



FISCAL AFFAIRS

Tax Administration Digitalization Challenges

APRIL 26, 2024

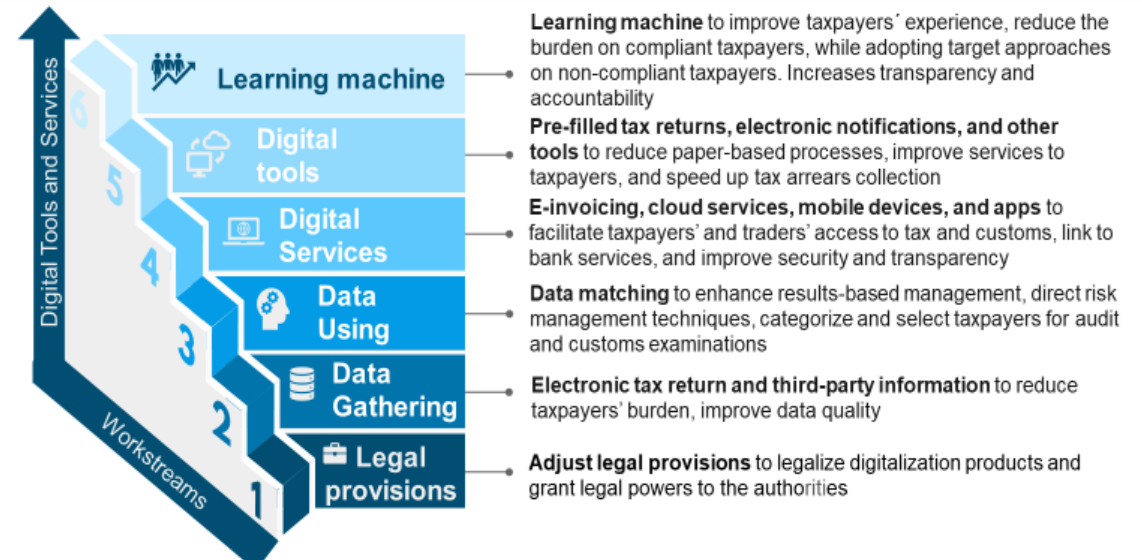
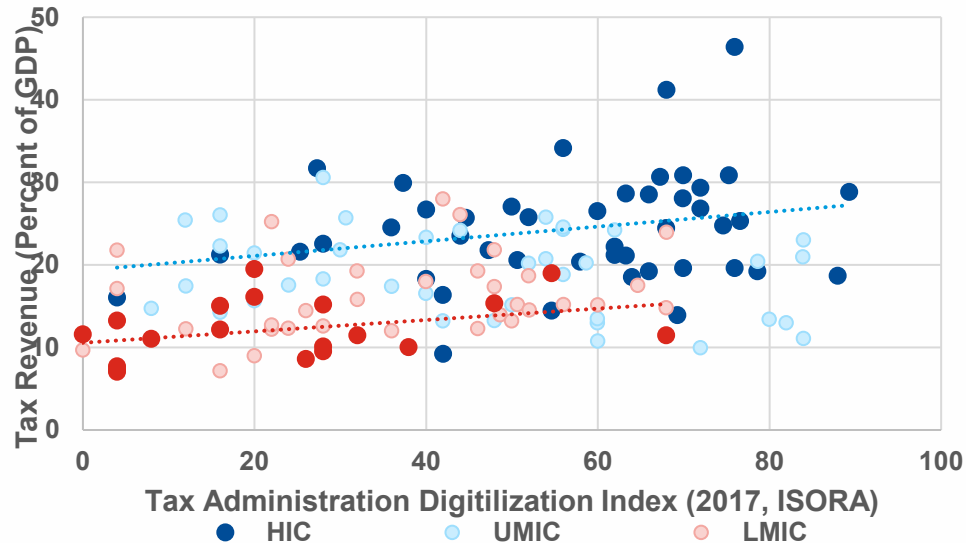
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Fiscal Affairs Department

“The views expressed in this presentation are of the authors and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.”

Opportunities from digitalization

Pandemic a spur to wider use of digital methods in revenue administration

- With signs that those using them more have fared better
- But has to be implemented well!



Opportunities, but challenges too

- Multinationals with no physical presence
- On-line platforms with hard-to-tax participants – but platforms can play role in tax collection too

Globally, Two Macro Challenges

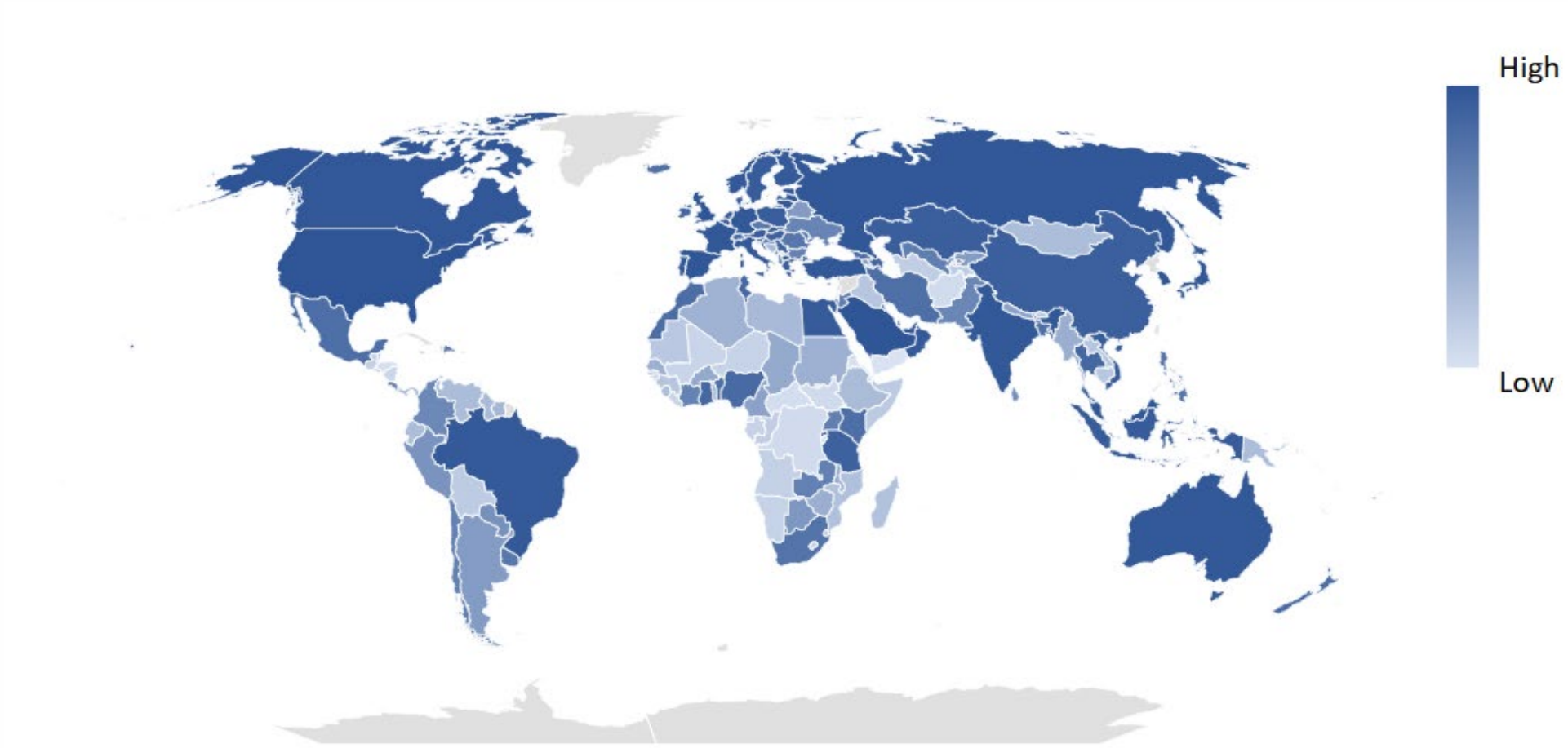
1. Increasing Productive ICT Expenditure

Country Group	ICT Expenditure ¹ (Median % of Op. Exp.)			General Gov. Revenue (% of GDP)		
	2021	2020	2019	2021	2020	2019
Advanced Economies	11.34	9.95	11.64	36.92	36.12	35.71
Euro Area	6.80	7.55	5.74	47.17	46.38	46.28
Major Advanced Economies (G7)	13.64	11.19	11.07	36.85	36.10	35.59
Other Advanced Economies	14.58	13.92	12.22	33.26	31.91	32.00
European Union	7.08	8.21	9.88	46.63	45.97	45.90
Emerging Market and Developing Economies	5.35	3.09	2.80	25.92	24.89	26.81
Emerging and Developing Asia	5.94	3.06	1.17	24.24	23.17	25.00
Emerging and Developing Europe	6.98	8.82	7.25	35.05	35.06	35.70
Latin America and The Caribbean	6.49	5.63	5.84	29.80	28.48	30.57
Middle East and Central Asia	2.14	0	.48	25.58	24.44	26.91
Sub-Saharan Africa	1.10	1.78	.61	17.07	15.63	16.97
Worldwide	5.70	5.09	5.08	-	-	-

¹ Direct ICT expenditure by tax administrations (excluding DPI, e-government, other shared services).

Source: IMF ISORA and WEO Databases. Approximately 169 Countries Represented.

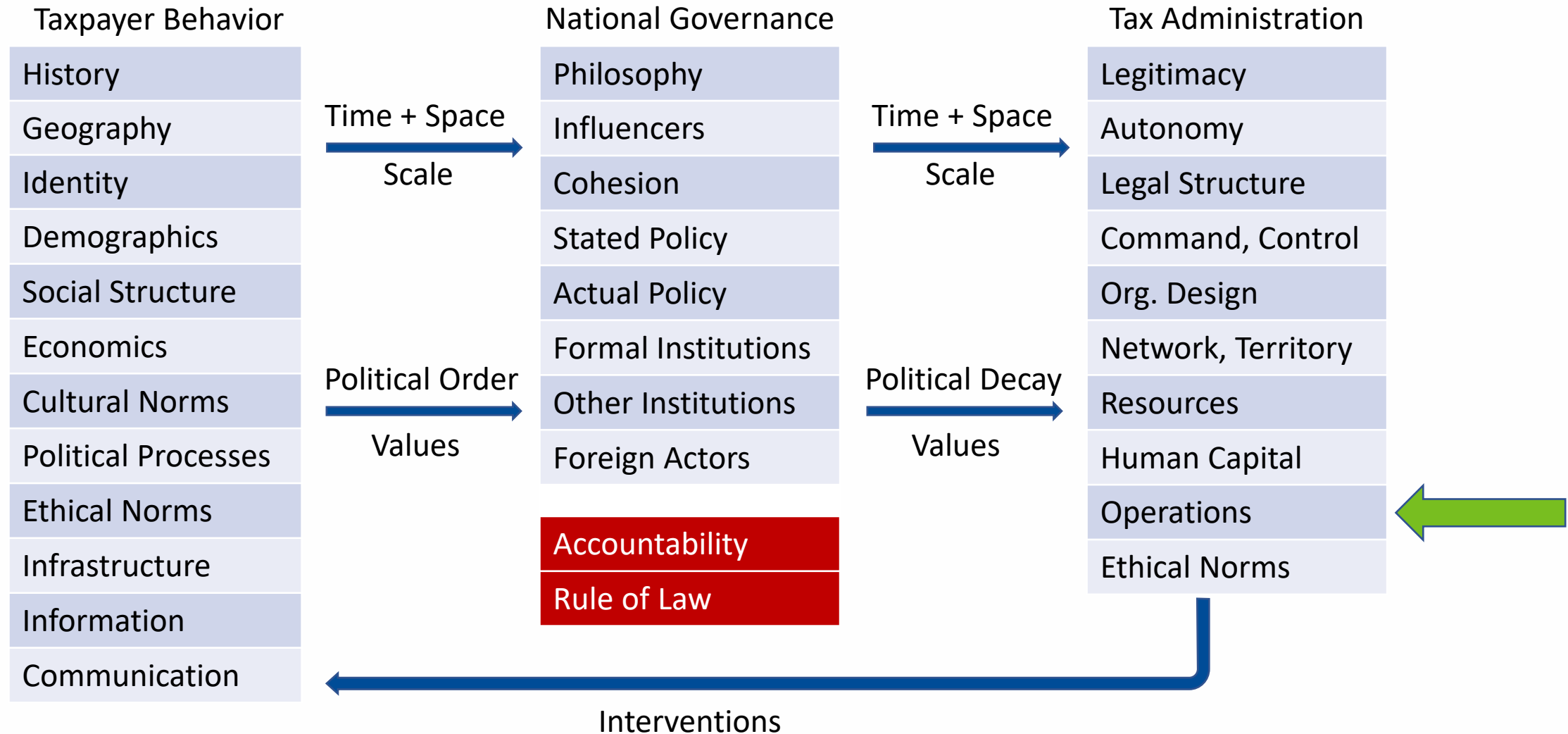
2. Addressing Cybersecurity ... and information security



Source: UN ITU 2020 Global Cybersecurity Index

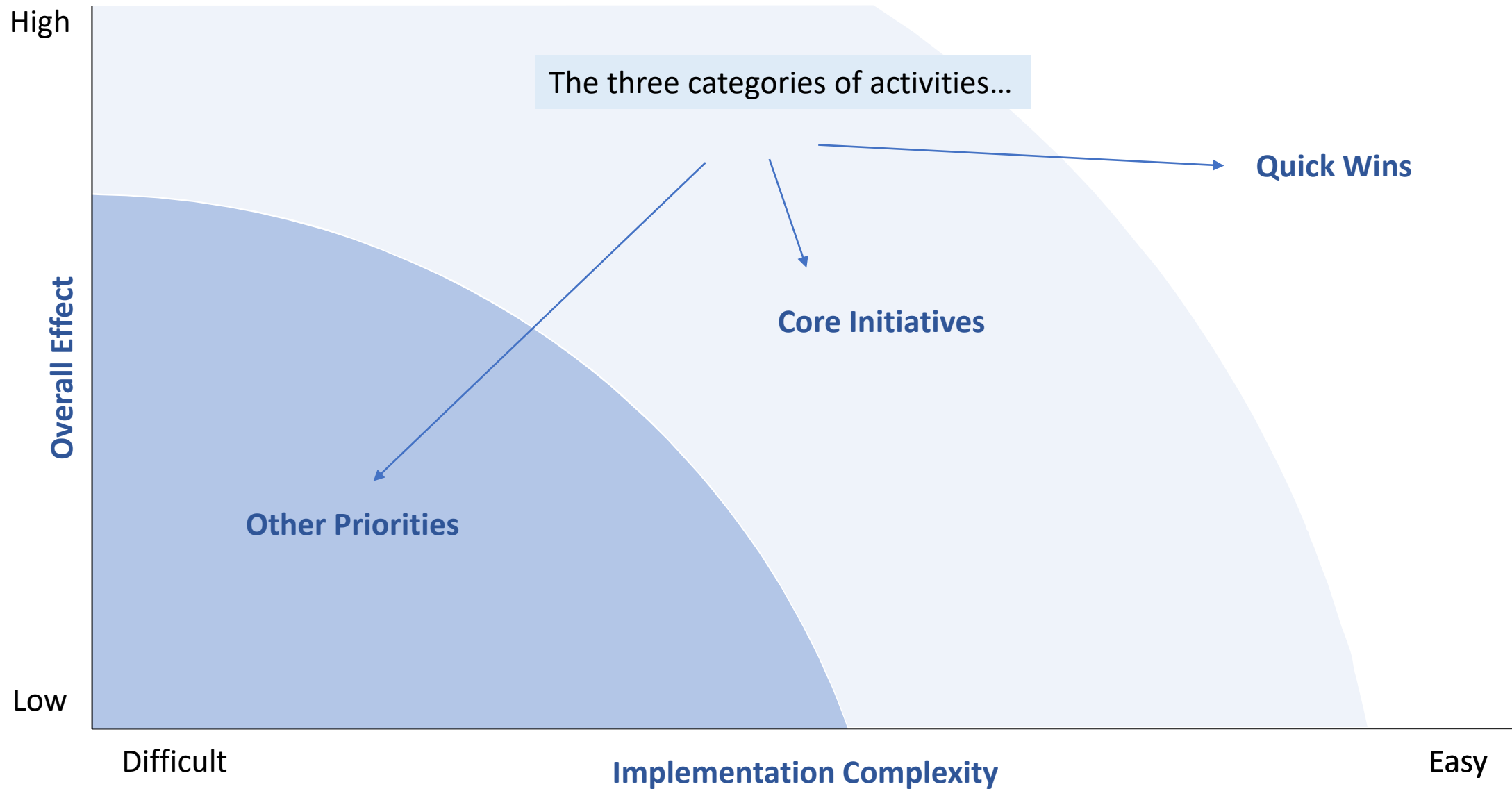
At National Levels, Five Key Challenges

1. Keeping Digitalization in Context



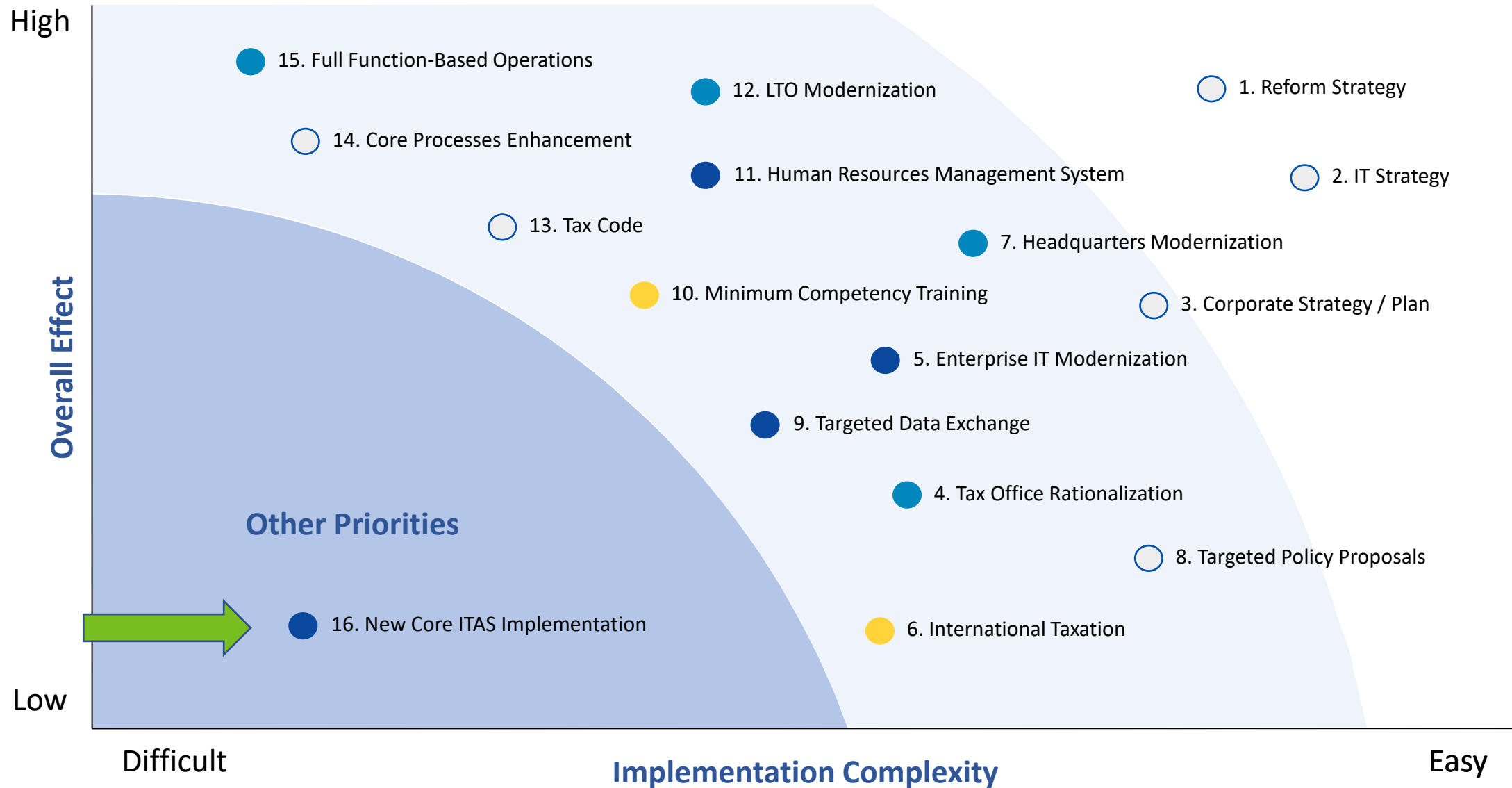
2. Prioritizing Value in Reform Planning

● Human Capital ● Organization Design ● IT ● Strategy & Operations



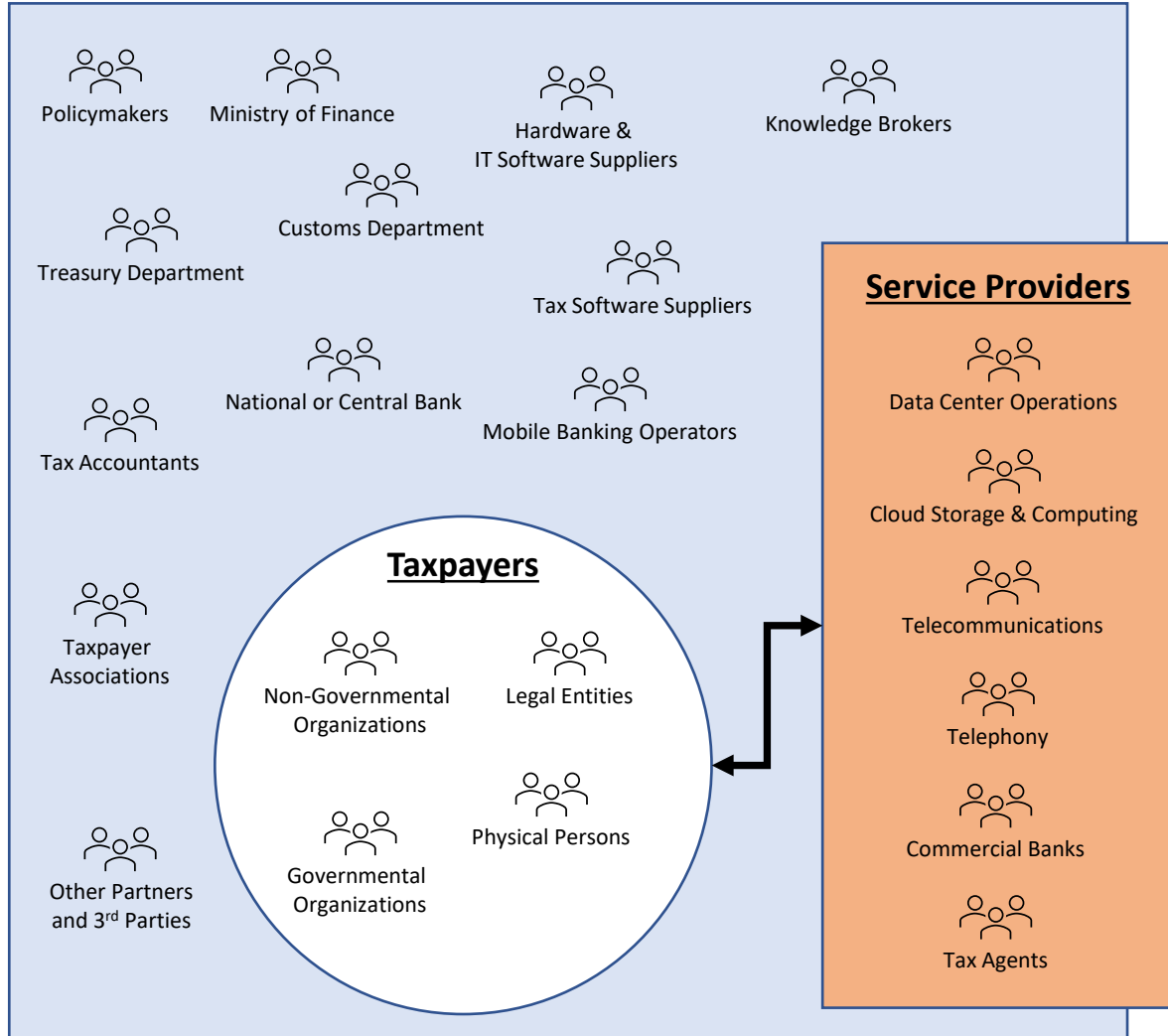
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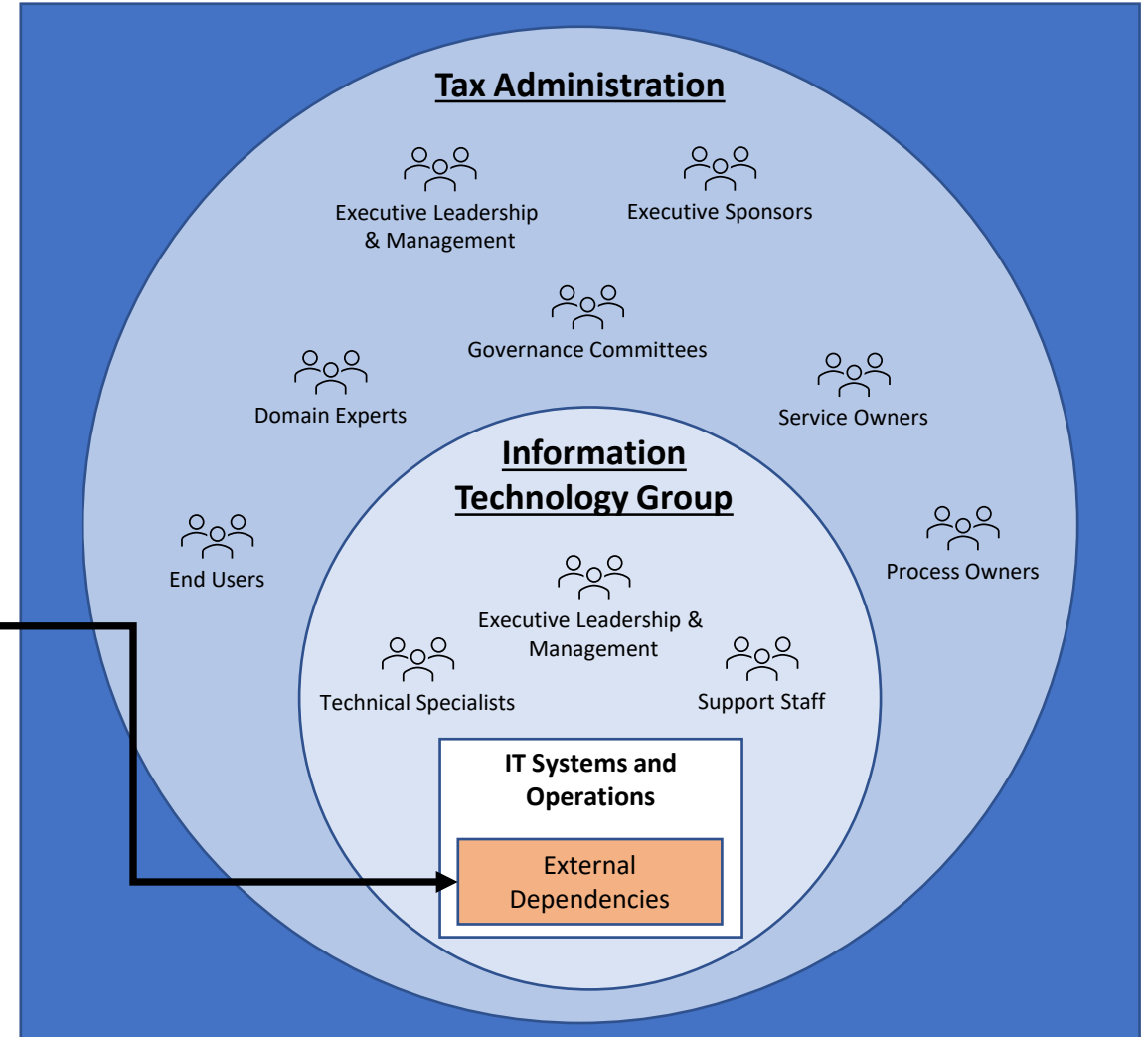


3. Advancing Ecosystem Development

External Stakeholders



Internal Stakeholders



4. Scoping Productive Digital Transformation

Dimension of Change

Operating Context

Digital Public Infrastructure

Digital Fiscal Ecosystem

Revenue System

- Tax Policy
- Legislation
- Tax Administration



Illustrative Focus and Range of Potential Topics

Readiness: Digital Policies, Connectivity, Literacy

Integration: Identity, Payments, Data Exchange

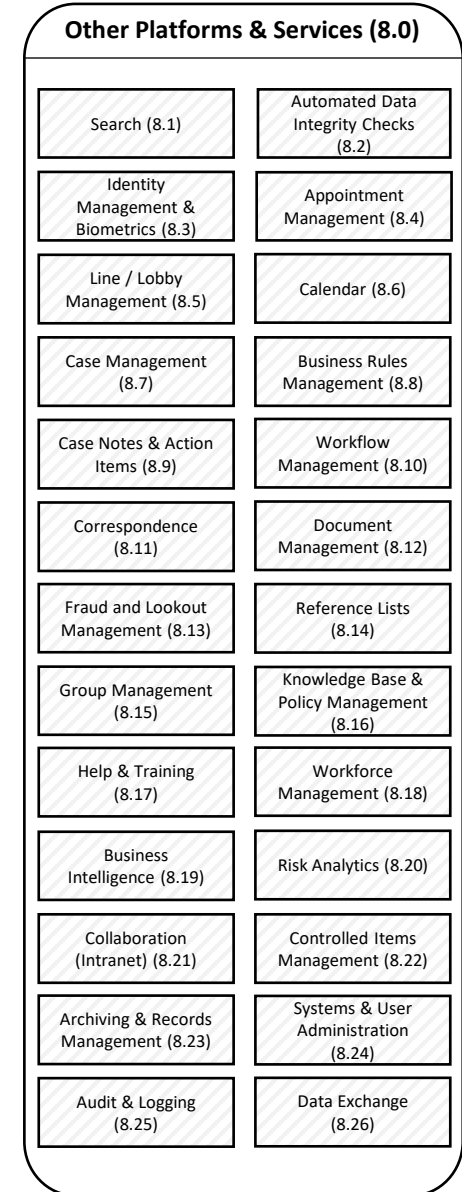
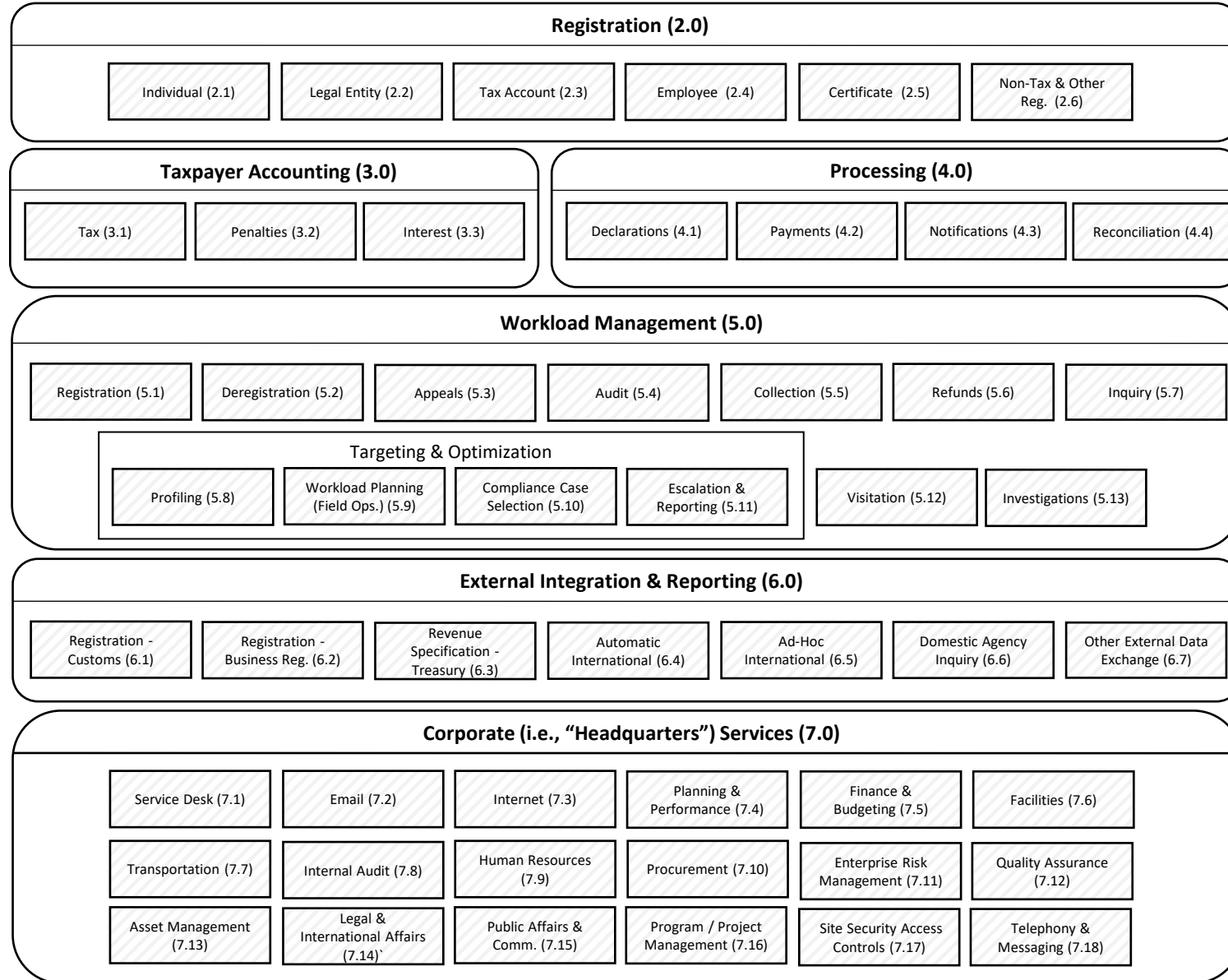
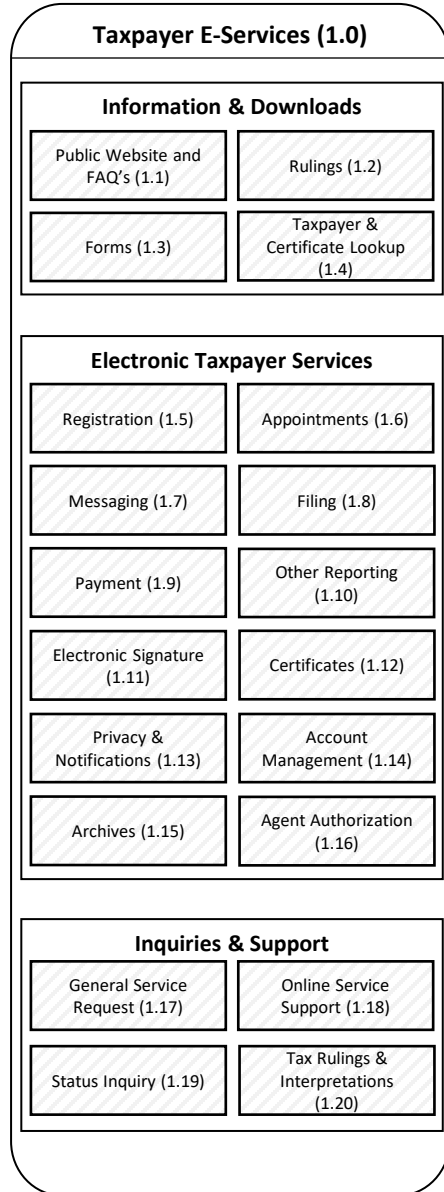
Orchestration: Standards, Processes, Interactions

Policy Agenda: Compliance, Deliberation, Formulation

Organization: Reform, Optimization, Transformation

Operations: Digitization, Digitalization, Automation

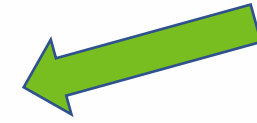
5. Moving Beyond Core Digital Operations



What's Next? Artificial Intelligence

Digital Operations and AI: Fifty Years of History

Natural Systems	2024+	<u>Legal & Ethics</u>
Digital Transformation	2020 – 2024	Generative AI
Big Data, Data Warehouse	2010s	Machine Learning
Electronic Services	2000s	Advanced Analytics
Core Process Automation	1970 – 1990s	Expert Systems
Digital Infrastructure		Artificial Intelligence



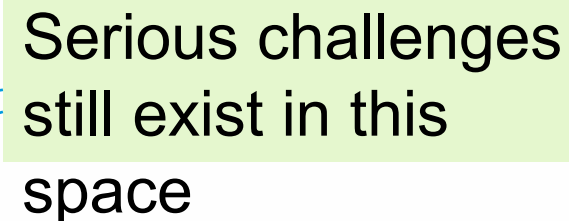
Digitalization Potential

Digitalization Potential: Operational

The biggest opportunities for most developing tax administrations remain unchanged in recent years:

- Digitalizing and automating:
 - Core tax administration processes
 - Centralized support services
- Extending digitalization to the rest of the organization to achieve a fully paperless work environment
- Introducing a handful of new, high-value electronic capabilities (e.g., e-invoicing, e-audit)

Serious challenges still exist in this space



Digitalization Potential: *Institutional*

Important institutional reforms and capabilities enabled by digitalization are still relevant, including:

- Improvements in organizational design and delivery:
 - Transition to function-based administration
 - Changes in the degrees of tax office autonomy
 - Centralization or decentralization of key functions
 - Standardization of operations across offices

- Effective use of data to improve performance outcomes

Thank you!

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with the help of the new IMF portal

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