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## SPECIAL SERIES ON COVID-19



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## POLICY RESPONSES TO COVID-19



# Post-Covid Revenue Mobilization Strategies

**41ST CATA ANNUAL TECHNICAL CONFERENCE**

**NOVEMBER 9-11, 2021**

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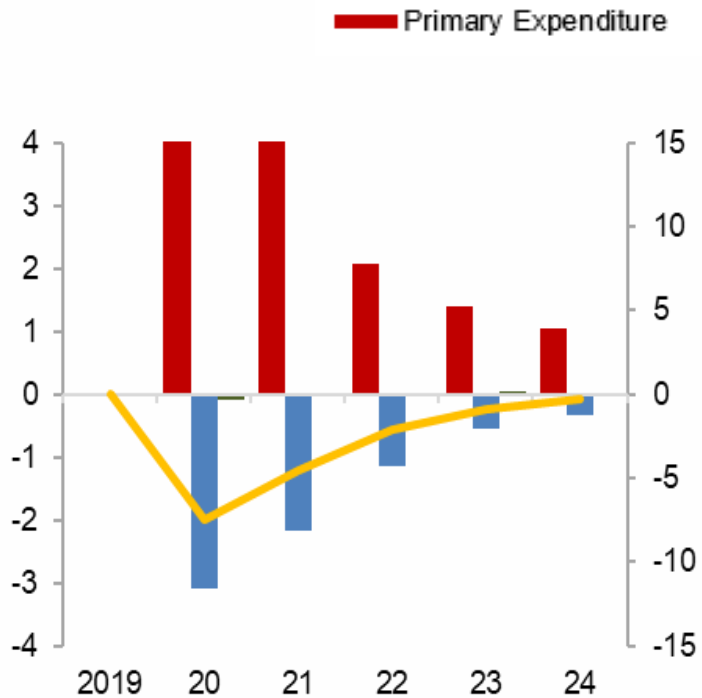
The views expressed in this presentation are of the authors and do not necessarily represent the views of the IMF, its Executive Board, or IMF management



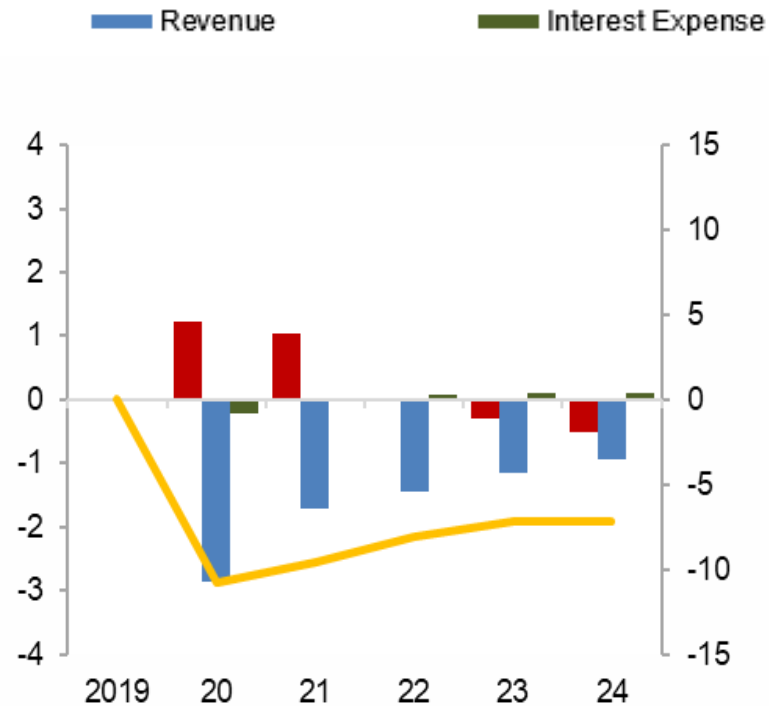
# Effect of COVID-19 Pandemic on Forecasts of Fiscal Aggregates and GDP

(Deviation from pre-pandemic projection as a percentage of 2019 GDP, simple average)

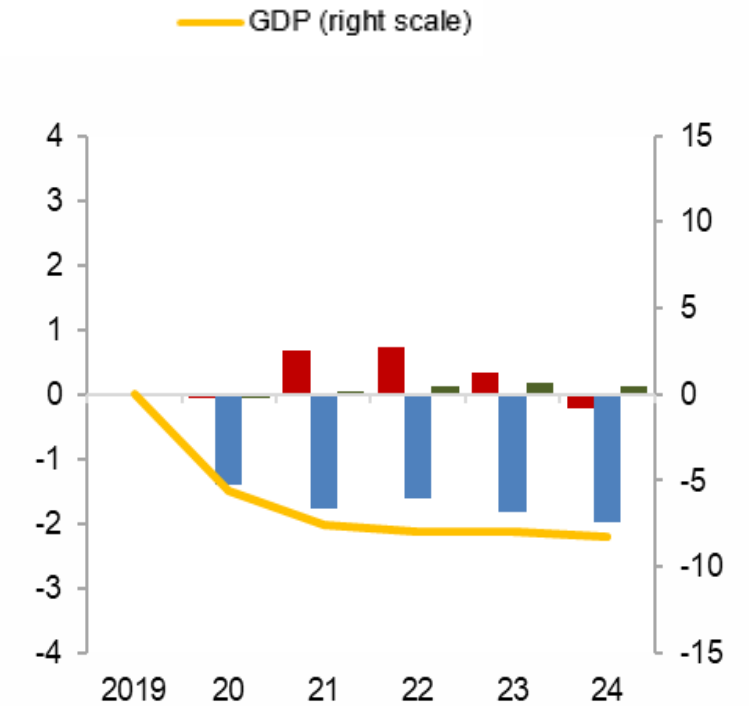
## 1. Advanced Economies



## 2. Emerging Market Economies



## 3. Low-Income Developing Countries



Source: IMF, World Economic Outlook Database; and IMF staff estimates. (Fiscal monitor October 2021 p.2)

Note: All quantities are converted into 2019 prices using the projected evolution of the GDP deflator



# Revenue administration responses to COVID-19



- Different responses across countries
- Highly dependent on state of development and technology available
- Ease taxpayer obligations
- Temporary reductions in enforcement
- Ensuring business continuity



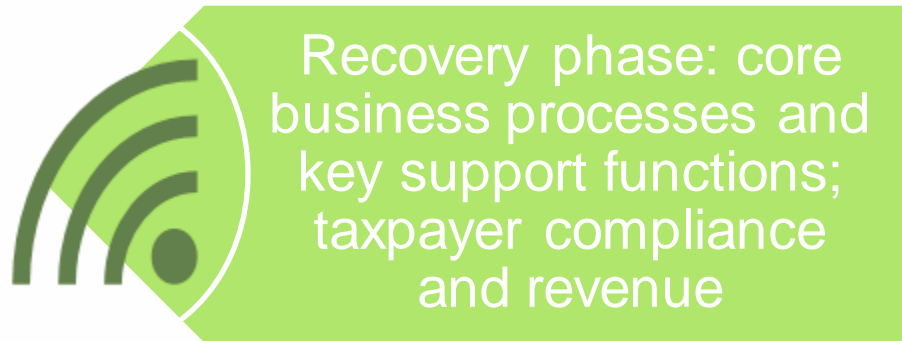
# Reinvigorating revenue administration operations

- **Challenges**

- Restrictions on staff availability
- Taxpayers still recovering
- New compliance risks
- Phasing out temporary measures
- Addressing backlogs

- **Management of recovery phase**

- Set up special management arrangements
- Launch timely planning
- Communicate plans to stakeholders





# A tailored multi-dimensional approach

Administrations and taxpayers must work together *to support a healthy economy* keeping as many viable businesses as possible operational, while promoting compliance

- Intense pressure to resume 'normal' collection
- Revenue is a pressing need---but mindful of economic impact of COVID-19
- Approach to taxpayers a crisis moderates and in post-crisis period
  - ▣ Heavy-handed approach could present reputational risk and negatively impact compliance
  - ▣ But...tax obligations are payable and must be reported/collected at earliest opportunity

Balancing realities requires a **thoughtful, fair, and tailored approach**, considering impact of COVID-19 on economy and individual taxpayers



# FISCAL AFFAIRS Six Post-Crisis Revenue Generation Principles

1. Focus on **industries** less impacted by COVID-19 and **new businesses** that emerged or grew due to the pandemic

2. Identify **key revenue streams**

3. Focus on **taxes** where frequent remittances are required

4. Make it **easier for taxpayers** to comply

5. Use a **tailored approach** to managing arrears

6. **Protect** the tax base



# 1. Focus on less impacted and new businesses

- Segment-based approach
  - Concentrate initially on large...and then medium-sized taxpayers
  - Focus on industries with increased economic activity, e.g., delivery services, online sales
    - ▣ Ensure these businesses are registered and meet filing, reporting, payment obligations



## 2023 Agenda: Identify key revenue streams and specific taxes

- Identify **key revenue streams** and work with taxpayers to ensure obligations are up to date
  - Industry-based or taxpayer size (large taxpayers, high wealth individuals)
  - Across the compliance continuum (registration, filing, correct reporting, payment)
  
- Focus on **taxes** where frequent remittances are required
  - VAT/GST
  - PAYE





## 4. Make it easier for taxpayers to comply

- Move to e-payment and e-filing
- Increase services to promote voluntary compliance
- Adopt proactive, service-oriented approach to get taxpayers to file:
  - ▣ Issue payment and filing reminders before due date
  - ▣ If taxpayers are behind, bring them up to date quickly – enabling future compliance and providing data for risk profiling or eligibility for government support
  - ▣ Tailor reminders for revised deadlines



## 5. Use tailored approach to manage arrears

- Aim to clear backlogs but don't neglect high-value new debts
- Risk assess arrears accounts (large debtors, less affected industries, new debts)
  - Use available collection powers and in-person approach
- For those who cannot pay in full, use payment plans
- Introduce self-serve options for lower-value arrears
  - Provides flexibility and a 'no-intervention' approach to collecting smaller debts



## FISCAL AFFAIRS

# 6. Protect the Tax Base

- Ensure Compliance with Eligibility Criteria for Relief Measures
  - Establish compliance review mechanism to ensure only those eligible have received payment or accessed the relief measures
    - ▣ Temporary resources may be needed
- Where benefits are claimed by ineligible recipients, quickly address fraudulent claims and recover funds to maintain integrity of tax system



## FISCAL AFFAIRS **And then what....?**

- Revenue flows re-established as businesses resume more normal operations
- More stable office working environment
- Incorporate good practices from short-term measures into standard practices to manage taxpayer compliance
- Evaluate compliance risks in 'new normal' to develop a domestic revenue mobilization plan for longer-term revenue sustainability and improved compliance
- Build on new approaches and ways of working in next strategic planning cycle



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# Thank you!

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