue bodies reported that surveys of individuals and/or businesses are undertaken periodically, either by themselves or via contracted external bodies, to assess taxpayers' satisfaction with standards of service delivery and/or performance. Similar surveys of tax intermediaries are carried out, although by considerably fewer revenue bodies.

(ii) As evident from the summary in Table 16 (and individual revenue body data in Table 17), there appears to be a reluctance to share the results of these survey findings and less than half of the revenue bodies reported that the results of such surveys are made public.

Table 16: Summary of Surveys of Client Segments to Assess Satisfaction with Service Delivery

	Individuals		Businesses		Tax Intermediaries	
Actions	Number of Revenue Bodies	% of Total	Number of Revenue Bodies	% of Total	Number of Revenue Bodies	% of Total
Surveys are conducted by the revenue body or an external body.	17	63	18	66	10	37
Survey findings are made public.	6	22	6	22	5	19
No surveys are made or approach is unclear.	10	37	9	33	14	52

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A120).

Table 17: Assessing Satisfaction with Revenue Bodies' Services and Administration

Region/Economy	Use of Satisfaction Surveys					
	Individuals		Businesses		Tax Intermediaries	
	Surveys by Revenue Body (R) or External Agent (A)	Survey Results Are Made Public	Surveys by Revenue Body (R) or External Agent (A)	Survey Results Are Made Public	Surveys by Revenue Body (R) or External Agent (A)	Survey Results Are Made Public
Central and West Asia						
Afghanistan	x	x	R,A	x	x	x
Kazakhstan	R	✓	R	✓	R	✓
Kyrgyz Republic	x	x	x	x	x	x
Pakistan						
Tajikistan	x	x	x	x	x	x
China, People's Republic of	R, A	x	R, A	x	x	x
Hong Kong, China	R	x	R	x	R	x
Japan	R	✓	R	✓	R	✓
Korea, Republic of	R	x	R	x	x	x
Mongolia	R	x	R	x	R	x
Taipei,China	R, A	x	R, A	x	R, A	x
Pacific						
Australia	R, A	✓	R, A	✓	R, A	✓
New Zealand	A	✓	A	✓	A	✓
Papua New Guinea	x	x	x	x	x	x
South Asia						
Bangladesh	R	x	R	x	x	x
Bhutan	x	x	x	x	x	x
India	R, A	x	R, A	x	x	x
Maldives	R	x	R	x	R	x
Nepal	...	...	...	...	...	...
Southeast Asia						
Brunei Darussalam	x	x	R	x	x	x
Cambodia	x	x	R, A	x	x	x
Indonesia	R, A	✓	R, A	✓	x	x
Lao PDR	...	...	...	...	...	...
Malaysia	R	x	R	x	R	x
Myanmar	...	...	...	...	...	...
Philippines	R, A	x	R, A	x	R	x
Singapore	R, A	✓	R, A	✓	R, A	✓
Thailand	R	x	x	x	x	x
Viet Nam	...	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A120).

Annual Performance Reports

The practice of revenue bodies preparing annual performance reports is just about universal. However, there are wide variations in both the format and level of detail in the reports reviewed.

For those revenue bodies that fall within the structure of the MOF, it is common for performance reporting, although sometimes fairly limited in detail, to be incorporated within a broader MOF performance report rather than being presented as a singular document devoted to tax administration. The more autonomous forms of revenue bodies tend to publish separate and more detailed reports in a number of cases (e.g., revenue bodies in Australia, Maldives, and New Zealand), accounting for their performance in relation to their goals and objectives reflected in their strategic and annual plans.

Internal Assurance and Risk Management

(i) All revenue bodies report having an internal assurance mechanism, and the engagement of external auditors is also widely practiced. However, around a fourth of revenue bodies report that they do not have an enterprise-wide risk policy, while, of some concern, just over a fourth report not having a formal compliance risk identification process (Chapter IV).

3. Taxpayers' Rights and Obligations

An important consideration in the governance framework for revenue bodies concerns taxpayers' rights and obligations. Regardless of their level of autonomy, revenue bodies ultimately exist to collect taxes for their governments and the citizens they represent. For a system that relies largely on voluntary compliance, revenue bodies must be seen to operate in a manner that instills a high level of mutual trust, respect, and confidence among its taxpayer population. This can only be achieved where there is recognition and acceptance of a basic set of taxpayers' rights and obligations.

Given the importance of taxpayers' rights to the smooth functioning of the tax system, international bodies involved with promoting better tax administration have actively encouraged the idea of revenue bodies having a comprehensive set of taxpayers' rights and obligations that are transparent and actively promoted to the taxpayer population at large. For example, in 2003, the OECD identified a core set of taxpayers' rights and obligations drawing on member countries' approaches, and presented these in the form of an illustrative taxpayer charter.[26] The core set of rights and obligations defined is set out in Box 4.

[26] OECD. 2003. *Taxpayer Rights and Obligations*. Paris.

Box 4: Organisation for Economic Co-operation and Development's Core Set of Taxpayers' Rights and Obligations

Taxpayers' rights

- right to be informed, assisted, and heard
- right of appeal
- right to pay no more than the correct amount of tax
- right to certainty
- right to privacy
- right to confidentiality and secrecy.

Taxpayers' obligations

- obligation to be honest
- obligation to be cooperative
- obligation to provide accurate information and documents on time
- obligation to keep records
- obligation to pay taxes on time

Source: Organisation for Economic Co-operation and Development. 2003. *Taxpayer Rights and Obligations, Practice Note*. Paris.

The IMF's Manual on Fiscal Transparency also recognizes the importance of taxpayers' rights and its guidance explicitly emphasizes specific rights, including confidentiality, appeal, proper notice of liabilities, explanations of legal and administrative decisions, and representation.[27]

An important taxpayer right concerns the ability of taxpayers to complain or question administrative decisions and actions that, in the view of the taxpayer, entail some degree of harsh, unfair, or otherwise inappropriate treatment, and to have such complaints examined and resolved expeditiously. In recognition of this, some revenue bodies are known to have established a specific complaints mechanism—for some, a dedicated organizational division—to handle such matters. In some economies, governments have also established special bodies (e.g., an ombudsman) to handle complaints from citizens and businesses concerning the administration of their affairs by government bodies (including revenue bodies). In some economies (e.g., Australia and Canada) there is an agency dedicated to dealing with tax-related complaints. These arrangements aim to provide citizens and businesses who believe they have been treated unfairly or harshly with a means to have their complaints examined independently and generally in an expeditious manner.

Practices Observed in the Asia and Pacific Region

For this series, revenue bodies reported on their approach to the codification of taxpayers' rights and obligations, the arrangements in place for dealing with taxpayers' complaints, and data concerning complaints workloads (Table 18).

Around 80% of revenue bodies report the existence of a set of taxpayers' rights and obligations that are defined in law and/or administrative documents, while a similar

[27] IMF. 2007. *Manual on Fiscal Transparency*. Washington, DC.

Table 18: Taxpayers' Rights and Complaints, 2015

Region/Economy	Taxpayers' Rights and Complaints: Features in Place (✓ where relevant, x where not): Rights Are Formally Defined	Rights Are Set Out in Law or Statute	Rights Developed by Revenue Body	Revenue Body Has Specific Complaints Mechanism	External Body (or Bodies) to Deal with Complaints	Complaints Received by Revenue Body (number): 2014	2015
Central and West Asia							
Afghanistan	✓	✓	x	✓	x	...	...
Kazakhstan	✓	✓	x	x	✓	...	...
Kyrgyz Republic	✓	✓	x	✓	✓	...	...
Tajikistan	✓	✓	x	...	x	...	...
East Asia							
China, People's Republic of	✓	✓	x	✓	✓	11,737	12,225
Hong Kong, China	x	x	x	✓	✓	317	297
Japan	x	x	x	✓	✓	...	...
Korea, Republic of	✓	✓	x	✓	✓	...	...
Mongolia	✓	✓	x	✓	✓	...	...
Taipei,China	✓	✓	✓	✓	✓	9,786	9,912
Pacific							
Australia	✓	x	✓	✓	✓	23,900	24,644
New Zealand	✓	✓	x	✓	✓	7,057	8,109
Papua New Guinea	x	x	x	x	x	...	...
South Asia							
Bangladesh	✓	✓	x	✓	x	...	...
Bhutan	✓	✓	x	x	x	...	...
India	✓	✓	x	✓	✓	...	...
Maldives	✓	x	✓	✓	x	259	127
Nepal	✓	✓	✓	✓	x	...	...
Southeast Asia							
Brunei Darussalam	✓	✓	x	✓	x	...	...
Cambodia	✓	✓	✓	x	✓	...	...
Indonesia	✓	✓	x	✓	✓	1,157	3,756
Lao PDR	✓	✓	x	...	...	...	...
Malaysia	✓	x	✓	✓	✓	285	233
Myanmar	x	x	x	x	x	...	...
Philippines	✓	x	✓	✓	x	243	200
Singapore	x	x	x	✓	✓	21	32
Thailand	✓	x	✓	✓	✓	...	...
Viet Nam	✓	✓	x	✓	✓	...	...

... = data not available at cutoff date, ✓= relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A124).

proportion reports the existence of a specific complaints mechanism within the revenue body. The existence of separate external bodies to handle taxpayers' complaints was reported by just over 50% of surveyed revenue bodies. Most revenue bodies did not report workload data concerning the volume of complaints handled; where workload data were available, the amounts reported were, in the main, relatively small.

D. Organizational Structure of Revenue Bodies

1. Organizational Design

Organizational design is the means by which an organization aligns its structure and internal coordinating processes with its mission and strategy, and is an important consideration in establishing a well-functioning and efficient revenue body. As observed in IMF practical guidance:[28]

> An effective organization is the basic platform from which all other procedural reforms are launched and maintained. Without the right organization structure in place, revenue administrations cannot operate effectively and their revenue collection efforts will be sub-optimal. Where function-based organizations have not been implemented, the extensive procedural and operational reforms needed to support modernization would likely be ineffective.

There is a variety of guidance from international bodies on the desirable features of a revenue body's organizational design, generally emphasizing some common themes.[29] In brief, the preference is for a body structured primarily on a functional basis, and with dedicated divisions to deal with key taxpayer segments (e.g., large entities)—in reality, a "hybrid" form of organizational model based largely on functional and taxpayer segment design criteria.

An additional and important consideration is the design of the revenue body's office network. On this matter, the general guidance has been along the lines that operational activities should be conducted through an office network designed to take account of viable critical mass and economic considerations, with specialist national and/or regional centers for some function.

Experience from many revenue bodies from around the world over recent decades highlight a range of strategies that have been adopted to streamline the composition, shape, and size of the office network to improve both efficiency and taxpayer service delivery (Box 5).

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[28] IMF. 2010. *Revenue Administration: Functionally Organised Tax Administration.* Washington, DC.

[29] For example, World Bank 2010, Kidd 2010, and EU Fiscal Blueprints 2007.

Box 5: Downsizing Office Networks and Improving Overall Performance

To downsize office networks and improve overall performance, the strategies that revenue bodies commonly apply are as follows:

(i) strengthening the strategic and operational management capability of the headquarters function by expanding its role and increasing resources;
(ii) applying advances in modern technology with the introduction of e-filing of returns and e-payments, eliminating much of the traditional work of local offices, and consolidating bulk data processing into a relatively few locations;
(iii) employing modern call center technology and operations, consolidating dispersed and inefficient phone inquiry work into a small number of sites;
(iv) making more effective use of the Internet and call centers to deliver services to taxpayers, significantly reducing the volume of personal or face-to-face contacts in local offices;
(v) reconfiguring office networks into a small number of larger offices as part of organisational streamlining and to facilitate greater control by headquarters;
(vi) moving most or all audit work from local offices to consolidate valuable expertise and to reduce the risks associated with audit staff being too familiar with their respective taxpayer populations; and
(vii) eliminating the tax payment collection function from local and regional offices, requiring taxpayers to use electronic payment methods or visit payment collection agents (e.g., banks).

Source: Organisation for Economic Co-operation and Development Tax Administration (various editions).

Observations and Findings

For this series, revenue bodies were asked to describe the type of organizational structure in place and to specify particular features and characteristics of their structure, including their office networks (Tables 19 and 20, and Table 24 in Chapter IV dealing with large taxpayers). Key observations and observations in this regard are as follows:

(i) The vast majority of revenue bodies report having an organizational structure based on a mix of criteria (type of function, taxpayer, and tax), with the functional criterion most dominant.
(ii) All revenue bodies that were surveyed report having dedicated functions for enforced tax debt collection, investigation of tax fraud cases, and the handling of disputes and appeals.
(iii) Survey data on the configuration of tax administration functions across revenue bodies' office network was difficult to interpret for some economies, and it is possible that there is some level of inconsistency in the data reported. However, over one-third of revenue bodies reported that the audit function is carried out from local offices, a practice many revenue bodies avoid, given the potential for audit officials becoming too familiar with their client taxpayers.

Large Taxpayers

(i) Over 80% of revenue bodies report having a dedicated large taxpayer unit (LTU), with the exceptions being Brunei Darussalam; Hong Kong, China; Papua New Guinea; the Republic of Korea; and Taipei,China (Table 24). Officials from Papua New Guinea

Table 19: Features of Revenue Bodies' Internal Organizational Structure, 2015

		Operations Administered and Their Placement in the Office Network (C, H, R, L)						
Region/Member	Main Criteria for Design of Structure (F, T, TP, and all)	Return Filing/ Payments	Debt Collection	Tax Fraud/ Evasion	Audits and Other Checks	Appeals and Disputes	Phone Services	Managing Tax Agents
Central and West Asia								
Afghanistan	T, TP	R	R	R	R	C	C	R
Kazakhstan	All	R, L	R, L	H	C, R	C, R	L	...
Kyrgyz Republic	F, TP	L	L	L	L	C	C	...
Tajikistan	F, TP	H	H	H	H	H	H	H
East Asia								
China, People's Republic of	All	L	R	R	R	R	C	C
Hong Kong, China	All	C	C	C	C	C	C	C
Japan	All	L	H	R	H	H	H	L
Korea, Republic of	All	L	L	R	R	R	L	L
Mongolia	All	L	L	C	L	R	L	L
Taipei,China	F	H	H	H	H	H	H	H
Pacific								
Australia	All	R	R	R	R	R	R	R
New Zealand	F	C	R	C	R	C	C	C
Papua New Guinea	F	R	R	C	C	C	L	C
South Asia								
Bangladesh	All	L	L	L	L	L	L	L
Bhutan	F	R	R	R	R	R	R	R
India	F	C	L	L	L	L	C	C
Maldives	All	R	C	C	C	C	C	C
Nepal	F	L	L	L	L	C	L	...
Southeast Asia								
Brunei Darussalam	F	C	C	C	C	C	C	C
Cambodia	All	L	L	C	L	C	C	C
Indonesia	All	L	L	R	L	R	C	L
Lao PDR	F	L	L	L	L	...	L	
Malaysia	All	L	L	L	L	C	L	L
Myanmar	T	L	L	L	L	C	L	L
Philippines	F, TP	L	L	R	L	R	L	L
Singapore	All	C	C	C	C	C	C	C
Thailand	F	L	L, R	C, R, L	C, R, L	C, R	C, R, L	C
Viet Nam	All							

... = data not available at cutoff date, C = centralized, F = functional, H = hybrid, L = localized, Lao PDR = Lao People's Democratic Republic, R = regionalized, T = tax, TP = taxpayer.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A35 and A36).

recently reported that an in-principle decision has been made to establish a large taxpayer division, commencing in 2018.[30]

(ii) There is significant variation in the organizational design of LTUs, ranging from LTUs with largely a full range of functions that provide end-to-end processing of taxpayers' affairs (e.g., as seen in Bangladesh, Mongolia, and New Zealand) to setups where the LTU provides only service and audit functions (e.g., Australia, the PRC, Singapore, and Viet Nam).

(iii) Around half of revenue bodies report that their LTUs include a disputes function, an arrangement that, in some economies, has been criticized on the grounds of lacking sufficient independence.

Office Networks

(i) The composition of office networks and their size vary enormously across revenue bodies, ranging from fully or largely centralized operations in geographically very small economies such as Hong Kong, China; Maldives; and Singapore to very large office networks seen in economies such as Bangladesh, Indonesia, Japan, Kazakhstan, and Thailand.

(ii) Many of the revenue bodes with very large office networks report having few functions established on a regional or national basis (e.g., call centers and service or processing centers), potentially pointing to opportunities for major consolidation and efficiency gains.

Research conducted for this series revealed that Kazakhstan's State Revenue Committee has established a major program of reform for the 2015–2017 period that envisages, among other things, a comprehensive review and redesign of its organizational structure at the headquarters and regional office levels, and a reorganization and consolidation of local offices based on a rationalization program.[31]

(iii) Around one-third of revenue bodies report the use of dedicated processing centers in which bulk taxpayer information processing work is concentrated, as well as the use of national and regional service centers (including call center operations).

2. Examples of Revenue Bodies' Institutional and Organizational Setups

Prior editions of this series featured examples of the organizational arrangements for revenue administration in a number of economies that are set out in Table 20 in broad groupings, reflecting both their common and unique design features. This series displays the structure of a further three revenue bodies (i.e., Indonesia, Nepal, and Viet Nam) for general information in the groupings indicated.

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30 Presentation by PNG officials at IMF-ADB Seminar on Medium-Term Revenue Strategy and Related Issues, held on 1–2 December 2017, at ADB headquarters.

31 World Bank. Kazakhstan Tax Administration Reform Project. http://projects.worldbank.org/P116696/kazakhstan-tax-administration-reform-project-jerp?lang=en (accessed 8 September 2017).

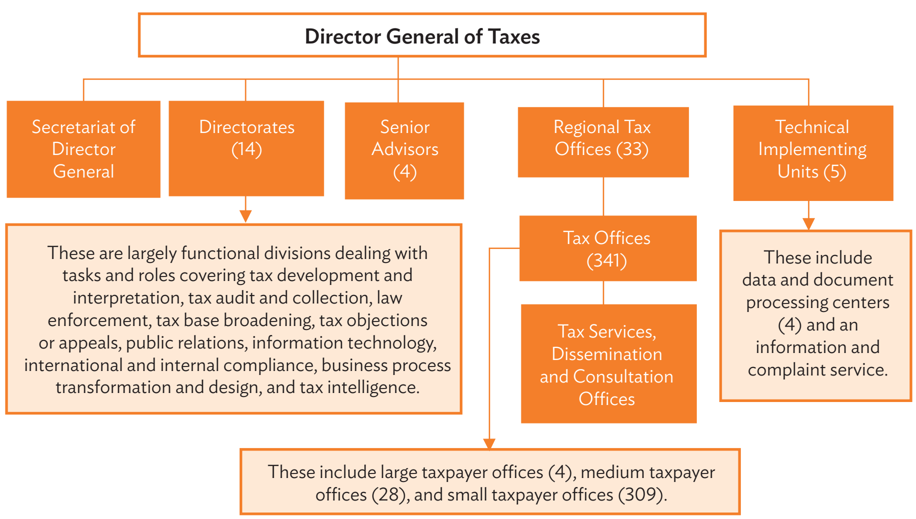
Table 20: Examples of Revenue Body Structures

Design Themes Observed in Organizational Setups	Series Edition	Revenue Body Examples
Part of MOF's formal structure, a body with a largely functional structure and a dedicated large taxpayer service	2nd (2016) 3rd (2018) 3rd (2018)	Cambodia's General Department of Taxation Viet Nam's General Department of Taxation Nepal's Inland Revenue Department
Part of MOF's formal structure, a body with a largely functional headquarters structure and an office network organized around taxpayer segments, including large taxpayers	3rd (2018)	Indonesia's Directorate General of Taxes
Part of MOF's formal structure, a body with a structure comprising a mix of tax type and functional units and with no dedicated large taxpayer division	2nd (2016)	Taipei,China's Tax Administration Department
A separate body with a largely functional structure and a large taxpayer division	2nd (2016)	Philippines' Bureau of Internal Revenue
A separate body with a functional structure and no large taxpayer division	1st (2014)	Papua New Guinea's Internal Revenue Commission
A semiautonomous body with a management board, and organized with a mix of tax type and functional units.	1st (2014)	Singapore's Inland Revenue Authority

MOF = Ministry of Finance.

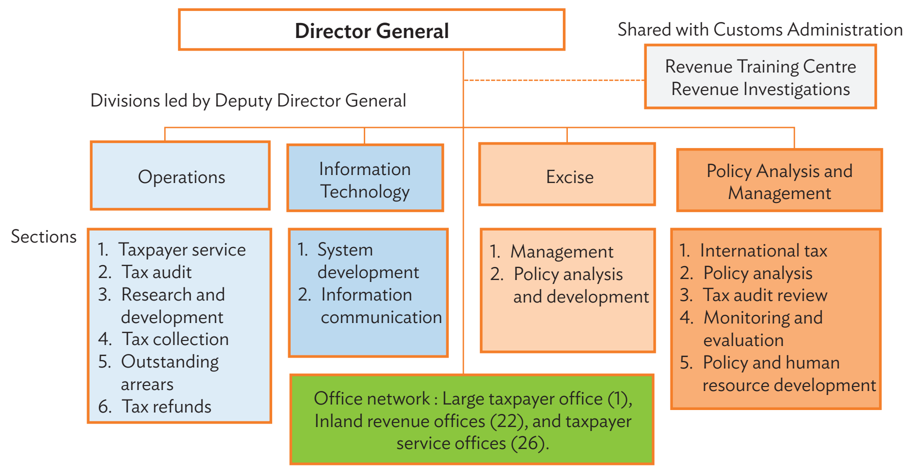
Source: Author's compilation.

Figure 5: Organizational Structure of Indonesia's Directorate General of Taxes



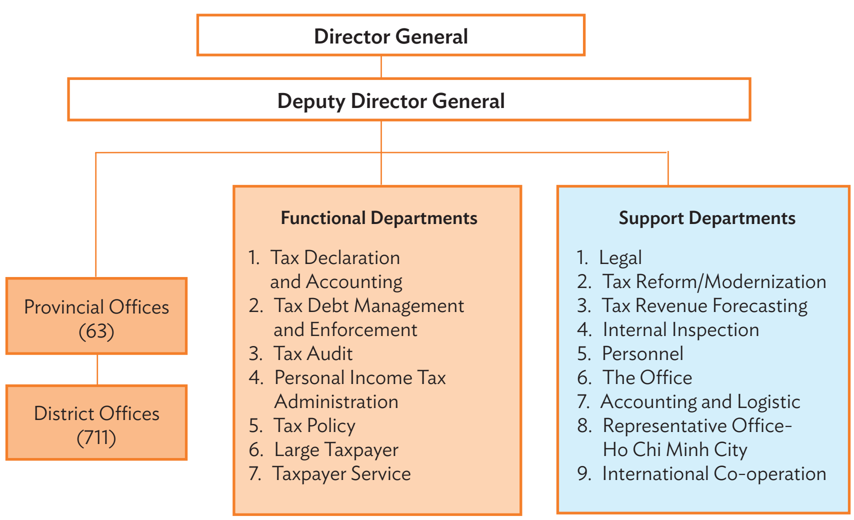
Source: Government of Indonesia, Directorate General of Taxes. 2015. *Annual Report 2015*. Jakarta.

Figure 6: Organizational Structure of Nepal's Inland Revenue Department



Source: Government of Nepal, Inland Revenue Department. https://ird.gov.np/ (accessed January 2018).

Figure 7: Organizational Structure of Viet Nam's General Department of Taxation



Source: Nguyen Van Phung, Viet Nam's General Department of Taxation, presentation to 7th IMF–Japan High Level Conference. April 2016.

Table 21: Office Networks to Conduct Tax Administration

Region/Economy	Office Network (number of offices by office type)						
	HQ	Regional	Local	Data Processing	Service Centers	Others	Total
Central and West Asia							
Afghanistan	1	Large, medium-sized, and small taxpayer offices in each of six regions					19
Kazakhstan	1	20	219	0	0	0	240
Kyrgyz Republic	1	8	56	0	0	0	65
Tajikistan	1	4	68	0	0	1	74
East Asia							
China, People's Republic of	1	36	3,649	37	38	0	3,761
Hong Kong, China	1	0	0	0	0	0	1
Japan	1	12	524	...	...	...	537
Korea, Republic of	1	6	117	0	1	2	127
Mongolia	1	10	21	1	1	0	34
Taipei,China	1	0	80	0	0	2	83
Pacific							
Australia	1	14	0	0	30	0	45
New Zealand	1	0	9	2	15	0	27
Papua New Guinea	1	3	15	0	0	0	19
South Asia	1						
Bangladesh	1	71	907	1	0	0	980
Bhutan	1	8	0	0	0	0	9
India	1	18	500	37	5	0	561
Maldives	1	0	6	0	0	0	7
Nepal	1	0	22	0	26	1	50
Southeast Asia							
Brunei Darussalam	1	0	0	0	0	0	1
Cambodia	1	23	9	0	0	0	33
Indonesia	1	33	547	4	1	0	586
Lao PDR	1	18	148	0	0	0	167
Malaysia	1	12	79	1	2	0	95
Myanmar	1	15	266	0	0	4	282
Philippines	1	19	124	7	1	0	152
Singapore	1	0	0	0	0	0	1
Thailand	1	12	969	1	1	0	983
Viet Nam	1	63	711	1	0	0	776

... = data not available at cutoff date, HQ = headquarters, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration* 2017. Paris. (Table A48).

IV. Managing Taxpayers' Compliance

This chapter addresses a number of important issues in the management of taxpayers' compliance: (i) compliance risk management, including the conduct of tax gap research; (ii) managing the compliance of large taxpayers; (iii) international tax avoidance and evasion; (iv) optimizing the use of tax withholding at source and third party reporting requirements; and (v) the use of voluntary disclosures policies and programs.

A. Compliance Risk Management

Improving taxpayers' voluntary compliance is the major challenge for all revenue bodies because it is the only way to increase tax collection performance in a cost-effective manner, while also strengthening community confidence in their administration of the tax laws. It follows that how revenue bodies go about identifying and managing their major tax compliance risks is critical to their success.

There is general consensus among international bodies of the elements of a sound approach to managing tax compliance risks, and a considerable amount of practical guidance materials has been developed and published on this topic. For example:

(i) The Forum on Tax Administration (FTA) of the OECD has, over many years, produced a large array of practical guidance materials on aspects of managing taxpayers' compliance, drawing on the extensive experience of its member revenue bodies. A brief summary of these materials is in the Appendix, Table A.2.

(ii) The Field Guide to accompany the Tax Administration Diagnostic Assessment Tool (TADAT) of the IMF also contains guidance on good practice in compliance risk management.

As observed in the OECD's recent publication, *Tax Administration 2017*, the term compliance risk management was first explored in the guidance note *Compliance Risk Management: Managing and Improving Tax Compliance* prepared by the FTA in 2004.[32] Drawing on the experience of a few innovative revenue bodies, including the Australian

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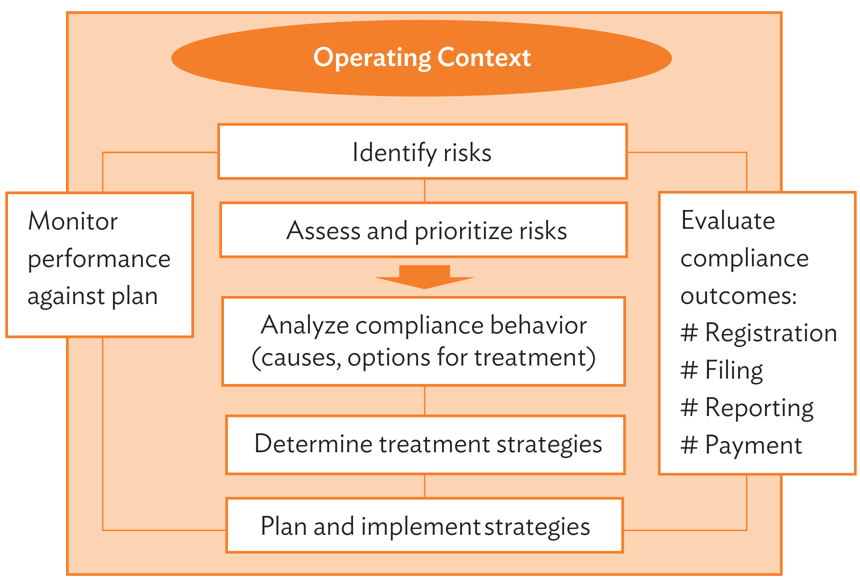
32 OECD. 2017. *Tax Administration 2017*. Paris.

Taxation Office, the note examined how modern risk management techniques could be applied to develop more effective approaches and strategies for improving taxpayers' compliance in an overall sense. The note set out the framework of a process that revenue bodies could follow (Figure 8).

The recommended compliance risk management framework encompasses a series of steps that should be undertaken systematically and cyclically. It is a "top-down" process that focuses on the overall compliance environment rather than individual taxpayers. In practice, many revenue bodies adopt a taxpayer segment-by-segment approach when applying the framework. By identifying and assessing the main compliance risks and their drivers, the process aims to assist revenue bodies establish overall priorities for their compliance activities across all segments of taxpayers. Importantly, and this is given considerable emphasis in the referenced guidance, understanding the drivers of noncompliance is essential as treatment of the more complex compliance risks invariably requires a mix of treatments to achieve the desired outcomes. Depending on their nature and significance, specific compliance risks may well require a fair mix of treatments types, for example:

(i) legislative changes (e.g., new reporting obligations); (ii) new taxpayer education and service products; (iii) simplifying administrative processes and reducing opportunities for taxpayers' errors; (iv) acquiring additional and/or better-skilled staff; (v) working with third parties (e.g., tax professionals) to leverage improved compliance; (vi) increased and/or more targeted use of sanctions; (vii) using the media to communicate news of actions

Figure 8: Compliance Risk Management Framework



Source: Organisation for Economic Co-operation and Development. 2004. *Compliance Risk Management: Managing and Improving Tax Compliance*. Paris.

taken and results achieved; (viii) introducing new forms of intervention (e.g., third party data matching); (ix) making more effective use of technology (e.g., better targeting of "at risk" taxpayers); and (x) working more collaboratively with other government agencies.

Important steps in the compliance risk management process concern monitoring and evaluation activities. Monitoring is an ongoing process that should commence shortly after the introduction of compliance treatments, and aims to ensure that implementation is proceeding as intended and that any specific objectives set are being met. Evaluation takes place further on in the process, and is intended to assess if the treatment is having the desired overall impacts, and/or if further or new treatments are required.

According to the OECD, the general principles reflected in the 2004 framework still remain valid in 2017. However, what has changed significantly is the environment in which revenue bodies are operating today. New technologies and the use of advanced analytics are providing far more effective methods for risk detection, monitoring, and evaluation. New information sources have emerged that facilitate risk detection. Among other things, these developments permit interventions to be made earlier, sometimes in real-time, while enabling the evolution of new forms of treatment, including the use of complete data sets that enable compliance to be managed across groups of taxpayers rather than on a case-by-case basis.

Case Study: Dealing with the Shadow Economy

To illustrate the relevance and application of compliance risk management principles, reference is made in Box 6 to the findings contained in a recent OECD report describing how some revenue bodies are responding to the compliance risks presented by what is frequently referred to as the shadow economy. It is also called by other names such as hidden, black, or underground economy, among others.

The term *shadow economy* generally refers to economic activities (both legal and illegal) that are concealed by various actors for taxation and other reasons. In a taxation context, shadow economy behavior occurs under many guises. A few examples are (i) wages paid in cash to employees with no withholding or reporting to tax authorities; (ii) wages paid to "ghost" (i.e., fictitious) employees; (iii) underreporting (or "skimming") of business receipts by business owners; (iv) payments for services to self-employed operators who operate entirely outside the tax system; (v) identity fraud and related tax evasion; and (vi) the sale of illegal goods and services (e.g., drugs). All economies—both advanced and developing—have some level of shadow economy activity. A failure by revenue bodies to provide adequate responses can have significant negative consequences over time for both tax collections and perceptions of a revenue body's competence.

Box 6: Case Study—Dealing with the Shadow Economy

In September 2017, the Forum on Tax Administration (FTA) published its report *Shining Light on the Shadow Economy: Opportunities and Threats,* an update to a previously published report prepared in 2011. As noted in the FTA's latest report, the shadow economy is constantly changing and adapting, with the emergence of new business models, the growth of digitalization, increasing globalization, and wider social changes. Revenue bodies need to be alert and adapt to their changing environments, regularly revisiting their compliance risks and strategies to ensure that they remain appropriately targeted. The FTA's report provides useful guidance on the changing nature of the shadow economy and recent developments in its management by a number of revenue bodies. Importantly, drawing on analysis of practices across a broad range of revenue bodies, the report identifies three main pillars that generally underpin the strategies being adopted:

- **Taxpayer education and simplicity of compliance.** There is good evidence that compliance can be enhanced where legal and administrative liabilities are relatively easy to comply with; and where there is advice and support available for small business.
- **Reducing the opportunities and increasing detection.** Shadow economy activities, by definition, cannot take place where they would be fully visible to revenue bodies. New tools are making it possible to enhance the visibility of some activities by using a range of different sources and by combining information more readily, in particular by using modern technology tools.
- **Reinforcing social norms.** Traditional enforcement activity can be effective in changing behaviors, sending strong messages out more widely about the risks of noncompliance. Most revenue bodies also undertake activities to influence social norms at a high-level (including pointing out the risks); with some acting through intermediaries such as trade associations.

Examples of strategies reported by revenue bodies:

Taxpayer education and simplicity of compliance	• Providing a range of online tools and support via mobile devices (Australia). • Making access to licenses required for business conditional on tax registration (United Kingdom).
Reducing the opportunities and increasing detection	• Acquiring credit and debit card transaction data to track merchants' turnovers (United Kingdom). • Mandating use of e-invoicing for value-added tax and cross-matching all invoice data (Brazil, Italy, and the Russian Federation). • Mandating issue of receipts and use of online cash register systems (Austria and the Russian Federation).
Reinforcing social norms	• Marketing campaigns directed at specific shadow economy sectors (New Zealand). • Providing education on tax obligations through trade and technical colleges (Canada). • Imposing limits on the value of cash transactions between individuals and businesses (Austria and France).

Source: Organisation for Economic Co-operation and Development. 2017. *Shining Light on the Shadow Economy: Opportunities and Threats.* Paris.

Compliance Risk Management in Asia and the Pacific

Revenue bodies were asked a small number of questions concerning aspects of compliance risk management. The key findings and observations from their responses are as follows:

(i) Just under 75% of revenue bodies report having a formal compliance risk management process, although little is known in any detail about the nature and comprehensiveness of the approaches adopted by individual revenue bodies (Table 12).

(ii) Against a fairly comprehensive menu of compliance risk categories dealing largely with the non-reporting or underreporting of tax liabilities, revenue bodies were asked to identify the relative priority (i.e., high, medium, or low) attached to specific risk categories within their current compliance strategies. A summary of the responses is set out in Table 22, with individual revenue body responses displayed in Table 23.

(iii) As will be apparent from the responses provided, most revenue bodies were able to specify their main compliance risks, with the most frequently reported compliance risks being domestic aggressive tax avoidance, VAT fraud schemes and practices, base erosion and profit shifting, and shadow economy activities. Unsurprisingly, this ranking of major risks is identical to that reported by the OECD in *Tax Administration 2017*, covering 55 economies including 11 reported in this series.[33]

Table 22: Risk Categories and Their Relative Priority

	Revenue Body Rankings (number)		
Risk Category	High	Medium	Low
Base erosion and profit shifting	15	5	4
Aggressive domestic tax avoidance	17	5	1
Value-added tax (VAT) fraud (including VAT refund fraud)	17	2	4
Identity fraud	10	6	6
Shadow economy	14	5	4
Amortization of goodwill	3	9	12
Preferential tax regimes	12	7	4
Transactions with tax havens	12	5	6
High net worth individuals	11	7	5
Research and development tax credits	8	6	9
E-commerce	9	12	2

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration* 2017. Paris. (Table A138).

[33] OECD. 2017. *Tax Administration 2017*. Paris.

Table 23: Key Aspects of Compliance Focus and Relative Priorities, 2015

Region/Economy	Key Aspects of Compliance Focus and Relative Priority										
	1	2	3	4	5	6	7	8	9	10	11
Central and West Asia											
Afghanistan	L	M	L	L	L	L	H	L	M	L	H
Kazakhstan	H	H	H	H	H	L	H	M	M	M	M
Kyrgyz Republic	H	H	H	L	H	L	L	M	L	L	H
Tajikistan	M	H	H	M	H	M	H	M	M	L	H
East Asia											
China, People's Republic of	H	M	H	H	L	L	M	H	H	H	H
Hong Kong, China	M	H	L	M	H	L	L	H	L	L	M
Japan	...	...	...	...	...	...	...	...	...	...	...
Korea, Republic of	H	H	H	H	H	M	H	H	H	M	H
Mongolia	H	H	H	H	H	H	H	H	H	H	H
Taipei,China	H	H	H	M	M	H	H	H	H	H	M
Pacific											
Australia	H	H	H	H	H	M	M	H	H	M	M
New Zealand	H	H	H	H	H	M	H	H	H	M	M
Papua New Guinea	H	H	H	M	H	M	H	H	H	H	M
South Asia											
Bangladesh	M	M	M	M	M	M	M	M	H	H	M
Bhutan	L	L	...	...	L	L	H	L	M	L	L
India	H	H	H	H	H	L	H	H	M	L	M
Maldives	H	H	H	H	H	H	H	H	M	M	M
Nepal	L	...	H	...	...	L	...	...	...	...	...
Southeast Asia											
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...
Cambodia	L	H	H	H	H	M	H	H	L	L	M
Indonesia	H	H	M	M	M	M	M	H	H	M	H
Lao PDR	...	...	...	...	...	...	...	...	...	...	...
Malaysia	H	H	L	L	M	L	M	M	H	H	H
Myanmar	M	M	L	H	H	M	L	L	L	L	L
Philippines	H	H	H	L	H	L	M	L	H	L	M
Singapore	M	H	H	L	M	L	L	L	M	H	M
Thailand	H	M	H	L	L	L	M	L	L	H	H
Viet Nam	...	...	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, H = high, L = low, Lao PDR = Lao People's Democratic Republic, M = medium.

1 = base erosion/ profit shifting; 2 = aggressive domestic tax avoidance; 3 = VAT fraud; 4 = identity fraud; 5 = underground economy; 6 = amortization of goodwill; 7 = preferential tax regimes / incentives; 8 = transactions with tax havens; 9 = high net worth individuals; 10 = Research and Development tax credits; and 11 = e-commerce

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A138).

(iv) Significantly, four revenue bodies did not report their priority compliance risk areas, while responses from a few other revenue bodies appeared incomplete. These observations are not entirely surprising as seven revenue bodies (i.e., Brunei Darussalam, Japan, the Kyrgyz Republic, the Lao PDR, Nepal, Papua New Guinea, and the Philippines) report that they do not have an organization-wide process for systematically identifying, assessing, prioritizing, and dealing with their key compliance risks (Table17).

Based on research, it appears that very few revenue bodies publicize their compliance risks. One exception to this is New Zealand's Inland Revenue Department (NZIR). It commenced a practice in 2009 of publicly disclosing the focus of its compliance strategies each year. While the format of its reporting has changed over the years, it continues to provide specific warnings and guidance on the key compliance risks receiving attention. Box 7 provides examples of two high-priority risk areas reported for fiscal year 2017 from a broader menu of risk-focus areas by NZIR.

Box 7: Examples of New Zealand Inland Revenue's Published Compliance Risks

Aggressive tax planning

A small number of people try to avoid paying the tax that they should, or boost entitlements to social benefits by using inappropriate or unlawful tax structures. We call this aggressive tax planning (ATP).

What we are doing

We match tax data from various sources to identify potential ATP structures and schemes. If we suspect ATP is happening, we will monitor the tax position taken and follow up with an investigation, where required. We are working on projects to address specific ATP issues we have identified; for example, herd scheme restructuring in the dairy farming industry and complex financing.

We have been very successful in challenging tax avoidance in court over the past few years. Read more about these cases. We also actively support the international community's work on base erosion and profit shifting in New Zealand, and provide education and support to professional bodies and other stakeholders (e.g., Chartered Accountants Australia and New Zealand).

People with high wealth or high income

People who have significant assets or high income often have complex tax affairs. Like everyone else, most people with high wealth pay the right amount of tax at the right time, but sometimes people make mistakes and do not get their taxes quite right. We have a dedicated team that helps these customers get back on track.

continued on next page

Box 7 *continued*

What we are doing

We share information with high-wealth customers and their tax agents to help people avoid common mistakes. We also look out for signs that they might not be paying the right amount of tax. That way, we can contact them early, help them get back on track, and stop penalties and interests adding up. Here are just a few examples of what we look out for:

- large one-off or unusual transactions;
- unexplained losses;
- unusual classifications of income and expenditure between capital and revenue;
- mismatches between tax paid and net wealth;
- complicated structures or intra-group dealings;
- unusual financial instruments or financing arrangements; and
- mixed business/private use of assets, especially lifestyle assets.

Source: Government of New Zealand, Inland Revenue Department. 2014. Compliance Focus 2014-15. https://www.ird.govt.nz/aboutir/reports/compliance-focus/ (accessed 3 November 2017).

Tax Gap Research

Related to the use of compliance risk management techniques is the concept of tax gap measurement or, more precisely, tax gap estimation. A summary description of the concept of tax gap estimation, how it is carried out, and its potential benefits are in Box 8.

Box 8: An Introduction to Tax Gap Estimation and Its Use in National Tax Administration

What is the tax gap?

The tax gap is an estimate of the difference between the amount of revenue actually collected for a tax in respect of fiscal year and the amount that would have been collected with perfect compliance (i.e., potential collections). It is typically measured on a tax-by-tax basis, exclusive of penalties and interest, and the results across all taxes are sometimes aggregated to give a total tax gap amount for a tax system. By its very nature, tax gap estimation is an imprecise science. The various models and methodologies used in practice by revenue bodies and others for gap estimation purposes are subject to numerous qualifications and assumptions.

How does the tax gap arise?

The tax gap arises from acts of noncompliance with the law that are either deliberate, careless, or reckless in their nature, or which result from taxpayers' ignorance of the laws' requirements or simple errors. In practice, acts of tax noncompliance can generally be attributed to the following risk domains: (i) failure to register for a tax as required, (ii) failure to file tax returns and other documents that establish a tax liability, (iii) failure to properly and accurately declare tax liabilities, and (iv) failure to pay assessed tax debts.

continued on next page

Box 8 *continued*

These risk domains all embrace noncompliance that is sometimes described as tax evasion, as well as tax avoidance schemes that are deemed to be illegal under the tax laws. In short, the tax gap represents aggregate tax revenue leakage resulting from all forms of noncompliance behavior.

How is the tax gap measured?

Tax gap estimation methodologies and their use have evolved over many years and generally fall into two categories: (i) top–down (macro) approaches and (ii) bottom–up approaches. Within each category, there is a variety of estimating models and methodologies that can be applied. In practice, use of the various models and methodologies needs to be tailored to each individual tax and the approaches taken often vary between revenue bodies (or others involved with tax gap research), depending on a range of factors (e.g., who conducts the research, data availability, the expertise available, and level of resource investment).

What are the potential uses and value of tax gap measures?

Drawing on international experience, tax gap estimation research has a number of potential uses, although its value at the individual tax level depends on the methodology used, the reliability of the information gathered, and the timeliness of research findings. Recognized uses and their potential value include (i) the trend of tax gap estimates and their magnitude can provide an aggregate or overall picture of the health of the tax system and compliance levels; (ii) by identifying broad trends in compliance across the different taxes administered, tax gap research findings may assist revenue body management in making decisions around resource allocation priorities; and (iii) where disaggregated data are available from tax gap-related research (e.g., from random audits), they can point to the common types of errors that arise, enabling responses (either policy or administrative) to be formulated to address the more pressing issues detected.

Source: Author's compilation.

The use of tax gap estimation methodologies is a relatively contentious issue among tax administrators internationally with some (i.e., opponents) questioning their accuracy, reliability, and overall value to the management of the tax system, while others (i.e., proponents) argue that, if properly designed and conducted, they can provide useful information that assists both internal and external stakeholders in a variety of ways, notwithstanding their limitations. The Fiscal Affairs Department of the IMF actively promotes the use of tax gap research techniques, and provides specialist technical assistance on request to revenue bodies in both advanced and developing economies seeking to explore their use, as well as publishing detailed guidance materials on gap methodologies for specific taxes.[34]

While relatively few national revenue bodies undertake comprehensive programs of tax gap research, interest in tax gap estimation, particularly in respect of the VAT, has grown considerably in recent years as governments, tax administrators, and others have sought to quantify the extent of revenue leakage from their tax systems and/or to better understand the overall impacts of revenue bodies' compliance improvement activities. Australia,

[34] IMF. 2015. *Fiscal Assessment Tools*. Washington, DC; IMF. 2017. *The Revenue Administration–Gap Analysis Program: Model and Methodology for Value-Added Tax Gap Estimation*. Washington, DC; and IMF. 2017. *The Revenue Administration—Gap Analysis Program: An Analytical Framework for Excise Gap Estimation*. Washington, DC.

Canada, and Finland are examples of economies where comprehensive research efforts have been launched in recent years, while countries such as Denmark, Sweden, the United Kingdom, and the United States have many years of experience. The EC arranges regular VAT gap estimation research for all of its 28 member countries and publishes the findings.[35]

Tax gap research is not without its limitations, and findings from the methodologies used need to be assessed with caution. By their very nature, tax gap estimates are uncertain, given underlying assumptions and limitations inherent in the methodologies and data available. Tax gap estimates should be used largely as a pointer to further inquiry, including efforts to disaggregate global tax gap estimates to get a better understanding of the nature of noncompliance occurring and its drivers.

Tax Gap Research in Asia and the Pacific

Survey responses and research reveal that tax gap research is not conducted widely across the region, although interest appears to have grown over the last 5 years or so. A number of revenue bodies have explored its use, have ongoing research programs, or have had some exposure to such research:

(i) The Australian Taxation Office (ATO) has a comprehensive approach, with a program of research introduced gradually over the last 4 years that, in 2018, includes all of the taxes under its responsibility. A program of random inquiries is a core element of its approach to estimating the tax gap for income taxes. The findings of its research are released progressively, and are published on its website and in its annual performance report. At the time of finalizing this report, tax gap estimates had been released for a range of taxes, including the goods and services tax (VAT), corporate income tax (large taxpayers), the pay-as-you-go withholding regime for the personal income tax and some excises.[36]

(ii) In 2014, the World Bank funded the conduct of a study to measure the VAT tax gap in Bangladesh. The purpose of the study was to assist officials of the National Board of Revenue (NBR) assess the level of improvements in VAT compliance levels following policy and administrative reforms, and to provide some exposure to NBR officials in the use of the VAT tax gap estimation methodology.

(iii) The PRC's SAT also has a fairly comprehensive program. In a presentation made to tax officials in 2016,[37] SAT's representative noted that the knowledge gained from its tax gap research efforts (i) assists in the development of uniform tax payment arrangements, (ii) improves the efficiency of tax collection, (iii) improves targeting of revenue management, and (iv) supports tax reform. SAT employs both the "top–down" methodology to estimate the tax gap for indirect taxes and "bottom–up" for direct taxes. Concerning the VAT, it was reported that findings from 2001 to 2009 had revealed progressively improving tax compliance, with the estimated VAT tax gap declining from around 40% to 25% across the PRC over the period studied.

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[35] Center for Social and Economic Research. 2017. *Study and Reports on the VAT Gap in the EU-28 Member States: The Final Report.* European Commission. Brussels.

[36] Government of Australia, Australian Taxation Office. About ATO. https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Tax-gap/Australian-tax-gaps-overview/.

[37] Presentation by official of SAT to the 7th IMF–Japan High Level Tax Conference held in Tokyo on 5–6 April 2016.

(iv) The Philippines' Bureau of Internal Revenue (BIR) also has experience with tax gap research. As part of a technical assistance agreement between the governments of the United States and the Philippines, the BIR participated with the IMF from 2011 to 2015 to produce a series of gap estimates for the VAT making use of the IMF's Revenue Administration Gap Analysis Program (RA-GAP) assistance program. In a presentation made in December 2017,[38] the BIR's representative reported that its findings from 2008 to 2015 reveal a marginally declining trend in the gap which is estimated at 38% for the 2015 fiscal year.

(v) The revenue body of Taipei,China reports that it conducts tax gap research for its major taxes, although the findings are not made public. Thailand's Revenue Department reports that it carries out gap research for its VAT, although it also does not publish the findings.

(vi) In its 2016 annual report, the Maldives Revenue Authority reports that it undertook gap research in 2016, but the findings were inconclusive owing to a shortage of relevant information.[39]

With governments increasingly seeking to extract more revenue from their tax systems and raise the standards of accountability of their public sector bodies, it is likely that more revenue bodies will decide, or be required, to undertake tax gap research in the medium term.

B. Managing the Compliance of Large Taxpayers

As noted in Chapter III, there has been a trend to organize revenue bodies' compliance programs around "taxpayer segments." In particular, this approach has been strongly encouraged by international bodies over recent decades for large corporate taxpayers. The focus on large taxpayers results from a range of factors: (i) their high tax revenue contribution, (ii) the complexity of their business and tax affairs, (iii) their often unique and significant tax compliance risks, (iv) their use of "top-end" professional tax experts or in-house advisors, and (v) their high media and community profile.

The OECD observes that there are fairly common features associated with how revenue bodies in advanced economies have approached the organization and management of large taxpayers through their large taxpayer units (LTUs):[40]

(i) An LTU's responsibilities tend to cover both direct and indirect taxes, enabling a "whole of taxpayer" focus to be given to administering individual taxpayers' affairs.

(ii) Business units typically provide both service and verification functions; reflecting this and the significant revenue and compliance risks they are responsible for, considerable resources are devoted to large taxpayer administration in many economies.

38 Presentation by official of the Philippines BIR to an IMF–ADB Seminar on *Medium Term Revenue Strategy and Related Issues* held in Manila on 1–2 December 2017.

39 Government of Maldives, Maldives Revenue Authority. 2016. *Annual Report 2016*. Male. (p. 60).

40 OECD. 2015. *Tax Administration 2015*. Paris. (p. 85).

(iii) In addition to taxation and accounting skills, LTUs will often include specialist teams or experts for support in areas such as industry knowledge, economics, international tax issues, and computer-based examination techniques. To optimize performance, many revenue bodies place considerable emphasis to the development of industry knowledge through the use of industry-based teams and experts for key sectors of each country's economy.

(iv) Some revenue bodies make use of an "account manager" concept to provide designated large businesses with a nominated contact point for all interactions with the revenue body.

(v) There is increasing emphasis on the use of what is termed cooperative compliance programs. These cooperative compliance programs are a relatively new development in national tax administration, and is dealt with in a number of OECD publications.[41] In brief, these programs seek to build a transparent relationship with taxpayers that enables material tax risks to be identified and resolved before tax returns are filed and assessments issued, in return for greater certainty and responsiveness from the revenue body. Often, these programs are based on formal agreements between taxpayers and revenue bodies that spell out their respective responsibilities and commitments and a framework for resolving issues that may arise.

(vi) Verification checks typically constitute a major element of an LTU's activities in economies, often resulting in a high degree of taxpayer coverage and large tax adjustments.

Managing Large Taxpayers in Asia and the Pacific

This series provides comparative information on the setups established by revenue bodies for managing large taxpayers, and identifies relevant developments and experience. Table 24 sets out details of the criteria used to identify large taxpayers and aspects of the organization of LTUs, while Table 25 identifies the number of taxpayers and economic groups under administration in 2014 and 2015, along with the resources allocated for their administration.

From the data provided, it can be seen that the vast majority of revenue bodies have a dedicated organizational division or unit that manages the tax affairs of designated large taxpayers. This includes Myanmar where the revenue body introduced an LTU in 2015. Exceptions to this practice include revenue bodies in Brunei Darussalam; Hong Kong, China; Papua New Guinea (PNG); the Republic of Korea; and Taipei,China. PNG officials recently reported that their new medium-term development strategy for 2018–2022 includes provision for commencement of work in 2018 to establish an LTU.[42]

41 For example, OECD. 2013. *Co-operative Compliance: A Framework'* (2013). Paris; and OECD. 2008. *Study into the Role of Tax Intermediaries*. Paris.

42 Presentation by officials from Papua New Guinea at an IMF: ADB Seminar on *Medium Term Revenue Strategy and Related* Issues held in Manila at ADB headquarters on 1–2 December 2017.

Table 24: Criteria for Selection and Organizational Arrangements for Large Taxpayers

Region/Economy	Criteria for Selecting Clients	Structure of LTU /2	Functions Performed by Office/Program					
			Registration	Returns/ Payments	Services	Audit	Tax Debt Collection	Disputes
Central and West Asia								
Afghanistan	SES, T	ES	✓	✓	✓	✓	✓	✓
Kazakhstan	I, SES	ES	x	✓	✓	✓	✓	✓
Kyrgyz Republic	I, TP, A	G	x	✓	✓	✓	✓	x
Tajikistan	T	Ce	x	✓	✓	✓	✓	...
East Asia								
China, People's Republic of	I, TP	O	x	x	✓	✓	x	x
Hong Kong, China			No LTU organization in place					
Japan	C	G	x	x	✓	✓	x	✓
Korea, Republic of			No LTU organization in place					
Mongolia	T	Ce	✓	✓	✓	✓	✓	✓
Taipei,China			No LTU organization in place					
Pacific								
Australia	T	ES	x	x	✓	✓	x	✓
New Zealand	T	ES	✓	✓	✓	✓	✓	✓
Papua New Guinea			No LTU organization in place					
South Asia								
Bangladesh	SES	G	✓	✓	✓	✓	✓	✓
Bhutan	C, T	G	✓	✓	✓	✓	✓	✓
India	TP	G	x	x	✓	✓	✓	x
Maldives	T, TP	O	x	x	✓	✓	✓	x
Nepal	T	Ce	x	✓	✓	✓	✓	x
Southeast Asia								
Brunei Darussalam			No LTU organization in place					
Cambodia	T	Ce	x	✓	✓	✓	✓	x
Indonesia		ES	x	✓	✓	✓	✓	✓
Lao PDR	...	ES, G	✓	✓	✓	✓	✓	
Malaysia		ES	✓	x	✓	✓	✓	x
Myanmar	T	G	✓	✓	✓	✓	✓	x
Philippines	T, TP	ES	✓	✓	✓	✓	✓	✓
Singapore		ES	x	x	✓	✓	x	✓
Thailand	T	ES	✓	x	✓	✓	✓	✓
Viet Nam		ES	x	x	✓	✓	x	x

... = data not available at cutoff date, ✓ = relevant, x = not relevant, A = assets, C = capital, Ce = centralized, ES = economic sector, G = geographical, I = income, Lao PDR = Lao People's Democratic Republic, LTU = large taxpayer unit, O = Other, SES = specific economic sectors, T = turnover, TP = taxes paid.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. Tax Administration 2017. Paris. (Table A61).

Table 25: Large Taxpayer Units

Region/Economy	Number of Staff Employed and Taxpayers Managed						Main Taxes Administered
	FTEs		Corporate Taxpayers		Individuals Taxpayers		
	2014	2015	2014	2015	2014	2015	
Central and West Asia							
Afghanistan	70	85	309	304	0	0	CIT, PIT, PAYE, Others
Kazakhstan	46	35	300	300	0	0	CIT, PIT, VAT, PAYE
Kyrgyz Republic	54	54	365	365	0	0	CIT, VAT, PAYE
Tajikistan	77	77	262	317	0	0	CIT, PIT, VAT, PAYE
East Asia							
China, People's Republic of	...	...	...	1,062	0	0	
Hong Kong, China				No LTU in place			
Japan	2,349	2,346	,139	30,912	...	...	
Korea, Republic of				No LTU in place			
Mongolia	80	80	414	426	0	0	CIT, VAT, PAYE
Taipei,China				No LTU in place			
Pacific							
Australia	1,400	1,400	...	2,505	...	...	CIT, VAT, PAYE
New Zealand	379	379	558	558	5,000	5,000	CIT, VAT, PAYE
Papua New Guinea				No LTU in place			
South Asia							
Bangladesh	86	86	418	418	759	759	CIT, PIT, VAT, PAYE
Bhutan	30	32	273	286	...	...	CIT, PIT, PAYE
India	....	...	...	...	...	...	CIT, PIT
Maldives	24	26	205	263	8	10	CIT, VAT
Nepal	...	...	...	...	...	...	CIT, PIT, VAT, PAYE
Southeast Asia							
Brunei Darussalam				No LTU in place			
Cambodia	103	135	2,731	2,936	0	0	CIT, VAT, PAYE
Indonesia	...	...	13,000	12,800	1,509	...	CIT, VAT, PAYE
Lao PDR							CIT, PIT, VAT, PAYE
Malaysia	13	317	...	53,343	36	4,322	CIT, PIT, PAYE
Myanmar		72		464		0	CIT
Philippines	600	594	2,128	2,287	0	0	CIT, VAT, PAYE, EXC
Singapore	66	70	1,900	1,900	7	7	CIT, VAT
Thailand	...	503	...	3,468	0	0	CIT, VAT, PAYE
Viet Nam	...	...	429	429	0	0	CIT, PIT, VAT

... = data not available at cutoff date, CIT = corporate income tax, EXC = excises, FTE = full time equivalent, Lao PDR = Lao People's Democratic Republic, LTU = large taxpayer unit, PAYE = pay as you earn (withholding), PIT = personal income tax, VAT = value-added tax.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A67).

In contrast to the practice in many advanced economies where the functions of LTUs tend to be limited to service and verification, many LTUs in the region perform a broader range of functions, including returns processing, service, audit, debt collection, and disputes processing. Most LTUs administer all of the major taxes for which large taxpayers are responsible.

The criteria used to identify taxpayers for the LTU vary to a fair degree and include, singularly or in combination, turnover level, tax paid, assets, number of employees, capital invested, and specific economic sectors. For ease of identification, many revenue bodies use a single criterion, generally turnover level, to identify taxpayers for the LTU's supervision, as indicated in the following examples provided with ADB survey responses:

(i) Afghanistan: All telecoms, banks, and aviation and others with turnover in excess of AF300 million;
(ii) Australia: Turnover in excess of A$250 million;
(iii) Cambodia: Turnover in excess of KR2 billion, foreign company branches, qualified investment projects; and
(iv) Mongolia: Sales revenue over MNT500 million.

In general, there can be a range of factors that influence the level of staff investment made by revenue bodies in their LTUs: (i) the nature and concentration of economic activity, (ii) the number of large taxpayers identified for administration by the LTU, and (iii) overall resource limits. The data reported indicate that, for a number of revenue bodies in the series (e.g., Australia, Cambodia, New Zealand, and the Philippines), the level of staff resources allocated for LTU administration exceeded well over 5% of overall revenue body staffing for 2015.

C. International Tax Avoidance and Evasion

Over the last 9 years, the OECD, along with many advanced and developing economies and regional tax bodies, have been working to develop new rules and processes to strengthen the international tax system. These efforts have been strongly supported by Group of Twenty (G20) leaders.[43] These developments were set out in some detail in an ADB governance brief issued in early 2017[44] and the key points made are summarized below, along with details of some further developments over the last year:

Global Developments to Reform the International Tax System

(i) International efforts to address weaknesses in the international tax system rely on two building blocks: (a) promoting transparency and exchange of information among jurisdictions for tax purposes and (b) tackling tax avoidance with the OECD/G20's Base Erosion and Profit Shifting (BEPS) Project. With considerable progress made over

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43 The G20 (or G-20 or Group of Twenty) is an international forum for the governments and central bank governors from 20 major economies. It was founded in 1999 with the aim of studying, reviewing, and promoting high-level discussion of policy issues pertaining to the promotion of international financial stability.

44 ADB. 2017. *Adopting the New International Tax Rules and Standards. Governance Brief 29*. Manila. https://www.adb.org/sites/default/files/publication/225216/governance-brief-29.pdf.

recent years to develop comprehensive proposals for reform in both areas, the focus of these international efforts has shifted to their global implementation.

Promoting Transparency and Exchange of Information for Tax Purposes

Exchange of Information on Request

(i) The impetus for major changes to address the tax compliance problems presented by the practices of some jurisdictions came in 2009 when G20 leaders declared that bank secrecy would no longer be tolerated and committed to take action against noncooperative jurisdictions, including tax havens. In line with this commitment, many countries agreed to fight cross-border tax evasion together by committing to the international standard for exchange of tax information on request developed by the OECD, and by joining a restructured Global Forum on Transparency and Exchange of Information for Tax Purposes.

With 150 members as of April 2018, the work of the Global Forum has enabled rapid implementation of the standard through extensive engagement with participating jurisdictions and a comprehensive peer review process. Recent new members are Cambodia (joining in September 2017) and Mongolia (joining in January 2018).

Automatic Exchange of Information

(i) Further steps to strengthen tax transparency were taken in 2013 when G20 leaders committed to the OECD proposal for automatic exchange of information (AEOI) to be the new international standard, and fully supported further work by the OECD and G20 countries to present a single global standard in 2014. This work culminated in the development of the Common Reporting Standard (CRS) for automatic exchange of tax information. The CRS, which deals with the automatic exchange of financial account information, is designed to meet the requirements of multiple jurisdictions and minimize the compliance burden on financial institutions that must report to multiple jurisdictions. Further information on the new AEOI standard can be found on the Global Forum's website (http://www.oecd.org/tax/ transparency/).

Implications of Implementing Automatic Exchange of Information for Developing Economies

(i) Implementing the CRS for automatic exchanges requires considerable effort and costs on the part of individual participating jurisdictions. However, as emphasized in the Global Forum's road map report,[45] these more immediate imposts need to be assessed against the potential ongoing benefits from CRS adoption and implementation, in particular (a) the detection of tax evasion and concealed offshore assets, (b) the deterrence of future noncompliance, (c) supporting domestic synergies, and (d) enhancing an economy's reputation.

[45] OECD. 2014. *Automatic Exchange of Information: A Roadmap for Developing Country Participation, Final Report to the G20 Development Working Groups*. Paris.

In addition to translating the CRS into domestic law, a key element of its successful implementation is putting in place an international framework that allows the automatic exchange of CRS information between jurisdictions. With over 100 jurisdictions having committed to exchanging information with each other under the CRS—refer Table 27 which is taken directly from the referenced source—exchange relationships between jurisdictions are generally based on the multilateral Convention on Mutual Administrative Assistance in Tax Matters, in which more than 100 jurisdictions are participating, and the CRS Multilateral Competent Authority Agreement, which is based on its Article 6. Alternatively, jurisdictions can rely on a bilateral agreement (e.g., a double tax treaty or a tax information exchange agreement).

International bodies, the Global Forum, regional tax bodies, and advanced economies are providing considerable support to assist developing economies. The establishment of a common transmission system, to be used globally for the automatic exchange of bulk taxpayer information, is expected to significantly simplify exchanges for participating jurisdictions and minimize their operational costs.

Preparing for Automatic Exchange of Information Reform in Asia and the Pacific

The information obtained for this series (Tables 26 and 27) indicates that good progress has been made by many economies, including by a number of jurisdictions that operate as major financial centers in the region (i.e., Hong Kong, China and Singapore). The quote below by the Commissioner of Inland Revenue in Hong Kong, China reflects his government's strong commitment to the new standards for AEOI:

> Tax transparency and effective exchange of information has become a focus of our work agenda. As a major financial center and a responsible member of the international community, [Hong Kong, China] has all along been a staunch supporter of international efforts to enhance tax transparency and combat cross-border tax evasion. I am pleased that the Inland Revenue (Amendment) Bill 2016 was passed to become the Inland Revenue (Amendment) (No. 3) Ordinance 2016. As a result, [Hong Kong, China] can fulfil its commitment to commence the first information exchange by the end of 2018...[46]

However, considerably more work is required by a number of economies within the region to take advantage of the new automatic exchange of information reforms:

(i) Of the 28 economies reported in this series, over one-third (Bangladesh; Bhutan; the Kyrgyz Republic; the Lao PDR; Myanmar; Nepal; Taipei,China; Tajikistan; and Viet Nam) are yet to become members of the Global Forum and engage with their international counterparts to appreciate the implications of these developments for their administration and consider plans for their adoption.[47]

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[46] Government of the Hong Kong Special Administrative Region of the People's Republic of China, Inland Revenue Department. 2016. *2016 Annual Report*. Hong Kong, China. (p. 3).

[47] At the time of finalizing this report, it was understood that Viet Nam was giving consideration to becoming a member of the Global Forum.

Table 26: Engagement and Participation of ADB Members in International Tax Reform Efforts

Region/Member	Commitments to International Tax Reform Efforts			
	Tax Evasion: Transparency and Exchange of Information			
	Member of Global Forum on Transparency and EOI[a]	Signatory to Multilateral Convention on Mutual Assistance[c]	Signatory to Introduction of New AEOI Standard (year)	Tax Avoidance: Member of BEPS Inclusive Framework[b]
Central and West Asia				
Afghanistan	x	x	x	x
Kazakhstan	✓	✓	x	✓
Kyrgyz Republic	x	x	x	x
Tajikistan	x	x	x	x
East Asia				
China, People's Republic of	✓	✓	✓ (2018)	✓
Hong Kong, China	✓	x	✓ (2018)	✓
Japan	✓	✓	✓ (2018)	✓
Korea, Republic of	✓	✓	✓ (2017)	✓
Mongolia	✓	x	x	✓
Taipei,China	x	x	x	x
Pacific				
Australia	✓	✓	✓ (2018)	✓
New Zealand	✓	✓	✓ (2018)	✓
Papua New Guinea	✓	✓		✓
South Asia				
Bangladesh	x	x	x	✓
Bhutan	x	x	x	x
India	✓	✓	✓ (2017)	✓
Maldives	✓	x		✓
Nepal	x	x	x	x
Southeast Asia				
Brunei Darussalam	✓	✓	✓ (2018)	✓
Cambodia	✓	x		x
Indonesia	✓	✓	✓ (2018)	✓
Lao PDR	x	x	x	x
Malaysia	✓	✓	✓ (2018)	✓
Myanmar	x	x	x	x
Philippines	✓	✓		x
Singapore	✓	✓		✓
Thailand	✓	x	x	✓
Viet Nam	x	x	x	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, AEOI = automatic exchange of information, BEPS = base erosion and profit shifting, EOI = exchange of information, Lao PDR = Lao People's Democratic Republic.

[a] Global Forum on Transparency and Exchange of Information for Tax Purposes (150 members as of April 2018).
[b] Inclusive Framework on Base Erosion and Profit Shifting (113 members as of March 2018).
[c] Multilateral Convention on Mutual Administrative Assistance in Tax Matters (March 2018).

Sources: Global Forum on Transparency and Exchange of Information. http://www.oecd.org/tax/transparency/about-the-global-forum/members/; Organisation for Economic Co-operation and Development (OECD). http://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf; and OECD. http://www.oecd.org/tax/exchange-of-tax-information/Status_of_convention.pdf (all accessed 20 April 2018).

Table 27: Automatic Exchange of Information Status of Commitments[a]

Jurisdictions undertaking first exchanges in 2017 (49)
Anguilla, Argentina, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, the Netherlands, Norway, Poland, Portugal, the Republic of Korea, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Turks and Caicos Islands, the United Kingdom
Jurisdictions undertaking first exchanges by 2018 (53)
Andorra; Antigua and Barbuda; Aruba; Australia; Austria; Azerbaijan;[b] The Bahamas; Bahrain; Barbados; Belize; Brazil; Brunei Darussalam; Canada; Chile; China, People's Republic of; the Cook Islands; Costa Rica; Curacao; Dominica; Ghana;[b] Greenland; Grenada; Hong Kong, China; Indonesia; Israel; Japan; Kuwait; Lebanon; Macau, China; Malaysia; the Marshall Islands; Mauritius; Monaco; Nauru; New Zealand; Niue; Pakistan;[b] Panama; Qatar; the Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Samoa; Saudi Arabia; Singapore; Sint Maarten; Switzerland; Trinidad and Tobago; Turkey;[c] United Arab Emirates; Uruguay; Vanuatu

[a] The United States has undertaken automatic information exchanges pursuant to the Foreign Account Tax Compliance Act (FATCA) from 2015 and entered into intergovernment agreements (IGAs) with other jurisdictions to do so. The Model 1A IGAs entered into by the United States acknowledge the need for the United States to achieve equivalent levels of reciprocal automatic information exchange with partner jurisdictions. They also include a political commitment to pursue the adoption of regulations, and to advocate and support relevant legislation to achieve such equivalent levels of reciprocal automatic exchange.

[b] These jurisdictions were not asked to commit to 2018 exchanges, but did so spontaneously.

[c] Note by Turkey: The information in the documents with reference to "Cyprus" relates to the southern part of the island. There is no single authority representing both Turkish and Greek Cypriot people on the island. Turkey recognizes the Turkish Republic of Northern Cyprus. Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue." Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in the documents relates to the area under the effective control of the Government of the Republic of Cyprus.

Source: Global Forum on Transparency and Exchange of Information. 2017. *Automatic Exchange of Information Implementation Report 2017*. Paris.

(ii) While many participating revenue bodies have taken steps to make provision for AEOI reforms in their strategic plans, further work appears necessary in quite a few economies to take full advantage of the reforms envisaged. As evident from Table 27, specific areas of administration that require further development by many revenue bodies include

(a) establishing of a dedicated organizational unit to manage AEOI matters,
(b) developing working arrangements for AEOI with treaty partners,
(c) initiating actions to have the CRS fully implemented by financial bodies,
(d) determining policies and practices for effective use of AEOI received from partners,
(e) devising strategies to promote awareness among citizens, and
(f) measuring the effectiveness of AEOI.

Economies that fail to adapt their systems and processes to the new standards will inevitably fail to realize the range of benefits expected, as previously alluded to in this section.

The Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting Project

The past 2–3 decades have seen dramatic changes in many economies as a result of globalization. Technological advancements, the free movement of capital and labor, the shift in manufacturing bases from high- to low-cost jurisdictions, and the gradual lifting of trade barriers, are some of the many developments that have boosted foreign direct investment in many economies: creating jobs, boosting growth, and lifting millions out of poverty. However, there have been a number of downsides, including in the area of taxation, where it is widely agreed that international tax rules have not kept up with the pace of change. A major consequence of this deficiency has been revenue leakage; the OECD has reported that, from research conducted in 2013, revenue losses from BEPS were conservatively estimated from $100 billion to $240 billion annually, and these losses were not just confined to advanced economies.[48] More broadly, BEPS-related actions weaken tax system integrity and undermine citizens' trust in government.

The goal of the BEPS project is to restore trust and ensure fair competition among all actors, while maintaining the ability to eliminate double taxation.

The Base Erosion and Profit Shifting Action Plan

In September 2013, G20 leaders endorsed a comprehensive plan developed with OECD members to address BEPS. The starting point for this work was an action plan that identified a series of domestic and international actions to address the problem and set timelines for their further development. After considerable consultation over the ensuing 2 years, the BEPS project delivered its final outputs for all elements of the action plan to G20 finance ministers in October 2015. In November 2015, G20 leaders endorsed the measures and, in so doing, expressly called for an implementation framework that would be open to all interested countries and jurisdictions, including developing economies.

As described by the OECD, the BEPS measures aim to close gaps in international tax rules that allow multinational enterprises to legally, but artificially, shift profits to low- or no-tax jurisdictions. The measures seek to achieve this by improving the coherence of tax rules across borders, tightening substance requirements, and ensuring increased transparency and certainty (Box 9). The OECD's webpage on BEPS (http://www.oecd.org/tax/beps/) has further details of the specific measures contained in the BEPS package.

Implementing the Base Erosion and Profit Shifting Measures—The Inclusive Framework

Responding to G20 leaders' request, the OECD and G20 members have developed an inclusive framework that enables interested countries and jurisdictions to work with OECD and G20 members on an equal footing in developing standards on BEPS-related issues, and to review and monitor the implementation of the BEPS package across jurisdictions. The Inclusive Framework on BEPS already brings together 113 economies, including many developing economies and jurisdictions, to collaborate on the implementation of the OECD–G20 BEPS package. To join the framework, interested countries and jurisdictions are required to commit to the BEPS package and its consistent implementation, and to pay an annual BEPS associate fee.

48 OECD. 2015. *Taxing Multinational Enterprises, Policy Brief*. Paris.

As reported in Table 26, many economies reported in this series already participate in the inclusive framework, including Maldives, whose membership was announced in November 2017 and Mongolia, whose membership was announced in January 2018. However, over one-third of economies covered by this series (Afghanistan; Bangladesh; Bhutan; Cambodia; the Kyrgyz Republic; the Lao PDR; Myanmar; Nepal; the Philippines; Taipei,China; and Tajikistan) are yet to become members and are, therefore, missing out on valuable opportunities to gather ideas for enhancing the design and administration of their tax systems. These concerns are heightened in an environment where revenue bodies, in a number of these nonparticipating economies, have highlighted BEPS and domestic tax avoidance schemes as high-risk areas of tax compliance, while at the same time having weaknesses in their corporate tax regimes that limit their ability to properly deal with such risks, for example:[49]

(i) inadequate rules to address transfer pricing; rules that generally do not follow OECD guidance,

(ii) no provisions for advance pricing agreements,

(iii) no rules to address thin capitalization practices or corporations foreign-controlled,

(iv) inadequate disclosure requirements, and/or

(v) no general anti-avoidance rules.

If not already the case, it would appear in the interests of ministries of finance and revenue bodies in these economies to give urgent consideration to joining these collaborative efforts.

Box 9: Overview of the Base Erosion and Profit Shifting Action Plan

Coherence	Action 2: Neutralizes the effects of hybrid mismatch arrangements. Action 3: Strengthens the rules for foreign-controlled corporations. Action 4: Limits base erosion via deductions for interest expense. Action 5: Specific proposals to counter harmful tax practices.
Substance	Action 6: Develops model treaty provisions to avoid treaty abuse. Action 7: Prevents artificial avoidance of permanent establishment rules. Actions 8–10: Aligns transfer pricing outcomes with value creation, addressing issues with intangibles, risks and capital, and other high-risk transactions.
Transparency	Action 11: Establishes methodologies to collect and analyzes data on base erosion and profit shifting. Action 12: Designs mandatory disclosure rules for aggressive tax planning. Action 13: Provides enhanced rules for transfer pricing documentation. Action 14: Improves the effectiveness of dispute resolution mechanisms.
Supporting all aspects	Action 1: Addresses the tax challenges of the digital economy. Action 15: Provides a multilateral instrument to modify bilateral treaties.

Source: Organisation for Economic Co-operation and Development. 2016. *Inclusive Framework for BEPS Implementation*. Paris. (p. 9–10).

[49] These observations were gathered for an ADB seminar—Taxation of the Digital Economy—of tax officials conducted on 21–24 August 2017 in Tokyo, using information sourced from professional tax sources (e.g., KPMG Asia Pacific Country Profiles 2016 and Deloittes International Tax Highlights 2017).

Table 28: Automatic Exchanges of Information—Implementation of the New Global Standard

Region/Economy	Strategic Plan Provides for Introduction of AEOI Global Standard	Elements Included in Strategic Plan: Establish Dedicated Service to Manage	Apply AEOI Process with Partners	Verify Compliance of Financial Institutions	Specific Uses of Information Received	Strategy to Raise Public Awareness and/or Measure Effectiveness
Central and West Asia						
Afghanistan	...	...	...	...	...	...
Kazakhstan	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	x	x	x	x	x	x
Tajikistan	x	x	x	x	x	x
East Asia						
China, People's Republic of	✓	✓	✓	✓	✓	✓
Hong Kong, China	✓	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	✓	✓
Korea, Republic of	✓	✓	✓	✓	✓	✓
Mongolia	x	x	x	x	x	x
Taipei,China	✓	x	✓	✓	✓	✓
Pacific						
Australia	✓	✓	✓	x	x	x
New Zealand	✓	✓	✓	✓	✓	x
Papua New Guinea	✓	✓	✓	✓	✓	✓
South Asia						
Bangladesh	x	x	x	x	x	x
Bhutan	x	x	x	x	x	x
India	✓	x	✓	✓	✓	x
Maldives	x	x	x	x	x	x
Nepal	✓	✓	✓	✓	✓	✓
Southeast Asia						
Brunei Darussalam	x	x	x	x	x	x
Cambodia	x	x	x	x	x	x
Indonesia	✓	✓	✓	x	x	x
Lao PDR	x	x	x	x	x	x
Malaysia	✓	✓	✓	✓	✓	✓
Myanmar	x	x	x	x	x	x
Philippines	✓	x	x	x	x	x
Singapore	✓	✓	✓	✓	x	✓
Thailand	✓	✓	✓	✓	✓	✓
Viet Nam	x	x	x	x	x	x

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A45).

D. Optimizing the Use of Withholding at Source and Third Party Reporting

Withholding at source arrangements are generally regarded as the cornerstone of an effective personal income tax system. Imposing the obligation on intermediaries such as employers and financial institutions to withhold tax from payments of income generally ensures that the vast bulk of tax due on such income is paid to government in a timely manner, and that taxpayers generally meet their tax obligations in respect of such income. The benefits of withholding mechanisms are particularly important to developing and emerging economies where the level of tax morale and understanding may be low, and most taxpayers are not required to file annual tax returns.

In practice, withholding regimes vary considerably in their design to take account of a variety of tax policy choices (e.g., tax rate structure in place, final or creditable withholdings, residency, and annual assessment requirements). These factors, coupled with the fact that some intermediaries will be tempted to avoid their tax withholding obligations, mean that revenue bodies must be prepared to provide adequate education and support services, as well as be vigilant to noncompliance behavior that requires an administrative response.

Withholding regimes are also often accompanied by systems of third party reporting to the revenue body. This is particularly important where the tax withheld at source is creditable (i.e., not final), and is intended to be applied in a tax assessment process. Third party reporting regimes are also often used in the absence of withholding, in particular for categories of self-employment and professional income that are paid by contracting parties. Such reporting generally provides the revenue body with relevant payee identity and income information that can be used to detect noncompliance (e.g., non-filers deriving income and filers who omit income from their tax returns). In some advanced economies (e.g., Australia, Denmark, Singapore, and Sweden), the data are used to prepare prefilled tax returns (or their equivalent) that are sent to taxpayers for their review, an example of how third party data can be used in "real time" to prevent noncompliance and, otherwise, assist taxpayers to comply.

Use of Withholding at Source and Third Party Reporting in Asia and the Pacific

Information reported by revenue bodies on the nature and use of withholding and reporting regimes in place are in the Appendix, Tables A.25–A.28. Key points arising from the information reported are as follows:

Employment Income

(i) Cumulative withholding regimes are widely used in developing economies, limiting the numbers of employees who are required to file annual tax returns or undergo some other form of reconciliation (e.g., Japan).

(ii) In a few economies (i.e., Hong Kong, China; and Singapore), tax withholding at source is not applied and employees must make their own advance payments and file returns.

Other Categories of Income

(i) Around two-thirds of revenue bodies report that withholding tax provisions apply to prescribed categories of interest and dividend incomes, for both resident and nonresident taxpayers.

(ii) Revenue bodies in Bangladesh, Kazakhstan, Mongolia, the Philippines, the PRC, and Thailand report extensive use of withholding tax across the main categories of incomes surveyed, for both resident and nonresident taxpayers.

(iii) Revenue bodies in Australia; Hong Kong, China; Malaysia; Maldives; New Zealand; and Singapore report that they make relatively limited use of withholding tax across the main categories of personal income, although relaying on reporting regimes to gather data on taxpayers' incomes.

Computer Processing of Third Party Income Reports

(i) Many revenue bodies (e.g., Australia, Malaysia, New Zealand, the Republic of Korea, Singapore, and Thailand) reported having computerized processes for the bulk capture and processing of large volumes of taxpayer income data reported by third parties.

E. Use of Voluntary Disclosure Policies and Programs

The detection of unreported tax liabilities through traditional verification programs such as audits and investigations is costly and, in practice, such programs typically achieve a relatively low coverage of taxpayers. Revenue bodies worldwide are generally seeking additional approaches that offer the prospect of improved compliance and increased revenue without incurring significant administrative costs. It is with this objective in mind that a number of revenue bodies have introduced what are known as policies and programs of voluntary disclosure.

As successfully practiced by a number of revenue bodies (e.g., Australia, Canada, New Zealand, and Singapore) voluntary disclosures are opportunities offered by revenue bodies to encourage noncompliant taxpayers to correct their tax affairs under specified terms. In economies where these policies are regularly applied, tax laws typically contain provisions that give some discretion to revenue bodies to frame the terms of their voluntary disclosure policy. While the terms offered under such programs vary from economy to economy, they generally include incentives in the form of (i) reduced penalties; (ii) no audit, provided a full disclosure is made, (iii) a commitment to no prosecution; and (iv) a commitment to no publicity, where it is normal practice to publish details of detected tax evaders.

Voluntary disclosure programs can be distinguished from what are sometimes referred to as tax amnesty programs, although the terms are often used interchangeably in the media and elsewhere. Unlike a voluntary disclosure, a tax amnesty typically includes an incentive in the form of a reduction or waiver in a taxpayer's primary tax liability, along with other conditions and concessions. Research conducted by the IMF suggests that tax amnesties are unlikely to deliver benefits that exceed their true overall costs and that repeated stand-alone amnesties as seen in some countries may well have led, over time, to reduced compliance levels and resultant reductions in tax revenue.[50] Revenue bodies (and their respective governments) that have a history of offering tax amnesties invariably continue to suffer from poor compliance levels and, for this and other reasons, international bodies such as the IMF and the OECD strongly discourage the use of tax amnesty-like initiatives.

Revenue bodies that administer voluntary disclosure programs tend to make them available to the population at large although, from time to time, special programs are mounted for specific types of noncompliance; for example, undeclared income associated with income and assets concealed in offshore bank accounts. These revenue bodies also take steps to ensure that their voluntary disclosure programs are actively promoted, and it is a fairly common practice to make explanatory material available for taxpayers on their websites. Authorities seeking further information on this matter may also benefit from reviewing the content of an OECD report published in August 2015, *Update on Voluntary Disclosure Programmes: A Pathway to Tax Compliance.*[51] This publication shares details of the practical experience gained by over 40 economies in relation to voluntary disclosure programs and provides guidance on the design and implementation of such programs.

Use of Voluntary Disclosure Policies and Programs in Asia and the Pacific

Limited information was sought and provided concerning the use of voluntary disclosure policies and programs (Table 28), and data revealed that these are fairly limited across economies in the region, notable since these policies and programs have been known to deliver benefits in a few economies such as Australia and New Zealand.

Table 29: Use of Voluntary Disclosure Policies and Programs

Feature	Economies Reporting This Feature for 2015
Revenue bodies empowered to offer reduced penalties for voluntary disclosures	Australia; Bhutan; Hong Kong, China; Indonesia; Japan; Malaysia; New Zealand; Republic of Korea; Singapore; Thailand
Revenue bodies empowered to offer reduced interest for voluntary disclosures	Australia; Bhutan; Hong Kong, China; Indonesia; New Zealand; Thailand
Revenue bodies reporting the use of voluntary disclosure program in 2015	Afghanistan; Australia; Bhutan; Hong Kong, China; Indonesia; Japan; Malaysia; New Zealand; Republic of Korea; Singapore; Thailand

Sources: ADB and IMF survey responses; and OECD. 2017. *Tax Administration 2017*. (Table A136).

[50] K. Baer and E. Le Borgne. 2008. *Tax Amnesties: Theory, Trends, and Some Alternatives*. Washington DC: International Monetary Fund.

[51] OECD. 2015. *Update on Voluntary Disclosure Programmes: A Pathway to Tax Compliance.* http://www.oecd.org/ctp/exchange-of-tax-information/update-on-voluntary-disclosure-programmes-a-pathwaypto-tax-compliance.htm.

V. Human Resource Management

The revenue bodies covered by this series invest, on average, around 60% of their overall expenditure budget on staff remuneration. When account is taken of other costs associated with employing staff (e.g., accommodation and equipment), the overall investment in staffing is likely to be in the region of 70%–80% of total expenditure. Clearly, the staff of revenue bodies represent a significant and valuable investment and one that should be managed with considerable care and attention.

This chapter provides a brief snapshot of revenue body approaches to these matters drawing on survey responses, revenue bodies' annual performance reports, and other corporate documents. Particular care needs to be taken in interpreting the observations and findings, given the widely varying demographic, economic, and social differences between the economies covered by this series. By way of introducing these matters, it is helpful to appreciate some of the broader context and environmental changes that are occurring globally and that are having a profound impact on public sector administration, and their implications for human resource management.

A. The Changing Environment

A 2015 OECD discussion paper draws attention to the broader environmental context in which public sector bodies must today operate, and the implications for their human resource policies:

> Today's public administrations face numerous challenges which appear to be increasingly intertwined, cross-jurisdictional and less predictable. Globalization, the fast pace of technology, the impact of demographic and societal changes, and the shifting values of an increasingly diverse population all challenge public administrations to respond to the ever-changing diverse needs of the populations they serve. And this is occurring within the context of post-economic crisis fiscal consolidation and public sector downsizing. This fast changing world requires organizations to innovate, to use a diverse range of competencies to meet citizens' expectations, and to promote often tailor-made solutions for citizens and other stakeholders.
>
> **Human Resource Management Is a Strategic Enabler to Achieve Organizational Success**
>
> The strategic orientation of human resource management is playing an increasingly important role in supporting sustainable reform efforts in public administration.

> To improve innovative capacity in public administration, as well as to implement reforms on a sustainable basis, the administration needs employees who not only identify strongly with their job tasks as contributors to public value, but who also identify strongly with their employer and its organizational goals. In terms of the structure of the body of personnel, new strategies are needed that take into account the needs and expectations of a diverse and, in part, aging workforce. In the future, three or four generations—each with different values, needs, and expectations (e.g. working conditions, work-life balance)—will work alongside one another, raising new challenges of finding appropriate management and communication styles. It is important to utilize, maintain, and foster their numerous and diverse competencies (e.g. intercultural competencies) in each phase of life (i.e. to value and foster diversity) in order to address the similarly diverse demands of citizens. This will require changes in knowledge management, with regard to, for example, intergenerational co-operation and knowledge transfer. The needs for such policies are often linked to the results of strategic workforce planning.[52]

Important messages for revenue bodies that can be drawn from these views are as follows:

(i) Sound human resource management (HRM) policies and practices are a prerequisite to organizational success.

(ii) The complex and rapidly changing environment in which revenue bodies must operate necessitates building and sustaining a strong organizational capacity for innovation and reform implementation, and a highly motivated and engaged workforce with a diverse array of skill sets.

(iii) Increased efforts are needed to strengthen knowledge management policies and practices.

In an Asian context where many national revenue bodies have relatively small workforces by advanced economy standards, these messages take on added weight, given the demands on many for substantially greater tax revenues over the medium term, the need to reform and modernize their tax systems, and the inevitable growth in workforces that can be anticipated over the coming decade.

B. Practices of Revenue Bodies in Human Resource Management

There is relatively little publicly available information on the approaches and practices of national revenue bodies for managing and developing their staff, even for those in advanced economies. And, needless to say, how revenue bodies go about this aspect of their responsibilities will vary enormously across continents and economies, given the many factors that come into play. To provide some context and a potentially useful comparative analysis, this series draws on a generic framework for exploring HRM matters developed by officials of European revenue bodies that is contained in the EC's set of fiscal blueprints dealing with HRM. This blueprint, which is expressed in fairly generic terms, seeks to

[52] OECD. 2015. *Lead-Engage-Perform, Public Sector Leadership for Improved Employee Engagement and Organisational Success.* Paris. (p. 2).

promote "the development of a human resource management strategy, policies, systems and procedures that support the achievement of the tax administration's objectives and the development of members of staff through structured training and professional development."[53]

The fiscal blueprint for HRM sets out the key components of a modern and efficient HRM function. Within the blueprint itself, these are expressed in terms of a set of strategic objectives and accompanying indicators that, taken together, provide a summary of what a revenue body's HRM setup should look like in practice. These are all depicted in Figure 9.

Figure 9: Essential Elements of a Human Resource Management Strategy

Aim or primary goal	The development of a human resource management (HRM) strategy, policies, systems, and procedures that supports the achievement of the revenue body's objectives, and the development of staff through structured training and professional development.

Strategic objectives	Indicators
Strategy: There is an HRM strategy with policies and systems that fully support the revenue body's business strategy.	The revenue body has developed and published an HRM strategy and policy and strategies for each area of its business areas. The strategy is clearly linked to delivering the revenue body's business strategy, and the HRM strategy, policies, and systems fully support the achievement of objectives in the business strategy. There is a human resource planning system to predict and meet future employment needs.
Autonomy in HRM matters: The revenue body is autonomous in making decisions about recruitment, retention, performance management and assessment, promotion, career progression, training and development, transfer, severance, dismissal, and retirement.	Roles and responsibilities of each function and all employees (including managers) are clearly defined. The revenue body has prepared job descriptions (including the minimum level of knowledge, skills, and aptitudes required for competent performance) for all categories of jobs. There is a personnel planning system in place to identify the number of new employees to be recruited and the qualifications required for jobs. Performance management reports are made periodically to evaluate staff performance. All managers are trained to carry out appraisal interviews and manage the performance of staff. There is a transparent assessment system, with its relative criteria published, that is accessible to applicants for a higher, specialist, or managerial post.

continued on next page

[53] European Commission. 2007. *Fiscal Blueprints: A Path to a Robust, Modern, and Efficient Tax Administration.*

Figure 9 *continued*

Staff engagement and motivation: There are human resource policies and practices that motivate, support, and protect employees.	Top management is committed to securing the best working conditions for all staff. Employees are given sufficiently challenging tasks within the framework of their grade and job. There are forms of financial bonus to offer additional incentives for higher levels of performance. The work environment is designed to provide all employees with modern accommodation, facilities, computers, and equipment. There is a safety policy defined, set, and regularly enforced. There are systems to establish the causes of absenteeism, to support employees with health and abuse problems, and to understand staff turnover.
Planning for staff development: There is a long-term training and development strategy for employees that is endorsed at top management level.	There is a training and development strategy for employees as part of the business strategy. Training policies and programs are based on present and future training needs and priorities. Managerial training programs provide managers with the knowledge, skills, and attitudes required to perform their jobs to a high standard.
Delivery of staff development: There is an organizational structure as well as systems that support the delivery of employee training and development needs in the revenue body.	There is a training coordinator responsible for the training function within the revenue body. The training unit has clearly defined responsibilities established, and assesses the quality and effectiveness of the training segments attended. The revenue body provides off-the-job training courses in-house or externally, conducted by trainers with the required qualifications and experience using a range of methodologies reflecting the particular training requirement. There are also systematic on-the-job training courses with the instruction provided by trained trainers with the required experience.

Source: Compiled from European Commission. 2007. *Fiscal Blueprints*. Luxembourg.

1. Human Resource Management in Asia and the Pacific

Information reported by revenue bodies on their responsibilities and approaches to HRM aspects are in Tables 30–34.

Table 30: Human Resource Management Approaches, 2015

	Human Resource Management Approaches						
Region/Economy	Formal Human Resource Strategy	Specific Training Plan	Specific Recruitment Plan	Age and Other Demographic Profiling	Flexible Working Policies	Leadership and Talent Management Programs	Time Reporting System
Central and West Asia							
Afghanistan	✓	✓	✓	✓	✓	✓	✓
Kazakhstan	✓	✓	x	x	x	✓	✓
Kyrgyz Republic	x	x	x	x	x	x	x
Tajikistan	✓	✓	✓	✓	x	x	✓
East Asia							
China, People's Republic of	✓	✓	✓	✓	✓	✓	✓
Hong Kong, China	✓	✓	✓	x	✓	✓	✓
Japan	✓	✓	x	✓	✓	✓	✓
Korea, Republic of	✓	✓	✓	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓	✓	✓	✓
Taipei,China	✓	✓	✓	✓	✓	✓	✓
Pacific							
Australia	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	x	✓	✓	✓
South Asia							
Bangladesh	✓	✓	✓	✓	✓	✓	✓
Bhutan	✓	✓	✓	x	x	x	x
India	✓	✓	✓	x	x	✓	✓
Maldives	✓	✓	✓	✓	x	✓	✓
Nepal	✓	✓	...	...	...	...	✓
Southeast Asia							
Brunei Darussalam	✓	✓	✓	x	x	✓	✓
Cambodia	✓	✓	x	x	x	x	✓
Indonesia	✓	✓	✓	✓	x	✓	✓
Lao PDR	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	x	✓	✓	✓
Myanmar	x	✓	✓	✓	x	x	✓
Philippines	✓	✓	✓	✓	✓	x	x
Singapore	✓	✓	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	✓	✓	✓
Viet Nam	✓	✓	✓	✓	x	✓	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey data; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A62).

Table 31: Autonomy of the Revenue Body in Human Resource Management Matters, 2015

Region/Economy	Degree of Autonomy						
	Determine Work Needs	Appoint New Staff	Promote Existing Staff	Determine Skills and Qualifications Required	Decide Staff Type: Permanent or Contract	Place Staff Within Salary Range	Dismiss Staff
Central and West Asia							
Afghanistan	◈	x	◈	...	...	x	x
Kazakhstan	✓	✓	✓	✓	✓	x	✓
Kyrgyz Republic	✓	◈	◈	✓	✓	✓	✓
Tajikistan	◈	✓	✓	✓	✓	◈	✓
East Asia							
China, People's Republic of	✓	✓	✓	✓	✓	x	✓
Hong Kong, China	✓	✓	✓	✓	✓	◈	◈
Japan	✓	✓	◈	◈	✓	✓	◈
Korea, Republic of	✓	◈	◈	◈	✓	◈	x
Mongolia	...	x	x	✓	✓	✓	◈
Taipei,China	✓	◈	✓	✓	✓	x	✓
Pacific							
Australia	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	◈	✓	✓	✓	✓	✓
South Asia							
Bangladesh	✓	✓	✓	✓	✓	✓	✓
Bhutan	✓	x	x	x	x	x	x
India	✓	3	3	3	3	x	3
Maldives	✓	✓	✓	✓	✓	✓	✓
Nepal	✓	◈	◈	x	x	x	x
Southeast Asia							
Brunei Darussalam	✓	x	x	✓	✓	x	x
Cambodia	◈	x	x	X	◈	x	x
Indonesia	◈	◈	✓	◈	✓	x	✓
Lao PDR	✓	✓	✓	✓	✓	✓	x
Malaysia	✓	◈	✓	✓	✓	✓	✓
Myanmar	✓	◈	◈	◈	x	◈	◈
Philippines	✓	✓	✓	✓	✓	x	✓
Singapore	✓	✓	✓	✓	✓	✓	✓
Thailand	◈	✓	◈	◈	✓	◈	◈
Viet Nam	✓	✓	✓	✓	✓	✓	✓

... = data not available at cutoff date, ✓ = for all staff, ◈ = for some, x = for none, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey data; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A59).

Table 32: Current and Future Staff Capability Needs

Region/Economy	Assessment of Current and Future Capability Needs				Accredited Training with Education Bodies and/or Large Corporates		
	Needs Are Assessed	Formal Plan to Address Gaps	Formal Targets to Increase Capability	Specialist Positions Exist and Nature of Specialists	Tax Technical Subjects	Nontax Technical Subjects	Commercial Awareness of Technical Staff
Central and West Asia							
Afghanistan	✓	✓	✓	✓(D, C, S)	x	x	x
Kazakhstan	✓	✓	✓	✓(D, B, C, S)	x	x	x
Kyrgyz Republic	x	x	x	x	x	x	x
Tajikistan	x	x	x	✓ (D, S)	✓	x	x
East Asia							
China, People's Republic of	✓	✓	✓	x	✓	x	x
Hong Kong, China	✓	x	x	✓ (S)	✓	✓	✓
Japan	✓	✓	✓	x	✓	✓	x
Korea, Republic of	x	x	x	x	✓	✓	✓
Mongolia	✓(partial)	✓(some)		✓ (D, S)	✓	✓	✓
Taipei,China	✓	✓	✓	✓ (S)	x	✓	x
Pacific							
Australia	✓	✓	✓	✓ (D, C, B, S)	✓	✓	x
New Zealand	✓	✓	x	✓ (D, C, B, S)	✓	✓	x
Papua New Guinea	✓	✓	x	x	x	x	x
South Asia							
Bangladesh	✓	✓	✓	✓ (S)	✓	✓	x
Bhutan	✓	x	x	x	x	x	x
India	✓	✓	✓	✓(S)	✓	✓	x
Maldives	x	x	x	x	✓	✓	x
Nepal	x	x	x	✓(S)	x	✓	✓
Southeast Asia							
Brunei Darussalam	x	x	x	x	x	x	x
Cambodia	x	x	x	x	x	x	x
Indonesia	✓	✓	✓	x	x	x	x
Lao PDR	✓	✓	✓	✓	✓	✓	✓
Malaysia	x	x	x	x	✓	x	✓
Myanmar	x	x	x	x	x	x	x
Philippines	x	x	x	✓ (S)	x	x	x
Singapore	✓	✓	✓	✓ (D, C, S)	✓	✓	✓
Thailand	✓	✓	✓	x	✓	✓	✓
Viet Nam	✓	✓	✓	x	x	✓	x

... = data not available at cutoff date, ✓ = relevant, x = not relevant, B = behavioral researchers, C = chief analytics officer, D = data scientist, E = ethnographic researcher, Lao PDR = Lao People's Democratic Republic, S = computer systems analyst.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A63).

Table 33: Staff Engagement and Performance Management, 2015

Region/Economy	Staff Engagement and Motivation				Staff Performance Management System			
	Periodic Staff Surveys	Staff Engagement Is Assessed	Results Are Shared with Staff	Staff Are Engaged in Developing Plans	System in Place	Includes Development Plans	Plans Include Specific Objectives	Staff Are Evaluated at Least Annually
Central and West Asia								
Afghanistan	✓	✓	✓	✓	✓	✓	✓	✓
Kazakhstan	✓	x	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	x	...	...	...	✓	✓	✓	✓
Tajikistan	x	...	...	...	✓	✓	✓	✓
East Asia								
China, People's Republic of	x	...	...	...	✓	✓	✓	✓
Hong Kong, China	x	...	...	...	✓	✓	✓	✓
Japan	✓	x	x	x	✓	✓	✓	✓
Korea, Republic of	✓	✓	✓	✓	✓	✓	✓	✓
Mongolia	x	x	x	x	✓	✓	✓	✓
Taipei,China	✓	✓	✓	✓	✓	✓	✓	✓
Pacific								
Australia	✓	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	x	✓	✓	✓	✓	✓
South Asia								
Bangladesh	✓	✓	✓	✓	✓	✓	✓	✓
Bhutan	✓	✓	✓	✓	✓	✓	✓	✓
India	x	...	...	...	✓	x	✓	✓
Maldives	✓	✓	✓	✓	✓	x	x	✓
Nepal	x	...	...	...	...	...	...	...
Southeast Asia								
Brunei Darussalam	✓	✓	✓	x		✓	x	✓
Cambodia	✓	✓	✓	✓		✓	✓	✓
Indonesia	✓	✓	✓	✓		✓	✓	✓
Lao PDR	✓	✓	✓	✓	x	x	x	x
Malaysia	✓	x	✓	✓	✓	✓	✓	✓
Myanmar	x	x	x	x	x	x	x	x
Philippines	✓	✓	✓	x	✓	✓	✓	✓
Singapore	✓	✓	✓	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	✓	✓	✓	✓
Viet Nam	x	x	x	x	✓	✓	✓	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A60).

Table 34: Remuneration and Performance Management Practices, 2015

Region/Economy	Nature of Remuneration System	Staff Performance and Remuneration			
		Performance Linked to Pay or Rewards	Increased Pay or Rewards for Good Performance	Reduced Pay or Rewards for Poor Performance	Denial of Annual Salary Increase for Poor Performance
Central and West Asia					
Afghanistan	2	✓	✓	✓	✓
Kazakhstan	1	✓	✓	x	✓
Kyrgyz Republic	1	✓(partially)	✓	...	✓
Tajikistan	1	✓	✓	x	x
East Asia					
China, People's Republic of	2	✓	x	x	✓
Hong Kong, China	1	✓	✓	✓	✓
Japan	1	✓	✓	✓	✓
Korea, Republic of	1	✓	✓	x	x
Mongolia	1	✓	✓(for some)	✓(for some)	x
Taipei,China	1	✓	✓	✓	✓
Pacific					
Australia	2	✓	x	✓	✓
New Zealand	3	✓	✓	x	✓
Papua New Guinea	2	✓	✓	✓	✓
South Asia					
Bangladesh	1	✓	✓	✓	✓
Bhutan	1	x	x	x	✓
India	1	x	...	...	...
Maldives	3	✓	✓	x	✓
Nepal	1	✓	✓	...	...
Southeast Asia					
Brunei Darussalam	1	✓	✓	x	x
Cambodia	1	✓	x	x	x
Indonesia	2	✓	✓	✓	✓
Lao PDR	...	x	x	x	x
Malaysia	3	✓	✓	x	x
Myanmar	1	x	x	x	x
Philippines	1	x	x	x	x
Singapore	3	✓	✓	✓	✓
Thailand	1	✓	✓	✓	✓
Viet Nam	1	✓	✓	✓	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, 1 = tied directly to civil service, 2 = tied broadly to civil service with some flexibility, 3 = unique to revenue body, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey data; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration Series 2017*. Paris. (Table A61).

Human Resource Management Strategy and Plan

Just about all revenue bodies report having a formal human resource strategy and staff recruitment and development plans for their overall requirements (Table 30). However, this statement needs to be interpreted with a degree of caution, for a range of reasons:

(i) A fair number of revenue bodies report having limits on the degree of their autonomy in carrying out various aspects of HRM (Table 31), meaning that, to a fair degree, their strategies, actions, and outcomes depend on the cooperation and support of other agencies.

(ii) Areas where autonomy is most lacking relate to the appointment of new staff, staff promotions, the placement of staff in salary ranges, and staff dismissals (Table 35).

(iii) As evident from the data in Table 36, revenue bodies established as unified semiautonomous bodies or falling into the unique other category were consistently more autonomous across the spectrum of areas surveyed.

Table 35: Autonomy in Human Resource Management

	Degree of Autonomy in Areas Specified (% of all revenue bodies reporting)						
Degree of Autonomy	Determine Work Requirements	Appoint New Staff	Promote Existing Staff	Determine Skills and Qualifications	Decide Staff Mix: Permanent or Contract	Place Staff in Salary Range	Dismiss Staff
Autonomy for all staff	22	14	16	18	22	12	15
Autonomy for some staff	5	9	8	6	2	5	6
No autonomy	1	5	4	4	4	11	7

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A59).

Table 36: Human Resource Management Autonomy and Type of Institution

	Revenue Bodies by Institutional Type with Autonomy in These Areas (%)						
Type of Institutional Setup (number)	Determine Work Requirements	Appoint New Staff	Promote Existing Staff	Determine Skills and Qualifications	Decide Staff Mix: Permanent or Contract	Place Staff in Salary Range	Dismiss Staff
SDMIN (10)	100	50	90	90	80	60	70
MDMIN (6)	80	20	40	60	80	40	40
USB (10)	100	60	100	100	100	80	100
Other (2)	50	100	100	10	100	100	100
All (28)	93	48	85	85	89	67	78

MDMIN = multiple directorates in Ministry of Finance, SDMIN = single directorate in Ministry of Finance, USB= unified semiautonomous body.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A32 and A59).

(iv) A lack of, or limited, autonomy was most frequently reported by revenue bodies in Brunei Darussalam, Cambodia, India, Indonesia, Mongolia, Myanmar, and Thailand, although a number of these revenue bodies are known to be taking or have recently taken remedial action.

(v) Responses from a fair number of revenue bodies indicate gaps or limitations in their strategic approaches (Tables 30 and 37)—a lack of age and demographic profiling (over 30%), the absence of leadership or talent management programs (over 20%), and an inability to access flexible working policies (over 40%).

(vi) Well over a third of revenue bodies report that little or no attempts are made to assess and address current and future capability needs in any depth, suggesting that the strategies and plans they developed have a fairly short-term focus (Table 35); ideally, as revenue bodies strengthen their managerial capabilities, these shortcomings will be addressed.

(vii) Only a few revenue bodies (e.g., Australia, Kazakhstan, New Zealand, and Singapore) reported the employment of specialists (e.g., data scientists, senior or chief analytics professionals, and behavioral researchers) who have increasingly been engaged in revenue bodies in some advanced economies in a variety of business areas (e.g., risk detection).

Table 37: Human Resource Management Practices

Institutional Setup (number)	Revenue Bodies by Institutional Type Reporting This Practice (%)						
	Formal Human Resource Strategy	Specific Training Plan	Specific Recruitment Plan	Age and Other Demographic Profiling	Flexible Working Policies	Leadership or Talent Management Programs	Time Reporting System
SDMIN (10)	90	90	100	80	60	70	80
MDMIN (5)	100	100	80	60	60	80	100
USB (10)	90	90	70	50	60	90	90
Other (2)	100	100	100	100	50	50	100
All (27)	93	93	85	67	59	78	81

MDMIN = multiple directorates in Ministry of Finance, SDMIN = single directorate in Ministry of Finance, USB = unified semiautonomous body.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A32 and A59).

Major Reform Programs Underway

Faced with a variety of challenges and limitations, a number of revenue bodies are known to be carrying out major programs to improve their HRM approaches, capabilities, and outcomes, and a few examples are highlighted hereunder:

(i) The Medium-term Revenue Mobilization Strategy 2014–2018 of Cambodia's Ministry of Economy and Finance set out a number of objectives and tasks for the General Directorate of Taxes (GDT) directly related to its future HRM capabilities.[54] These included (i) finalizing a new HRM strategy; (ii) rationalizing performance-based incentives, continuing capacity building for staff at all levels, and improving the curriculum of the National Tax School to respond to actual requirements; (iii) accelerating recruitment processes to meet the needs of each tax department; (iv) advancing work on a staff performance evaluation system; (v) finalizing a draft code of ethics for tax officials and developing guidelines on disciplines and punishment with rigorous procedures; and (vi) developing standard guidelines for staff rotation.

Over 2014 and 2015, the GDT increased its overall staff numbers by over 20%. Importantly, it was also able to make a significant increase in recruiting new staff with academic qualifications—the proportion of staff with such qualifications increased from 61% in 2014 to 70% in 2015.

(ii) A key objective in the strategic plan (2015–2019) for Indonesia's Directorate General of Taxes (DGT) concerns the creation of a reliable and transformed organization.[55] To this end, the plan outlines a number of strategic initiatives: (a) realign functional staff and selectively increase staff capacity, (b) restructure the DGT's top executive structure, and (c) secure increased autonomy in human resource matters and competitive compensation for DGT staff.

As highlighted in the DGT's annual performance report for 2015, good progress was made during the year on all matters: (a) overall staff numbers were increased by over 3,500 (around 10%); (b) approval was given for the creation of new functional divisions; (c) a new layer of positions (i.e., formerly known as assistant of minister) was incorporated into the DGT's senior executive structure to rationalize spans of control; (d) critical human resources responsibilities were delegated from the minister of finance to senior DGT officials, thereby increasing the DGT's autonomy in such matters; and (e) a more competitive remuneration scheme was introduced for employees.

(iii) As a large and sophisticated revenue body in an advanced economy, the Australian Taxation Office (ATO) has established a reputation as a progressive and successful revenue body over many years. However, like all of its counterparts, it too faces many challenges and a complex and changing environment and must continue to adapt to provide high standards of performance. The material in Box 10 has been extracted verbatim from its most recent annual report where it reports on its approaches and progress in "building and sustaining a professional, accountable and responsive workforce that is engaged with the community and energised by working together..."[56]

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[54] Government of Cambodia, Ministry of Economy and Finance. 2014. *Medium-term Revenue Mobilization Strategy 2014–2018.*

[55] Government of Indonesia, Directorate General of Taxes. 2016. *Annual Report 2015*. Canberra. (p. 47).

[56] Government of Australia, Australian Taxation Office. 2017. *Annual Report 2016–2017*. Canberra. (pp. 73–76).

The ATO's report also records some noteworthy achievements, evidencing its recent progress, for example:

- ✓ Employee engagement has improved since 2015–2016, with job and team engagement tracking higher, and supervisor and agency engagement remaining steady.
- ✓ Average unplanned leave fell during 2016–2017 to 13.2 days per full-time equivalent, compared with the prior year's result of 14.4 days.

Box 10: Australian Taxation Office—Building a Professional and Productive Organization

Strengthening our culture

Our cultural transformation is based on embedding the following traits in everything we do: client focused, united and connected, empowered and trusted, future oriented, and passionate and committed. In 2016–2017, we continued to build upon our "What does this mean to you?" campaign, which invited our people to share their ideas and stories on what the cultural traits mean to them, and what they are doing to bring these traits to life. We also reviewed our policies and training to ensure they support the cultural traits.

We launched a new recognition strategy and tool in 2016–2017 to reinforce the behaviors we want to see. One element, our online recognition gallery, enables staff and managers to recognize others in the workplace, thereby encouraging innovative and positive behavior.

A range of initiatives has been introduced to strengthen the leadership and culture strategies of the Australian Taxation Office (ATO), including (i) senior executive service (SES) master classes that cover a range of topical leadership issues; (ii) development programs that strengthen the leadership capability of high-performing or high-potential SES Band 1 and Executive Level 2 staff, thereby building a "bench strength" of leaders capable of taking on more complex or more senior roles; and (iii) building foundation leadership skills for staff at all levels.

A sustainable and responsive workforce

We continue to reshape our workforce, using a mix of employment arrangements, to align with evolving business priorities. The goal is to ensure that we have a flexible, responsive, and high-performing workforce that adapts easily to changes in business requirements. The focus is on modernizing human resource management activities, attracting the best people through easier recruitment, and implementing flexible solutions that drive high performance.

ATO recruitment covers a very broad set of capabilities, ranging from customer service through to information technology, audit, and law. This approach helps us target specialized and niche disciplines like forensic accountants and data scientists, which are key to our success in a more complex economy.

Those ATO staff not working directly with clients are supporting those that do. Our workforce and enabling processes and tools are designed to ensure an integrated approach. For example, we are trialing multidisciplinary teams to take a whole-of-client perspective when dealing with small businesses. The aim is to improve the client experience and debt performance, and prompt positive shifts in future compliance behavior. Multidisciplinary teams comprise staff with the necessary skills and knowledge in income tax, superannuation, and indirect taxes, to provide a full service to clients for all tax and super obligations, without the need to refer them to other areas of the ATO.

Building our capabilities

Effective training and development builds competencies. It also fosters cultural traits such as empowerment, passion, and commitment. We launched a new approach to staff training and development in 2016–2017, recognizing that our existing capabilities needed further development to meet future needs. The professional stream initiative broadens our organizational view of capability; highlights the depth, breadth, and importance of each profession in the ATO; and delivers on our commitment to develop a contemporary and expert workforce.

The initiative focuses on 11 core professions, including accounting and finance; and analytics, risk, and intelligence. Employees receive learning tool kits tailored for their specific professional stream to identify the professional development opportunities relevant to them. This approach, combined with our short sharp learning sessions—Learning Express—has seen staff perceptions of learning and development in the ATO increase by 11 percentage points compared to the 2016 Australian Public Service Commission Census results.

Source: Government of Australia, Australian Taxation Office. 2017. Annual Report 2016–2017. Canberra. (pp. 73–76).

- ✓ The cultural transformation that began in 2015 as part of the ATO's Reinvention Program was recognized as a finalist in the Innovation and Creativity in Human Resources category at the 2016 Australian Human Resources Institute Awards.

Staff Development

The illustrative blueprint set out in Figure 9 draws attention to the importance of revenue bodies having a robust and long-term staff development strategy, and emphasizes a number of essential elements: (i) the development strategy should align with the revenue bodies' business strategy and focus on both current and future needs, (ii) the importance of managerial training, (iii) central coordination for the delivery and evaluation of development programs, and (iv) the provision of a mix of off-the-job and on-the-job courses using both internal and external training expertise. Revenue bodies often reflect on the importance of staff development in their corporate planning and performance documents, for example:

> Staff are the Department's valuable assets. We recognize the importance of providing opportunities of continuous learning to our staff to keep them abreast of the changing environment and to acquire the necessary knowledge to perform their duties. A variety of training courses in taxation, accounting, interpersonal skills, management, languages, computer, etc. are offered to staff members.[57]

Analyses of revenue bodies' survey responses (Tables 30 and 32) and associated research provide a range of insights on prevailing practices, gaps, and areas for further consideration by some revenue bodies. Just about all revenue bodies report having a formal training or development program, with more than half of the revenue bodies arranging for accredited training, covering technical and/or nontechnical subjects, with external education bodies. A number also have their own dedicated tax training centers where such programs are delivered (e.g., Japan's National Tax College and the Republic of Korea's National Tax Officials Training Institute). Of concern, although in many cases understandable, very few revenue bodies (i.e., less than 25%) have taken steps to establish programs with large corporates focusing on the development of commercial awareness among higher-level technical staff, which could assist their dealings with their largest taxpayers. Over 20% of revenue bodies also report not having formalized leadership and talent management programs.

Staff Engagement and Motivation, and Performance Management

Seeking feedback from staff in a systematic way can be a useful means of gauging the impacts of a revenue body's HRM strategy and its general management. Revenue bodies in many advanced economies seek to obtain feedback through regular surveys (e.g., conducted annually or biannually), often using contracted external researchers. In many cases, the results of such surveys are shared and discussed with staff, and used as a key input for further development and enhancement of the revenue body's overall HRM strategy.

[57] Government of the Hong Kong Special Administrative Region of the People's Republic of China, Inland Revenue Department. 2016. *Annual Report 2016*. Hong Kong, China. (p. 34).

In some economies, there is a government-wide approach to measuring staff engagement, and agencies are ranked according to their overall performance levels, enabling them and central public sector administrators to gauge human resource health vis-à-vis other government agencies and across all agencies, along with identifying trends in their own performance. For example, the ATO reports on the level of its staff engagement, as reflected in the findings of a public sector-wide census conducted annually across all public sector staff. As noted earlier in this chapter, the latest results reveal a positive outcome for the ATO and that the agency performs above average across large and all agencies. The New Zealand Inland Revenue also follows a similar approach.

Around two-thirds of revenue bodies indicated that they conduct regular surveys of staff to assess levels of engagement, motivation, and satisfaction. In most economies where this practice is followed, the results are shared with staff members and they are engaged in developing remedial plans.

Just about all revenue bodies report having performance management systems in place, and most of these provide for the setting of plans and individual objectives for each staff member at the start of the performance period (Table 37). A large majority of surveyed revenue bodies report that they review the performance of each staff member at least annually.

Staff Remuneration and Rewards

The system of staff remuneration and rewards can be an important element in a revenue body's HRM strategy, especially where there is some level of discretion to reward good performance and/or to penalize staff in situations of poor or otherwise unsatisfactory performance.

Around two-thirds of revenue bodies report that their remuneration levels are tied directly to civil service levels, substantially higher than the rate observed (47%) for the 55 revenue bodies covered by the OECD's Tax Administration 2017 (Table 34). The remaining third of revenue bodies report some flexibility to vary remuneration and rewards (e.g., Nepal's Inland Revenue Department reports having performance-based incentives for staff in field offices), and this category includes four revenue bodies—all semiautonomous revenue bodies—that administer unique systems of remuneration (Malaysia, Maldives, New Zealand, and Singapore).

Table 38: Staff Engagement and Performance Management

Staff Engagement (% of revenue bodies)				Performance Management (% of revenue bodies)			
Staff Are Surveyed Periodically	Staff Engagement Is Assessed	Results Shared with Staff	Staff Engaged in Developing Plans	System in Place	Includes Staff Development Plans	Includes Specific Objectives	Performance Evaluated at Least Annually
68	57	61	65	91	83	83	87

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A60).

Table 39: Remuneration Arrangements, 2015

Nature of Remuneration Scheme in Place	Revenue Bodies with This Scheme	Number and Percentage of Revenue Bodies Reporting This Feature (%)							
		Performance Linked to Pay or Rewards		Increased Pay or Rewards for Good Performance		For Poor Performance			
						Reduced Pay or Rewards		Denial of Annual Salary Increase	
		No.	%	No.	%	No.	%	No.	%
Pay scales tied directly to public sector	17	13	76	12	70	7	41	9	53
Pay scales tied broadly to public sector–some flexibility	6	6	100	4	66	4	66	5	83
Unique pay scheme for revenue body	4	4	100	4	100	1	25	3	75
Scheme not specified	1	1		1		1		1	

Sources: Asian Development Bank and International Monetary Fund survey response; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A61).

Over 70% of revenue bodies report having some flexibility to reward good performance, although little information is readily available on the nature of the reward systems in place. As most revenue bodies report that they do not have any autonomy in negotiating wage levels, it is more than likely that the flexibility that exists is limited to setting amounts of year-end bonuses. On the other hand, far fewer revenue bodies were empowered to reduce pay for poor performance, and just under 50% report having such flexibility. Related to this, around a third of revenue bodies also report that they have no scope to deny annual increments in salary levels as provided for with their schemes of remuneration. Only one revenue body, Singapore's Inland Revenue, reported having full flexibility, that is, the ability to both reward high performance and to reduce remuneration of officials for poor performance (Box 11).

Box 11: Singapore Inland Revenue Authority Remuneration Arrangements

The Inland Revenue Authority of Singapore (IRAS) has considerable power and flexibility concerning staff remuneration levels. Established as a semiautonomous revenue body, IRAS has its own scheme of service and a set of salary pay grades that are benchmarked to the jobs market. A performance-based remuneration system that ties rewards to performance is in place. Performance bonus and salary increments are given in addition to monthly salaries to recognize good performance and motivate staff to continue their good performance. Under this performance-based remuneration system, better-performing staff are rewarded with higher performance bonuses and increments. The bonus payments corresponding to each performance grade are transparent, so staff can see the differentiated payments and be motivated to strive for better performance, thus reinforcing superior performance. IRAS has observed that its Organisation Bonus Framework helps to strengthen the linkage between organization bonuses and business needs, and makes it more transparent to all staff. Key performance indicators, which cover the critical areas of business and affect all branches, are selected as the payment criteria for the Organisation Bonus Framework. All staff are familiar with the key performance indicators, and are able to relate and influence the outcomes. The number of key performance indicators met determines the amount of organization bonus that IRAS can pay to staff, providing a direct linkage between staff performance and organizational performance.

Source: OECD. 2015. *Tax Administration 2015*.

2. Staffing Metrics and Demographics

Revenue bodies also reported quantitative data on staffing levels, numbers of recruits and departures, educational qualifications, and age profiles (Appendix, Tables A.10--A.14). The information gathered makes it possible to provide a few observations on each of these matters.

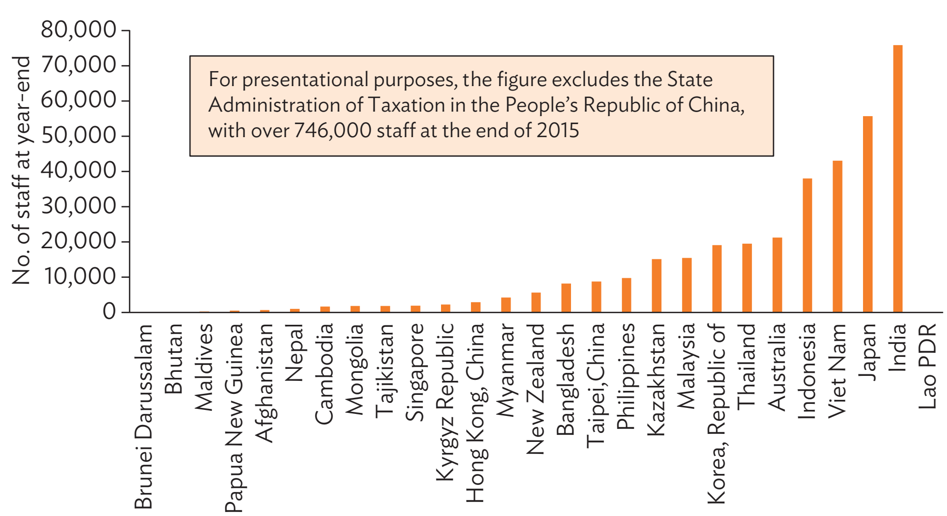
a. Staffing Levels

A number of revenue bodies reported substantial changes, largely increases, in their staffing levels that reflect the impact of government decisions. Significant increases over the 2 fiscal years (2014 and 2015) were reported by Cambodia (19%), India (9%), Indonesia (18%), Malaysia (12%), Maldives (38%), and Papua New Guinea (PNG) (34%). On the other hand, a few revenue bodies reported substantial reductions—Australia (15%) and Bangladesh (27%). A depiction of the relative staffing levels of revenue bodies as of end of 2015 is provided in Figure 10.

b. Educational Qualifications

Revenue bodies typically perform a large amount of technical tax law-related work, and for this reason require academically and/or professionally qualified lawyers, tax accountants, auditors, and investigators. Other areas of tax administration increasingly requiring professionally qualified staff include information technology, HRM, economic and behavioral analysis, and senior management.

Figure 10: Revenue Body Staffing Levels, end of 2015



Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A53).

Around two-thirds of revenue bodies surveyed provided responses concerning the proportion of staff that had qualified at university or an equivalent level as of end of 2015 (Appendix, Tables A.11 and A.12). As evident, the reported rates vary significantly across both advanced and developing economies. However, the strong emphasis given by governments in many economies to academic achievement and the recruitment focus of many revenue bodies are clearly apparent from the data for a number of revenue bodies, with the share of academically qualified staff reported as exceeding 50% (i.e., Bhutan (55%); Brunei Darussalam (67%); Cambodia (69%); Kazakhstan (93%); Maldives (51%); the PRC (66%); the Republic of Korea (85%); Singapore (54%); Taipei,China (79%); Tajikistan (91%); Thailand (85%); and Viet Nam (81%).

c. Age Profiles of Revenue Body Staffing

Data on the age profiles of staff are limited as around one quarter of revenue bodies were unable to report such information. Generally speaking, the age profiles of staff in revenue bodies in Asia and the Pacific reflect a younger (and presumably) less-experienced workforce than seen, on average, across OECD economies. That said, within the region, there are extremes observed in the age patterns of revenue bodies' workforces:

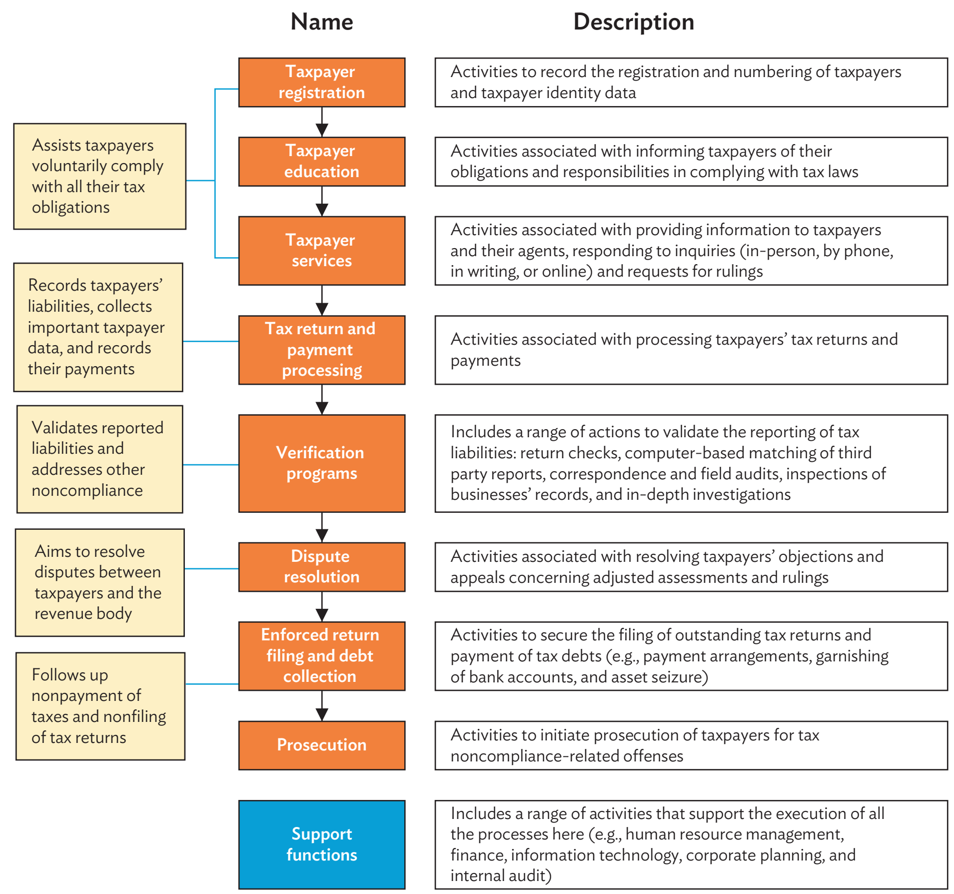
(i) Nine revenue bodies report that over 65% of their staff are aged under 45 years. Bhutan (91%), Brunei Darussalam (96%), Indonesia (76%), Kazakhstan (65%), Malaysia (75%), Maldives (99%), Papua New Guinea (PNG) (91%), Singapore (65%), and Tajikistan (81%), with many of these revenue bodies also reporting very high levels of academic attainment.

(ii) Five revenue bodies report that 50% of their staff are aged over 44 years. Australia (69%); Hong Kong, China (55%); the Philippines (56%); Thailand (50%); and Viet Nam (64% over 40).

VI. Tax Administration Operations

This chapter provides a summary of recommended and observed features of key aspects of revenue body operations, including the use of electronic services. Some limited performance-related data are also provided. All quantitative data referring to program outputs are set out in tabulations in the Appendix, and are also referenced in the text. The recommended guidance provided in this chapter has been adapted from the IMF's Field Guide that supports tax administration officials in the use of the Tax Administration Diagnostic Assessment Tool (TADAT) and is presented in abbreviated form.[58]

Figure 11: Functions of Tax Administration



Source: Author.

[58] IMF. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool, Field Guide*. Washington, DC.

A. Processes of Tax Administration

Regardless of the taxes or the economy in which they are levied, there is a fairly common set of functions that must be undertaken by revenue bodies to fully carry out their mandate (Figure 11). The conduct of these functions is increasingly being supported by modern technology systems.

B. Registration and Taxpayer Identification

The identification and registration of taxpayers, both individuals and entities, are fundamental to a revenue body's system of managing all aspects of taxpayers' tax affairs. The systematic recording of taxpayers' identifying and updating of details, and the allocation of a unique high-integrity taxpayer identifier enable the efficient conduct of all downstream administration processes. A summary of practical guidance for an effective system of taxpayer registration and identification is in Box 12.

Box 12: Good Practices in Taxpayer Registration and Identification

- ✓ The use of a taxpayer identification number, ideally all numeric and with a check digit, enables routine and systematic identification of taxpayers for all administrative actions.
- ✓ The availability and operation of an information technology system support all aspects of registration and identification, and related administrative processes.
- ✓ The establishment of risk assessment processes ensures that non-authentic applications for registration as a taxpayer are detected and actioned upon as needed.
- ✓ Maintenance of a database of sufficient, accurate, and reliable identifying information (e.g., name, address, contact details, nature of business activity, and tax obligations by tax type).
- ✓ The establishment and operation of processes identify and flag dormant registrations (e.g., taxpayers temporarily residing in other countries), and keep the database clean of inactive (i.e., deceased persons and defunct businesses), invalid, and duplicate records.

Source: Adapted from International Monetary Fund. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool Field Guide*. Washington, DC.

Observations and Findings

Revenue bodies reported a limited amount of information on their systems of taxpayer registration and these are in Tables 40 and 41, and in the Appendix, Table A.15. The following are important observations and findings:

(i) With minor exception, all revenue bodies reported the use of a taxpayer identification number (TIN) for their main taxes. However, a small number of revenue bodies (e.g., the PRC; Singapore; Taipei,China; and Thailand) reported that issue of the TIN for some or all the main taxes is the responsibility of another body suggesting that the TIN has other uses (e.g., as a national identification number or business registration number), and is not primarily in place for tax administration purposes.

Table 40: Taxpayer Registration and Identification Numbering System for Major Tax Types, 2015

Region/Economy	Features of Taxpayer Registration and Identification Numbering Systems										
	TIN Is Used for Main Taxes			TIN Issue Is Made by Revenue Body			TIN Is Used by Other Agencies			Taxpayers can Register for Multiple Taxes at Same Time	Formal Program to Improve Taxpayer Register Quality
	PIT	CIT	VAT	PIT	CIT	VAT	PIT	CIT	VAT		
Central and West Asia											
Afghanistan	✓	✓	n.a.	✓	✓	n.a.	✓	✓	n.a.	✓	✓
Kazakhstan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	✓	✓	✓	✓	...	...	...	...
Tajikistan	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓
East Asia											
China, People's Republic of	✓	✓	✓	x	x	x	✓	✓	✓	✓	✓
Hong Kong, China	✓	✓	n.a.	✓	✓	n.a.	x	x	n.a.	x	x
Japan	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	x
Korea, Republic of	✓	✓	✓	✓	x	x	x	x	x	✓	✓
Mongolia	✓	✓	✓	✓	✓	✓	x	x	x	x	✓
Taipei,China	✓	✓	✓	x	x	x	✓	✓	✓	✓	✓
Pacific											
Australia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	x	x	x	✓	x
Papua New Guinea	✓	✓	✓	✓	✓	✓	x	x	x	✓	✓

continued on next page

Table 40 *continued*

Region/Economy	Features of Taxpayer Registration and Identification Numbering Systems										
	TIN Is Used for Main Taxes			TIN Issue Is Made by Revenue Body			TIN Is Used by Other Agencies			Taxpayers can Register for Multiple Taxes at Same Time	Formal Program to Improve Taxpayer Register Quality
	PIT	CIT	VAT	PIT	CIT	VAT	PIT	CIT	VAT		
South Asia											
Bangladesh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bhutan	✓	✓	n.a.	✓	✓	n.a.	✓	✓	n.a.	✓	✓
India	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maldives	n.a.	✓	✓	n.a.	✓	✓	n.a.	x	x	✓	✓
Nepal	✓	✓	✓	✓	✓	✓	...	...	...	...	...
Southeast Asia											
Brunei Darussalam	n.a.	✓	n.a.	n.a.	x	n.a.	n.a.	✓	n.a.	x	✓
Cambodia	x	✓	✓	x	✓	✓	x	x	x	✓	✓
Indonesia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lao PDR	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	...
Malaysia	✓	✓	x	✓	✓	x	✓	✓	x	x	✓
Myanmar	✓	✓	n.a.	✓	✓	n.a.	x	x	n.a.	✓	x
Philippines	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Singapore	✓	✓	✓	x	x	✓	✓	✓	✓	✓	x
Thailand	✓	✓	✓	x[a]	x	x	✓	✓	✓	✓	✓
Viet Nam	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x

... = data not available, ✓ = relevant, x = not relevant, CIT = corporate income tax, Lao PDR = Lao People's Democratic Republic, n.a. = not applicable, PIT = personal income tax, TIN = tax identification number,
VAT = value-added tax.

[a] For Thailand, with the exception of foreign citizens who need to register for tax purposes.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration* 2017. Paris. (Tables A73 and 75).

Table 41: Use of Taxpayer Identification Numbers by Third Parties for Information Reporting

Region/Economy	Third Parties Who Must Report TIN and Types of Payment					
	Employers (salary and wages)	Government Bodies (pensions)	Financial Institutions (interest)	Companies (dividends)	State-Owned Bodies (asset holdings, etc.)	Prescribed Contractors (subcontract payments)
Central and West Asia						
Afghanistan	✓	✓	✓	✓	✓	✓
Kazakhstan	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	✓	x	x
Tajikistan	✓	✓	✓	✓	✓	✓
East Asia						
China, People's Republic of	✓	✓	✓	✓	✓	✓
Hong Kong, China	x	x	x	x	x	x
Japan	✓	✓	✓	✓	✓	x
Korea, Republic of	x	✓	x	x	x	x
Mongolia	✓	✓	✓	✓	✓	✓
Taipei,China	✓	✓	✓	✓	✓	✓
Pacific						
Australia	✓	✓	✓	✓	x	✓
New Zealand	✓	✓	✓	✓	✓	x
Papua New Guinea	✓	✓	✓	✓	✓	✓
South Asia						
Bangladesh	✓	✓	✓	✓	✓	✓
Bhutan	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓	✓
Maldives	x	x	x	x	x	x
Nepal	...	...	...	...	...	...
Southeast Asia						
Brunei Darussalam	x	x	✓	✓	x	✓
Cambodia	✓	✓	✓	✓	✓	✓
Indonesia	✓	✓	✓	✓	✓	✓
Lao PDR	x	x	x	x	x	x
Malaysia	✓	✓	x	x	x	x
Myanmar	x	x	x	x	x	x
Philippines	✓	✓	✓	✓	✓	✓
Singapore	✓	✓	x	x	x	✓
Thailand	✓	✓	✓	✓	x	✓
Viet Nam	✓	x	x	✓	x	✓

... = data not available, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic, TIN = tax identification number.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration* 2017. Paris. (Table A74).

(ii) Most revenue bodies reported that businesses are able to register for multiple taxes simultaneously, which can be expected to ease their compliance burden.

(iii) Around 25% of revenue bodies reported that limited or no use has been made of the TIN in systems of third party reporting to the revenue body (Table 41). These include Hong Kong, China; the Lao PDR; Myanmar; the Republic of Korea; and Viet Nam. This implies that these revenue bodies make little use of such data in the administration of the tax system, and most likely relates to how some categories of income are taxed at source on a final (noncreditable) basis (e.g., interest and dividend income).

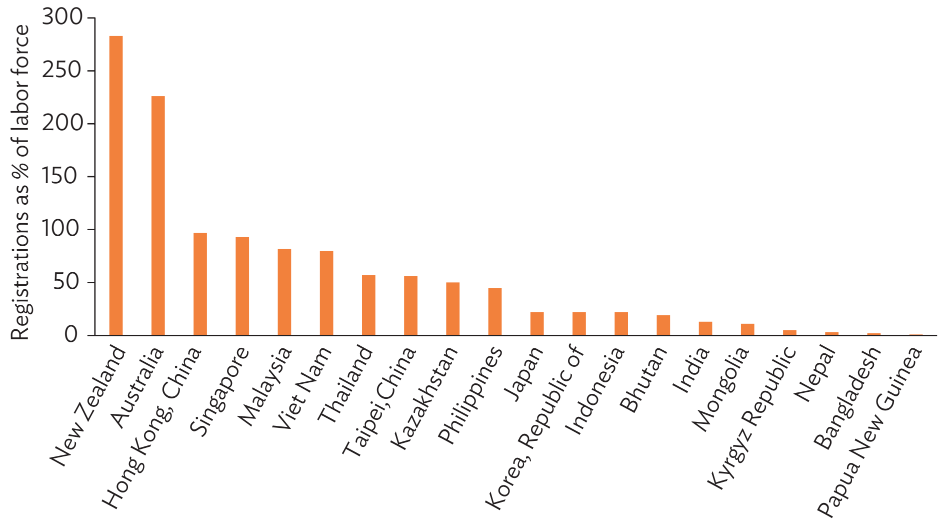
(iv) Information concerning the numbers of registered taxpayers for the major tax types (i.e., all registrations and active registrations) were highly variable, making it difficult to draw many conclusions. For example, the number of taxpayers registered for value-added tax (VAT) is influenced by the level of the VAT registration threshold; across the economies included in this series that administer a VAT, the level of registration threshold varies considerably. On the other hand, the vast majority of revenue bodies were unable to report any registration data concerning employers withholding obligations. However, one area that can be drawn to attention concerns the numbers of taxpayers registered for personal income tax (PIT).

PIT systems vary enormously across the economies included in this series. In many developing economies, the withholding arrangements in place are designed to eliminate the need for most employees to file annual tax returns. In addition, there may be a relatively high threshold on annual income before tax is payable. As a result, in many of these economies, most employees are not registered with the revenue body. By way of contrast, in advanced economies such as Australia and Singapore, where annual tax returns are required for just about all employees, a record of taxpayer registration must exist. In these economies, the registration of all employees deriving employment income provides an important means of tracking citizens whose circumstances may change over time, as well as using tax-related information for other government purposes (e.g., welfare entitlements checks). The difference between these two approaches to personal tax administration is evident from the data in Figure 12, which displays the number of PIT registrations reported as a proportion of each economy's estimated labor force, used here as a proxy for the potential personal income taxpayer population.

Table 41 shows an enormous variation in the ratios computed across economies. There are also many economies where a relatively small proportion of the labor force has a taxpayer registration. While this is understandable in developing economies that rely less on personal income tax and may have a relatively high income threshold before income tax is payable, it also occurs to some degree in more developed economies such as Kazakhstan; the Republic of Korea; and Taipei,China. The very high proportion of registrations displayed for Australia and New Zealand is partly because their TINs are used for a variety of other nontax purposes (e.g., welfare administration and student loans).

(v) In addition to the routine identification of taxpayers, the taxpayer registration database provides valuable information for the conduct of compliance-checking programs (e.g., non-filer detection and verification programs involving computer-based third party data matching). For these and other administrative processes, ensuring the quality (i.e., accuracy and currency) of taxpayer identity and location details is highly desirable. Around 75% of revenue bodies reported that they administer a formal program to improve or maintain the quality of their taxpayer register.

Figure 12. Personal Income Tax Registrations, 2015 (% of labor force)



Source: Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A4 and A14).

Government and Revenue Body Initiatives

As reported in the prior edition of this series, Japan is an example of an economy that has recently decided to strengthen its systems of personal and corporate taxpayer identification. In 2013, the Government of Japan announced its intention to establish a new taxpayer identification and numbering system for tax and social security administration purposes. The primary objectives of the new systems are to enhance taxpayer convenience and bolster the efficiency of administration. At the time of this announcement, the National Tax Agency (NTA) had recorded personal tax records for around 22 million of its citizens, representing around one-third of the estimated labor force in Japan. From October 2015, authorities commenced allocating a 12-digit individual number to anyone holding a residential registration.

C. Taxpayer Services

To achieve high levels of voluntary compliance, it is essential that revenue bodies provide a comprehensive, well-targeted, and accessible range of services for taxpayers, their representatives, and other intermediaries that have a role to play in tax administration. Tax laws are inevitably complex, and citizens and business owners are often unfamiliar with the technical jargon of tax-related topics as well as changes in tax policy and administrative requirements that impose new and, at times, onerous obligations. Box 13 presents a summary of practical guidance for achieving high standards in taxpayer service delivery.

Box 13: Good Practices in Taxpayer Service Delivery

- ✓ Provide taxpayers with information through a variety of user-friendly products and public education programs.
- ✓ Customize information to meet the specific needs of particular taxpayer segments, and tax intermediaries such as tax professionals; regularly update products to reflect changes in the law and administrative procedures.
- ✓ Deliver cost-effective services through means that are convenient to taxpayers.
- ✓ Issue binding tax rulings (e.g., public rulings and private rulings) to provide taxpayers with certainty as to how the tax administration will apply the tax law to particular transactions.
- ✓ Commit to service delivery standards and publicly account for the results achieved.
- ✓ Monitor frequently asked questions and common misunderstandings of the law detected through service and verification activities, and ensure remedial actions are taken.
- ✓ Monitor perceptions of service quality and administrative performance, and seek feedback on products and services from taxpayers and important intermediaries (e.g., tax professionals).

Source: Adapted from International Monetary Fund. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool Field Guide.* Washington, DC.

Observations and Findings

Revenue bodies reported a limited amount of data on aspects of survey delivery and these are presented in Tables 42–45. The following are important observations and findings:

(i) Just about all revenue bodies reported having a formal strategy for improving service delivery. Many revenue bodies indicated that the strategy is driven largely by objectives to reduce taxpayers' compliance burden and improve their satisfaction with the services delivered, improve certainty for taxpayers, and reduce operational costs.

(ii) The vast majority of revenue bodies reported having service delivery standards that they make public. An example is provided in Box 14.

(iii) Around a third of revenue bodies reported that, while they administer service delivery standards, they do not publish the results achieved in practice. The revenue body of Hong Kong, China gives considerable attention to this aspect of its administration. Further details are provided in Box 15.

Box 14: Example: Client Charter—Inland Revenue Board of Malaysia

Inland Revenue Board of Malaysia's Commitments

Payment counter[a]

- Waiting time—20 minutes

Issuance of tax payment receipt

- Payment at counter—1 working day
- Drop-off payment—4 working days
- Copy of official receipt/payment acknowledgement—7 working days
- Receipt of complaint—7 working days

Tax payment

- Payment will be updated in the taxpayer's ledger within 2 working days

Completion of audit[a]

- 3 months

Refund[a]

- e-filing/mobile filing—30 working days
- Post or by hand—90 working days

Tax clearance letter[a]

- Individual—14 working days
- Company—14 working days

Letter, fax, and e-mail

- Issuance of acknowledgement receipt—3 working days

ezHASiL Service (i.e., Inland Revenue Board of Malaysia main online system for taxpayer services)

- Not less than 98% of system availability

Stamp duty

Instrument of real estate transfer

- Submission of relevant form (PDS 15)—5 working days
- Assessment notice—7 working days
- Instrument endorsement—3 working days

Instrument other than real estate transfer

- 7 working days

Inland Revenue Board of Malaysia counters

- Waiting time—15 minutes

HASiL Care Line (i.e., phone service)

- Off-peak hours—1.5 minutes
- Peak hours—2 minutes

Customer feedback form in official portal

- General inquiries—7 working days
- Technical inquiries—21 working days

[a] Subject to complete documents and information received.

Source: Copy of client charter as published on Inland Revenue Board of Malaysia website: http://www.hasil.gov.my/bt_goindex.php?bt_kump=2&bt_skum=2&bt_posi=1&bt_unit=8&bt_sequ=1&CSRF_TOKEN=52f6dbbe436597adb833c5e11e674e23fa66cb1b (accessed 20 April 2018).

Box 15: Service Standards—Hong Kong, China's Inland Revenue Department

Hong Kong, China's Inland Revenue (HKIR) has a taxpayers' charter that it complements with a performance pledge, setting out the standards of service it aims to achieve for 25 specific types of services. An independent Users' Committee comprised of external representatives monitors the Inland Revenue's performance in relation to matters covered by the Performance Pledge. Inland Revenue publishes the results it achieves in an annual report of its performance pledge. Examples of specific services, the performance targets set, and the actual results achieved in recent years are as follows:

		Actual Achievement (%)	
Service Standard	Target (%)	2016–2017	2015–2016
Counter inquiries • attended to within 10 minutes (in peak times)	95.0	98.2	98.4
Telephone inquiries • answered within 3 minutes (in peak period)	80.0	88.4	89.5
Written inquiries — simple matters • replied within 7 working days	96.0	99.9	99.9
Written inquiries—technical matters • replied within 21 working days	98.0	99.9	99.9
Refunds for overpayment of taxes • processed in 18 working days	98.0	99.9	100.0
Processing of Objections • processed in 4 months	98.0	99.0	100.0

Source: Government of the Hong Kong. Special Administrative Region of the People's Republic of China, Inland Revenue Department. 2016. *Annual Report of Performance Pledge 2016–2017.*

Provision of Tax Rulings

(i) Just about all revenue bodies reported that they administer a system of public rulings that are binding on the revenue body (Table 42). The vast majority of revenue bodies also provide access to private rulings although, for around a third of the revenue bodies in this series, it was reported that such rulings are generally not binding on the revenue body. A small number of revenue bodies (i.e., Bangladesh; Hong Kong, China; Malaysia; New Zealand; and Singapore) reported that fees are applied for the provision of private rulings, although for some this applies only in particular circumstances (e.g., for expedited rulings). Around 25% of revenue bodies indicated that fixed-time limits are imposed for the provision of private rulings, a practice generally confined to situations where complete information is provided by taxpayers in the first instance.

(ii) Both the Lao PDR and Myanmar reported that regimes of public and private rulings have yet to be established.

Table 42: Provision of Tax Rulings to Taxpayers, 2015

	Provision of Tax Rulings						
	Public Rulings		Private Rulings				
Region/Economy	Issued	Binding	Issued	Binding	Fees Apply	Time Limit Applies	Time Limit
Central and West Asia							
Afghanistan	✓	✓	✓	✓	x	x	...
Kazakhstan	✓	✓	✓	✓	x	✓	15–30 working days
Kyrgyz Republic	✓	✓	✓	x	...	...	...
Tajikistan	✓	✓	✓	✓	x	✓	
East Asia							
China, People's Republic of	✓	✓	✓	✓	x	✓	...
Hong Kong, China	✓	x	✓	✓	✓	✓	42 working days
Japan	✓	✓	✓	✓	x	x	...
Korea, Republic of	✓	✓	✓	✓	x	x	...
Mongolia	✓	✓	x	x	x	x	...
Taipei,China	✓	✓	✓	✓	x	x	...
Pacific							
Australia	✓	✓	✓	✓	x	✓	28 calendar days
New Zealand	✓	✓	✓	✓	✓	✓	Varies (180 maximum)
Papua New Guinea	✓	✓	✓	✓	x	x	...
South Asia							
Bangladesh	✓	✓	✓	x	✓	x	...
Bhutan	✓	✓	✓	x	x	x	...
India	✓	✓	✓	x	x	x	...
Maldives	✓	✓	✓	x	x	x	...
Nepal	✓	✓	✓	✓	x	✓	60 working days
Southeast Asia							
Brunei Darussalam	✓	✓	✓	x	x	x	...
Cambodia	✓	✓	✓	x	x	x	...
Indonesia	✓	✓	✓	✓	x	✓	...
Lao PDR	x	x	x	x	x	x	...
Malaysia	✓	✓	✓	✓	✓	✓	60 working days
Myanmar	x	x	x	x	x	x	
Philippines	✓	✓	✓	✓	x	✓	45 working days
Singapore	x	x	✓	✓	✓	✓	56 working days
Thailand	✓	✓	✓	x	x	x	...
Viet Nam	✓	...	✓	...	x	x	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A115).

Table 43: Provision of E-Services to Taxpayers

Region/Economy	Types of E-Services Offered to Taxpayers: Information on the Website	Tools and Calculators on Website	Integrated Taxpayer Accounts	Online Applications for Taxpayers	Electronic Invoice System for Businesses	Data Capture from Third Parties	Digital Mailbox Capability
Central and West Asia							
Afghanistan	✓	✓	x	x	x	✓	✓
Kazakhstan	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	✓	x	x	x
Tajikistan	✓	✓	✓	✓	✓	✓	✓
East Asia							
China, People's Republic of	✓	✓	x	✓	✓	✓	✓
Hong Kong, China	✓	✓	✓	✓	x	x	✓
Japan	✓	✓	x	✓	x	✓	x
Korea, Republic of	✓	✓	✓	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓	✓	✓	✓
Taipei,China	✓	✓	✓	✓	✓	✓	✓
Pacific							
Australia	✓	✓	✓	✓	x	✓	✓
New Zealand	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	x	✓	✓	✓
South Asia							
Bangladesh	✓	✓	x	✓	✓	✓	✓
Bhutan	✓	✓	x	✓	x	✓	✓
India	✓	✓	✓	✓	x	✓	✓
Maldives	✓	✓	✓	✓	x	x	✓
Nepal	✓	✓	x	✓(partial)	✓	x	x
Southeast Asia							
Brunei Darussalam	✓	x	x	✓	x	x	✓
Cambodia	✓	✓	x	✓	✓	x	✓
Indonesia	✓	✓	✓	✓	✓	✓	✓
Lao PDR	✓	x	x	✓	x	✓	✓
Malaysia	✓	✓	✓	✓	x	✓	✓
Myanmar	x	x	x	x	x	x	x
Philippines	✓	x	x	✓	x	✓	x
Singapore	✓	✓	✓	✓	x	✓	✓
Thailand	✓	✓	x	✓	✓	✓	✓
Viet Nam	...	....	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A122).

Figure 13: Website Offering of Japan's National Tax Agency

Nature of Service or Information Content	
(1)	Tax answer system: frequently asked questions and answers.
(2)	Search for regional tax bureaus and tax offices.
(3)	Filing assistance on the NTA website.
(4)	Online national tax return and tax payment system (e-tax).
(5)	Road price and rating map.
(6)	Auction information: property seized or to be sold by auction.
(7)	Video: tax information and the work of tax offices.
(8)	Tax learning section: educational materials.
(9)	Text enlargement and voice reading: Support for the elderly and those with visual impairment.
(10)	Efforts taken by the NTA: role of taxes, and work of NTA.
(11)	Magazine: access to e-mail service of "What's new?"

NTA = National Tax Agency.

Source: Government of Japan, National Tax Agency. 2016. Annual Report 2016. Tokyo.

Provision of Electronic Services

(i) From a menu of potential electronic services, the more commonly offered services reported were information on websites, online transactions, and tools and calculators; those less frequently offered are integrated taxpayer accounts and electronic invoices (VAT) for businesses (Table 43). The category of online transactions includes both electronic filing of tax returns and electronic payments that are dealt with later on in this chapter.

(ii) The extent to which revenue bodies make use of their websites to assist taxpayers has not been examined in detail. However, basic research across revenue bodies' websites indicates that the functionality offered varies enormously, ranging from a basic level where very limited information is available and websites offering a very comprehensive level of service. Japan's NTA publishes an annual performance report, which features the comprehensive range of services offered from its website. (Figure 13 provides a snapshot of the NTA's home page menu).

Supporting Tax Professionals

- Tax professionals play a significant role in the operation of the tax system in many economies and, not surprisingly, most revenue bodies report that there are laws that regulate their activities. However, information provided concerning the nature of specialized services made available to tax professionals varied to a considerable degree. From a menu of services specified, the more commonly offered services were (i) the provision of regular updates on legislative and administrative changes; (ii) specific contact points (e.g., client or relationship managers); (iii) a dedicated section on the revenue body's website; and (iv) online access for authorized agents to clients' tax data (Table 44).

Table 44: Tax Intermediaries or Tax Agents—Regulations and Services Provided by Revenue Body, 2015

Region/Economy	Laws and Regulations		Specialized Services Offered to Tax Intermediaries						
	Prescribe Activities of Tax Agents	Requirement to Register with Revenue Body (number)	Online Registration	Dedicated Inquiry Service	Specific Relationship Management	Dedicated Section on Website	Online Access to Clients' Data	Updates on Tax Law and Administration	Separate Return Filing Rules
Central and West Asia									
Afghanistan	✓	✓(10-15)	x	✓	✓	✓	x	✓	x
Kazakhstan	x	x	x	x	x	x	x	x	x
Kyrgyz Republic	✓	✓	x	x	✓	x	✓	✓	x
Tajikistan	x	x	x	x	x	x	x	x	x
East Asia									
China, People's Republic of	✓	x	x	✓	✓	x	✓	✓	✓
Hong Kong, China	x	x	x	x	x	✓	x	✓	✓
Japan	✓	x	x	x	✓	x	✓	x	✓
Korea, Republic of	✓	✓	x	x	x	✓	✓	x	✓
Mongolia	✓	x	x	x	x	x	✓	✓	x
Taipei,China	✓	✓ (14,682)	✓	✓	✓	✓	✓	✓	✓
Pacific									
Australia	✓	✓(55,000)	✓	✓	✓	✓	✓	✓	✓
New Zealand	✓	✓(6,151)	x	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓(107)	x	✓	✓	x	✓	✓	✓

continued on next page

Table 44 *continued*

Region/Economy	Laws and Regulations: Prescribe Activities of Tax Agents	Laws and Regulations: Requirement to Register with Revenue Body (number)	Specialized Services Offered to Tax Intermediaries: Online Registration	Dedicated Inquiry Service	Specific Relationship Management	Dedicated Section on Website	Online Access to Clients' Data	Updates on Tax Law and Administration	Separate Return Filing Rules
South Asia									
Bangladesh	✓	✓	x	x	✓	✓	x	✓	x
Bhutan	✓	x	x	✓	x	x	✓	x	x
India	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maldives	✓	✓	x	✓	✓	x	x	✓	x
Nepal	✓	✓							
Southeast Asia									
Brunei Darussalam	✓	✓	✓	✓	✓	✓	✓	✓	x
Cambodia	✓	✓ (140)	x	✓	✓	x	x	✓	x
Indonesia	✓	✓ (3,323)	✓	x	x	✓	x	✓	x
Lao PDR	...	...	...	...	...	...	...	...	...
Malaysia	✓	✓(1,928)	✓	✓	✓	✓	✓	✓	✓
Myanmar	...	...	x	x	x	x	x	x	x
Philippines	✓	✓(6,000)	x	x	✓	✓	x	✓	x
Singapore	x	x	x	x	✓	✓	✓	✓	x
Thailand	✓	✓(3,369)	✓	✓	✓	✓	x	✓	x
Viet Nam	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. (Table A123).

Viewed across all responses, revenue bodies in Australia; Brunei Darussalam; India; Malaysia; New Zealand; and Taipei,China appear to have the most comprehensive suite of service offerings for tax agents. In each of these economies, tax agents are legally obliged to register with the revenue body.

Servicing Taxpayers' Complaints

(i) Around 80% of revenue bodies report the operation of a dedicated function to handle taxpayers' complaints (Table 17). Where available, the workload data for this function suggest that volumes of complaints are generally very small.

D. Tax Return and Tax Payment Processing

Tax returns and payments constitute the most basic and important elements of data that taxpayers are required to provide to revenue bodies. Guidance for achieving effective and efficient tax return and payment processes typically draws attention to a range of desirable strategies and approaches (Box 16).

Box 16: Good Practices in Tax Return and Payment Processing

- ✓ Provide a legislative framework for taxpayers' filing and payment obligations that balances the competing demands of key stakeholders (i.e., government revenue goals, revenue body workloads considerations, and taxpayers' compliance burden).
- ✓ Design tax returns that require the minimum level of data required from taxpayers to accurately calculate their tax liabilities, to properly assess the risk of incorrect reporting, and to satisfy other essential government requirements.
- ✓ Provide easy-to-follow and accessible information products to assist taxpayers in meeting their return filing and payment obligations.
- ✓ Prompt taxpayers on their immediate return filing and payment obligations.
- ✓ Provide taxpayers with secure access to user-friendly systems for electronic filing of tax returns and electronic payment of taxes, and actively promote their use.
- ✓ Provide taxpayers with secure online access to their tax accounting records and other important items of personal taxpayer information.

Source: Adapted from International Monetary Fund. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool Field Guide.* Washington, DC.

Observations and Findings

Revenue bodies reported a limited amount of data on their legal framework, systems, and performance concerning tax return filing and payment obligations and these, along with data from additional research, are in Tables 46, 47, 48a, and 48b; and in the Appendix, Table A.16. Important observations and findings are set out below:

Legislative Framework

(i) Just about all revenue bodies administer systems that provide for the graduated collection of income taxes with regimes of withholdings and advance payments, although the requirements of these systems vary substantially in terms of the frequency of payments. Some economies apply a regime that reduces the frequency of payments for smaller corporate taxpayers to reduce their administrative or compliance burden (e.g., bimonthly or quarterly filing).

(ii) Most economies aim to align the collection of VAT with the underlying economic activity. Typically, this is achieved with a regime of monthly or quarterly returns filing and tax payments. Some economies differentiate between large and small and medium-sized enterprises (SMEs) taxpayers, requiring returns and payments less frequently from SME and very small taxpayers. A small number of economies (e.g., Australia and Japan) permit very small remitters of VAT and/or those taxpayers with irregular transactions to file returns or make payments less frequently (e.g., annually).

(iii) In a number of economies (e.g., Indonesia, Kazakhstan, and Singapore), the VAT regime operates with a relatively high registration threshold, significantly limiting the numbers of businesses subject to VAT and, therefore, their compliance burden and the workload of the revenue body (Table 47).

While setting a high registration threshold for the VAT has attractions from the viewpoint of minimizing revenue body workloads, it may result in a fair amount of foregone revenue unless accompanied by other measures (e.g., a simplified tax regime for small taxpayers under the threshold). Striking a realistic level for the VAT registration threshold is an important consideration in a resource mobilization context.

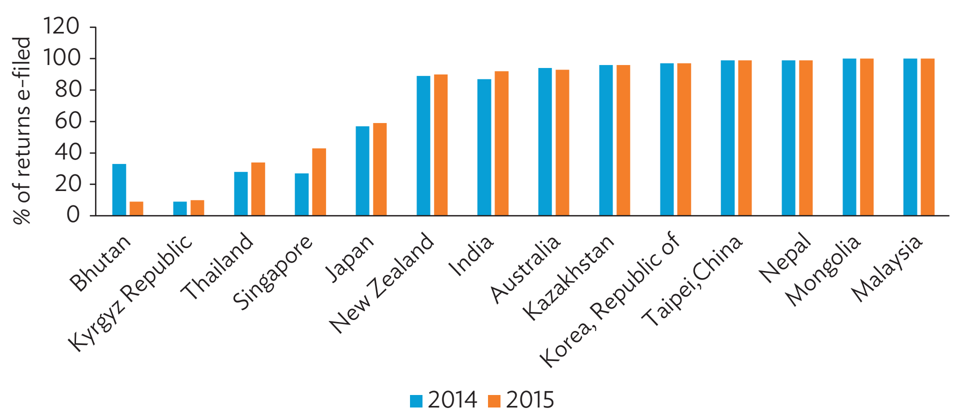
(iv) Around one-third of revenue bodies report they have implemented mandatory e-filing and e-payment for all or some of taxpayers in respect of the corporate income tax, VAT, or employer withholding taxes.

Electronic Filing: Corporate Income Tax

(i) Around 50% of revenue bodies report that electronic filing has been introduced for corporate tax returns. Rates of electronic filing vary enormously (Figure 14), most likely reflecting a variety of factors such as tax system complexity, the length of time electronic filing services have been available, resource availability, and the use of mandatory filing obligations.

Revenue bodies reporting very high levels of electronic filing (over 90%) for 2015 include Australia; India; Kazakhstan; Malaysia; Mongolia; Nepal; New Zealand; the Republic of Korea; and Taipei,China. For some of these economies (e.g., Mongolia and Nepal), mandatory e-filing obligations were in place.

Figure 14: Corporate Income Tax (% of returns e-filed)



Sources: Asian Development Bank survey and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A15).

Table 45: Tax Returns—Filing Frequency and Mandatory E-Filing Requirements, 2017

	Tax Return Filing Frequency				Mandatory E-Filing Requirements			
Region/Economy	CIT	PIT	Employer PAYE	VAT	CIT	PIT	Employer PAYE	VAT
Central and West Asia								
Afghanistan	A	M	M	n.a.	✓	✓	✓	n.a.
Kazakhstan	A	Q	M, Q	Q	x	x	x	✓
Kyrgyz Republic	A	A	M	M	x	x	x	◈
Tajikistan	A	M	M	M	x	x	x	✓
East Asia								
China, People's Republic of	A	A	...	M, Q	x	x	x	x
Hong Kong, China	A	A	n.a	n.a.	x	x	n.a.	n.a.
Japan	S	A	M	M, S, A	x	x	x	x
Korea, Republic of	A	A	M	Q, A	x	x	x	x
Mongolia	Q	A	Q	Q	✓	✓	✓	✓
Taipei,China	A	A	A	M, B, Q	x	x	x	x
Pacific								
Australia	A	A	F, M, Q	M, Q, A	◈	x	◈	◈
New Zealand	A	A	F, M, Q	M, B, S	x	x	◈	x
Papua New Guinea	A	A	M	M	x	x	x	x
South Asia								
Bangladesh	A	A	B	M	x	x	x	x
Bhutan	B	A	M	n.a.	x	x	x	n.a.
India	A	A	Q	n.a.	✓	✓	✓	✓
Maldives	A	n.a.	n.a.	M, Q	x	x	x	x
Nepal	A	M	M	M, B, Q	✓	✓	✓	✓
Southeast Asia								
Brunei Darussalam	A	n.a.	n.a.	n.a.	✓	n.a.	n.a.	n.a.
Cambodia	A	n.a.	M	M	x	x	x	x
Indonesia	A	A	M	M	◈	◈	◈	◈
Lao PDR	A	A	M	M	x	x	x	x
Malaysia	A	A	M	...	✓	x	x	x
Myanmar	A	A	M	n.a.	x	x	x	x
Philippines	A	A	A, M	M, Q	◈	◈	◈	◈
Singapore	A	A	n.a.	S	x	x	x	all
Thailand	S	A, S	M	M	x	x	x	x
Viet Nam	A	A	Q	M, Q	✓	◈	...	◈

... = data not available at cutoff date, ✓ = all, ◈ = partial, x = none, A = annually, B = bimonthly, CIT = corporate income tax, F = fortnightly, Lao PDR = Lao People's Democratic Republic, M = monthly, n.a. = not applicable, PAYE = pay as you earn (withholdings), PIT = personal income tax, Q = quarterly, S = semiannually, VAT = value-added tax.

Sources: Asian Development Bank and International Monetary survey responses; Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A81 to A85); and OECD. 2015. *Tax Administration 2015*. Paris.

Table 46: Tax Payment Obligations and Mandatory E-Payment Requirements, 2017

	Advance Payment Frequency				Mandatory E-Payment Requirements			
Region/Economy	CIT	PIT	PAYE	VAT	CIT	PIT	PAYE	VAT
Central and West Asia								
Afghanistan	A	M	M	n.a.	x	x	x	x
Kazakhstan	A	M	M, Q	Q	x	x	x	x
Kyrgyz Republic	A	A	M	M	x	x	x	x
Tajikistan	A	M	M	M	x	x	x	x
East Asia								
China, People's Republic of	Q, A	M	...	...	✓	✓	...	...
Hong Kong, China	S	S	n.a.	n.a.	x	x	n.a.	n.a.
Japan	S	S	M	M, Q, A	x	x	x	x
Korea, Republic of	A	A	M	Q, S, A	x	x	x	x
Mongolia	Q	A	Q	Q	✓	✓	✓	✓
Taipei,China	A	A	M	M, B, Q	x	x	x	x
Pacific								
Australia	M, Q, A	M, Q, A	W, M, Q	M, Q, A	x	x	◈	◈
New Zealand	A	A	M	M, B, M, S, A	x	x	x	x
Papua New Guinea	F, M	A	M	M	x	x	x	x
South Asia								
Bangladesh	A	A	B	M	x	x	x	x
Bhutan	B	A	M	n.a.	x	x	x	n.a.
India	Q	F, M		n.a.	P	◈	◈	n.a.
Maldives	F, M	n.a.	n.a.	M, Q	x	x	x	x
Nepal	...	...	M	M, B, Q	x	x	x	x
Southeast Asia								
Brunei Darussalam	A	n.a.	n.a.	n.a.	x	n.a.	n.a.	n.a.
Cambodia	A	n.a.	M	M	x	x	x	x
Indonesia	M	M	...	M	✓	✓	✓	✓
Lao PDR	Q		M	M	x	x	x	x
Malaysia	M	M, B	M		x	x	x	x
Myanmar	Q	Q	M	n.a.	x	x	x	x
Philippines	A, Q	A, Q	M	M, Q	◈	◈	◈	◈
Singapore	Variable	n.a.	n.a.	M, Q, SA	x	x	n.a.	◈
Thailand	S	A, S	M	M	x	x	x	x
Viet Nam	Q	Q, M	Q	M, Q	✓	Partial	✓	✓

... = data not available, ✓ = all, ◈ = partial, x = none, A = annually, B = bimonthly, CIT = corporate income tax, F = fortnightly, M = monthly, n.a. = not applicable, PAYE = pay as you earn (withholding), PIT = personal income tax, Q = quarterly, S = semiannually, VAT = value-added tax.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables 99 and 101).

Table 47: Value-Added Tax—Selected Features of System Design
(as of 1 January 2016, unless otherwise indicated)

Region/Economy	Standard Rate of Tax (%)	Standard Registration Threshold[a] National Currency	Standard Registration Threshold[a] $[b]	Filing and Payment Frequency Large Taxpayers	Filing and Payment Frequency SME Taxpayers
Central and West Asia					
Afghanistan	No VAT regime in place. Afghanistan administers a business receipts tax.				
Kazakhstan	12	Index-based[c]	235,667	Quarterly	Quarterly
Kyrgyz Republic	12	Som8,000,000	105,415	Monthly	Monthly
Tajikistan	18	TJS1,000,000	140,726	Monthly	Monthly
East Asia					
China, People's Republic of		Varies by province, size of firm, and entity type		Monthly (more often for some taxpayers)	
Hong Kong, China	No VAT system in place.				
Japan	8	¥10 million	94,940	Monthly	Quarterly
Korea, Republic of	10	W24 million	26,928	Quarterly	Quarterly
Mongolia	10	MNT50 million	25,188	Monthly	Monthly
Taipei,China	5	0	0	Bimonthly	Bimonthly
Pacific					
Australia	10	A$75,000	50,336	Monthly	Quarterly
New Zealand	15	NZ$60,000	40,816	Monthly	Bimonthly
Papua New Guinea	10	K250,000	83,300	Monthly	Monthly
South Asia					
Bangladesh	15	...	...	...	...
Bhutan	No VAT regime in place				
India	No national VAT regime in place (implemented in 2017).				
Maldives		Rf1,000,000	64,851	Monthly	Quarterly
Nepal	13	NRs5,000,000	47,245	Monthly	Monthly
Southeast Asia					
Brunei Darussalam	No VAT regime in place.				
Cambodia	10	Various thresholds apply (i.e. size, and entity type criteria).		Monthly	Monthly
Indonesia	10	Rp4.8 billion	360,902	Monthly	Monthly
Lao PDR	10	KN400 million	48,935	Monthly	Monthly
Malaysia	6	RM500,000	115,207	Quarterly	Quarterly
Myanmar	No VAT regime in place. There is a turnover tax on goods and services.				
Philippines	12	₱1,919,500	40,988	Monthly	Quarterly
Singapore	7	S$1,000,000	704,225	Monthly	Quarterly
Thailand	7	B1,800,000	49,820	Monthly	Monthly
Viet Nam	10	0	0	Monthly	Quarterly

... = data not available at cutoff date, 0 = no threshold, Lao PDR = Lao People's Democratic Republic, VAT = value-added tax.

[a] Registration threshold expressed in terms of annual business turnover, unless otherwise indicated.

[b] The value of the threshold expressed in United States dollars as of 1 January 2016.

[c] Threshold applied is an annual turnover exceeding 30,000 times the minimum calculated index.

Sources: Organisation for Economic Co-operation and Development. 2016. *Consumption Tax Trends*. Paris; KPMG. 2016. *2016 Asia Pacific Indirect Tax Country Guide*. Deloittes International; International Bureau of Fiscal Documentation and Exchange-Rates.org http://www.exchange-rates.org/HistoricalRates/M/USD/1-1-2016 and XE Corporation http://www.xe.com/currencytables/?from=MYR&date=2016-01-04 (for United States dollars exchange rates).

Electronic Filing: Value-Added Tax

(i) Just under half of the revenue bodies that administer a VAT reported that electronic filing has been introduced for the VAT. This number is disappointingly low, given that VAT returns are generally simpler than returns for other major taxes. Rates of electronic filing vary enormously (Figure 15), for reasons similar to that described for the corporate income tax (CIT).

Revenue bodies reporting very high levels of electronic filing (over 90%) for 2015 include Kazakhstan; Mongolia; Nepal; the Republic of Korea; Singapore; and Taipei,China. For a number of these economies, such as Mongolia and Nepal, mandatory e-filing obligations were in place in 2015.

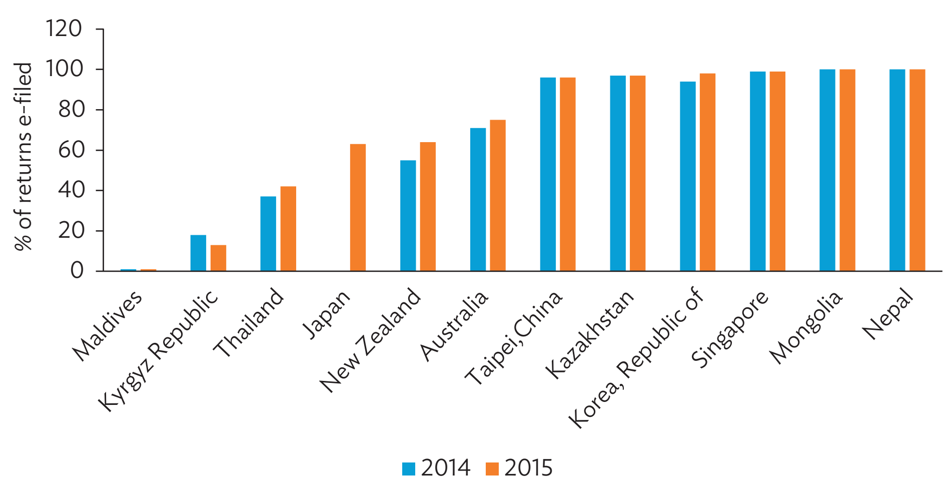
Electronic Filing: Personal Income Tax

(i) The automation of personal tax returns is increasingly being impacted globally by two major innovations: electronic filing and a development known as "prefilling" where revenue bodies prepare fully or largely completed tax returns for some of their taxpayers that they are required to validate.

(ii) Just over half of the revenue bodies reported that electronic filing and/or a system of prefilling has been introduced for PIT returns. A number of revenue bodies in the region reported considerable success in their automation of personal income tax return filing and assessment (Figure 16).

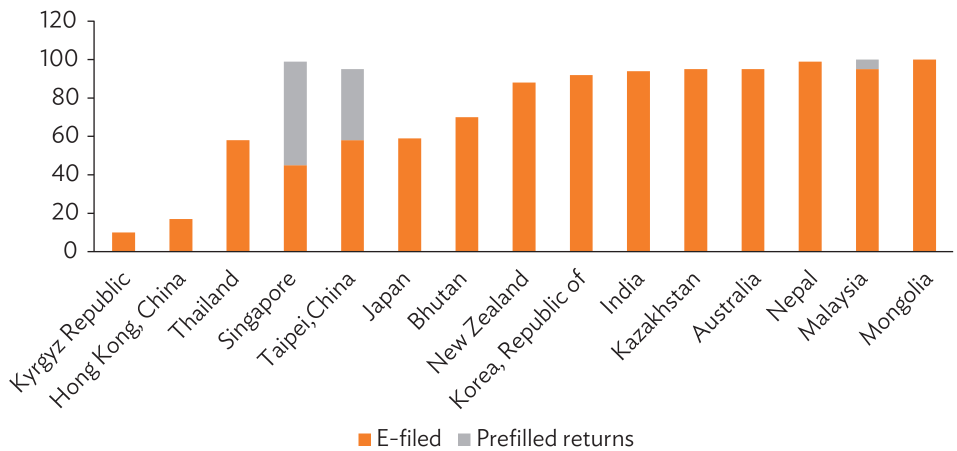
Revenue bodies reporting very high levels of electronic filing (over 90%) for 2015 include Australia; India; Kazakhstan; Malaysia; Mongolia; Nepal; the Republic of Korea; and Taipei,China. For a number of these economies (e.g., Mongolia), mandatory e-filing obligations were in place. Outstanding progress was made by Bhutan where the rate of e-filing tripled from 2014 (23%) to 2015 (70%).

Figure 15: Value-Added Tax
(% of returns e-filed)



Sources: Asian Development Bank survey; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A15).

Figure 16: Personal Income Tax
(% returns e-filed and prefilled in 2015)



Sources: Asian Development Bank survey; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A15).

(iii) Revenue bodies in Malaysia; Singapore; and Taipei,China reported the use of prefilled tax return systems for some of their taxpayer population, up to 54% in 2015 in the case of Singapore. With prefilled tax return systems, the revenue body is able to prepare a fully completed tax return using its internally held data and other data reported by third parties (e.g., employers and financial institutions). Use of prefilling is growing significantly around the world, and is particularly advanced among revenue bodies in the Nordic region (e.g., Denmark).

A combination of electronic filing and prefilling has enabled revenue bodies in Malaysia; Singapore; and Taipei,China to provide a very high level of automation to their administration of the PIT.

Experience from many revenue bodies reported in the OECD's tax administration series indicates that successfully implementing systems of electronic filing can present many challenges, particularly for revenue bodies with limited information and communication technology experience and resources. This appears to be the case for many revenue bodies in this series, where progress appears to be relatively slow or nonexistent. For many revenue bodies globally, a combination of investment, hard work, and persistence has delivered outstanding results, with benefits to both taxpayers and revenue bodies. Box 17 draws on the findings of studies made by the OECD in this area over a number of years that point to many practical steps taken by revenue bodies to improve their use of electronic filing for their major taxes.

Electronic Payments of Tax

The payment of taxes is another important and significant work stream for taxpayers (particularly businesses) and revenue bodies, and one where the use of modern payment

Box 17: Achieving Success with Electronic Filing—What Experience Shows

- ✓ **Focus on the quality of the electronic filing services to be offered.** Important considerations include (i) the range of electronic filing services being offered should have a common look and feel, (ii) the services should be relatively easy to access and not too complex to use, (iii) service options should be sufficiently personalized or differentiated to make them attractive to use, (iv) the service should not entail an excessive level of rework, and (v) registration and security requirements should be relatively simple to use and low cost.
- ✓ **Support the delivery of electronic filing services.** Potential users of e-filing services expect that the revenue body will have online and telephone help capabilities available at peak filing times to quickly resolve any issues that arise; users are also more confident when they receive confirmation that their electronic transmissions have been received by the revenue body.
- ✓ **Optimize data needs.** Critically review all return information requirements when designing electronic return systems to simplify the burden on taxpayers and the design of the electronic transactions.
- ✓ **Sell the product.** Revenue bodies that have achieved a relatively high uptake of electronic services typically applied a multifaceted set of strategies to promote usage by taxpayers.
- ✓ **Aim to maximize reach of messages.** Information campaigns using a variety of channels should be an essential component of the strategy of revenue bodies.
- ✓ **Encourage use.** Incentives (e.g., quick refunds of overpaid taxes and longer filing periods) appear to be very effective in encouraging increased uptake, particularly for personal income tax filing.
- ✓ **Engage key stakeholders.** Collaborate closely with electronic filing software producers as well as tax professionals who prepare a fair share of tax returns.
- ✓ **Recognize the limitations of potential users.** Revenue bodies that have implemented successful mandatory electronic filing arrangements have typically targeted larger businesses and taken a cautious “softly, softly approach” in the early years when using these arrangements.

Sources: Organisation for Economic Co-operation and Development (OECD). 2006. *Strategies for Improving the Take-up Rates of Electronic Services*. http://www.oecd.org/ctp/administration/36280699.pdf; and OECD. 2010. *Surveys of Trends and Developments In the Use of Electronic Services for Taxpayer Service Delivery.* http://www.oecd.org/ctp/administration/surveyoftrendsanddevelopmentsintheuseofelectronicservicesfortaxpayerservicedelivery.htm.

systems can deliver significant benefits to taxpayers, revenue bodies, government, and the finance sector. For taxpayers, there can be significant costs in visiting a local tax office or its agent (e.g., a bank) during business hours to make a tax payment. Even payment by mailed checks presents a fair compliance cost to the taxpayer, processing costs for banks, and there can be a time delay before a taxpayer’s account is updated. In contrast, fully electronic payment methods have been shown to be significantly less costly to administer, and typically enable quicker updating of taxpayers’ accounts.

Survey responses indicate that extensive use is made of mandatory electronic payment requirements by revenue bodies in Indonesia, Mongolia, the PRC, and Viet Nam, while a number of revenue bodies (e.g., Australia and India) have introduced these requirements for some of their larger taxpayers. An example of a recent e-payment initiative implemented by Indonesia’s Directorate General of Taxes (DGT) is described in Box 18.

Box 18: Indonesia's New E-Payment Service for Taxpayers

Mini ATM is an electronic payment device initiated by the Directorate General of Taxes to facilitate and to expand access in tax payments. Mini ATM uses an electronic data capture machine on which the taxpayer can simply swipe a debit card to pay tax. Currently, there are three banks that provide the electronic data capture machines. The payment process starts with taxpayers obtaining an electronic billing (e-billing) code from several channels, including through the official Directorate General of Taxes website (www.sse.pajak.go.id), internet banking, application service providers, and short messaging service. Once obtained, taxpayers can use the billing code to complete the tax payment procedure using mini ATMs. This new feature is expected to deliver good results so that it can be implemented nationwide. Mini ATM is also expected to be integrated with other tax services such as the mobile tax unit.

Source: Government of Indonesia, Directorate General of Taxes. 2016. *Annual Report 2015. Jakarta.*

E. Verification Activities

Revenue bodies typically carry out a large variety of activities to verify taxpayers' compliance with the laws. In this series and the survey undertaken, the term "verification" is used as a generic descriptor to encompass all such activities, and is defined in the accompanying survey instrument as "all interventions typically undertaken by revenue administrations to check whether taxpayers have properly reported their tax liabilities." The primary verification activity undertaken by revenue bodies is usually called a "tax audit" or "tax control." Less frequently used terms are "examinations" and "inquiries." It is also known that, across revenue bodies, audit activities vary in their scope and intensity, and indeed in the precise nature of actions taken by officials that are deemed to constitute an audit. Revenue bodies also carry out various other activities (e.g., in-depth fraud investigations, income-and-document matching checks, phone inquiries, computer-based audit and mathematical checks, and inspections of books and records) that can result in changes to taxpayers' reported liabilities. For this series, data is presented using three categories of audit: (i) comprehensive, (ii) issue-oriented, and (iii) desk, which aim to reflect all forms of revenue body verification activity. However, it is not intended to include work and resultant taxes and penalties generated from undertaking non-filing enforcement programs.

Guidance for achieving effective verification programs typically draws attention to a range of desirable strategies and approaches that are briefly described in Box 19.

Box 19: Good Practices in the Design and Operation of Verification Programs

- ✓ Design and implement a program of verification activities with an objective to maximizing its impact across the broader taxpayer population. Programs of this kind, which aim to improve accurate reporting across the board, focus on the highest compliance risks.
- ✓ Support audit operations with (i) a robust and comprehensive automated case management system; (ii) centralized audit case selection using analytics to select the highest risk cases within a target population of taxpayers; (iii) computer-assisted audit tools that enable the extraction, analysis, and cross-checking of large volumes of data from taxpayers' accounting system; and (iv) a uniform set of administrative penalties across all taxes for inaccurate reporting and judicial penalties for tax offenses, such as falsification of tax records.
- ✓ Build capacity in systematic cross-checking of third party information (e.g., from banks, stock exchanges, and government agencies) with amounts reported in tax declarations.
- ✓ Adopt cooperative compliance approaches to manage risks of inaccurate reporting.
- ✓ Develop benchmark economic performance parameters for key industries, business activities, professions, and occupations to identify taxpayers who file out-of-pattern tax declarations.
- ✓ Monitor the overall level of correct reporting through various methods; for example, (i) tax gap analysis, (ii) use of advanced analytics using large data sets to determine the likelihood of taxpayers making full and accurate disclosures of income, and (iii) surveys monitoring taxpayer attitudes toward the accurate reporting of income.

Source: Adapted from International Monetary Fund. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool Field Guide*. Washington, DC.

Observations and Findings

Revenue bodies were requested to report a limited amount of information on their verification activities (e.g., powers, resources, and outputs) (Tables 48a, 48b, and 49; Appendix, Tables A.19 and A.20). The following are the observations and findings on the data reported:

Information Gathering Powers

The ability of revenue body officials to readily and efficiently obtain information required to validate taxpayers' liabilities is essential for the smooth functioning of the tax system. To this end, tax laws typically include provisions that enable tax officials to obtain information from taxpayers and other parties on request, either orally or in writing, and to have adequate access to taxpayers' books and records. For this series, a menu of powers was identified and revenue bodies were requested to indicate their applicability under their respective tax laws (Tables 48a and 48b). The key observations with regard to information and access powers are as follows:

(i) All revenue bodies report having powers to obtain relevant information, although these powers often do not extend to requests to third parties.

(ii) Just over half of the surveyed revenue bodies report that their powers of access to taxpayers' business premises and/or dwellings to obtain information required to verify or establish tax liabilities require taxpayers' consent or a search warrant; this limitation applies also to the seizure of taxpayers' documents.

(iii) Nine revenue bodies report that they can request a search warrant without the help of other government agencies.

(iv) Looking across the full range of powers surveyed, the information-gathering and access powers appear fairly limited in scope for revenue bodies in Bhutan; Brunei Darussalam; India; Indonesia; Japan; the Kyrgyz Republic; the Lao PDR; Maldives; the PRC; the Republic of Korea; and Taipei,China.

Organization and Resourcing of Verification Activities

Data provided on the allocation of staff resources across the main tax administration functions are reported in Chapter VII, and reveal considerable variation across revenue bodies. Concerning verification work, the proportion of staff resources allocated ranged from 8% to over 50%. While the data reported are subject to a level of interpretation by surveyed revenue bodies, and there is no benchmark that can be applied to all revenue bodies, allocations for verification activities below 20% might generally be deemed as relatively low. Four revenue bodies fell into this category—those of Hong Kong, China; Kazakhstan; PNG; and Tajikistan.

Sanctions for Underreporting of Tax Liabilities

Tax laws typically include provisions setting out sanctions for various offenses of noncompliance (e.g., failure to file returns and pay taxes on time and failure to correctly report tax liabilities). Sanctions are intended to act as a deterrent to noncompliance and to punish offenders. Historically, a tax-by-tax approach to tax administration often led to a situation in which there was a separate set of sanctions for each tax, sometimes resulting in different sanctions being applied by revenue bodies across taxes for the same offense. Over time, the inconsistency inherent in this approach was recognized, and it was accordingly decided to standardize and streamline the sanctions regime in place by adopting a common administrative framework for all tax offenses.

This part focuses on the offense of taxpayers failing to accurately declare their tax liabilities, while later in the chapter the topic of voluntary disclosure policies and programs is addressed. Table 49 sets out survey responses. The key observations and findings are as follows:

(i) All revenue bodies with the exception of one (i.e., Brunei Darussalam) are empowered and responsible for the administrative imposition of sanctions.

(ii) The vast majority of revenue bodies report having common penalty framework for underreporting of liabilities in respect of their major taxes.

(iii) With three exceptions (Brunei Darussalam, Cambodia, and the Republic of Korea), revenue bodies take account of taxpayers' culpability when imposing sanctions.

(iv) Around 80% of revenue bodies report that they are empowered to reduce or remit penalties in appropriate cases.

(v) Publication of offenders' details is not commonly practiced, and only six revenue bodies report that they are able to apply such a measure.

Verification Program Outputs

Taxpayer verification activities typically account for a major share of revenue body resources. As reported in Table 54 (Chapter VII), allocations to verification-related functions and processes often represent a substantial share of a revenue body's overall staff resources. For this reason, how these resources are used and the contribution they make to revenue collections and improving taxpayers' compliance are key considerations for all revenue bodies. For this series, information was requested on the numbers of completed verification actions (by type of audit) and resultant taxes, interest, and penalties in 2014 and 2015 for all taxpayers (Appendix, Table A.18). The key observations that can be drawn from their responses are as follows:

(i) Over a third of revenue bodies were unable to report their results in the categories requested, including some that chose not to provide any verification-related data. As such, there is limited data to draw any well-founded conclusions on the performance of many revenue bodies. Where data are reported, there is considerable variation in the relative volumes of the different categories of audits specified, raising doubts over the degree of consistency in their classification by surveyed revenue bodies.

(ii) Drawing on the data provided, there was a substantial increase (over 50%) across the 2 years in the aggregate value of assessments raised in four economies (Cambodia, Kazakhstan, Malaysia, and Maldives), while Mongolia reported a substantial decrease (over 50%) in the value of assessments raised.

(iii) Around two-thirds of revenue bodies providing data report a decline in the overall number of completed verification actions from 2014 to 2015.

(iv) With few exceptions (i.e., Australia and Malaysia), the number of completed verification actions reported for both years represented a small fraction of the respective registered taxpayer populations.

F. Taxpayer Disputes

When revenue bodies review taxpayers' returns and make adjustments to assessments raised, or provide rulings on specific issues as a result of taxpayers' requests, taxpayers should be entitled to a review if they disagree with the decisions made. For this reason, establishing a process for reviewing a revenue body's decisions before seeking recourse through a judicial procedure is generally expected to lead to more efficient dispute resolution, benefitting taxpayers, revenue bodies, and governments.

The IMF's Field Guide for its diagnostic tool provides a useful set of guidance on good practices in the administration of tax disputes and the key points are set out in Box 20.

Box 20: Good Practices in the Administration of Tax Disputes

- ✓ Establish a dispute resolution mechanism that is simple, transparent, and graduated; and codify the dispute resolution process in a general tax administration law that has uniform application across all the main taxes.
- ✓ Publish clear explanations of taxpayers' rights and legal avenues for review of decisions made by the revenue body.
- ✓ Ensure that taxpayers receive clear explanations of adjustments made to tax liabilities following an audit, the reasons for any penalties, and their rights and avenues of review.
- ✓ Have processes in place to ensure that the main reasons for successful taxpayer disputes are identified and remedial actions taken.
- ✓ Allow taxpayers to escalate a dispute directly to the second stage where the revenue body fails to complete an administrative review within a reasonable time frame.
- ✓ Allow suspension of collection of all or some of the disputed amount for the duration of the appeal process, if recovery of the debt is not considered to be at risk.
- ✓ Make prompt refunds of overpaid tax where a dispute is resolved in the taxpayer's favor.
- ✓ Make public the conditions under which the revenue body may reach an out-of-court settlement in respect of a tax dispute.
- ✓ Have an effective and efficient case management system within the revenue body.

Source: Adapted from International Monetary Fund. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool Field Guide*. Washington, DC.

Observations and Findings

Revenue bodies reported a limited amount of data on the institutional framework for the handling of disputes. These are in Tables 50a and 50b, with some quantitative data on workloads set out in the Appendix, Tables A.21–A.22. Important observations and findings are set out below:

(i) An administrative review is generally compulsory in all surveyed economies before a taxpayer can seek legal recourse. There were two exceptions where such reviews are not carried out by the revenue body (in the PRC and Thailand).

(ii) Over 75% of revenue bodies report that disputes can be resolved on a "risk basis."

(iii) Around two-thirds of revenue bodies report that disputed tax can be collected where a case is under administrative or court review.

(iv) The main judicial forums used to resolve disputes are specialized tax courts (11 economies), civil commercial courts (14 economies), and criminal courts (11 economies).

(v) Concerning workloads, just over half of revenue bodies reported data on the volumes of disputes in 2014 and 2015, and less concerning their value. In the main, volumes are relatively small for all revenue bodies, with the exception of Hong Kong, China where a system of assessment (as opposed to self-assessment) operates.

G. Collection of Tax Payments, Including Enforced Debt Collection

Tax laws typically prescribe the due date(s) and basis of computation for taxes to be paid, and it is generally the responsibility of revenue bodies to specify the precise payment requirements: (i) when to pay, (ii) who should pay, and (iii) the methods available for making payments. To encourage the payment of taxes on time, tax laws also generally provide an interest sanction for late payment and, in some cases, a penalty. Given the importance of meeting government budget revenue targets, revenue bodies must also have effective processes for ensuring timely follow-up action for overdue tax payments.

The features of tax system design and administration that contribute to achieving high levels of effectiveness in collecting taxes on time and their enforcement where liabilities become overdue are specifically addressed in the IMF's diagnostic tool (TADAT) and in other publications of international bodies. Box 21 presents key themes and practices consistently identified and promoted.

Box 21: Good Practices in the Collection of Tax Debts

- ✓ Aim for optimal use of tax withholding at source and advance payment regimes. For advance payments, ensure that taxpayers can readily determine the amounts that they are expected to pay and provide advance notice of payment due dates.
- ✓ Promote the use of electronic payment methods.
- ✓ Provide an appropriate legal framework, including comprehensive debt recovery powers and suitable late payment penalties and interests that are common across the main taxes.
- ✓ Establish dedicated debt collection enforcement units with full-time specialist staff; make use of outbound call centers and other communication facilities to contact debtors during and outside regular business hours.
- ✓ Manage the arrears inventory by reference to value, age, and collectability of cases; give priority attention to newer debts, noting that recovery rates on older tax arrears tend to decline over time.
- ✓ Ensure prompt write-off of established uncollectible arrears.
- ✓ Have an efficient and effective system of case management. (The detailed features of a comprehensive case management system are set out in the TADAT Field Guide.)

Source: Adapted from International Monetary Fund. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool Field Guide*. Washington, DC.

Observations and Findings

Revenue bodies reported a variety of information on aspects of their strategies for collecting taxes, including tax debts requiring enforcement action (Tables 51a and 51b; Appendix, Tables A.19 and A.20). The following summarizes the key observations on tax and debt collection:

Powers of Revenue Bodies

(i) From a comprehensive menu specified in the survey instrument, the most commonly used powers reported for enforced debt collection were (a) to grant taxpayers further time to pay, (b) to make payment arrangements, (c) to collect debts from third parties, (d) to offset tax debts against tax credits or refunds, and (e) to require taxpayers to obtain a tax clearance certificate before entering into government contracts.

(ii) The least frequently used or available powers were (a) the ability to close a business or cancel a business license, (b) denial of access to government services, (c) imposition of liability on company directors, and (d) publication of the names of debtors.

(iii) Revenue bodies reporting what appeared to be a more limited set of enforced debt collection powers were Brunei Darussalam; Cambodia; Hong Kong, China; Indonesia; Japan; Kazakhstan; the Kyrgyz Republic; Maldives; Mongolia; New Zealand; the PRC; Tajikistan; and Thailand. However, for a number of these revenue bodies (e.g., Hong Kong, China; Japan; and New Zealand), this does not appear to be a major limitation, given the relatively low levels of debt reflected in their overall debt inventory (Appendix, Table A.17).

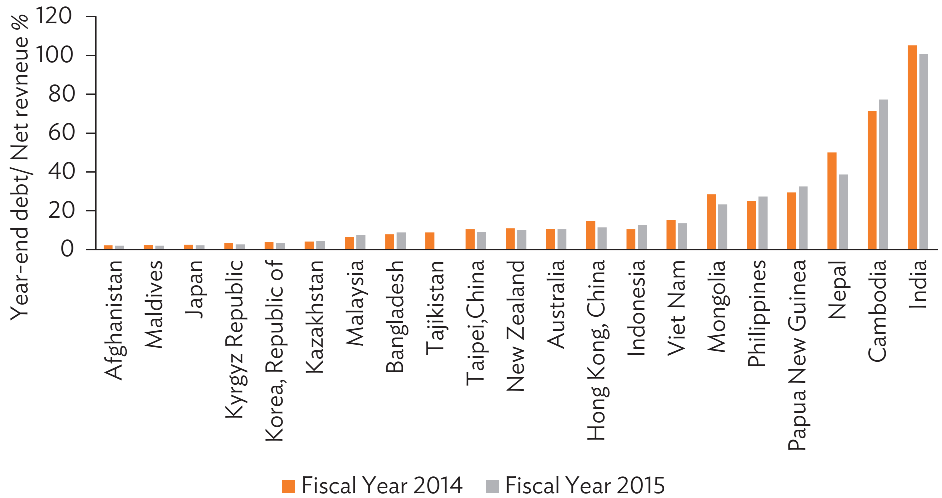
Resourcing of the Debt Collection Function

Data provided on the allocation of staff resources across the main tax administration functions are reported in Chapter VII and display considerable variation across revenue bodies. Concerning debt collection, the proportion of staff resources allocated in 2015 ranged from 3% to 17%. While there is no benchmark that can be applied to all revenue bodies, allocations below 5% might generally be deemed as unusually low. Four revenue bodies fell into this category: Australia; Indonesia; the Republic of Korea; and Taipei,China. However, for a number of these revenue bodies, the allocation would appear to be consistent with their relatively small levels of aggregate tax debts (Table A.17).

Tax Debt Inventories

(i) While most revenue bodies were able to report aggregate tax debt data, there were many data gaps concerning the composition of the debt inventory (e.g., numbers of cases and collection status), suggesting major limitations in debt collection case management systems.

Figure 17: Year-End Tax Debts to Net Revenue Collections



Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A7 and 16).

(ii) Viewed across the 22 revenue bodies that reported tax debt data there are enormous variations in the incidence of year-end aggregate debt (Figure 17). Applying the ratio total year-end debt to annual net revenue collections, which is used internationally as a measure of payment compliance and collection effectiveness, the computed ratios for 2014 and 2015 ranged from less than 3% to over 100%.

(iii) Revenue bodies reporting a very high overall incidence of aggregate debt or revenue were Cambodia and India, while Mongolia, Nepal, and the Philippines also display a high incidence of debt. On a positive note, performance for some of these economies (e.g., Hong Kong, China; Mongolia; and Nepal) improved significantly in 2015.

(iv) Revenue bodies reporting very low levels of debt (e.g., less than 5% of annual net revenue collections in both 2014 and 2015) were Afghanistan, Japan, Kazakhstan, the Kyrgyz Republic, Maldives, and the Republic of Korea.

(v) There is insufficient cross-country data available to make meaningful comparisons of the incidence of tax debts written off or its trend over time. However, it is worth noting that a number of revenue bodies reporting relatively low amounts of aggregate tax debt also write off debts at rates regularly exceeding 20% of the overall tax debt inventory.

Table 48a: Tax Administration—Information Gathering Powers, 2017

Region/Economy	Information Access and Search Powers of Revenue Body				
	Can Obtain All Relevant Information	Can Request Information from Third Parties	Can Extend Access Powers to Third Parties	Can Require Taxpayers to Produce All Records on Request	Can Obtain Information from Other Government Agencies
Central and West Asia					
Afghanistan	x	✓	✓	✓	✓
Kazakhstan	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	✓	✓
Tajikistan	✓	✓	✓	✓	✓
East Asia					
China, People's Republic of	✓	✓	x	✓	✓
Hong Kong, China	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	✓
Korea, Republic of	✓	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓	✓
Taipei,China	✓	✓	✓	✓	✓
Pacific					
Australia	✓	✓	✓	✓	✓
New Zealand	✓	✓	x	✓	✓
Papua New Guinea	✓	✓	x	✓	✓
South Asia					
Bangladesh	✓	✓	✓	✓	✓
Bhutan	✓	✓	x	✓	✓
India	✓	✓	x	✓	✓
Maldives	✓	✓	✓	✓	x
Nepal	✓	✓	✓	✓	✓
Southeast Asia					
Brunei Darussalam	✓	✓	x	✓	✓
Cambodia	✓	✓	✓	✓	✓
Indonesia	✓	✓	✓	✓	✓
Lao PDR	✓	✓	x	✓	✓
Malaysia	✓	✓	✓	✓	✓
Myanmar	✓	✓	x	✓	✓
Philippines	✓	✓	✓	✓	✓
Singapore	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓	✓
Viet Nam	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A133).

Table 48b: Tax Administration—Information Gathering Powers, 2015

	Information Access and Search Powers of Revenue Body				
	Without Consent or a Search Warrant			Without Assistance from Others	
Region/Economy	Can Enter Business Premises	Can Enter Taxpayer's Dwellings	Can Seize Taxpayer's Documents	Can Request a Search Warrant	Can Serve a Search Warrant
Central and West Asia					
Afghanistan	✓	x	✓	x	✓
Kazakhstan	x	x	x	x	x
Kyrgyz Republic	...	...	...	...	...
Tajikistan	✓	x	x	x	x
East Asia					
China, People's Republic of	x	x	x	x	x
Hong Kong, China	x	x	x	✓	✓
Japan	x	x	x	✓	✓
Korea, Republic of	x	x	x	x	x
Mongolia	✓	✓	✓	✓	✓
Taipei,China	x	x	x	x	x
Pacific					
Australia	✓	✓	✓	x	x
New Zealand	✓	x	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓	✓
South Asia					
Bangladesh	✓	✓	✓	x	✓
Bhutan	x	x	x	x	x
India	✓	x	x	x	✓
Maldives	x	x	x	✓	x
Nepal	✓	✓	✓	x	✓
Southeast Asia					
Brunei Darussalam	x	x	x	x	x
Cambodia	✓	x	✓	✓	✓
Indonesia	x	x	x	x	✓
Lao PDR	x	x	x	x	x
Malaysia	✓	✓	✓	x	x
Myanmar	✓	✓	✓	✓	✓
Philippines	x	x	x	✓	✓
Singapore	✓	✓	✓	x	x
Thailand	✓	✓	✓	x	x
Viet Nam	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A133).

Table 49: Administrative Sanctions for Nondisclosure of Liabilities, 2017

Region/Economy	Sanctions for Nondisclosure of Liabilities					
	Sanctions Are Applied for Non-disclosure	Common Sanctions Framework for Main Taxes	Sanctions Take Account of Taxpayers' Culpability	Sanctions Can Be Remitted or Reduced in Appropriate Cases	Details of Offenders Can Be Published	New Sanctions Introduced in 2014–2015 or Planned for Medium Term
Central and West Asia						
Afghanistan	✓	✓	✓	x	✓	x
Kazakhstan	✓	✓	✓	x	x	x
Kyrgyz Republic	✓	✓	✓	✓	✓	x
Tajikistan	✓	✓	✓	x	x	✓(planned)
East Asia						
China, People's Republic of	✓	x	✓	✓	x	x
Hong Kong, China	✓	✓	✓	✓	x	x
Japan	✓	✓	✓	✓	x	✓
Korea, Republic of	✓	✓	x	✓	x	x
Mongolia	✓	✓	✓	✓	✓	...
Taipei,China	✓	✓	✓	✓	x	x
Pacific						
Australia	✓	✓	✓	✓	x	x
New Zealand	✓	✓	✓	✓	x	x
Papua New Guinea	...	...	...	...	...	✓(planned)
South Asia						
Bangladesh	✓	✓	✓	✓	x	x
Bhutan	✓	✓	✓	✓	x	x
India	✓	✓	✓	✓	x	✓
Maldives	✓	✓	...	✓	✓	✓(planned)
Nepal	...	...	...	...	...	...
Southeast Asia						
Brunei Darussalam	x	x	x	x	x	x
Cambodia	✓	✓	x	x	✓	x
Indonesia	✓	✓	✓	✓	✓	✓
Lao PDR						
Malaysia	✓	✓	✓	✓	x	x
Myanmar	...	...	...	...	...	...
Philippines	✓	✓	✓	✓	x	x
Singapore	✓	✓	✓	✓	x	x
Thailand	✓	✓	✓	✓	x	✓
Viet Nam	...	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A134).

Table 50a: Dispute Resolution—Use of Administrative Review Procedure, 2017

Region/Economy	Administrative Review (AR) Procedure (✓ where relevant, x where not)				
	Legislation Provides AR Procedure	AR Must Precede Judicial Review	Revenue Body Conducts AR Procedure	Disputes Can Be Settled on Risk Basis	Other Bodies Can Conduct AR Procedure
Central and West Asia					
Afghanistan	✓	✓	✓	✓	✓
Kazakhstan	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	✓	x
Tajikistan	✓	x	✓	✓	x
East Asia					
China, People's Republic of	✓	✓	x	x	x
Hong Kong, China	✓	✓	✓	x	x
Japan	✓	✓	✓	x	x
Korea, Republic of	✓	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓	✓
Taipei,China	✓	✓	✓	✓	✓
Pacific					
Australia	✓	✓	✓	✓	x
New Zealand	✓	✓	✓	✓	x
Papua New Guinea	✓	✓	✓	✓	x
South Asia					
Bangladesh	✓	x	✓	x	x
Bhutan	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	x
Maldives	✓	✓	✓	✓	x
Nepal	✓	✓	✓	x	x
Southeast Asia					
Brunei Darussalam	✓	✓	✓	✓	x
Cambodia	✓	✓	✓	✓	✓
Indonesia	✓	✓	✓	x	x
Lao PDR	✓	✓	✓	✓	x
Malaysia	✓	✓	✓	✓	x
Myanmar	✓	✓	✓	✓	✓
Philippines	✓	✓	✓	✓	✓ (DOF)
Singapore	✓	✓	✓	✓	x
Thailand	✓	✓	x	x	✓
Viet Nam	✓	✓	✓	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic, DOF = Department of Finance.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A168).

Table 50b: Dispute Resolution—Use of Administrative Review Procedure, 2017

Region/Economy	Forums Used by Revenue Body for Dispute Resolution (✓where relevant, x where not)						
	Alternative Dispute Resolution	Tax Court	Administrative Court	Civil/ Commercial Court	Criminal Court	Ombudsperson	Others
Central and West Asia							
Afghanistan	✓	x	✓	✓	✓	✓	x
Kazakhstan	x	x	✓	✓	✓	x	x
Kyrgyz Republic	x	x	✓	✓	✓	x	x
Tajikistan	✓	✓	x	x	x	x	x
East Asia							
China, People's Republic of	x	x	x	x	x	x	✓
Hong Kong, China	x	x	x	✓	x	x	✓
Japan	x	x	x	✓	x	x	x
Korea, Republic of	✓	x	✓	✓	✓	x	✓
Mongolia	✓	✓	✓	✓	✓	✓	x
Taipei,China	✓	✓	✓	x	x	✓	x
Pacific							
Australia	x	x	✓	✓	x	✓	✓
New Zealand	✓	✓	x	x	✓	✓	x
Papua New Guinea	x	✓	x	✓	x	x	x
South Asia							
Bangladesh	✓	✓	x	x	✓	x	x
Bhutan	x	x	x	✓	✓	x	x
India	✓	✓	x	x	x	x	x
Maldives	x	x	x	✓	x	x	✓
Nepal	x	x	x	x	x	x	x
Southeast Asia							
Brunei Darussalam	✓	x	x	✓	✓	x	x
Cambodia	x	x	x	x	x	x	✓
Indonesia	x	✓	x	x	x	x	x
Lao PDR	x	x	x	x	x	x	x
Malaysia	x	x	x	✓	x	x	x
Myanmar	x	x	x	x	x	x	✓
Philippines	x	✓	x	x	✓	x	x
Singapore	x	✓	x	✓	✓	x	✓
Thailand	x	✓	x	x	x	x	x
Viet Nam	...	...	...	...	...	...	...

... = data not available at cutoff date, ✓= relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A169).

Table 51a: Tax Debt Collection Powers

Region/Economy	Powers Provided to Revenue Body to Enforce Tax Debt Collection and Their Usage (1)									
	Grant Extensions of Time to Pay	Formulate Payment Arrangements	Collect Taxes Owed via Third Parties	Impose Restrictions on Overseas Travel	Garnishee Salaries or Other Property	Close Businesses or Withdraw Licenses	Offset Tax Debts Against Credits from Other Taxes	Obtain a Lien Over a Taxpayer's Assets	Withhold Government Payments to Debtors	Require Tax Clearance Certificate for Government Contracts
Central and West Asia										
Afghanistan	✓	✓	✓	✓	◈	✓	✓	✓	✓	✓
Kazakhstan	◈	◈	✓	n.a.	✓	n.a.	n.a.	n.a.	n.a.	n.a.
Kyrgyz Republic	◈	◈	✓	x	x	x	✓	x	◈	◈
Tajikistan	◈	✓	✓	n.a.	n.a.	n.a.	◈	◈	◈	✓
East Asia										
China, People's Republic of	✓	✓	✓	✓	n.a.	✓	n.a.	n.a.	n.a.	✓
Hong Kong, China	✓	✓	✓	✓	✓	n.a.	✓	n.a.	n.a.	n.a.
Japan	✓	✓	✓	n.a.	✓	n.a.	✓	n.a.	n.a.	◈
Korea, Republic of	✓	✓	✓	✓	✓	◈	✓	✓	✓	◈
Mongolia	✓	✓	x	x	x	n.a.	✓	✓	n.a.	✓
Taipei,China	◈	✓	✓	✓	✓	✓	✓	◈	✓	✓
Pacific										
Australia	✓	✓	✓	◈	✓	n.a.	✓	✓	n.a.	n.a.
New Zealand	n.a.	✓	✓	n.a.	✓	n.a.	✓	◈	n.a.	n.a.
Papua New Guinea	✓	✓	✓	✓	✓	✓	✓	✓	◈	✓

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Table 51a *continued*

Region/Economy	Powers Provided to Revenue Body to Enforce Tax Debt Collection and Their Usage (1)									
	Grant Extensions of Time to Pay	Formulate Payment Arrangements	Collect Taxes Owed via Third Parties	Impose Restrictions on Overseas Travel	Garnishee Salaries or Other Property	Close Businesses or Withdraw Licenses	Offset Tax Debts Against Credits from Other Taxes	Obtain a Lien Over a Taxpayer's Assets	Withhold Government Payments to Debtors	Require Tax Clearance Certificate for Government Contracts
South Asia										
Bangladesh	✓	✓	✓	x	x	◈	✓	✓	◈	✓
Bhutan	✓	✓	x	x	x	✓	✓	x	◈	✓
India	✓	✓	✓	✓	✓	n.a.	✓	✓	✓	n.a.
Maldives	◈	✓	x	n.a.	x	◈	✓	n.a.	n.a.	✓
Nepal	◈	n.a.	✓	✓	✓	◈	x	◈	x	✓
Southeast Asia										
Brunei Darussalam	◈	✓	◈	◈	◈	◈	◈	n.a.	n.a.	✓
Cambodia	◈	✓	n.a.	n.a.	◈	◈	◈	x	◈	✓
Indonesia	◈	◈	✓	✓	✓	n.a.	✓	n.a.	n.a.	✓
Lao PDR	...	...	...	...	...	...	...	...	...	...
Malaysia	✓	✓	✓	✓	x	n.a.	x	n.a.	x	n.a.
Myanmar	◈	✓	x	◈	x	x	x	x	x	n.a.
Philippines	◈	✓	✓	n.a.	✓	✓	✓	✓	✓	✓
Singapore	✓	✓	✓	✓	✓	n.a.	✓	3	3	n.a.
Thailand	✓	✓	✓	n.a.	✓	n.a.	✓	✓	✓	✓
Viet Nam	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

...= data not available at cutoff date, x = power exists but never used, ◈ = power is rarely used, ✓ = power often used, Lao PDR = Lao People's Democratic Republic, n.a. = power does not exist or not applicable.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. (Table A125).

Table 51b: Tax Debt Collection Powers

Region/Economy	Powers Provided to Revenue Bodies to Enforce Tax Debt Collection and Their Usage									
	Deny Debtors Access to Government Services	Impose Liability on Company Directors	Publicize Names of Debtor Taxpayers	Initiate Bankruptcy or Asset Liquidation Actions	Remit Interest and Penalties in Special Circumstances	Enforce Payment of Disputed Debt When......		To Offer Reduced Penalties	To Offer Reduced Interest Payments	To Collect Debts via Agreements with Other Tax Bodies
						Administrative Review Underway	Judicial Review Underway			
Central and West Asia										
Afghanistan	n.a.	◈	◈	x	✓	✓	✓	◈	◈	x
Kazakhstan	n.a.	n.a.	✓	✓	n.a.	n.a.	n.a.	n.a.	n.a.	x
Kyrgyz Republic	x	x	✓	◈	x	x	x	x	x	x
Tajikistan	◈	◈	◈	◈	✓	◈	n.a.	n.a.	n.a.	x
East Asia										
China, People's Republic of	◈	x	◈	◈	◈	n.a.	✓	✓	✓	◈
Hong Kong, China	n.a.	n.a.	n.a.	◈	✓	✓	✓	n.a.	n.a.	n.a.
Japan	n.a.	◈	n.a.	n.a.	n.a.	◈ (seizures)	◈ (seizures)	✓	◈	◈
Korea, Republic of	◈	✓	✓	n.a.	◈	✓	✓	n.a.	n.a.	◈
Mongolia	✓	n.a.	x	✓	✓	x	x	x	x	x
Taipei,China	n.a.	n.a.	✓	✓	✓	✓	✓	✓	n.a.	✓
Pacific										
Australia	n.a.	✓	n.a.	✓	✓	◈	◈	✓	✓	✓
New Zealand	n.a.	n.a.	n.a.	◈	✓	x	x	n.a.	n.a.	◈
Papua New Guinea	◈	◈	x	◈	◈	◈	◈	◈	◈	x

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Table 51b *continued*

Region/Economy	Powers Provided to Revenue Bodies to Enforce Tax Debt Collection and Their Usage									
	Deny Debtors Access to Government Services	Impose Liability on Company Directors	Publicize Names of Debtor Taxpayers	Initiate Bankruptcy or Asset Liquidation Actions	Remit Interest and Penalties in Special Circumstances	Enforce Payment of Disputed Debt When...... Administrative Review Underway	Enforce Payment of Disputed Debt When...... Judicial Review Underway	To Offer Reduced Penalties	To Offer Reduced Interest Payments	To Collect Debts via Agreements with Other Tax Bodies
South Asia										
Bangladesh	◈	◈	x	x	x	✓	✓	n.a.	n.a.	n.a.
Bhutan	n.a.	n.a.	n.a.	x	◈	✓	✓	✓	✓	✓
India	n.a.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maldives	✓	n.a.	✓	n.a.	x	✓	✓	n.a.	n.a.	n.a.
Nepal	x	x	✓	x	x	x	x	x	x	x
Southeast Asia										
Brunei Darussalam	✓	n.a.	✓	n.a.	✓	✓	n.a.	n.a.	n.a.	n.a.
Cambodia	◈	◈	✓	◈	x	◈	x	n.a.	n.a.	◈
Indonesia	n.a.	✓	3	✓	✓	✓	✓	✓	✓	x
Lao PDR	...	...	...	...	...	...	...	...	...	...
Malaysia	n.a.	P	n.a.	✓	◈	✓	✓	◈	◈	n.a.
Myanmar	n.a.	x	n.a.	x	◈	✓	✓	n.a.	n.a.	n.a.
Philippines	✓	✓	✓	n.a.	◈	✓	✓	◈	◈	n.a.
Singapore	n.a.	n.a.	◈	◈	✓	✓	✓	✓	n.a.	n.a.
Thailand	n.a.	◈	n.a.	✓	✓	✓	✓	◈	◈	n.a.
Viet Nam	n.a.	✓	✓	✓	✓	✓	✓	n.a.	n.a.	✓

...= data not available at cutoff date, x = power exists but never used, ◈ = power is rarely used, ✓ = power often used, Lao PDR = Lao People's Democratic Republic, n.a. = power does not exist or not applicable.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A126 and A127).

VII. Operating Budgets, Staffing, and Related Matters

The overall level of resources devoted to the administration of national tax systems is an important and topical issue for governments, revenue bodies, and external observers. This is particularly the case for developing economies, where the funds available for public sector administration are likely to be quite limited, where the tax payment culture is low, and/or where extensive use of modern technology for tax administration is yet to be fully realized.

This chapter provides an account of the aggregate resource allocations made to revenue bodies to carry out their mandate, how those resources are used in broad terms, and uses a number of comparative ratios and trend data pointing to their relative performance across the economies covered by the series. Also described is the use of third parties—referred to as "outsourcing"—to support the conduct of tax administration operations.

As the revenue bodies included in this series generally administer a similar range of taxes, comparisons of resource usage across economies can provide useful benchmarks. However, considerable care needs to be taken in making such comparisons and drawing conclusions around relative efficiency or the adequacy of resource investments, particularly when contrasting the performance of revenue bodies in advanced and developing economies.

Strategic Shifts in Revenue Body Staffing

A. Aggregate Staffing Levels

Data reported by revenue bodies on aggregate staff resource numbers are in the Appendix, Tables A.10 and A.15; and depicted in Figure 10. Staffing levels will vary from economy to economy, given a variety of factors (e.g., size and maturity of the economy, the range of taxes administered, budgets allocated by government, level of computerization, and the allocation of nontax roles to the revenue body). For a number of revenue bodies, there were substantial changes, largely increases, in their respective staffing levels during 2014 and 2015 that primarily reflect the impact of major policy decisions.

Significant increases over the fiscal years 2014 and 2015 were reported by Cambodia (19%), India (9%), Indonesia (18%), Malaysia (12%), Maldives (38%), and PNG (34%). As demonstrated later in this chapter, these increases represent a valuable injection of additional resources for a number of these revenue bodies as cross-country comparisons suggest that they appear substantially under-resourced.

A few revenue bodies reported substantial reductions over 2014 and 2015 in their overall staffing levels, notably Australia (15%) and Bangladesh (27%). In the case of Australia, the reductions largely resulted from government decisions to downsize much of the federal public sector due to increased efficiency objectives. For the Australian Taxation Office (ATO), these changes impacted largely over a 2–3-year period and affected around 4,000 staff. The downsizing proceeded relatively smoothly, assisted by a large program of voluntary redundancies. In the case of Bangladesh, the downsizing was caused by a significant number of retirements and a need to shift staff to other government functions.

B. Aggregate Resource Budgets and Expenditure

This section deals with revenue bodies' resource budgets and, in particular, the amounts of salary expended for employing staff, recurrent and capital costs for information technology (IT), and staff development. For this series, the following definitions are used:

Salary expenditure. This refers to the total expenditure attributable to direct employee costs.

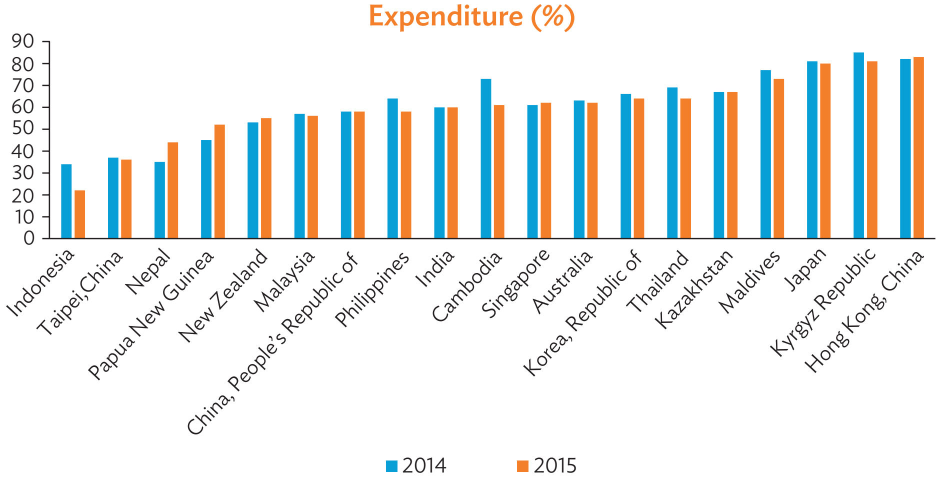
Information technology expenditure. This is the actual or estimated cost of providing all IT support from the revenue body's budget for all its roles.

The aggregate data reported are in the Appendix, Table A.15, while a number of important observations and findings are depicted in a series of figures displayed later in this chapter along with accompanying comments.

1. Aggregate Salary Expenditure

Staff salaries consume, by far, the largest proportion of the typical revenue body's total expenditure budget, highlighting the importance of prudent use of staff resources across a revenue body and within individual areas of tax and support operations. The percentage

Figure 18: Salary Expenditure as a Share of Total Administrative Expenditure (%)



Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris.

share of salary expenditure in total expenditure on tax administration for the countries covered by this series averaged around 60% for both 2014 and 2015 (Figure 18). However, there are significant variations across economies that could be attributable to a variety of factors: (i) differences in levels of computerization, (ii) budgeting differences in the treatment of specific expenditure items (e.g., accommodation), (iii) failure by some revenue bodies to fully account for all their staff-related remuneration costs, and (iv) relatively lower levels of remuneration for staff in developing economies.

2. Aggregate Information Technology Expenditure

Reported IT costs in relation to total expenditure on tax administration can also vary enormously in size, particularly for economies that have made major investments in IT for their business system modernization programs.

Many revenue bodies were unable to report their IT-related expenditure, suggesting possible weaknesses in their resource management and planning systems. Where such data were reported, the amounts varied significantly, ranging from 2% to almost 20%.

C. Cross-Economy Comparisons of the Relative Costs of Tax Administration

1. Ratio of Net Administrative Expenditure to Net Revenue Collected

It has become a fairly common practice for national revenue bodies to compute and publish a "cost of collection ratio" as one of their measures of organizational efficiency and effectiveness. This ratio, which is computed by comparing the annual cost of tax administration (including support functions) with annual net revenue collections, is expressed as the cost to collect 100 units of revenue. The downward trend in the value of the ratio observed over a number of years suggests improvements in efficiency or effectiveness. However, movements in the ratio can also be significantly impacted by other factors unrelated to changes in administrative efficiency and effectiveness over time. For example, changes in the value of the ratio may be due to (i) changes to tax rates and tax policies, (ii) abnormal levels of revenue body expenditure (e.g., for major IT investments), (iii) economic factors, and (iv) changes over time in the range of taxes collected by the revenue body. When interpreting the ratio and its trend, it is important to note that these factors may be at play, and that additional indicators may be required to reach definitive conclusions concerning changes in a revenue body's efficiency and effectiveness.

The cost of collection ratio is also often used to make cross-country comparisons of revenue bodies' performance. In this context, there are factors to be taken into account before drawing conclusions concerning relative efficiency and effectiveness. These include (i) differences in tax rates and structures, (ii) differences in the scope of taxes administered by revenue bodies, (iii) the inclusion or exclusion of social security contributions where such regimes exist, (iv) differences in the scope of functions undertaken by the respective revenue bodies, and (v) differences in the measurement methodology used for deriving the ratio. For these reasons, use of the ratio in international comparisons should take account of, or at least acknowledge, the existence of such factors.

Computations of cost of collection ratios for the period 2011–2015 are presented in Table 52 for those revenue bodies where relevant data are available, using a variety of sources (i.e., the Asian Development Bank [ADB], Organisation for Economic Co-operation and Development [OECD], and International Monetary Fund [IMF] survey responses and past ADB and OECD comparative publications). Given that the revenue bodies included in the series represent a broad mix of advanced, developing, and emerging economies, all of the previously mentioned factors are likely to be influential to some degree. The more useful information is the trend over time in the ratio for individual revenue bodies. For example:

(i) From the information provided in Table 52, it will be seen that the computed ratios tend to be relatively low for economies with a low tax to gross domestic product (GDP) such as Bangladesh, Cambodia, and the Philippines. In the case of Mongolia, the ratio is heavily influenced by large amounts of tax revenue derived from resource extraction.

(ii) For a few economies (e.g., Cambodia, Indonesia, Malaysia, and PNG), the ratio appears to have been impacted in 2015 by relatively large increases in expenditure associated with new staffing investments, as noted earlier in this report.

(iii) There is a consistent downward trend in the reported values of the ratio for a number of economies (e.g., Australia; Hong Kong, China; Japan; and New Zealand), which is likely due to a variety of factors including improved economic conditions and/or increased administrative efficiency or effectiveness.

(iv) Malaysia's ratio has grown significantly over the years, and further information would be required to fully understand the main drivers of this trend. Also relevant is how the ratios displayed relate only to the administration of direct taxes and are, therefore, not directly comparable with those of other national revenue bodies.

As is to be expected, values for this ratio vary significantly across the advanced, developing, and emerging economies included in the series, with the more advanced economies (e.g., Australia, Japan, and New Zealand) generally spending a far greater percentage share of their GDP on national tax administration than the developing and emerging economies. For many of the advanced economies, the values presented range from 0.150% to 0.200% of GDP.

2. Tax Administration Expenditure and Gross Domestic Product

The total resources devoted by governments to tax administration can also be viewed in a comparative context by relating total tax administration expenditure to the GDP of the economy in question and observing the trend in the values for this variable over time. In other words, what proportion of an economy's total domestic income is devoted to national tax administration? While such a ratio is useful in that it removes the influence of tax law changes that can impact the cost of collection ratio, there are factors unrelated to changes in efficiency that can influence the value of this ratio over time (e.g., significant one-time investments in IT). Table 53 presents annual values for the tax administration expenditure to GDP ratio for the economies included in the series.

Table 52: Tax Administration Expenditure to Net Revenue Collected (%)

Region/Economy	Ratio of Total Costs of Tax Administration to Net Revenue Collected					Factors Affecting the Comparability of Computed Ratios
	2011	2012	2013	2014	2015	
Central and West Asia						
Afghanistan	...	...	...	0.35	0.36	
Kazakhstan	...	...	...	0.82	0.86	
Kyrgyz Republic	1.15	1.66	1.78	1.90	1.56	
Tajikistan	2.02	1.86	1.98	...	...	
East Asia						
Hong Kong, China	0.75	0.65	0.66	0.58	0.48	No excises included
Japan	1.75	1.84	1.74	1.52	1.43	Exclude social contributions
Korea, Republic of	0.76	0.70	0.74	0.77	0.76	Exclude social contributions
Mongolia	0.22	0.10	0.08	...	...	Exclude social contributions
Taipei,China	...	...	...	1.19	1.15	
Pacific						
Australia	0.99	0.98	0.93	0.94[a]	0.86[a]	
New Zealand	0.89	0.92	0.85	0.84[a]	0.79[a]	Excise taxes not included
Papua New Guinea	0.47	0.72	0.69	0.65	0.78	
South Asia						
Bangladesh	...	...	...	0.08	0.09	
India	...	...	...	0.57	0.59	
Maldives	0.37	0.87	0.52	0.55	0.61	No personal income tax
Nepal				0.87	0.60	Some costs not included
Southeast Asia						
Cambodia	...	0.25	0.35	0.29	0.36	
Indonesia	0.55	0.60	0.56	0.78	1.27	No excises included
Malaysia	0.70	0.82	1.00	1.36	1.58	Direct taxes only
Philippines	0.71	0.59	0.61	0.50	0.48	
Singapore	0.87	0.78	0.79	0.85	0.86	No excises included
Thailand	0.76	0.73	0.71	0.82	0.90	Excludes excises and social contributions

... = data not available.

[a] Both these revenue bodies perform extensive nontax roles, the costs of which have not been separately identified by the Organisation for Economic Co-operation and Development. For reasons of comparability, computations have, therefore, been made using prior year cost apportionment ratios—approximately 16% for the Australian Taxation Office and 33% for the New Zealand Inland Revenue.

Sources: Asian Development Bank and International Monetary Fund survey responses; ADB. 2016. *A Comparative Analysis of Tax Administration in Asia and the Pacific, 2016 Edition*; Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A5 and A13); and OECD. 2015. *Tax Administration 2015*. Paris.

Table 53: Tax Administration Expenditures as Share of Gross Domestic Product

Region/Economy	Tax Administration Expenditure/GDP (%) (measured at Market Prices) 2011	2012	2013	2014	2015	Factors Affecting Comparability of Ratios between Economies
Central and West Asia				0.000		
Kazakhstan	...	...	...	0.105	0.103	
Kyrgyz Republic	0.234	0.187	0.186	0.191	0.189	
Tajikistan	0.259	0.259	0.319	...	...	
East Asia						
China, People's Republic of	...	0.130	0.121	0.100	0.100	
Hong Kong, China	0.056	0.056	0.057	0.063	0.060	
Japan	0.142	0.152	0.148	0.137	0.141	
Korea, Republic of	0.103	0.098	0.099	0.101	0.102	
Mongolia	0.042	0.015	0.014	...	...	
Taipei,China	0.085	...	...	0.147	0.148	
Pacific						
Australia	0.193	0.198	0.191	0.185[a]	0.175[a]	
New Zealand	0.201	0.214	0.202	0.193[a]	0.175[a]	
Papua New Guinea	0.109	0.152	0.150	0.105	0.103	
South Asia						
Maldives	0.054	...	...	0.091	0.103	
Nepal	...	...	...	0.071	0.057	Some costs not included
Southeast Asia						
Cambodia	...	0.010	0.015	0.018	0.025	
Indonesia	0.050	0.061	0.057	0.050	0.079	
Malaysia	0.081	0.102	0.122	0.156	0.157	Direct taxes expenditure only
Philippines	0.074	0.059	0.064	0.052	0.052	
Singapore	0.088	0.083	0.088	0.091	0.091	
Thailand	0.109	0.087	0.087	0.082	0.089	

... = data not available, GDP = gross domestic product.

[a] Both these revenue bodies perform extensive nontax roles, the costs of which have not been separately identified by the Organisation for Economic Co-operation and Development for 2014 and 2015. For reasons of comparability, computations have, therefore, been made using prior year cost apportionment ratios—approximately 16% for Australian Taxation Office and 33% for the New Zealand Inland Revenue.

Sources: Organisation for Economic Co-operation and Development. 2017. Paris. *Tax Administration 2017.* (Tables A5 and A13), and OECD. 2015. *Tax Administration 2015*. Paris.

As will be apparent from the ratios displayed, the share of tax administration expenditure in GDP appears to be quite low in many developing economies (e.g., Cambodia, Indonesia, Nepal, and the Philippines). There appears to be a consistent downward trend for the Philippines where the tax ratio is at a very low level (as reported in Chapter II). In comparison, the ratio is at a substantially higher level in advanced economies where the overall tax ratio is substantially higher, in the region of 30% (e.g., Australia, Japan, and New Zealand).

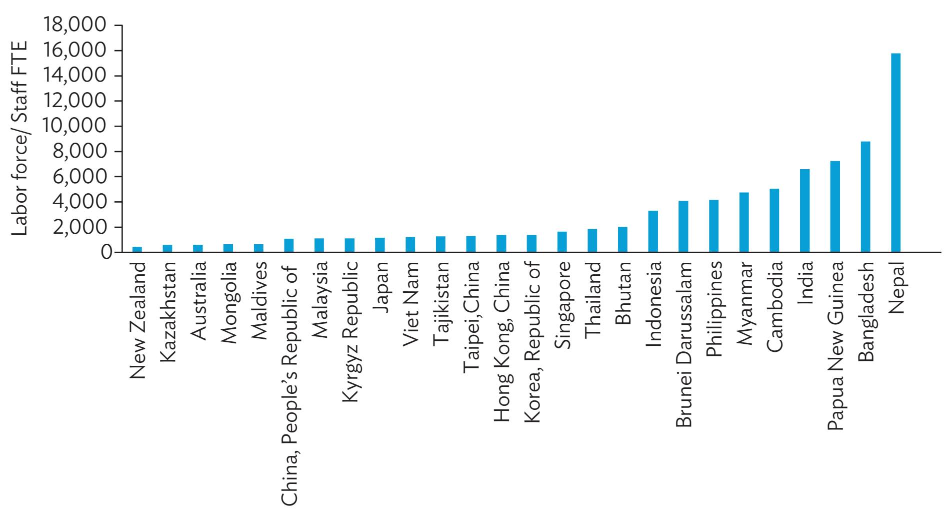
3. Relative Staffing Levels

A summary of the staff usage by national revenue bodies is in the Appendix, Table A.15. To reflect a degree of relativity, aggregate staff levels have been compared with published labor force and population data to compute two ratios for 2015: (i) the number of labor force participants per full-time revenue body staff member, and (ii) the number of citizens per one full-time revenue body staff member. Computations of these ratios are shown in Figures 19 and 20, respectively.

Comparisons of this nature are naturally subject to some of the qualifications referred to concerning "cost of collection" ratios. In addition to efficiency considerations, exogenous factors, such as the range of taxes administered, tax system design, and the scale of subnational taxes, all impact on the magnitude of the reported ratio. For many economies, especially developing ones, demographic features such as country age profiles and rate of unemployment are also likely to be relevant.

The ratios vary enormously across the economies reported, indicating relatively low tax administration staff strength in many developing economies, particularly in Cambodia, India, Indonesia, Myanmar, Nepal,[59] PNG, and the Philippines. Significantly, as noted early in this chapter, revenue bodies in Cambodia and Indonesia received significant injections of additional staff resources in 2014 and/or 2015 that are likely to be partially reflected in these ratios.

Figure 19: Number of Labor Force Participants per Revenue Body Staff, 2015

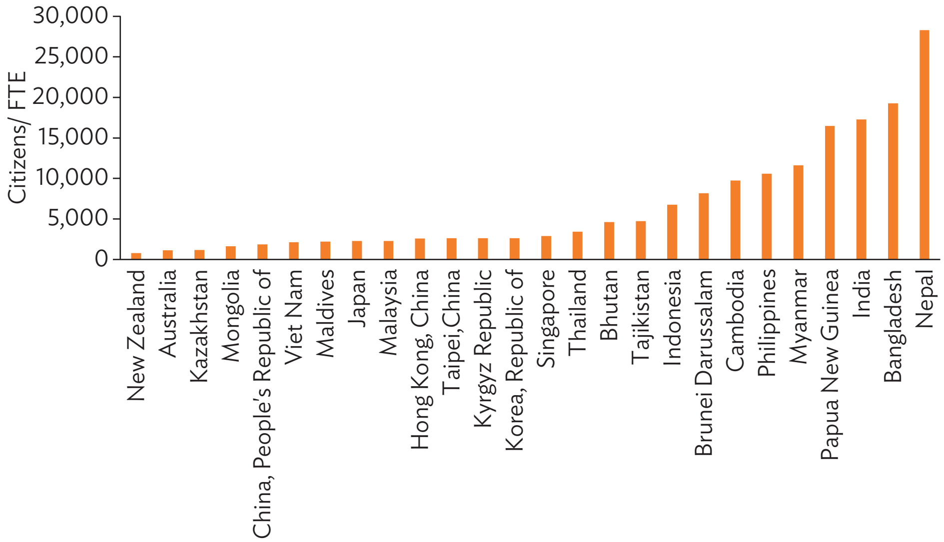


FTE = full-time equivalents.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris.

[59] The ratios computed for Nepal are likely to be overstated by around 10% due to the non-inclusion of staff resources on tax administration work that are located in the separate Revenue Investigation Administration and Revenue Administration Training Centre. These totalled 220 in 2015 and are shared with the Customs Administration. Even allowing for this, Nepal's ratios are at the extreme end of the series displayed.

Figure 20: Number of Citizens per Revenue Body Staff, 2015



FTE = full-time equivalent (staffing).

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris.

4. Allocation of Staff Resources among Tax Administration Functions

Revenue bodies have important choices to make concerning how their limited resources are allocated to undertake the tasks required for the effective administration of their mandate. On the one hand, staff resources must be allocated to deal with essential work streams, such as registering taxpayers and processing tax returns and tax payments. On the other hand, resources must also be devoted to other important work categories such as audits and collecting debts, although for these work categories, there is a degree of discretion as to their respective allocations. Adequate resources must also be allocated to critical support capabilities such as IT operations and staff development. Ideally, revenue bodies should be able to optimize their use of technology, and employ clever organizational design and business practices that minimize the resources required for mandatory work streams and organizational support capabilities, thereby maximizing the amount of remaining resources available for discretionary work that can secure additional tax revenue and improve overall voluntary compliance.

The data reported by revenue bodies on their use of staff resources by functional groupings are in Table 54.

Table 54: Use of Revenue Body's Staff for Tax Administration by Function, 2015

	Distribution of Total Revenue Body Staffing by Tax Administration Function in 2015 (expressed as % of total FTEs used)							
Region/Economy	Registration and Taxpayer Services	Returns and Payment	Audit and Other Checks	Debt Collection	Dispute and Appeals	Other Tax Operations	Support Activities	Total FTEs for Tax Operations and Support
Central and West Asia								
Afghanistan		----------71----------			4	17	...	658
Kazakhstan	22	12	12	5	5	25	19	15,160
Kyrgyz Republic	17	20	27	17	2	15	1	2,256
Tajikistan	39	13	11	7	1	27	1	1,815
East Asia								
Hong Kong, China	5	60	8	8	1	1	18	2,833
Korea, Republic of	5	50	21	4	4	7	9	19,060
Taipei,China	17	7	39	4	5	13	15	9,007
Pacific								
Australia	6	22	25	3	13	0	30	21,251
New Zealand	18	13	24	16	1	3	25	3,692
Papua New Guinea	8	15	16	20	4	15	22	498
South Asia								
Bangladesh	(Staff perform multiple functions)			11	1	...	6	8,198
Bhutan	5	5	53	5	6	2	24	174
Maldives	13	16	23	13	3	12	20	226
Nepal	...	...	...	...	...	...	...	989
Southeast Asia								
Brunei Darussalam	21	10	40	9	0	6	14	49
Indonesia	11	6	37	4	3	11	28	38,059
Malaysia	8	9	28	12	1	8	34	12,047
Philippines	2	----------60----------		---------- 3 ----------		---------- 35 ----------		9,549
Singapore	7	39	21	10	0	5	18	1,935
Thailand	28	13	25	7	2	13	12	19,557
Viet Nam	6	11	25	5	3	32	18	43,086
Average %	12	19	26	9	3	11	19	
OECD Series	14	17	32	9	4	5	18	

... = data not available at cutoff date, FTE = full-time equivalent (staff).

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A20 and 47).

As will be evident, there are wide variations in the data reported by revenue bodies. These data should be interpreted with considerable care as the work groupings presented may not readily align with the organizational structures of some revenue bodies, meaning some level of estimation has been undertaken. Furthermore, it is possible that these work groupings may have been interpreted differently by some revenue bodies when computing the data presented. For both these reasons, readers should view the data presented as broad estimates of the values they represent rather than as absolute numerical values. Bearing these qualifications in mind, there are observations that can be drawn from the data presented:

(i) The overall average allocation of staff resources to each work functional grouping is broadly consistent with the 55 national tax bodies reported in the OECD's Tax Administration Series, although there are large variations in the values presented at the individual revenue body level.

(ii) Allocations for verification work appear to be abnormally high in a few economies (e.g., Bhutan and the Philippines), and may include resources devoted to the clerical vetting of returns rather than actual verification of the data reported therein.

(iii) Allocations for verification functions appear to be relatively low for Hong Kong, China; Kazakhstan; PNG; and Tajikistan. In the case of Hong Kong, China, this situation most likely reflects the operation of assessment, as opposed to self-assessment, regimes in that economy for its direct taxes.

(iv) Allocations to the debt collection function of less than 5% appear for a number of economies, although this situation needs to be appraised in the context of their respective debt inventories and debt levels.

(v) A number of economies (e.g., Australia, Indonesia, and Thailand) report what appear to be abnormally large allocations for support functions, which may warrant further examination.

Outsourcing of Revenue Body Operations to Other Bodies

Services at Large

Outsourcing, or third party service delivery, refers to the use of parties outside an organization to provide essential services. While revenue bodies can provide most of the services they require "in house," for some tasks and responsibilities, it may be more efficient for them and less burdensome for taxpayers to use external third parties (e.g., the use of banks to collect tax payments). In some economies, these services are provided by other government bodies, and revenue bodies and other agencies are mandated to make use of them (e.g., IT services and legal services).

Revenue bodies were presented with a broad menu of services and requested to indicate whether outsourcing was used and, if so, whether the services were provided by another government body, private sector bodies, or both. Data provided by revenue bodies pointing to the types of services most frequently outsourced in 2015 are in Table 55.

Table 55: Use of Third Parties for Revenue Body Operations, 2015

Nature of Service Acquired	Revenue Relying on Third Parties, by Type of Service Supplier		
	Government	Private Sector	Both
Cash/banking		Australia, Cambodia, Japan, New Zealand, Republic of Korea, Singapore	Hong Kong, China; India; Indonesia; Mongolia; Nepal; Philippines
Data processing	Cambodia, India, Kazakhstan	Bhutan, New Zealand, Thailand	Brunei Darussalam; Indonesia; Mongolia; Philippines; Taipei,China
Information Technology services	Bhutan, Cambodia	Bangladesh; Hong Kong, China; New Zealand; Papua New Guinea; PRC; Singapore; Viet Nam	Australia; Brunei Darussalam; India; Kazakhstan; Malaysia; Mongolia; Philippines; Republic of Korea; Taipei,China; Tajikistan; Thailand
Security	Brunei Darussalam, Republic of Korea	Australia, Bangladesh, Cambodia, New Zealand, Philippines, PRC, Singapore, Thailand	India; Malaysia; Mongolia; Taipei,China; Tajikistan
Personnel training	Bhutan; Hong Kong, China; Republic of Korea	Papua New Guinea, PRC	Australia, Bangladesh, Brunei Darussalam, Cambodia, India, Indonesia, Kazakhstan, Malaysia, Maldives, Mongolia, New Zealand, Philippines, Singapore, Tajikistan, Thailand
Legal services	Australia; Bhutan; Cambodia; Hong Kong, China	Bangladesh, Republic of Korea	Indonesia, India, Mongolia, New Zealand, Tajikistan

PRC = People's Republic of China.

Sources: Asian Development Bank and International Monetary Fund survey data; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A43).

As will be evident, the services most commonly acquired through a third party were the collection of tax payments, and the provision of data processing services, IT services, security, personnel training, and legal services via government and/or private sector bodies. This pattern of usage closely mirrors that reported by the OECD in *Tax Administration 2017* (Table A42) with two exceptions—revenue bodies in the Asia and Pacific region appear to make much less usage of the private sector to collect tax payments and provide IT services.

Provision of Primary or Core Information Technology Systems

At the core of tax administration are the essential processes of capturing, processing, analyzing, and responding to information provided by taxpayers and others concerning taxpayers' tax affairs. This includes the registration of taxpayers, the recording of their tax liabilities and payments, risk assessment processes, and systematic follow-up actions required when some form of intervention is required (e.g., the collection of a tax debt, enforcing the filing of overdue returns, and an audit). Given the enormous volumes of data involved and the numbers of taxpayers to be administered, it is now widely accepted that revenue bodies require a comprehensive and well-integrated set of application IT systems for efficient and effective administration—referred to in this series as primary or core IT systems. Achieving this outcome is a significant challenge for all revenue bodies, and particularly those in developing economies where funding is limited and requisite knowledge and expertise are difficult to procure.

For this series, revenue bodies were requested to indicate whether their primary or core IT systems were developed primarily in-house, acquired from an external developer, or acquired through a combination of both approaches. They were also asked to indicate whether these systems were largely custom-built or acquired using a commercial off-the-shelf (COTS) package. The distinction between these two approaches for systems enhancement is described in Box 22, drawn from practical guidance on this topic published by the IMF Fiscal Affairs Department in early 2017.

Box 22: Build or Buy Primary or Core Information Technology Systems?

Build: Custom Development (External or Internal) Solutions
In custom-developed solutions, individual sets of programs are conceived, designed, and developed into a system using internal or external expertise. In this situation, a skilled and comprehensive analysis, design, and development team needs to be engaged or created and maintained. This process uses a traditional and lengthy waterfall[a] approach requiring detailed design to be confirmed prior to any build progressing. In core tax systems, this is a long and detailed process, often requiring a level of knowledge a tax administration simply does not have—how they would like to see systems and procedures operate in the future.

Nevertheless, once a design is developed, it is “locked in” so technical design and build can proceed. These teams then develop the new system that is extensively tailored to the specific business needs. Worldwide trends indicate that there is a decline in the custom development approach as more viable commercial products have become available.

Buy: Commercial Off-the-Shelf Solutions
Core systems solutions that embody good practice features of tax administrations have emerged and matured in the marketplace. These solutions, although configurable to cater for differences between administrations, are designed to be put into place without major customization, but inevitably lead to some form of process, procedure, or even legal redesign within the organization to accommodate their features.

The existence of these packaged systems presents a significant opportunity to administrations—not only do they represent a modern systems suite that has been designed with reference to other revenue bodies, they also embody (and in some cases prescribe) the same level of knowledge and experience in their inherent business processes.

[a] Consecutive steps of a waterfall approach are conceptual design; detailed requirement specification; analysis; detailed design; and build, test, deploy, and review.

Source: International Monetary Fund, Fiscal Affairs Department. 2017. *Use of Technology in Tax Administrations 2: Core Information Technology Systems In Tax Administrations*. Washington, DC. (March, p. 3).

Revenue bodies reported a mix of responses, but in the main there was a clear tendency to rely fully or in part on external providers for some or all of the systems development required (Table 56). Concerning the type of product acquisition approach, most of the revenue bodies reported a mix of solutions.

Table 56: Development and Acquisition of Primary or Core Information Technology Systems

Subject	Method of Acquisition	Revenue Bodies Using This Approach
Development of primary IT solutions	Developed in-house	Cambodia, Indonesia, Malaysia, New Zealand
	Acquired from external supplier	Afghanistan, Australia, Bhutan, Kazakhstan, Myanmar, Papua New Guinea, Philippines, PRC, Republic of Korea
	Both approaches are used	Bangladesh; Brunei Darussalam; Hong Kong, China; India; Japan; Kyrgyz Republic; Lao PDR; Maldives; Mongolia; Nepal; Singapore; Taipei,China; Tajikistan; Thailand
Product type from external provider	COTS only	Papua New Guinea
	Custom -built	Afghanistan, Bhutan, Brunei Darussalam, Japan, Maldives, Myanmar, PRC, Republic of Korea, Thailand
	A mix of both solutions	Australia; Bangladesh; Hong Kong, China; India; Kazakhstan; Kyrgyz Republic; Lao PDR; Mongolia; New Zealand; Nepal; Philippines; Singapore; Taipei,China; Tajikistan

COTS = commercial off-the-shelf, IT = information technology, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China.

Sources: Asian Development Bank and International Monetary Fund survey data; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A44).

Within the region, a number of revenue bodies are known to have recently used COTS solutions to meet their reform objectives, while New Zealand's Inland Revenue currently has a major transformation program underway that relies on the adaptation of a COTS packaged solution that is also being used by revenue bodies in Finland and Poland.

Useful References on This Topic

The following references may be of interest and value to revenue body officials responsible for IT matters, in particular the redevelopment of information systems for core tax administration functions:

(i) *Use of Technology in Tax Administrations 1: Developing an Information Technology Strategic Plan (ITSP):* This note focuses on the use of technology in revenue bodies and how to develop an ITSP. It is intended for revenue bodies in developing economies that are largely manual or have legacy IT systems that are outdated.

(ii) *Use of Technology in Tax Administrations 2: Core Information Technology Systems in Tax Administrations:* This note addresses how to select a suitable IT system for core tax administration functions.

(iii) *Use of Technology in Tax Administrations 3: Implementing a Commercial-off-the-Shelf (COTS) Tax System:* This note focuses on implementation of a COTS system in a revenue body of a developing economy.

Appendix: Selected References, and Country Data and Survey Tabulations

Table A.1: Participating Revenue Bodies and Related Information

Region/Member	Name	Website Address	Fiscal Year-Ends
Central and West Asia			
Afghanistan	Afghanistan Revenue Department	www.ard.gov.af	20 December
Kazakhstan	State Revenue Committee	www.kgd.gov.kz	31 December
Kyrgyz Republic	State Taxation Service	www.sti.gov.kg	31 December
Tajikistan	Tax Committee	www.andoz.tj	31 December
East Asia			
China, People's Republic of	State Administration of Taxation	www.chinatax.gov.cn	31 December
Hong Kong, China	Inland Revenue Department	www.ird.gov.hk	31 March
Japan	National Tax Agency	www.nta.go.jp	31 March
Korea, Republic of	National Tax Service	www.nts.go.kr	31 December
Mongolia	General Department of Taxation	www.mta.mn	31 December
Taipei,China	Taxation Administration	www.dot.gov.tw	31 December
Pacific			
Australia	Australian Taxation Office	www.ato.gov.au	30 June
New Zealand	Inland Revenue	www.ird.govt.nz	31 March
Papua New Guinea	Internal Revenue Commission	www.irc.gov.pg	31 December
South Asia			
Bangladesh	National Board of Revenue	www.nbr.gov.bd	30 June
Bhutan	Department of Revenue and Customs	www.drc.gov.bt	30 June
India	Department of Revenue	www.dor.gov.in	31 March
Maldives	Maldives Inland Revenue Authority	www.mira.gov.mv	31 December
Nepal	Inland Revenue Department	www.ird.gov.np	16 July
Southeast Asia			
Brunei Darussalam	Revenue Division	www.mof.gov.bn, www.stars.gov.bn	31 March
Cambodia	General Department of Taxation	www.tax.gov.kh	31 December
Indonesia	Directorate General of Taxes	www.pajak.go.id	30 December
Lao PDR	Tax Department	www.tax.gov.la	31 December
Malaysia	Inland Revenue Board of Malaysia	www.hasil.gov.my	31 December
Myanmar	Internal Revenue Department	www.irdmyanmar.gov.mm	31 March
Philippines	Bureau of Internal Revenue	www.bir.gov.ph	31 December
Singapore	Inland Revenue Authority of Singapore	www.iras.gov.sg	31 March
Thailand	Revenue Department	www.rd.go.th	30 September
Viet Nam	General Department of Taxation	www.gdt.gov.vn	31 December

Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris; and own research.

Practical Guidance and Reference Materials on Tax Administration

Table A.2: Managing Compliance Risks—Guidance from the Organisation for Economic Co-operation and Development Forum on Tax Administration

Title of Publication	Brief Description of Content
Compliance Risk Management: Managing and Improving Tax Compliance (2004)	Describes elements of a tax compliance risk management framework to help revenue bodies prioritize risks and choose appropriate treatment strategies.
Study into the Role of Tax Intermediaries (2008)	Addresses the topic of aggressive tax planning and analyzes the tripartite relationship between revenue bodies, taxpayers, and tax intermediaries. It encourages revenue bodies and large taxpayers to engage in a relationship based on cooperation and trust, and spells out how this might be achieved.
Cooperative Compliance: A Framework (2013)	Builds on the 2008 study and explores how revenue bodies have evolved their risk management framework for large taxpayers, applying approaches founded on cooperation and trust.
Understanding and Influencing Taxpayers Compliance Behavior (2010)	Drawing on a wide body of research, describes the more important drivers of individual taxpayer's compliance behavior.
Right from the Start: Influencing the Compliance Environment for Small and Medium-Sized Enterprises (2012)	Provides a practical framework to help revenue bodies explore the development of systematic and coherent strategies for creating an environment that influences compliance processes and behaviors to achieve compliance "right from the start."
Together for Better Outcomes (2014)	Explores how engaging and involving small and medium-sized enterprise taxpayers and stakeholders can lead to improved outcomes and reduced costs.
Tax Compliance by Design (2014)	Draws attention to opportunities for improving tax compliance at the point where taxpayers' liabilities are determined by leveraging developments in technology.
Monitoring Taxpayers' Compliance: A Practical Guide Based on Revenue Body Experience (2008)	Explores the idea of revenue bodies having a compliance monitoring framework at the aggregate level that includes a range of measures and indicators for their main tax compliance risk categories: registration, filing, payment, and reporting.
Evaluating the Effectiveness of Compliance Risk Treatment Strategies (2010)	Provides a practical methodology for conducting outcome evaluations of compliance risk treatment strategies.
Measures of Tax Compliance Outcomes (2014)	Provides a comprehensive summary of contemporary approaches for measuring tax compliance outcomes.

Source: Organisation for Economic Co-operation and Development Forum on Tax Administration website: http://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/.

Table A.3: Tax Administration Diagnostic Tools

IMF's Tax Administration Diagnostic Assessment Tool (TADAT)	The aim of the Tax Administration Diagnostic Assessment Tool (TADAT) is to provide a standardized means of assessing the health of key components of a country's tax administration system and its level of maturity in the context of international good practice. TADAT assessments are particularly helpful in (i) identifying the relative strengths and weaknesses in tax administration; (ii) facilitating a shared view on the condition of the tax administration among all stakeholders (e.g., national authorities, international organizations, donor countries, and technical assistance providers); (iii) setting the reform agenda, including reform objectives, priorities, initiatives, and implementation sequencing; (iv) facilitating management and coordination of external support for reforms, and achieving faster and more efficient implementation; and (v) monitoring and evaluating reform progress by way of repeat assessments every 2–3 years. Scope of Tax Administration Diagnostic Tool Assessments TADAT is a global tool that can be used by any economy to assess the relative strengths and weaknesses of its tax administration system. TADAT assessments focus on the administration of the major direct and indirect taxes critical to central or federal government revenues. Social security contributions may also be included in assessments where they are a major source of government revenue and are collected by the tax administration, as is the case in many European economies. By assessing outcomes in relation to administration of these core taxes, a picture of the relative strengths and weaknesses of an economy's tax administration system can be developed. TADAT provides an assessment within the economy's existing revenue policy framework, with assessments referencing nine outcome areas and highlighting performance issues that may be best dealt with by a mix of administrative and policy responses. The nine outcome areas referenced are (i) integrity of the registered taxpayer database, (ii) effective risk management, (iii) supporting voluntary compliance, (iv) timely filing of tax declarations, (v) timely payment of taxes, (vi) accurate reporting in tax declarations, (vii) effective dispute resolution, (viii) efficient revenue management, and (ix) accountability and transparency.
IMF's Revenue Administration Gap Analysis Program (RA-GAP)	The Revenue Administration Gap Analysis Program (RA-GAP) is an IMF technical assistance service that assists revenue administrations in monitoring taxpayer compliance through tax gap analysis. RA-GAP measures potential tax revenues, evaluates actual revenues, and analyzes the factors causing gaps between them. Modern tax systems are predicated on voluntary compliance, yet few administrations measure taxpayer compliance. Measuring compliance provides a basis to improve effectiveness in raising revenue, promote perceived fairness among taxpayers, and build trust in the tax system.

IMF = International Monetary Fund.

Sources: IMF. 2015. *TADAT: Tax Administration Diagnostic Assessment Tool, Field Guide*. Washington, DC; and IMF. 2015. *Fiscal Assessment Tools.* Washington, DC.

Table A.4: Selected Demographic and Development Indicators

Region/Member	Population (2015 actual or latest estimate) Citizens (million)	Labor Force (million)	% of Citizens Over 65	Human Development[a] Index (2015)	Global Ranking in 2015[b]	% of Population Below International Poverty Line 2000	2015 (or latest year available)
Central and West Asia							
Afghanistan	28.6	8.0	2.5	0.479	169	...	...
Kazakhstan	17.5	9.0	6.7	0.794	56	10.5 (2001)	0 (2013)
Kyrgyz Republic	5.9	2.5	4.2	0.664	120	42.2	1.3 (2014)
Tajikistan	8.6	2.3	3.0	0.627	129	30.8 (2003)	19.5 (2014)
East Asia							
China, People's Republic of	1,376	807.6	9.6	0.738	90	32.0 (2002)	1.9 (2013)
Hong Kong, China	7.3	3.9	15.1	0.917	12	...	...
Japan	126.6	65.4	26.3	0.903	17	...	...
Korea, Republic of	50.3	26.3	13.1	0.901	18	...	...
Mongolia	3.0	1.2	4.0	0.735	92	10.6 (2002)	0.2 (2014)
Taipei,China	23.5	11.7	12.0 (2014)	...	...	...	...
Pacific							
Australia	24.0	12.6	15.0	0.939	2	...	...
New Zealand	4.5	2.4	14.9	0.915	13	...	...
Papua New Guinea	8.2	3.6	3.0	0.516	154	...	39.3 (2009
South Asia							
Bangladesh	157.9	72.0	5.0	0.579	139	33.7	18.5
Bhutan	0.8	0.35	5.1	0.607	132	35.2 (2003)	2.2
India	1,311.1	501.6	5.6	0.624	131	38.2 (2004)	21.2 (2011)
Maldives	0.5	0.15	4.7	0.701	105	10.0 (2002)	7.3 (2009)
Nepal	28.0	15.6	5.5	0.558	144	46.1 (2003)	15.0 (2010)
Southeast Asia							
Brunei Darussalam	0.4	0.2	4.4	0.865	30	...	...
Cambodia	15.1	7.8	4.1	0.563	143	18.6 (2004)	2.2 (2012)
Indonesia	257.6	125.5	5.2	0.689	113	39.8	8.3 (2014)
Lao PDR	6.5	3.5	3.8	0.586	138	26.1 (2002)	16.7 (2012)
Malaysia	30.3	14.5	5.9	0.789	59	0.4 (2004)	0.3 (2009)
Myanmar	52.5	21.5	5.4	0.556	145	...	...
Philippines	101.0	39.8	4.6	0.682	116	18.4	13.1 (2012)
Singapore	5.6	3.2	11.7	0.925	5	...	...
Thailand	67.2	36.5	10.5	0.740	87	2.6	0.0 (2013)
Viet Nam	91.7	51.8	6.7	0.683	115	38.8 (2002)	3.1 (2014)

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

[a] The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The health dimension is assessed by life expectancy at birth, the education dimension is measured by mean years of schooling for adults aged 25 years and more, and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income (GNI) per capita. HDI uses the logarithm of income to reflect the diminishing importance of income with increasing GNI. The scores for the three HDI dimension indices are then aggregated into a composite index using geometric means. United Nations. http://hdr.undp.org/en/content/human-development-index-hdi (accessed 5 July 2017).

[b] Ranking among 188 countries classified in United Nations Development Programme's *Human Development Report 2016.*

Sources: United Nations- World Population Prospects (2015 Revision) and International Labour Organization (as presented in Organisation for Economic Co-operation and Development. Table A174), Central Intelligence Agency World Factbook, Asia Key Indicators 2016, and United Nations Human Development Report 2016.

Table A.5: Selected Demographic and Economic Indicators

Region/Economy	Gross Domestic Product (billions-local currency)		Growth Rates of Real GDP (%)			Gross National Income per Capita[a] (current $)
	2014	2015	2014	2015	2016	2015
Central and West Asia						
Afghanistan	AF1,183	AF1,228	3.1	–1.8	3.6	590
Kazakhstan	T39,676	T40,884	4.2	1.2	1.0	11,390
Kyrgyz Republic	Som397	Som434	4.0	3.9	3.8	1,180
Tajikistan	TJS46	TJS48	6.7	6.0	6.9	1,240
East Asia						
China, People's Republic of	CNY64,397	CNY69,630	7.3	6.9	6.7	7,940
Hong Kong, China	HK$2,258	HK$2,397	2.8	2.4	1.9	41,100
Japan	¥489,558	¥500,535	0.3	1.1	1.0	38,780
Korea, Republic of	W1,486,079	W1,558,592	3.3	2.8	2.8	27,250
Mongolia	MNT22,227	MNT23,134	7.9	2.4	1.0	3,850
Taipei,China	NT$16,065	NT$16,679	4.0	0.7	1.5	23,094
Pacific						
Australia	A$1,617	A$1,641	2.6	2.4	2.6	60,330
New Zealand	NZ$242	NZ$269	3.4	2.4	...	40,020
Papua New Guinea	K54,661	K5,010	12.5	...	...	...
South Asia						
Bangladesh	Tk13,427	Tk15,158	6.1	6.6	7.1	1,190
Bhutan	Nu112	Nu125	5.7	6.5	...	2,350
India	₹124,882		7.2	7.9	6.6	1,600
Maldives	Rf56,867	Rf61,869	6.0	2.8	3.9	7,010
Nepal	NRs1,965	NRs2,120	6.0	3.3	0.4	730
Southeast Asia						
Brunei Darussalam	B$22	B$18	–2.5	–0.4	–2.5	38,520
Cambodia	KR67,740	KR73,423	7.6	7.1	6.9	1,070
Indonesia	Rp10,569,705	Rp11,531,700	5.0	4.9	5.0	3,440
Lao PDR	KN92,697	KN100,759	7.6	7.3	7.0	2,000
Malaysia	RM1,107	RM1,157	6.0	5.0	4.2	10,440
Myanmar	MK58,012	MK65,262	8.0	7.0	5.9	1,190
Philippines	₱12,645	₱13,307	6.1	6.1	6.9	3,520
Singapore	S$390	S$408	3.6	1.9	2.0	52,740
Thailand	B13,204	B13,673	0.9	2.9	3.2	5,690
Viet Nam	D3,938,000	D4,193,000	6.0	6.7	6.2	1,990

[a] Atlas Method.

... = data not available at cutoff date, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

Source: Asian Development Bank. 2017. *Key Indicators for Asia and the Pacific, 2017.* Manila.

Table A.6: Selected Demographic, Economic, and Social Indicators

	Foreign Direct Investment, Net Inflows (% of GDP)		Banking Services (per 100,000 adults)		Access to Modern Communications (per 100 people)		
			Branches	ATMs	Mobile	Internet Users	
Region/Member	2015	2016	2015	2015	2016	2010	2016
Central and West Asia							
Afghanistan	0.8	...	2.3	1.0	66.0	4.0	10.6
Kazakhstan	3.6	...	3.0 (2016)	74.4 (2016)	150.0	31.6	76.8
Kyrgyz Republic	17.1	...	8.3	30.2	131.4	16.3	34.5
Tajikistan	5.4	5.0	6.5 (2013)	10.4 (2013)	106.7	11.6	20.5
East Asia							
China, People's Republic of	2.2	1.5	8.8 (2016)	81.4 (2016)	96.9	34.3	53.2
Hong Kong, China	58.5	36.5	22.3	49.8	234.0	72.0	87.3
Japan	0.1	0.7	34.1 (2016)	127.7 (2016)	129.8	78.2	92.0
Korea, Republic of	0.3	0.8	16.5 (2016)	278.7 (2016)	122.7	83.7	92.7
Mongolia	0.8	...	70.4	72.7	113.6	10.2	22.3
Taipei,China	0.5	1.6	...	...	124.6	71.5	79.7
Pacific							
Australia	3.0	3.4	28.7	164.6	109.6	76.0	88.2
New Zealand	−0.1	...	29.0	69.5	125.0	80.5	88.5
Papua New Guinea	...	...	2.8	7.9	48.6	1.3	9.6
South Asia							
Bangladesh	1.7	...	8.4	6.8	77.9	3.7	18.2
Bhutan	0.5	0.4	15.7 (2016)	33.2 (2016)	88.8	13.6	41.8
India	2.1	...	13.5	19.7	87.0	7.5	29.5
Maldives	8.7	...	15.2 (2016)	32.4 (2016)	223.0	26.5	59.1
Nepal	0.2	...	8.9	9.0	111.7	7.9	19.7
Southeast Asia							
Brunei Darussalam	1.3	...	20.3	77.1	120.7	53.0	75.0
Cambodia	9.4	...	6.1	13.3	124.9	1.3	25.6
Indonesia	2.3	0.4	17.8	53.3	149.1	10.9	25.4
Lao PDR	7.5	...	2.9	23.2	55.4	7.0	21.9
Malaysia	3.7	...	10.6 (2016)	49.7 (2016)	141.2	56.3	78.8
Myanmar	6.5	...	3.4 (2016)	2.6 (2016)	89.3	0.3	25.1
Philippines	1.9	2.6	9.1 (2016)	27.8	109.2	25.0	55.5
Singapore	23.8	20.7	9.1 (2016)	58.7 (2016)	146.9	71.0	81.0
Thailand	2.3	...	12.5 (2016)	114.6 (2016)	172.6	22.4	47.5
Viet Nam	6.1	...	3.8	24.0	...	30.7	46.5

... = data not available at cutoff date, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

Source: Asian Development Bank. 2017. *Key Indicators for Asia and the Pacific, 2017.* Manila.

Table A.7: Tax Revenues and Refunds—All Taxes Collected by Revenue Body[a]

Region/Economy	Gross Revenue: All Taxes (million in local currency)		Net Tax Collections: All Taxes (million in local currency)		Tax Refunds/Gross Tax Collections (%)	
	2014	2015	2014	2015	2014	2015
Central and West Asia						
Afghanistan	...	...	AF29,407	AF30,841	...	...
Kazakhstan	...	....	T5,115,743	T4,883,912	...	...
Kyrgyz Republic	...	....	Som40,030	Som52,623	...	...
Tajikistan	...	....	TJS6,989	TJS7,691	...	...
East Asia						
China, People's Republic of	...	...	...	....	...	...
Hong Kong, China	HK$253,970	HK$312,132	HK$243,549	HK$301,933	4.1	3.3
Japan	¥50,180,052	¥57,235,124	¥43,969,006	¥49,498,220	12.4	13.5
Korea, Republic of	...	...	195,727,143	208,161,524	...	...
Mongolia	MNT2,810,000	MNT2,746,000	MNT2,535,000	MNT2,449,000	9.8	10.8
Taipei,China	NT$2,359,057	NT$2,504,349	NT$1,976,107	NT$2,134,857	16.2	14.6
Pacific						
Australia	A$415,992	A$428,886	A$318,452	A$333,429	23.4	22.3
New Zealand	NZ$69,196	NZ$72,440	NZ$56,297	NZ$59,748	18.6	17.5
Papua New Guinea	...	K8,564	K8,877	K7,776	...	9.2
South Asia						
Bangladesh	Tk1,358,800	Tk1,555,345	Tk1,357,007	Tk1,555,187	0.1	0
Bhutan	Nu16,527	Nu18,855	Nu16,182	Nu18,387	2.1	2.5
India	₹7,272,300	₹8,067,850	₹6,375,660	₹6,946,970	12.3	13.9
Maldives[b]	...	...	Rf9,460	Rf10,439	...	...
Nepal	...	...	NRs160,090	NRs204,090	...	...
Southeast Asia						
Brunei Darussalam	...	....	...	....	....	...
Cambodia	...	...	KR4,267,992	KR5,210,222	...	...
Indonesia	Rp751,735,973	Rp808,549,395	Rp667,898,565	Rp714,709,858	11.1	11.6
Lao PDR	...	...	KN9,645,848	KN8,569,497	...	...
Malaysia	RM133,697	RM121,234	RM126,697	RM114,234	5.2	5.8
Myanmar	...	...	...	...	...	...
Philippines	₱1,334,761	₱1,441,571	₱1,333,252	₱1,433,301	0.1	0.6
Singapore	....	....	S$41,568	S$43,388	...	...
Thailand	B1,615,653	B1,631,721	B1,324,654	B1,364,310	18.0	16.4
Viet Nam	...	...	D472,905,496	D570,559,753	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

[a] The tax revenue data shown for each economy includes social security contributions where these are collected by the revenue body, and excludes non-taxation revenue (e.g., fees, rents, and royalties from mining rights) and sales of natural resources (e.g., oil and gas). Revenue data shown as net tax collections is also exclusive of refunds of tax.

[b] Data include revenues from business profits tax, bank profits tax, withholding tax, land rents, goods and services taxes, and tourism tax.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017.* (Tables A2 and A27-A31).

Table A8: Revenue Collections—Income Tax Individuals, Including Employee Withholdings

	Gross Collections (million in local currency)		Net Collections (million in local currency)		Refunds/Gross Collections (%)	
Region/ Economy	2014	2015	2014	2015	2014	2015
Central and West Asia						
Afghanistan	...	...	AF11,551	AF11,629	...	...
Kazakhstan	...	....	T552,280	T598,807	....	...
Kyrgyz Republic	...	....	Som7,119	Som7,502	....	...
Tajikistan	...	...	TJS1,090	TJS1,296		
East Asia						
China, People's Republic of	...	....	...	....	...	...
Hong Kong, China	HK$72,452	HK$77,744	HK$67,408	HK$72,266	7.3	7.1
Japan	¥17,451,279	¥19,164,274	¥15,530,813	¥16,790,227	11.0	12.4
Korea, Republic of	W54,565,721	W61,948,467	W53,439,941	W60,827,075	2.1	1.8
Mongolia	MNT469,500,000	MNT478,400,000	MNT425,400,000	MNT433,100,000	9.4	9.3
Taipei,China	NT$470,543	NT$545,049	NT$410,582	NT$473,946	12.7	13.0
Pacific						
Australia	A$190,999	A$204,893	A$163,592	A$177,860	14.3	13.2
New Zealand	NZ$30,638	NZ$33,022	NZ$29,436	NZ$31,804	3.3	3.7
Papua New Guinea	...	...	K3,109	K2,981	...	...
South Asia						
Bangladesh	Tk6,490	Tk7,892	Tk6,490	Tk7,892	0.0	0.0
Bhutan	Nu1,408	Nu1,639	Nu1,281	Nu1,536	9.0	6.2
India	₹2,442,000	₹2,938,970	₹2,428,880	₹2,657,720	8.7	9.6
Maldives			No Personal Income Taxes			
Nepal	...	...	NRs19,977	NRs23,010	...	...
Southeast Asia						
Brunei Darussalam	...	...	....	...	....	...
Cambodia	...	...	KR389,888	KR623,747	...	...
Indonesia	....	...	Rp110,355,125	Rp122,302,215	...	...
Lao PDR	...	...	KN1,097,544	KN1,402,103	...	...
Malaysia	RM26,792	RM28,469	RM24,069	RM25,199	10.2	11.5
Myanmar	...	...	....	...	....	...
Philippines	₱317,559	₱342,743	₱317,557	₱342,735	...	...
Singapore	...	...	7,704	8,937	...	...
Thailand	B280,945	B302,491	B239,214	B270,483	14.9	10.6
Viet Nam	D47,844,589	D56,721,197	...	...		

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A27-A32).

Table A.9: Revenue Collections—Income Tax, Corporate and Other Entities

	Gross Collections (million in local currency)		Net Collections (million in local currency)		Refunds/Gross Collections (%)	
Region/Economy	2014	2015	2014	2015	2014	2015
Central and West Asia						
Afghanistan	...	...	AF12,666	AF13,711	...	...
Kazakhstan	...	...	T1,169,667	T1,224,645	...	...
Kyrgyz Republic	...	...	Som4,299	Som4,111	...	...
Tajikistan	...	...	TJS806	TJS1,009	...	...
East Asia						
China, People's Republic of	...	....	...	....	...	...
Hong Kong, China	HK$123,081	HK$138,986	HK$116,097	HK$132,684	5.7	4.5
Japan	¥11,468,895	¥11,895,102	¥10,493,717	¥11,031,607	8.5	7.3
Korea, Republic of	W48,736,030	W52,739,676	W43,014,262	W45,333,885	11.7	14.0
Mongolia	MNT621,000,000	MNT699,000,000	MNT621,000,000	MNT699,000,000	0.0	0.0
Taipei,China	NT$431,187	NT$487,207	NT$402,631	NT$462,784	6.6	5.0
Pacific						
Australia	A$90,330	A$89,037	A$78,994	A$79,036	12.5	11.2
New Zealand	NZ$12,070	NZ$12,084	NZ$11,939	NZ$11,965	1.1	1.0
Papua New Guinea	...	...	K3,414	K2,574	...	...
South Asia						
Bangladesh	Tk466,577	Tk504,572	Tk464,782	Tk504,413	0.4	0.0
Bhutan	Nu7,920	Nu8,095	Nu7,911	Nu8,073	0.1	0.3
India	₹4,630,300	₹5,129,880	₹3,946,780	₹4,289,250	14.8	16.4
Maldives[a]	...	...	Rf4,113	Rf4,387	...	...
Nepal	...	...	NRs51,253	NRs60,953	...	...
Southeast Asia						
Brunei Darussalam	...	...	...	...	...	...
Cambodia	...	...	KR1,317,552	...	...	...
Indonesia	...	...	Rp148,361,812	Rp182,273,995	...	...
Lao PDR	...	...	KN2,013,218	KN1,524,043	...	...
Malaysia	RM99,319	RM85,177	RM95,042	RM81,447	3.3	4.4
Myanmar	...	...	...	...	...	...
Philippines	₱467,299	₱503,457	₱467,219	₱503,354	...	...
Singapore	...	...	S$13,858	S$14,519	...	...
Thailand	B570,118	B566,150	B547,111	B548,210	4.0	3.2
Viet Nam	D207,807,000	D200,030,000	...	...	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

[a] Data include revenues from business profits tax, bank profits tax, withholding taxes, and land rents.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A2, A27-A31, and 107); and Government of Maldives, Inland Revenue Authority. 2016. *Annual Report 2015*. Paris.

Table A.10: Tax Revenue Collections—Value-Added Tax

Region/Economy	Gross VAT Collections (million in local currency) 2014	Gross VAT Collections (million in local currency) 2015	Net VAT Collections (million in local currency) 2014	Net VAT Collections (million in local currency) 2015	VAT Refunds/ Gross Collections (%) 2014	VAT Refunds/ Gross Collections (%) 2015
Central and West Asia						
Afghanistan	(No VAT regime in place)					
Kazakhstan	...	...	1,198,169	944,438	...	...
Kyrgyz Republic	...	...	8,782	13,908	...	...
Tajikistan	...	...	1,491	1,653	...	...
East Asia						
China, People's Republic of	...	...	...	...	...	...
Hong Kong, China	(No VAT regime in place)					
Japan	17,971,030	23,317,638	14,831,856	19,010,570	17.5	18.5
Korea, Republic of	107,445,731	105,367,784	57,138,798	54,159,097	46.8	48.6
Mongolia	546,800,000	482,000,000	454,700,000	377,000,000	16.8	21.7
Taipei,China	622,903	600,721	335,088	335,761	46.2	44.1
Pacific						
Australia	102,553	105,476	48,166	51,179	53.0	51.5
New Zealand	25,670	26,676	14,560	15,612	43.2	41.6
Papua New Guinea			1,667	1,564	...	...
South Asia						
Bangladesh	499,804	554,446	499,804	554,446	0.0	0.0
Bhutan	(No VAT regime in place)					
India	(No VAT regime in place)					
Maldives	...	...	4,542	6,052	...	...
Nepal	45,700	49,899	38,343	43,497		
Southeast Asia						
Brunei Darussalam	....	...	...	...	....	...
Cambodia	1,172,496	1,317,552		...	...	...
Indonesia	....	...	409,181,627	410,133,648	...	...
Lao PDR	...	...	2,940,834	2,588,603	...	...
Malaysia	(Malaysia's VAT was introduced in mid-2015 and is administered by Customs)					
Myanmar	(No VAT regime in place)					
Philippines	278,727	295,502	277,306	287,786	0.5	2.6
Singapore	....	...	9,516	10,217	...	...
Thailand	711,556	708,905	485,470	491,723	31.8	30.6
Viet Nam	241,129,000	251,758,000	...	...	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic, VAT = value-added tax.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017.* (Tables A29 and A108); and Government of Maldives, Inland Revenue Authority. 2016. *Annual Report 2015*. Male.

Table A.11: Staffing Metrics

Region/Economy	Overall Staffing Levels				Recruitment during Year	
	Start 2014	Start 2015	End 2015	Change Over 2 Years	2014	2015
Central and West Asia						
Afghanistan	652	651	658	6	19	15
Kazakhstan	15,160	15,107	15,107	(53)	681	681
Kyrgyz Republic	2,256	2,256	2,256	0	...	...
Tajikistan	1,815	1,789	1,825	10	149	175
East Asia						
China, People's Republic of	756,000	752,756	746,415	(9,585)	...	34,387
Hong Kong, China	2,964	2,936	2,948	(16)	128	206
Japan	55,123	...	55,703	580	...	...
Korea, Republic of	18,832	18,855	19,136	304	1,034	1,034
Mongolia	....	1,823	1,823	...	...	...
Taipei,China	8,874	8,864	8,810	(64)	474	369
Pacific						
Australia	25,093	23,631	21,251	3,842	949	1,384
New Zealand	5,475	5,641	5,679	204	841	707
Papua New Guinea	371	391	498	127	26	122
South Asia						
Bangladesh	11,188	8,195	8,198	(2,990)	...	...
Bhutan	170	174	174	4		4
India	...	69,842	75,902	...	...	...
Maldives	180	235	248	68	106	63
Nepal[a]	...	...	989	...	...	...
Southeast Asia						
Brunei Darussalam	42	48	49	7	6	4
Cambodia	1,415	1,391	1,684	269	0	326
Indonesia	32,273	34,510	38,059	5,786	2,565	3,816
Lao PDR						
Malaysia	13,835	13,728	15,458	1,623	143	1,861
Myanmar	...	...	4,254	...	...	...
Philippines	10,189	9,344	9,755	(434)	241	722
Singapore	1,933	1,957	1,951	18	163	103
Thailand		19,260 (FTEs)	19,557 (FTEs)	...	...	...
Viet Nam	45,140	44,310	43,086	(2,054)	578	208

... = data not available at cutoff date, FTE = full-time equivalent, Lao PDR = Lao People's Democratic Republic.

[a] Data is for Inland Revenue Administration only, and excludes resources on domestic tax administration in separate Revenue Investigations and Training Centre, totalling 220, that are shared with Customs (Source: Reform Plan 2015/16-2017/18).

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development (OECD). 2017. *Tax Administration 2017*. Paris. (Table A53); and OECD.2015. *Tax Administration 2015*. Paris.

Table A.12: Staff Metrics

Region/Economy	Characteristics of Year-End Permanent Staff (% of total)							
	Academic Qualifications		Age Distribution					
	Masters (or equivalent)	Bachelor (or equivalent)	Under 25 Years	25–34 Years	35–44 Years	45–54 Years	55–64 Years	Over 64 Years
Central and West Asia								
Afghanistan	2	44	17	17	17	22	27	0
Kazakhstan	2	91	12	35	18	31	4	0
Kyrgyz Republic	...	...	10	17	30	27	16	1
Tajikistan	2	89	16	33	32	18	<1	<1
East Asia								
China, People's Republic of	4	62	...	...	...	...	...	...
Hong Kong, China	2	25	2	20	23	38	17	0
Japan	...	...	...	...	...	...	...	...
Korea, Republic of	3	82	1	21	40	29	9	0
Mongolia	...	...	24	35	35	27	14	0
Taipei,China	22	57	1	19	34	32	13	1
Pacific								
Australia	10	36	3	20	27	43	26	2
New Zealand	...	...	8	24	23	26	17	3
Papua New Guinea	1	27	13	38	40		2	<1
South Asia								
Bangladesh	...	...	...	....	...	...	...	...
Bhutan	14	41	16	52	23	6	2	1
India	...	...	...	....	...	...	...	...
Maldives	13	38	46	46	7	1	0	0
Nepal	...	...	...	....	...	...	...	...
Southeast Asia								
Brunei Darussalam	10	57	5	85	6	5	0	0
Cambodia	26	43	...	....	...	...	...	...
Indonesia	1	13	17	35	24	16	5	0
Lao PDR								
Malaysia	3	27	6	32	37	15	10	0
Myanmar	...	...	...	...	...	...	...	...
Philippines	...	...	4	16	24	31	24	<1
Singapore	4	50	2	31	32	19	16	1
Thailand	26	59	<1	10	40	37	13	0
Viet Nam	5	74	(15% < 30 years old, 26% aged 31–40, 30% aged 41–50, 29% over 50)					

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development (OECD). 2017. *Tax Administration 2017*. Paris. (Tables A22 and A24); and OECD. 2015. *Tax Administration 2015*. Paris.

Table A.13: Performance Metrics—Resource Usage

Region/Economy	Total Salary Costs (% of total costs of tax and support functions)		Total Costs of Tax Administration (% of net tax revenue collected)		Staff Usage Ratios: 2015[a]	
	2014	2015	2014	2015	Citizens (no. per FTE)	Labor Force (no. per FTE)
Central and West Asia						
Afghanistan	...	...	...	...	...	...
Kazakhstan	67	67	0.82	0.86	1,154	593
Kyrgyz Republic	85	81	1.90	1.56	2,615	1,108
Tajikistan	...	...	...	...	4,738	1,267
East Asia						
China, People's Republic of	58	58	...	...	1,844	1,082
Hong Kong, China	82	83	0.58	0.48	2,573	1,367
Japan	81	80	1.52	1.43	2,269	1,172
Korea, Republic of	66	64	0.77	0.76	2,639	1,379
Mongolia					1,645	658
Taipei,China	37	36	1.19	1.15	2,609	1,298
Pacific						
Australia	63	62	1.13	1.03	1,128	593
New Zealand	53	55	1.24	1.18	797	430
Papua New Guinea	45	52	0.65	0.78	16,465	7,228
South Asia						
Bangladesh	...	...	0.08	0.09	19,260	8,782
Bhutan	...	...	...	...	4,597	2,011
India	60	60	0.57	0.59	17,273	6,609
Maldives	77	73	0.55	0.61	2,212	663
Nepal	35	44	0.87	0.60	28,311	15,773
Southeast Asia						
Brunei Darussalam					8,163	4,081
Cambodia	73	61	0.29	0.36	9,741	5,032
Indonesia	34	22	0.78	1.27	6,767	3,296
Lao PDR						
Malaysia	57	56	1.36	1.58	2,296	1,098
Myanmar	...	...	...	...	12,223	5,054
Philippines	64	58	0.50	0.48	10,577	4,167
Singapore	61	62	0.85	0.86	2,896	1,643
Thailand	69	64	0.82	0.90	3,436	1,866
Viet Nam					2,129	1,202

... = data not available at cutoff date, FTE = full-time equivalent, Lao PDR = Lao People's Democratic Republic.

[a] Ratios relate to administration (i.e., tax and nontax roles, excluding customs).

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A21, A49, and A50).

Table A.14: Administrative Budget of Revenue Body
(all amounts to nearest million in local currency)

	Total Recurrent Budget		Total Salary Costs		IT Recurrent Budget		IT Capital Budget		Training Budget		Total Staffing FTEs	
Region/Economy	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Central and West Asia												
Afghanistan	104	110	104	110	39	43	...	...	...	...	651	658
Kazakhstan	42,035	42,035	28,308	28,308	...	...	...	...	...	...	15,160	15,160
Kyrgyz Republic	762	820	651	666	...	...	...	...	...	...	2,707	2,707
Tajikistan	...	...	...	...	...	...	...	...	...	...	1,636	1,636
East Asia												
China, People's Republic of	63,517	70,098	36,966	40,776	1,608	2,186	2,944	9,688	1,239	1,299	...	...
Hong Kong, China	1,414	1,450	1,157	1,205	141	160	73	61	1	1	2,830	2,833
Japan	670,162	708,619	540,667	565,367	...	...	...	...	...	...	55,856	55,790
Korea, Republic of	1,501,424	1,587,273	987,862	1,021,315	...	...	...	...	4,304	3,588	18,885	19,060
Mongolia	...	...	19,600,000	18,400,000	69	6	...	...	183	157	...	1,823
Taipei,China	23,560	24,667	8,803	8,781	1,111	1,123	126	165	2	2	9,041	9,007
Pacific												
Australia	3,600	3,452	2,266	2,152	640	621	...	...	...	...	23,527	22,491
New Zealand	700	706	371	388	54	65	34	31	5	5	5,640	5,679
Papua New Guinea	58	61	26	32	...	...	...	...	...	...	391	498

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Table A.14 *continued*

Region/Economy	Total Recurrent Budget 2014	Total Recurrent Budget 2015	Total Salary Costs 2014	Total Salary Costs 2015	IT Recurrent Budget 2014	IT Recurrent Budget 2015	IT Capital Budget 2014	IT Capital Budget 2015	Training Budget 2014	Training Budget 2015	Total Staffing FTEs 2014	Total Staffing FTEs 2015
South Asia												
Bangladesh	112,700	134,000	...	...	4	6	...	30	...	...	11,188	8,198
Bhutan	...	...	3	3	...	...	...	...	...	...	170	174
India	36,353	40,933	21,876	24,555	...	...	...	...	...	...	69,842	75,902
Maldives	52	64	40	47	...	...	...	...	1	...	233	226
Nepal	1,398	1,217	489	538	...	...	...	...	...	...	...	...
Southeast Asia												
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	48	49
Cambodia	12,543	18,910	9,178	11,504	...	...	...	...	...	...	1,503	1,538
Indonesia	5,260,889	9,112,565	1,783,146	2,025,942	...	...	...	...	7,391	34,781	34,510	38,059
Lao PDR	...	...	...	...	...	...	...	...	...	...	...	...
Malaysia	1,728	1,812	985	1,009	112	94	56	42	0	0	13,150	13,209
Myanmar	...	...	...	...	...	...	...	...	...	...		
Philippines	6,615	6,917	4,247	3,984	1,131	1,185	...	...	28	51	9,344	9,549
Singapore	355	372	217	231	44	47	...	...	3	3	1,941	1,935
Thailand	10,855	12,265	7,495	7,865	...	...	...	...	...	115	19,260	19,557
Viet Nam	...	...	...	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, FTE = full-time equivalent, IT = information technology, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2015. *Tax Administration 2017*. Paris. (Tables 49, 50, and 151).

Table A.15: Numbers of Registered Taxpayers, by Main Tax Type and Active Status, 2015

Region/Economy	Personal Income Tax			Corporate Income Tax		Employer Withholding		VAT	
	Total ('000)	Total (active)	Total (% of labor force)	Total ('000)	Total (active)	Total ('000)	Total (active)	Total ('000)	Total (active)
Central and West Asia									
Afghanistan	11	11	<1	17	17	...	...	n.a.	n.a.
Kazakhstan	...	4,523	50	...	177	...	...	80	80
Kyrgyz Republic	138	134	5	47	20	73	25	9	9
Tajikistan	...	...		5	4	...	...	5	4
East Asia									
China, People's Republic of	...	....	...	16,150	14,630	...	....	33,560	31,720
Hong Kong, China	3,782	2,962	97	1,149	448	n.a.	n.a.	n.a.	n.a.
Japan	22,000 (2013)	...	22 (2013)	3,019	...	...	....	...	3,244
Korea, Republic of	5,846	5,052	22	673	592	...	....	6,702	5,838
Mongolia	136	131	11	114	52	128	40	33	20
Taipei,China[a]	6,498	6,498	56	1,574	893	...	...	1,610	1,474
Pacific									
Australia	28,468	19,780	226	9,492	4,227	...	....	7,200	2,694
New Zealand	6,728	3,903	283	642	454	...	....	616	604
Papua New Guinea	9	7	<1	45	9	50	9	39	7

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Table A.15 *continued*

Region/Economy	Personal Income Tax			Corporate Income Tax		Employer Withholding		VAT	
	Total ('000)	Total (active)	Total (% of labor force)	Total ('000)	Total (active)	Total ('000)	Total (active)	Total ('000)	Total (active)
South Asia									
Bangladesh	2,472	1,040	2	66	23	66	23	723	143
Bhutan	...	66	19	...	<1	...	...	n.a.	n.a.
India	...	65,363	13	...	3,636	...	....	n.a.	n.a.
Maldives	n.a.	n.a.	n.a.	27	26	n.a.	n.a.	11	9
Nepal	495	...	3.2	163	...	431	...	125	...
Southeast Asia									
Brunei Darussalam	...	...	...	...	...	...	...	...	...
Cambodia	...	...	...	...	...	...	...	...	...
Indonesia	27,571	16,975	22	2,472	1,185	...	....	478	478
Lao PDR	...	...	...	...	...	...	...	...	
Malaysia	11,872	6,628	82	1,029	687	...	...	(VAT introduced in mid-2015)	
Myanmar	...	...	...	...	...	...	...	...	...
Philippines	...	17,652	45	...	447	...	...	...	...
Singapore	2,000 (2013)		93 (2013)	...	...	n.a.	n.a.	93	93
Thailand	20,862	10,789	57	962	502	3,689	2,045	551	385
Viet Nam	42,867	41,824	80	888	590	536	439	3,905	2,518

[a] All data are for the 2016 fiscal year.

... = data not available at cutoff date, < = less than, Lao PDR = Lao People's Democratic Republic, n.a. = not applicable, VAT = value-added tax.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development (OECD). 2017. *Tax Administration 2017*. Paris. (Tables A76 and A77); and OECD. 2015. *Tax Administration 2015*.

Table A.16: Performance Metrics—Tax Returns Processed via Electronic Channels

	Corporate Income Tax: E-Filed Returns (% of total returns)			Personal Income Tax: E-Filed Returns (% of total returns)			Personal Income Tax: Prefilled Returns (% of total returns)		VAT: E-Filed Returns (% of total returns)		
Region/Economy	2013	2014	2015	2013	2014	2015	2014	2015	2013	2014	2015
Central and West Asia											
Afghanistan	0	0	0	0	0	0	0	0	n.a.	n.a.	n.a.
Kazakhstan	...	96	96	...	97	95	0	0	...	97	97
Kyrgyz Republic	<1	9	10	<1	9	10	0	0	<1	18	13
Tajikistan		...	...	...	...	...	...	...	...	...	...
East Asia											
China, People's Republic of	...	...	...	...	...	...	...	...		...	...
Hong Kong, China	0	0	0	15	15	17	0	0	n.a.	n.a.	n.a.
Japan	54	57	59	54	57	59	0	0	63	...	...
Korea, Republic of	98	97	97	91	92	92	0	0	83	94	98
Mongolia	80	100	100	...	100	100	0	0	92	100	100
Taipei,China	...	99	99	...	60	58	33	37	...	96	96
Pacific											
Australia	88	94	93	93	95	95	0	0	59	71	75
New Zealand	87	89	90	83	86	88	0	0	48	55	64
Papua New Guinea	0	0	0	0	0	0	0	0	0	0	0

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Table A.16 *continued*

	Corporate Income Tax: E-Filed Returns (% of total returns)			Personal Income Tax: E-Filed Returns (% of total returns)			Personal Income Tax: Prefilled Returns (% of total returns)		VAT: E-Filed Returns (% of total returns)		
Region/Economy	2013	2014	2015	2013	2014	2015	2014	2015	2013	2014	2015
South Asia											
Bangladesh	0	0	0	0	0	0	0	0	0	0	0
Bhutan	...	33	9	...	23	70	0	0	n.a.	n.a.	n.a.
India	...	87	92	...	84	94	0	0	n.a.	n.a.	n.a.
Maldives	0	0	<	n.a.	n.a.	n.a.	n.a.	n.a.	0	<1	<1
Nepal	...	99	99	...	97	99	0	0	...	100	100
Southeast Asia											
Brunei Darussalam	51	...	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cambodia	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0
Indonesia	5	...	...	<1	...	...	0	0	57	...	...
Lao PDR	...	...	...	...	...	...	...	...	...	...	...
Malaysia	76	100	100	83	81	95	12	5	n.a.	n.a.	...
Myanmar	0	0	0	0	0	0	0	0	0	0	0
Philippines	14	...	...	...	...	...	...	...	16	...	...
Singapore	...	27	43	...	51	45	48	54	100	99	99
Thailand	24	28	34	52	57	58	...	0	30	37	42
Viet Nam	...	...	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic, n.a. = not applicable, VAT = value-added tax.

Sources: Asian Development Bank and International Monetary Fund (IMF) survey data; Organisation for Economic Co-operation and Development (OECD). 2017. *Tax Administration 2017*. Paris. (Table 8); OECD. 2015. *Tax Administration 2015;* and IMF. 2016. *Tax Administration Diagnostic Assessment Tool (TADAT): Performance Assessment Report, Kyrgyz Republic*. Washington, DC.

Table A.17: Outstanding Tax Debts, 2014–2015

Region/Economy	Tax Debt Amounts by Category (all amounts in million local currency)									
	2014					2015				
	Opening Arrears Stock	Arrears Collected	Arrears Written Off	New Arrears during Year	Closing Arrears Stock	Opening Arrears Stock	Arrears Collected	Arrears Written Off	New Arrears during Year	Closing Arrears Stock
Central and West Asia										
Afghanistan	23	...	...	611	634	634	...	...	3	637
Kazakhstan	117,842	...	...	...	214,449	214,449	...	120,682	...	152,805
Kyrgyz Republic	1,493	...	...	...	1,320	1,320	...	...	...	1,414
Tajikistan	885	...	560	...	619	619	...	1,458	...	...
East Asia										
China, People's Republic of	...	....	....	...	...	....	....	...	...	...
Hong Kong, China	35,092	1,866	492	3,475	36,210	36,210	5,488	332	4,066	34,455
Japan	1,270,177	676,461	...	547,651	1,141,367	1,141,367	668,090	...	591,354	1,064,631
Korea, Republic of	6,540,050	9,419,154	...	10,727,312	7,848,208	7,848,208	9,581,851	...	8,977,242	7,243,599
Mongolia	74,000	519,000	...	...	723,000	723,000	353,000	...	...	569,000
Taipei,China	245,828	401,359	73,164	437,067	208,371	206,185	426,410	62,678	476,053	193,149
Pacific										
Australia	33,200	59,000	3,400	63,400	34,200	34,200	64,100	4,400	69,400	35,100
New Zealand	5,978	4,147	930	5,338	6,240	6,240	4,732	1,135	5,713	6,086
Papua New Guinea	2,434	62	158	437	2,650	2,650	293	168	330	2,519

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Table A.17 *continued*

Region/Economy	Tax Debt Amounts by Category (all amounts in million local currency)									
	2014					2015				
	Opening Arrears Stock	Arrears Collected	Arrears Written Off	New Arrears during Year	Closing Arrears Stock	Opening Arrears Stock	Arrears Collected	Arrears Written Off	New Arrears during Year	Closing Arrears Stock
South Asia										
Bangladesh	101,358	13,799	...	18,984	106,550	106,550	17,700	...	47,340	136,190
Bhutan	...	35,691	...	...	89,734	89,734	...	...	...	...
India	5,803,250	331,509	...	...	6,703,050	6,703,050	395,289	...	...	7,001,480
Maldives	55	343	...	508	220	220	456	0	569	332
Nepal	81,346	...	...	...	80,282	80,282	...	...	...	78,808
Southeast Asia										
Brunei Darussalam	...	....	....	...	...	....	....	...	...	...
Cambodia	2,701,189	215,851	243,596	810,916	3,052,657	3,018,802	304,772	211,905	1,540,710	4,024,834
Indonesia	77,366,561	...	...	...	67,750,000	67,750,000				90,903,000
Lao PDR	...	...	...	...	...	...	...	...	...	...
Malaysia	8,365	1,568	126	1,491	8,162	8,162	1,057	704	2,281	8,682
Myanmar	...	...	...	...	...	...	...	...	...	...
Philippines	295,850,000	3,410,000	5,310,000	42,370,000	333,500,000	333,500,000	4,060,000	2,940,000	65,030,000	391,500,000
Singapore	...	...	...	...	...	...	...	...	...	...
Thailand	...	...	...	...	...	...	...	...	...	...
Viet Nam	62,844,000	...	...	...	71,660,000	71,660,000	...	...	...	76,452,000

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A128); and 2016; and Government of Indonesia, Directorate General of Taxes. 2015. *Annual Report 2015*. Jakarta.

Table A.18: Performance Metrics—Collecting Tax Debts

Region/Economy	Number of Debt Cases (nearest '000)				Total Year-End Debt (% of total net revenue)		Total Year-End Debt Deemed Collectible (% of total revenue)		Debt Written Off (% of year's opening debt)	
	End of 2013	End of 2014	End of 2015	Change (%)	2014	2015	2014	2015	2014	2015
Central and West Asia										
Afghanistan	...	...	...	...	2.2	2.1	...	...	...	...
Kazakhstan	...	...	...	...	4.2	4.4	...	...	...	56.5
Kyrgyz Republic	...	...	...	...	3.3	2.7	...	...	...	...
Tajikistan	...	...	...	...	8.9	...			63.3	0.2
East Asia										
China, People's Republic of	...	...	...	...	...	...	...	...	...	...
Hong Kong, China	...	...	...	...	14.9	11.4	12.0	9.1	6.7	4.8
Japan	3,857	3,594	3,313		2.6	2.2	...	...	....	...
Korea, Republic of	1,596	1,706	1,609		4.0	3.5	...	...	...	...
Mongolia	...	...	...	...	28.5	23.2	...	...	...	...
Taipei,China	3,252	2,588	2,414		10.5	9.0			29.6	30.6
Pacific										
Australia	1,732	2,015	1,845	...	10.7	10.5	4.6	4.8	19.5	22.6
New Zealand	436	435	368	...	10.9	10.0	4.2	4.3	24.5	29.5
Papua New Guinea	9	9	12	33	29.5	32.5	...	...	...	...

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Table A.18 *continued*

Region/Economy	Number of Debt Cases (nearest '000)				Total Year-End Debt (% of total net revenue)		Total Year-End Debt Deemed Collectible (% of total revenue)		Debt Written Off (% of year's opening debt)	
	End of 2013	End of 2014	End of 2015	Change (%)	2014	2015	2014	2015	2014	2015
South Asia										
Bangladesh	1,001	1,063	1,093		7.9	8.8			...	...
Bhutan	(318)	(234)	(238)							
India	...	...	...	...	105.1	100.8	73.2	53.8	...	...
Maldives	2	2	2	0	2.3	2.1	...	...	...	...
Nepal	6	5	4	–33	50.1	38.6	...	...	...	...
Southeast Asia										
Brunei Darussalam	...	...	...							
Cambodia	477	530	688		71.5	77.2			9.0	7.0
Indonesia	...	...	...	...	10.4	12.7	...	...	....	...
Lao PDR	...	...	...	...	...	...	...	...		
Malaysia	1,880	1,927	1,613		6.4	7.6	0.8	1.0	2.0	9.8
Myanmar	...	...	...	...	...	...	...	...		
Philippines	81	84	92		25.0	27.3			1.8	1.0
Singapore	...	...	...	...	...	...	...	...	...	...
Thailand	...	...	...	...	...	...	...	...		
Viet Nam	...	...	...	...	15.2	13.5	...	...	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; Organisation for Economic Co-operation and Development. 2017.*Tax Administration 2017*. Paris. (Table A11).

Table A.19: Verification Activities—Numbers of Actions, 2014-2015

Region/Economy	Number of Verification Actions (by type) in 2014					Number of Verification Actions (by type) in 2015				
	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Actions Reported	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Actions Reported
Central and West Asia										
Afghanistan	0	0	1,906	0	1,906	0	0	2,243	0	2,243
Kazakhstan	3,348	3,477	n.a.	0	6,825	2,403	4,031	n.a.	0	6,434
Kyrgyz Republic	5,638	3,132	1,333	69	10,172	5,425	2,890	2,235	200	10,750
Tajikistan	...	...	...	...	...	...	...	...	...	...
East Asia										
China, People's Republic of	153,435	22,643	312,498	...	488,576	123,647	39,742	246,846	...	410,235
Hong Kong, China	1,802	...	...	83,511	85,313	1,803	...		73,561	75,364
Japan	...	...	...	...	...	...	...	...	...	...
Korea, Republic of	17,033	...	...	...	17,033	17,033	...	...	...	17,003
Mongolia	0	0	9,952	32	9,984	0	0	4,610	26	4,636
Taipei,China	...	...	...	...	...	...	...	...	...	...
Pacific										
Australia	...	...	...	...	5,304,760	...	...	...	...	4,752,768
New Zealand	1,060	766	3,320	567	5,713	783	880	3,322	653	5,638
Papua New Guinea	28	518	45	2,727	3,318	28	700	63	2,084	2,875

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Table A.19 *continued*

Region/Economy	Number of Verification Actions (by type) in 2014					Number of Verification Actions (by type) in 2015				
	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Actions Reported	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Actions Reported
South Asia										
Bangladesh	192	13,356	4,723	0	18,271	126	17,546	4,925	0	22,597
Bhutan	585	0	60,973	0	61,558	338	...	71,766	...	72,104
India	177,367	...	...	...	177,367	259,249	...	...	...	259,249
Maldives	978	112	0	4	1,094	1,144	142	0	220	1,506
Nepal	5,923	1,643	24,733	0	32,299	5,510	1,096	31,934	0	38,530
Southeast Asia										
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...
Cambodia	1,040	3,138	64	0	4,242	1,305	571	146	0	2,022
Indonesia	26,312	33,569	...	...	59,881	...	...	...	...	33,615
Lao PDR	...	...	...	...	...	...	...	...	...	...
Malaysia	40,216	...	1,829,717	70,331	1,940,264	37,305	...	1,677,607	78,576	1,783,488
Myanmar	...	...	...	...	...	...	...	...	...	...
Philippines	1,807	...	...	...	1,807	2,076	0	0	0	2,076
Singapore	...	...	...	...	...	...	...	...	...	...
Thailand	...	...	...	...	...	...	...	...	...	...
Viet Nam	...	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A146–150).

Table A.20: Verification Activities—Value of Assessments, 2014–2015

Region/Economy	Value of Assessments Including Penalties and Interest, 2014 (million in local currency)					Value of Assessments Including Penalties and Interest, 2015 (million in local currency)				
	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Value of Assessments	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Value of Assessments
Central and West Asia										
Afghanistan	0	0	2,018	0	2,018	0	0	2,147	0	2,147
Kazakhstan	227,000	127,000	0	0	354,000	284,000	313,000	0	0	597,000
Kyrgyz Republic	3,763	878	(In total)	4,642	3,730	2,231	(In total)	5,962		
Tajikistan	...	...	...	...	...	...	...	...	...	...
East Asia										
China, People's Republic of	67,968	4,763	112,846	...	185,577	84,256	5,127	103,913		193,296
Hong Kong, China	2,539	...	...	436	2,976	2,533	...		338	2,871
Japan	...	...	...	...	...	...	...	...	...	...
Korea, Republic of	8,297,222	...	...	...	8,297,222		...	...	...	7,265,787,329
Mongolia	...	...	...	...	456,800,000	...	...	...	...	106,200,000
Taipei,China	...	...	...	...	...	...	...	...	...	...
Pacific										
Australia	...	...	...	...	15,200	...	...	...	...	13,500
New Zealand	512	186	391	25	1,115	411	175	603	32	1,223
Papua New Guinea	24	93	37	170	325	47	126	86	30	290

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Table A.20 *continued*

Region/Economy	Value of Assessments Including Penalties and Interest, 2014 (million in local currency)					Value of Assessments Including Penalties and Interest, 2015 (million in local currency)				
	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Value of Assessments	Comprehensive Audits	Issue-Oriented Audits	Desk Audits	Other Actions	Total Value of Assessments
South Asia										
Bangladesh	442,501	39,854,692	1,408,355	0	41,705,548	...	48,448,307	1,710,943	0	50,159,250
Bhutan	...	...	...	...	19	...	...	...	...	45
India	...	...	...	...	...	...	...	...	...	...
Maldives	162	12	0	0	174	436	17	0	0	453
Nepal	8,627	1,950	475	0	11,052	8,453	1,180	294	0	9,927
Southeast Asia										
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...
Cambodia	439,564	177,917	122	0	617,604	1,182,722	644,731	160,172	0	1,987,625
Indonesia	30,229,741	46,413,784	...	...	76,643,525	...	...	...	...	38,740,867
Lao PDR						...	...	...	...	...
Malaysia	1,092	...	3,385	113	4,590	3,972	...	5,871	158	10,001
Myanmar	...	...	...	...	...	...	...	...	...	...
Philippines	9,040	...	...	...	9,040	11,075	0	0	0	11,075
Singapore	...	...	...	...	...	...	...	...	...	
Thailand	...	...	...	...	...	...	...	...	...	...
Viet Nam	...	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A146-150).

Tables A.21: Administrative Review of Disputes—Numbers of Cases, 2014–2015

	Cases on Hand at Year Beginning		New Cases Received during Year		Cases Resolved during Year		Cases on Hand at Year-End	
Region/Economy	2014	2015	2014	2015	2014	2015	2014	2015
Central and West Asia								
Afghanistan	3	4	12	11	11	11	4	4
Kazakhstan	...	...	...	...	...	...	...	...
Kyrgyz Republic	120	103	253	501	270	456	103	58
Tajikistan	...	...	...	...	...	...	...	...
East Asia								
China, People's Republic of	...	...	...	...	...	...	...	...
Hong Kong, China	31,165	32,871	78,349	82,293	76,643	79,742	32,871	35,422
Japan	3,604	3,210	5,213	4,785	5,607	5,725	3,210	2,270
Korea, Republic of	...	...	...	...	...	...	...	...
Mongolia	...	...	...	135	101	114	...	21
Taipei,China	3,819	2,958	6,557	6,555	7,418	6,788	2,958	2,725
Pacific								
Australia	4,365	3,941	27,785	26,757	28,209	26,153	3,941	4,545
New Zealand	438	405	326	302	359	335	405	372
Papua New Guinea	286	286	174	253	174	253	286	286

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Table A.21 *continued*

Region/Economy	Cases on Hand at Year Beginning		New Cases Received during Year		Cases Resolved during Year		Cases on Hand at Year-End	
	2014	2015	2014	2015	2014	2015	2014	2015
South Asia								
Bangladesh	...	...	...	...	...	...	...	...
Bhutan	...	...	209	1,580	163	1,517	11	54
India	...	...	...	...	...	...	...	...
Maldives	23	11	64	75	76	67	11	19
Nepal	167	618	706	596	255	551	618	663
Southeast Asia								
Brunei Darussalam	...	...	...	...	...	...	...	...
Cambodia	181	162	22	48	41	94	162	116
Indonesia	9,161	9,307	13,514	13,362	13,368	12,955	9,307	9,714
Lao PDR	...	...	...	...	...	...	...	...
Malaysia	73	206	398	454	265	538	206	122
Myanmar								
Philippines	140	158	31	50	13	13	158	195
Singapore	...	...	...	...	...	...	...	...
Thailand	...	661	...	768	...	760	...	669
Viet Nam	336	251	1,985	1,637	2,038	1,685	283	203

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration Series 2017.* Paris. (Tables A170–172).

Table A.22: Administrative Review of Disputes—Value of Cases, 2014–2015

Region/Economy	Value of Cases on Hand at Year Beginning (million in local currency) 2014	Value of Cases on Hand at Year Beginning (million in local currency) 2015	Value of New Cases Received in Year (million in local currency) 2014	Value of New Cases Received in Year (million in local currency) 2015	Value of Cases Resolved in Year (million in local currency) 2014	Value of Cases Resolved in Year (million in local currency) 2015	Value of Cases on Hand at Year-End (million in local currency) 2014	Value of Cases on Hand at Year-End (million in local currency) 2015
Central and West Asia								
Afghanistan								
Kazakhstan	...	...	...	...	...	...	...	...
Kyrgyz Republic	...	...	3,639	4,812	3,044	3,968	...	844
Tajikistan	...	...	...	...	...	...	...	...
East Asia								
China, People's Republic of	...	...	...	...	...	...	...	...
Hong Kong, China	...	...	...	...	...	...	...	...
Japan	...	...	...	...	...	...	...	...
Korea, Republic of	...	...	...	...	...	...	...	...
Mongolia	...	...	...	202,000,000	336,000,000	179,000,000	...	21,000,000
Taipei,China	...	...	...	...	...	...	...	...
Pacific								
Australia	...	...	...	...	...	...	...	...
New Zealand	2,101	1,781	168	293	488	408	1,781	1,665
Papua New Guinea	160	160	83	297	83	238	160	219

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Table A.22 *continued*

Region/Economy	Value of Cases on Hand at Year Beginning (million in local currency)		Value of New Cases Received in Year (million in local currency)		Value of Cases Resolved in Year (million in local currency)		Value of Cases on Hand at Year-End (million in local currency)	
	2014	2015	2014	2015	2014	2015	2014	2015
South Asia								
Bangladesh	...	...	...	...	...	...	...	...
Bhutan	...	...	...	...	27	14	...	...
India	...	...	...	...	...	...	...	...
Maldives	10	9	43	306	44	62	9	253
Nepal	...	...	...	...	...	...	...	...
Southeast Asia								
Brunei Darussalam	...	...	...	...	...	...	...	...
Cambodia	...	...	...	...	...	...	...	...
Indonesia	44,365, 477	52,886,583	58,109,238	33,969,489	49,588,132	39,553,675	52,886,583	47,302,397
Lao PDR	...	...	...	...	...	...	...	...
Malaysia	886	971	3,590	3,298	3,505	2,807	971	1,462
Myanmar	...	...	...	...	...	...	...	...
Philippines	5,544	3,600	1,026	6,306	2,970	304	3,600	9,602
Singapore	...	...	...	...	...	...	...	...
Thailand	...	21,683	...	7,366	...	10,907	...	18,143
Viet Nam	...	...	...	...	...	...	...	...

... = data not available at cutoff, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris.

Table A.23: Tax Cases Under Litigation in External Judicial Body(ies)—Numbers and Value of Cases, 2014–2015

	Case Volumes						Amounts of Tax Involved (millions in local currency)					
	On Hand at Year-End		Resolved during Year		Resolved in Favor of Revenue		On Hand at Year-End		Cases Resolved in Year		Resolved in Favor of Revenue	
Region/Economy	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Central and West Asia												
Afghanistan	2	3	0	0	0	0	...	...	0	0	0	0
Kazakhstan	903	623	790	522	495	330	251,124	223,440	177,395	201,595	83,638	125,107
Kyrgyz Republic	130	105	119	151	74	100	1,625	1,670	2,755	3,142	1,708	2,074
Tajikistan	57	63	40	55	30	91	480	131	415	77	456	119
East Asia												
China, People's Republic of	...	...	...	...	...	...	...	...	...	...	...	...
Hong Kong, China	61	53	79	60	76	55	...	...	...	...	...	...
Japan	337	299	328	280	...	...	...	...	...	...	...	...
Korea, Republic of	3,017	3,007	1,524	2,036	1,395	1,842	...	...	...	...	...	...
Mongolia	...	...	...	...	...	...	...	...	...	...	...	...
Taipei,China	...	...	819	864	733	776	...	...	...	...	...	...
Pacific												
Australia	930	709	836	778	...	...	...	...	...	...	...	...
New Zealand	47	43	45	42	42	39	233	78	246	903	231	899
Papua New Guinea	1	1	0	0	0	0	60	60	0	0	0	0

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Table A.23 *continued*

	Case Volumes						Amounts of Tax Involved (millions in local currency)					
	On Hand at Year-End		Resolved during Year		Resolved in Favor of Revenue		On Hand at Year-End		Cases Resolved in Year		Resolved in Favor of Revenue	
Region/Economy	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
South Asia												
Bangladesh	...	...	...	...	...	...	...	...	...	...	...	...
Bhutan	2	7	2	5	...	...	12	24	...	...	...	...
India	70,371	...	11,740	...	1,352	...	3,044,940	...	245,844	...	...	...
Maldives	13	42	15	18	13	18	4	7	3	3	3	3
Nepal	...	...	...	...	...	...	...	...	...	...	...	...
Southeast Asia												
Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...	...
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	8,758	9,092	4,638	4,849	1,348	1,577	12,356,149	72,093,960	4,067,779	10,012,917	796,645	3,571,449
Lao PDR	...	...	...	...	...	...	...	...	...	...	...	...
Malaysia	269	362	124	175	78	115	3,383	2,445	179	2,161	73	1,389
Myanmar	...	3	...	3	...	0	...	1,803,970	...	2,419,326	...	615,356
Philippines	...	...	...	...	...	...	...	...	...	...	...	...
Singapore	...	...	...	...	...	...	...	...	...	...	...	...
Thailand	...	...	...	...	...	...	...	...	...	...	...	...
Viet Nam	...	...	...	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Tables A172 and A173).

Table A.24: Withholding Regimes for Income of Residents, 2015

Region/Economy	Types of Personal Income Normally Subject to Withholding were Paid to Resident Taxpayers									Type of Wage Withholding Regime: Cumulative or Noncumulative
	Wage and Salary	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real estate Sales and Purchases	Other Income	
Central and West Asia										
Afghanistan	✓	✓	✓	✓	✓	✓	x	x	...	Cumulative
Kazakhstan	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cumulative
Kyrgyz Republic	✓	x	x	x	x	...	...	...	...	Noncumulative
Tajikistan	✓	✓	✓	x	x	✓	✓	x	x	Cumulative
East Asia										
China, People's Republic of	✓	✓	✓	✓	x	✓	✓	✓	x	Noncumulative
Hong Kong, China	x	x	x	x	x	x	x	x	x	(No withholding)
Japan	✓	✓	✓	x	✓	✓	✓	x	✓	Cumulative
Korea, Republic of	✓	✓	✓	x	✓	✓	✓	x	✓	Noncumulative
Mongolia	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cumulative
Taipei,China	✓	x	✓	✓	✓	✓	x	x	✓	Noncumulative
Pacific										
Australia	✓	x	x	x	x	x	x	x	x	Noncumulative
New Zealand	✓	x	✓	x	x	x	x	x	x	Cumulative
Papua New Guinea	✓	✓	✓	x	✓	✓	✓	x	x	Cumulative

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Table A.24 *continued*

Region/Economy	Types of Personal Income Normally Subject to Withholding were Paid to Resident Taxpayers									Type of Wage Withholding Regime: Cumulative or Noncumulative
	Wage and Salary	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real estate Sales and Purchases	Other Income	
South Asia										
Bangladesh	✓	✓	✓	✓	✓	✓	x	✓	✓	Cumulative
Bhutan	✓	✓	✓	✓	✓	✓	x	x	x	Noncumulative
India	✓	x	✓	✓	x	x	x	✓	x	Noncumulative
Maldives	x	x	x	x	x	x	x	x	x	(No income tax)
Nepal	✓	✓	✓	✓	x	✓	✓	✓	✓	Cumulative
Southeast Asia										
Brunei Darussalam	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(No income tax)
Cambodia	✓	x	✓	✓	✓	✓	x	x	x	Cumulative
Indonesia	✓	✓	✓	✓	✓	✓	✓	✓	✓	Noncumulative
Lao PDR	✓	✓	✓	✓	x	x	✓	✓	✓	...
Malaysia	✓	x	✓	x	x	✓	x	✓	x	Noncumulative
Myanmar	✓	✓	✓	✓	✓	✓	x	x	✓	Noncumulative
Philippines	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cumulative
Singapore	x	x	x	x	x	x	x	x	x	(No withholding tax)
Thailand	✓	✓	✓	✓	✓	✓	✓	✓	✓	Cumulative
Viet Nam	...	....	....	...	...	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic, n.a. = not applicable.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A79).

Table A.25: Withholding Regimes for Income of Nonresidents, 2015

Region/Economy	Types of Income Normally Subject to Withholding were Paid to Nonresident Taxpayers								
	Wages and Salaries	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real Estate Sales and Purchases	Other Income
Central and West Asia									
Afghanistan	✓	✓	✓	✓	✓	✓	x	x	...
Kazakhstan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	✓	✓	x	x	...	...	...	...
Tajikistan	✓	✓	✓	✓	✓	✓	✓	✓	...
East Asia									
China, People's Republic of	✓	✓	✓	✓	x	✓	✓	✓	...
Hong Kong, China	x	x	x	x	x	x	x	x	...
Japan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Korea, Republic of	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Taipei,China	✓	✓	✓	✓	✓	✓	x	x	...
Pacific									
Australia	✓	x	x	x	x	x	x	x	...
New Zealand	x	x	x	x	x	x	x	x	...
Papua New Guinea	✓	✓	✓	x	✓	✓	✓	x	x

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Table A.25 *continued*

Region/Economy	Types of Income Normally Subject to Withholding were Paid to Nonresident Taxpayers								
	Wages and Salaries	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real Estate Sales and Purchases	Other Income
South Asia									
Bangladesh	✓	✓	✓	✓	✓	✓	x	✓	✓
Bhutan	✓	✓	✓	✓	✓	✓	x	x	...
India	✓	x	✓	✓	x	x	x	✓	...
Maldives	x	x	x	x	x	x	x	x	x
Nepal	...	✓	...	...	...	✓	...	...	...
Southeast Asia									
Brunei Darussalam	x	x	✓	x	✓	✓	x	x	...
Cambodia	✓	✓	✓	✓	✓	✓	x	x	...
Indonesia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lao PDR	✓	✓	✓	✓	x	x	✓	✓	✓
Malaysia	✓	x	✓	x	x	✓	x	✓	...
Myanmar	✓	✓	✓	✓	x	x	x	x	✓
Philippines	✓	✓	✓	✓	✓	✓	✓	✓	✓
Singapore	x	x	✓	x	✓	✓	x	x	✓
Thailand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viet Nam	...	....	....	...	...	...	...	...	...

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration Series 2017*. Paris. (Table A80).

Table A.26: Reporting Regimes for Income of Residents

Region/Economy	Types of Income Normally Subject to Reporting of Payee Data were Paid to Resident Taxpayers								
	Wages and Salaries	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real Estate Sales and Purchases	Other Income
Central and West Asia									
Afghanistan	✓	✓	✓	✓	✓	✓	x	x	…
Kazakhstan	x	✓	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	x	x	✓	✓	…	…	…	…
Tajikistan	✓	✓	✓	x	x	✓	✓	x	x
East Asia									
China, People's Republic of	✓	✓	✓	✓	x	✓	✓	✓	x
Hong Kong, China	✓	x	x	x	✓	x	x	x	x
Japan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Korea, Republic of	✓	✓	✓	x	✓	✓	✓	x	x
Mongolia	✓	✓	✓	✓	✓	✓	✓	✓	x
Taipei,China	✓	✓	✓	✓	✓	✓	x	x	x
Pacific									
Australia	✓	✓	✓	x	✓	x	✓	✓	x
New Zealand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓	✓	✓	✓	✓	✓

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Table A.26 *continued*

Region/Economy	Types of Income Normally Subject to Reporting of Payee Data were Paid to Resident Taxpayers								
	Wages and Salaries	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real Estate Sales and Purchases	Other Income
South Asia									
Bangladesh	✓	✓	✓	✓	✓	✓		✓	✓
Bhutan	✓	✓	✓	✓	✓	✓	x	x	x
India	✓	x	✓	✓	x	x	x	x	x
Maldives	x	x	x	✓	x	x	x	x	x
Nepal	...	...	...	...	...	...	...	...	...
Southeast Asia									
Brunei Darussalam	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cambodia	✓	✓	✓	✓	✓	✓	✓	✓	x
Indonesia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lao PDR	✓	✓	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	✓	x	✓	✓
Myanmar	✓	x	✓	✓	✓	✓	x	✓	x
Philippines	✓	✓	✓	✓	✓	✓	✓	✓	✓
Singapore	✓	x	x	x	x	x	x	x	✓
Thailand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viet Nam	✓	✓	x	✓	✓	✓	✓	✓	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic, n.a. = not applicable.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A91).

Table A.27: Reporting Regimes for Income of Nonresidents

Region/Economy	Types of Income Normally Subject to Reporting of Payee Data were Paid to Nonresident Taxpayers								
	Wages and Salaries	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real Estate Sales and Purchases	Other Income
Central and West Asia									
Afghanistan	✓	✓	✓	✓	✓	✓	x	x	...
Kazakhstan	x	✓	✓	✓	✓	✓	✓	✓	✓
Kyrgyz Republic	✓	x	x	x	x	✓	x	✓	x
Tajikistan	x	x	x	x	x	x	✓	✓	x
East Asia									
China, People's Republic of	✓	✓	✓	✓	x	✓	✓	✓	x
Hong Kong, China	✓	x	x	x	✓	✓	x	x	x
Japan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Korea, Republic of	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mongolia	✓	✓	✓	...	...	...	...	...	...
Taipei,China	✓	✓	✓	✓	✓	✓	x	x	x
Pacific									
Australia	✓	✓	✓	x	✓	x	✓	✓	x
New Zealand	✓	✓	✓	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓	✓	✓	✓	✓	✓	✓	✓	✓

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Table A.27 *continued*

Region/Economy	Types of Income Normally Subject to Reporting of Payee Data were Paid to Nonresident Taxpayers								
	Wages and Salaries	Dividends	Interest	Rents	Specified Business Income	Royalties and Patents	Share Sales and Purchases	Real Estate Sales and Purchases	Other Income
South Asia									
Bangladesh	✓	✓	✓	✓	✓	✓	x	✓	✓
Bhutan	✓	✓	✓	✓	✓	✓	x	x	x
India	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maldives	x	x	x	✓	x	x	x	x	x
Nepal	...	...	...	...	...	...	...	...	...
Southeast Asia									
Brunei Darussalam	x	x	✓	✓	✓	✓	x	x	x
Cambodia	✓	✓	✓	✓	✓	✓	✓	✓	x
Indonesia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lao PDR	✓	✓	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	✓	x	✓	✓
Myanmar	x	x	x	x	x	x	x	x	x
Philippines	✓	✓	✓	✓	✓	✓	✓	✓	✓
Singapore	✓	x	✓	x	✓	✓	x	x	✓
Thailand	✓	✓	✓	✓	x	✓	✓	✓	✓
Viet Nam	✓	✓	x	✓	✓	✓	✓	✓	✓

... = data not available at cutoff date, ✓ = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A92).

Table A.28: Use of Computer-Based Systems for Processing of Third Party Data to Detect Tax Noncompliance, 2015

Region/Economy	Types of Third Party Data Able to Be Computer Processed to Detect Tax Noncompliance										
	Employer Wage and Salary Data	Financial Institutions	Data from Government Agencies	International Exchange	Insurance Companies	Immovable Property Sales	Online Trading	Asset Leasing	Prescribed Contractors Income	VAT Invoices	Other Types
Central and West Asia											
Afghanistan	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	...
Kazakhstan	✓	✓	✓	x	x	x	x	x	x	✓	x
Kyrgyz Republic	...	...	...	...	...	✓	...	...	...	...	...
Tajikistan	x	x	✓	x	x	x	x	x	x	✓	x
East Asia											
China, People's Republic of	✓	x	x	x	x	✓	✓	x	x	✓	x
Hong Kong, China	✓	x	✓	✓	✓	✓	x	x	x	x	x
Japan	✓	✓	✓	✓	✓	✓	x	✓	x	x	x
Korea, Republic of	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x
Mongolia	✓	✓	✓	x	x	✓	x	✓	✓	✓	...
Taipei,China	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	x
Pacific											
Australia	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	x
New Zealand	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	✓
Papua New Guinea	✓	✓	✓	x	x	x	x	x	x	x	x

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Table A.28 *continued*

Region/Economy	Types of Third Party Data Able to Be Computer Processed to Detect Tax Noncompliance										
	Employer Wage and Salary Data	Financial Institutions	Data from Government Agencies	International Exchange	Insurance Companies	Immovable Property Sales	Online Trading	Asset Leasing	Prescribed Contractors Income	VAT Invoices	Other Types
South Asia											
Bangladesh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bhutan	✓	✓	✓	x	x	x	x	x	x	n.a.	x
India	✓	✓	✓	✓	✓	✓	x	x	✓	x	x
Maldives	x	✓	✓	✓	x	x	x	x	x	✓	x
Nepal	x	...	✓	...	...	...	...	...	...	...	...
Southeast Asia											
Brunei Darussalam	x	x	x	x	x	x	x	x	x	x	x
Cambodia	✓	x	x	x	x	✓	x	x	x	✓	x
Indonesia	✓	✓	✓	✓	x	✓	x	✓	✓	✓	✓
Lao PDR	...	...	...	...	...	...	...	...	...	...	...
Malaysia	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	x
Myanmar	x	x	x	x	x	x	x	x	x	x	x
Philippines	✓	x	✓	✓	x	✓	x	✓	✓	✓	x
Singapore	✓	✓	✓	✓	✓	✓	x	✓	x	x	✓
Thailand	✓	✓	✓	x	✓	✓	✓	✓	x	✓	x
Viet Nam	...	...	...	...	...	...	...	...	...	...	...

... = data not available at cutoff date, P = relevant, x = not relevant, Lao PDR = Lao People's Democratic Republic, n.a. = not applicable, VAT = value-added tax.

Sources: Asian Development Bank and International Monetary Fund survey responses; and Organisation for Economic Co-operation and Development. 2017. *Tax Administration 2017*. Paris. (Table A144).

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