Opening Remarks by Mr. Vitor Gaspar, Director, Fiscal Affairs Department

6th IMF-Japan High level Tax Conference for Asian Countries, Tokyo, Japan
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It is my great pleasure to welcome you to the 6th IMF-Japan High Level Tax Conference for Asian Countries, organized by the Fiscal Affairs Department of the IMF and the Japanese Ministry of Finance.

As the new Director of FAD, I am thrilled to be attending this event for the first time. I quickly gathered from my colleagues that this is one of the landmarks of FAD's year. This event is building a strong community of interest in tax administration and policy within the region. The Conference also has a reputation for building on feedback from participants to identify timely and important topics for discussion.

All this is borne out again this year. We have participants from 17 countries, and it is a pleasure also to welcome colleagues from the Asian Development Bank and OECD. Looking at the agenda, I see a nicely-balanced mixture of perennial, core issues with others that are more novel and at the cutting edge of the global tax debate.

Before going into some of these issues, it is worth remembering that we are now well into the run up to the Financing for Development conference, to be held in Addis Ababa in July. This is a potentially critical event at which the world will consider how to meet the financing needs of developing counties. We will be moving from the era of the Millennium Development Goals that come to an end this year to new Sustainable Development Goals that will run to 2030. Strengthening domestic revenue mobilization is clearly pivotal. The timing could not be better to discuss the real challenges and opportunities that countries in the region face in pursuing their objectives for domestic revenue mobilization.

In my remarks I would like to highlight five prominent issues that will be discussed during the course of the Conference.

First is the challenge of **improving tax compliance.** This is the subject of a recent policy paper that FAD prepared for the Executive Board of the IMF, and is expected to be made publically available in coming weeks. The presentation by FAD later in the program will draw on the findings of this paper. While country circumstances vary greatly, there are broad similarities in the problems that tax administrations face. A clear example is in dealing with the hard-to-tax, such as professionals and high wealth individuals. What is needed, in the broadest terms, is a carrot and stick approach: an appropriate balance between making it easy for taxpayers to comply with their obligations—the carrot—and the possibility of detection and punishment if they do not—the stick. And there are well-established tools by which tax administrations can tip the balance in favor of compliance, notably by withholding and the use of third party information. But our own work also stresses the importance of understanding and quantifying noncompliance. So you will hear a good deal about 'compliance gaps', and what we have been learning in our work on their measurement, determinants, and value in pursuing revenue administration reform.

A second challenge is the **design of implementation strategies for increasing the impact of tax administration reforms.** The question here is simple but profound: What do we know about how to make good revenue administration reform actually happen? This requires taking a close look at the interests and incentives of a wide range of stakeholders: politicians, tax administration management, tax administration staff whose interests may differ from those of management, business, civil society and others. Can these lead to inertia? If so, are there ways to overcome it? What is the role of technical assistance providers like the Fund? There is clearly much to learn here from countries' own experiences. We are delighted that a number of participants have agreed to speak on what they have learned that works—and that which does not work.

A third important issue is **wealth-related taxes**. Increased inequality in many parts of the world has led to a renewed interest in fiscal measures that might bring about more equitable outcomes. Previous workshops have discussed progressivity in general terms. But public debate has been moving more specifically to taxes on elements of wealth. It is not just about annual taxes on total wealth. There is discussion about inheritance and gift taxes, or taxes on particular forms of wealth, such as real estate or land. These taxes had been on the wane in many parts of the world, but interest has revived markedly—spurred of course by Thomas Piketty's book. Explicit wealth taxes are not common in the region and it is timely to ask: Why not? Do they have unused potential? Or are they simply impractical, and add little to what could be achieved by taxing the income from capital more effectively? This Conference is traditionally marked by lively and spirited debate—but I suspect things will be especially spirited when it comes to this topic.

A fourth issue is that of **tax incentives.** This refers to tax treatment that departs from the national norm. The concern, simply put, is that tax incentives may yield benefits that are far outweighed by their revenue cost. Moreover, they can proliferate into a downward spiral of tax competition from which, ultimately, no or only a few countries benefit. The Fund and other expert advisors have for many years called for caution. Indeed, one of the first FAD working papers, back in 1967, was precisely on the dangers that tax incentives can pose for developing countries. Sad to say, it reads as if it were written yesterday. Yet incentives continue to proliferate. So we need to ask why this advice, often shared by Ministers of Finance, has not had more traction. Does it reflect the influence of other stakeholders, along the lines I just mentioned? Or have incentives actually proved more beneficial than we have often tended to think? The general question here is whether there is scope for more effective and efficient use of investment tax incentives in developing countries and, if so, what are the tools and principles by which this can be achieved.

This is a topic rarely far from our minds in our technical assistance work. It is very much a focus now as we work together with the OECD and other international organizations on a paper on this topic requested by the Development Working Group of the G20. This is very much work in progress, and we greatly look forward to learning from your own experiences in this area. What is relevant here is not only the design of incentives themselves, but the governance and transparency relationships and processes surrounding them. Questions also arise as to the potential role in this context of regional tax coordination—something the Fund has worked on in many parts of the world.

The last issue I will highlight in my remarks is that of **international taxation.** This is the focus of the current and ambitious G20-OECD BEPS project. Our own work at the Fund was set out in a policy paper on International Tax Spillovers last year. We suggest that international taxation issues are at least as important for developing countries as for developed. With that in mind, we have set aside a third day of the conference for two sessions on this topic. These sessions will be open to the public, a first for this workshop,

Our hope is to foster the wider dialogue on these issues and ensure that the special concerns of developing countries are heard. This again feeds into another request from the G20: for international organizations to encourage such a dialogue, complementing the important steps that the OECD has taken to bring developing countries into the BEPS process. To this end, we hope in the first part of that day to learn from you. We want to hear what your main concerns in this area are and how you would like to see them addressed. We will then turn to one issue which our own technical assistance has, for several years now, given us cause for concern. That is the question of deciding when the risks of entering tax treaties may outweigh any benefits, and how they need to be shaped so as to minimize those risks.

As you can see, we have a full and exciting agenda ahead. I wish you lively and instructive discussions—as I understand is indeed traditional at these events. And I look forward too to further cementing of the relationships you develop amongst yourselves, which we see as one of the primary benefits of this forum.

In closing, let me thank our co-host, the Ministry of Finance, for its generous support to the conference, and staff of the Fiscal Affairs Department and Regional Office for Asia and the Pacific for their efforts for making this conference possible.