

Tax Policy Assessment Framework: “TPAF”

Developed by the IMF and WBG



Presentation by Fiscal Affairs Department, IMF

Seminar on MTRS and Related Issues

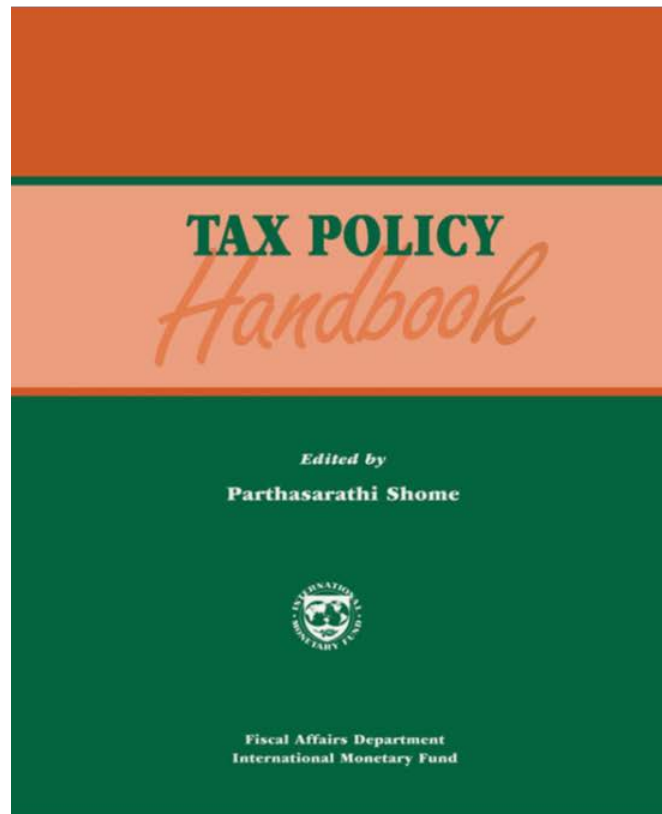
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Manila

December 2017

TPAF: a modular, integrated approach to guide tax policy assessment and design

1995

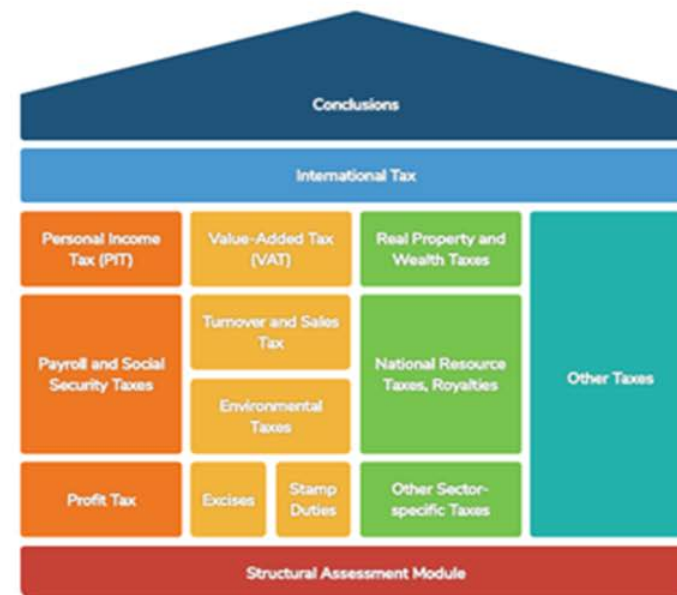


2017

TPAF

Tax Policy Assessment Framework

Welcome to Tax Policy Assessment Framework (TPAF).
It is designed to serve as a guide for systematic and comprehensive tax policy assessments.



What is TPAF?



- **Framework for systematic and consistent assessments**
- **Solid analytical basis for design of policy options**
- **Scalable: could be used in entirety, or for individual taxes**



- **Does not rank, grade, or score tax systems**
- ***Not a standard* of what country tax policy should be**
- **Not an *All-or-Nothing* assessment**

What value does TPAF add?

- The past two decades have witnessed substantial changes in global economies and the conduct of tax policy
- In response, TPAF
 - Systematizes and structures our technical assistance, adding operational transparency
 - Makes publicly available our accumulated tax policy knowledge
 - Countries
 - Donors
 - Tax policy practitioners
 - Facilitates our cooperation with other TA providers
 - E.g. building a common understanding of countries' priorities in tax policy

TPAF website

The screenshot shows the homepage of the Tax Policy Assessment Framework (TPAF) website. The browser address bar displays workspaces.imf.org/departments/FAD/FAST/main/tpaf/home.html. The page title is "TPAF Tax Policy Assessment Framework". A world map is visible in the background. Below the title, a welcome message states: "Welcome to Tax Policy Assessment Framework (TPAF). It is designed to serve as a guide for systematic and comprehensive tax policy assessments." A diagram below the welcome message illustrates the framework's structure, which is shaped like a house. The roof is labeled "Conclusions". The main body is divided into several sections: "International Tax" (blue bar), "Personal Income Tax (PIT)", "Value-Added Tax (VAT)", "Real Property and Wealth Taxes", "Payroll and Social Security Taxes", "Turnover and Sales Tax", "National Resource Taxes, Royalties", "Other Taxes", "Profit Tax", "Excises", "Stamp Duties", "Other Sector-specific Taxes", and "Structural Assessment Module" (red bar). A blue arrow labeled "modules" points to the various tax categories in the diagram. Another blue arrow labeled "web-published" points to the browser address bar.

web-published

TPAF
Tax Policy Assessment Framework

Welcome to Tax Policy Assessment Framework (TPAF).
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modules

Conclusions

International Tax

Personal Income Tax (PIT)

Value-Added Tax (VAT)

Real Property and Wealth Taxes

Payroll and Social Security Taxes

Turnover and Sales Tax

National Resource Taxes, Royalties

Other Taxes

Profit Tax

Excises

Stamp Duties

Other Sector-specific Taxes

Structural Assessment Module

<http://workspaces.imf.org/departments/FAD/FAST/main/tpaf/home.html>

TPAF Modules

Each module is standardized to include:

1. System analysis

2. Tax performance diagnostic

3. Synthesis and recommendations

FAD

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Value-Added Tax (VAT)

Tax Policy Assessment Framework

VAT is an indirect tax on the consumption of goods and services that is triggered at all stages in the production process, with taxes charged on inputs being creditable against taxes collected on sales. It is an efficient source of revenue for governments while avoiding the economic distortions—including the cascading effect—associated with other indirect taxes such as the sales tax and turnover taxes.

There are, however, a wide range of choices that must be made in designing and implementing a VAT, resulting in the wide divergence of the specific design and application of VATs across countries. TPAF provides a framework for comprehensive and structured diagnostics of VAT systems, with a view to generating solutions that are tailored to the needs and priorities of the country under consideration.

1. VAT System Analysis

1.1 Legal basis of VAT taxation

1.2 Scope and coverage of VAT

1.3 VAT base

1.4 VAT rates

1.5 Linkages

2. VAT Performance Diagnostics

2.1 Revenue generation

2.2 Efficiency

2.3 Equity

2.4 Ease of Administration and Compliance

2.5 VAT as policy instrument

3. Synthesis and Conclusions

Policy assessment

1. VAT System Analysis
1.1 Legal basis of VAT taxation
1.2 Scope and coverage of VAT
1.3 VAT base
1.4 VAT rates
1.5 Linkages
2. VAT Performance Diagnostics
2.1 Revenue generation
2.1.1 What is VAT revenue, as percent of GDP?
2.1.2 What is VAT revenue, as percent of total tax revenue?
2.1.3 How is the gross/net VAT revenue distributed across economic sectors and firms (by turnover level)?
2.1.4 How much VAT revenue is collected on imports?
2.1.5 How different it is the prevailing threshold from the "optimal VAT threshold"? What is the share of taxpayers covered by the VAT threshold?
2.1.6 What is VAT refund level (in percent of gross VAT collections)? VAT refund to exporters?
2.1.7 Is there a mandatory carry-forward period for excess VAT credits?
2.1.8 Are refunds allowed to be offset against other tax liabilities?
2.2 Efficiency

Sets of diagnostic questions, methodologies, and tools, guiding assessment

Each question contains "explorable" drill-downs. Once and *if* clicked, the concepts are explained

The screenshot shows the 'VAT revenue as percent of GDP' drill-down. The text explains that the VAT revenue-to-GDP ratio is a useful performance indicator that isolates VAT performance from other economic factors like inflation. It notes that historical data should be analyzed for trends and benchmarked against regional peers. A warning is given to be cautious of firm conclusions based solely on this analysis, as VAT revenue data often increases where refund mechanisms are deficient. A data source is provided: 'Data: Data on VAT revenue-to-GDP ratios is available from the IMF's World Revenue Longitudinal Data (WoRLD), or could be downloaded by clicking here'. A 'Return' button is visible at the bottom right of the text box.

TPAF Development Process

- Prototype modules have been developed using internal resources
- However, we plan to:
 - Seek targeted/topical expertise from leading tax experts
 - Form an Advisory Group to guide design and ensure quality
 - Seek feedback through public consultations
 - Build a community of interest, including:
 - Donors and other international organizations
 - Country tax authorities
 - Academia and think-tanks
 - Civil society organizations

Development Timeline

- New modules will be released semi-annually, coinciding with IMF/WB Annual and Spring meetings
- Web publication once 2 or 3 modules have been completed
 - No compelling reason to wait for the entire framework
- Will be a living document with updates on:
 - New thinking and analysis
 - Cross-country comparative data

Thank you!



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