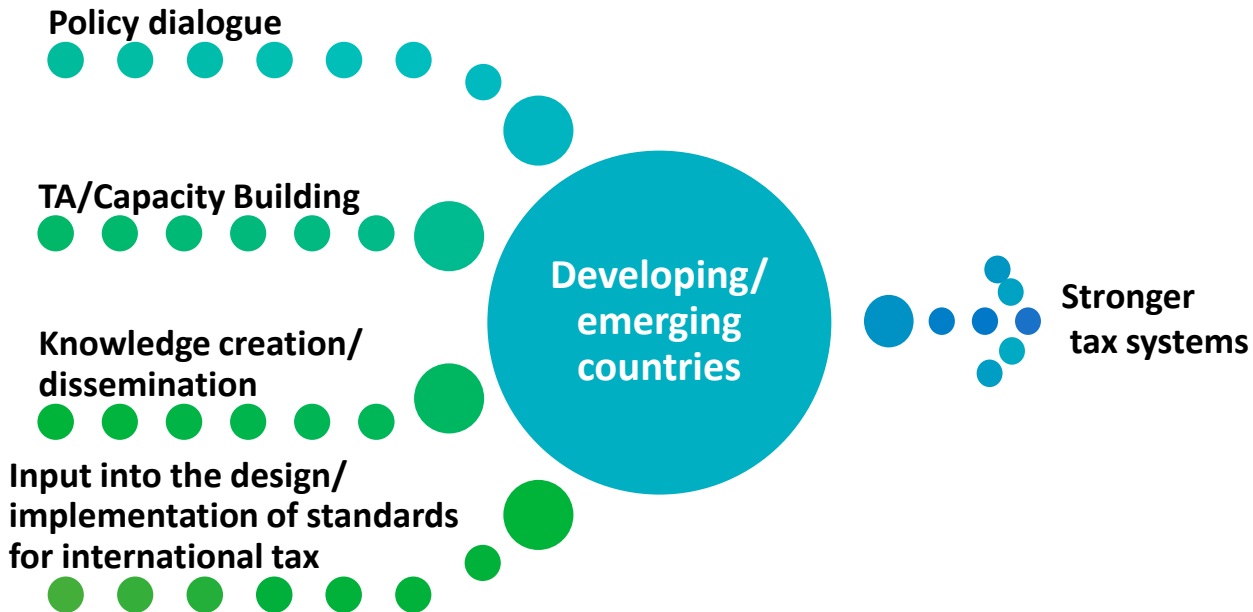


# The Recent Developments on the PCT and WBG engagement in Asian Countries

IMF-Japan High-Level Tax Conference For Asian Countries  
Tokyo | April 26, 2019

# The PCT fosters collective action for stronger tax systems

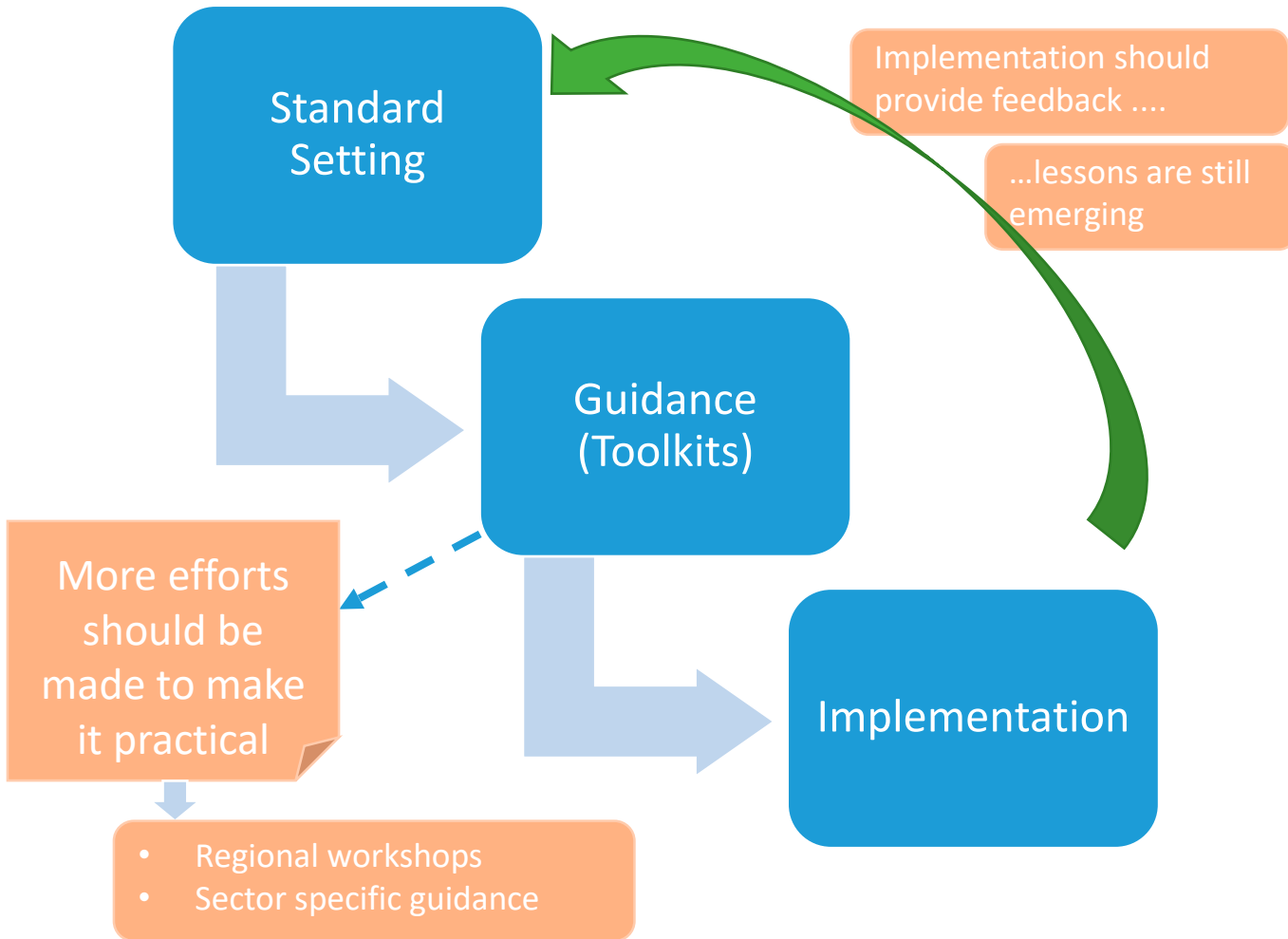
➤ PCT Partners contribute in their different capacities



Why do the WB and other PCT Partners support the PCT?

- ✓ Impact: Achieve meaningful results
- ✓ Complementarity: Avoid duplication and build on each others work
- ✓ Cohesion: Provide consistent advice

# PCT provides guidance and consistent advice – but more is needed



## Toolkit schedule

- ✓ Offshore Indirect Transfers: final draft by mid-2019
- ✓ Transfer Pricing Documentation: discussion draft by mid-2019
- ✓ Tax Treaty Negotiation: discussion draft by Q3-2019
- ✓ BEPS Risk Assessment: discussion draft by end-2019
- ✓ Base Eroding Payments: discussion draft by mid-2020
- ✓ Indirect Tax Measures for the Digitalizing Economy: timing TBD

## 14 PCT action items translated into our work plan

### Coordination of DRM cap. dev. activities

- Provision of comprehensive and easily accessible information with a view to facilitating and strengthening coordination, including MTRs

### Analytical

- Provision of high-quality analytical tools and coherent guidance

### Outreach

- Foster informed and effective participation of all stakeholders
- Help developing countries access knowledge and good practice

### Activities Underway (in addition to toolkits)

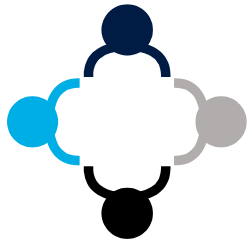
- ✓ Capacity development (MTRs)
- ✓ Annual Report to be submitted to G20
- ✓ Note on complementarities
- ✓ PCT website/DRM activities by PCT Partners
- ✓ Bi-lateral collaborative projects (TIWB, TPAF, etc.)
- ✓ Strengthened Secretariat

➤ The priority in all these work streams is to support the delivery and effectiveness of actions

# Way forward: Further collaboration and coordination in the Asian region

→ *Countries need to make adequate effort to ensure that revenues are sufficient to achieve SDGs*

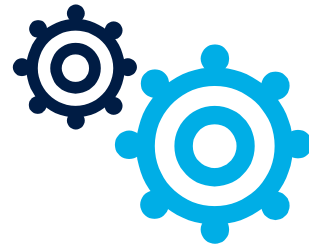
The WB supports this vision through 3 strategic efforts



## International Collaboration

**Strengthen participation and amplify voice of developing countries** in rapidly evolving global discussions:

- International tax events and consultations, such as Global Forum
- Toolkits of Platform for Collaboration on Tax
- Strengthening collaboration with regional organizations
- Global Tax Program (\$48 mln secured)



## Global Public Goods: Diagnostics, Data and Evidence

**Development of evidence-based diagnostics and tools** that serve as the anchor of a country-level reform plan:

- Develop, pilot Tax Policy Assessment Framework (TPAF with IMF)
- Implement TADAT & develop complementary diagnostics
- Develop tools to diagnose international tax risk & vulnerabilities
- Research and data



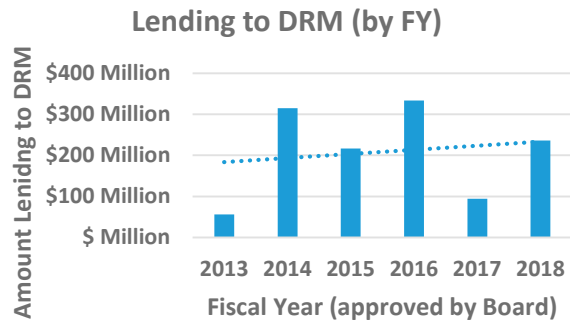
## Country-Level Activities and Results

**In order to provide coherent, multi-faceted country-level programs** of support:

- MTRSs
- Policy discussions
- WB's IDA18(19) policy commitments & scale-up

# DRM country engagement in Asian countries

Figure 1 – DRM Portfolio in EAP and SAR Region (FY13-18)



Current Active DRM Lending Portfolio: \$200M

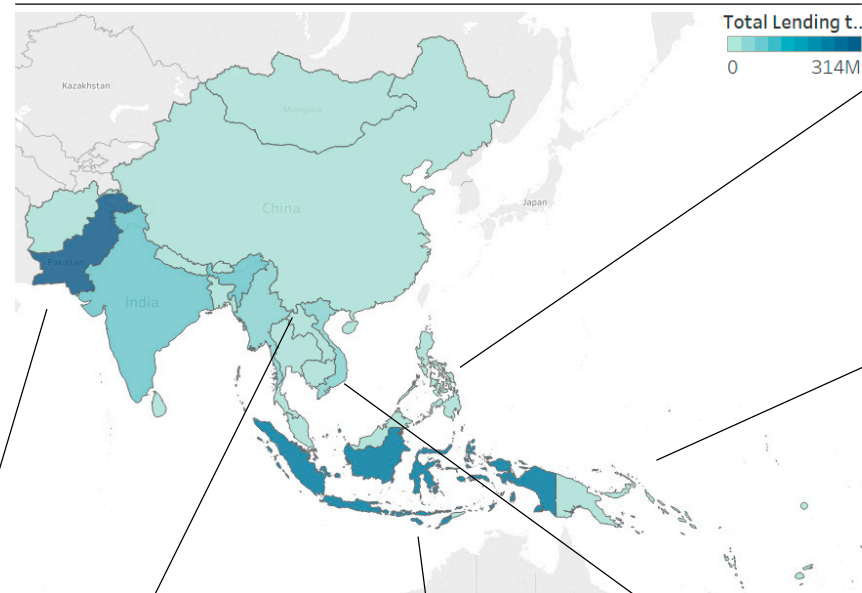
**Pakistan: 9 active / 4 pipeline DRM projects and activities; commitments for lending: \$612 M / ASA: \$12.5 M**

- Broader tax net and reduced compliance burden (hours required to file/pay GST),
- Improved efficiency of customs controls (hours spent for customs clearance)
- Pakistan's Tax-to-GDP project objective: From 13% (FY17) to 16% (FY23/24)

**Laos: 4 active / 1 pipeline DRM projects and activities; commitments for lending: \$2.7 M / ASA: \$170k**

- VAT law revised that introduce VAT refund to general domestic taxpayers (first-time ever)
- Risk-based audit is being piloted at Tax Depart. HQ
- Large taxpayers being administered at HQ level

Figure 2 – Engagement in Asia Region: Lending and ASA (FY13-19)



**Indonesia: 11 active / 1 Pipeline DRM projects and activities; commitments for lending: \$400k/ ASA: \$4 M**

- Goal: Increase the tax-to-GDP ratio by up to 2.6 percent by 2020 (Baseline: 2016)
- Increase administration efficiency and compliance
- Increase revenue potential and economic efficiency of tax policy by (i) revising main tax instruments and (ii) regulatory measures against base erosion

**Philippines: 3 active / 1 pipeline DRM projects and activities; commitments for ASA: \$800k**

- The 'sin tax' reform reduced the number of smokers from 30% of the population in 2011 to 25% in 2015.
- The reform also generated 80% of the US\$3.9 billion in additional revenues over three years

**PNG: 1 active / 1 pipeline DRM projects and activities; commitments for ASA: \$20k**

- Tax revenue stabilizing despite subdued domestic economic conditions, thanks to higher GST revenue collected as a result of compliance activities
- Compliance activities: Significant increase of taxpayers registered
- Preparing for rationalization of tax incentives

**Fiji: 2 active DRM projects and activities; commitments for lending: \$ 7.5 M / ASA: \$100k**

- Simplification of VAT return, Env. & Adaptation levy return and Services Turnover Tax return
- Recommendations provided for revisions of Income Tax Act on transfer pricing documentation requirements

**Vietnam: 5 active / 1 pipeline DRM projects and activities; commitments for lending: \$55.6 M / ASA: \$1 M**

- World Bank training of tax officials in transfer pricing audit recovered US\$116 million in 2017
- Simplification resulted in compliance cost savings of \$104m and administrative savings of \$400k annually
- Between 2015-2017: transfer pricing audit resulted in \$730m reduction of losses reported