

**The 5th IMF-Japan High-Level Tax Conference for Asian Countries**  
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**Revenue Administration—Gap Analysis Program**  
**(RA-GAP)**

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# What is the IMF RA-GAP program?

- 1. An evaluation of a RA's operations to assess their effectiveness in collecting taxes**
  - Conducted by IMF staff working closely with local teams familiar with operations, tax design and policy, and statistical data.
  - A long-term goal is to build local capacity for execution of a similar domestic program.
- 2. This assessment aims to estimate the “tax gap”.**



# Overview

## Why RA-GAP?

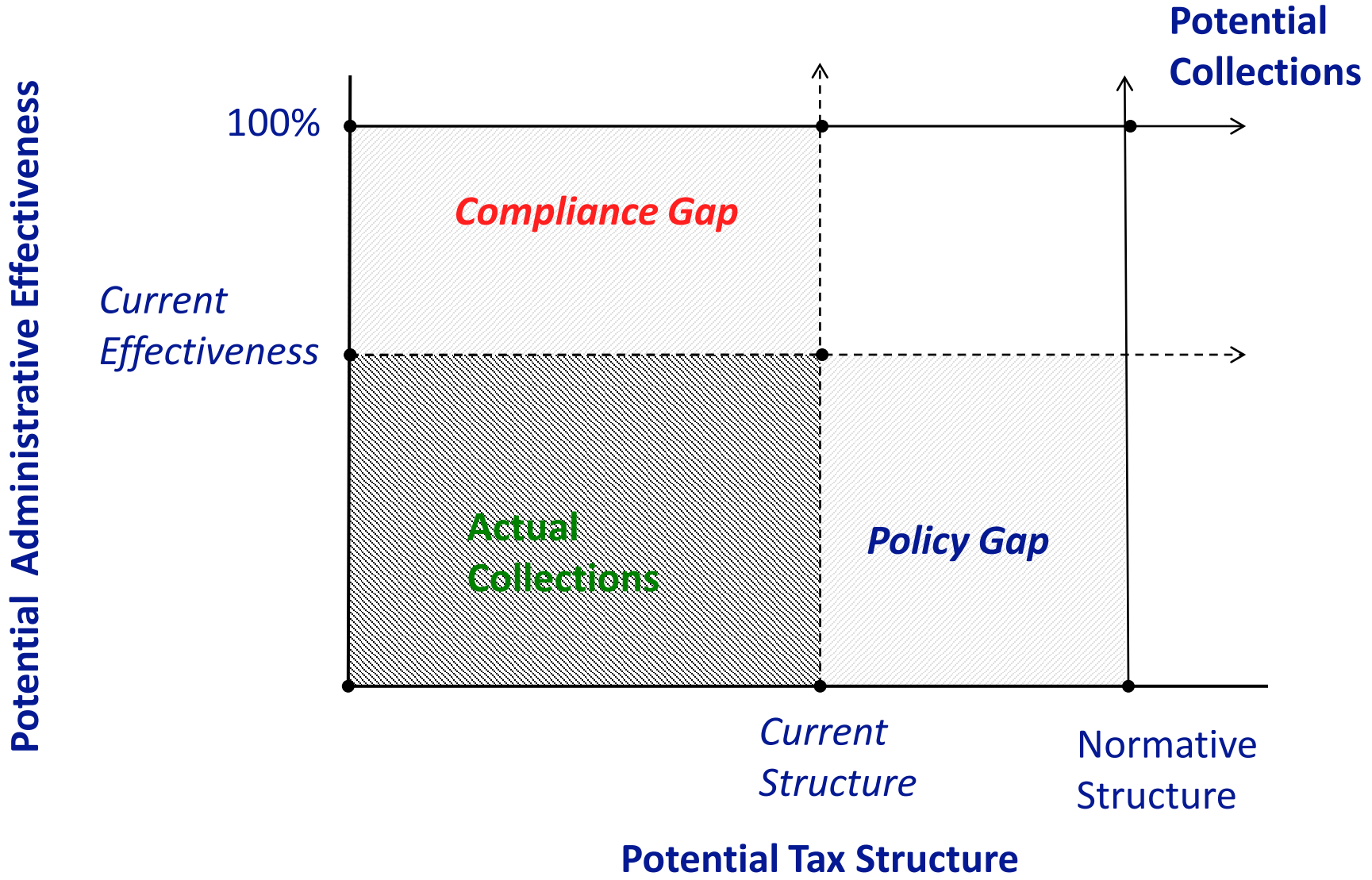
- Lack of systematic measurement of tax gaps.
- The goal of RA-GAP:
  - Estimate the tax gap (consistently)
  - Identify some of the underlying causes for the gap
- Tax gap is a crucial key performance indicator (KPI) for a revenue administration's overall effectiveness in collecting tax revenues.
- **As important to be able to identify what is contributing to the gap**



# What is the tax gap?

1. **Loose definition: *the difference between potential collections and actual collections***
  - Incorporates the impact on collections of both compliance issues and the policy structure.
  - ‘Tax gap’, ‘policy gap’ and ‘compliance gap’ are often used interchangeably (poor practice!)
2. **The overall tax gap can be decomposed into the Compliance Gap and the Policy Gap**
  - Compliance gap: difference between potential collections and actual collections given the current policy framework.
  - Policy gap: difference between the potential collections given the current policy framework and some normative policy framework (i.e. single rate, broad base) given the current composition of GDP.
3. **The RA-GAP model and methodology assesses both components of the tax gap**
  - More focus on compliance gap in this presentation than policy gap
  - There are already well established ways of estimating tax expenditures

# Visualizing the tax gap:





# Why is the tax gap so important?

1. **Key to measuring the overall effectiveness of a revenue administration.**
  - It is a measurement of effectiveness in maximizing revenue collection.
2. **It also helps in assessing changes in effectiveness.**
  - Systematic measurement of the tax gap allows assessing trends. Thus it is also a component of results based management for an administration.
3. **Measures fiscal risk and scope for revenue mobilization**
  - Identifying compliance and policy gaps separately helps identify appropriate treatments and risk management strategies.



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3. Operationalisation of tax gap brings together economics, fiscal policy and compliance intelligence in a common framework



# RA-GAP—Ongoing TA program

- 1. Several VAT gap analyses finished or underway**
  - Finished: Portugal, Estonia, Slovakia, Philippines, Uganda
  - Ongoing: Denmark, Finland, Greece, Colombia
  - Coming (RAP plans): Peru, South Africa, Thailand, Nepal, Jordan, Cote D'Ivoire, Morocco
- 2. RA-GAP also assesses countries' tax gap analysis (e.g. UK) and conducts revenue analysis (Georgia)**
- 3. RA-GAP stay in touch with an informal network of tax gap analysts to discuss measurement issues and share best practice**
- 4. Increasing worldwide interest, and demand for RA-GAP services is outstripping our resources**